PV Crystalox Solar PLC Annual Report and Accounts 2008

The key to solar power

PV Crystalox Solar PLC

CORPORATE STATEMENT

PV Crystalox Solar, initially established in 1982, is a highly specialised supplier to the world's leading solar cell manufacturers, producing multicrystalline silicon wafers for use in solar electricity generation systems. The Group was one of the first to develop multicrystalline silicon technology on an industrial scale, setting the industry standard for ingot production.

The Group manufactures silicon ingots in Oxfordshire, United Kingdom, and carries out wafer production for European customers at its facilities in Erfurt, Germany. Wafers for customers in Asia are produced in Japan. The Group's own polysilicon production is due to begin in Bitterfeld, Germany in May this year.

PV Crystalox Solar was admitted to the main market of the London Stock Exchange on 11 June 2007 and entered the FTSE 250 in September 2007. The Group's production output of silicon wafers during 2008 was sufficient for production of solar modules (for solar electricity generation systems) with total peak output of 230MW.

FINANCIAL HIGHLIGHTS

- Group's silicon products revenue up 28.6% to €273.8 million
- Adjusted EBIT (excluding currency gains) up 60.7% to €106.5 million
- Earnings after tax up 119.7% to €103.2 million
- Cash flow from operations up 40.6% to €89.0 million
- Free cash flow of €22.9 million after net capital expenditure of €61.0 million
- Net cash (cash less external loans) on 31 December 2008 of €81.1 million
- Total dividend 6.0 Euro cents (payable in Sterling) up 140%

SALES OF SILICON PRODUCTS
+28.6%
€273.8 million

EBIT
+111.5%
€142.8 million

OPERATING CASH FLOW
+40.6%
€89.0 million

BASIC EARNINGS PER SHARE
+110%
25.2 Euro cents

OUR YEAR

MARCH 2008
Extension of polysilicon supply agreement with major supplier

JULY 2008
Signing of contract with Suntech for the supply of wafers from 2008 to 2013

JUNE 2008
Signing of contract with Intel spin-off SpectraWatt for the supply of wafers from 2009 to 2013

OCTOBER 2008
New four year contract signed with the Group's longest standing customer for the supply of wafers

DECEMBER 2008
Mechanical completion of polysilicon plant at Bitterfeld and permission granted by the authorities to operate the plant

FEBRUARY 2009
Inauguration of polysilicon plant at Bitterfeld

The Directors' Report on pages 12 to 15 and the Director's Remuneration Report on pages 23 to 26 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to PV Crystalox Solar PLC.

The directors submit to the members their Annual Report and financial statements of the Group for the year ended 31 December 2008. Pages 2 to 26, including the Chairman's Statement, Business Review, Directors and Advisors, Directors' Report, Statement of Directors' Responsibilities, Corporate Governance Statement, Corporate and Social Responsibility Statement, Directors' Remuneration Report form part of the Report of the Directors.

CHAIRMAN'S STATEMENT

MAARTEN HENDERSON
NON-EXECUTIVE CHAIRMAN

We will continue to evaluate strategic opportunities,

SUMMARY OF CHAIRMAN'S STATEMENT

- Another very good year for the Group
- We have retained a solid position within the FTSE 250 index
- We have strengthened partnerships through the signing of long-term agreements
- Employed a number of personnel in key positions including the appointment of Matthew Wethey as Group Company Secretary

I am delighted to report that 2008, our first full year as a public company, was another very good year for the Group, with growth in sales, operating profit and operating margin. We have maintained our very strong cash position despite significant levels of investment in our Bitterfeld polysilicon facility and our ingot and wafer production capacity.

Group revenues totalled €274.1 million (up 4.0%) while underlying growth in our core silicon products business rose 28.6% to €273.8 million compared against 2007. Our EBIT excluding currency gains show a substantial improvement of 60.7% to €106.5 million. Earnings before taxes including the €36.3 million currency gain in the year was €147.2 million, an increase of 108.0% over 2007. Our strong cash conversion rate was demonstrated by our net cash flow from operating activities of €89.0 million. After continuing net capital investment of €61.0 million (mainly in respect of our new polysilicon plant at Bitterfeld) the Group enjoyed a positive cash flow of €28.0 million before financing activities.

The global economic crisis during the past year has led to significant volatility in share prices generally and a sharp decline in the share prices of many PV companies. However, the impact has been less severe on the share price of PV Crystalox Solar. Accordingly we have retained a solid position within the FTSE 250 index and have also outperformed the index in the period from the time of our IPO in June 2007 until 31 December 2008.

The Board recognises the importance of dividends to shareholders and has recommended a final dividend of €0.04 per share to be payable on 10 June 2009 to shareholders on the register on 15 May 2009. This is in line with our previous indications that the interim and final dividends in respect of each year will be paid in approximate proportions of 1/3 and 2/3 of the total annual dividend respectively. The recommended final dividend represents a 60% increase on the final dividend last year.

We have long established relationships with PV companies in our major markets, Japan and Germany. Our strategic focus remains on the major module producers with 68% of our silicon product sales made to customers in the top ten global companies.

Our strategic focus remains on the major module producers with 68% of our silicon product sales made to customers in the top ten global companies

whilst maintaining our prudent approach

Furthermore we have strengthened partnerships with several of these companies through the signing of long-term agreements. Our fundamental strategic philosophy remains one of prudent controlled long-term growth and we believe this philosophy has strengthened our position in these difficult times.

We plan to drive growth through a secured silicon feedstock supply and to expand our production capacity at a flexible rate to ensure a sustainable business. We believe that the availability of economically priced silicon and continual incremental cost reduction in the production of silicon wafers will be imperative to ensure the growth of the global PV market during the coming years. We continue on this path of solid controlled growth and have now strengthened our position by further diversifying the source of our silicon supply. Going forward we will continue to evaluate strategic opportunities, whilst maintaining our prudent approach.

Construction of our solar grade polysilicon facility in Bitterfeld, Germany has continued on schedule and within the budget of €100 million, which will be partially offset by the €21 million grants receivable in respect of the project. Since November 2008 all silicon production activities in Bitterfeld have been concentrated within PV Crystalox Solar Silicon GmbH, a newly formed 100% subsidiary of PV Crystalox Solar PLC. The inauguration ceremony was held on 4 February 2009 and was attended by Dr Reiner Haseloff, Minister for Economic Affairs and Employment of Saxony-Anhalt, the Board and numerous invited guests. We now anticipate that polysilicon production will start in May with a projected output of 450 metric tonnes (MT) in 2009 in balance with our current wafer production requirements. In the medium term our production target for 2011 remains at 1,800MT.

We recognise that the quality of our employees is one of the Group's key attributes and on behalf of the Board I would like to record our thanks to all of them for their outstanding commitment and contribution over the past year.

We have continued to develop and strengthen our organisation and have employed a number of personnel in key positions throughout the Group including the appointment of Matthew Wethey as Group Company Secretary.

The current economic uncertainty means that we remain cautious about the outlook for 2009. While the Board recognises that 2009 will be a challenging year for the PV industry we remain positive about our medium term prospects. We believe the PV Crystalox Solar Group is well positioned for future growth with our own internal silicon production complementing our contracted polysilicon supplies and enabling us to strengthen our position as one of the PV industry's leading wafer producers. Furthermore, the Group's strong cash position, which is a direct consequence of our basic strategic philosophy, will provide a significant advantage.

MAARTEN HENDERSON
CHAIRMAN
25 March 2009

BUSINESS REVIEW

DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER

DR PETER J. FINNEGAN
CHIEF FINANCIAL OFFICER

SUMMARY OF BUSINESS REVIEW

- Achieved a strong operational performance during 2008
- Demand for our products in 2008 was strong and was driven by increase in the global PV module market
- We are expanding our wafering capacity both in-house and with our subcontractor in Japan

PV Crystalox Solar is committed to systematically

INTRODUCTION

We achieved a strong operational performance during 2008 with improved silicon utilisation and production efficiencies enabling us to deliver considerable improvement over the previous year. Sales of our core silicon products increased by 29% to €273.8 million (2007: €212.9 million) while adjusted EBIT (excluding currency gains) was €106.5 million, an increase of 46.6%. Wafer shipment volumes increased by 21% to 230MW (2007: 190MW), reflecting the processing of additional contracted polysilicon deliveries which started in the second half of 2007 coupled with improved silicon utilisation.

Demand for our products in 2008 was strong and was driven by an increase in the global PV module market. According to industry consultant, Solarbuzz, module installations grew by 110% to 5.95GW with Spain surpassing Germany to become the largest market and accounting for 2.46GW (41% of total installations).

As expected there has been no resumption of our trading activity in the sale of single crystal ingots which stopped during fourth quarter 2007 at the request of our partners. Since the business was carried out primarily to facilitate relationships and at low margins, the impact on our overall profits has been minimal.

The Group had a free cash flow of €23 million in 2008 after spending €61 million on fixed assets net of grants in the year. This capital investment was mainly in connection with the construction of the polysilicon plant at Bitterfeld. Net cash balances totalled €81 million on 31 December 2008.

OPERATIONS AND STRATEGIC DEVELOPMENT

We continue to make progress in our medium and long-term aim of reducing further the cost of wafer production to enhance the Group's position as a low cost producer.

Effective silicon utilisation has been improved as our customers have progressively moved to thinner wafers and 65% of wafers shipped during the year were supplied at industry leading 180μm thickness. This momentum is being maintained this year with 82% of shipments made at this size in the first two months of 2009. Additional savings are being made by the progressive reduction in wire thickness from 140/150μm to 120μm. Furthermore the adoption of new technology for ingot cutting has also enabled a very significant reduction in silicon losses during block production. The new ingot wire saws have effectively reduced silicon kerf losses during cutting by more than 90% in comparison with the sawing equipment used previously.

The construction of our polysilicon manufacturing facility in Bitterfeld is proceeding on schedule with mechanical completion achieved in December 2008 and the final stages of commissioning currently underway. Initial polysilicon production is now expected to start in May with a projected output of 450MT in 2009 in balance with our current wafer production requirements. In the medium-term our production target for 2011 remains at 1,800MT.

During the year we have continued with the planned expansion of our ingot production capacity in the UK through the construction and installation of the Group's in-house designed systems. We expect to reach our capacity target of 350MW by mid-2009. In parallel we are expanding our wafering capacity both in-house and with our subcontractor in Japan.

Crucibles are filled with high purity silicon

Sales of our core silicon products increased by 29% to €273.9 million

Wafer shipment volumes increased by 21% to 230MW

enhancing leadership in the PV industry

BUSINESS REVIEW CONTINUED

SALES OF SILICON PRODUCTS

+28.6%

€273.8 million

EBIT EXCLUDING CURRENCY GAINS

+60.7%

€106.5 million

OPERATIONS AND STRATEGIC DEVELOPMENT CONTINUED

PV Crystalox Solar is committed to systematically enhancing its leadership in the PV industry as an independent producer of multicrystalline silicon wafers. By focusing on the wafer and not competing with our customers in cell production we are able to develop strong relationships with solar cell producers. It is our intention to be the one of the PV industry's cost leaders and to supply quality wafers at competitive prices whilst retaining attractive margins.

We have long established relationships with solar cell producers in Japan and Germany and these companies continue to represent the Group's major customer base. In 2008, 84% of our sales were made to these two geographic markets which, together with China, represent the three leading global PV manufacturing centres. Our strategy of cost leadership and flexibility is underpinned by carrying out wafer production in both Japan and Germany. This proximity of production to customers not only facilitates closer cooperation but also enables us to address rapidly changes in customer needs.

Furthermore our dual geographic wafer production locations help offset the influence of Euro/Yen exchange rate variations. We also recognise the growing importance of China as a manufacturing location and our sales in this region accounted for 6% of our revenues. The signing of our sales agreement with Suntech, China's leading cell/module producer, is expected to result in China accounting for an increasing proportion of our revenues in future years.

Although the PV industry sees an increasing number of new entrants to solar cell and module production, our focus remains on the major integrated cell/module producers. Customers within the leading ten PV companies accounted for more than 68% of our core silicon product sales in 2008. At the same time we are developing relationships with those smaller companies which we identify as having the potential to grow to become significant players in the market.

Multicrystalline silicon blocks

Quality management

Long established relationships with solar cell producers

During 2008 we have consolidated our partnerships with leading PV companies in Europe, Japan, Asia and the USA through the signing of seven new wafer supply agreements with predetermined prices and volumes. Customers include Q Cells, Suntech, Schott Solar and the Intel spin off, SpectraWatt. The newly contracted wafer volume is equivalent to 900MW over the period 2009-2011 and complements wafer supply agreements signed in 2007.

RISKS

The Board regularly reviews risks faced by the Group and how they may be mitigated. The principal risks and uncertainties can be summarised as follows:

- Continued government incentives are critical to the development of the solar electricity industry and without these the increased uptake of solar electricity may be slow to develop. The Group mitigates these risks by focusing supply on major PV companies which, through their superior market share and operating efficiencies, are better equipped to push product into the market.

- While the long-term prospects for the PV industry remain strong, the current economic uncertainty and the tight financing situation may reduce global demand in the short-term but the impact and its duration are difficult to quantify.

- Sales to a small number of customers represent a substantial portion of the Group's revenues and the loss of any major customer might impact significantly on the Group's financial condition. The Group seeks to mitigate this risk, however, by the use of long-term agreements wherever possible although the possible renegotiation of such contracts cannot be discounted in difficult market conditions. In addition we concentrate on customers that are financially strong with a clear strategic vision for the PV industry and accordingly the potential to be long-term major players in the industry.

- Loss of a key facility. The Group operates two ingot manufacturing facilities in the UK, a wafering operation in Germany, the Bitterfeld facility and is also reliant on a sub-contractor to process its ingots into wafers in Japan. Production problems at any one of these would interrupt revenue flows.

DR HUBERT A AULICH
PV CRYSTALOX SOLAR EXECUTIVE DIRECTOR, GERMAN OPERATIONS

Following the ground breaking ceremony in September 2007 the construction of the Group's production facility for solar grade silicon was completed in December 2008.

The site will allow the Group to produce solar grade silicon at favourable rates allowing it to further expand its international business profitably. The facility has been built in the Bitterfeld Chemical Park in Germany, which is one of the largest chemical production sites in Europe. PV Crystalox Solar will employ a modified version of the well established Siemens process, which has been optimised for solar applications. The process allows high purity silicon to be produced that meets the Company's specifications for its in-house multicrystalline wafer technology.

Evonik Degussa GmbH, Düsseldorf, the largest chlorosilane producer in the world, will supply PV Crystalox Solar with the high purity raw material Siridion® Chlorosilane in a fence to fence operation. The Company has signed a ten year contract with Degussa for the delivery of chlorosilanes.

The state of Sachsen Anhalt, the German Federal Government and the European Union have provided grants of approximately €21 million for the construction of the facility. The plant will create around 100 new jobs and will be one of the first industrial production sites in Europe dedicated exclusively to providing high purity silicon for solar electricity.

If the market develops according to expectations, we will be able to further increase the capacity

in Japan and Germany underpin our strategy

BUSINESS REVIEW CONTINUED

We have consolidated our partnerships with


Ingot bonding

EBIT
+111.5%
€142.8 million

PROFIT AFTER TAX
+119.7%
€103.2 million

RISKS CONTINUED

- Silicon availability is crucial to the efficient operation of the Group. The Group mitigates this risk by setting up its own silicon feedstock facility in Bitterfeld and by securing high quality feedstock at fixed prices from leading suppliers.
- The polysilicon facility at Bitterfeld represents a new technology area for the Group. In order to mitigate the execution risk and to ensure the most efficient operation we decided to locate next to and to purchase, rather than manufacture, the input gas silicon tetrachloride from Evonik, the world's largest manufacturer of chlorosilanes. Furthermore Evonik has been an engineering partner in the design and manufacture of large sections of the plant and has assisted us with commissioning of the facility.
- The Group's relationship with Evonik and their supply of silicon tetrachloride is critical for our production of polysilicon. This is secured by a ten year supply agreement.

OUTLOOK

Although the mid-term market drivers for the PV industry remain positive, the outlook for 2009 is uncertain with few credible forecasts of positive growth. It is generally expected that the dramatic contraction in the PV market in Spain coupled with the effects of the global economic crisis will result at best in flat market demand in 2009.

Group wafer shipments and prices remained strong both at the end of 2008 and in the first two months of the year. While revenues for the first quarter are expected to be above those achieved in the same period in 2008, visibility for the second quarter and beyond is limited by the difficult market conditions experienced by our customers. Market weakness has become evident during recent weeks and we are now working with a few of our customers to assist in these uncertain times by rescheduling deliveries. However, the net effect of the rescheduling is modest to date and is equivalent to less than 10MW in the first quarter.

leading PV companies

Mechanical handling

Solar facade and artwork outside the new polysilicon factory at Bitterfeld

In a market already showing resistance to modules of unknown quality produced by less established players, our focus on major PV companies is expected to offer some protection as these companies will be better able to market their products in this difficult environment and to cope with any financial stress.

We have contracts for supply of 275MW wafers in 2009 but the current economic uncertainties and lack of market visibility mean that we cannot be confident at this stage that these shipment volumes will be achieved. Wafer deliveries are scheduled to increase in the second half of the year as our production ramps up using polysilicon from our Bitterfeld facility. At that time, there is some expectation of a better solar market environment, with demand being boosted from growth in Germany, which is traditionally stronger in the second half of the year, and funds starting to flow to renewable energy companies from the US Government's economic stimulus bill, but timing and visibility remain uncertain.

Similarly in Japan, the Ministry of Economy, Trade and Industry (METI) has reintroduced a subsidy scheme for residential PV installations. This program will run at least until the end of 2010 and is expected to stimulate growth in PV installations which have declined in recent years following the withdrawal of earlier subsidies in 2006. Furthermore, METI is also considering the introduction of a feed in tariff scheme in 2010 similar to that successfully operating in Germany, which would oblige electricity utilities to purchase power generated by PV systems at approximately double the current electricity price.

An important component of 2009 will be the ramp up of Bitterfeld although the Group will not see significant output until the second half of 2009. The Group enters 2009 with a robust net cash balance of €81 million and this together with our strong customer base and cash generation ability will ensure that we are well positioned to benefit from the eventual improvement in global PV markets.

DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER
25 March 2009

DIRECTORS AND ADVISORS

Left to right: Dr Peter Finnegan, Dr Hubert Aulich, Maarten Henderson, Dr Iain Dorrity and John Sleeman.

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Dr Hubert Aulich
Dr Iain Dorrity
Dr Peter Finnegan
John Sleeman

COMPANY SECRETARY
Matthew Wethey

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BOARD OF DIRECTORS' BIOGRAPHIES

MAARTEN HENDERSON
CHAIRMAN

Mr Henderson, a Dutch national, graduated in economics from Hamburg University. He started his career at multinational electronics company Philips in 1972, where he held various commercial and financial positions, ending as Member of the Board of Management and CFO of Philips Kommunikations Industrie AG in 1996. After that, he was CFO and Member of the Board of Management of Schmalbach Lubeca AG an international packaging company listed in Germany from 1996 to 1999, of KPN N.V. the Dutch telecommunications incumbent listed in Amsterdam and New York from 2000 to 2004, and of Nuon N.V. a Dutch energy company from 2004 to 2006. In 2006 and early 2007, he worked for mobile service provider debitel AG as interim CFO and head of the divestment team. From April 2007 to October 2007 he worked as Member of the Board of Management and CFO for Getronics N.V. an international ICT services company listed in Amsterdam. From March until July 2007 Maarten Henderson had been appointed by Hagemeyer's general meeting of shareholders as Hold Separate Manager (a "B Director") of the Management Board of Hagemeyer N.V. a company listed in Amsterdam.

DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER

Dr Dorrity has a PhD in Physical Chemistry from Exeter University. Dr Dorrity joined the Company in 1986 and became responsible for sales and marketing in 1988. He was a member of the MBO team that acquired the Crystalox business in 1994 and was appointed to the Boards of both Crystalox Limited and Crystalox Solar Limited at that time. Subsequently following the merger of PV Silicon GmbH and Crystalox Limited he became a member of the management Board of PV Crystalox Solar GmbH in 2002 and a Director of the Company on its formation in December 2006. Dr Dorrity has over 25 years' experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox Dr Dorrity spent eight years working in research and in industry with General Electric Company.

DR PETER J. FINNEGAN (DBA, MBA, FCMA)
CHIEF FINANCIAL OFFICER

Dr Finnegan has a Doctorate in Corporate Finance from Henley Management College, an MBA from Manchester Business School and is a Fellow of the Chartered Institute of Management Accountants. Dr Finnegan became Company Secretary of Crystalox in 1985 whilst he was Financial Director of its holding company Elkem (Holdings) Limited, and was appointed to the Board of both Crystalox Solar Limited and Crystalox Limited in 1994. He was appointed as a Director of the Company on its formation in December 2006. Dr Finnegan has overall Group responsibility for finance, accounting, planning, financial control, legal matters and investor relations. Prior to joining the Group he worked for a number of large international manufacturing companies in various positions including Chief Accountant, Company Secretary and Financial Director.

DR HUBERT AULICH
EXECUTIVE DIRECTOR, GERMAN OPERATIONS

Dr Aulich has a PhD in Physical Chemistry from NYU, New York City, USA. Dr Aulich founded PV Silicon GmbH in 1997 with his partner Dr Friedrich Wilhelm Schulze. In 2002 he became a member of the Board of PV Crystalox Solar GmbH where he had responsibility for the German operations including the production and sales of wafers and was appointed as a Director of the Company on 21 May 2007. Prior to founding PV Silicon GmbH, Dr Aulich worked for Siemens Solar Group. Dr Aulich joined the Central Research Laboratories of Siemens AG in Munich, Germany, in 1974 where he worked in various positions in the field of optical fibre communication and photovolztaics. From 1988 to 1991 he was Managing Director at PV Electric, a joint venture of Siemens Solar GmbH, Germany, and Arco Solar, USA, where he was responsible for the commercialisation of amorphous silicon thin film technology. In 1992 he became Managing Director at Siemens Solar GmbH where he was responsible for technology of thin film and crystalline silicon solar cells. He was Senior Vice President for Technology and Research for the Siemens Solar Group responsible for research and development in thin film and crystalline silicon solar cells as well as for systems application for Germany, USA and Japan.

JOHN SLEEMAN
NON-EXECUTIVE DIRECTOR

Mr Sleeman graduated in physics from the University of Durham. He started his career at Deloitte & Touche in 1970 where he qualified as a Chartered Accountant before moving to Samuel Montagu (now part of HSBC Plc) in 1975, becoming a Director in 1988. During his time at HSBC, Mr Sleeman qualified as a Chartered Banker and held various project finance and corporate finance roles, ending in 2003 as Managing Director, Head of International Team, Corporate Finance. Mr Sleeman held directorships with a number of companies within the HSBC Group. Subsequently, he was an advisor to Emerging Markets Group specialising in structured financial solutions and strategic advice and a Director of OSJC Power Machines, Russia's largest manufacturer of generators and turbines. Mr Sleeman was a director of JSC Open Investments, one of Russia's largest players on the real estate market, during the year. He is a partner of S.P. Angel Corporate Finance LLP, an appointed representative of S.P. Angel & Co. Limited, which is authorised by the FSA and is a member of the London Stock Exchange.

DIRECTORS' REPORT

The directors are pleased to present the Annual Report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the production and supply of multicrystalline silicon wafers to the worldwide photovoltaic market. The Group supplies multicrystalline silicon wafers to some of the major photovoltaic cell makers in the world. The Chairman's Statement and Business Review contain a review of these activities and comments on the future outlook.

RESULTS FOR THE YEAR

The Consolidated Income Statement for the year ended 31 December 2008 is shown on page 28. The movement in the Group reserves during the year is shown on page 30 and segmental information is shown in note 8 on pages 42 and 43.

PROPOSED DIVIDEND

The directors have proposed a final ordinary dividend in respect of the current financial year of €0.04 per share. This has not been included within creditors as it was not approved before the year end. Together with the interim dividend of €0.02 per share this gives a total dividend of €0.06 per share. The final dividend will be paid on 10 June 2009 to shareholders on the register on 15 May 2009. This dividend is payable in cash in Sterling and will be converted from Euros into Sterling at the forward exchange quoted by the Royal Bank of Scotland Group at 11.00am on 1 June 2009.

A final dividend of €0.025 per share was paid for the year ended 31 December 2007 in June 2008. No interim dividend was paid in 2007 because the Company did not list on the London Stock Exchange until June in that year.

BUSINESS REVIEW

The Group is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2008 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group (Business Review). This information can be found on pages 4 to 9. The Business Review also includes details of expected future developments in the business of the Group.

There are no significant developments since the balance sheet date as set out in note 33 to the Group financial statements.

SUMMARY OF KEY PERFORMANCE INDICATORS

The Group monitors the performance of each of its business units through detailed monthly operational and financial reporting, with comparisons to plan. Updated business forecasts are regularly made. In addition, the Group maintains regular reviews and dialogue with each of the Group's operational business units. At Board level, the most important key performance measures are:

- megawatts peak output equivalent from wafers produced;
- revenue;
- earnings before interest and tax (EBIT);
- net cash from operating activities;
- free cash flow, defined using the cash flow statement as net cash from operating activities less cash used in investing activities less interest received;
- EBIT excluding currency gains and losses as a percentage of revenue (EBIT margin excluding currency gains); and
- earnings per share.

Comparative performance in the current year and prior year is summarised as follows:

	2008	2007
Megawatt peak output equivalent (as above)	**230MW**	190MW
Revenue	**€274.1M**	€263.4m
EBIT	**€142.8M**	€67.5m
Net cash from operating activites	**€89.0M**	€63.3m
Free cash flow	**€22.9M**	€36.1m
EBIT margin (excluding currency gains)	**38.8%**	25.2%
Earnings per share (Euro cents)	**25.2**	12.0

FUTURE DEVELOPMENTS FOR THE BUSINESS/OUTLOOK

The Board's assessment and evaluation of future development and the outlook for the business is discussed in the Business Review which can be found on pages 4 to 9.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group strategy for achieving consistent and sustainable growth and margins in a changing economic environment is to manage the way the Group operates in different international markets. The Group mitigation strategy includes spreading market risks to achieve an acceptable balance of revenue earned from different geographic markets and adopting a natural hedging position by sourcing raw materials and other direct materials or services (where possible) in the same currencies as sales revenues are derived. Therefore, at the operating level, the Group's natural hedging position limits the Group exposure to foreign currencies. However, Group management is currently working to balance exposure to currency amounts receivable by matching these with equivalent liabilities in the same currencies. The Group had a large balance receivable in Japanese Yen in respect of accounts receivable on 31 December 2008 and these receivables expose the Group to the risk of a significant decrease in the Japanese Yen exchange rate. However, it is the intention to put in place borrowings in Japanese Yen so that this effect is hedged.

The Group focuses on supplying top tier customers in the photovoltaic industry. The industry is dominated by a small number of major producers of solar cells and a larger number of smaller cell manufacturers. Accordingly, by concentrating on the larger well established customers, there is some concentration of customer credit risk.

The Group currently holds cash deposits in various currencies which exposes it to interest rate risk. However, these currencies are generally held against future fixed capital and working capital expenditure to expand the business.

The Group's principal financial assets are cash deposits and trade receivables. During the current financial turmoil the security of large banks has been called into doubt. Accordingly, the Board has decided that the Group's cash deposits shall be spread more widely. At the end of 2008 the Group had net cash deposits of €81 million and as current deposits mature these funds will be split into smaller tranches, some of which will be placed with new banks. This process will be mainly completed in the first half of 2009.

Other risks and uncertainties facing the business are discussed in the Business Review which can be found on pages 4 to 9.

FINANCIAL INSTRUMENTS

Financial instruments comprise borrowings, internal cash resources, trade receivables and trade payables arising from normal trading. The Group's borrowings are in Japan and are utilised to finance the Group's working capital requirement in respect of its business activity in Japan. The Group is actively seeking to increase these borrowings to a level equal to the outstanding debtor book in Japan.

ENVIRONMENTAL POLICY

The environmental policy is discussed in the Corporate and Social Responsibility Report which can be found on pages 21 and 22.

DIRECTORS

The names of the directors who served during any part of the period from 1 January 2008 to 31 December 2008 are:

Maarten Henderson*	Chairman Chairman of the nomination committee Member of the remuneration committee Member of the audit committee
Dr Iain Dorrity	Chief Executive Officer and Executive Director
Dr Peter Finnegan	Chief Financial Officer and Executive Director
Dr Hubert Aulich	Executive Director, German Operations
John Sleeman*	Chairman of the audit committee Chairman of the remuneration committee Member of the nomination committee

* Non-executive directors.

Biographical details of the directors are set out on page 11. All the directors served throughout the year.

BENEFICIAL INTERESTS IN SIGNIFICANT CONTRACTS

None of the directors had a material interest in any contract of significance to which the Group or any of its subsidiaries were party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 11 March 2009 the Group had been notified, or is aware, of the following shareholdings amounting to 3% or more of the issued ordinary share capital of the Company:

	Number of ordinary shares	% of issued ordinary shares
Dr Iain Dorrity	44,085,974	10.58%
Barry Garrard	41,881,642	10.05%
Stuart Oldham	26,718,750	6.41%
Schroder Investment Management Ltd	23,917,376	5.74%
Graham Young	15,037,110	3.61%
JP Morgan Asset Management	14,418,180	3.46%
Andreae Renz S	14,403,285	3.46%
Legal & General Investment Management Ltd	12,931,846	3.10%

SHARE CAPITAL

The authorised share capital and allotted, called up and fully paid share capital of the Company is shown in note 26 to the financial statements. There were no changes to the number of shares during the year and up to the date of this report. As at the date of this report, 416.7 million ordinary shares of 2 pence each were allotted, called up and fully paid with an aggregate nominal value of €12.3 million.

The Company has a single class of share capital, which are ordinary shares of 2 pence each, full details of rights accorded to the holders of these ordinary shares are set out in the Articles of Association. Holders of ordinary shares have the rights accorded to them under UK Company law, including the right to receive the Company's Annual Report and Accounts, attend and speak at general meetings, appoint proxies and exercise voting rights.

Subject to the provisions of the Companies Act 1985, the Companies Act 2006 and of the Articles of Association, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

The Board may declare and pay such interim dividends as appears to the Board to be justified by the profits of the Company available for distribution. All dividends shall be apportioned and paid pro rata according to the amount paid up on the shares.

The Company was given authority at the 2007 Annual General Meeting to allocate further shares up to a maximum of £2,778,169 which was approximately 33% of the issued share capital on 16 April 2008. This authority will expire at the 2008 Annual General Meeting and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year.

The Company was given authority at the 2007 Annual General Meeting to make market purchases of up to 41,672,533 of its own ordinary shares. This authority will expire at the 2008 Annual General Meeting and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year.

DIRECTORS' INTERESTS

Listed below are the directors at 31 December 2008 together with their notifiable interests in the share capital of the Company:

Maarten Henderson	Nil
Iain Dorrity	44,085,974
Hubert Aulich	11,355,469
Peter Finnegan	2,671,912
John Sleeman	Nil

GOING CONCERN

The directors are confident, having reviewed management accounts, forecasts and customer contracts and after making appropriate enquiries at the time of approving the financial statements, that the Company and the Group have adequate resources to continue in operation for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the accounts.

POLICY ON THE PAYMENT OF CREDITORS

Individual companies within the Group operate different creditor payment policies. In Germany it is policy to take advantage of prompt payment discounts where offered, which are typically discounts of 2% or 3% for payment within ten days, otherwise standard terms are an average of 30 days net; in the UK and Japan payment is made in line with standard terms, which are an average of 45 days.

EMPLOYEES

The Group's policy is to provide equal opportunities to all existing and prospective employees. The Group recognises that its operation and reputation depends upon the skill and effectiveness of its employees and is committed to the fair and equitable treatment of all its employees and specifically to prohibit discrimination on the grounds of age, sex, religion, sexual orientation, race, nationality or ethnic origin.

DISABLED EMPLOYEES

It is the Group's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons. In the event that a person became disabled he or she would continue to be employed, wherever possible, in the same job. If the degree of disablement made this impractical, every effort would be made to find suitable alternative employment and to give any appropriate training. The Group's policy on training and career progression applies equally to everyone within the Group whether or not disabled.

DONATIONS

During the period under review the Group made charitable donations of €4,330 (2007: €nil). It is the Group's policy not to make general political donations but the Group might consider making certain contributions to parties supporting environmental friendly policies. No political donations were made in the period (2007: €nil).

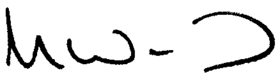
DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

Grant Thornton UK LLP have indicated that they are willing to continue in office. A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the Annual General Meeting.

By order of the Board



MATTHEW WETHEY
GROUP SECRETARY
25 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

To the best of my knowledge:

- the financial statements, prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profit of the Group and undertakings included in the consolidation as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Group and undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P. Finnegan

DR PETER FINNEGAN
CHIEF FINANCIAL OFFICER
25 March 2009

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE

The Board is firmly committed to ensuring that high standards of corporate governance are maintained by the Group. Throughout the year ended 31 December 2008, the Group complied with the provisions set out in Section 1 of the Combined Code 2006 (Principles of Good Governance and Code of Best Practice) except that the Group did not comply with provisions A.3.2., B.2.1. and C.3.1. during the year.

Section A.3.2 states that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The Board recognise that the Group, having three executive directors and two non-executive directors, does not have a majority of non-executive directors. At present the directors consider the current structure appropriate having regard to the size of the organisational structure of the Group and its current stage of development. The Chairman is a non-executive director and was deemed independent on appointment in 2007.

Section B.2.1. states that the Chairman may be a member of but should not be chairman of the remuneration committee. The Chairman acted as chairman of the remuneration committee during 2008 but was succeeded by John Sleeman, in that role, at the first Board meeting in 2009.

Section C.3.1. states that the audit committee should have at least three independent non-executive directors. As there are only two non-executive directors and both are members of the audit committee the Group did not comply with this provision. The directors at present consider the current structure appropriate having regard to the size of the organisational structure of the Group and its current stage of development.

BOARD OF DIRECTORS

The Board is primarily responsible for the success of the Group by providing leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board has a formal schedule of matters reserved to it for its decision. This schedule is reviewed annually and includes approval of:

- Group objectives, strategy and policies;
- business planning;
- substantial transactions, contracts and commitments;
- review of performance;
- risk assessment;
- dividends;
- appointments to the Board and as Group Secretary; and
- senior management appointments and succession plans.

Other specific responsibilities are delegated to Board committees, which operate within clearly defined terms of reference. Details of the responsibilities delegated to Board committees are given on pages 18 to 20.

The roles of Chairman and Chief Executive Officer are separated and their responsibilities are clearly established. The Chairman is responsible for the leadership and workings of the Board and ensuring its effectiveness, and the Chief Executive Officer, together with the executive directors are responsible for the implementation of strategy and policies and the day to day decision making and administration.

The Board meets at least ten times per annum. During 2008 the number of Board and committee meetings with individual attendances was as follows:

	Board	Audit	Remuneration	Nomination
Maarten Henderson*	14	4	2	3
Hubert Aulich	14	4	2	3
Iain Dorrity	14	4	2	3
Peter Finnegan	14	4	2	3
John Sleeman*	14	4	2	3

* Non-executive directors.

The Board receives appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Group Secretary and independent professionals at the Group's expense. Appropriate training is available for new directors and other directors as necessary. Dr Peter Finnegan was the Group Secretary during the year and was responsible for advising the Board on all governance matters, ensuring Board procedures were followed and applicable rules and regulations were complied with. Matthew Wethey replaced Dr Peter Finnegan as both Group and Company Secretary on 4 February 2009.

BOARD OF DIRECTORS CONTINUED

The Board comprises the non-executive Chairman, one other non-executive director and three executive directors. Brief biographical details of all members of the Board are set out on page 11 and further information concerning the appointments are set out in the Directors' Report. John Sleeman is the recognised Senior Independent Director to whom concerns may be conveyed.

The non-executive directors bring additional experience and knowledge and are independent of management and any business or other relationship that could interfere with the exercise of their independent judgement. This provides a balance whereby an individual or small group cannot dominate the Board's decision making.

The executive directors have entered into contracts with the Company that may be terminated with twelve months' notice by either party and the non-executive directors have entered into arrangement for an initial three year period from the date of listing on the London Stock Exchange subject to six months' notice in writing from either party. The Board has established a separate nomination committee, comprising the non-executive directors, which is responsible for making recommendations for appointments to the Board and also senior management appointments.

Formal procedures appropriate to the size of the business are in place for performance evaluation of the Board and its committees. They include objective setting and review with the use of an external facilitator.

PERFORMANCE EVALUATION

The Board engaged Dr Tracy Long of Boardroom Review to carry out an external independent Board Effectiveness Review to assess the quality of the Board's decision making, its overall contribution and value to the long-term health of the Group, and its preparation for future challenges.

The review was conducted through the use of a confidential questionnaire, one-to-one interviews, Board observation and a review of relevant papers, and covered a variety of aspects associated with the Board and audit committee effectiveness. This review took place during January and February 2009 and Dr Long's report was presented to the Board as a whole for discussion.

The review concluded that the Board was operating in an effective manner. It identified a number of significant strengths including the directors' good understanding of the Group, its marketplace and external environment. It also identified some areas where improvements could be made to improve longer term effectiveness. These focus primarily on continued efforts to improve the quality of information provided to the Board, to understand changing internal and external dynamics, to improve the collective decision making process, and develop the governance process which supports the Board. The Board Effectiveness Review specifically considered the Chairman's performance and found that the Chairman operated effectively in his role.

The performance of individual directors is evaluated by the Chairman. Following the review process, the Chairman concluded that each director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning items to be considered by the Board, has a good understanding of the Group's businesses and that their commitment to the role remains strong.

The nomination and remuneration committees each also held an evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the respective committee Chairmen. The reviews concluded that each committee was operating in an effective manner. Dr Long is scheduled to evaluate the performance of the nomination and remuneration committees during the third quarter in 2009.

RELATIONS WITH SHAREHOLDERS

The Board values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. The Annual General Meeting is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The Chairmen of the audit committee and remuneration committee are available to answer relevant questions. Separate resolutions are proposed on each substantial issue so that they can be given proper consideration and there is a resolution to receive and consider the Annual Report and financial statements. The Group counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Chief Executive Officer and Chief Financial Officer maintain a regular programme of visits and presentations to major institutional shareholders both in the UK and overseas. The Chairman and Dr Aulich are also involved in the programme.

The Company aims to present a balanced and understandable assessment in all its reports to the public and to regulators. Key announcements, financial reports and other information about the Group can be found on the Group's website at **www.pvcrystalox.com**.

REMUNERATION COMMITTEE

The Directors' Remuneration Report and details of the activities of the remuneration committee are on pages 23 to 26. It sets out the Group's policy and the full details of all elements of the remuneration package of each individual director.

NOMINATION COMMITTEE

The nomination committee of the Board comprises the non-executive directors and is chaired by Maarten Henderson. The Chief Executive Officer, the Chief Financial Officer, other directors and external advisors may be invited to attend meetings as and when appropriate. The terms of reference of the nomination committee are available to members of the public upon request and are also available on the Group's website at **www.pvcrystalox.com**. The nomination committee meets not less than twice a year and is required to report formally to the Board on its proceedings.

The main responsibilities of the nomination committee are to:

- regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Group and what skills and expertise are therefore needed on the Board in the future;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- before appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates;
- review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfill their duties; and
- ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

The nomination committee is also required to make recommendation to the Board concerning:

- formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive Officer;
- suitable candidates for the role of Senior Independent Director;
- membership of the audit and remuneration committees, in consultation with the Chairmen of those committees;
- the reappointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- the re-election by shareholders of any director under the 'retirement by rotation' provisions in the Company's Articles of Association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and
- the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive Officer.

ACCOUNTABILITY

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and other price sensitive public reports, reports to regulators and information required to be presented by statute. The responsibilities of the directors as regards the financial statements are described on page 16 and that of the auditor on page 27. A statement on going concern appears on page 15.

AUDIT COMMITTEE

The audit committee of the Board comprises the non-executive directors and is chaired by John Sleeman. The Chief Executive Officer, the Chief Financial Officer, other directors and the external auditor may be invited to attend audit committee meetings as and when appropriate. The terms of reference of the audit committee are available to members of the public upon request and are also available on the Group's website at **www.pvcrystalox.com**. The audit committee meets not less than three times a year and is required to report formally to the Board on its proceedings.

The audit committee is responsible for reviewing the scope and findings of the auditor's work on audit and non-audit issues, to monitor the integrity of the financial statements of the Group including the Interim and Annual Reports prior to their publication, to review and challenge where necessary the application of the Group's accounting policies and any changes to the financial reporting requirements. The audit committee also plays an important part in reviewing the Group's systems of internal controls and risk management systems which are described below.

The audit committee is responsible for reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The audit committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. As a result the Group published the Whistleblowing policy on its website at **www.pvcrystalox.com**.

The audit committee reviews the terms of engagement with the external auditor and ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and has referenced fees with similar auditors. The audit committee has primary responsibility for making a recommendation on the appointment of the external auditor.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Board is responsible for establishing and maintaining a sound system of internal controls and risk management systems and for reviewing its effectiveness. The internal controls and risk management systems are designed to meet the particular needs of the Group and the risks to which it is exposed and by its very nature provide reasonable, but not absolute assurance against material misstatement or loss. The internal controls and risk management systems were in place for the period under review up to the date of approving the accounts. There is an ongoing process to identify, evaluate and manage the risks facing the business. The entire system of internal controls and risk management systems was reviewed during the year. This review has been undertaken in accordance with guidance published by The Institute of Chartered Accountants in England and Wales.

The key procedures, which exist to provide effective internal controls and risk management systems, are as follows:

- clear limits of authority;
- annual revenue, cash flow and capital forecasts, reviewed regularly during the year, monthly monitoring of management accounts and capital expenditure reported to the Board, quarterly and half year revenue comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for capital expenditure and disposals, including defined levels of authority;
- monthly meetings of the executive directors to authorise significant transactions;
- an audit committee, which approves audit plans and published financial information and reviews reports from external auditors arising from the audit and dealing with significant control matters raised;
- regular Board meetings to continuously monitor any areas of concern;
- annual review of risks and internal controls; and
- annual review of compliance with the Combined Code.

The Board has considered the need for an internal audit function but has decided that the size of the Group does not justify it at present. However, it will keep the decision under annual review.

The Board has reviewed the operation and effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management for the financial year ended 31 December 2008 and the period up to date of approval of the financial statements.

By order of the Board

MATTHEW WETHEY
GROUP SECRETARY
25 March 2009

CORPORATE AND SOCIAL RESPONSIBILITY STATEMENT

THE ENVIRONMENT

The Group is a major producer of silicon wafers for incorporation into solar cells that will ultimately be used for the production of electricity from sunlight. A silicon solar system will produce renewable electricity with a lifetime of in excess of 25 years. It is passive, silent, visually unobtrusive and generates emission-free renewable energy from the sun. As technology increases the efficiency of solar cells, it is expected that the lifespan of the solar modules will also lengthen, providing electricity for a known starting cost and little maintenance. It has been estimated that all the energy used in the production of a silicon solar system will be repaid within two to three years of use when situated in a relatively sunny location. As the Group produces silicon wafers as the core component in devices for the generation of carbon free renewable power, its focus on its environmental responsibilities is evident. It is the Group's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests while continuing to produce high quality products to its customers' requirements.

It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities. Furthermore, it is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times. The Group has effective Environmental Management and Health and Safety systems in place in support of, and to complement, its quality assurance system. Across all its sites in the UK and Germany a proactive approach is taken to the Pre-treatment of Waste as required by the EU Landfill Directive. The purpose of the treatment requirement is to reduce the impact of waste that has to be landfilled and to increase the amount of waste that is recycled. Direct silicon waste generated by the processes of ingot production, blocking and wafering are recycled in a way to ensure zero loss of silicon. Thus for example all carbide used in the sawing of blocks and wafers is continually treated and recovered for reuse. Crystalox Limited in the UK is a member of compliance schemes which fulfill local legislation requirements such as The Producer Responsibility Obligations (Packaging Waste) Regulations 2007. This scheme sets targets for British industry for the recovery and recycling of packaging waste seeking to ensure that discarded products are environmentally treated through recycling and recovery rather than being disposed of to landfill. A similar scheme exists in Germany called 'Ökoprofit', which requires external environmental audits to be carried out annually, with the aim of ensuring highest standards are achieved in minimising waste to landfill, utilisation of water, electricity, etc. Thus all plastics, wood, paper, polythene, cardboard, metals, etc are recycled, either by being sold to recycling companies for them to recycle or under local council arrangements removed for recycling. The Group does all it can to recycle all recyclable packaging materials to conform to current packaging legislation, and thereby minimise waste to landfill across all its sites.

We recognise the need to establish, formalise and apply an environmental management system at each of our manufacturing sites. Therefore, in order to further enhance its already effective environmental and health and safety management systems, the UK subsidiary company Crystalox Limited has embarked on a programme to achieve environment and health and safety accreditations through DIN EN ISO 14001 and DIN EN ISO 18001 respectively by the end of 2009. These standards will not only complement, but also consolidate the Company's DIN EN ISO 9001 status and enable fulfilment of our responsibilities to the environment, and health and safety, with even greater effect. In Germany projects are planned to apply for ISO 14001 International Environmental Management System at the Bitterfeld site in Germany. The site in Erfurt, Germany, has been carrying out an environmental audit for the last five years focusing on the consumption of water, electricity and on the emission of waste materials.

The Group supports long-term strategies to minimise, reuse and recycle packaging wherever possible thereby enhancing its environmental credentials.

OUR STAFF

TRAINING

The Group recognises that a key factor in its successful operations is its personnel. The continued expansion of operations and the parallel increase in the workforce, has meant that management's top priority has been to provide a safe and secure work environment for its personnel. To this end health and safety training has been of paramount importance.

Initial in-house health and safety induction training for all personnel joining is supported by external specialist trainers being invited in to undertake occupation specific training.

The Group is committed to the ongoing training and development of its personnel in general. Particular skills-based training is provided to individuals when identified and seen as beneficial to the overall operation of the Group. Introduction of new technologies and new and efficient working methods, have resulted in personnel being trained to both develop and hone their knowledge and skills. A flexible work environment and work opportunities has meant that personnel are given the chance to work in different departments, thereby helping them maximise their potential and sense of fulfilment.

As a result of the development of the Bitterfeld plant a number of new employees have been recruited. The vast majority of them have been through a state sponsored training program which the company designed.

In the UK the implementation of ISO 14001, the environment standard, and BS OSHAS 18001, the health and safety standard, during 2009 will bring with them extensive training for all personnel in the company, thereby improving best practice and complementing the ISO 9001:2004 certification status.

HEALTH AND SAFETY

The Group recognises its responsibilities under the Health and Safety at Work Act 1974 for ensuring, so far as it is reasonably practicable, the health, safety and welfare of all its employees.

The Group attaches the greatest importance to health and safety considering this to be a management responsibility ranking equally with other management functions within the organisation.

It is the policy of the Group to take all reasonable practicable precautions for the prevention of accidents and dangerous occurrences and for the creation of working conditions which safeguard employees. To this end the Group will allocate the necessary resources and enlist the active support of all employees upon whom duties are also imposed by the Health and Safety at Work Act.

The Group regards the standards set by the various relevant statutory provisions as the minimum standard which must be achieved and will endeavour to improve upon these standards where reasonably practicable.

OUR COMMUNITY

The new plant in Bitterfeld has directly created 65 new jobs by the year end and there will be 100 employees when the plant is fully up and running. A large number of these personnel were previously unemployed. In addition to those directly employed by the Company a number of new jobs have been created in our suppliers' companies.

For several years at Erfurt in Germany the Company has engaged in a joint programme with a local utility company working with local high schools to carry out a competition using solar electricity. Every student participating gets two solar cells and a small electric motor. The student then participates in the solar car race where the goal is to build a vehicle, using the solar cells on a movable platform. The aim is to cover the distance as quickly as possible to the finish line. In addition the Company sponsors a 'sun and movement' competition.

Financing of these projects is done through the money we received from our solar modules in front of the building in Erfurt (30 kWp) that are feeding electricity into the local grid.

DIRECTORS' REMUNERATION REPORT

This report contains the information required by the Companies Act 1985 and the relevant parts of the Listing Rules of the UK Listing Authority and Schedule B to the Combined Code on Corporate Governance.

The information contained in this report is not subject to audit except where specified.

COMPOSITION OF THE REMUNERATION COMMITTEE

The remuneration committee of the Board comprises the non-executive directors. During the year the remuneration committee was chaired by Mr Maarten Henderson however to comply with the requirements of Section B.2.1. of the Combined Code 2006, Mr John Sleeman was appointed as chairman of the remuneration committee at the first Board meeting of 2009 . The Chief Executive Officer, the Chief Financial Officer, other directors and external advisors may be invited to attend meetings as and when appropriate. The terms of reference of the remuneration committee are available to members of the public upon request and are also available on the Group's website at **www.pvcrystalox.com**. The remuneration committee meets not less than twice a year and is required to report formally to the Board on its proceeding. Neither member of the committee has any personal financial interest in the matters to be decided, potential conflicts of interest nor any day to day involvement in running the business. No director takes part in discussions relating to their own remuneration and benefits.

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

The main duties of the remuneration committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive Officer, the Chairman, the executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group;
- review the ongoing appropriateness and relevance of the remuneration policy;
- approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- within the terms of the agreed policy and in consultation with the Chairman and/or the Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;
- in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- review and note annually the remuneration trends across the Company or Group;
- oversee any major changes in employee benefits structures throughout the Company or Group;
- agree the policy for authorising claims for expenses from the Chief Executive Officer and the Chairman;
- ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled; and
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee and to obtain reliable, up-to-date information about remuneration in other companies. The committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations.

REMUNERATION COMMITTEE PROCESS

The remuneration committee met twice during the year. Details of attendance are shown in the Corporate Governance Statement on page 17.

During the year the main items considered were:

- the overall scope of the remuneration committee;
- a review of directors' fees and remuneration by reference to a benchmark of similar groups;
- the remuneration packages for those executive managers and the Company Secretary who were recruited during the year; and
- to review the remuneration trends across the Group.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Executive remuneration packages are designed to attract, motivate and retain directors of the highest calibre needed to maintain the Group's position as a market leader and to reward them for enhancing shareholder value. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the committee.

There are five elements of the remuneration package for executive directors and senior management:

- basic annual salary;
- benefits in kind;
- annual bonus payments, which cannot exceed 50% of salary;
- share incentives; and
- pension arrangements.

BASIC SALARY

An executive director's basic salary is reviewed by the committee prior to 1 July, which is the start of the salary year and should an individual change position or responsibility. In deciding appropriate remuneration levels, the committee considers the Group as a whole and relies on objective research which gives up to date information on a comparator group of companies of similar size and complexity. The present incumbents were appointed internally and their current packages were agreed by contracts entered into on 21 May 2007 in readiness for transition to public status. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting. The salaries were reviewed on 1 July 2008.

In line with the remuneration policy of the Group the salaries were reviewed on 1 July 2008 incorporating the results of the benchmark of similar groups. On the recommendation of the remuneration committee the Board decided to increase the salaries effective 1 July 2008. Revised salaries were agreed in Sterling and Euros as shown below.

Payable in Sterling	Revised annual rate £	Original annual rate £
Iain Dorrity	300,000	212,000
Peter Finnegan	250,000	212,000
John Sleeman	50,000	37,500
Maarten Henderson	100,000	75,000
Payable in Euros	€	€
Hubert Aulich	219,095	185,793

BENEFITS-IN-KIND

Executive directors receive either a Company expensed motor vehicle commensurate with their seniority or a monthly car allowance. All other benefits in kind are available to all employees dependent upon local conditions in their country of employment.

ANNUAL BONUS PAYMENT

An executive director may receive by way of further remuneration a bonus calculated in accordance with Schedule 1 of their contract of service. There is no contractual right to receive a bonus until it is declared in writing in respect of the financial year to which it relates and such bonus whether declared or not shall not be payable unless the executive director is employed on the date of payment. The contracts of service state that a bonus of up to a maximum of 50% of the basic salary (subject to deductions for tax and national insurance) will be paid to the executive in June each year subject to the Group having achieved growth in its earnings per share over the previous financial year according to the following formula:

ANNUAL BONUS PAYMENT CONTINUED

The remuneration committee is currently reviewing the service contracts and intends to make its recommendations to the Board.

Earnings per share growth % over prior year	Bonus % of salary
>10%	50%
>9% to 10%	45%
>8% to 9%	40%
>7% to 8%	35%
>6% to 7%	30%
>5% to 6%	25%
>4% to 5%	20%
>3% to 4%	15%
>2% to 3%	10%
>1% to 2%	5%
>0% to 1%	0%

PENSION ARRANGEMENTS

The executive directors' contracts of service set out their basic salaries from which contributions can be made into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence. Accordingly, pension contributions made by the Group are included in the basic salary set out in the service contracts.

DIRECTORS' REMUNERATION PAID (AUDITED)

	Fees/basic salary €	Benefits-in-kind €	Annual bonuses (In respect of 2007 paid in 2008) €	**Total 2008 €**	Total 2007* €
Maarten Henderson	110,222	–	–	**110,222**	67,852
Hubert Aulich	212,377	7,746	133,526	**353,649**	196,737
Iain Dorrity	314,920	11,460	133,526	**459,906**	321,388
Peter Finnegan	292,498	1,027	133,526	**427,051**	319,873
John Sleeman	55,111	–	–	**55,111**	31,983
	985,128	20,233	400,578	**1,405,939**	937,833

* Fees for 2007 are for seven months.

The bonuses paid to executive directors in 2008 were in respect of performance for the period ended 31 December 2007. Bonuses totaling €503,872 in respect of performance for the period ended 31 December 2008 have been provided for in the accounts for the period to 31 December 2008 and will be paid during the first half of 2009 once the accounts have been approved. The above table has been restated below showing the bonuses provided in respect of 2008 performance and the prior year total (2007) has been restated on the same basis.

DIRECTORS' REMUNERATION PAYABLE (AUDITED)

	Fees/basic salary €	Benefits-in-kind €	Annual bonuses (In respect of 2008 payable in 2009) €	**Total 2008 €**	Total 2007* €
Maarten Henderson	110,222	–	–	**110,222**	67,852
Hubert Aulich	212,377	7,746	157,460	**377,583**	315,776
Iain Dorrity	314,920	11,460	188,952	**515,333**	367,190
Peter Finnegan	292,498	1,027	157,460	**450,984**	365,675
John Sleeman	55,111	–	–	**55,111**	31,983
	985,128	20,233	503,872	**1,509,233**	1,148,476

* Fees for 2007 are for seven months.

DIRECTORS' PENSION (AUDITED)

	Contributions to defined contribution scheme €	Contributions to defined benefit scheme €	**Total 2008 €**	Total 2007* €
Maarten Henderson	–	–	**–**	–
Hubert Aulich	–	62,712	**62,712**	63,545
Iain Dorrity	17,006	–	**17,006**	9,819
Peter Finnegan	16,197	–	**16,197**	10,265
John Sleeman	–	–	**–**	–
	33,203	62,712	**95,915**	83,629

DIRECTORS' SHARE GRANTS (AUDITED)

	Value 2008 €	Value 2007 €
Maarten Henderson	–	–
Hubert Aulich	–	–
Iain Dorrity	–	–
Peter Finnegan	–	2,851,017
John Sleeman	–	–
	–	2,851,017

On 19 January 2007, 75,000 ordinary shares of £1.00 were granted at the market price on that date of £26 per share. The total value of the grant was therefore £1,950,000 or €2,851,017. On 21 May 2007 each ordinary share of £1.00 in the capital of the Company was sub divided into 50 ordinary shares of 2 pence each.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The non-executive directors have specific terms of engagement and their remuneration is determined by the Board based on independent surveys of fees paid to non-executive directors of similar companies. Non-executive directors are not eligible to join the Company's share schemes or pension schemes.

SHAREHOLDER RETURN

PERFORMANCE GRAPH (UNAUDITED)

The graph below shows the total shareholder return performance from 6 June 2007 when the Group listed on the London Stock Exchange to 31 December 2008. This is compared against the total shareholder return performance of the FTSE 250 index. The graph is based upon £100 being invested in the shares of PV Crystalox Solar PLC in June 2007 if all dividends had been reinvested and the comparative figures for the FTSE 250 again assuming that dividends were reinvested. The data has been sourced from Thomson Datastream.

– PV Crystalox Solar PLC Net total return index

– FTSE 250 Total return index

JOHN SLEEMAN
CHAIRMAN OF THE REMUNERATION COMMITTEE
25 March 2009

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

We have audited the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement and notes 1 to 33. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of PV Crystalox Solar PLC for the period ended 31 December 2008 and the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Corporate Governance Statement, the Corporate and Social Responsibility Statement, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the unaudited supplementary information detailed in the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
25 March 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 €'000	2007 €'000
Revenues	8	**274,095**	263,444
Other income	2	**1,475**	1,765
Cost of material and services			
Cost of material	3	**(135,700)**	(163,703)
Cost of services	3	**(7,497)**	(6,198)
Personnel expenses			
Wages and salaries	4	**(10,769)**	(8,151)
Social security costs	4	**(1,438)**	(1,103)
Pension costs	4	**(470)**	(391)
Employee share schemes	4	**(1,134)**	(2,913)
Depreciation on fixed and intangible assets		**(3,962)**	(4,670)
Other expenses	5	**(8,134)**	(8,382)
Costs of initial public offering		**–**	(3,438)
Currency gains and losses	28	**36,315**	1,239
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		**142,781**	67,499
Interest income	6	**5,130**	4,626
Interest expense	6	**(688)**	(1,361)
EARNINGS BEFORE TAXES (EBT)		**147,223**	70,764
Income taxes	7	**(44,029)**	(23,793)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**103,194**	46,971
EARNINGS PER SHARE ON CONTINUING ACTIVITIES			
Basic in Euro cents	9	**25.2**	12.0
Diluted in Euro cents	9	**25.1**	11.9

All of the activities of the Group are classed as continuing.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 €'000	2007 €'000
Cash and cash equivalents	10	**96,820**	147,892
Accounts receivable	11	**76,294**	61,748
Inventories	12	**24,017**	20,653
Prepaid expenses and other assets	13	**35,873**	13,564
Current tax assets		**1,346**	18
TOTAL CURRENT ASSETS		**234,350**	243,875
Intangible assets	14	**635**	378
Property, plant and equipment	15	**110,930**	35,115
Other long-term assets	16	**22,979**	4,597
Deferred tax asset	17	**5,022**	2,329
TOTAL NON-CURRENT ASSETS		**139,566**	42,419
TOTAL ASSETS		**373,916**	286,294
Loans payable short-term	18	**15,703**	39,619
Accounts payable	19	**29,753**	21,747
Deferred revenue	24	**2,692**	–
Accrued expenses	20	**9,079**	3,632
Deferred income current portion	21	**2,052**	860
Income tax payable	22	**26,271**	10,855
Other current liabilities	23	**772**	931
TOTAL CURRENT LIABILITIES		**86,322**	77,644
Loans payable long-term	18	**–**	7
Deferred revenue	24	**19,016**	10,000
Accrued expenses	20	**166**	128
Pension benefit obligation	25	**335**	476
Deferred income less current portion	21	**22,199**	5,196
Deferred tax liability	17	**374**	280
Other long-term liabilities		**851**	1,088
TOTAL NON-CURRENT LIABILITIES		**42,941**	17,175
TOTAL LIABILITIES		**129,263**	94,819
Share capital	26	**12,332**	12,332
Share premium		**75,607**	75,607
Investment in own shares		**(5,642)**	(5,642)
Share-based payment reserve		**968**	–
Reverse acquisition reserve		**(3,601)**	(3,601)
Retained earnings		**209,320**	124,559
Currency translation adjustment		**(44,331)**	(11,780)
TOTAL SHAREHOLDERS' EQUITY		**244,653**	191,475
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**373,916**	286,294

The accompanying notes form an integral part of these statements.

Approved by the Board of directors and signed on its behalf by:

DR IAIN DORRITY
25 March 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital €'000	Share premium €'000	Investment in own shares (EBT) €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Retained profit €'000	Currency translation adjustment €'000	Total equity €'000
AS OF 1 JANUARY 2007	7,500	–	–	–	–	77,588	(975)	84,113
Currency translation adjustment	–	–	–	–	–	–	(10,805)	(10,805)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	7,500	–	–	–	–	77,588	(11,780)	73,308
Net profit	–	–	–	–	–	46,971	–	46,971
Total recognised income and expense	7,500	–	–	–	–	124,559	(11,780)	120,279
Investment in own shares	–	–	(5,642)	–	–	–	–	(5,642)
Reverse acquisition reserve	–	–	–	–	(3,601)	–	–	(3,601)
Share issue	4,832	75,607	–	–	–	–	–	80,439
AS AT 31 DECEMBER 2007	12,332	75,607	(5,642)	–	(3,601)	124,559	(11,780)	191,475
AS OF 1 JANUARY 2008	12,332	75,607	(5,642)	–	(3,601)	124,559	(11,780)	191,475
Currency translation adjustment	–	–	–	–	–	–	(32,551)	(32,551)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	12,332	75,607	(5,642)	–	(3,601)	124,559	(44,331)	158,924
Share-based payment charge	–	–	–	968	–	–	–	968
Net profit	–	–	–	–	–	103,194	–	103,194
Total recognised income and expense	12,332	75,607	(5,642)	968	(3,601)	227,753	(44,331)	263,086
Dividends paid	–	–	–	–	–	(18,433)	–	(18,433)
AS AT 31 DECEMBER 2008	**12,332**	**75,607**	**(5,642)**	**968**	**(3,601)**	**209,320**	**(44,331)**	**244,653**

Further information on equity is presented in note 26.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 €'000	2007 €'000
EARNINGS BEFORE TAXES	**147,223**	70,764
ADJUSTMENTS FOR		
Interest	**(4,442)**	(3,265)
Depreciation and amortisation	**3,962**	4,670
Change in pension accruals	**(141)**	(155)
Change in other provisions	**5,484**	281
Loss from the disposal of property, plant and equipment	**26**	15
Unrealised (gain)/losses in foreign currency exchange	**(8,298)**	81
Deferred income	**(818)**	(975)
	142,996	71,416
CHANGES IN WORKING CAPITAL		
Increase in inventories	**(3,364)**	(6,820)
Decrease in trade receivables	**684**	10,457
Increase in trade payables and advance payments	**16,388**	15,800
Increase in other assets	**(40,691)**	(11,617)
Increase in other liabilities	**573**	859
	116,586	80,095
Income taxes paid	**(32,678)**	(21,375)
Interest received	**5,130**	4,626
NET CASH FROM OPERATING ACTIVITIES	**89,038**	63,346
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**11**	36
Proceeds from investment grants and subsidies	**19,013**	3,353
Payments to acquire property, plant and equipment	**(80,071)**	(26,070)
CASH USED IN INVESTING ACTIVITES	**(61,047)**	(22,681)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(27,530)**	(11,764)
Repayment Microventure	**–**	(1,620)
Dividends paid	**(18,433)**	–
Proceeds from IPO	**–**	76,838
Interest paid	**(688)**	(1,361)
Investment in own shares	**–**	(5,642)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(46,651)**	56,451
Net change in cash and cash equivalents available	**(18,660)**	97,116
Effects of foreign exchange rate changes on cash and cash equivalents	**(32,412)**	(10,751)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	**147,892**	61,527
CASH AND EQUIVALENTS AT END OF PERIOD	**96,820**	147,892

The accompanying notes form an integral part of these financial statements.

1. GROUP ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information has also been prepared under the historical cost convention except that it has been modified to include certain financial assets and liabilities (including derivatives) at their fair value through the Income Statement.

PV Crystalox Solar PLC is incorporated and domiciled in the UK.

The financial statements for the year ended 31 December 2008 were approved by the Board of directors on 25 March 2009.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The financial information has been presented in Euros, which is the presentational currency. All financial information presented has been rounded to the nearest thousand.

The functional currency of the parent company is Sterling.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. Estimates and assumptions mainly relate to the useful life of non-current assets, the discounted cash flows used in impairment testing and the establishing of provisions for litigation, pensions and other benefits, taxes, inventory valuations and guarantees. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. Actual values may vary from the estimates. The estimates and the assumptions are under continuous review with particular attention paid to the life of material plant.

Critical accounting and valuation policies and methods are those that are both most important to the depiction of the Group's financial position, results of operations and cash flows, and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that we disclose, will not necessarily result in material changes to our financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by the Group are outlined in the following notes. While not all of the significant accounting policies require subjective or complex judgements, the Group considers that the following accounting policies should be considered critical accounting policies.

Property, plant and equipment are amortised over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets will generate revenue. The carrying amount of the Group's assets, other than inventories and deferred tax assets, are subject to regular impairment testing and are reviewed annually and upon indication of impairment. A full impairment review has been carried out on all the assets of PV Crystalox Solar Silicon GmbH and no adjustment was necessary.

Although we believe that our estimates of the relevant expected useful lives, our assumptions concerning the business environment and developments in our industry and our estimations of the discounted future cash flows, are appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges or allowances in the future or to valuation write backs should the expected trends reverse.

The Group is currently using 68 ingot production systems, with a historical cost of €12.5 million, which are fully depreciated.

To compute provisions for taxes, estimates have to be applied. These estimates involve assessing the probability that deferred tax assets resulting from deductible temporary differences and tax losses can be utilised to offset taxable income.

The defined benefit plans are partly unfunded and partly funded through pension insurance contracts. Statistical and actuarial methods are used to anticipate future events in calculating the expenses and liabilities related to the plans. These calculations include assumptions about the discount rate, expected return on plan assets and rate of future pension increases. Statistical information such as withdrawal and mortality rates is also used in estimating the expenses and liabilities under the plans. Because of changing market and economic conditions, the expenses and liabilities actually arising from these plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions.

1. GROUP ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 31 December 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The results of any subsidiary sold or acquired are included in the Group Income Statement up to, or from, the date control passes. Unrealised gains and losses on intra-group transactions are eliminated fully on consolidation.

Consolidation is conducted by eliminating the investment in the subsidiary with the parent's share of the net equity of the subsidiary.

The Group owns 100% of the voting rights in PV Crystalox Solar Kabushiki Kaisha. Minority interests in equity of €43,400 are related to non-redeemable preferred stock, subject to a guaranteed annual dividend payment of €2,000. As the fair value of the resulting dividend liabilities reduces the equity portion to marginal amounts, all minority interest has been reclassified as liabilities.

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair value reflecting their condition at that date. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. So far no acquisitions have taken place since inception of the Group.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. All inter-group transactions, balances, income and expenses are eliminated upon consolidation.

On 5 January 2007, PV Crystalox Solar PLC became the legal parent company of PV Crystalox Solar AG (and its subsidiary companies) in a share for share transaction. The former PV Crystalox Solar AG shareholders became the shareholders of PV Crystalox Solar PLC. Following the transaction the Group's continuing operations and executive management were those of PV Crystalox Solar AG. Accordingly, the substance of the combination was that PV Crystalox Solar AG acquired PV Crystalox Solar PLC in a reverse acquisition.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

Accounting standards in effect or applied for the first time in 2008

IFRS 8 (Operating Segments) is mandatory for annual periods beginning on or after 1 January 2009 and supersedes the current standard, IAS 14 Segment Reporting. IFRS 8 was adopted by the Group in 2007.

Newly issued accounting standards

IN ISSUE, EFFECTIVE AND ADOPTED

In November 2006, the IFRIC issued IFRIC 11 (IFRS 2 Group and Treasury Share Transactions). The interpretation addresses how to apply IFRS 2 (Share-based Payment) to accounting for share-based payment arrangements involving an entity's own equity instruments. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash settled or equity settled in the entity's financial statements. IFRIC 11 has to be applied for annual periods beginning on or after 1 March 2007.

IFRIC 14, IAS 19 (The limit on a defined benefit asset, minimum funding requirements and their interaction), is not expected to have any impact on the Group or Company's accounts.

IN ISSUE, EFFECTIVE BUT NOT APPLICABLE TO THE GROUP DUE TO NATURE OF BUSINESS

In November 2006, the IFRIC issued IFRIC 12 (Service Concession Arrangements). Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private sector operators. IFRIC 12 has to be applied for annual periods beginning on or after 1 January 2008.

IN ISSUE, BUT NOT YET EFFECTIVE

IFRS 3 (Business Combinations) has been revised. The revised standard has to be applied to accounting periods beginning on or after 1 July 2009. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 1 (Presentation of Financial Statements) has been revised to clarify the classification of balance sheet items between current and non-current, and an entity's compliance with IFRS. The revised standard has to be applied to accounting periods beginning on or after 1 January 2009. Earlier application is permitted. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

1. GROUP ACCOUNTING POLICIES CONTINUED

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS CONTINUED

Newly issued accounting standards continued

IN ISSUE, BUT NOT YET EFFECTIVE CONTINUED

IAS 23 (Borrowing Costs) has been revised so that guidance on effective interest rates is consistent with IAS 39 (Financial Instruments: Recognition and Measurement). The revised standard has to be applied to accounting periods beginning on or after 1 January 2009. Earlier application is permitted. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 27 (Consolidated and Separate Financial Statements) has been revised to extend the application of IAS 39 (Financial Instruments: Recognition and Measurement) to investments in subsidiaries which are classified as held for sale in the parent's separate financial statements. The revised standard has to be applied to accounting periods beginning on or after 1 July 2009. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 32 (Financial Instruments: Presentation) has been amended to provide details of the disclosure required when investments in associates and jointly controlled entities are accounted for at fair value through profit or loss. The amended standard has to be applied to accounting periods beginning on or after 1 January 2009. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

Amendment to IAS 39 (Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)) – this amendment clarifies the possibility of movement into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The Group will apply the IAS 39 (amendment) from 1 January 2009, subject to endorsement by the EU, however, it is not expected to have an impact in the Group or Company's Income Statement.

IFRS 7 (Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (effective 1 January 2009)). The amendments aim to explain more clearly how entities determine the fair value of their financial instruments and improve the disclosure of liquidity risk. The amendment is not expected to have an impact on the Group.

IFRIC 16 (Hedges of Net Investment in Foreign Operation (effective 1 October 2008)). This Interpretation provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. The Group is not expecting any impact on its financial position, results of operations or cashflows.

IFRIC 17 (Distribution of Non-cash Assets to Owners (effective 1 July 2009)). This Interpretation provides guidance on the treatment of distributions of assets other than cash to its shareholders as dividends. The Group is not expecting any impact on its financial position, results of operations or cash flows.

FINANCING STRATEGY AND CAPITAL STRUCTURE

We define capital as equity plus cash and our financial strategy in the medium term is to manage a level of debt that balances the risks of the business with optimising the return on equity by the use of gearing. The Group is currently cash positive following our IPO in June 2007, although these funds will be mainly utilised for capital investment in the planned polysilicon plant and in the expansion of our existing business. The only significant borrowings in the Group are in Japan and we take advantage of the relatively low Japanese Yen interest rate to finance our business in Japan. These borrowings have attached covenants and are secured against our Japanese Yen receivables book. The terms of the covenants have been and will continue to be adhered to.

The Japanese receivables book and our ongoing sales in Japanese Yen will continue to generate a strong forward cash inflow and accordingly we are not carrying exchange rate risk in respect of these borrowings.

The weighted average rate of interest in 2008 was 1.1% (2007: 1.5%) and our gearing ratio was 6% (2007: 21%).

INTANGIBLE ASSETS

Intangible assets are capitalised at cost and amortised over a useful life of three to five years. Amortisation of intangible assets is recorded under 'Depreciation and amortisation' in the Income Statement.

Acquired computer software licenses are capitalised at the costs that were necessary to purchase the licenses and make the software usable.

The capitalised costs are written down using the straight-line method over the expected economic life of the patents (five years) or software (three to five years).

1. GROUP ACCOUNTING POLICIES CONTINUED

INTERNALLY GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the Income Statement as an expense when incurred.

Internal development expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 (Intangible Assets). Technical and other uncertainties generally have the effect that such criteria are not met. However, expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of services and materials, direct labour and an appropriate proportion of overheads. Otherwise, development expenditure is recognised in the Income Statement as an expense as occurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Intangible assets relating to products in development (both internally and externally acquired) are subject to impairment testing upon indication of impairment. Any impairment losses are written off immediately to the Income Statement.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit of the specific asset to which it relates. All other expenditure is expensed as it occurs.

Only patents have been capitalised as development costs to date, as the future utilisation of other developments is not sufficiently determinable or certain.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or construction cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. The cost of own work capitalised is comprised of direct costs of material and manufacturing and directly attributable costs of manufacturing overheads. Interest on funding of self constructed assets is capitalised together with all allowable costs up until the point at which the asset is physically able to operate as intended by management. The capitalised costs are written down using the straight-line method.

The Group's policy is to write off the difference between the cost of property, plant and equipment and its residual value systematically over its estimated useful life. Reviews of the estimated remaining lives and residual values of individual productive assets are made annually, taking commercial and technological obsolescence as well as normal wear and tear into account.

The total useful lives range from approximately 25 to 30 years for buildings, five to ten years for plant and equipment, up to ten years for fixtures and fittings and four years for motor vehicles. No depreciation is provided on freehold land. Property, plant and equipment is reviewed for impairment at each balance sheet date or upon existence of indications that the carrying value may not be recoverable.

The only asset relating to the Bitterfeld facility that has been depreciated in the period, is the building, over a term of 30 years. It is anticipated that other categories of asset will commence to be depreciated during 2009 and careful consideration will be given to their estimated useful lives.

The gain or loss arising on disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Income Statement.

IMPAIRMENT

The carrying amount of the Group's assets, other than inventories and deferred tax assets, are subject to impairment testing upon indication of impairment and are reviewed annually.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use based on an internal discounted cash flow evaluation.

LEASED ASSETS

Rentals under operating leases are charged to the Income Statement on a straight-line basis over the lease term. Lease incentives are spread over the total period of the lease.

The obligations from lease contracts are disclosed among financial obligations. For the reporting period, no assets were recorded under finance leases.

1. GROUP ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recorded initially at fair value net of transaction costs, if changes in value are not charged directly to the Income Statement. Subsequent measurement depends on the designation of the instrument, as follows:

Amortised cost

- fixed deposits, generally funds held with banks and short-term borrowings and overdrafts are classified as receivables and loans and held at amortised cost;
- long-term loans are held at amortised cost; and
- accounts payables are not interest bearing and are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

Held for trading

- derivatives, if any, comprising interest rate swaps and foreign exchange contracts, are classified as held for trading. They are included at fair value, upon the advice of the local bank.

Loans and receivables

- non-interest bearing accounts receivables are initially recorded at fair value and subsequently valued at amortised cost, less provisions for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement; and
- cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months. Cash and cash equivalents are valued at their nominal value.

Changes in the fair value relating to all these financial instruments are treated as follows:

- exchange rate gains and losses and impairments are recognised in the Income Statement. All other changes in fair value are taken to reserves. On disposal of the related asset, the accumulated changes in fair value recorded in reserves are included in the gain or loss recorded in the Income Statement.

Interest and other income resulting from financial assets are recognised in the Income Statement when receivable, regardless of how the related carrying amount of the financial assets is measured.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value.

Acquisition costs for raw materials usually are determined by the weighted average method. For finished goods and work in progress, cost of production includes directly attributable costs for material and manufacturing and an attributable proportion of manufacturing overhead expenses (including depreciation) based on normal levels of activity. Selling expenses and other overhead expenses are excluded. Interest expenses are expensed as incurred and therefore not included. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

INCOME TAXES

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

1. GROUP ACCOUNTING POLICIES CONTINUED

PUBLIC GRANTS AND SUBSIDIES

As the German operations are located in a region designated for economic development, the Group receives both investment subsidies and investment grants. Government grants and subsidies relating to capital expenditure are credited to the 'Deferred income' account and are released to the Income Statement by equal annual installments over the expected useful lives of the relevant assets under 'Other income'.

Government grants of a revenue nature, mainly for research and development purposes, are credited to the Income Statement in the same period as the related expenditure. All required conditions of these grants have been and will continue to be met.

PROVISIONS

Provisions are formed where a third party obligation exists, which will lead to a probable future outflow of resources and where this outflow can be reliably estimated. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

If a provision is not considered necessary because a future outflow of resources is only considered possible (and not probable), the corresponding obligations are reported as contingent liabilities. Contingent liabilities are determined at the present value of the expected outflow of resources.

Provisions include both provisions and accruals.

CONTINGENT LIABILITIES

Provisions are made for legal disputes where there is an obligation at the balance sheet date, an adverse outcome is probable and associated costs can be estimated reliably. Where no obligation is present at the balance sheet date no provision is made, although the contingent liability will be disclosed in a note.

REVENUE RECOGNITION

Revenue is recognised when the significant risks and rewards of ownership have been transferred to a third party. Revenues exclude inter-group sales and value added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied.

The Group has outsourced some elements of production to external companies. In cases in which the Group retains power of disposal over the product or product element, a sale is only recognised under IFRS when the final product is sold. The final product is deemed to have been sold when the risks and rewards of ownership have been transferred to a third party.

The Group has two sales segments; silicon products and trading and equipment. These are defined as follows:

The Silicon Products segment consists of silicon ingots and wafers produced by Group companies and sold to solar cell manufacturers. This segment is the core business of the Group.

The trading and equipment segment is mainly the sourcing of silicon ingots from a key supplier to the Group and the onwards supply of these ingots to a major customer. This is done to facilitate these two key relationships and is not a long-term activity of the Group. In addition, the trading and equipment segment includes a relatively small amount of spare parts manufactured by the Group. These sales of spare parts are made to customers that operate equipment that had been built by the Group in the past. The Group no longer supplies crystal growth equipment and accordingly the sale of spare parts is expected to fall over the coming years.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in Euros, which is the presentational currency of the Group. Assets and liabilities of foreign operations are translated to Euros at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into Euros at the average foreign exchange rates of the year that the transactions occurred in.

Transactions of the included entities in foreign currencies are translated into the functional currency of the respective entity at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euros at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on transactions are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated to Euros at foreign exchange rates ruling at the date the fair value was determined.

Exchange gains and losses on short-term foreign currency borrowings and deposits are shown as such and taken to operating profit. In the consolidated financial statements exchange rate differences arising on consolidation of the net investments in subsidiaries together with those on relevant foreign currency loans are taken directly to the 'Currency translation adjustment' in equity.

1. GROUP ACCOUNTING POLICIES CONTINUED

INTEREST INCOME AND EXPENSES

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and gains, and any gains and losses on hedging instruments.

Interest income is recognised in the Income Statement as it accrues, using the effective interest method.

The interest expense component of finance lease payments is recognised in the Income Statement using the effective interest rate method.

SEGMENT REPORTING

A business segment is a group of assets and operating activities that provides products or services, which differ in terms of their risks and opportunities from those of other areas of business. A geographical segment provides products or services within a certain economic environment with risks and opportunities different from those in other economic environments.

EMPLOYEE BENEFITS

The Group operates a number of pension schemes. The schemes are generally funded through payments to insurance companies. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

The Group therefore has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds at the balance sheet date with a ten year maturity, adjusted for additional term to maturity of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the Income Statement in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional to the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

EMPLOYEE BENEFIT TRUST ACCOUNTING POLICY

All assets and liabilities of the EBT have been consolidated in these financial statements as the Group has de facto control over the trust's net assets as the parent of its sponsoring company.

DEFERRED INCOME

As is common practice with the sector, the Group, where appropriate, both seeks to receive deposits from customers in advance of shipment and makes deposits in advance of supplies.

These deposits are held on the balance sheet and matched against revenue/cost as appropriate.

Deposits received from customers are not discounted, as the effect is not considered to be material.

See also note 24.

1. GROUP ACCOUNTING POLICIES CONTINUED

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 (Share-based payments). The Group issues equity-settled equity-based payments to certain employees. These are measured at their fair value at the date of the grant and are expensed over the vesting period, based, where necessary, on the Group's estimate of the number of shares that will eventually vest, and adjusted for any market based conditions. Grants of shares made during 2008 and 2007 are not subject to performance criteria and were valued at the date of the grant at market value. During 2008 the Group granted share options to an employee. The share options granted are subject to performance criteria required for the option to vest and are considered in the method of measuring fair value. Fair value is measured using the Black-Scholes Option Pricing Model.

Charges made to the Income Statement in respect of share-based payments are credited to the share-based payment reserve.

SHAREHOLDERS' EQUITY

Shareholders' equity is comprised of the following balances:

Share capital is comprised of 416,725,335 ordinary shares of 2 pence each, see note 26.

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of share issue.

Investment in own shares is the Group's shares held by the Employee Benefit Trust (EBT) that are held in Trust for the benefit of employees.

Share-based payment reserve is the amount charged to the profit and loss account in respect of shares already granted or options outstanding relative to the vesting date or option exercise date.

Reverse acquisition reserve is the difference between the value of the assets acquired and the consideration paid by way of a share for share exchange on 5 January 2007.

Retained earnings is the cumulative profit retained by the Group.

Currency translation adjustment represents the differences arising from the currency translation of the net assets in subsidiaries.

2. OTHER INCOME

	2008 €'000	2007 €'000
Recognition of accrued grants and subsidies for investments	**818**	975
Research and development grants	**111**	147
Release of accruals and provisions	**186**	8
Other income	**360**	635
	1,475	1,765

The Group has received public subsidies for certain assets that will be recognised over the useful life of the subsidised assets. The Group has received grants for research and development activities.

3. COST OF MATERIAL AND SERVICES

The cost of materials is attributable to the consumption of silicon, ingots, wafers, chemicals and other consumables as well as the purchase of merchandise. Purchased services are allocated to cost of services.

	2008 €'000	2007 €'000
Cost of raw materials, supplies and purchased merchandise	**139,725**	171,247
Change in unfinished goods	**(384)**	(7,544)
Own work capitalised	**(3,641)**	–
Cost of materials	**135,700**	163,703

	2008 €'000	2007 €'000
Cost of purchased services	**7,497**	6,198
Cost of services	**7,497**	6,198

Own work capitalised relates to the construction of production equipment including in particular crystallisation systems, outer diameter saws.

The cost of materials and services ratio (cost of materials and services including changes in inventories and own work capitalised as a percentage of the aggregate operating performance) is 52% (2007: 64%).

4. PERSONNEL EXPENSES

	2008 €'000	2007 €'000
Wages and salaries	**10,769**	8,151
Social securities	**1,438**	1,103
Pension costs (see below)	**470**	391
Employee Share Schemes	**1,134**	2,913
	13,811	12,558

PENSION COSTS

	2008 €'000	2007 €'000
Appropriation to pension accruals for defined benefit schemes	**93**	85
Early retirement settlements and pay	**9**	12
Contributions to defined pension plans	**368**	294
	470	391

EMPLOYEES

The Group employed an average of 257 employees during the year ended 31 December 2008 (2007: 215).

	2008 Number	2007 Number
Germany	**159**	126
United Kingdom	**92**	85
Japan	**6**	4
	257	215

	2008 Number	2007 Number
Production	**168**	145
Administration	**89**	70
	257	215

The remuneration of the Board of directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report on pages 23 to 26.

5. OTHER EXPENSES

	2008 €'000	2007 €'000
Property rental and rates	**2,012**	2,151
Repairs and maintenance	**1,203**	867
Contribution to supply costs	**673**	382
Selling expenses	**151**	478
Technical consulting, research and development	**429**	611
Outside professional services	**1,432**	1,276
Insurance premiums	**469**	545
Travel and advertising expenses	**392**	518
Other	**1,373**	1,554
	8,134	8,382

The land and buildings used by the Group, with the exception of Bitterfeld, are rented. The contracts have durations of up to ten years. In some cases there are options to extend the rental period. In readiness for the completion of the polysilicon plant, the Group purchased, in 2007, land with an area of approximately 31,000m^2 in the Chemical Park at Bitterfeld in Germany.

Selling expenses mainly include delivery costs and warranty provisions.

Technical consulting and research and development costs relate to the expenditure in connection with silicon wafers and ingots. Also included are preliminary costs relating to plans for the plant to produce solar silicon feedstock.

In addition to those disclosed above, the Group undertakes considerable research and development in the field of continuous production process optimisation and improvement and adaptation of products to market requirements. These costs are an integral part of a highly technical production process.

The directors have estimated on the basis of directly attributable costs and a general proportion of production costs that the cost of research and development is approximately €6,150,000 for the year ended 31 December 2008 (2007: €4,350,000).

5. OTHER EXPENSES CONTINUED

Included within other expenses are the following amounts which were paid to the Group's auditor:

	For the year ended 31 December	
	2008 €'000	2007 €'000
Fees payable to the Company's auditor for the audit of the Group's financial statements	**79**	88
Plc audit costs	**16**	18
Other services pursuant to legislation	**18**	96
The audit of the Company's subsidiaries pursuant to legislation	**177**	102
Tax services	**5**	24
	295	328

6. INTEREST INCOME AND EXPENSES

Interest income and expense is derived/incurred on financial assets/liabilities and recognised under the effective interest method.

7. INCOME TAXES

Tax expenses can be broken down as follows:

	For the year ended 31 December	
	2008 €'000	2007 €'000
Income taxes in the United Kingdom	**34,696**	15,900
Income taxes in Germany	**6,864**	6,784
Income taxes in Japan	**5,207**	2,458
INCOME TAXES TOTAL	**46,767**	25,142
Deferred taxes in the United Kingdom	**(801)**	(330)
Deferred taxes in Germany	**(1,045)**	(92)
Deferred taxes in Japan	**(892)**	(927)
DEFERRED TAXES TOTAL	**(2,738)**	(1,349)
TOTAL TAXES	**44,029**	23,793

Income taxes include taxes on income paid or due in the individual countries as well as deferred taxes. Deferred taxes are calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the IFRS financial statements and those carried in the tax accounts, affected by consolidation transactions and realisable tax loss carry forwards.

The German corporation tax rate in 2008 and 2007 was 25% plus the solidarity surcharge of 5.5% of corporation tax. This resulted in an effective corporation tax rate of 26.375%. The effective trade income tax amounted to 16.67%. Taking into account the deductibility of trade income tax from corporation tax, the total tax rate for the German companies was 38.65%. The total tax rate of Crystalox Limited in the UK was 28%, and the total tax rate in Japan was 42.05%. These rates are always based on the legal regulations applicable or adopted at the balance sheet date.

The following table shows the tax reconciliation account of the tax expense expected in the respective financial year and the actual tax expense reported.

	2008 €'000	2007 €'000
PROFIT BEFORE TAX	**147,223**	70,764
Expected income tax expense at effective tax rate 30.6% (34.6%)	**45,003**	24,486
Taxation for inter-company dividends	**447**	–
Tax reduction due to non-taxable income	**(145)**	(202)
Tax for profit in stock eliminations	**(2,014)**	–
Deferred tax movement on share-based payments	**(129)**	–
Movement in prior year deferred balances	**287**	–
Tax on non-deductible expenses	**233**	192
Tax rate adjustment	**605**	–
Adjustments to tax charge in respect of prior periods	**(330)**	(382)
Other tax effects	**72**	(301)
TOTAL TAX EXPENSE	**44,029**	23,792

8. SEGMENT REPORTING

The segments are defined on the basis of the internal organisational and management structure and on the internal reporting to the Board. A distinction is made between silicon products and trading and equipment (for crystallisation).

Information is also presented based on the geographical location of sales. These reflect country specific risks and opportunities.

SEGMENT INFORMATION 2008

	Silicon products €'000	Trading and equipment €'000	Consolidation €'000	Group €'000
Revenue				
External revenues	273,810	285	–	274,095
Inter-company revenues	207,272	1,960	(209,232)	–
Segment results				
Operating result	106,347	119	–	106,466
Net finance income	40,757	–	–	40,757
	147,104	119	–	147,223
Other information				
Assets	373,709	207	–	373,916
Liabilities	129,192	71	–	129,263
Property, plant and equipment additions	80,268	–	–	80,268
Depreciation charged	3,803	–	–	3,803

	Japan €'000	The rest of Asia €'000	Germany €'000	The rest of Europe €'000	USA €'000	Group €'000
External revenues	154,607	30,913	75,554	5,942	7,079	274,095
Assets	87,524	–	174,888	111,504	–	373,916
Liabilities	35,220	–	61,008	33,035	–	129,263
Other information						
Property, plant and equipment additions	332	–	78,638	1,298	–	80,268
Depreciation charged	55	–	2,285	1,465	–	3,805

Three customers accounted for more than 10% of 2008 Group revenue each and these customers had sales in the year as follows (figures in €'000):

1. Sales 100,977 (Japan 100,977) (silicon products 100,925; trading and equipment 52);
2. Sales 53,202 (Japan 53,202) (silicon products 53,202); and
3. Sales 34,127 (Germany 34,127) (silicon products 34,127).

SEGMENT INFORMATION 2007

	Silicon products €'000	Trading and equipment €'000	Consolidation €'000	Group €'000
Revenue				
External revenues	212,939	50,505	–	263,444
Inter-company revenues	138,815	1,486	(140,301)	–
Segment results				
Operating result	65,353	907	–	66,260
Net finance cost	4,795	(291)	–	4,504
	70,148	616	–	70,764
Other information				
Assets	267,614	18,680	–	286,294
Liabilities	78,219	16,600	–	94,819
Property, plant and equipment additions	26,282	–	–	26,282
Depreciation charged	4,670	–	–	4,670

8. SEGMENT REPORTING CONTINUED
SEGMENT INFORMATION 2007 CONTINUED

	Japan €'000	The rest of Asia €'000	Germany €'000	The rest of Europe €'000	USA €'000	Group €'000
External revenues	163,520	40,093	51,397	4,297	4,137	263,444
Assets	63,021	–	80,818	142,454	–	286,293
Liabilities	53,877	–	26,688	14,254	–	94,819
Other information						
Property, plant and equipment additions	11	–	24,587	1,684	–	26,282
Depreciation charged	10	–	2,460	2,200	–	4,670

Three customers accounted for more than 10% of 2007 Group revenue each and these customers had sales in the year as follows (figures in €'000):

1. Sales 127,018 (Japan 127,018) (silicon products 76,513; trading and equipment 50,505);
2. Sales 28,850 (Japan 28,850) (silicon products 28,850); and
3. Sales 27,614 (Germany 27,614) (silicon products 27,614).

The geographical segments are reflecting the presence of the Group in the most relevant markets of the PV industry.

9. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year (as per the Income Statement) by the weighted average number of shares outstanding during the financial year.

	2008	2007
Basic shares (average)	**409,637,335**	392,118,454
Basic earnings per share (Euro cents)	**25.2**	12.0
Diluted shares (average)	**411,711,184**	394,186,193
Diluted earnings per share (Euro cents)	**25.1**	11.9

Basic shares and diluted shares for this calculation can be reconciled to the number of issued shares, as per note 26, as follows:

	Number
SHARES IN ISSUE (AS PER NOTE 26)	416,725,335
EBT shares held	(7,088,000)
WEIGHTED AVERAGE NUMBER OF SHARES FOR BASIC EPS CALCULATION	409,637,335
2,025,000 EBT shares, granted but not vested	2,025,000
33,000 EBT shares, held for 310 days, granted but not exercised	28,027
200,000 EBT shares under option, held for 38 days granted but not exercised	20,822
WEIGHTED AVERAGE NUMBER OF SHARES FOR FULLY DILUTED EPS CALCULATION	411,711,184

10. CASH AND CASH EQUIVALENTS

All short-term deposits are interest bearing at the various rates applicable in the business locations of the Group.

11. ACCOUNTS RECEIVABLE

	As at 31 December	
	2008 €'000	2007 €'000
Japan	**70,684**	51,065
Germany	**5,574**	6,291
United kingdom	**36**	4,392
	76,294	61,748

All receivables have short-term maturity. No significant bad debt allowances were necessary during the reporting period.

Some of the unimpaired trade receivables are past due at the reporting date. The age of financial assets past due but not impaired is as follows:

	2008 €'000	2007 €'000
Not more than three months	**1,303**	3,391

12. INVENTORIES

Inventories include finished goods and work in progress (ingots and blocks), as well as production supplies. The change in inventories reported in the Income Statement includes the additions and disposals under the items 'finished goods' and 'work in progress'.

	As at 31 December 2008 €'000	As at 31 December 2007 €'000
Finished products	**6,408**	2,618
Work in progress	**6,229**	9,635
Raw materials	**11,380**	8,400
	24,017	20,653

No significant write downs were necessary on inventories in the period under review.

13. PREPAID EXPENSES AND OTHER ASSETS

	2008 €'000	2007 €'000
Subsidy claims relating to Bitterfeld facility	**21,388**	2,601
Other subsidy claims	**616**	613
VAT	**5,215**	3,418
Prepaid expenses	**8,022**	6,341
Other current assets	**632**	591
	35,873	13,564

14. INTANGIBLE ASSETS

	Patents and licenses €'000	Software under development €'000	Total €'000
COST			
At 1 January 2008	425	157	582
Additions	447	127	574
Disposals	(1)	(157)	(158)
AT 31 DECEMBER 2008	**871**	**127**	**998**
DEPRECIATION			
At 1 January 2008	205	–	205
Charge for the year	159	–	159
On disposals	(1)	–	(1)
AT 31 DECEMBER 2008	**363**	**–**	**363**
NET BOOK VALUE			
AT 31 DECEMBER 2008	**508**	**127**	**635**

	Patents and licenses €'000	Software under development €'000	Total €'000
COST			
At 1 January 2007	304	7	311
Additions	128	157	285
Disposals	(6)	(7)	(13)
AT 31 DECEMBER 2007	426	157	583
DEPRECIATION			
At 1 January 2007	135	–	135
Charge for the year	76	–	76
On disposals	(6)	–	(6)
AT 31 DECEMBER 2007	205	–	205
NET BOOK VALUE			
AT 31 DECEMBER 2007	221	157	378

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
COST					
At 1 January 2008	763	38,360	2,425	22,765	64,313
Additions	5,709	4,106	1,700	68,753	80,268
Reclassification	5,850	290	–	(6,140)	–
Disposals	–	(8)	(71)	(45)	(124)
Net effect of foreign currency movements	(83)	(5,459)	(118)	–	(5,660)
AT 31 DECEMBER 2008	**12,239**	**37,289**	**3,936**	**85,333**	**138,797**
DEPRECIATION					
At 1 January 2008	128	27,717	1,353	–	29,198
Charge for the year	49	3,394	360	–	3,803
On disposals	–	(8)	(80)	–	(88)
Net effect of foreign currency movements	(33)	(4,952)	(61)	–	(5,044)
AT 31 DECEMBER 2008	**144**	**26,151**	**1,572**	**–**	**27,866**
NET BOOK VALUE					
AT 31 DECEMBER 2008	**12,095**	**11,138**	**2,364**	**85,333**	**110,930**
At 31 December 2007	635	10,643	1,072	22,765	35,115

Assets under construction mainly relate to the polysilicon facility in Bitterfeld.

Capital commitments at 31 December 2008 relating to the above amounted to €9.47 million.

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
COST					
At 1 January 2007	372	35,884	2,087	2,140	40,483
Additions	423	3,228	526	21,827	26,004
Reclassification	–	1,198	–	(1,198)	–
Disposals	–	(1)	(155)	–	(156)
Net effect of foreign currency movements	(32)	(1,949)	(33)	(4)	(2,018)
AT 31 DECEMBER 2007	**763**	**38,360**	**2,425**	**22,765**	**64,313**
DEPRECIATION					
At 1 January 2007	130	25,229	1,157	–	26,516
Charge for the year	10	4,250	333	–	4,593
On disposals	–	–	(109)	–	(109)
Net effect of foreign currency movements	(12)	(1,762)	(28)	–	(1,802)
AT 31 DECEMBER 2007	**128**	**27,717**	**1,353**	**–**	**29,198**
NET BOOK VALUE					
AT 31 DECEMBER 2007	**635**	**10,643**	**1,072**	**22,765**	**35,115**
At 31 December 2006	242	10,655	930	2,140	13,967

Asset under construction related to the polysilicon facility in Bitterfeld.

Capital commitments at 31 December 2007 relating to the above amounted to €30.65 million.

16. OTHER LONG-TERM ASSETS

	As at 31 December	
	2008 €'000	2007 €'000
Other assets	**326**	246
Prepaid expenses	**307**	351
Silicon tetrachloride deposits (for Bitterfeld)	**3,593**	4,000
Polysilicon feedstock deposits	**18,753**	–
	22,979	4,597

17. DEFERRED TAXES

Deferred taxes are calculated at the local rates in accordance with IAS 12 (Income Taxes).

Deferred tax assets and liabilities are attributable to the following accounting and valuation differences of the book value of assets and liabilities between the IFRS balance sheet and the tax balance sheet and tax losses carried forward.

	2008 €'000	2007 €'000
Elimination of inter-company gains	**3,351**	1,337
Tax loss carried forward	**592**	–
Fixed assets	**453**	632
Enterprise tax	**411**	166
Pension plans	**69**	75
Share-based reserve	**105**	–
Other	**41**	119
DEFERRED TAX ASSET	**5,022**	2,329
General allowance on accounts receivables	**(303)**	(233)
Fixed assets	**(71)**	(47)
DEFERRED TAX LIABILITY	**(374)**	(280)
TOTAL DEFERRED TAXES	**4,648**	2,049

18. LOANS PAYABLE

	As at 31 December	
	2008 €'000	2007 €'000
Syndicated loans	**15,696**	39,537
Other loans	**7**	89
	15,703	39,626
Current portion	**15,703**	39,619
Non-current portion	**–**	7
	15,703	39,626

Underwriter	2008 €'000	2007 €'000	Maturity	Interest rate	Assets pledged
Sumitomo Mitsui Banking Corporation	**11,772**	–	06/09	1.04-1.26%	Accounts receivable
Mizuho Bank	**3,924**	–	03/09	1.09%	Accounts receivable
The Bank of Tokyo Mitsubishi UFJ	**–**	8,742	Variable	1.47583-1.49917%	Accounts receivable
Other syndicated loans	**–**	30,191	Variable	1.47583-1.49917%	Accounts receivable
The Bank of Mitsubishi Tokyo UFJ	**–**	605	Variable	1.96%	Accounts receivable
Other loans	**7**	88	01/09	4.84%	Machinery and equipment
	15,703	39,626			

The 'Other syndicated loans' had been issued by a syndicate including the following banks: Yokohama bank, Shizuoka bank, Syokoukumiaityuou bank, Hiroshima bank, Ooita bank, Kouginri su, Sinwa bank, Toukyoutomin bank, Tougin ri su, Yamanasityuou bank, Risona bank, Gihu bank, Daiyamondori su, Keiyou bank, Tyukyou bank, Jyuuroku bank, Kouti bank, Daisan bank and Musashino bank.

19. ACCOUNTS PAYABLE

Accounts payable are obligations arising from normal business transactions.

	As at 31 December	
	2008 €'000	2007 €'000
Japan	**14,474**	11,647
United Kingdom	**3,369**	3,774
Germany	**11,910**	6,326
	29,753	21,747

The book value of these payables are materially the same as the fair value.

20. PROVISIONS AND ACCRUALS

The provisions and accruals of the Group are as follows:

	2008 €'000	2007 €'000
Rents and ancillary rent costs	**127**	592
Cost of material	**3,826**	–
Outstanding invoices	**2,940**	1,281
Bonuses	**840**	524
Warranty provisions	**449**	396
Other payroll accruals	**390**	260
Year end costs	**333**	265
Supervisory Board remuneration	**–**	38
Other	**174**	276
CURRENT PROVISIONS AND ACCRUALS	**9,079**	3,632
Rents and ancillary rent costs	**117**	–
Stamp duty	**–**	100
Other	**49**	28
NON-CURRENT PROVISIONS AND ACCRUALS	**166**	128
TOTAL PROVISIONS AND ACCRUALS	**9,245**	3,760

The cost of material accrual relates to an agreement with a key customer to supply higher than normal value wafers from higher than normal cost polysilicon, supplied by the same customer. The accrual relates to a timing difference between material received and supply invoiced.

Movement in warranty provisions is shown below:

	2008 €'000	2007 €'000
Provision brought forward	**396**	370
Addition	**73**	33
Utilised	**(20)**	(7)
PROVISION CARRIED FORWARD	**449**	396

21. DEFERRED INCOME

The grants from governmental institutions are bound to specific terms and conditions. The Group is obliged to observe retention periods of five years for the respective assets in case of investment subsidies as well as of five years for assets under investment grants, and to retain a certain number of jobs created in conjunction with the underlying assets. In cases of violations of the terms, the grants received must be repaid. In the past, the grants received were subject to periodic audits, which were concluded without significant findings or adjustments.

The deferred subsidies in the period under review consist of the following:

	As at 31 December	
	2008 €'000	2007 €'000
Investment subsidies	**12,649**	2,246
Investment grants	**11,596**	3,809
Other grants and subsidies	**6**	1
	24,251	6,056
Current portion	**2,052**	860
Non-current portion	**22,199**	5,196
	24,251	6,056

22. INCOME TAX PAYABLE

	As at 31 December	
	2008 €'000	2007 €'000
United Kingdom	**18,070**	8,516
Germany	**3,712**	532
Japan	**4,489**	1,807
	26,271	10,855

Income tax liabilities comprise both corporation and trade tax liabilities, calculated or estimated by the Group companies as well as corresponding taxes payable abroad due to local tax laws, including probable amounts arising on completed or current tax audits.

23. OTHER CURRENT LIABILITIES

	As at 31 December	
	2008 €'000	2007 €'000
VAT liability	**–**	85
Payroll liabilities	**339**	344
Other liabilities	**433**	502
	772	931

24. ADVANCE PAYMENTS RECEIVED

As is the industry norm, where possible and suitable the Group enters into long-term contracts with its customers and may request payment deposits from them ahead of the supply of goods. At 31 December 2008, such deposits amounted to €21,707,335 from three customers. (2007: €10,000,000 from one customer).

	As at 31 December	
	2008 €'000	2007 €'000
Short-term element	**2,692**	–
Long-term element	**19,016**	10,000
	21,708	10,000

25. PENSION BENEFIT OBLIGATION

The obligation relates to fixed post retirement payments for two employees and includes benefits for surviving spouses granted in 2005. The plan will be fully funded upon retirement of the employees by insurance contracts held and paid in by the Group. In case of insolvency the benefits have been ceded to the employees directly. Therefore the fair value of the insurance contracts has been treated as a plan asset.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds at the balance sheet date with a ten year maturity, adjusted for additional term to maturity of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the Income Statement in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional to the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Group contributions are paid directly to the asset holding insurance company, thereby guaranteeing the value of the scheme which is deemed wholly funded.

	As at 31 December	
	2008 €'000	2007 €'000
PENSION BENEFITS		
Present value of defined benefit obligations	**(1,354)**	(1,241)
Fair value of plan assets	**1,019**	765
TOTAL EMPLOYEE BENEFITS	**(335)**	(476)
MOVEMENTS IN THE BALANCE SHEET		
Present value of defined benefit obligations 1 January	**(1,241)**	(1,145)
Expense recognised	**(116)**	(118)
Interest cost	**(62)**	(50)
Actuarial gains	**66**	72
Present value of defined benefit obligations 31 December	**(1,353)**	(1,241)
Fair value of plan assets 1 January	**765**	512
Contribution	**256**	256
Expected return of plan assets	**40**	32
Actuarial losses	**(42)**	(35)
Fair value of plan assets 31 December	**1,019**	765
AMOUNTS RECOGNISED IN THE INCOME STATEMENT		
Interest cost	**(62)**	(50)
Expected return of plan assets	**40**	32
Current service cost	**(116)**	(119)
Actuarial gains	**24**	37
	(114)	(100)
The principal actuarial assumptions used were as follows:		
Discount rate	**5.00%**	5.00%
Expected return of plan assets	**4.50%**	4.50%
Future salary increases	**–**	–
Future pension increases	**1.50%**	2.00%

The expected service expenses for 2009 are €138,325, the contributions to plan assets are estimated at €255,717.

26. EQUITY

	2008 €'000	2007 €'000
AUTHORISED SHARE CAPITAL		
600,000,000 ordinary shares of 2 pence each	**17,756**	17,756
ALLOTTED, CALLED UP AND FULLY PAID		
416,725,335 ordinary shares of 2 pence each	**12,332**	12,332

SUMMARY OF RIGHTS OF SHARE CAPITAL

The ordinary shares are entitled to receipt of dividends. On winding up, their rights are restricted to a repayment of the amount paid up and to share in any surplus assets arising. The ordinary shares have full voting rights.

27. SHARE-BASED PAYMENT PLANS

The Group established the PV Crystalox Solar PLC Employee Benefit Trust (EBT) on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. On 19 January 2007 75,000 ordinary shares of £1.00 each (on 21 May 2007 each ordinary share of £1.00 in the Capital of the Company was sub-divided into 50 ordinary shares of 2 pence each) were granted by the EBT at the market price on that date of £26 per share. These shares were exercised immediately at an exercise price of nil pence. The total value of the grant was therefore £1,950,000 or €2,281,017.

The Group has two share option schemes in operation which are satisfied by grants from the EBT.

PV CRYSTALOX SOLAR PLC LONG-TERM INCENTIVE PLAN (LTIP)

This is a long-term incentive scheme under which awards are made to employees consisting of the right to acquire ordinary shares for a nominal price subject to the achievement of specified performance conditions at the end of the vesting period which is not less than three years from the date of grant. Under the scheme two award schemes have been granted.

Performance Share Award (PSA)

A PSA is a conditional award of a specified number of ordinary shares which may be acquired for nil consideration. The PSA granted to date have all been initial awards where there is no specified performance condition. The vesting period of each award is three years from the date of grant and the award must be exercised no later than 42 months following the date of grant.

On 17 December 2007 awards over 2,175,000 ordinary shares of 2 pence were granted to key employees. On 26 February 2008 awards were granted to employees of 500 shares each over a total of 33,000 ordinary shares of 2 pence. In the year under review two employees that had been granted an aggregate amount of 150,000 shares of 2 pence each on 17 December 2007 left the Group and in accordance with the rules of the LTIP these grants were cancelled and the shares remain available within the EBT.

Market Value Option (MVO)

A MVO is an option with an exercise price per share equal to the market value of a share on the date of grant. The vesting period of each award is three years from the date of grant and the award must be exercised no later than ten years following the date of grant. On 24 November 2008 a MVO over 200,000 ordinary shares of 2 pence each was granted to a senior employee and this option is exercisable from 24 November 2011 at £1.00 per share subject to an agreed performance criteria.

PV CRYSTALOX SOLAR PLC SHARE INCENTIVE PLAN (SIP)

The SIP is an employee share scheme approved by HM Revenue and Customs in accordance with the provisions of Schedule 8 to the Finance Act 2000. On 26 February 2008 awards were granted to UK employees of 500 shares each over a total of 37,000 ordinary shares of 2 pence. These 37,000 ordinary shares of 2 pence each were transferred from the EBT into the SIP.

27. SHARE-BASED PAYMENT PLANS CONTINUED

PV CRYSTALOX SOLAR PLC SHARE INCENTIVE PLAN (SIP) CONTINUED

The number of share options and weighted average exercise price for each of the schemes is set out as follows:

	PSA* Number	MVO Number	MVO Weighted average exercise price Pence	SIP* Number
Option outstanding at 1 January 2008	2,175,000	–	–	–
Options granted during the year	33,000	200,000	100	37,000
Options forfeited during the year	(150,000)	–	–	–
Options exercised during the year	–	–	–	–
OPTIONS OUTSTANDING AT 31 DECEMBER 2008	**2,058,000**	**200,000**	**100**	**37,000**
EXERCISABLE AT 31 DECEMBER 2008	**–**	**–**	**–**	**–**
Option outstanding at 1 January 2007	–	–	–	–
Options granted during the year	2,175,000	–	–	–
Options forfeited during the year	–	–	–	–
Options exercised during the year	–	–	–	–
Options outstanding at 31 December 2007	2,175,000	–	–	–
Exercisable at 31 December 2007	–	–	–	–

* The weighted average exercise price for the PSA and SIP options is nil.

At 31 December 2008 PSA options are exercisable, between 36 months and 42 months after the date of grant, up to August 2011. MVO options are exercisable between three years and ten years after the date of grant, up to December 2018. SIP options are exercisable between three and five years after date of grant, up to February 2013.

The remaining weighted average remaining contractual life of options outstanding at 31 December 2008 is 2.46 years for PSA (2007: 3.46 years), 9.99 years for MVO and 4.16 years for SIP.

28. RISK MANAGEMENT AND HEDGING STRATEGIES

The main risks arising from the Group's financial instruments are credit risks, interest rate risks, procurement risks and exchange rate fluctuation risks. The Board reviews and determines policies for managing each of these risks and are, as such, summarised below. These policies have been consistently applied throughout the period.

CREDIT RISK

The main credit risk arises from accounts receivable. All trade receivables are of a short-term nature, with maximum payment terms of 150 days. In order to manage credit risk, local management defines limits for customers based on a combination of payment history and customer reputation. Credit limits are reviewed by local management on a regular basis. As a supplier to some of the leading manufacturers of solar cells, the Group has a limited number of customers. In 2008 36.8% of the sales are related to the largest customer (2007: 48%). The number of customers accounting for approximately 95% of the annual revenue decreased from 16 in 2007 to 10 in 2008. Where appropriate, the Group requests payment or part payment in advance of shipment, which generally covers the cost of the goods. Different forms of retention of title are used for security depending on local restrictions prevalent on the respective markets.

28. RISK MANAGEMENT AND HEDGING STRATEGIES CONTINUED

EXCHANGE RATE FLUCTUATION RISKS

A large portion of sales revenue is invoiced in foreign currencies, potentially exposing the Group to exchange rate risks. In the financial year 2008, about €154.6 million (2007: €163.5 million) of the Group's sales was generated in Japanese Yen. Expenses of €92.9 million (2007: €125.2 million) invoiced in Japanese Yen were allocated to cost of materials.

Significant cash funds are denominated in currencies other than the presentational currency of the Group. Excess cash funds not needed for local sourcing are exposed to exchange rate and associated interest fluctuation risks, particularly so in the UK. The exchange rate risk is predominantly based on assets held in currencies other than Euros.

The Group sells its products in a number of currencies (mainly Japanese Yen and Euros and to a lesser extent US Dollars) and also purchases in a number of currencies (mainly Japanese Yen, Euros, Sterling and US Dollars).

The Group is largely naturally hedged at an operating level because it buys a significant proportion of its raw materials in Japanese Yen and Euros, operates its wafering factory within the Euro zone and pays for the sub contracting of wafer production in Japan in Japanese Yen. However, the ingot manufacturing operation is within the UK and therefore a part of Group costs are in Sterling. In addition, the Group has a large debtor book in Japan denominated in Japanese Yen and this is subjected to exchange rate fluctuation of that currency. The Group is endeavouring to increase its Japanese Yen borrowings to hedge against downwards movement in the Japanese Yen/Euro exchange rate.

After careful consideration and due to the satisfactory natural operating hedging position coupled with its policy to increase borrowings in Japanese Yen, the directors have adopted a long-term policy of setting off any downside risks of currency fluctuation against the associated upside risks.

During 2008 the Japanese Yen/Euro exchange rate increased 22.97% (2007: declined 5.22%). The impact of this increase on the Income Statement was to increase sales revenues by approximately 16% (2007: decrease 4%) and to increase operating profit (EBIT) by approximately 6% (2007: decrease 0.8%). The relatively high profit margins achieved during 2008 were exacerbated by the effect of the strength of the Japanese Yen.

For each 1% movement in the Japanese Yen/Euro exchange rate profits would increase/decrease by approximately €620k. The effect of the movement in the Japanese Yen/Euro exchange rate on assets held in Japanese Yen has been considered, although Group management is seeking to increase borrowings in Japanese Yen so that these largely offset asset balances held in that currency. However, based on Japanese Yen asset balances on 31 December 2008, each 1% movement in the Japanese Yen/Euro exchange rate would increase/decrease the currency translation adjustment by approximately €320,000.

During 2008 the net gain on foreign currency adjustments was a gain of €38.2 million (2007: gain of €1.9 million). This gain was largely related to differences between the rate at which sales were booked and the rate on the date that the related currency was received. The remainder of the currency gain related to the conversion of currency balances in respect of Group loans, currency debtor/creditor balances and currency advance payments to feedstock suppliers. These can be broken down into the following broad categories:

	€'million
Revaluation of cash balances	16.9
Revaluation of Group loan in Japanese Yen	11.3
Debtor/creditor revaluation	0.4
Revaluation of suppliers deposits	7.7
TOTAL CURRENCY GAIN	**36.3**

In line with the Group's natural hedging, upon translation of net assets in the consolidation, there was a negative impact in 2008 of €32.3 million recording as a currency translation adjustment.

28. RISK MANAGEMENT AND HEDGING STRATEGIES CONTINUED

EXCHANGE RATE FLUCTUATION RISKS CONTINUED

INTEREST FLUCTUATION RISKS

The Group is exposed to interest rate fluctuation risks, since the Group's loan agreements largely are subject to variable interest rates. In the past, in Japan, swaps have been used to a small extent to hedge against these risks, although these have now been eliminated. All variable interest rate loans are of a short-term nature with a maturity of less than twelve months and part of credit lines that expire at the latest in September 2009. The vast majority of borrowings €15.696 million (99.96%) at the end of 2008 are in Japanese Yen (2007: 99.8%). Accordingly, there is a downside risk that Japanese Yen interest rates may increase substantially from the current low levels. However, the Group has a regular strong Japanese Yen income, sufficient to repay the loans (if Group management wished to do so) within a twelve month time scale.

On 31 December 2008 the Group had borrowings in Japanese Yen of €15.7 million (2007: €39.5 million) at an average interest rate of approximately 1.135% (2007: 1.5%). For each 1% rise in the Japanese Yen interest rates Group interest costs would increase by approximately €160,000 (2007: €400,000) and for each 1% fall in the Japanese Yen interest rates interest costs would fall by approximately €160,000 (2007: €400,000). Accordingly, Group profits and equity would fall or rise (after corporation tax in Japan) by approximately €80,000 (2007: €200,000).

Further sensitivity analysis of the accruals and loans outstanding at the year end has not been disclosed as these are virtually all current and paid in line with standard payment terms.

The Group's borrowings in Japanese Yen are also current and have no set repayment plan being secured on the Japanese receivables book. The interests on this loan is paid monthly in arrears.

FINANCIAL ASSETS AND LIABILITIES

	Book value €'000	Held for trading €'000	Loan and receivables €'000	Amortised cost €'000	Non-financial €'000	Total €'000
2007						
Assets:						
Cash and cash equivalents	147,892	–	147,892	–	–	147,892
Accounts receivable	61,748	–	61,748	–	–	61,748
Prepaid expenses and other assets	24,458	–	3,805	–	20,653	24,458
Derivative	107	107	–	–	–	107
Other non-financial assets	52,089	–	–	–	52,089	52,089
TOTAL	**286,294**	**107**	**213,445**	**–**	**72,742**	**286,294**
Liabilities:						
Loans payable short-term	(39,619)	–	–	(39,619)	–	(39,619)
Accounts payable trade	(21,747)	–	–	(21,747)	–	(21,747)
Accrued expenses	(3,760)	–	–	(3,760)	–	(3,760)
Other current liabilities	(931)	–	–	(846)	(85)	(931)
Loans payable long-term	(7)	–	–	(7)	–	(7)
Other long-term liabilities	(1,088)	–	–	(1,088)	–	(1,088)
Other non-financial liabilities	(27,667)	–	–	–	(27,667)	(27,667)
TOTAL	**(94,819)**	**–**	**–**	**(67,067)**	**(27,752)**	**(94,819)**
2008						
Assets:						
Cash and cash equivalents	96,820	–	96,820	–	–	96,820
Accounts receivable	76,294	–	76,294	–	–	76,294
Prepaid expenses and other assets	35,873	–	22,636	–	13,237	35,873
Other non-financial assets	169,929	–	–	–	169,929	169,929
TOTAL	**378,916**	**–**	**195,750**	**–**	**183,166**	**378,916**
Liabilities:						
Loans payable short-term	(15,703)	–	–	(15,703)	–	(15,703)
Accounts payable trade	(29,753)	–	–	(29,753)	–	(29,753)
Accrued expenses	(9,245)	–	–	(9,245)	–	(9,245)
Other current liabilities	(772)	–	–	(772)	–	(772)
Other long-term liabilties	(851)	–	–	(851)	–	(851)
Other non-financial liabilities	(72,939)	–	–	–	(72,939)	(72,939)
TOTAL	**(129,263)**	**–**	**–**	**(56,324)**	**(72,939)**	**(129,263)**

29. CALCULATION OF FAIR VALUE

There are no publicly traded financial instruments (e.g. publicly traded derivatives and securities held for trading and available for sale securities) nor such other financial instruments that are traded in the standard way held by the Group.

30. CONTINGENT LIABILITIES

The Group did not assume any contingent liabilities for third parties. No material litigation or risks from violation of third parties' rights or laws that could materialise in 2008 are pending at the current time.

31. OTHER FINANCIAL OBLIGATIONS

LEASE AGREEMENTS (OPERATING LEASES)

The leases primarily relate to rented buildings and have terms of no more than ten years. Financial obligations resulting from operating leases become due as follows:

	As at 31 December	
	2008 €'000	2007 €'000
Less than one year	**1,317**	1,326
Two to five years	**4,142**	5,009
Longer than five years	**796**	2,172
	6,255	8,507

EQUIPMENT PURCHASE COMMITMENTS

Orders to the amount of €12.0 million had been made on 31 December, €9.5 million of which related to advance payments made in order to further the investments regarding the expansion of production.

32. RELATED PARTY DISCLOSURES

The Group basically defines related parties as the senior executives of the Group and also companies that these persons could have a material influence on as related parties. During the reporting period, none of the shareholders had control over or a material influence in the parent group. All future transactions with such related parties will be conducted under normal market conditions.

The remuneration of the directors, who are the key management personnel of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 23 to 26.

33. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

DIRECTORS' RESPONSIBILITIES

TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware;
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information;
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

P Finnegan

DR PETER FINNEGAN
DIRECTOR
25 MARCH 2009

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

We have audited the parent company financial statements of PV Crystalox Solar PLC for the period ended 31 December 2008 which comprise the principal accounting policies, the Balance Sheet and notes 1 to 10. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report, Directors' Remuneration Report and the parent company financial statements in accordance with UK law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice (UK GAAP)) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Corporate Governance Statement, the Corporate and Social Responsibility Report, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the unaudited supplementary information detailed in the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with UK GAAP, of the state of the Company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
25 MARCH 2009

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The Company has taken advantage of Section 230 of the Companies Act (1985), excluding it from preparing a Company only profit and loss account on the basis that a Consolidated Income Statement is included in the Group financial statements.

INVESTMENTS

Investments are included at cost and reviewed annually for impairment.

EMPLOYMENT BENEFIT TRUST (EBT)

All assets and liabilities of the EBT have been consolidated in these financial statements as the Company has de facto control over the Trust's net assets as its sponsoring company.

FINANCIAL INSTRUMENTS – CLASSIFICATION AS EQUITY OR FINANCIAL LIABILITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Group/Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at the foreign exchange rate ruling at that date.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Investments	1	**54,908,350**	7,500,000
CURRENT ASSETS			
Debtors	2	**30,719,642**	45,816,089
Cash at bank		**5,116**	34,273
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	**(1,768,565)**	(387,645)
NET CURRENT ASSETS		**28,956,193**	45,462,717
TOTAL ASSETS LESS CURRENT LIABILITY		**83,864,543**	52,962,717
CAPITAL AND RESERVES			
Called up equity share capital	7	**8,334,507**	8,334,507
Share premium account		**51,248,197**	51,248,197
Investment in own shares		**(3,705,000)**	(3,705,000)
Share-based payment reserve		**942,336**	42,245
Profit and loss account	8	**27,044,503**	(2,957,232)
SHAREHOLDERS' FUNDS	9	**83,864,573**	52,962,717

These financial statements were approved by the directors on 25 March 2009 and are signed on their behalf by:

DR IAIN DORRITY
DIRECTOR

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. INVESTMENTS
SHARES IN SUBSIDIARY UNDERTAKINGS

	£
COST	
At 1 January 2008	7,500,000
Share Capital of PV Crystalox Solar Silicon GmbH (€25,000)	19,760
Contribution to reserves of PV Crystalox Solar Silicon GmbH (€59,975,000)	47,388,590
AT 31 DECEMBER 2008	**54,908,350**

At 31 December 2008 the Company held more than 20% of the allotted share capital of the following undertakings:

Subsidiary	Country of incorporation	Class of share capital held	Proportion held
PV Crystalox Solar GmbH	Germany	Ordinary	100%
PV Silicon Forschungs und Produktions GmbH	Germany	Ordinary	100%
Crystalox Solar Ltd	UK	Ordinary	100%
Crystalox Ltd	UK	Ordinary	100%
PV Crystalox Solar KK	Japan	Ordinary	90.90%
PV Crystalox Solar Silicon GmbH	Germany	Ordinary	100%

2. DEBTORS

	Note	**2008 £**	2007 £
Amounts owed by Group undertakings		**30,692,978**	45,560,723
Withholding tax		**–**	13,472
Other debtors		**22,023**	18,869
Prepayments and accrued income		**4,641**	2,592
Deferred taxation	3	**–**	220,433
		30,719,642	45,816,089

3. DEFERRED TAX
The deferred tax included in the Balance Sheet is as follows:

	Note	**2008 £**	2007 £
Included in debtors	2	**–**	220,433

The movement in the deferred taxation account during the year was:

	2008 £	2007 £
Balance brought forward	**220,433**	–
Profit and loss account movement arising during the year	**(220,433)**	220,433
Balance carried forward	**–**	220,433

The balance of the deferred taxation account consists of the tax effect of the tax losses carried forward:

	2008 £	2007 £
Effect of tax losses carried forward	**–**	220,433

4. EMPLOYEE BENEFIT TRUST

The Company established the Employee Benefit Trust, a Jersey-based employee benefit Trust, on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. A number of share grants were made to key employees on 17 December 2007. A share incentive plan has been established to enable the grant of 500 shares each to all employees in January 2008.

	2008 £	2007 £
Shares held by the Employee Benefit Trust	**3,705,000**	3,705,000

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Corporation tax	**1,148,123**	–
Other taxation and social security	**121,194**	73,602
Accrual for directors' bonuses	**400,000**	–
Other accruals and deferred income	**99,248**	314,043
	1,768,565	387,645

6. RELATED PARTY TRANSACTIONS

As the Company produces publicly available Group accounts, the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of its Group.

7. SHARE CAPITAL

	2008 £	2007 £
AUTHORISED SHARE CAPITAL		
600,000,000 ordinary shares of 2 pence each	**12,000,000**	12,000,000
ALLOTTED, CALLED UP AND FULLY PAID		
416,725,335 ordinary shares of 2 pence each	**8,334,507**	8,334,507

In December 2006, the Company made an offer to each of the shareholders of PV Crystalox Solar AG to purchase all of their shares in PV Crystalox Solar AG in exchange for the issue to them of an equivalent number of shares in the Company. On 5 January 2007, the Company issued 5,625,000 ordinary shares of £1.00 each to the UK based shareholders in exchange for an equivalent number of shares in PV Crystalox Solar AG held by them. On 10 May 2007, the Company issued a further 1,875,000 ordinary shares of £1.00 each to the remaining shareholders in PV Crystalox Solar AG, again, in consideration for an equivalent number of shares in PV Crystalox Solar AG held by them. Except for the two ordinary shares of £1.00 each issued for cash at incorporation, the remaining 7,500,000 issued ordinary shares of £1.00 each in the Company were issued in exchange for shares in PV Crystalox Solar AG. By resolutions passed at the Extraordinary General Meeting of the Company held on 21 May 2007 each ordinary share of £1.00 in the capital of the Company (both issued and unissued) was sub-divided into 50 ordinary shares of 2 pence each.

8. PROFIT AND LOSS ACCOUNT

	2008 £	2007 £
Balance brought forward	**(2,957,232)**	–
Profit/(loss) for the financial year	**44,595,516**	(2,957,232)
Equity dividends paid	**(14,593,781)**	–
Balance carried forward	**27,044,503**	(2,957,232)

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
New share capital	**–**	59,582,704
Profit/(loss) for the financial year	**30,001,735**	(2,957,232)
Investment in own shares	**–**	(3,705,000)
Share-based payment reserve	**900,091**	42,245
Net addition to shareholders' funds	**30,901,826**	52,962,717
Opening shareholders' funds	**52,962,717**	–
Closing shareholders' funds	**83,864,543**	52,962,717

10. CAPITAL COMMITMENTS

There were no amounts contracted for but not provided in the financial statements.

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