

# **SGL Carbon Fibers Limited**

## **Report and Financial Statements**

31 December 2015

THURSDAY



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COMPANIES HOUSE

**Directors**

C W Hauswirth

J K Becker

A G Fear

**Secretary**

Ledingham Chalmers LLP

**Auditors**

Ernst & Young LLP

Barony House

Stoneyfield Business Park

Stoneyfield

Inverness IV2 7PA

**Bankers**

HSBC

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**Solicitors**

Ledingham Chalmers

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52 – 54 Rose Street

Aberdeen AB10 1HA

Hammonds

Trinity Court

16 John Dalton Street

Manchester M60 8HS

**Registered Office**

Muir of Ord Industrial Estate

Great North Road

Muir of Ord

Ross-Shire

IV6 7UA

## Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2015.

### Principal activity and review of the business

The principal activity of the company during the year was the manufacture and sale of oxidized PAN fibre and carbon fibre. The company's oxidized PAN fibre products are used as a substrate by manufacturers of carbon aircraft brakes and in a variety of other industrial non-woven and other textile applications. The company's carbon fibre products are used primarily in two market segments. Chopped Carbon Fibre is supplied to the Industrial Market for use as reinforcement in, or to add electrical conductivity to, moulding compounds for components of electronic devices. Spooled Carbon Fibre is supplied to the Wind Energy Market as the raw material to produce the composites needed for wind turbines.

Turnover for the year increased by 7%, driven by a recovery in the aerospace and wind energy industries. The underlying operational contribution to the year's result, before financing and exchange costs, improved significantly as a result of increased plant utilisation, and a fall in the price of key raw materials due to lower global oil prices.

### Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as follows:

#### Competitive risks

The group faces competition from other companies in all our market sectors. The group policy is to maintain our high levels of customer service and to build upon strong supplier relationships.

#### Financial risks

These risks can be sub-divided as follows:

##### Liquidity risk

The group policy is to ensure that sufficient liquidity is available to meet the foreseeable needs and to invest cash assets safely and profitably. Liquidity is achieved by overdraft and other long-term bank facilities.

##### Interest rate risk

The group finances its operations through bank borrowings at floating rates based on both Base Rate and LIBOR. The group's policy is to borrow at the lowest rates for periods that do not carry excessive time premiums.

The group policy is to minimise exposure to losses of defaulting customers. Credit terms are only granted to customers who satisfy credit worthiness procedures and in certain market sectors where appropriate credit insurance can be obtained. Credit limits are reviewed by finance department staff on a regular basis in conjunction the debt ageing and collection history.

##### Currency risk

The group policy is to reduce currency exposure for particular projects by using the same currency for purchasing and selling the materials. Where this is not possible and values are significant, forward contracts are agreed with our bank.

Approved by the Board on 29 August 2016 and signed on its behalf by:



A Fear  
Director

Registered No. SC078081

## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2015.

### **Results and dividends**

The loss for the year after taxation amounted to £1,242k (2014 – loss of £5,839k). The directors do not recommend a final dividend (2014 – £nil).

### **Research and development**

The company does research and development in order to improve its operations and product portfolio for the future. The directors take an active role in selecting, directing and monitoring progress on all research and development projects. All research and development costs are expensed in the current year.

### **Future developments**

In the longer term, the market outlook for Carbon Fibre remains one of considerable growth. The outlook for the shorter term, however, is for difficult trading conditions with pressure on sales prices due to overcapacity in the Carbon Fibre market.

### **Going concern**

Financial projections indicate that the company will become increasingly profitable in future but will require short-term support in undertaking capital expenditure plans. Therefore, the company relies on support from its intermediate parent undertaking, SGL Technologies GmbH, and its ultimate parent undertaking, SGL Carbon SE, in order to meet its liabilities as they fall due.

SGL Carbon SE has confirmed to the directors that this support will continue to be provided for the foreseeable future and on this basis, and all other available information, they consider that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not contain any adjustments that would result if the financial support of SGL Carbon SE were withdrawn.

### **Directors**

The directors who served the company during the year were as follows:

C W Hauswirth

J Park (resigned 15 March 2016)

J K Becker

A G Fear

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



A Fear  
Director

29 August 2016

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

## **to the members of SGL Carbon Fibers Limited**

We have audited the financial statements of SGL Carbon Fibers Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

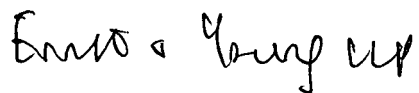
# Independent auditors' report

to the members of SGL Carbon Fibers Limited

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Donald Forsyth (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Inverness

29 August 2016



## Income statement

for the year ended 31 December 2015

		2015	2014
	Notes	£000	£000
<b>Turnover</b>	2	51,564	48,129
Cost of sales		(46,916)	(46,974)
<b>Gross profit</b>		4,648	1,155
Distribution costs		(1,153)	(996)
Administrative expenses		(4,046)	(4,861)
<b>Operating loss</b>	3	(551)	(4,702)
Interest payable and similar charges	6	(668)	(1,137)
<b>Loss on ordinary activities before taxation</b>		(1,219)	(5,839)
Tax	7	(23)	–
<b>Loss for the financial year</b>		(1,242)	(5,839)

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2015

	2015	2014
	£000	£000
Loss for the year	(1,242)	(5,839)
Change in value of forward currency contracts	772	645
<b>Total Comprehensive income</b>	(470)	(5,194)

## Statement of changes in equity

for the year ended 31 December 2015

	<i>Share capital</i> £000	<i>Share premium account</i> £000	<i>Other reserves</i> £000	<i>Profit and loss account</i> £000	<i>Total share- holders' funds</i> £000
At 1 January 2014	620	20	312	28,349	29,301
Loss for the year	-	-	-	(5,839)	(5,839)
Other comprehensive income	-	-	-	645	645
Total comprehensive income	-	-	-	(5,194)	(5,194)
Share-based payments	-	-	28	-	28
At 31 December 2014	620	20	340	23,155	24,135
Loss for the year	-	-	-	(1,242)	(1,242)
Other comprehensive income	-	-	-	772	772
Total comprehensive income	-	-	-	(470)	(470)
Share-based payments	-	-	18	-	18
At 31 December 2015	620	20	358	22,685	23,683

## Statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	8	25,654	25,070
<b>Current assets</b>			
Stocks	9	16,426	12,723
Debtors	10	11,073	12,456
Cash at bank and in hand		11	34
		27,510	25,213
<b>Creditors: amounts falling due within one year</b>	11	9,876	24,841
<b>Net current assets</b>		17,634	372
<b>Total assets less current liabilities</b>		43,288	25,442
<b>Creditors: amounts falling due after more than one year</b>	12	18,400	2
<b>Accruals and deferred income</b>			
Deferred government grants	14	1,205	1,305
<b>Net assets</b>		23,683	24,135
<b>Capital and reserves</b>			
Called up share capital	15	620	620
Share premium account	16	20	20
Other reserves	16	358	340
Profit and loss account		22,685	23,155
<b>Shareholder's funds</b>		23,683	24,135

The financial statements were approved and authorised for issue by the board and signed on its behalf on 29 August 2016.



A Fear  
Director

# Notes to the financial statements

at 31 December 2015

## 1. Accounting policies

### *Statement of compliance*

SGL Carbon Fibers Limited is a limited liability company incorporated in England. The registered office is Muir of Ord Industrial Estate, Great North Road, Muir of Ord, Ross-shire, IV6 7UA.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2015.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 23.

### *Basis of preparation*

The financial statements of SGL Carbon Fibers Limited were approved for issue by the Board of Directors on 19 February 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The results of SGL Carbon Fibers Limited are included in the consolidated financial statements of SGL Carbon SE which are available from SGL Group, Soehnleinstrasse 8, 65201 Wiesbaden, Germany.

The company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) the requirements of Section 7 – Statement of Cash Flows and Section 3 – Financial Statement Presentation paragraph 3.17d.
- (b) the requirements of Section 26 – Share-based Payment paragraphs 26.18b, 26.19 to 26.21 and 26.23.
- (c) the requirements of Section 11 – Basic Financial Instruments paragraphs 11.39 to 11.48A and Section 12 – Other Financial Instrument Issues paragraphs 12.26 to 12.29.
- (d) the requirements of Section 33 – Related Party Disclosures paragraph 33.7.

### *Judgements and key sources of estimation uncertainty*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

### *Going concern*

During the year ended 31 December 2015 the company made a loss of £1,242k and at the balance sheet date had net current assets of £17,634k including amounts owed to group companies of £963k. Financial projections indicate that the company will become increasingly profitable in future but will require short-term support in undertaking capital expenditure plans. Therefore, the company relies on support from its intermediate parent undertaking, SGL Technologies GmbH, and its ultimate parent undertaking, SGL Carbon SE, in order to meet its liabilities as they fall due. The company had long term loans payable to its ultimate parent undertaking of £18,400k at 31 December 2015.

SGL Carbon SE has confirmed to the directors that this support will continue to be provided for the foreseeable future and on this basis, and all other available information, they consider that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not contain any adjustments that would result if the financial support of SGL Carbon SE were withdrawn.

## Notes to the financial statements

at 31 December 2015

### 1. Accounting policies (continued)

#### *Functional currency*

Management have considered the definition of functional currency under FRS102.30.3 when determining the functional currency of the company.

The company operates with a significant degree of autonomy from the group, and is not an extension of the parent entity's operations, therefore the functional currency of the parent entity is not considered influential.

Although sales prices are influenced by group transfer prices, set in Euros, and a considerable proportion of receipts from operating activities are recovered in Euros, it is considered that Great British Pounds continues to be the most appropriate functional currency to adopt.

Labour costs and expenses for goods and services are influenced by GBP, and form a large proportion of the company's transactions.

Furthermore, all loan funding (received from our parent company) is received and repayable in GBP.

#### *Research and development expenditure*

Research & development expenditure is written off against profits in the year in which it is incurred. Amounts repayable as a result of Research & Development tax relief claims are accounted for in the period in which they are received.

The following are the company's key sources of estimation uncertainty:

#### *Impairment of tangible assets*

The company assesses at each balance sheet date whether there are any indications that its tangible assets are impaired. If such an indication is identified, the recoverable amount is estimated in order to quantify the amount of the impairment loss. Impairment losses are recognised when the recoverable amount of the asset is lower than its carrying amount. The recoverable amount is the higher of fair value less costs to sell (net selling price) and value in use, with the net selling price being determined first. If this amount is higher than the carrying amount, the asset's value in use will not be calculated. These values are determined using measurement methods based on discounted cash flows which are based on the company's five year plans. The estimated future cash flows are discounted to their present value using a discount rate reflecting current market expectations for interest rates and the specific risks attached to the asset or the company.

#### *Taxation*

Management estimation is required to determine the amount of deferred tax asset that can be recognised, based upon likely timing and the level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

# Notes to the financial statements

at 31 December 2015

## 1. Accounting policies (continued)

### *Tangible fixed assets*

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	5 to 33 years
Plant and machinery	–	5 to 33 years
Fixtures and fittings	–	3 to 10 years
Motor vehicles	–	5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### *Revenue Recognition*

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	–	purchase cost on a first-in, first-out basis
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

### *Short term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in administrative expenses.

### *Interest bearing loans and borrowings*

Interest bearing loans are recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently they are recorded at amortised cost using the effective interest method.

## Notes to the financial statements

at 31 December 2015

### 1. Accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

#### *Research and development*

Expenditure on research and development is written off against profits in the year in which it is incurred. Amounts repayable as a result of Research & Development tax relief claims are accounted for in the period in which they are received.

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement.

## Notes to the financial statements

at 31 December 2015

### 1. Accounting policies (continued)

#### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of capital repayments outstanding.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

#### *Pensions*

The company operates a defined contribution pension scheme. The amount charged against profits represents the contributions payable in respect of the accounting period.

#### *Share-based payments*

The company operates a number of equity-settled share-based payment models (Matching Share Plan and Stock Appreciation Rights Plan). The obligation arising from equity-settled share-based payment transactions is measured at fair value on the grant date and the fair value of the obligation is recognized as a personal expense over the vesting period. Payments under the Stock Option Plan and the Stock Appreciation Rights (SAR) Plan are measured indirectly, taking into account the fair value of the equity instruments granted. The fair value is determined using recognized valuation methods (e.g. the Monte Carlo model). Further information on the individual share-based payment plans can be found in Note 18.

The company also operates a cash settled share based payment model (Performance Share Plan). The cost of cash-settled transactions is measured at fair value using an appropriate pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognized representing the product of the fair value award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount of for the liability are recognized in the profit or loss account.

#### *Derivative financial instruments*

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

The company designates derivatives as hedging instruments in respect of foreign exchange risk in firm commitments and highly probable forecast transactions.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the company assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.



## Notes to the financial statements

at 31 December 2015

### 1. Accounting policies (continued)

#### *Derivative financial instruments (continued)*

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss, or when the hedging relationship ends.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold or terminated, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the sale of goods and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	2015 £000	2014 £000
Europe	32,313	31,290
United States of America	14,117	12,712
Other	5,134	4,127
	<u>51,564</u>	<u>48,129</u>

### 3. Operating loss

This is stated after charging/(crediting):

	2015 £000	2014 £000
Auditors' remuneration – audit services	<u>50</u>	<u>46</u>
– non-audit services:		
Tax compliance services	10	10
Other tax services	0	3
Other non audit services	20	0
Total non audit services	<u>30</u>	<u>13</u>
Depreciation of owned fixed assets	2,378	2,187
Research & development expenditure	1,488	1,147
Government grants released re fixed assets	(100)	(100)
Operating lease rentals – land and buildings	463	406
Operating lease rentals – plant and machinery	<u>138</u>	<u>107</u>

## Notes to the financial statements

at 31 December 2015

### 4. Directors' remuneration

	2015 £000	2014 £000
Remuneration	213	132
Value of company pension contributions to money purchase schemes	20	14
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	2	2

### 5. Staff costs

	2015 £000	2014 £000
Wages and salaries	8,412	7,583
Social security costs	855	762
Other pension costs	371	325
Redundancy costs	0	22
	<u>9,638</u>	<u>8,692</u>

The average monthly number of employees during the year was made up as follows:

	<i>No.</i>	<i>No.</i>
Administration	52	53
Production	198	177
	<u>250</u>	<u>230</u>

### 6. Interest payable and similar charges

	2015 £000	2014 £000
Exchange loss	151	680
Interest on loans from group companies	517	451
Finance lease interest	0	6
	<u>668</u>	<u>1,137</u>

## Notes to the financial statements

at 31 December 2015

### 7. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2015 £000	2014 £000
<b>Current tax:</b>		
UK corporation tax on the loss for the year	–	–
Adjustments in respect of previous years	23	–
Total current tax (note 7(b))	<u>23</u>	<u>–</u>

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	<u>(1,219)</u>	<u>(5,839)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	(247)	(1,255)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	12	319
Capital allowances in excess of depreciation	(29)	332
Tax losses	0	596
Other short-term timing differences	3	8
Income not taxable	(76)	–
Tax under provided in previous year	337	–
Prior year adjustment	23	–
Current tax for the year (note 7(a))	<u>23</u>	<u>–</u>

(c) Deferred tax

The deferred tax asset not recognised in the financial statements is as follows:

	2015 £000	2014 £000
Capital allowances in advance of depreciation	8,839	7,036
Tax losses available	11,952	11,789
Short-term timing differences	–	20
	<u>20,791</u>	<u>18,845</u>

## Notes to the financial statements

at 31 December 2015

### 8. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant machinery and vehicles £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2015	14,589	80,798	1,049	96,436
Additions	10	2,918	47	2,975
Disposals	(0)	(226)	(7)	(233)
At 31 December 2015	14,599	83,490	1,089	99,178
Depreciation:				
At 1 January 2015	6,650	63,895	821	71,366
Provided during the year	585	1,711	82	2,378
Released on disposal	(0)	(214)	(6)	(220)
At 31 December 2015	7,235	65,392	897	73,524
Net book value:				
At 31 December 2015	7,364	18,098	192	25,654
At 1 January 2015	7,939	16,903	228	25,070

### 9. Stocks

	<i>2015 £000</i>	<i>2014 £000</i>
Raw materials	7,228	5,213
Finished goods	9,198	7,510
	<u>16,426</u>	<u>12,723</u>

Stocks recognised as an expense in the period were £28,426k (2014 - £31,113k), which includes £56k (2014 - £11k) relating to the reversal of impairment losses.

## Notes to the financial statements

at 31 December 2015

### 10. Debtors

	2015 £000	2014 £000
Trade debtors	3,451	2,996
Amounts owed by group undertakings	6,338	9,060
Other debtors	300	173
Prepayments and accrued income	276	227
Derivative financial instruments	708	0
	<u>11,073</u>	<u>12,456</u>

### 11. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	7,331	8,315
Amounts owed to group undertakings	963	10,298
Other taxation and social security costs	416	402
Obligations under finance leases and hire purchase contracts (note 13)	1	1
Accruals and deferred income	971	5,544
Derivative financial instruments	194	281
	<u>9,876</u>	<u>24,841</u>

### 12. Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to group undertakings	18,400	0
Obligations under finance leases and hire purchase contracts (note 13)	0	2
	<u>18,400</u>	<u>2</u>

## Notes to the financial statements

at 31 December 2015

### 13. Obligations under leases and hire purchase contracts

The company have a hire purchase contract relating to the purchase of office equipment. Future minimum lease payments due under finance leases and hire purchase contracts include:

	2015	2014
<i>Amounts payable:</i>	<i>£000</i>	<i>£000</i>
Within one year (note 11)	1	1
In two to five years (note 12)	0	2
	<u>1</u>	<u>3</u>

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015		2014	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	305	65	333	39
In two to five years	82	0	181	2
	<u>387</u>	<u>65</u>	<u>518</u>	<u>41</u>

### 14. Accruals and deferred income

	<i>Deferred government grants</i>	
	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
At 1 January	1,305	1,030
Additions during the year	-	375
Released during the year	(100)	(100)
At 31 December	<u>1,205</u>	<u>1,305</u>

### 15. Issued share capital

	2015		2014	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	620,000	<u>620</u>	620,000	<u>620</u>

## Notes to the financial statements

at 31 December 2015

### 16. Reserves

#### *Share premium account*

This reserve records the amount above the nominal value for shares sold, less transaction costs.

#### *Other Reserves*

This reserve represents the equity component of share-based payment transactions.

### 17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £582,243 (2014 – £25,127).

### 18. Share-based payments

#### *Matching shares plan*

Management Group I to Management Group III employees may elect to buy SGL Carbon SE shares from their Annual Bonus Plan and hold them for purposes of the Matching Shares Plan. Employees that have held such shares for two years are eligible to receive matching shares from SGL Carbon SE without cash payment. The exercise price of the options is equal to the estimated market price of the shares on the date of grant.

#### *SAR plan 2005*

Under the SAR Plan 2005, SGL Carbon SE grants stock appreciation rights (SARs) to its Management Group I to Management Group III employees. These employees will be eligible to receive the amount of stock appreciation from the current share price on grant date to the exercise price, which is the current share price on execution date. This stock appreciation is settled by shares. The vesting period is two years and the term of the SARs is ten years.

#### *Performance share plan (PSP)*

The PSP is a long-term incentive plan for Management Group I to Management Group III employees which came into effect on 1 January 2015. The long term remuneration component is based on the Return on Capital Employed (ROCE) of the SGL Group and the performance of the SGL Share. The PSP plan is paid out exclusively in cash, relative to the degree of reaching the set performance targets, and does not extend the right to being awarded genuine SGL Shares.

The estimated attainment levels for all current PSP plans was below threshold for 2015, therefore no compensation costs were recognised in the income statement or accrued at the year end.

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2015 is £17,039.

### 19. Contingent liabilities

The company is party to a guarantee, supported by fixed and floating charges over the assets of the company to Deutsche Bank Luxembourg in respect of certain borrowings of the SGL Carbon SE group of companies. At 31 December 2015, the outstanding borrowings of the group were €745.0m (2014 – €704.8m).

## Notes to the financial statements

at 31 December 2015

### 20. Related party transactions

The company is exempt from disclosing transactions with other wholly owned group companies under Section 33.1A of FRS 102. During the year the company entered into transactions, in the normal course of business, with other related parties. Transactions entered into, and the trading balances outstanding at 31 December 2015, with non wholly owned group companies are as follows:

	<i>Sales to related parties £000</i>	<i>Purchases from related parties £000</i>	<i>Amounts owed from related parties £000</i>	<i>Amounts owed to related parties £000</i>
<i>Related parties:</i>				
2015	20,128	1,225	3,970	135
2014	26,197	406	5,493	71

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 30 days of invoice. The company has not provided or benefitted from any guarantees for any related party receivables or payables. During the year ended 31 December 2015, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2014: nil).

### 21. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014.

The impact from the transition to FRS 102 is as follows:

#### *Reconciliation of equity at 1 January 2014*

	<i>£000</i>
Equity Shareholder's funds at 1 January 2014 under previous UK GAAP	30,449
Derivatives	(1,148)
Equity Shareholder's funds at 1 January 2014 under FRS 102	<u>29,301</u>

#### *Reconciliation of equity at 31 December 2014*

	<i>£000</i>
Equity Shareholder's funds at 31 December 2014 under previous UK GAAP	24,416
Derivatives	(281)
Equity Shareholder's funds at 31 December 2014 under FRS 102	<u>24,135</u>

#### *Reconciliation of profit and loss for the year ended 31 December 2014*

	<i>£000</i>
Loss for the year ended 31 December 2014 under previous UK GAAP	(6,061)
Derivatives	222
Loss for the year ended 31 December 2014 under FRS 102	<u>(5,839)</u>



## Notes to the financial statements

at 31 December 2015

### Transition to FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

#### Derivatives

Forward foreign currency contracts are recorded on the balance sheet at fair value and accounted for at fair value through the profit and loss unless the derivative is designated and effective as a hedging instrument. The effective portion of changes in the fair value of designated hedging instruments is recognised in other comprehensive income. Under previous UK GAAP these were recognised at contracted rates, with gains or losses being offset against the foreign exchange gains and losses on the related financial assets and liabilities

#### Transitional relief

The company has elected to use a previous revaluation of some plant and machinery as its deemed cost on transition to FRS 102.

### 22. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is SGL Carbon GmbH, a company incorporated in Germany.

The ultimate parent undertaking and controlling party is SGL Carbon SE, a company incorporated in Germany.

The largest and smallest group in which the results of SGL Carbon Fibers Limited are consolidated is that headed by SGL Carbon SE. The group financial statements are available to the public and may be obtained from SGL Group, Soehnleinstrasse 8, 65201 Wiesbaden, Germany.