

SGL Carbon Fibers Limited

Report and Financial Statements

31 December 2016



Directors

C W Hauswirth
J K Becker
A G Fear
S Easton

Secretary

Ledingham Chalmers LLP

Auditors

Ernst & Young LLP
Barony House
Stoneyfield Business Park
Inverness IV2 7PA

Bankers

HSBC
PO Box 68
130 New Street
Birmingham B2 4JU

Solicitors

Ledingham Chalmers
Johnstone House
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 2016.

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 20%, driven by an important new contract for the supply of Carbon Fibre, coupled with favourable currency effects on the translation of Euro-denominated sales in the period following the Brexit referendum. Whilst the weaker pound also drove higher prices for non-GBP-sourced raw materials, the underlying operational contribution to the year's result, before financing and exchange costs, improved as the increased sales demand led to increased plant utilisation and the realisation of operating efficiencies.

Management monitor the business through the following key performance indicators:

	2016 £000	2015 £000
Revenue	61,772	51,564
Gross Margin	10,470	4,648
Gross Margin Percentage	17%	9%
Profit/(loss) before tax	4,986	(1,219)

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.

Strategic report

Principal risks and uncertainties (continued)

Credit risk

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 17 April 2017 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 2016.

Results and dividends

The profit for the year after taxation amounted to £4,959k (2015 – loss of £1,242k). The directors do not recommend a final dividend (2015 – £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 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

S Easton (Appointed 01 July 2016)

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.

Approved by the Board on 17 April 2017 and signed on its behalf by:



A Fear
Director

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards), 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 2016 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 20. 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 2016 and of its profit 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 in 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditors' report

to the members of SGL Carbon Fibers Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Ernst & Young LLP

Chris Nobbs (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

19 APRIL 2017

Income statement

for the year ended 31 December 2016

		2016	2015
	Notes	£000	£000
Turnover	2	61,772	51,564
Cost of sales		(51,302)	(46,916)
Gross profit		10,470	4,648
Distribution costs		(1,195)	(1,153)
Administrative expenses		(6,263)	(4,046)
Operating profit/(loss)	3	3,012	(551)
Interest receivable and similar income	6	3,028	0
Interest payable and similar charges	7	(1,054)	(668)
Profit/(loss) on ordinary activities before taxation		4,986	(1,219)
Tax	8	(27)	(23)
Profit/(loss) for the financial year		<u>4,959</u>	<u>(1,242)</u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2016

	2016	2015
	£000	£000
Profit/(loss) for the year	4,959	(1,242)
Change in value of forward currency contracts	(784)	772
Total Comprehensive income	<u>4,175</u>	<u>(470)</u>

Statement of changes in equity

for the year ended 31 December 2016

	<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 2015	620	20	340	23,155	24,135
Profit/(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
Profit/(loss) for the year	-	-	-	4,959	4,959
Other comprehensive income	-	-	-	(784)	(784)
Total comprehensive income	-	-	-	4,175	4,175
Share-based payments	-	-	-	-	-
At 31 December 2016	620	20	358	26,860	27,858

Statement of financial position

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	24,706	25,654
Current assets			
Stocks	10	18,359	16,426
Debtors	11	20,252	11,073
Cash at bank and in hand		41	11
		38,652	27,510
Creditors: amounts falling due within one year	12	15,643	9,981
Net current assets		23,009	17,529
Total assets less current liabilities		47,715	43,183
Creditors: amounts falling due after more than one year	13	18,400	18,400
Accruals and deferred income			
Deferred government grants		1,457	1,100
Net assets		27,858	23,683
Capital and reserves			
Called up share capital	15	620	620
Share premium account	16	20	20
Other reserves	16	358	358
Profit and loss account		26,860	22,685
Shareholder's funds		27,858	23,683

The financial statements were approved and authorised for issue by the board and signed on its behalf on 17 April 2017.



A Fear
Director

Notes to the financial statements

at 31 December 2016

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 2016.

Basis of preparation

The financial statements of SGL Carbon Fibers Limited were approved for issue by the Board of Directors on 17 April 2017. 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 2016 the company made a profit of £4,959k and at the balance sheet date had net current assets of £23,114k including amounts owed to group companies of £1,468k. 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 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 2016.

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 2016

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 8.

Notes to the financial statements

at 31 December 2016

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 2016

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.

Current and Deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 2016

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.

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.

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.

Notes to the financial statements

at 31 December 2016

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:

	2016 £000	2015 £000
Europe	33,047	32,313
United States of America	14,068	14,117
Other	14,657	5,134
	<u>61,772</u>	<u>51,564</u>

3. Operating loss

This is stated after charging/(crediting):

	2016 £000	2015 £000
Auditors' remuneration – audit services	<u>51</u>	<u>50</u>
– non-audit services:		
Tax compliance services	–	10
Other non audit services	<u>15</u>	<u>20</u>
Total non audit services	<u>15</u>	<u>30</u>
Depreciation of owned fixed assets	2,383	2,378
Research & development expenditure	1,556	1,488
Government grants released re fixed assets	(105)	(100)
Operating lease rentals – land and buildings	386	463
Operating lease rentals – plant and machinery	<u>111</u>	<u>138</u>

Notes to the financial statements

at 31 December 2016

4. Directors' remuneration

	2016 £000	2015 £000
Remuneration	216	213
Value of company pension contributions to money purchase schemes	18	20

In respect of the highest paid director:

	2016 £000	2015 £000
Remuneration	91	128
Value of company pension contributions to money purchase schemes	8	12

	No.	No.
Members of money purchase pension schemes	3	2

5. Staff costs

	2016 £000	2015 £000
Wages and salaries	8,462	8,412
Social security costs	867	855
Other pension costs	373	371
Restructuring costs	34	0
	9,736	9,638

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

	No.	No.
Administration	51	52
Production	199	198
	250	250

6. Interest receivable and similar income

	2016 £000	2015 £000
Exchange gain	3,028	0
	3,028	0

Notes to the financial statements

at 31 December 2016

7. Interest payable and similar charges

	2016 £000	2015 £000
Exchange loss	–	151
Interest on loans from group companies	754	517
Interest payable to third parties	301	–
	<u>1,054</u>	<u>668</u>

8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2016 £000	2015 £000
Current tax:		
UK corporation tax on the profit/(loss) for the year	–	–
Adjustments in respect of previous years	27	23
Total tax expense (note 7(b))	<u>27</u>	<u>23</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 20.00% (2015 – 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before tax	<u>4,986</u>	<u>(1,219)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%)	997	(247)
Effects of:		
Expenses not deductible for tax purposes	12	12
Capital allowances in excess of depreciation	(961)	(29)
Other short-term timing differences	–	3
Income not taxable	(23)	(76)
R&D expenditure credits	(25)	–
Tax under provided in previous year	–	337
Prior year adjustment	27	23
Total tax expense (note 7(a))	<u>27</u>	<u>23</u>

Notes to the financial statements

at 31 December 2016

9. Tax (Continued)

(a) Deferred tax

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

	2016 £000	2015 £000
Capital allowances in advance of depreciation	6,179	8,839
Tax losses available	10,138	11,952
Short-term timing differences	20	–
	<u>16,337</u>	<u>20,791</u>

10. Tangible fixed assets

	Freehold land and buildings £000	Plant machinery and vehicles £000	Fixtures and fittings £000	Total £000
Cost:				
At 1 January 2016	14,599	83,490	1,089	99,178
Additions	147	1,205	86	1,438
Disposals	(6)	–	(16)	(22)
At 31 December 2016	<u>14,740</u>	<u>84,695</u>	<u>1,159</u>	<u>100,594</u>
Depreciation:				
At 1 January 2016	7,235	65,392	897	73,524
Provided during the year	587	1,718	78	2,383
Released on disposal	(4)	–	(16)	(20)
At 31 December 2016	<u>7,818</u>	<u>67,110</u>	<u>959</u>	<u>75,887</u>
Net book value:				
At 31 December 2016	<u>6,922</u>	<u>17,585</u>	<u>200</u>	<u>24,706</u>
At 1 January 2016	<u>7,364</u>	<u>18,098</u>	<u>192</u>	<u>25,654</u>

11. Stocks

	2016 £000	2015 £000
Raw materials	12,231	7,228
Finished goods	<u>6,128</u>	<u>9,198</u>
	<u>18,359</u>	<u>16,426</u>

Stocks recognised as an expense in the period were £29,739k (2015 - £28,426k), which includes £30k (2015 - (£56k)) relating to the charge/(reversal) of impairment losses.

The difference between the carrying value of stock and its replacement cost is not material.

Notes to the financial statements

at 31 December 2016

12. Debtors

	2016	2015
	£000	£000
Trade debtors	4,932	3,451
Amounts owed by group undertakings	14,725	6,338
Other debtors	84	300
Prepayments and accrued income	511	276
Derivative financial instruments	–	708
	<u>20,252</u>	<u>11,073</u>

13. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	11,196	7,331
Amounts owed to group undertakings	1,470	963
Other taxation and social security costs	435	416
Obligations under finance leases and hire purchase contracts (note 14)	–	1
Accruals and deferred income	2,170	971
Deferred government grants	105	105
Derivative financial instruments	267	194
	<u>15,643</u>	<u>9,981</u>

14. Creditors: amounts falling due after more than one year

	2016	2015
	£000	£000
Amounts owed to group undertakings	18,400	18,400
	<u>18,400</u>	<u>18,400</u>

Interest is charged on amounts due to group undertakings at a rate of LIBOR +4% which is considered to be in line with market rates.

The amounts due are unsecured.

Notes to the financial statements

at 31 December 2016

15. 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:

	2016	2015
<i>Amounts payable:</i>	<i>£000</i>	<i>£000</i>
Within one year (note 12)	–	1
In two to five years (note 13)	–	–
	<u>–</u>	<u>1</u>

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

	2016		2015	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Within one year	260	28	305	65
In two to five years	543	9	82	–
	<u>803</u>	<u>37</u>	<u>387</u>	<u>65</u>

16. Issued share capital

	2016		2015	
<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 2016

17. 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.

18. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £38,935 (2015 – £582,243).

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 2016, the outstanding borrowings of the group were €751.7m (2015 – €745.0m).

The company has received notification from the Health & Safety Executive (HSE) that it intends to bring a prosecution in relation to a workplace accident which occurred in April 2016 resulting in an injury to one of our employees. No date has yet been set for the hearing and at this stage it is not possible to quantify the value of any fine which may be imposed hence no provision has been made in these financial statements.

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 2016, 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>				
2016	489	9,455	68	1,150
2015	20,128	1,225	3,970	135

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 2016, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2015: nil).

Notes to the financial statements

at 31 December 2016

21. 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.