PV Crystalox Solar PLC

Annual report and accounts 2019

PV Crystalox Solar is a long established supplier to the global PV industry now also providing slicing services for the high technology ceramics and optics industries in Germany

Find more online at www.pvcrystalox.com

Revenues	Net cash	Inventories	Net cash (used in)/ generated from operating activities	(Loss)/earnings before tax
€0.5m	€8.6m	€0.1m	€(3.5)m	€(2.4)m
2018: €6.3m	2018: €54.0m	2018: €0.1m	2018: €27.7m	2018: €1.6m

Highlights

- Transforming business by applying our wire sawing expertise to cutting of non-silicon materials
- £38.5 million capital returned in June 2019 (equivalent to 24 pence per share) for shareholders
- Further capital return of up to £2 million via tender offer proposed for Q3 2020

Chairman's introduction

> During the last two years the Board has explored various options to maximise any value from the listing of the Group's shares on the Official List but has been unable to identify any viable opportunities. The Board has thus concluded that a further return of capital would now be an appropriate course of action, following which it intends to cancel the Company's listing on the Official List.

Dear Shareholder,

As a result of the dire PV industry environment which has persisted since 2011, the Group had been operating in cash conservation mode to protect shareholder value whilst preserving the Group's core production capabilities. The Board made the decision in 2017 to significantly reduce those capabilities and closed the Group's production facilities in the United Kingdom. Then in H1 2018 the Group terminated multicrystalline silicon wafer production in Germany and restructured that operation to use its existing capabilities to develop new business opportunities in the cutting of non-silicon materials.

In November 2018 the Group received the final payment of a €28.8 million settlement of all claims and obligations relating to the wafer supply contract and arbitration award from a customer. Subsequently the Group announced in February 2019 that following an extensive review of the strategic options for the future of the Group, the Board had concluded that returning a large proportion of available cash, as part of an orderly resolution of the Group's affairs, would be in the best interests of shareholders rather than the pursuit of acquisitions.

On 21 June 2019 the Group returned 24 pence per existing ordinary share to shareholders on the register at that time, which was implemented through a reduction of the capital reserves. The reduction of the Company's share premium account and the nominal value of the ordinary shares enabled the Company to make a return of capital to shareholders of £38.5 million (€43.4 million) in aggregate. This was accompanied by a 1 for 22 share consolidation. The value returned pursuant to the return of capital represented 93% of the Company's market capitalisation (based on the average closing middle market price for the three business days prior to the consolidation of 25.8 pence per existing ordinary share). Following the share capital consolidation there are 7,285,408 new ordinary shares.

Total revenues of €0.5 million were 92% lower than in the prior year and in 2019 the loss before tax was €2.4 million which compared to a profit before tax of €1.6 million in 2018.

Year end net cash of €8.6 million was €45.4 million lower than at the beginning of the year, primarily as result of the return of capital.

During the last two years the Board has explored various options to maximise any value from the listing of the Group's shares on the Official List but has been unable to identify any viable opportunities. The Board has thus concluded that a further return of capital would now be an appropriate course of action, following which it intends to cancel the Company's listing on the Official List. Contingent on receipt of the payment relating to the settlement of a legacy wafer supply contract which is expected before the end of H1, the intention is to return a maximum of £2 million to shareholders by way of a tender offer in Q3.

The Board remains mindful of the need to protect shareholder value and believes that this will be best served by continuing the transformation of the manufacturing operation in Germany and resolving any challenge from tax authorities regarding the distribution of payments received under the arbitration settlement in 2018. A sale to a third party or a transfer of the business to the existing management team remains the ultimate objective. Meanwhile, the Board is implementing measures to reduce head office overheads.

John Sleeman
Chairman
18 March 2020

Operational and financial review

> As part of the continuing resolution of the Company's affairs the Board will continue its endeavours to complete the transformation of the manufacturing operation in Germany and to resolve any potential challenge from tax authorities regarding the distribution of payments received under the arbitration settlement in 2018.

Operational review of 2019

Extremely challenging PV market conditions have persisted since 2011 when overcapacity primarily in China caused a collapse in pricing across the value chain. This difficult environment led initially to the shutdown of Group's United Kingdom production and mass redundancies in 2017 and eventually necessitated the Group's exit from PV manufacturing. Major restructuring followed in Germany during 2018 and the closure of the United Kingdom facilities was finally completed in that year. Following an extensive review of the strategic options for the future of the Group, the Board advised in March 2019 that returning a large proportion of available cash, as part of an orderly resolution of the Group's affairs, would be in the best interest of shareholders. A capital return of €43.4 million (£38.5 million, which was the maximum under a capital reorganisation) was duly completed in June 2019 following approval at a General Meeting held in May. In parallel, the Board concluded the transformation of the manufacturing operation in Germany would be preferable to closure and ultimately offers the potential for a favourable outcome for all stakeholders through a sale to a third party or a transfer of the business to the existing management team.

As part of the programme to transform the business in Germany, one of the two production buildings was vacated at the end of 2019 and the operational facilities downsized and consolidated into the remaining building. Some silicon wafering capabilities have been retained as limited contract wafering is periodically carried out for a PV customer in Germany. The funded PV related research and development activities for which grants of €0.4 million were received in 2019 are continuing.

With around 20 employees now remaining in Germany we are applying our wire sawing expertise to the cutting and slicing of a variety of materials other than silicon and focusing on the requirements of the optical, medical and semiconductor industries in Germany. Successful trials have been carried out in the cutting of glass, fused silica, alumina and other ceramics and have demonstrated the benefits of wire sawing in improved cutting yields. While some of these customer relationships have already been consolidated into regular contracting business, the overall financial performance has been below expectations. Progress has been hampered to some extent by the global slowdown in the notoriously cyclical semiconductor industry which in 2019 suffered its worst downturn in almost two decades. The World Semiconductor Trade Statistics organisation projects growth of 5.9% in 2020 but ongoing US-China trade tensions and the recent Covid-19 coronavirus outbreak pose a threat to any recovery.

Wafer supply contracts

Group companies entered into a number of long-term wafer supply contracts prior to 2010. While the Group responded to the subsequent adverse market conditions by agreeing adjusted terms in several cases, no agreement was possible with three customers which either entered insolvency or defaulted on the contracts. The Group has successfully recovered €129.5 million to date in compensation from four customers as follows:

In 2012 the Group negotiated a settlement of €91 million for termination of a supply contract with a customer which had elected to exit the PV industry because of the challenging PV industry environment.

Following a lengthy dispute which in 2015 had necessitated filing for arbitration by the International Court of Arbitration of the International Chamber of Commerce, an agreement was finally concluded in 2018 with one customer whereby we received a payment of €28.8 million in settlement of all claims and obligations under a wafer supply contract.

The Group indicated in its 2019 Interim Results that further receipts were expected relating to a historic settlement of a wafer supply contract with another customer which did not fulfil its obligations. Receipts of €8.5 million in aggregate have been collected in 2014 and 2016 and further cash inflows of approximately €1 million are anticipated during the next two years with the bulk of the amount now expected before the end of H1 2020. As this receipt is not virtually certain to be received it has not been recorded as a receivable in the financial statements at 31 December 2019.

Receipts totalling €1.5 million were collected in 2016 and 2018 in resolution of the Group's other outstanding wafer supply contract, where the customer had entered insolvency and shipments stopped in 2012. A further final receipt is still expected at the conclusion of the insolvency process although the timing is uncertain and it is unlikely to be significant unless the administrator is successful in a claim against the management board whose members are covered by a D&O insurance policy.

Financial review

In 2019 the Group has concentrated on slicing services for the high technology ceramics and optics industries in Germany following the restructure of German production operations and shutdown of multicrystalline silicon wafer production at the end of H1. As a result Group revenues in 2019 of €0.5 million were 92% lower than in 2018 (€6.3 million).

The Group's loss before taxes was €2.4 million (2018: profit of €1.6 million). This reduction in profitability was mainly driven by a decrease in other income and a larger currency loss in 2019 than in 2018 which was partially offset by improved gross margins, lower personnel costs, depreciation and impairment and other expenses. Other income in 2019 was significantly below 2018 when it was boosted by the receipt of €8.2 million from a customer in settlement of a wafer supply contract.

Currency losses of €0.4 million in 2019, were €0.8 million higher than in 2018, and arose mainly on converting Euro balances into Sterling ahead of the return of capital.

Slicing services in 2019 delivered a gross profit of €0.1 million compared to a gross loss of €1.0 million in 2018. Personnel costs of €1.5 million in 2019 were €3.1 million lower than in 2018 following the restructuring in 2018 and the resulting lower employee numbers in 2019. Depreciation and impairment charges were negligible in 2019 but were €0.7 million in 2018 as a result of an impairment charge of €0.6 million following the termination of multicrystalline silicon wafer operations. Other expenses in 2019 were €0.8 million lower than in 2018.

The Group's net cash position at the end of the period was €8.6 million, which was €45.4 million lower than the net position of €54.0 million at the start of the year. This decrease was primarily due to the capital return of €43.4 million to shareholders.

Going concern

The Group's directors are required to make an assessment as to whether it is appropriate to prepare the financial statements on a going concern basis by considering the Group's ability and intention to continue in business.

The Group has been operating a cash conservation strategy to maximise cash held and to enable the Group to manage its operations whilst market conditions remain difficult. A description of the market conditions and the Group's plans are included in the Strategic Report.

On 31 December 2019 there was a net cash balance of €8.6 million. As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. Within these plans the directors have included returning a maximum of £2 million to shareholders through a tender offer. The £2 million is dependent on receiving €0.9m from customers relating to historic settlements that are not recorded in the balance sheet as receivables at 31 December 2019. If the €0.9m is not received then the return to shareholders will be reduced accordingly. The directors, after careful consideration and after making appropriate enquiries, are of the opinion that the levels of net cash outflows remain low such that Group has sufficient cash to continue in operational existence for at least twelve months from the date of approval of the financial statements, in March 2020.

The Group intends to continue operations at PV Crystalox Solar Silicon GmbH, in Germany which involve the cutting of silicon and non-silicon materials together with a continued focus on research and development activities. Once the Group has resolved the issues surrounding the transfer pricing risks with the German tax authorities a sale to a third party or a transfer of the business to the existing management team remains our ultimate objective.

As a result of this assessment the directors have concluded that the Group has the ability and the intention to continue in business. It should be noted that whilst the Group and PV Crystalox Solar Silicon GmbH have been prepared on a going concern basis the operations at Crystalox Limited have not following the announcement on 13 July 2017 that the Group intended to cease United Kingdom manufacturing operations in H2 2017.

Operational and financial review continued

Outlook

During the last two years the Board has explored various options to maximise any value from the listing of the Group's shares on the Official List but has been unable to identify any viable opportunities. The Board has thus concluded that cancelling the Company's listing on the Official List preceded by a further return of capital would now be an appropriate course of action. Contingent on receipt of the payment relating to the settlement of a legacy wafer supply contract which is expected before the end of H1 2020, the intention is to return a maximum of £2 million to shareholders by way of a tender offer. The Board will be recommending that the shareholders approve the necessary measures at a general meeting which should enable the cash return to be completed before the end of Q3 2020. Further information will be provided in a circular to shareholders in due course. Following the completion of the Tender Offer the Board intends to cancel the Company's listing.

As part of the continuing resolution of the Company's affairs the Board will continue its endeavours to complete the transformation of the manufacturing operation in Germany and to resolve any potential challenge from tax authorities regarding the distribution of payments received under the arbitration settlement in 2018. A sale of the German business to a third party or a transfer to the existing management team remains the ultimate objective and together with a resolution of the tax issues should enable a further cash return to shareholders in due course. As our ability to accelerate the liquidation process is limited and also economic considerations make such action unfavourable, our focus is on minimising the cash burn during the next 12-18 months while the outstanding issues are resolved. Accordingly the Board is implementing various measures to reduce overheads. Non-executive director salaries were reduced by 50% from January 2020 and similar reductions are planned for the Chief Executive Officer and Chief Financial Officer during the year along with the closure of the UK office.

> Following the completion of the Tender Offer the Board intends to cancel the Company's listing.

Iain Dorrity
Chief Executive Officer
18 March 2020

Key performance indicators

	2019	2018
Revenue from operations	**€0.5m**	€6.3m
(Loss)/earnings before tax	**€(2.4)m**	€1.6m
Net cash (used in)/generated from operating activities	**€(3.5)m**	€27.7m
Net cash	**€8.6m**	€54.0m
Inventories	**€0.1m**	€0.1m
Basic (loss)/profit per share	**€(0.032)**	€0.009

Effectively managing the risks the Group faces

Manufacturing operations in the United Kingdom were closed during 2017 and PV wafer production in Germany stopped in April 2018. Following restructuring, the Group's activities are limited to Germany and now focus on funded PV research and development and providing cutting services for non-silicon materials whilst retaining limited silicon wafering capabilities.

The key risks to which the Group is exposed are described below.

The Group might be affected by a number of risks, which may have a material adverse effect on our reputation, operations and/or financial performance. The risks associated with the Group's financial instruments are detailed in note 26 in the Notes to the Consolidated Financial Statements. It is not possible to identify or anticipate every risk that may affect the Group, some of which may not be known or may not have been assessed. Our overall success as a global business depends, in part, upon our ability to succeed in different economic, social and political environments and manage and mitigate such risks.

Principal risks	Nature of risk	Risk status	Mitigating actions
Loss of a key production facility could disrupt our ability to continue operations	Following the closure of the ingot and block production operations in the United Kingdom the Group's only manufacturing facility is in Germany. The loss of that facility would impact the Group's ability to trade.		We have health and safety, fire prevention and security procedures in place our facility. We have comprehensive property damage and business interruption insurance in place.
Transfer pricing risk	In prior years, other income was received into PV Crystalox Solar Silicon (PVCSS), the German subsidiary company, from its customer in settlement of all claims and obligations relating to the wafer supply contract and arbitration award. As a result of this contractual breach and the fact that physical delivery of wafers was foregone, PVCSS did not purchase the agreed silicon block quantities from Crystalox Limited. As compensation for the shortfall in block volumes a settlement was paid to Crystalox Limited. The Group is in discussions with the German tax authorities regarding this onward settlement and it is possible that this will result in a higher tax liability, up to a maximum of €1.9 million, due to different tax rates in the two jurisdictions and tax attributes available for offset. Management consider it probable that their position will ultimately be accepted by the tax authorities and have therefore not recorded a provision. It is probable that the Group will incur legal and professional fees as a result of defending our position but, given the early stage of the discussion, it is not possible to meaningfully quantify those costs that may be incurred at the date of the financial statements.		The payment to Crystalox Limited was consistent with a similar situation in 2012 when a payment was made to Crystalox Limited after compensation was received by PVCSS from another customer following the cancellation of a wafer supply contract. Engagement with the authorities to get clarity and early resolution of this issue is in progress. The Group's position is supported by its legal and tax advisers.

Risk management and principal risks continued

Principal risks	Nature of risk	Risk status	Mitigating actions
Transformation of the business in Germany	The Group may be unable to generate sufficient new customers and develop a profitable business for its cutting services.		We are capable of cutting a variety of materials and are targeting a range of customers across different industries. In relation to the going concern status we have sufficient liquidity for the foreseeable future and for at least twelve months following the signing of the accounts.
Impact of coronavirus on operations	The Group may be affected if coronavirus negatively impacts the high technology ceramics and optics industries in Germany which is a key sector for our cutting services. This may reduce demand from our existing customers and impede our ability to develop new customers. Our German operations may be negatively affected if the coronavirus means employees are required to remain at home for an extended period.		We are capable of cutting a variety of materials and are targeting a range of customers across different industries. The German Government has introduced measures to compensate companies where workers are placed on reduced working hours as a result of the coronavirus.
Foreign exchange exposure	Sales are invoiced in Euros. Operational costs are primarily in Euros and so changes in exchange rates would have minimal impact on the Group's income statement.		Prices for our cutting service are negotiated with customers on a regular basis, giving us the opportunity to mitigate the modest impact of exchange rates.

Risk status

Increase in risk level

No change in risk level

Decrease in risk level

Corporate responsibility

It is the Group's policy to foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers.

The environment

Our processes

It is the Group's policy to:

- seek to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of all business interests while continuing to produce high quality products which meet customer requirements;
- comply with all statutory environmental legislation as a minimum, and aim to improve upon the standards set by the local regulatory authorities; and
- foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

Waste and recycling

The Group has effective environmental management and health and safety systems in place, in support of, and to complement, its quality assurance systems. At its remaining site in Germany a proactive approach is taken to the pre-treatment of waste as required by the EU Landfill Directive. The purpose of this treatment requirement is to reduce the impact of waste sent to landfill and to increase the amount of waste that is recycled.

Environmental management systems

We recognise the need to establish, formalise and apply an environmental management system. Therefore, in order to enhance further its already effective environmental and health and safety management systems, the site in Erfurt, Germany, has been carrying out an environmental audit for more than ten years, focusing on the consumption of water and electricity and the emission of waste materials.

These high standards complement and consolidate the Erfurt operation's EN ISO 9001 status; further fulfilling our responsibility to the environment and health and safety.

Our staff

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 skills and effectiveness of its employees and is committed to the fair and equitable treatment of all and to prohibit discrimination on the grounds of age, gender, religion, sexual orientation, race, nationality or ethnic origin.

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.

The Group communicates its performance to its employees following the release of the preliminary and interim results each year. In Germany there is a Works Council at which factors affecting workers' employment is discussed.

Gender diversity

The following table sets out a breakdown by gender showing at 31 December 2019 (i) the number of persons who were directors of the Company; (ii) the number of persons who were senior managers of the Group (other than persons falling within sub-paragraph (i)); and (iii) the number of persons who were employees of the Group.

	Number of men	%	Number of women	%
Directors	3	100%	0	0%
Senior managers	2	100%	0	0%
Other employees	12	63%	7	37%

Corporate responsibility continued

The environment continued

Training and health and safety

The Group recognises that a key factor in its successful operations is its personnel. Management's top priority has been to provide a safe and secure work environment for all. 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 for occupation specific training. A voluntary health management programme was run for all staff in Erfurt in 2019.

The Group is committed to the ongoing training and development of its personnel. Particular skills-based training is provided to individuals when identified and seen as beneficial to the overall operation of the Group.

The Group recognises its responsibilities under health and safety legislation to ensure, so far as it is reasonably practicable, the health, safety and welfare of all its employees. Group policy is to take all reasonable precautions to prevent accidents and dangerous occurrences and for the creation of working conditions which safeguard employees. The Group attaches the greatest importance to health and safety, considering this to be a management responsibility. 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 health and safety legislation. The Group regards the standards set by the various relevant statutory provisions as the minimum standards which must be achieved and endeavours to improve upon these where reasonably practicable.

Human rights

We confirm our commitment to the human rights of our employees across all of our businesses.

We will include a statement concerning slavery and human trafficking on our website, www.pvcrystalox.com, as is required by the Modern Slavery Act.

PV Crystalox Solar greenhouse gas emissions

Greenhouse gas (GHG) emissions

This greenhouse gas ("GHG") emissions report is in line with UK mandatory reporting requirements as set out under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

The Group's emissions have been calculated based on the UK Government's Environmental Reporting Guidance. Emissions reported correspond with our financial year. We are reporting the direct emissions from combustion of fuel in PV Crystalox Solar facilities (scope 1) and indirect emissions resulting from electricity purchased by PV Crystalox Solar (scope 2). These emissions cover the operation of head office activities in the United Kingdom and the wafer production activities and slicing services in Germany.

Emissions are predominantly from gas and oil combustion and electricity use at our manufacturing facilities. We have used conversion factors provided in the "UK Government conversion factors for company reporting" for UK emissions and have taken into account the local electricity mix for the conversion factor for our German operations.

We have used tonnes of CO_2 per €1 million of revenue as an intensity measurement.

	2019 Tonnes CO_2 equivalent	2018 Tonnes CO_2 equivalent
Scope 1 Direct emissions from combustion of fuel in PV Crystalox Solar PLC Group facilities	**110**	100
Scope 2 Indirect emissions resulting from electricity purchased by PV Crystalox Solar	**122**	394
Scope 1 and Scope 2	**322**	494
Intensity measurement Tonnes CO_2/€1 million of revenue*	**605**	78

* It should also be noted that revenue includes multicrystalline wafer shipments in the prior year. This activity was terminated in 2018 and since then the Group has focused on providing slicing services for the high technology ceramic and optic industries in Germany. This means the intensity measurement for 2019 and 2018 compares different activities. The management team will continue to monitor and review the appropriateness of the intensity ratio.

Directors' approval statement

This Strategic Report as set out on pages 1 to 8 has been reviewed and approved by the Board of Directors, and signed on its behalf by:

Iain Dorrity
Chief Executive Officer
18 March 2020

Chairman's introduction to governance

> The Company is fully compliant with the governance requirements of the QCA Code.
>
> **John Sleeman,** Chairman

Dear Shareholder,

Despite the reduction in net asset value, market capitalisation, revenues and employee numbers the Board is mindful of its responsibilities to the Company's shareholders and key stakeholders to ensure the Company has the right people, systems and processes in place to manage risk and deliver the Group's agreed strategy. As Chairman, I am responsible for ensuring that the Board operates effectively with well-informed directors asking the right questions and setting the right tone from the top.

This Corporate Governance Statement describes our approach to governance and highlights a number of the actions we have taken during the year.

Governance code and compliance

Since October 2013 the Company has been a standard listed company on the Official List. As a standard listed company the governance levels are lower than those that apply to premium listed companies. When the Company moved to the standard list I declared, in the change of listing circular, "Your Board does not intend to implement any reduction in the standards of reporting and corporate governance which the Company currently maintains."

Following discussions with its advisers, the Board determined that whilst the Group continues to undertake the same governance activities as in prior years, it would report against the Quoted Companies Alliance Corporate Governance Code ("QCA Code") and has done so since 2016.

The Company is fully compliant with the governance requirements of the QCA Code.

Board balance and independence

The QCA Code guidance on independence states that it is important for an effective board to foster an attitude of independence of character and judgement. A company should have at least two independent non-executive directors. Small and mid-size quoted companies may find it difficult to meet the 2012 and 2014 United Kingdom Corporate Governance Code (the "Code") requirement of independence and therefore, for those companies, the chairman may count as one of the independent directors, provided they were independent at the time of appointment.

The Nomination Committee found, and the Board agreed, that Mike Parker and I demonstrate independence of character and judgement and as a result it is still in the best interest of the Company that we remain on the Board and the Committees.

As a result, throughout the year the Board had two independent non-executive directors and one executive director. The Board believes, given the current circumstances, that this composition is the most appropriate for the time being. Further details are set out on page 12.

The Chairman and SID's length of service

The twelfth anniversary of my appointment to the Board occurred in June 2019 during the 2019 financial year. The tenth anniversary of Michael Parker, the Senior Independent Director's appointment occurred in January 2020. In the normal course of events I would have stood down from those Committees in June 2016 and a new non-executive director would have been appointed. The Board believes that given the current circumstances the most appropriate course of action is that I should remain on those Committees. The terms of reference of the Audit, Nomination and Remuneration Committees had previously been updated to permit appointments to the respective Committees for twelve years (i.e. four periods of three years). This year the terms of reference have been amended to provide for annual appointment to the committees by the Board where a non-executive director has been on the committee for more than twelve years. This will be reviewed again next year and considered on an annual basis thereafter.

Performance evaluation

Due to the current scale of operation and the cash conservation strategy, the Board agreed to carry out an internal review. I led this review supported by the Group Secretary. The review found that the Board is operating effectively.

The performance of the individual directors was evaluated and my performance was evaluated by the Senior Independent Director and the Chief Executive Officer.

The performance of the Board, its Committees, the individual directors and the Chairman were all found to be effective. Further details are set out on page 11.

John Sleeman
Chairman
18 March 2020

Corporate governance statement

Compliance
The Board appreciates the benefits of strong corporate governance, which help to protect long-term shareholder value and maintain a flexible, efficient and effective management framework within an entrepreneurial environment. The QCA Code permits the chairman to be treated as independent provided that he was independent at the time of appointment. As John Sleeman was independent at the time of his appointment and because the Board considers that he demonstrates independence of character and judgement, the Company is fully compliant with the governance requirements of the QCA Code.

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.

Matters reserved for the Board
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 and returns of capital;
- 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 13 to 26.

Board balance and independence
During the year the Board consisted of two independent non-executive directors and the Chief Executive Officer. The Chairman was independent on appointment and demonstrates independence of character and judgement; and Michael Parker is deemed to be independent in accordance with the QCA Code.

The Board recognises Michael Parker as the Senior Independent Director who is available to shareholders if they have any relevant issues or concerns. Brief biographical details of all members of the Board are set out on page 12.

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

The non-executive directors entered into arrangements for initial three-year periods and their appointments continue subject to re-election at each AGM or six months' notice in writing from either party. The terms and conditions of appointment of the non-executive directors can be inspected at the Company's registered office and will be available for inspection at the Annual General Meeting. John Sleeman was appointed on 11 June 2007 and Michael Parker was appointed on 1 January 2010.

The Board has established a separate Nomination Committee and details of its responsibilities and activities are on page 13.

Board meetings
The Board meets at least six times per annum and at other times according to business requirements. During 2019 there were eight Board meetings. Meetings are held in Central London and at the Group's operating subsidiaries: at Abingdon in the United Kingdom; and at Erfurt in Germany. When the Board meets at the Group's operating subsidiaries the Board will have a detailed presentation from the subsidiary directors at that location and an opportunity to review the operation and to meet local management. During 2019 the number of Board and Committee meetings with individual attendances was as follows:

	Board	Audit	Remuneration	Nomination
Iain Dorrity	8/8	3/3	3/3	2/2
Michael Parker*	8/8	3/3	3/3	2/2
John Sleeman*	8/8	3/3	3/3	2/2

* Non-executive directors.

Board support
All directors have access to advice and services from the Group Secretary. The appointment and removal of the Group Secretary is a matter for the Board as a whole. The Group Secretary is responsible for advising the Board on all governance matters, ensuring Board procedures are followed and applicable rules and regulations are complied with. The directors are free to seek any further information they consider necessary and directors can obtain independent professional advice at the Group's expense.

Information, induction and professional development
The Chairman, assisted by the Group Secretary, is responsible for ensuring that the Board receives appropriate and timely information on all relevant matters.

On appointment to the Board, new directors receive background reading about the Group and details of Board procedures and other governance-related matters. In addition, the directors participate in a comprehensive induction programme, including site visits to the Group's operations and meetings with the executive directors and senior management across the Group.

The Chairman regularly reviews and agrees with each director their training and development needs as part of the succession planning process. Directors receive ongoing training and updates on relevant issues as appropriate, taking into account their individual qualifications and experience. The Group Secretary helps directors undertake any other professional development they consider necessary to assist them in carrying out their duties.

Chairman and Chief Executive Officer

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 is responsible for the implementation of strategy and policies and the day-to-day decision making and administration.

Other significant commitments of the Chairman, John Sleeman, are set out in the Directors section on page 12. The Board is satisfied that these commitments do not restrict him from effectively carrying out his duties as Chairman.

Performance evaluation

The directors believe that an effective Board is vital to the success of the Group and, as a result, undertake a thorough evaluation each year in order to assess how well the Board, its Committees, the directors and the Chairman are performing. The aim is to improve the effectiveness of the Board, its Committees and ultimately the Group's performance. The process is led by the Chairman and is supported by the Group Secretary. The Board believes that in normal trading circumstances a combination of external reviews every third/fourth year with internal reviews in the other intervening years is the most appropriate method for evaluating effectiveness. The Board decided that, in view of the cash conservation measures being taken throughout the organisation, the next external review would be postponed until the Group enters a more normal trading environment. As a result an internal evaluation was undertaken this year.

The performance of the Chief Executive Officer was evaluated by the Chairman and the Senior Independent Director. The performance of the Senior Independent Director was evaluated by the Chairman and the Chief Executive Officer. Following the review process, the Chairman concluded that both directors continue to make an effective contribution to the work of the Board, are well prepared and informed concerning items to be considered by the Board, have a good understanding of the Group's businesses and their commitment to the role remains strong.

The Senior Independent Director together with the Chief Executive Officer evaluated the performance of the Chairman and concluded that the Chairman operated effectively in his role.

As was highlighted above, the Board carried out an internal evaluation of its effectiveness by a process which involved a structured discussion at a Board meeting in March 2020. The process was led by the Chairman with the assistance of the Group Secretary. The discussion focused on the Board's roles and responsibilities; the Board's culture and dynamics; the Board's processes; and the role of the Chairman. The review concluded that the Board was operating in an effective manner.

The Audit, Nomination and Remuneration Committees carried out internal evaluations of their effectiveness at meetings in March 2020. The process for each review was similar to that used for the Board's effectiveness review. The reviews concluded that each Committee was operating in an effective manner.

Relations with the 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 AGM is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The Chief Executive Officer makes a presentation there on the Group's progress. The Chairman, the Chief Executive Officer, and the chairmen of the Audit Committee and the 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 totals of proxy votes on each resolution, including details of any votes withheld, are announced at the meeting after each resolution has been dealt with on a show of hands and the full proxy voting results are announced through a regulatory news service and on the Company's website. In the event of a close result as indicated by the proxies held by the chairman of the meeting, the Chairman would call a poll but this has not proved necessary at any of the AGMs to date. The Board believes that the immediacy of voting on a show of hands with the proxy votes immediately being announced, rather than a laborious process of conducting a formal poll on every resolution, is appreciated by the shareholders who attend the meeting.

During the year the Company held a General Meeting in May 2019 to approve reductions of capital, return of capital and share capital consolidation. The Chief Executive Officer maintained a regular programme of visits and presentations to major institutional shareholders in the United Kingdom. All directors receive copies of articles concerning the Group and are updated by the Group's financial advisers on investors' perceptions of PV Crystalox Solar.

There were formal presentations following the preliminary and interim results which were posted on the Company's website and, in addition, the Group issued updates on Group Strategy, the reductions of capital, the return of capital and the share capital consolidation.

Key announcements, financial reports, the presentations referred to above and other information about the Group can be found on the Group's website at www.pvcrystalox.com.

Accountability

The Board aims to present a balanced and understandable assessment of the Group's position and prospects in all reports and other price-sensitive disclosures, 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 29 and those of the auditors on pages 30 to 33. A statement on going concern appears on page 3.

Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are on pages 14 to 23. The report sets out the Group's remuneration policy for approval at the AGM on 23 June 2020 and the full details of all elements of the remuneration package of each individual director.

Directors

The Board of Directors comprises three extremely experienced individuals

John Sleeman
Chairman

John Sleeman graduated in Physics from the University of Durham and started his career at Deloitte & Touche in 1970 where he qualified as a Chartered Accountant before moving in 1975 to Samuel Montagu where he qualified as a Chartered Banker and held various corporate and project finance advisory roles, becoming a director in 1989.

Following its acquisition by HSBC, he held directorships with a number of companies within the HSBC Group, and from 2000 to 2003 was managing director, head of international team, corporate finance.

After that, John was an independent director of OSJC Power Machines (from 2003 to 2008), the Russian power generation equipment manufacturer 25% owned by Siemens AG, and an independent director of JSC Open Investments (from 2005 to 2009), the Russian real estate group.

He was appointed as non-executive director and Senior Independent Director at PV Crystalox Solar in June 2007 and became the Chairman in May 2013. He is chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

From 2006 to 2017 John was a founding partner of S.P. Spangel Corporate Finance LLP. In 2014 he was appointed as non-executive director of UCP Plc and in 2018 John became a senior adviser to Herax Partners LLP.

Iain Dorrity
Chief Executive Officer

Iain Dorrity has a PhD in Physical Chemistry from Exeter University. He 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 board of PV Crystalox Solar GmbH in 2002 and a member of the Board and Chief Executive Officer of the Company on its formation in December 2006.

Iain has over 30 years' experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox, he spent eight years working in research and in industry with General Electric Company.

Michael Parker
Non-executive director

Mike Parker received a Bachelor's degree in Chemical Engineering from the University of Manchester and an MBA from Manchester Business School. He began his career with Dow in 1968. During his 34 years there he was based in the US, the United Kingdom, Switzerland and Hong Kong. He became president and chief executive officer of The Dow Chemical Company in Midland, Michigan, USA, in 2000 and a member of the company's board of directors from 1995 to 2003.

He was subsequently appointed group chief executive of British Nuclear Fuels (a manufacturer and transporter of nuclear products) from 2003 until 2009.

He joined the PV Crystalox Solar Board as non-executive director in 2010 and he became Senior Independent Director in May 2013. He is chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

He was senior independent director of Laird PLC as well as being chairman of the Remuneration Committee and a member of the Audit and Nominations Committees until June 2018 when Laird was acquired by Advent International.

Mike is chairman of the board of Liverpool John Moores University and is involved with a variety of charities and not-for-profit organisations.

Mike was awarded a CBE in the New Year Honours 2009 for services to the energy industry.

Message from the chairman of the Nomination Committee

Dear Shareholder,

During the year the Nomination Committee focused its activities on those governance areas which require annual consideration.

We have a schedule of matters for annual consideration and specific responsibilities should there be a need to recruit a director or chairman, or to make recommendations for appointments to the Board's Committees or for the role of Senior Independent Director.

Full details of the Nomination Committee's roles and responsibilities are contained in the terms of reference which are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

Further details are described more fully below.

John Sleeman
Chairman of the Nomination Committee
18 March 2020

Membership

The Nomination Committee comprises both of the independent non-executive directors and is chaired by John Sleeman. The Chief Executive Officer and external advisers may be invited to attend meetings as and when appropriate. The Group Secretary, who is also the Chief Financial Officer, acts as the Secretary of the Nomination Committee.

Meetings

The Nomination Committee meets at least twice a year and reports to the Board on its proceedings. The Nomination Committee met twice during the year. Details of attendance are shown in the Corporate Governance Statement on page 10.

Effectiveness

As detailed on page 11, an internal evaluation was conducted during the year which confirmed that the Nomination Committee was operating effectively.

Role

The Nomination Committee has a number of responsibilities as set out in its terms of reference. In summary the key roles are to:

- review the Board structure, size and composition (including the skills, knowledge, experience and diversity) compared with its current position and make recommendations to the Board with regard to any changes;
- consider succession planning for directors and other senior executives; and
- make recommendations to the Board regarding the appointment, re-appointment and retirement of directors.

Activities of the Nomination Committee

Set out below are the key matters considered by the Nomination Committee during the year and subsequently.

Structure, size and composition of the Board

The Nomination Committee regularly reviews the structure, size and composition of the Board compared to its current position.

The Nomination Committee carried out a review in December 2019 and recommended that the structure, size and composition of the Board remained appropriate.

Succession planning

Succession planning is a key area of discussion and the Nomination Committee reviewed the capability of the senior management and directors and considered the succession plans for the executives.

Re-election of the directors

The Nomination Committee considered the effectiveness and commitment of each director standing for re-election at the 2020 AGM and, having concluded that their performance continues to be effective, recommends the re-election of each director to shareholders.

Diversity

The Nomination Committee noted the Board's policy on gender diversity but observed that there had not been any external recruitment at senior management or Board level for several years and that there were no current plans for recruitment at a senior level during 2020.

It noted that the Group had a non-discriminatory recruitment policy; however, with the current recruitment plans, the Committee did not believe that it was appropriate to set measurable objectives on actively seeking gender diversity at this time.

Terms of reference

The Committee carried out a review of the terms of reference which are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

Annual statement by the chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2019, which includes the proposed remuneration policy for the directors of PV Crystalox Solar PLC and provides details of their remuneration in respect of the year ended 31 December 2019.

The proposed remuneration policy will be put to shareholders for approval in a binding vote at the 2020 AGM on 23 June 2020. If approved at the AGM it will be effective from the day following the AGM and may operate for up to three years. No changes are proposed to the current policy. The proposed remuneration policy is set out on pages 15 to 18.

The Annual Report on Remuneration set out on pages 19 to 23, which describes how the current policy has been implemented in the year under review and how it will be implemented for the year ahead, will be subject to an advisory vote at the AGM.

2019 key items considered

2020 remuneration

The following proposals for the Chief Executive Officer's remuneration were proposed by the Remuneration Committee and agreed by the Board:

- the base salary of the Chief Executive Officer to remain at the 2020 level;
- that the Chief Executive Officer will not participate in an annual bonus plan for 2020 due to current business circumstances; and
- there will not be a long-term incentive award for the performance period from 1 January 2020 to 31 December 2022.

The Remuneration Committee approved management's proposal that there be no increase in salaries from 1 January 2020, for any of the Group's employees in the United Kingdom and Germany.

The Remuneration Committee approved management's proposals concerning redundancy payments and bonuses for certain key employees.

Due to the composition of the Remuneration Committee the Board is responsible for determining the fees of the non-executive directors. The Board agreed to reduce the fees to 50% of those paid in 2019.

Governance

As detailed on page 11, an internal evaluation was conducted during the year which confirmed that the Remuneration Committee was operating effectively.

The Committee carried out a review of the terms of reference which are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

The Remuneration Committee met three times during the year. Details of attendance are shown in the Corporate Governance Statement on page 10.

Michael Parker
Chairman of the Remuneration Committee
18 March 2020

This report sets out the Company's policy on the remuneration of its executive and non-executive directors, and will be proposed for approval by shareholders at the AGM on 23 June 2020. It will take effect from the day following the AGM and may operate for up to three years.

Policy overview

The Company's remuneration policy is to provide executive remuneration packages that attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, to deliver outstanding operational performance, to deliver excellent financial performance and to enhance shareholder value. To achieve this policy the packages must:

- be competitive;
- encourage a focus on long-term, sustained performance;
- be fair and transparent;
- be consistent across the Group; and
- be aligned to shareholders' interests.

The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration packages is undertaken by the Remuneration Committee.

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

- base annual salary;
- benefits-in-kind;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

It should be noted that there will not be an annual bonus scheme or a long-term incentive award in 2020.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee takes into account the general pay and employment conditions of other employees of the Group when determining executive directors' remuneration for the relevant financial year. This includes taking account of the levels of base salary increase for employees below executive level when reviewing executive base salaries and ensuring that the same principles apply in setting performance targets for executives' incentives as for other employees of the Group.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Executive directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	To provide competitive fixed remuneration.	In deciding appropriate remuneration levels, the Remuneration Committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group of listed companies of similar size and complexity. Base salaries are reviewed by the Remuneration Committee annually prior to the start of the salary year and on the occasion when an individual changes position or responsibility.	The Remuneration Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, a change in the scale, scope or responsibility of the role. Current salary levels are set out on page 19.	Individual and business performance is considered in determining base salary levels.
Benefits-in-kind	To provide competitive benefits-in-kind to ensure overall package is competitive. To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.	Provision of a range of benefits including some or all of: • a company car or car allowance; • private medical insurance; • income protection insurance; and • life assurance. Other benefits may be payable where appropriate.	Benefits may include those currently provided as disclosed on page 20; however, the Remuneration Committee reserves the right to provide such level of benefits as it considers appropriate to support the ongoing business strategy.	Not performance related.

Directors' remuneration report continued

Remuneration policy continued

Executive directors continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual bonus scheme	Rewards annual achievement of performance targets in order to deliver the business strategy. Compulsory deferral into the Company's shares provides a link to the creation of long-term shareholder value and also a retention element.	Measures and targets are set annually and pay-out levels are determined by the Remuneration Committee after the year end based on performance in the financial year against those targets. Half of each bonus will be payable in cash on the date of payment. The other half of each bonus will be deferred and payable in shares under the Executive Directors' Deferred Share Plan which will vest three years after the award date. Shall not be payable unless the executive director is employed on the date of payment. The annual bonus is not pensionable and there are no claw back or withholding arrangements.	Maximum bonus only payable for achieving demanding targets. A maximum bonus of 100% of base salary.	Set annually by the Remuneration Committee based on various performance metrics (which will be determined by the Remuneration Committee) measured over the relevant financial year. Pay-out levels are based on: • a threshold performance level (the minimum level of performance that results in any payment), of 20% of maximum pay-out; • a mid-performance level, of 60% of maximum pay-out; and • a maximum performance level, of 100% of maximum pay-out.
Long-term incentive – Performance Share Plan ("PSP")	Rewards sustained performance against challenging long-term targets which are critical to the realisation of the business strategy. Designed to attract, retain and incentivise executive management over the longer term. To provide an appropriate motivational framework and to align more closely the interests of the executive management with the performance of the business and the interests of shareholders.	The current Performance Share Plan was approved at the 2012 AGM and is governed by the rules of the plan. A summary of the key features is set out below: • Conditional share awards or options over a fixed number of shares are granted based on the relevant percentage of a director's base salary and the closing share price on the date of the award. • Vesting of awards will be subject to a three-year performance period. • The awards will lapse if the participant leaves employment before vesting unless in specific "good leaver" circumstances. • Award levels and performance conditions will be determined each year by the Remuneration Committee.	Maximum value of awards made to participants in any financial year will not exceed 200% of their remuneration at the relevant date of award. If there are exceptional circumstances, however, that the Remuneration Committee considers justifies making awards in excess of this limit, participants may receive awards with a value of up to 400% of their remuneration at the relevant date of award. The last awards were made in 2011 to the Chief Executive Officer of 125% and to other executive directors of 100% of base salary.	The performance targets are set annually by the Remuneration Committee. Previously these were based on achievement of growth in both total shareholder return and earnings per share over at least a three-year performance period. The pay-out would be based on a matrix with pay-outs from 0% to 100% of maximum. The Remuneration Committee may set different performance conditions for future awards having regard to the Company's strategic priorities, shareholder expectations and market conditions prevailing at that time.
Pension	To provide retirement benefits to ensure overall package is competitive. To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.	Defined contribution arrangements into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence. Current contribution levels 8% employer contributions into a defined contribution scheme.	Pension provision may include those currently provided which are 8%; however, the Remuneration Committee reserves the right to provide such level of pension provision as it considers appropriate to support the ongoing business strategy.	Not performance related.

Notes

(1) A description of how the Company intends to implement the policy set out in this table for 2020 is set out in the Annual Report on Remuneration on pages 19 to 23.

(2) The following differences exist between the Company's policy for the remuneration of executive directors as set out above and its approach to the payment of employees generally:

- A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive director and certain senior managers.
- Benefits offered to other employees generally comprise the provision of income protection insurance, life assurance and healthcare where required for the role or to meet market norms.
- The majority of employees in the United Kingdom participate in local defined contribution pension arrangements. Employees in Germany do not participate in company pension schemes.
- Participation in the PSP is limited to the executive director and certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals and on arrangements in the countries where the Group has employees (United Kingdom and Germany). They also reflect the fact that, in the case of the executive director and senior managers, a greater emphasis tends to be placed on performance related pay.

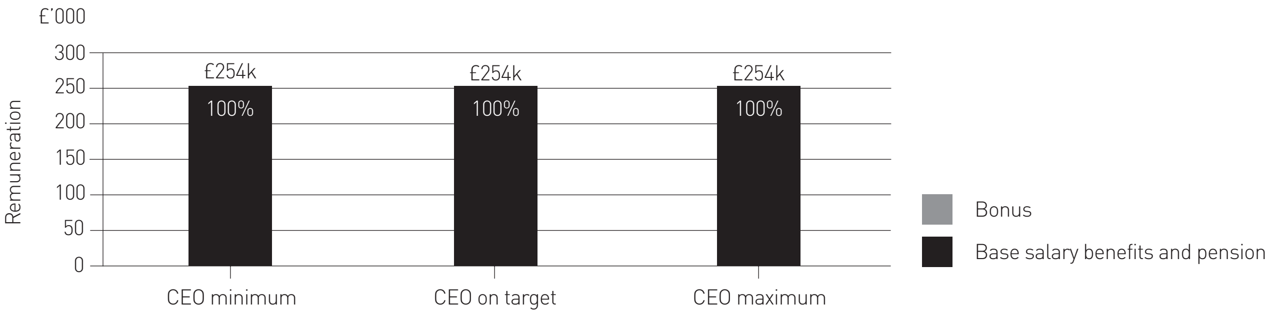
(3) The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately challenging and tied to both shareholder value and specific individual objectives.

(4) The Remuneration Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Remuneration Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

(5) For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the Chief Executive Officer's remuneration package for 2020 varies at different levels of performance under the policy, both as a percentage of total remuneration opportunity and as a total value. No bonus scheme is in operation for 2020.The figures are in Sterling as this is the currency in which the director is paid.



Notes

(1) The value of benefits receivable in 2020 is taken to be the value of benefits received in 2019 (as calculated under the directors' remuneration table, set out on page 20).

(2) The value of pension is as presented under the directors' remuneration table.

(3) The Remuneration Committee has decided that there will not be an annual bonus scheme in operation for 2020.

(4) The Remuneration Committee has decided that there will not be an LTIP scheme in operation for 2020.

(5) No share price appreciation has been assumed for the deferred bonus shares.

Service contracts for executive directors

The service agreements of the executive directors are not fixed term and are terminable by either the Company or the director on twelve months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary in lieu of twelve months' notice. Incidental expenses may also be payable where appropriate. In calculating the amount payable to a director on termination of employment, the Board would take into account the commercial interests of the Company. The Remuneration Committee reviews the contractual terms for new executive directors to ensure these reflect best practice.

The Company does not have a minimum shareholding guideline for executive directors as the current executive director has a shareholding many times in excess of his annual salary which aligns the executive's and shareholders' interests.

Provision	Detailed terms
Notice period	Twelve months
Termination payment	Up to twelve months' salary
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest
Change of control	No executive director's contract contains additional provisions in respect of change of control

Executive director's contracts of service, which include details of remuneration, are available for inspection at the Company's registered address and will be available for inspection at the AGM to be held on 23 June 2020.

Approach to recruitment and promotions

The remuneration package for a new executive director – i.e., base salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual. The Remuneration Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would where possible reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal executive director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Directors' remuneration report continued

Remuneration policy continued

Approach to leavers

At the discretion of the Remuneration Committee, an annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP and the Executive Directors' Deferred Share Plan is that any outstanding awards lapse on cessation of employment.

However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Remuneration Committee, "good leaver" status may be applied. For good leavers, awards will normally vest on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating. The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain "good leaver" circumstances awards will normally vest in full on the date of cessation (unless the Remuneration Committee determines otherwise).

The executive directors may accept outside appointments, with prior Board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case by case basis.

Non-executive directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Non-executive directors' fees	To reward individuals for fulfilling the relevant role. To reflect the time commitment and responsibilities of the roles of the individual non-executive directors. To attract, retain and motivate individuals with the necessary experience and ability to make a substantial contribution to the Group.	Cash fee paid. Fees are reviewed on an annual basis and are set by the Board. Expenses incurred by the non-executive director in the course of his employment are reimbursed in accordance with the Group's expenses guidelines. Fees are not subject to claw back or withholding arrangements	The Board is guided by the general increase in the non-executive director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on page 19.	Not applicable. Non-executive directors do not participate in variable pay arrangements.

Non-executive directors are appointed pursuant to a letter of appointment for an initial period of three years unless terminated earlier by either party giving six months notice. Continuation of each appointment is contingent on satisfactory performance and re-election at an AGM. Under the letter of appointment the director is subject to re-election every three years at the AGM. Since 2011 the Board agreed that each director would be subject to re-election at each AGM.

The non-executive directors' letters of appointment are available for inspection at the Company's registered address and will be available for inspection at the AGM to be held on 23 June 2020.

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

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Rule 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the AGM to be held on 23 June 2020.

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

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2014 and Rule 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the AGM to be held on 23 June 2020.

The Remuneration Committee

The Remuneration Committee is chaired by Michael Parker and is to be made up of a minimum of two independent non-executive directors. The Remuneration Committee comprises the Committee chairman and John Sleeman. The Chief Executive Officer, the Chief Financial Officer and external advisers may be invited to attend meetings as and when appropriate. The Group Secretary acts as the Secretary to the Remuneration Committee. The terms of reference of the Remuneration Committee are available to members of the public upon request and are 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 proceedings. Details of attendance at each meeting are shown in the Corporate Governance Report on page 10.

External advisers

The Remuneration Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference. During the year the Remuneration Committee did not seek advice from external advisers.

Implementation of the remuneration policy for the year ended 31 December 2020

A summary of how the directors' remuneration policy will be applied during the year ending 31 December 2020 is set out on the following pages.

Individual elements of remuneration

Annual base salaries and fees of the directors

Base salaries for the individual executive directors are reviewed annually by the Remuneration Committee and are set to reflect the market value of the individual, his or her skills, experience and performance and are intended to reflect those paid to executive management of comparable companies.

The fees for the non-executive directors are reviewed on an annual basis and are set by the Board to reflect the time commitment and responsibilities of the roles of the individual non-executive directors. The non-executive directors do not participate in any annual bonus or long-term incentive plans nor do they receive benefits-in-kind or pension contributions. In view of the current business circumstances and the expected reduced level of activity it was agreed that the fees for the non-executive directors for 2020 would be half the fees for 2019.

Payable in Sterling	2020 annual rate £	2019 annual rate £	% change
Iain Dorrity	225,000	225,000	0%
John Sleeman	35,000	70,000	(50)%
Michael Parker	20,000	40,000	(50)%

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

The Remuneration Committee has the authority to set the performance criteria for the annual bonus scheme and if appropriate the Remuneration Committee can decide not to operate a bonus scheme for a particular financial period. The structure of the annual bonus scheme is as approved by shareholders at the 2017 AGM and is the same as the proposed 2020 remuneration policy. When in operation the maximum award under the annual bonus will remain unchanged at 100% of salary. Threshold performance gives a pay-out of 20% with 60% earned for on-target performance. Half of any bonus will be paid in cash and half will be awarded in deferred shares under the PV Crystalox Solar Executive Directors' Deferred Share Plan which vest after a further three years.

Any awards of deferred shares under the Executive Directors' Deferred Share Plan will be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust. The trust has already acquired and will, from time to time, continue to acquire shares that will be available for award to employees (including executive directors).

In 2019 and 2020

The Remuneration Committee has decided that in view of the current business circumstances no annual bonus scheme would be in operation for 2019 nor will be in operation for 2020.

Long-term incentives

Awards vesting in respect of the financial year

Performance Share Plan

No awards have been made under the Performance Share Plan since the initial award in 2011 and no award has been recommended for 2020, for performance in the period from 1 January 2020 to 31 December 2022.

Pension arrangements

The executive director's contract of service sets out his base salary 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. Iain Dorrity is entitled to a Company contribution of 8% (2018: 8%) of base salary. It should be noted that Company contributions for UK employees other than the executive directors are 8% provided that the employees contribute at least 4%.

Directors’ remuneration report continued

Annual report on remuneration continued

Single total figure of remuneration (audited)

The table below reports the total remuneration receivable in respect of qualifying services by each director during the year.

Year ended 31 December 2019	Fees/base salary €	Benefits-in-kind €	Annual bonus €	Long-term incentives €	Pension related benefits €	Total €
Iain Dorrity	**256,822**	**12,814**	**—**	**—**	**20,546**	**290,182**
Michael Parker	**45,657**	**—**	**—**	**—**	**—**	**45,657**
John Sleeman	**79,900**	**—**	**—**	**—**	**—**	**79,900**
Total year ended 31 December 2019	**382,379**	**12,814**	**—**	**—**	**20,546**	**415,739**
Year ended 31 December 2018						
Iain Dorrity	254,302	12,235	92,363	—	20,344	379,244
Michael Parker	45,209	—	—	—	—	45,209
John Sleeman	79,116	—	—	—	—	79,116
Total year ended 31 December 2018	378,627	12,235	92,363	—	20,344	503,569

Notes

(1) The directors’ remuneration is payable in Sterling. The differences in fees/base salary reflect changes in the Sterling:Euro average exchange rate.

The figures in the single figure table are derived from the following:

Fees/base salary	The amount of fees/salary received in the period.
Benefits-in-kind	The taxable value of benefits received in the period. These are car allowance, private medical insurance, income protection and life insurance.
Annual bonus	The performance conditions were partially achieved in 2018 but there was no scheme in 2019.
Long-term incentives	The value of the long-term incentive schemes that vest in respect of the financial year.
PSP: None have vested in 2018 or 2019	No executive director’s contract contains additional provisions in respect of change of control.
Pension related benefits	This includes the Company’s contributions to the defined contribution pension scheme.

Additional information on directors’ interests (audited)

Details of the executive directors’ interests in outstanding share awards under the Executive Directors’ Deferred Share Plan ("EDDSP") and the PSP are set out below.

Deferred share awards as at 31 December 2019 awarded due to 2016 performance

The outstanding share grants relate to deferred shares issued under the EDDSP. Under the rules of this plan the number of shares is calculated by reference to 50% of a participant’s gross bonus, for a particular financial year, divided by the average of the middle market quotations on the five consecutive dealing days immediately following the date on which the results are announced.

	Date of grant	Normal vesting date	Number of shares awarded	Price at grant p	Value at grant €
Iain Dorrity (as at 1 January 2019)	31.03.17	31.03.20	544,135	20.675	128,378
Impact of share consolidation	—	—	(519,402)	—	—
Iain Dorrity (as at 31 December 2019)	—	—	24,733	—	—
Michael Parker	—	—	—	—	—
John Sleeman	—	—	—	—	—
As at 31 December 2019			**24,733**	**62.75**	**18,243**

A deferred share award is payable to Iain Dorrity in relation to 2016 performance as the performance conditions relating to share price were fully achieved. The award was granted on 31 March 2017 and has a vesting date of 31 March 2020. The value at grant was £112,500 and 544,135 shares were awarded.

Additional information on directors’ interests (audited) continued

Deferred share awards as at 31 December 2019 awarded due to 2016 performance continued

As a result of the share consolidation that took place in June 2019 the number of shares under the award has been reduced by a factor of 22 so that the award is now over 24,733 new ordinary shares of 3.0206 pence per share. The EBT which holds the shares took part in the capital return of 24 pence per ordinary share and received £130,592.40 in relation to the 544,135 shares held to satisfy the award. Under the rules of the EDDSP the Remuneration Committee did not have the authority to authorise an early vesting of the award together with the payment of this amount to Iain Dorrity without specific shareholder approval. The Board intend to ask shareholders to approve a resolution authorising a payment of £130,592.40 to Iain Dorrity at the 2020 AGM in respect of this EDDSP deferred share award. This will be after the normal vesting date for this award (31 March 2020).

Deferred shares awarded due to 2018 performance

Under the terms of the EDDSP a deferred share award was to have been awarded to Iain Dorrity in relation to 2018 performance as the performance conditions relating to share price were partially achieved. The award was to have been granted on 31 March 2019 and would have had a vesting date of 31 March 2022. The value at grant was £40,860 and the number of shares to be awarded would have been dependent on the share price at the date of grant.

As the Remuneration Committee was aware of the intended share consolidation and capital return to shareholders it recommended to the Board that this element of the 2018 award be paid to Iain Dorrity as a cash bonus rather than as a deferred share award. The Board approved this variation and a cash bonus of £40,680 was paid to Iain Dorrity in June 2019.

Performance Share Plan

No awards made under the Performance Share Plan remain outstanding at 31 December 2019.

Directors’ pension (audited)

Contributions to defined contribution scheme	**Total 2019 €**	Total 2018 €
Iain Dorrity	**20,546**	20,344
Michael Parker	**—**	—
John Sleeman	**—**	—
	20,546	20,344

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.

Directors’ interests in shares of the Company

The interests in the ordinary share capital of the Company as at 31 December 2019 of those directors, and their connected persons, who were in office during the year are detailed below.

	Shares		Options	
	Shares owned outright	Unvested and subject to holding period (EDDSP)	Unvested and subject to performance conditions (PSP)	Total interests held
Iain Dorrity	777,244	24,733	—	801,977
Michael Parker	—	—	—	—
John Sleeman	—	—	—	—

The closing mid-market price of a PV Crystalox Solar PLC share on 31 December 2019 was 62.75 pence and the price range during the year was 585.10 pence to 41.40 pence.

Between 1 January 2020 and 28 February 2020 (the latest date for which it was practical to obtain the information) there were no changes to the beneficial interest of the directors in the ordinary shares of the Company.

Statement of voting at last AGM

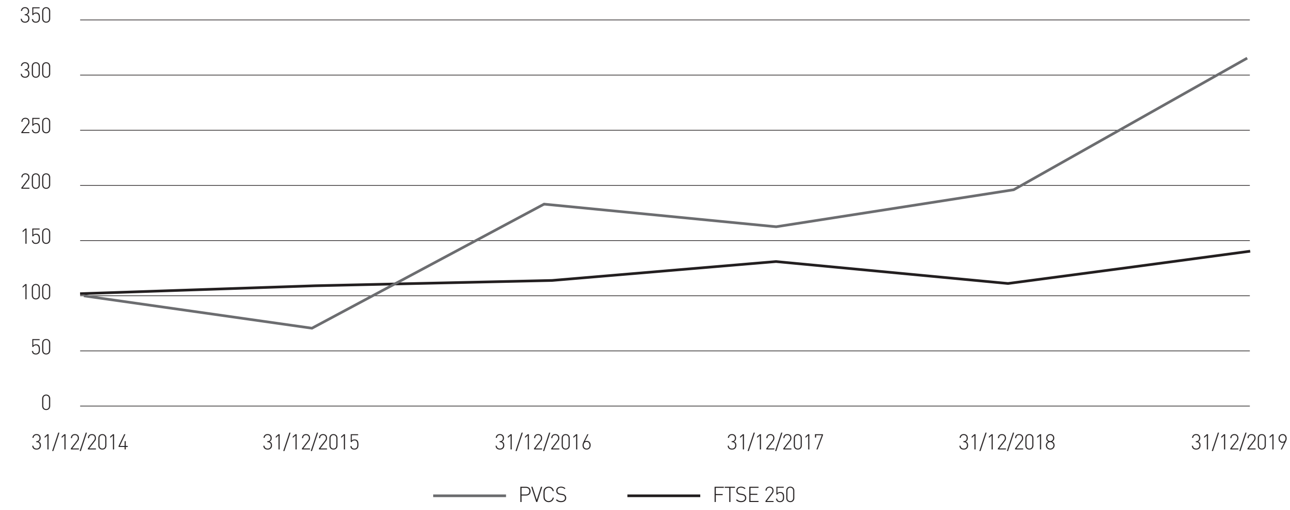
The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors’ Remuneration Report at the Company’s Annual General Meeting on 28 June 2019:

	Votes for Number	Votes for %	Votes against Number	Votes against %	Votes withheld Number
Resolution					
To receive and approve the 2019 Directors’ Remuneration Report	3,253,240	99.63%	12,174	0.37%	51

Directors' remuneration report continued
Annual report on remuneration continued

Shareholder return
Performance graph (unaudited)
The graph below shows the total shareholder return ("TSR") performance from 1 January 2015 to 31 December 2019. This is compared against the TSR performance of the FTSE 250 index. The Group was a member of the FTSE 250 index between September 2007 and March 2010. The graph is based upon £100 being invested in the shares of PV Crystalox Solar PLC on 1 January 2015 if all dividends had been reinvested and the comparative figures for the FTSE 250 index again assuming that dividends were reinvested. The data has been sourced from Bloomberg.

Total shareholder return for PVCS and FTSE 250



Remuneration for the Chief Executive Officer over last five years
The table below shows the single figure remuneration for the Chief Executive Officer during each of the past five financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the maximum.

	2015	2016	2017	2018	**2019**
Total remuneration (€)	348,546	585,085	289,184	379,244	**290,182**
Annual bonus	0%	100%	0%	36.32%	**0%**
LTIP vesting	—	—	—	—	**—**

Notes
(1) Iain Dorrity, the Chief Executive Officer, is paid in Sterling but disclosure in Euros has contributed to the volatility of the results above.
(2) There were no LTIP awards in respect of the financial year, 2015, 2016, 2017, 2018 or 2019.

Percentage change in the remuneration of the Chief Executive Officer
The table below sets out the increase in the salary, benefits and bonus of the Chief Executive Officer paid in Sterling and that of the PV Crystalox Group management population. This population has been selected for this comparison because it is considered to be the most relevant as these Group's employees have similarly structured remuneration packages.

	Chief Executive Officer	Group management population
	Percentage change (2019 v 2018)	Percentage change (2019 v 2018)
Salary	0%	0%
Benefits	0%	0%
Bonus*	(100)%	0%

* The Chief Executive received a 36.62% bonus based on 2018 performance and 0% in 2019.

Shareholder return continued

Relative importance of spend on pay

The table below shows a comparison between overall expenditure on pay and dividends paid to shareholders for 2019 and 2018.

	2019 €'000	2018 €'000	Percentage change
Overall expenditure on pay*	**1,505**	4,694	(68)%
Dividend paid in the year	**—**	—	0%

* Overall expenditure on pay is total staff costs as per note 4 in the Notes to the Consolidated Financial Statements.

This report contains the information required by the Companies Act 2006 and the relevant parts of the Listing Rules of the United Kingdom Listing Authority.

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

In accordance with the requirements of the Companies Act 2006, a resolution to approve this report will be proposed at the AGM to be held on 23 June 2020.

Michael Parker
Chairman of the Remuneration Committee
18 March 2020

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report.

Composition and governance

The Audit Committee is chaired by Michael Parker and is to be made up of a minimum of two independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Audit Committee comprises the Committee chairman and John Sleeman. John Sleeman is a Chartered Accountant and a Chartered Banker who from 2006 to 2017 was a founding partner of S.P. Angel Corporate Finance LLP and is now a senior adviser to Herax Partners LLP. The Board considers John Sleeman has recent and relevant financial experience. Michael Parker, a former CEO of both The Dow Chemical Company and BNFL, brings many years of international commercial experience to the Audit Committee. The Board believes that this combination of professional experience is appropriate to fulfil the duties of the Audit Committee.

The Chief Executive, the Chief Financial Officer and the external auditors are invited to attend Audit Committee meetings on a regular basis and other members may be invited to attend all or part of any meeting as and when appropriate. The Group Secretary acts as the Secretary of the Audit Committee. The Audit Committee meets not less than twice a year and is required to report formally to the Board on its proceedings.

The primary role of the Audit Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the financial statements and formal announcements relating to the Group's financial performance;
- the Group's internal financial controls and internal control and risk management systems;
- the requirement for an internal audit function;
- the content of the Annual Report and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's/Group's performance, business model and strategy;
- the Group's arrangements for whistleblowing, detecting fraud and preventing bribery;
- the external auditors' independence and objectivity and the effectiveness of the audit process; and
- making recommendations to the Board on the appointment or re-appointment of the Group's external auditors.

The terms of reference of the Audit Committee are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

External auditors

Non-audit services

The Group's external auditors are PricewaterhouseCoopers LLP ("PwC") and the Audit Committee operates a policy to safeguard the independence and objectivity of the external auditors. This policy requires approval of non-audit services provided by the external auditors in advance, with the requirement that on an annual basis the total fees for non-audit services do not exceed the total annual fees for audit services; sets out certain disclosure requirements by the external auditors to the Audit Committee; places restrictions on the employment of the external auditors' former employees; and reviews required periodic partner rotation. During the year, the Audit Committee reviewed the processes that the external auditors have in place to safeguard their independence and received a letter from them confirming that, in their opinion, they remained independent.

A breakdown of the fees paid to the external auditors in respect of audit work is included in note 6 in the Notes to the Consolidated Financial Statements. The auditors did not perform any non-audit related work during the year.

The performance and effectiveness of the external auditors was formally reviewed by the Committee taking into account the views of directors and senior management on such matters as independence, objectivity, proficiency, resourcing and audit strategy and planning. The Committee concluded that the performance of the external auditors remained satisfactory following the review. The performance of the external auditors will continue to be reviewed annually.

The Audit Committee has provided the Board with its recommendation to the shareholders to re-appoint PwC as external auditors for the year ending 31 December 2020.

The Audit Committee has advised the Board that mandatory firm rotation rules are in place which limit audit appointments to a maximum of 10 years. At that point there is a requirement for Companies to undertake rotation or a competitive tending process. As a result the Company will be required to rotate auditors or carry out a competitive tendering process for the audit for the year ending 31 December 2021.

Work undertaken during the year

The Audit Committee met three times during the year. Details of attendance are shown in the Corporate Governance Statement on page 10.

During the year the main items considered were:

- discussions with the auditors on the audit approach and strategy, the audit process, key issues arising out of the audit and discussions on the Auditors' Report;
- approval of the audit fees and the auditors' letter of engagement;
- approval of non-audit work to be undertaken by the auditors;
- considering the independence and objectivity of the external auditors;
- reviewing the internal controls and risk management systems in operation within the Group;
- consideration of the requirement for the Group to have an internal audit function;
- detailed reviews of the Group's preliminary announcement, Annual Report and Interim Reports;
- the Audit Committee effectiveness review;
- a review of the effectiveness of the external auditors; and
- a review of the terms of reference of the Audit Committee.

Financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review with both management and the external auditors, and report to the Board where requested or required, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditors;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid the review, the Audit Committee considers reports from the Chief Financial Officer and also reports from the external auditors on the outcomes of their annual audit. The Audit Committee supports PwC in displaying the necessary independence and objectivity its role requires.

The primary areas of judgement considered by the Audit Committee in relation to the 2019 financial statements and how these have been addressed are listed below. In concluding that the below list represented the primary areas of judgement, the Audit Committee considered a report by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements.

These are also areas of higher audit risk and accordingly PwC reported to the Audit Committee on and the Audit Committee discussed these judgements.

Going concern

Management has prepared a paper setting out the going concern position. This included the assumptions behind the continuing operation with its focus on the cutting of silicon and non-silicon materials such as glass and quartz together with a continued focus on research and development activities. It also included a cash flow forecast for the Group illustrating the current cash position for each Group company and how management is comfortable that the Group will have sufficient liquidity for the foreseeable future and through at least the twelve-month period following the signing of the accounts. It also included an assumption of returning £2.0 million to shareholders through a tender offer and the effects on operations including the possible negative impact from COVID-19. The paper also considered the how the going concern position would be affected in the event that a maximum of €1.9 million had to be paid to German tax authorities as a result of the transfer pricing risk. The Audit Committee discussed that paper, challenging the assumptions behind the plan and the sensitivities which could negatively impact trading. Further details on the assumptions within the going concern review are contained in the Operational and Financial Review. The Audit Committee was satisfied that the going concern basis of preparation continues to be appropriate for the Group and for PV Crystalox Solar Silicon GmbH but that Crystalox Limited should be prepared on a basis other than going concern.

Historic transfer pricing

Management has prepared a paper setting out the basis for the accounting treatment of the other income that was received into PV Crystalox Solar Silicon (PVCSS), the German subsidiary company, from its customer in settlement of all claims and obligations relating to the wafer supply contract and arbitration award. As a result of this contractual breach and the fact that physical delivery of wafers was foregone, PVCSS did not purchase the agreed silicon block quantities from Crystalox Limited. As compensation for the shortfall in block volumes a settlement was paid to Crystalox Limited. There is a risk that this compensation payment could be challenged by tax authorities under transfer pricing rules resulting in a higher tax liability. In the paper, management recommended that the settlement be treated as an allowable trading expense in PVCSS and other income in Crystalox Limited. This treatment was consistent with a similar situation in 2012 when a payment was made to Crystalox Limited, after compensation was received by PVCSS from another customer following the cancellation of a wafer supply contract. The treatment is also supported by its legal and tax advisers.

The Group is in discussions with the German tax authorities regarding this onward settlement and it is possible that this will result in a higher tax liability, up to a maximum of €1.9 million, due to different tax rates in the two jurisdictions and tax attributes available for offset. Management consider it probable that their position will ultimately be accepted by the tax authorities and have therefore not recorded a provision. It is probable that the Group will incur legal and professional fees as a result of defending the position but, given the early stage of the dispute, it is not possible to meaningfully quantify those costs that may be incurred at the date of the financial statements.

The Audit Committee has reviewed the paper, discussed and challenged the assumptions and is satisfied with management's judgement concerning the treatment.

Investment in subsidiary undertakings

In the PV Crystalox Solar PLC parent company balance sheet are investments in subsidiaries. These investments have previously been assessed by considering the combined position of the subsidiaries. However, following the decision to close United Kingdom production operations they have been considered as separate investments. In the impairment review management recommended an impairment of £1.3 million with a result that the value of investments in subsidiary undertakings was reduced to £2.8 million. The Audit Committee has reviewed the paper, discussed and challenged the assumptions and is satisfied with management's judgement concerning the impairment.

Internal controls and risk management systems

The Board has overall responsibility for the Group's system of internal control and risk management systems and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the systems and the maintenance of effective internal control in each of the Group's operating subsidiaries. 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 are designed to manage rather than eliminate risk. Accordingly they can provide only reasonable and not absolute assurance against material misstatement, losses, fraud or breaches of laws or regulations.

Executive management is responsible for establishing and maintaining adequate internal control and risk management systems relating to the financial reporting process and the Group's process for the preparation of consolidated accounts. The systems and controls in place include policies and procedures that relate to the maintenance of records that accurately and fairly reflect transactions and accurately record and control the Group's assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS"); require representatives of the operating subsidiaries to confirm that their reported information gives a true and fair view of the state of affairs of the subsidiary and the results for the period; and review and reconcile reported results.

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

- clear limits of authority;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- annual revenue, cash flow and capital forecasts reviewed regularly during the year, monthly monitoring of management accounts and capital expenditure reported to the Board and monthly comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for the authorisation of significant transactions including capital expenditure and disposals under defined levels of authority;
- regular meetings of the executive directors;
- an Audit Committee, which approves audit plans and published financial information and reviews reports from external auditors arising from the audit and deals with significant control matters raised;
- regular Board meetings to monitor continuously any areas of concern;
- annual review of risks and internal controls; and
- annual review of compliance with the QCA Code.

Report of the Audit Committee continued

Internal controls and risk management systems continued

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 systems which were in place during the financial year ended 31 December 2019 and the period up to the date of approval of the financial statements. The subsidiary company Finance Directors led the review. The review was summarised into a report which was discussed by the Audit Committee and the Board in March 2020.

The Board confirmed that no significant weaknesses were identified in relation to the review conducted during the year.

The Board confirms that the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is regularly reviewed by the Board in accordance with the Turnbull Guidance on internal control.

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. The Board will keep the decision under annual review.

Michael Parker
Chairman of the Audit Committee
18 March 2020

Directors' report

The directors are pleased to present their report together with the consolidated audited financial statements of the Group and Company for the year ended 31 December 2019.

PV Crystalox Solar PLC is incorporated and domiciled in the United Kingdom.

The address of the registered office is 11B(ii) Park House, Milton Park, Abingdon, OX14 4RS.

Results for the year

The Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 is shown on page 34. The Consolidated Statement of Changes in Equity for the year is shown on page 36 and segmental information is shown in note 2 in the Notes to the Consolidated Financial Statements.

Dividends paid and proposed

The directors have not recommended a final dividend in respect of the current financial year and no interim dividend was paid during 2019. No dividends were paid in respect of 2018.

Return of cash to shareholders

Subject to shareholders' approval the directors will be recommending a return of cash to shareholders in Q3 2020. In 2019 the Company returned £38.5 million to shareholders by way of a capital return following a reduction in ordinary share capital and share premium.

Strategic Report

The Group is required by the Companies Act 2006 to set out the development and performance of the business of the Group during the financial year ended 31 December 2019 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 and the Group's policy regarding equal opportunities and employing disabled people. The information concerning the Strategic Report can be found on pages 1 to 8.

Corporate Governance Statement

As required by the Disclosure and Transparency Rules a Corporate Governance Statement has been made. This is included separately on pages 9 to 11.

Greenhouse gas reporting

The directors are required to set out in this report the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use. This report is shown on page 8.

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 Operational and Financial Review which can be found on pages 2 to 4.

Environmental policy

The environmental policy is discussed in the Corporate Responsibility Statement which can be found on pages 7 and 8.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are:

Iain Dorrity	Chief Executive Officer and executive director
Michael Parker*	Senior Independent Director Member of the Nomination Committee Chairman of the Remuneration Committee Chairman of the Audit Committee
John Sleeman*	Chairman Chairman of the Nomination Committee Member of the Remuneration Committee Member of the Audit Committee

* Non-executive directors.

There have been no changes since the year end. Biographical details of the directors are set out on page 12.

Retirement and re-election of directors

The Company's Articles of Association require all directors to seek re-election by shareholders at least once every three years. In addition, any directors appointed by the Board must stand for re-election at the first AGM following his or her appointment. Any non-executive directors who have served for more than nine years are subject to annual re-election.

The Board of Directors believes that the annual re-election of directors is in the best interests of the Company. As a result all current directors have stood for annual re-election since the 2011 AGM. Accordingly, at the 2020 AGM all directors will retire and, being eligible, Iain Dorrity, Michael Parker and John Sleeman will offer themselves for re-election.

Directors' interests and remuneration

The Directors' Remuneration Report, which includes details of service agreements and the directors' interests in PV Crystalox Solar PLC shares, is set out on pages 14 to 23.

Beneficial interests in significant contracts

None of the directors has 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 28 February 2020 and 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
Iain Dorrity	777,244	10.67
Barry Garrard	732,196	10.05
Schroder Investment Management Limited	576,731	7.92
Buttermere Capital	557,310	7.65
Stuart Oldham	467,111	6.41
Bardin Hill Investment Partners	403,432	5.54
Aldebaran Capital LLC	371,894	5.10
Interactive Investor	351,387	4.82
Equiniti Financial Services	319,458	4.38
Soros Fund Management	318,181	4.37
Barclays Wealth	249,027	3.42
Graham Young	245,404	3.37

Directors' report continued

Substantial shareholders continued

The Company had not been notified of any changes to shareholdings apart from the holding of Schroder Investment Management Limited, required under DTR 5.3.1, in the period between 29 February 2020 and the date of signing the financial statements.

Directors' indemnity and insurance

As at the date of this report and throughout the year under review, the Company has provided to all the directors an indemnity in accordance with the Articles of Association (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office and the Company has taken out an insurance policy in respect of those liabilities. This indemnity is a qualifying third party indemnity provision for the purposes of Sections 232 to 234 of the Companies Act 2006. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Share capital

The authorised share capital and allotted, called up and fully paid share capital of the Company is shown in note 24. The Company carried out a share consolidation of one new ordinary share for 22 old ordinary shares in June 2020. As at the date of this report, 7,285,408 new ordinary shares of 3.0206 pence each were allotted, called up and fully paid with an aggregate nominal value of €0.326 million (£0.220 million).

The Company has a single class of share capital, which are ordinary shares of 3.0206 pence each, and 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 United Kingdom 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.

The Company operates an employee benefit trust to hold shares pending employees becoming entitled to them under the Company's employee share plans. The trust has an independent trustee which waives its rights to dividends on the shareholding. Details of employee share schemes and shares held by the PV Crystalox Solar PLC Employee Benefit Trust are set out in note 24 and 25.

In respect of the Company's share capital there are no restrictions on the transfer of shares, no limitations are placed on the holding of shares and prior approval is not required from the Company or from other holders of shares for a transfer.

Subject to the provisions of 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 2019 AGM to allot further shares up to a maximum of £73,354, which was approximately 33% of the issued share capital following the consolidation and to allot an additional number of ordinary shares up to an aggregate nominal amount of £146,708, which is approximately 66% of the issued share capital following the consolidation by way of a rights issue in favour of ordinary shareholders. No ordinary shares were allocated during the period from the AGM to the date of this report. This authority will expire at the 2020 AGM and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year.

Going concern

Going concern is discussed on page 3 within the Operational and Financial Review.

Research and development

The Group carried out funded research and development and internal research and development activities during the year in the field of continuous production process optimisation and improvement and adaption of products to market requirements.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of one of the Group subsidiary companies. There is no individual contractual arrangement that is considered to be essential to the continuing operation of the Group.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Listing Rule requirements

The applicable requirements of Listing Rule 9.8.4R in respect of long-term incentive schemes (page 19) and contracts of significance with related parties (page 54) are included in this Annual Report where applicable.

Financial risk management

The Group's financial risk management policy is set out in note 26 in the Notes to the Consolidated Financial Statements.

Disclosure of information to the auditors

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 auditors are 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 auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated that they are willing to continue in office. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the AGM.

Annual General Meeting

The AGM will be held at 3 More London Riverside, London SE1 2AQ on 23 June 2020 at 12.00 pm. The Letter from the Chairman and Notice of Meeting document give full details of the AGM and the resolutions to be proposed.

Matthew Wethey
Chief Financial Officer and Group Secretary
18 March 2020

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors section confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Matthew Wethey
Chief Financial Officer and Group Secretary
18 March 2020

Independent auditors' report

To the members of PV Crystalox Solar PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- PV Crystalox Solar PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

Materiality

- Overall Group materiality: €100,000 (2018: €500,000), based on 1% of total assets.
- Overall Company materiality: £21,000 (2018: £132,000), based on 1% of total assets, restricted by Group materiality.

Audit scope

- Material units have been subject to a full scope substantive audit. Procedures were also performed at the Group level over the Group consolidation process.
- The material reporting units are PV Crystalox Solar PLC (UK), Crystalox Limited (UK) and PV Crystalox Solar Silicon GmbH (Germany).
- These three reporting units accounted for 100% of Group assets, and 100% of Group loss before tax.
- In addition, we perform procedures over the remaining reporting units to identify any unusual or unexpected transactions or balances.

Key audit matters

- Going Concern (Group and Company).
- Risk of impairment of investments in subsidiaries (Company).
- Tax liabilities – transfer pricing (Group)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to HMRC and German tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase the financial position of the entity, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

Report on the audit of the financial statements continued

Basis for opinion continued

Capability of the audit in detecting irregularities, including fraud continued

- Discussions with management and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of investments and transfer pricing (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with certain unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going concern We focused on this area because of market pressures faced by the Group, and the industry as a whole in combination with the actions taken by the Board of Directors to close operations in the UK, restructure the operations in Germany and return some capital to shareholders. The Group has cash resources of €8.6 million at 31 December 2019. In addition to demonstrating that the Group has sufficient cash to operate for a twelve-month period from the date of signing of the financial statements, the Directors are also required to assert that it is their intention to continue operations for the foreseeable future. Management have prepared detailed cash flow forecasts, based on a number of assumptions. The forecasted cash outflows include the results of ongoing operations including the possible negative impact from COVID-19 and the planned return of capital. Management consider there to be sufficient cash for at least 12 months from the date of signing the financial statements. The going concern assumption is fundamental to the presentation of the financial statements and therefore a change in this assumption would alter their basis of presentation. **(Group and Company)**	We obtained management's cash flow forecasts, which covered a period of twelve months and beyond, from the date of approval of the financial statements and confirmed that the forecast indicated that the Group and Company would have sufficient cash to continue in operation for that period. We have also reviewed the minutes of recent Board meetings to confirm the current trading plans and strategy for the future following the restructuring of the business in the current year and have obtained representation from the Directors that it is still their intent to continue to operate in the sectors for the foreseeable future. We performed sensitivity analysis over the significant assumptions, including those related to COVID-19, both individually and collectively to ascertain the extent of change that would be required for the Group and Company to have insufficient cash flows to meet its ongoing liabilities as they fall due. We also considered the likelihood of such a movement arising. Our testing identified that the combination of circumstances necessary to lead to the Group and Company having insufficient cash to meet their ongoing liabilities as they fall due appears unlikely to occur in the foreseeable future. If the Group were required, for example, to pay the full tax liability below there would still be sufficient cash available. Overall, we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, this is not a guarantee as to the Group's or Company's ability to continue as a going concern.
Tax liabilities – transfer pricing risk We focused on this area, as there is a risk that challenge by tax authorities under transfer pricing rules could result in a materially different tax liability. Other income was received into PV Crystalox Solar Silicon (PVCSS), the German subsidiary company, from its customer in settlement of all claims and obligations relating to the wafer supply contract and arbitration award. As a result of this contractual breach and the fact that physical delivery of wafers was foregone, PVCSS did not purchase the agreed silicon block quantities from Crystalox Limited. As compensation for the shortfall in block volumes a settlement was paid to Crystalox Limited. There is a risk that this compensation payment could be challenged by tax authorities under transfer pricing rules resulting in a higher tax liability of up to €1.9m due to different tax rates in the two jurisdictions and respective losses available for off-set. Further, it is possible that the Group will incur legal and professional fees as a result of the inquiry. However, given the early stage of the dispute, it is not possible to meaningfully quantify the legal costs that may be incurred. **(Group)**	We obtained management's tax computations and assessment of tax due and tested mathematical accuracy and inputs including tax rates applied. We obtained management's legal and tax accounting advice in relation to transfer pricing and evaluated, and challenged, their assumptions regarding the likelihood and magnitude of a change in assumptions. We then reviewed management's assessment of the expected outcome. There is a risk that additional tax liabilities or legal fees may be payable as disclosed in the financial statements. Based on the third party legal and tax advice received, and historic settlements and their associated tax treatment, we accept, however, management's estimation that the €1.9m is not probable to be paid and therefore no provision is held at 31 December 2019. We have also reviewed the disclosures made in the financial statements in relation to this matter and have confirmed that these are appropriate.
Risk of impairment of investments in subsidiaries The Carrying value of investments in the Company balance sheet is £ 2.8 million (2018: £4.6 million) at 31 December 2019, following a capital return and impairment of £1.3 million. **(Company)**	We obtained management's assessment of the carrying value of the investments in subsidiaries and reviewed the assumptions over the net assets of the subsidiaries and the expected future cash flows. We then reviewed management's assessment of the expected carrying value and agreed the impairment of £1.3 million is materially accurate. We challenged and evaluated their assumptions and forecasts. We have also reviewed the disclosures made in the financial statements in relation to this matter and have confirmed that these are accurate and sufficient.

Independent auditors' report continued

To the members of PV Crystalox Solar PLC

Report on the audit of the financial statements continued

Basis for opinion continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	€100,000 (2018: €500,000).	£21,000 (2018: £132,000).
How we determined it	1% of total assets.	1% of total assets, restricted by group materiality.
Rationale for benchmark applied	We considered financial metrics which we believed to be relevant and concluded that, consistent with the previous year, total assets was the most appropriate benchmark as it best reflected the underlying interests of the Group's members.	We considered financial metrics which we believed to be relevant and concluded that, consistent with the previous year, total assets was the most appropriate benchmark as it best reflected the underlying interests of the Group's members.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €25,000 and €75,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €5,000 (Group audit) (2018: €25,000) and £1,050 (Company audit) (2018: £6,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 January 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2011 to 31 December 2019.

Gareth Murfitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
18 March 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	**2019 €'000**	2018 €'000
Revenues	2	**531**	6,308
Cost of materials and services	3	**(387)**	(7,378)
Personnel expenses	4	**(1,505)**	(4,567)
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets		**(25)**	(655)
Other income	5	**559**	9,556
Other expenses	6	**(1,213)**	(2,025)
Currency (losses)/gains		**(444)**	324
(Loss)/profit before interest and taxes ("EBIT")		**(2,484)**	1,563
Finance income	7	**46**	64
(Loss)/profit before taxes ("EBT")		**(2,438)**	1,627
Income taxes	8	**158**	(264)
(Loss)/profit for the year attributable to owners of the parent		**(2,280)**	1,363
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		**681**	(537)
Actuarial loss on defined benefit pension scheme	9	**—**	(126)
Total comprehensive (loss)/income			
Attributable to owners of the parent		**(1,599)**	700
Basic and diluted (loss)/profit per share in Euro cents:			
From (loss)/profit for the year – basic	10	**(3.2)**	0.9
From (loss)/profit for the year – diluted	10	**(3.2)**	0.9

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

Consolidated balance sheet
As at 31 December 2019

	Notes	**2019 €'000**	2018 €'000
Intangible assets	11	**2**	—
Property, plant and equipment	12	**36**	51
Total non-current assets		**38**	51
Cash and cash equivalents	13	**8,608**	53,964
Trade accounts receivable	14	**27**	40
Inventories	15	**72**	125
Income tax claims	16	**158**	—
Prepaid expenses and other assets	18	**171**	537
Total current assets		**9,036**	54,666
Total assets		**9,074**	54,717
Trade accounts payable	19	**104**	99
Accrued expenses	20	**521**	911
Current tax liabilities	21	**943**	1,348
Deferred tax liabilities	22	**—**	—
Other current liabilities	23	**13**	21
Total current liabilities		**1,581**	2,379
Share capital	24	**326**	12,332
Share premium		**—**	50,511
Other reserves		**—**	25,096
Shares held by the EBT		**(61)**	(372)
Share-based payment reserve		**125**	162
Reverse acquisition reserve		**(3,601)**	(3,601)
Accumulated profits/(losses)		**15,622**	(7,194)
Currency translation reserve		**(4,918)**	(24,596)
Total equity		**7,493**	52,338
Total liabilities and equity		**9,074**	54,717

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

The financial statements on pages 34 to 54 were approved by the Board of Directors on 18 March 2020 and signed on its behalf by:

Iain Dorrity
Chief Executive Officer

Company number
06019466

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital €'000	Share premium €'000	Other reserves €'000	Shares held by the EBT €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Accumulated profit/ (losses) €'000	Currency translation reserve €'000	Total equity €'000
As at 1 January 2018	12,332	50,511	25,096	(372)	294	(3,601)	(8,431)	(24,059)	51,770
Share-based payment credit	—	—	—	—	(132)	—	—	—	(132)
Transactions with owners	—	—	—	—	(132)	—	—	—	(132)
Profit for the year	—	—	—	—	—	—	1,363	—	1,363
Currency translation adjustment	—	—	—	—	—	—	—	(537)	(537)
Actuarial loss	—	—	—	—	—	—	(126)	—	(126)
Total comprehensive income	—	—	—	—	—	—	1,237	(537)	700
As at 31 December 2018	**12,332**	**50,511**	**25,096**	**(372)**	**162**	**(3,601)**	**(7,194)**	**(24,596)**	**52,338**
As at 1 January 2019	12,332	50,511	25,096	(372)	162	(3,601)	(7,194)	(24,596)	52,338
Capital reorganisation	(12,006)	(50,511)	—	—	—	—	43,423	19,094	—
Capital reorganisation	—	—	(25,096)	—	—	—	25,096	—	—
Capital return	—	—	—	535	—	—	(43,423)	—	(42,888)
Share-based payment charge	—	—	—	(224)	(37)	—	—	(97)	(358)
Transactions with owners	**(12,006)**	**(50,511)**	**(25,096)**	**311**	**(37)**	**—**	**25,096**	**18,997**	**(43,246)**
Loss for the year	—	—	—	—	—	—	(2,280)	—	(2,280)
Currency translation adjustment	—	—	—	—	—	—	—	681	681
Total comprehensive (loss)/income	—	—	—	—	—	—	(2,280)	681	(1,599)
As at 31 December 2019	**326**	**—**	**—**	**(61)**	**125**	**(3,601)**	**15,622**	**(4,918)**	**7,493**

Consolidated cash flow statement

For the year ended 31 December 2019

	2019 €'000	2018 €'000
(Loss)/profit before taxes	**(2,438)**	1,627
Adjustments for:		
Net interest income	**(46)**	(64)
Depreciation, impairment and amortisation	**25**	655
Inventory writedown	**—**	591
Charge for share-based payments	**(262)**	(132)
Change in provisions	**—**	(1,385)
Gain from the disposal of property, plant and equipment and intangibles	**(70)**	(27)
(Gains)/losses in foreign currency exchange	**(414)**	145
	(3,205)	1,410
Changes in working capital		
Decrease in inventories	**53**	3,197
Decrease in accounts receivables	**13**	1,000
Decrease in accounts payables and deferred income	**(375)**	(329)
Decrease in other assets	**370**	22,549
Decrease in other liabilities	**(8)**	(147)
	(3,152)	27,680
Income taxes paid	**(394)**	—
Interest received	**46**	64
Net cash (used in)/generated from operating activities	**(3,500)**	27,744
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	**70**	29
Payments to acquire property, plant and equipment and intangibles	**(12)**	(12)
Net cash generated from/(used in) investing activities	**58**	17
Cash flow from financing activities		
Capital return to shareholders	**(43,423)**	—
EBT participation in capital return	**535**	—
Net cash used in financing activities	**(42,888)**	—
Cash (used in)/generated from operations	**(46,330)**	27,761
Effects of foreign exchange rate changes on cash and cash equivalents	**974**	(678)
Cash and cash equivalents at the beginning of the year	**53,964**	26,881
Cash and cash equivalents at the end of the year	**8,608**	53,964

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

Notes to the consolidated financial statements

For the year ended 31 December 2019

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, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. 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 profit and loss. These policies have been consistently applied to all years presented unless otherwise stated.

PV Crystalox Solar PLC is incorporated and domiciled in the United Kingdom.

The address of the registered office is 11B(ii) Park House, Milton Park, Abingdon, OX14 4RS.

The financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 18 March 2020.

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company is Sterling. The financial information has been presented in Euros, which is the Group's presentational currency. The Euro has been selected as the Group's presentational currency as this is the currency used in its significant contracts. The financial statements are presented in round thousands.

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the respective entity at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. 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 the functional currency at foreign exchange rates ruling at the date the fair value was determined. Exchange gains and losses on monetary items are charged to the Statement of Comprehensive Income.

The assets and liabilities of foreign operations are translated to Euros at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated into Euros at the average foreign exchange rates of the year that the transactions occurred in. In the Consolidated Financial Statements exchange rate differences arising on consolidation of the net investments in subsidiaries are recognised in other comprehensive income under "Currency translation adjustment".

Non-going concern entities

Subsidiary accounts for Crystalox Limited are no longer prepared on a going concern basis and include an estimate of all related costs either committed to or incurred in the period. Where the Company continues to trade any losses incurred in so doing are booked in the same period as revenue derived and therefore no accrual is made for these. The preparation of these accounts differs from that of going concern in that:

- non-current assets/liabilities become current;
- assets are written down to a recoverable amount; and
- provision for wind-down costs is charged to the income statement.

Use of estimates and judgements – overview

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 assets and liabilities. Estimates and assumptions mainly relate to the useful life of non-current assets, the discounted cash flows used in impairment testing, taxes, share-based payments and inventory valuations. 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 years. The critical accounting policies that the Group discloses will not necessarily result in material changes to our financial statements in any given year 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.

Use of estimates – deferred taxes

To compute provisions for taxes, judgements have to be applied.

There is a risk that an intra-Group compensation payment could be challenged by tax authorities under transfer pricing rules resulting in a higher tax liability. The Group believe this likelihood is remote and have not recognised a provision.

Other estimates involve assessing the probability that deferred tax assets resulting from deductible temporary differences and tax losses can be utilised to offset taxable income in the future.

Due to the lack of certainty around future profits, all deferred tax assets continue to be unrecognised in the year's balance sheet.

Use of estimates – inventory valuation

Given the decline in market prices for silicon wafers to below the Group's cost of production, the carrying amount of inventory is recorded at net realisable value.

Net realisable value has been determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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 2019. 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 Consolidated Statement of Comprehensive Income up to, or from, the date control passes.

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

On acquisition of a subsidiary, all of the subsidiary's separately 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 intra-Group transactions, balances, income and expenses are eliminated upon consolidation.

Going concern

The Group's directors are required to make an assessment as to whether it is appropriate to prepare the financial statements on a going concern basis by considering the Group's ability and intention to continue in business.

The Group has been operating a cash conservation strategy to maximise cash held and to enable the Group to manage its operations whilst market conditions remain difficult. A description of the market conditions and the Group's plans are included in the Strategic Report.

On 31 December 2019 there was a net cash balance of €8.6 million. As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. Within these plans the directors have included returning a maximum of £2 million to shareholders through a tender offer. The £2 million is dependent on receiving €0.9m from customers relating to historic settlements that are not recorded in the balance sheet as receivables at 31 December 2019. If the €0.9m is not received then the return to shareholders will be reduced accordingly. The directors, after careful consideration and after making appropriate enquiries, are of the opinion that the levels of net cash outflows remain low such that Group has sufficient cash to continue in operational existence for at least twelve months from the date of approval of the financial statements, in March 2020.

The Group intends to continue operations at PV Crystalox Solar Silicon GmbH, in Germany which involve the cutting of silicon and non-silicon materials together with a continued focus on research and development activities. Once the Group has resolved the issues surrounding the transfer pricing risks with the German tax authorities a sale to a third party or a transfer of the business to the existing management team remains our ultimate objective.

As a result of this assessment the directors have concluded that the Group has the ability and the intention to continue in business. It should be noted that whilst the Group and PV Crystalox Solar Silicon GmbH financial statements have been prepared on a going concern basis the operations at Crystalox Limited have not following the announcement on 13 July 2017 that Group intended to cease United Kingdom manufacturing operations in H2 2017.

Effects of new accounting pronouncements

Accounting standards, IFRICs and other guidance in effect or applied for the first time in 2019:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over income tax treatments'

IFRS 16 'Leases' and IFRIC 2315 'Uncertainty over income tax treatments' are new accounting standards that are effective for the year ended 31 December 2019. As explained, IFRS 16 and IFRIC 23 were adopted without restating comparative information. The new accounting policies are set out in note 1.

IFRS 16 'Leases'

IFRS 16 replaces the provisions of IAS 17. The core principle of the guidance is that leases are to be accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less. Where this is the case it is permitted to expense lease payments over the lease term without the requirement to recognise a right-of-use-asset and a corresponding liability on the balance sheet. The Group's property leases are all short term in nature and other leases are low value assets. As a result the Group has taken advantage of the permitted exemptions.

IFRIC 23 'Uncertainty over income tax treatments'

IFRIC 23 applies where there is uncertainty over the acceptable income tax treatment of an item. For the Group this a risk that an intra-Group compensation payment made in 2018 could be challenged by tax authorities under transfer pricing rules resulting in a higher tax liability. The directors consider it probable that their position will ultimately be accepted by the tax authorities and have therefore not recorded a provision. It is probable that the Group will incur legal and professional fees as a result of defending the position but, given the early stage of the dispute, it is not possible to meaningfully quantify those costs that may be incurred at the date the balance sheet.

The above have not made a material difference to the financial statements.

In issue, but not yet effective

- Amendments to IFRS 3 – Definition of business
- Amendments to IAS 1 and IAS 8 – Definition of material

The Group does not believe that any of these will have a material impact on the Group's financial positions, results of operations or cash flows, but will complete a full exercise assessing their impact during 2020.

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

1. Group accounting policies continued

Intangible assets

Intangible assets are stated at cost net of accumulated amortisation. The Group's policy is to write off the difference between the cost of intangible assets and their estimated realisable value systematically over their estimated useful life. Amortisation of intangible assets is recorded under "Depreciation and impairment of property, plant and equipment and amortisation of intangible assets" in the Consolidated Statement of Comprehensive Income.

Acquired computer software licences and patents are capitalised on the basis of the costs incurred to purchase and bring into use the software.

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

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 Consolidated Statement of Comprehensive Income.

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, net of depreciation and 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. All allowable costs up until the point at which the asset is physically able to operate as intended by management are capitalised. 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 five to ten years for plant and machinery and up to 15 years for other furniture and equipment. Property, plant and equipment are reviewed for impairment at each balance sheet date or upon indication that the carrying value may not be recoverable.

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 Consolidated Statement of Comprehensive Income.

Impairment

The carrying amount of the Group's non-financial assets is subject to impairment testing upon indication of impairment.

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. The asset is subsequently reviewed for possible reversal of the impairment at each reporting date.

Leased assets

IFRS 16 replaces the provisions of IAS 17. It was adopted on 1 January 2019 but the Group has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard.

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Where the lessee elects not to apply the requirements in paragraphs 22–49 to either short-term leases or leases for which the underlying asset is of low value, the lessee shall recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

For the reporting year all leases were short term or low value so expenses for these leases have been recognised on a straight-line basis over the lease term. The impact to the Group at 1 January 2019 was immaterial and therefore no adjustment was recorded to equity for the adoption of IFRS 16 at that date.

Other income

Income other than that from sale of silicon products and slicing services is recognised at the point of entitlement to receipt and shown as other income.

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. Subsequent measurement depends on the designation of the instrument, as follows:

Amortised cost

- short-term borrowing, overdrafts and long-term loans are held at amortised cost; and
- accounts payable which are not interest-bearing are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

1. Group accounting policies continued

Financial instruments continued

Loans and receivables

- trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method;
- non-interest-bearing accounts receivable 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 profit or loss net of any advance payment held by the Group where a right of offset exists; and
- cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Interest and other income resulting from financial assets are recognised in profit or loss on the accruals basis, using the effective interest method.

Inventories

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

Acquisition costs for raw materials are usually 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 is 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.

Contingent liabilities

Provisions are made for contingent liabilities 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, where material, the contingent liability will be disclosed in a note.

Current and deferred taxes

Current tax is the tax currently payable based on taxable profit for the year, including any under or over provisions from prior years.

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 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. 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 Consolidated Statement of Comprehensive Income, 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.

Public grants and subsidies

As the German wafering operation is located in a region designated for economic development, the Group received both investment subsidies and investment grants. Government grants and subsidies relating to capital expenditure were credited to the "Deferred grants and subsidies" account and released to the Consolidated Statement of Comprehensive Income by equal annual instalments over the expected useful lives of the relevant assets under "Other income".

Government grants of a revenue nature, mainly for research and development purposes, were credited to the Consolidated Statement of Comprehensive Income in the same year as the related expenditure.

All required conditions of these grants have been met and it is the Group's intention that they will continue to be met.

Accruals

Accruals are recognised when an obligation to meet an outflow of economic benefit in the future arises at the balance sheet date.

Accruals are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

1. Group accounting policies continued

Revenue recognition

Revenue is recognised in according with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. identify the contract(s) with the customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised when control of the products has been transferred to the customer. Control is considered to have transferred once products have been received by the customer unless shipping terms dictate any different. Revenues exclude intra-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.

Finance income and costs

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 financial income and costs relating to the defined benefit pension scheme.

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

Defined contribution pension plan

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 incurred.

Employee Benefit Trust

All assets and liabilities of the Employee Benefit Trust ("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.

Share-based payments

The Group has applied the requirements of IFRS 2, 'Share-based Payments'. The Group issues equity-settled share-based payments to certain employees. These are measured at their fair value at the date of the grant using an appropriate option pricing model and are expensed over the vesting year, based on the Group's estimate of the number of shares that will eventually vest. 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 2011 awards were granted under the Performance Share Plan to employees. 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 assessed using the Black-Scholes method.

Charges made to the Consolidated Statement of Comprehensive Income 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 7,285,408 ordinary shares of 3.0206 pence each;
- share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of share issue, following the capital reorganisation in May 2019 the value of share premium at 31 December 2019 is €nil;
- other reserves arising from the issue and redemption of B shares in 2013, following the capital reorganisation in May 2019 the value of other reserves at 31 December 2019 is €nil;
- investment in own shares is the Group's shares held by the EBT that are held in trust for the benefit of employees;
- share-based payment reserve is the amount charged to the Consolidated Statement of Comprehensive Income in respect of shares already granted or options outstanding relative to the vesting date or option exercise date;
- the 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;
- accumulated losses is the cumulative loss retained by the Group; and
- currency translation reserve represents the differences arising from the currency translation of the net assets in subsidiaries.

2. Segment reporting

The chief operating decision-maker, who is responsible for allocating resources and assessing performance, has been identified as the Group Board. The Group is organised around the production and supply of wafers from silicon and non-silicon materials. Accordingly, the Board reviews the performance of the Group as a whole and there is only one operating segment. Disclosure of reportable segments under IFRS 8 is therefore not made.

Geographical information 2019

	Taiwan €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	Rest of world €'000	Group €'000
Revenues						
By entity's country of domicile	—	531	—	—	—	531
By country from which derived	—	426	—	—	105	531
Non-current assets						
By entity's country of domicile	—	38	—	—	—	38

Four customers accounted for more than 10% of Group revenue and sales to the customers based in Germany were €171,000, €90,000 and €69,000 with sales to one customer based in Korea of €105,000.

Geographical information 2018

	Taiwan €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	Rest of world €'000	Group €'000
Revenues						
By entity's country of domicile	—	350	5,958	—	—	6,308
By country from which derived	5,958	274	—	—	76	6,308
Non-current assets						
By entity's country of domicile	—	51	—	—	—	51

One customer in Taiwan accounted for more than 10% of Group revenue, with sales to this customer of €5,958 (figures in €'000).

3. Cost of materials 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.

	2019 €'000	2018 €'000
Cost of raw materials, supplies and purchased merchandise	117	3,904
Change in unfinished and finished goods	48	2,939
Purchased services	222	535
Cost of materials and services	387	7,378

4. Personnel expenses

	2019 €'000	2018 €'000
Staff costs for the Group during the year		
Wages and salaries	1,497	3,952
Social security costs	247	517
Other pension costs	42	56
Employee share schemes	(281)	42
Total	1,505	4,567

Employees

The Group employed a monthly average of 23 employees during the year ended 31 December 2019 (2018: 64).

	2019 Number	2018 Number
Germany	20	60
United Kingdom	3	4
	23	64

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

4. Personnel expenses continued
Employees continued

	2019 Number	2018 Number
Production	**16**	28
Administration	**7**	36
	23	64

The Group employed 22 employees at 31 December 2019 (31 December 2018: 24).

The remuneration of the Board of Directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report.

5. Other income

	2019 €'000	2018 €'000
Customer compensations	**—**	8,161
Gain on disposals of assets held for sale/property, plant and equipment	**70**	369
Sale of uncapitalised assets	**—**	339
Research and development grants	**372**	382
Miscellaneous	**117**	305
	559	9,556

Customer compensations relate to the realisation of payments received in respect of unfulfilled customer purchase obligations and includes €nil million (2018: €8.2 million) in relation to the arbitration award/settlement agreement.

6. Other expenses

	2019 €'000	2018 €'000
Lease expenses	**419**	426
Repairs and maintenance	**30**	47
Technical consulting, research and development	**61**	68
Legal costs	**143**	530
Other professional services	**383**	517
Insurance premiums	**59**	99
Travel and advertising expenses	**22**	44
Staff related costs	**21**	29
Other	**75**	265
	1,213	2,025

Amounts payable to the Group's auditors

	2019 €'000	2018 €'000
Fees payable to the Company's auditors and their associates for the audit of the parent company and consolidated financial statements	**88**	83
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**43**	45
– Other assurance services	**—**	4
	131	132

7. Finance income
Finance income and costs are derived/incurred on financial assets/liabilities and recognised under the effective interest method.

	2019 €'000	2018 €'000
Finance income	**46**	64

8. Income taxes

	2019 €'000	2018 €'000
Current tax:		
Current tax on (loss)/profit for the year	**(158)**	(140)
Adjustment in respect of prior years	**—**	404
Total current tax	**(158)**	264
Deferred tax (note 22):		
Total deferred tax	**—**	—
Total tax (credit)/charge	**(158)**	264

The total tax rate for the German companies is 32.275% (2018: 32.275%). The total tax rate in the United Kingdom was 19% (2018: 19.0%). These rates are based on the legal regulations applicable or adopted at the balance sheet date.

The rate of corporation tax in the United Kingdom and Germany will be unchanged in 2020.

The tax on the Group's results before tax differs from the theoretical amount that would arise using the effective UK tax rate applicable to the losses of the consolidated entities as follows:

	2019 €'000	2018 €'000
(Loss)/profit before tax	**(2,438)**	1,627
Expected income tax charge at United Kingdom tax rate of 19.00% (2018: 19.00%)	**(463)**	309
Adjustments for foreign tax rates	**(159)**	—
Unrecognised adjustments to deferred tax	**563**	(395)
Adjustment in respect of prior years	**—**	264
Utilisation of tax losses and other deductions	**(158)**	—
Expenses not deductible for tax	**59**	86
Total tax (credit)/charge	**(158)**	264

9. Actuarial gains on defined benefit scheme

Actuarial losses represent the net of movements in the defined benefit obligation and the asset value of the Group's defined benefit pension scheme.

Following the transfer of the last remaining pension obligation to an insurance company there was a loss of €126k being a €791k release of benefit obligation and €917k decrease in value of the plan assets in the year ending 31 December 2018.

10. Earnings per share

Net earnings per share is computed by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted net earnings per share is computed by dividing the net profit for the year by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options.

	2019	2018
Basic shares (average)	**72,054,280**	158,305,912
Basic (loss)/earnings per share (Euro cents)	**(3.2)**	0.9
Diluted shares (average)	**72,079,013**	159,250,047
Diluted (loss)/earnings per share (Euro cents)	**(3.2)**	0.9

Basic shares and diluted shares for this calculation can be reconciled to the number of issued shares (see note 24) as follows:

	2019	2018
Shares in issue (see note 24)	**160,278,975**	160,278,975
Share consolidation (including EBT shares)	**(87,324,900)**	—
Weighted average number of EBT shares held	**(899,795)**	(1,973,063)
Weighted average number of shares for basic EPS calculation	**72,054,280**	158,305,912
Dilutive share options	**24,733**	944,135
Weighted average number of shares for fully diluted EPS calculation	**72,079,013**	159,250,047

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

11. Intangible assets
Intangible assets relate to software licences.

	Total €'000
Cost	
At 1 January 2019	801
Additions	2
Disposals	(3)
At 31 December 2019	**800**
Accumulated amortisation	
At 1 January 2019	801
Charge for the year	—
Disposals	(3)
At 31 December 2019	**798**
Net book amount	
At 31 December 2019	**2**

	Total €'000
Cost	
At 1 January 2018	824
Disposals	(23)
At 31 December 2018	**801**
Accumulated amortisation	
At 1 January 2018	818
Charge for the year	4
Impairment	2
Disposals	(23)
At 31 December 2018	**801**
Net book amount	
At 31 December 2018	**—**

12. Property, plant and equipment ("PPE")

	Plant and machinery €'000	Other furniture and equipment €'000	Total €'000
Cost			
At 1 January 2019	20,423	2,805	23,228
Additions	—	10	10
Disposals	(8,642)	(220)	(8,862)
Reclassification	49	(49)	—
At 31 December 2019	**11,830**	**2,546**	**14,376**
Accumulated depreciation			
At 1 January 2019	20,392	2,785	23,177
Depreciation charge for the year	17	8	25
Reclassification	40	(40)	—
On disposals	(8,642)	(220)	(8,862)
At 31 December 2019	**11,807**	**2,533**	**14,340**
Net book amount			
At 31 December 2019	**23**	**13**	**36**

	Plant and machinery €'000	Other furniture and equipment €'000	Total €'000
Cost			
At 1 January 2018	25,270	2,890	28,160
Additions	6	47	53
Disposals	(4,853)	(132)	(4,985)
At 31 December 2018	**20,423**	**2,805**	**23,228**
Accumulated depreciation			
At 1 January 2018	24,802	2,707	27,509
Depreciation charge for the year	43	29	72
Impairment charge for the year	400	179	579
On disposals	(4,853)	(130)	(4,983)
At 31 December 2018	**20,392**	**2,785**	**23,177**
Net book amount			
At 31 December 2018	**31**	**20**	**51**

13. Cash and cash equivalents

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

	As at 31 December	
	2019 €'000	2018 €'000
Cash at bank and in hand	**8,608**	53,964
	8,608	53,964

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

14. Trade accounts receivable

	As at 31 December	
	2019 €'000	2018 €'000
Germany	**27**	40
	27	40

All receivables have short-term maturity. During the year receivables of €nil were written off (2018: €nil).

All amounts outstanding as at 31 December 2019 and due at date of signing had been received, consequently there is no provision for doubtful debts (2018: €nil).

None of the unimpaired trade receivables are past due at the reporting date.

These amounts represent the Group's maximum exposure to credit risk at the year end.

15. Inventories
Inventories include finished goods as well as production supplies. The change in inventories is included in the Consolidated Statement of Comprehensive Income in the line "Cost of materials".

	As at 31 December	
	2019 €'000	2018 €'000
Finished products	**3**	53
Work in progress	**2**	—
Raw materials	**67**	72
	72	125

€nil of inventory writedowns are included in cost of materials in 2019 (2018: €591,000).

16. Income tax claims

	As at 31 December	
	2019 €'000	2018 €'000
Germany	**158**	—
	158	—

Income tax recoverable relates to carry back of 2019 losses against 2018 taxable profits.

17. Assets held for sale

	As at 31 December	
	2019 €'000	2018 €'000
At 1 January	**—**	390
Sold	**—**	(390)
At 31 December	**—**	—

The brought forward assets held for sale had an estimated fair value of €Nil (2018: €586,000).

18. Prepaid expenses and other assets

	As at 31 December	
	2019 €'000	2018 €'000
VAT	**21**	36
Prepaid expenses	**62**	59
Energy tax claims	**33**	26
Other current assets	**55**	416
	171	537

Other current assets in 2018 include €0.3 million in relation to the sale of the insurance asset. The payment for this was received in January 2019.

19. Trade accounts payable

	As at 31 December	
	2019 €'000	2018 €'000
United Kingdom	**22**	18
Germany	**82**	81
	104	99

20. Accrued expenses

	As at 31 December	
	2019 €'000	2018 €'000
Rents and ancillary rent costs	**134**	129
Salary related costs	**30**	183
Other accrued expenses	**357**	599
	521	911

21. Current taxes liabilities

	As at 31 December	
	2019 €'000	2018 €'000
United Kingdom	**—**	405
Germany	**943**	943
	943	1,348

Current tax liabilities comprises corporation and other non-tax liabilities, calculated or estimated by the Group companies, as well as corresponding taxes abroad due to local tax laws, including probable amounts arising on completed or current tax audits.

In the prior years, other income was received into PV Crystalox Solar Silicon (PVCSS), the German subsidiary company, from its customer in settlement of all claims and obligations relating to the wafer supply contract and arbitration award. As a result of this contractual breach and the fact that physical delivery of wafers was foregone, PVCSS did not purchase the agreed silicon block quantities from Crystalox Limited. As compensation for the shortfall in block volumes a settlement was paid to Crystalox Limited. The Group is in discussions with the German tax authorities regarding this onward settlement and it is possible that this will result in a higher tax liability, up to a maximum of €1.9 million, due to different tax rates in the two jurisdictions and tax attributes available for offset. Management consider it probable that their position will ultimately be accepted by the tax authorities and have therefore not recorded a provision. It is probable that the Group will incur legal and professional fees as a result of defending the position but, given the early stage of the dispute, it is not possible to meaningfully quantify those costs that may be incurred at the date of the financial statements.

22. Deferred tax liabilities

Deferred tax assets arising as a result of losses are recognised where, based on the Group's budget, they are expected to be realised in the foreseeable future.

As at 31 December 2019 there were unrecognised potential deferred tax assets in respect of losses of €46.8 million (2018: €43.8 million).

Deferred tax liabilities

	As at 31 December	
	2019 €'000	2018 €'000
United Kingdom	**—**	—
Germany	**—**	—
	—	—

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

22. Deferred tax liabilities continued

Deferred tax liabilities continued

Deferred tax liabilities, calculated or estimated by the Group companies, comprise taxes payable due to local tax laws, including probable amounts arising on completed or current tax audits. Movement in the year is shown below.

	2019 €'000	2018 €'000
As at 1 January	—	1,084
Charged to income statement	—	(1,084)
As at 31 December	—	—

23. Other current liabilities

	As at 31 December	
	2019 €'000	2018 €'000
Payroll liabilities	13	21
	13	21

	As at 31 December	
	2019 €'000	2018 €'000
Short term	13	21
	13	21

24. Share capital

	2019 €'000	2018 €'000
Allotted, called up and fully paid		
7,285,408 ordinary shares of 3.0206 pence each (2018: 160,278,975 ordinary shares of 5.2 pence each)	326	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 to their share in any surplus assets arising. The ordinary shares have full voting rights.

Shares held by the EBT

At 31 December 2019, 89,684 ordinary shares of 3.0206 pence were held by the EBT (2018: 1,973,063). The market value of these shares was €66,000 (2018: €550,000). Additionally, the cash balance held by the EBT on 31 December 2019 was €1,192,000 (2018: €595,000).

	As at 31 December	
Shares held by the EBT	2019 Number	2018 Number
Opening balance	1,973,063	1,973,063
Share consolidation	(1,883,379)	—
Closing balance of shares at 3.0206 pence (2018: 5.2 pence)	89,684	1,973,063

25. Share-based payment plans

The Group established the PV Crystalox Solar PLC 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.

During the year the Group had two share incentive plans in operation which are satisfied by grants from the EBT.

PV Crystalox Solar PLC Executive Directors' Deferred Share Plan ("EDDSP")

At the AGM on 28 May 2009 a bonus plan (with deferred share element) for executive directors was approved by the Company's shareholders in the context of bringing the arrangements more in line with market practice and aligning executive directors' pay more closely with the interests of the Company's shareholders. Half of each bonus was to be payable in cash and the other half deferred and payable in shares under the EDDSP, which vests three years after the award date. Awards of deferred shares under the EDDSP are to be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust.

On 31 March 2017 awards over 544,135 shares were made to Iain Dorrity, as detailed in the Directors' Remuneration Report. No awards were made during 2018 or 2019. As a result of the share consolidation the number of shares subject to the award were reduced by 519,402 to 24,733.

25 Share-based payment plans continued

Market Value Option ("MVO")

An 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 an MVO over 200,000 ordinary shares was granted to a senior employee and this option was exercisable from 24 November 2011 at £1.00 per share subject to agreed performance criteria. This option was forfeited when the employee left the Group in May 2018.

On 26 March 2009 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 26 March 2012 at 76.0 pence per share subject to agreed performance criteria, and on 25 September 2009 MVO awards over 1,200,000 ordinary shares were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group after the closure of PV Crystalox Solar KK during 2016 and the award was forfeited. Two employees to whom awards over 400,000 ordinary shares were issued on 25 September 2009 left the Group after being made redundant from Crystalox Limited during in April and May 2018 and the awards were forfeited. One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group to pursue other career opportunities during October 2018 and the award was forfeited.

Awards over 400,000 shares were forfeited in 2019 (2018: 800,000). There were two awards exercisable at 1 January 2019: one over 200,000 shares at an exercise price of 76.0 pence per share expired on 26 March 2019; the other over 200,000 shares at an exercise price of 76.9 pence per share expired on 25 September 2009.

The Group recognised a total credit before tax of €37,000 (2018: €132,000) related to equity-settled share-based payment transactions during the year.

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

	EDDSP* Number	MVO Number	MVO WAEP price Pence
Share grants and options outstanding at 1 January 2018	544,135	1,200,000	79.7
Share grants and options granted during the year	—	—	—
Share grants and options forfeited during the year	—	(800,000)	—
Share grants and options outstanding at 31 December 2018	544,135	400,000	76.5
Exercisable at 31 December 2018	—	400,000	76.5
Share grants and options granted during the year	—	—	—
Share grants and options expired during the year	—	(400,000)	—
Impact of share consolidation	(519,402)	—	—
Options exercised during the year	—	—	—
Share grants and options outstanding at 31 December 2019	**24,733**	**—**	**—**
Exercisable at 31 December 2019	**—**	**—**	**—**

* The weighted average exercise price for the EDDSP options is £nil.

26. Risk management

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

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers including outstanding receivables. The main credit risk arises from accounts receivable. All trade receivables are of a short-term nature, with maximum payment terms of 60 days, although the majority of customers currently have payment terms of 45 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. 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. The maximum credit risk to the Group is the total of trade accounts receivable details of which can be seen in note 14.

Cash is not considered to be a high credit risk due to all funds being immediately available, consideration being given to the institution in which it is deposited and the setting of counterparty limits. All institutions used have a minimum Moody's credit rating of A3.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

26. Risk management continued
Exchange rate fluctuation risks
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 United Kingdom. The exchange rate risk is based on assets held in currencies other than Euros.

The following exchange rates were used to translate individual companies' financial information into the Group's presentational currency:

	Average rate	Year-end rate
Euro:US Dollar	1.1194	1.1215
Sterling:Euro	1.1414	1.1755

During 2019 the net loss on foreign currency adjustments was €0.4 million (2018: gain of €0.3 million).

In addition to the above, upon translation of net assets in the consolidation, there was a positive impact in 2019 of €0.7 million (2018: negative impact of €0.5 million) recording as a currency translation adjustment which is shown in the Consolidated Statement of Comprehensive Income as "other comprehensive income".

Interest rate risk
The Group has limited exposure to interest rate fluctuation risks, since the Group does not have any borrowings.

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

The Group had a cash balance at the end of 2019 of €8.6 million (2018: €54.0 million) and places these cash funds on deposit with various quality banks subject to a counterparty limit of €15 million. Accordingly, there is an interest rate risk in respect of interest receivable which amounted to €nil in the year (2018: €0.1 million). The Group is cash positive and current interest rates are low. The risk of interest rates falling is considered small and in any case would have a small impact on the Group's income statement and cash flows. Group management considers that in the medium term it is more likely that interest rates might rise. The impact of interest rate rises would positively impact the Group's profits and cash flow.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

On 31 December 2019 the Group had a net cash balance of €8.6 million (2018: €54.0 million) and this together with cash flow projections from the cash conservation plan indicate, assuming the projections are broadly correct, that the Group will have adequate cash reserves until at least twelve months beyond the signing of the accounts.

Financial assets and liabilities
Fair value of financial instruments
There is no significant difference between the book values and fair values of the financial assets and liabilities of the Group and the latter are reviewed on a regular basis to ensure that no such exposure arises or, if it does, to enable the Group to take action to mitigate or eliminate any such potential loss. The carrying value of financial assets and liabilities is summarised in the table below:

	2019 €'000	2018 €'000
Financial assets measured at amortised cost:		
Cash and cash equivalents	**8,608**	53,964
Accounts receivable	**27**	40
Prepaid expenses and other assets	**171**	537
Current tax asset	**158**	—
	8,964	54,541
Financial assets measured at amortised cost:		
Accounts payable trade	**(104)**	(99)
Accrued expenses	**(521)**	(911)
	(625)	(1,010)

26. Risk management continued

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and other stakeholders and to maintain an optimal capital structure that strikes the appropriate balance between risk and the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group defines capital as all elements of equity.

The Group's capital (plus its cash and cash equivalents) is set out in the following table. The Group is not subject to any externally imposed capital requirements.

	2019 €'000	2018 €'000
Cash and cash equivalents (see note 13)	**8,608**	53,964
Total net cash	**8,608**	53,964
Total equity	**7,493**	52,338

The Group is net cash positive and therefore does not have any gearing. Accordingly, the leverage ratio has no meaning and has not been calculated.

27. 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 any other financial instruments held at fair value.

28. 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 are pending at the time of approval of these financial statements.

In the prior years, other income was received into PV Crystalox Solar Silicon (PVCSS), the German subsidiary company, from its customer in settlement of all claims and obligations relating to the wafer supply contract and arbitration award. As a result of this contractual breach and the fact that physical delivery of wafers was foregone, PVCSS did not purchase the agreed silicon block quantities from Crystalox Limited. As compensation for the shortfall in block volumes a settlement was paid to Crystalox Limited. The Group is in discussions with the German tax authorities regarding this onward settlement and it is possible that this will result in a higher tax liability, up to a maximum of €1.9 million, due to different tax rates in the two jurisdictions and tax attributes available for offset. Management consider it probable that their position will ultimately be accepted by the tax authorities and have therefore not recorded a provision. It is probable that the Group will incur legal and professional fees as a result of defending the position but, given the early stage of the dispute, it is not possible to meaningfully quantify those costs that may be incurred at the date of the financial statements.

29. Other financial obligations

Lease agreements

The leases primarily relate to rented buildings and have terms of less than 12 months.

Payments associated with short-term leases and all low value assets are recognised on a straight-line basis as an expense in profit and loss. Low value assets mainly comprise vehicles leased in Germany.

The Income statement shows the following amounts relating to leases:

	2019 €'000	2018 €'000
Buildings	**412**	414
Vehicles	**6**	12
	419	426

The future minimum lease payments are as follows:

	As at 31 December	
	2019 €'000	2018 €'000
Less than one year	**286**	392
Two to five years	**—**	—
Longer than five years	**—**	—
	286	392

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

30. Related party disclosures

Related parties as defined by IAS 24 comprise the senior executives of the Group, including their close family members, and also companies that these persons could have a material influence on as related parties as well as other Group companies. During the reporting year, none of the shareholders had control over or a material influence in the parent company.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

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.

31. Capital reorganisation, return of capital and dividends paid

Following approval by shareholders at a general meeting in May 2019 the Group reorganised its capital structure by reducing the share premium account and nominal value of the ordinary shares. In June 2019 a return of this capital was made to all shareholders of 5.2 pence ordinary shares which gave shareholders a return of 22 pence per 5.2 pence ordinary share. The total shareholder return was €43.423 million. The return of capital was accompanied by a 1 for 22 share consolidation. The return of capital was approved by shareholders at a general meeting on 14 May 2019.

No dividends were paid in 2019 (2018: €nil).

32. Post balance sheet events

There are no significant post balance sheet events.

Accounting policies

Basis of preparation
The financial statements of PV Crystalox Solar PLC (Company only) have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), on a going concern basis (see the going concern section in the Operational and Financial Review), under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in this accounting policies note.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of Cash Flows';
- the requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group; and
- IFRS 7, 'Financial Instruments: Disclosures'.

The principal accounting policies of the Company have remained unchanged from the previous year, have been consistently applied throughout the year and are set out below.

Profit and loss of the parent company
The Company has taken advantage of Section 408 of the Companies Act 2006 excluding it from presenting a Company-only statement of profit and loss and related notes.

Employee Benefit Trust ("EBT")
All assets and liabilities of the EBT have been included in these financial statements as the Company has de facto control over the trust's net assets as its sponsoring company.

Investments
Investments are included at cost and reviewed annually for impairment. The impairment assessment is performed on individual investment balances.

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 or loss. 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 Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Share-based payment
The Company issues equity-settled share-based payments to certain employees of the Group. These are measured at their fair value at the date of the grant using an appropriate option pricing model and are expensed over the vesting year, based on the estimate of the number of shares that will eventually vest. 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.

Charges made to the profit and loss account in respect of share-based payments are credited to the share-based payment reserve. Costs incurred by the issue of equity-settled share-based awards to the employees of subsidiaries are recharged to the relevant company.

Foreign currencies
Monetary 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 the date appropriate for the transaction.

Cash and cash equivalents
The Company holds all its cash in instant access bank accounts and has no other cash equivalents.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fixed asset investments
The Company makes an estimate of the recoverable amount of fixed asset investments. When assessing a possible impairment management considers factors including the net assets of the subsidiaries and the value attached to customer contracts which is not reflected in the net assets.

Company balance sheet

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	1	**2,777**	4,601
Current assets			
Trade and other receivables	2	**2,801**	29,818
Cash and cash equivalents		**1,083**	12,802
Current assets		**3,884**	42,620
Creditors: amounts falling due within one year			
Trade and other payables	4	**(136)**	(609)
Net current assets		**3,748**	42,011
Total assets less current liabilities		**6,525**	46,612
Capital and reserves			
Called up equity share capital	6	**220**	8,335
Share premium account		**—**	30,353
Other reserves		**—**	20,896
Shares held by the EBT		**(54)**	(244)
Share-based payment reserve		**103**	134
Profit and loss account			
At 1 January		**(12,862)**	(29,408)
Capital reorganisation		**20,896**	—
(Loss)/profit for the year attributable to the owners of the Company		**(1,778)**	16,546
Total shareholders' funds		**6,525**	46,612

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2020 and signed on its behalf by:

Iain Dorrity
Chief Executive Officer

Company number
06019466

Company statement of changes in equity

For the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Shares held by the EBT £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total shareholder funds £'000
As at 1 January 2018	8,335	30,353	20,896	(244)	243	(29,408)	30,175
Share-based payment credit	—	—	—	—	(109)	—	(109)
Transactions with owners	—	—	—	—	(109)	—	(109)
Profit for the year	—	—	—	—	—	16,546	16,546
Total comprehensive income	—	—	—	—	—	16,546	16,546
As at 31 December 2018	**8,335**	**30,353**	**20,896**	**(244)**	**134**	**(12,862)**	**46,612**
As at 1 January 2019	8,335	30,353	20,896	(244)	134	(12,862)	46,612
Capital reorganisation	(8,115)	(30,353)	—	—	—	38,468	—
Capital reorganisation	—	—	(20,896)	—	—	20,896	—
Capital return	—	—	—	—	—	(38,468)	(38,468)
Capital return received into EBT	—	—	—	474	—	—	474
Adjustment due to consolidation	—	—	—	(284)	—	—	(284)
Share-based payment credit	—	—	—	—	(31)	—	(31)
Transactions with owners	(8,115)	(30,353)	(20,896)	190	(31)	20,896	(38,309)
Loss for the year	—	—	—	—	—	(1,778)	(1,778)
Total comprehensive income	—	—	—	—	—	(1,778)	(1,778)
As at 31 December 2019	**220**	**—**	**—**	**(54)**	**103**	**6,256**	**6,525**

Notes to the Company financial statements

For the year ended 31 December 2019

1. Investments

Shares in subsidiary undertakings

	£'000
Cost and net book value	
At 1 January 2019	4,601
Capital return	(573)
Impairment	(1,251)
At 31 December 2019	**2,777**

The Company received a capital return from its investment in PV Crystalox Solar Silicon GmbH of £573,000.

The Company carried out an impairment review during the year by considering the investments in each subsidiary separately. It compared the expected future cash flows and balance sheet position of each subsidiary to its net book value. As a result of this review the Company recognised an impairment of £1.3 million (2018: £2.6 million).

At 31 December 2019 the Company held 100% of the allotted ordinary share capital of the following undertakings:

Subsidiary	Country of incorporation	Activity	Proportion held %
Crystalox Solar Limited[1]	United Kingdom	Holding company	100
Crystalox Limited[1]	United Kingdom	Trading company	100*
PV Crystalox Solar Silicon GmbH[2]	Germany	Trading company	100

* Held indirectly through Crystalox Solar Limited.

Registered addresses:

1. 11B(ii) Park House, Milton Park, Abingdon, Oxfordshire OX14 4RS.
2. Gustav-Tauschek Straße 2, Erfurt, 99099, Germany.

These subsidiaries are consolidated in the Group financial statements included in this document.

The directors believe that the carrying value (after the impairment discussed above) of the investments is supported by their net realisable value.

2. Trade and other receivables

	As at 31 December	
	2019 €'000	2018 €'000
Amounts owed by Group undertakings	**1,763**	29,256
Other debtors	**1,014**	545
Prepayments and accrued income	**24**	17
	2,801	29,818

Amounts owed by Group undertakings are unsecured at varying rates of interest and are repayable on demand.

3. Shares held by the EBT

Employee Benefit Trust

The Company established the EBT, 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. Shares from the EBT are used to settle awards made under the share-based payment plans as described in note 7.

	As at 31 December	
Shares held by the EBT	**2019 Number**	2018 Number
Opening balance	**1,973,063**	1,973,063
Share consolidation	**(1,883,379)**	—
Closing balance of shares at 3.0206 pence (2018: 5.2 pence)	**89,684**	1,973,063

At 31 December 2019, 89,684 ordinary shares of 3.0206 pence were held by the EBT (2018: 1,973,063 ordinary shares of 5.2 pence). The market value of these shares was £56,000 (2018: £494,000). Additionally, the EBT holds a cash balance which on 31 December 2019 was £1.014 million (2018: £0.537 million).

4. Trade and other payables

	As at 31 December	
	2019 €'000	2018 €'000
Accruals, VAT payable and deferred income	**136**	245
Current tax liabilities	**—**	364
	136	609

Current tax liabilities comprises corporation and other non-tax liabilities, calculated or estimated by the Group companies, as well as corresponding taxes abroad due to local tax laws, including probable amounts arising on completed or current tax audits.

5. Related party disclosures

The Company has taken advantage of the FRS 101 exemption to not disclose transactions with other wholly owned members of its Group.

Transactions with key management personnel are disclosed in the Group accounts.

6. Called up share capital

Ordinary shares of 3.0206 pence each (2018: ordinary shares of 5.2 pence each).

	As at 31 December	
	2019 €'000	2018 €'000
Allotted, called up and fully paid		
7,285,408 ordinary shares of 3.0206 pence each (2018: 160,278,975 ordinary shares of 5.2 pence each)	**220**	8,335

7. Share-based payment plans

The Group established the PV Crystalox Solar PLC 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.

During the year the Group had two share incentive plans in operation which are satisfied by grants from the EBT.

PV Crystalox Solar PLC Executive Directors' Deferred Share Plan ("EDDSP")

At the AGM on 28 May 2009 a bonus plan (with deferred share element) for executive directors was approved by the Company's shareholders in the context of bringing the arrangements more in line with market practice and aligning executive directors' pay more closely with the interests of the Company's shareholders. Half of each bonus was to be payable in cash and the other half deferred and payable in shares under the EDDSP, which vests three years after the award date. Awards of deferred shares under the EDDSP are to be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust.

On 31 March 2017 awards over 544,135 shares were made to Iain Dorrity, as detailed in the Directors' Remuneration Report. No awards were made during 2018 or 2019. As a result of the share consolidation the number of shares subject to the award were reduced by 519,402 to 24,733.

Market Value Option ("MVO")

An 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 an MVO over 200,000 ordinary shares was granted to a senior employee and this option was exercisable from 24 November 2011 at £1.00 per share subject to agreed performance criteria. This option was forfeited when the employee left the Group in May 2018.

On 26 March 2009 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 26 March 2012 at 76.0 pence per share subject to agreed performance criteria, and on 25 September 2009 MVO awards over 1,200,000 ordinary shares were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group after the closure of PV Crystalox Solar KK during 2016 and the award was forfeited. Two employees to whom awards over 400,000 ordinary shares were issued on 25 September 2009 left the Group after being made redundant from Crystalox Limited during in April and May 2018 and the awards were forfeited. One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group to pursue other career opportunities during October 2018 and the award was forfeited.

Awards over 400,000 shares were forfeited in 2019 (2018: 800,000). There were two awards exercisable at 1 January 2019: one over 200,000 shares at an exercise price of 76.0 pence per share expired on 26 March 2019; the other over 200,000 shares at an exercise price of 76.9 pence per share expired on 25 September 2009.

The Group recognised total credit before tax of £31,000 (2018: £109,000) related to equity-settled share-based payment transactions during the year.

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

Notes to the Company financial statements continued

For the year ended 31 December 2019

7. Share-based payment plans continued

Market Value Option ("MVO") continued

	EDDSP* Number	MVO Number	MVO WAEP price Pence
Share grants and options outstanding at 1 January 2018	544,135	1,200,000	79.7
Share grants and options granted during the year	—	—	—
Share grants and options forfeited during the year	—	(800,000)	—
Share grants and options outstanding at 31 December 2018	544,135	400,000	76.5
Exercisable at 31 December 2018	—	400,000	76.5
Share grants and options granted during the year	—	—	—
Share grants and options expired during the year	—	(400,000)	—
Impact of share consolidation	(519,402)	—	—
Options exercised during the year	—	—	—
Share grants and options outstanding at 31 December 2019	**24,733**	**—**	**—**
Exercisable at 31 December 2019	**—**	**—**	**—**

* The weighted average exercise price for the EDDSP options is £nil.

8. Auditors' remuneration

	2019 £'000	2018 £'000
Audit fee in respect of the separate financial statements of the Company	**10**	9

The disclosure of fees payable to the auditors and their associates for other (non-audit) services has not been made because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

9. Directors' remuneration

Details of the remuneration paid to directors of the Company have been presented in the Directors' Remuneration Report.

10. Employee information

The average number of persons employed by the Company including the two non-executive directors in the financial year was four (2018: four). Total staff costs, excluding share-based payment charges, for the year were £651k (2018: £700k).

11. Capital reorganisation, return of capital and dividends paid

Following approval by shareholders at a general meeting in May 2019 the Group reorganised its capital structure by reducing the share premium account and nominal value of the ordinary shares. In June 2019 a return of capital was made to all shareholders of 5.2 pence ordinary shares which gave shareholders a return of 22 pence per 5.2 pence ordinary share. The total shareholder return was £38.5 million. The return of capital was accompanied by a 1 for 22 share consolidation. The return of capital was approved by shareholders at a general meeting on 14 May 2019.

No dividends were paid in 2019 (2018: £nil).

12. Dividends received

No dividends were received in 2019 (2018: £29.1 million).

13. Capital commitments

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

14. Post balance sheet events

There were no post balance sheet events.

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