

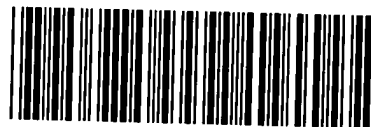
SGL Carbon Fibers Limited

Report and Financial Statements

31 December 2017

Registered number: SC078081

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COMPANIES HOUSE

Directors

C W Hauswirth
J K Becker
A G Fear
S Easton

Secretary

Ledingham Chalmers LLP

Auditor

KPMG LLP
37 Albyn Place
Aberdeen
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Banker

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Aberdeen AB10 1HA

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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 2017.

The company is part of the SGL Group.

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 9%, primarily as a result of increased demand for Chopped Carbon Fibre, coupled with favourable currency effects on the translation of non-GBP-denominated sales in the period. Whilst the business continues to face rising costs for energy and key raw materials, the underlying operational contribution to the year's result improved, as the combination of the increased sales demand and continuous improvement activities led to increased plant utilisation and the realisation of operating efficiencies.

Management monitor the business through the following key performance indicators:

	2017	2016 <i>As restated (see Note 21)</i>
	£000	£000
Revenue	67,101	61,772
Gross Margin	16,162	11,345
Gross Margin Percentage	24%	18%
Profit before tax	6,579	5,861

Principal risks and uncertainties

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

Competitive risks

The company faces competition from other companies in all our market sectors. The company 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 wider 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 at the group level by overdraft and other long-term bank facilities. The company is financed through group loans.

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 company 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 company 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 31 May 2018 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 2017.

Results and dividends

The profit for the year before taxation amounted to £6,579k (2016: restated £5,861k). The directors do not recommend a final dividend (2016 – £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 K Becker
A G Fear
S Easton

Disclosure of information to the auditor

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 31 May 2018 and signed on its behalf by:



A Fear
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's 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 2017 which comprise the Profit and loss account, the Statement of other comprehensive Income, the Statement of changes in equity, the Statement of financial position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent auditor's report

to the members of SGL Carbon Fibers Limited

Directors' responsibilities

As explained more fully in their 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; 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; assessing 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Paula Holland (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

37 Albyn Place

Aberdeen

AB10 1JB

31 May 2018

Profit and loss account

for the year ended 31 December 2017

		2017	2016
			<i>As restated</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Turnover	2	67,101	61,772
Cost of sales		(50,939)	(50,427)
Gross profit		16,162	11,345
Distribution costs		(1,411)	(1,195)
Administrative expenses		(6,566)	(6,263)
Operating profit	3	8,185	3,887
Interest receivable and similar income	6	-	3,028
Interest payable and similar charges	7	(1,606)	(1,054)
Profit on ordinary activities before taxation		6,579	5,861
Tax	8	4,360	(27)
Profit for the financial year		10,939	5,834

All amounts relate to continuing activities.

Statement of other comprehensive income

for the year ended 31 December 2017

	2017	2016
		<i>As restated</i>
	<i>£000</i>	<i>£000</i>
Profit for the year	10,939	5,834
<i>Effective portion of changes in fair value of cash flow hedges</i>	228	(784)
Other comprehensive income for the year	228	(784)
Total comprehensive income for the year	11,167	5,050

The notes on pages 11 to 23 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2017

	<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 2016, As previously reported	620	20	358	22,685	23,683
Prior year adjustments (as explained in note 21)	-	-	-	4,948	4,948
As restated	620	20	358	27,633	28,631
Profit for the year (as previously stated)	-	-	-	4,959	4,959
Prior year adjustments (as explained in note 21)	-	-	-	875	875
Profit for the year (as restated)	-	-	-	5,834	5,834
Other comprehensive income	-	-	-	(784)	(784)
Total comprehensive income	-	-	-	5,050	5,050
At 31 December 2016	620	20	358	32,683	33,681
Profit for the year	-	-	-	10,939	10,939
Other comprehensive income	-	-	(1)	229	228
Total comprehensive income	-	-	(1)	11,168	11,167
At 31 December 2017	620	20	357	43,851	44,848

The notes on pages 11 to 23 form an integral part of these financial statements.

Statement of financial position

at 31 December 2017

		2017	2016
	Notes	£000	As restated £000
Fixed assets			
Tangible assets	9	29,917	30,529
Current assets			
Stocks	10	23,441	18,359
Debtors:			
amounts falling due within one year		12,512	20,252
amounts falling due after one year		4,360	-
	11	16,872	20,252
Cash at bank and in hand		35	41
		40,348	38,652
Creditors: amounts falling due within one year	12	(9,717)	(15,643)
Net current assets		30,631	23,009
Total assets less current liabilities		60,548	53,538
Creditors: amounts falling due after more than one year	13	(14,400)	(18,400)
Accruals and deferred income			
Deferred government grants		(1,300)	(1,457)
Net assets		44,848	33,681
Capital and reserves			
Called up share capital	16	620	620
Share premium account	17	20	20
Other reserves	17	357	358
Profit and loss account		43,851	32,683
Shareholder's funds		44,848	33,681

The notes on pages 11 to 23 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and signed on its behalf on 31 May 2018.



A Fear
Director

Company registered number: SC078081

Notes to the financial statements

at 31 December 2017

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 2017.

Basis of preparation

The financial statements of SGL Carbon Fibers Limited were approved for issue by the Board of Directors on 31 May 2018. 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, Soehleinstrasse 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.

The financial statements are prepared on the historical cost basis, except that derivative instruments are stated at their fair value.

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 company has made no judgements in the period that contain a significant risk of material adjustment in the following year. The most significant estimates made by the company relate to the carrying value of stock, the useful lives selected for tangible fixed assets, and the recognition of deferred tax assets.

The continuous production process utilised by the business requires that work in progress and finished goods be valued at the cost of direct materials and labour, plus attributable overheads based on a normal level of activity. This requires the use of estimates such as conversion rates, and an assessment of both level of costs directly attributable to the production process, and a determination of “normal” activity. There have been no changes to the methodology in the current year.

The useful economic lives of tangible fixed assets are detailed in note 1 to these financial statements. Management utilises industry and business knowledge to determine the appropriate useful economic lives at the date of purchase. Useful economic lives are reviewed annually for appropriateness. No changes have been made to the estimate in the current year.

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 2017

1. Accounting policies (continued)

Going concern

During the year ended 31 December 2017 the company made a profit before tax of £6,579k and at the balance sheet date had net current assets of £30,631k including amounts owed to group companies of £1,933k. 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 £14,400k at 31 December 2017.

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.

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.

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.

Notes to the financial statements

at 31 December 2017

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

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 profit and loss account 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 2017

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 operates and generates 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; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 profit and loss account.

Notes to the financial statements

at 31 December 2017

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 profit and loss account over the period of the lease and represents a constant proportion of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account 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 2017

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:

	2017 £000	2016 £000
Europe	42,833	33,047
United States of America	10,967	14,068
Other	13,301	14,657
	<u>67,101</u>	<u>61,772</u>

3. Operating loss

This is stated after charging/(crediting):

	2017 £000	2016 <i>As restated</i> <i>(see note 21)</i> £000
Auditors' remuneration – audit services	<u>62</u>	<u>51</u>
Depreciation of owned fixed assets	1,697	1,508
Research & development expenditure	1,593	1,556
Government grants released re fixed assets	(131)	(105)
Operating lease rentals – land and buildings	389	386
Operating lease rentals – plant and machinery	<u>121</u>	<u>111</u>

4. Directors' remuneration

	2017 £000	2016 £000
Remuneration	<u>208</u>	<u>216</u>
Value of company pension contributions to money purchase schemes	<u>21</u>	<u>18</u>
In respect of the highest paid director:	2017 £000	2016 £000
Remuneration	<u>121</u>	<u>91</u>
Value of company pension contributions to money purchase schemes	<u>13</u>	<u>8</u>
	No.	No.

Notes to the financial statements

at 31 December 2017

Members of money purchase pension schemes

2 3

5. Staff costs

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	9,343	8,462
Social security costs	923	867
Other pension costs	400	373
Restructuring costs	(10)	34
	<u>10,656</u>	<u>9,736</u>

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

	<i>No.</i>	<i>No.</i>
Administration	52	51
Production	229	199
	<u>281</u>	<u>250</u>

6. Interest receivable and similar income

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Net exchange gain	-	3,028
	<u>-</u>	<u>3,028</u>

7. Interest payable and similar charges

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Net exchange loss	806	-
Interest on loans from group companies	796	754
Interest payable to third parties	4	301
	<u>1,606</u>	<u>1,054</u>

Notes to the financial statements

at 31 December 2017

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017 £000	2016 £000
Current tax:		
UK corporation tax on the profit for the year	–	–
Adjustments in respect of previous years	–	27
Total current tax expense (note 8(b))	–	27
Deferred tax:		
Origination and reversal of timing differences	(4,360)	–
Total deferred tax (credit)/expense (note 8(c))	(4,360)	–
Tax expense(income) relating to changes in accounting policies and material error	–	–
Total tax (credit)/expense	(4,360)	27

(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 19.25% (2016 – 20.00%). The differences are explained below:

	2017 £000	2016 As restated (see note 21) £000
Profit on ordinary activities before tax	6,579	5,861
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%)	1,266	1,172
Effects of:		
Expenses not deductible for tax purposes	21	12
Capital allowances in excess of depreciation	(339)	(1,136)
Income not taxable	(29)	(23)
R&D expenditure credits	–	(25)
Utilisation of tax losses	(919)	–
Change in unrecognised deferred tax asset	(4,360)	–
Prior year adjustment	–	27
Total tax (credit)/expense (note 8(a))	(4,360)	27

Notes to the financial statements

at 31 December 2017

8. Tax (Continued)

(c) Deferred tax

	<i>Deferred tax</i> £000
<i>At 1 January 2017</i>	-
Credited to the income statement	4,360
<i>At 31 December 2017</i>	4,360
The provision for deferred tax is made up as follows:	
	2017 £
	2016 £
Tax losses carried forward	4,360
	-

At 31 December 2017, the company had losses available to carry forward of £54,596,674 (2016 - £59,371,635).

9. Tangible fixed assets - As restated (See Note 21)

	<i>Freehold land and buildings</i> £000	<i>Plant machinery and vehicles</i> £000	<i>Fixtures and fittings</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2017	14,740	84,695	1,158	100,593
Additions	5	1,082	-	1,087
Disposals	-	(618)	(64)	(682)
At 31 December 2017	14,745	85,159	1,094	100,998
Depreciation:				
At 1 January 2017	7,818	61,287	959	70,064
Provided during the year	593	1,032	72	1,697
Released on disposal	-	(617)	(63)	(680)
At 31 December 2017	8,411	61,702	968	71,081
Net book value:				
At 31 December 2017	6,334	23,457	126	29,917
At 1 January 2017	6,922	23,408	199	30,529

Notes to the financial statements

at 31 December 2017

10. Stocks

	2017 £000	2016 £000
Raw materials and Consumables	12,720	12,231
Finished goods	10,721	6,128
	<u>23,441</u>	<u>18,359</u>

Stocks recognised as an expense in the period were £24,578k (2016 - £29,739k), which includes £162k (2016: £30k charge) relating to the reversal of impairment losses.

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

11. Debtors

	2017 £000	2016 £000
Trade debtors	3,400	4,932
Amounts owed by group undertakings	8,722	14,725
Other debtors	4,363	84
Prepayments and accrued income	245	511
Derivative financial instruments	142	—
	<u>16,872</u>	<u>20,252</u>

Amounts falling due after more than one year included above are:

Deferred tax asset	4,360	—
	<u>4,360</u>	<u>—</u>

12. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	5,646	11,196
Amounts owed to group undertakings	1,933	1,470
Other taxation and social security costs	473	435
Accruals and deferred income	1,399	2,170
Deferred government grants	131	105
Derivative financial instruments	135	267
	<u>9,717</u>	<u>15,643</u>

Notes to the financial statements

at 31 December 2017

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

	2017 £000	2016 £000
Amounts owed to group undertakings	14,400	18,400
	<u>14,400</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.

14. Financial instruments

The carrying amount of financial assets and liabilities includes:

	2017 £000	2016 £000
Financial assets measured at fair value through profit and loss	142	-
Financial assets at amortised cost	16,485	19,741
Financial liabilities measured at fair value through profit and loss	(135)	(267)
Financial liabilities at amortised cost	<u>(23,851)</u>	<u>(33,671)</u>

The fair value of forward contracts is based on broker quotes.

15. Obligations under leases and hire purchase contracts

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

	2017		2016	
	<i>Land and buildings</i> £000	<i>Other</i> £000	<i>Land and buildings</i> £000	<i>Other</i> £000
Within one year	210	65	260	28
In two to five years	379	28	543	9
	<u>589</u>	<u>93</u>	<u>803</u>	<u>37</u>

16. Issued share capital

	No.	2017 £000	No.	2016 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	620,000	<u>620</u>	620,000	<u>620</u>

Notes to the financial statements

at 31 December 2017

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 £870,961 (2016 – £38,935).

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 €503.5m (2016 – €751.7m).

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 2017, 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>				
2017	1,172	12,584	75	1,439
2016	489	9,455	68	1,150

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 2017, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2016: nil).

Notes to the financial statements

at 31 December 2017

21. Prior year adjustments

The accounts have been restated to incorporate the impact of a miscalculation of depreciation of tangible fixed assets which occurred during the years ended 1 January 2012 to 31 December 2016. The change has resulted in an increase in tangible fixed assets and opening retained earnings by £4,948k at 1 January 2016 and an increase in profit for the year, due to a decrease in depreciation within cost of sales by £875k, and an increase in tangible fixed assets by the same amount for the year ended 31 December 2016. There was no impact on tax charge for the current or prior periods.

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.