PV Crystalox Solar PLC - PVCS Half-year Report
Released 07:00 26-Sep-2019

RNS Number : 6882N
PV Crystalox Solar PLC
26 September 2019

PV Crystalox Solar PLC
Interim report 2019

PV Crystalox Solar PLC (the "Group"), a long established supplier to the global PV industry now also providing slicing services for the high technology ceramics and optics industries in Germany announces Its unaudited interim results for the six month period ended 30 June 2019:.

Highlights

- £38.5m (€44.1m) capital return (equivalent to 24 pence per share) for shareholders completed in June 2019
- Net cash of €9.6m
- Focus now on transformation of German operations

Financial Overview

- Revenues €0.3m (H1 2018: €6.2m)
- Loss before taxes (EBT) €(1.4)m (H1 2018: Profit of €2.7m)
- Net cash €9.6m (31 December 2018: €54.0m)

Iain Dorrity, Chief Executive Officer, commented:
"As part of the continuing resolution of the Group's affairs, the Board is looking to reduce overheads further and is considering various options including streamlining the management team, restructuring the Board and reducing directors' salaries. The Board will continue to explore the options available to maximise any value from the listing of Group's shares on the Official List, while a further limited cash return and possible cancellation of the listing remain under consideration as alternative courses of action."

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Iain Dorrity, Chief Executive Officer

Matthew Wethey, Chief Financial Officer and Group Secretary

About PV Crystalox Solar PLC

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

Chairman and Chief Executive's joint statement

The unfavourable PV market environment which had persisted since 2011 led initially to the closure of the Group's UK operations in 2017 and eventually necessitated the Group's exit from PV manufacturing and to major restructuring in Germany in 2018. Following an extensive review of the strategic options for the future of the Group the Board advised in March 2019 that returning a large proportion of available cash, as part of an orderly resolution of the Group's affairs, would be in the best interest of shareholders. A capital return of £38.5million (which was the maximum possible under a capital reorganisation) was duly completed in June 2019 following approval at a General Meeting held in May. In parallel the Board concluded that the transformation of the manufacturing operation in Germany would be preferable to closure and ultimately offers the potential for a favourable outcome for all stakeholders through a sale to a third party or a transfer of the business to the existing management team.

As part of the programme to transform the business in Germany, one of the two production buildings will be vacated by the end of 2019 and the operational facilities downsized and consolidated into the remaining building. Some silicon wafering capabilities are being retained as limited contract wafering is periodically carried out for a PV customer in Germany. The funded PV related research and development activities for which grants of €0.4 million were received in 2018 are continuing.

With around 20 employees now remaining in Germany the aim is to apply our wire sawing expertise to the cutting and slicing of a variety of materials other than silicon and to focus on the requirements of the optical, medical and semiconductor industries in Germany. Successful trials have been carried out in the cutting of glass, fused silica, alumina and other ceramics. While some of these customer relationships have already been consolidated into regular contracting business, progress has been hampered by the global slowdown in the semiconductor industry which is suffering its worst downturn in a decade.

On a positive note, there is a good prospect that further payments relating to a historic settlement of wafer supply contract with a customer which did not fulfil its obligations will be received and could result in cash inflows of up to €1 million during the next two years.

Financial Review

In the first half of 2019 the Group concentrated on slicing services for the high technology ceramics and optics industries in Germany following the restructure of German production operations and exit from PV manufacturing at the end of H1 2018. At the start of 2018 the Group was still manufacturing multicrystalline silicon wafers. As a result Group Revenues in H1 2019 of €0.3 million were 94% lower than in the same period in 2018 (€6.2 million).

The Group's loss before taxes was €1.4 million (H1 2018: profit of €2.7 million). This reduction in profitability was mainly driven by a decrease in other income and a larger currency loss in 2019 than in 2018 which was partially offset by improved gross margins, lower personnel costs, depreciation and impairment and other expenses.

Other income in H1 2019 of €0.3 million was €8.8 million lower than in H1 2018 when €9.1 million was recognised. In H1 2018 other income of €8.2 million was in relation to the settlement agreement from a customer, and €0.7 million from sales of uncapitalised assets and gains on disposal of assets. Currency losses of €0.6 million in H1 2019 were €0.5million worse than in H1 2018 and arose mainly on converting euro balances into sterling ahead of the return of capital.

Slicing services in 2019 delivered a gross profit of €0.1 million compared to a gross loss of 0.9 million in 2018, which included an inventory write down of €0.8 million. Personnel costs of €0.6 million in 2019 were €3.2 million lower than in 2018 following the restructuring in 2018 and the resulting lower employee numbers in 2019. Depreciation and impairment charges were negligible in 2019 but were €0.6 million in 2018 as a result of an impairment charge following the termination of multicrystalline silicon wafer operations. Other expenses were €0.2 million lower in the first six months of 2019 than in the same period last year.

The Group's net cash position at the end of the period was €9.6 million, which was €44.4 million lower than the net position of €54.0 million at the start of the year. This was primarily due to the return of capital which returned €44.1 million to shareholders.

Risk factors

The principal risks and uncertainties affecting the business activities of the Group were identified under the heading "Risk management and principal risks" in the Strategic Report on pages 5 and 6 of the 2018 Annual Report, a copy of which is available on the Group's website, www.pvcrystalox.com. The most significant of these risks, is the "Transfer pricing risk", whereby tax authorities may challenge the distribution of payments received under the arbitration settlement in 2018. The Group's position which is supported by its legal and tax advisers and is consistent with the treatment of a settlement received in 2012 is that there is no further tax due to tax authorities. In order to further mitigate this risk efforts are being made to engage with the authorities to get clarity and early resolution of this issue. In the view of the Board, the key risks and uncertainties for the remaining six months of the financial year continue to be those set out in the 2018 Annual Report.

Outlook

As part of the continuing resolution of the Group's affairs, the Board is looking to reduce overheads further and is considering various options including streamlining the management team, restructuring the Board and reducing directors' salaries. The Board will continue to explore the options available to maximise any value from the listing of Group's shares on the Official List, while a further limited cash return and possible cancellation of the listing remain under consideration as alternative courses of action. It should be noted that as the Group is a Standard listed company no shareholder approval is required for delisting.

John Sleeman — *Chairman*

Dr Iain Dorrity — *Chief Executive Officer*

25 September 2019

Consolidated statement of comprehensive income

for the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 €'000**	Six months ended 30 June 2018 €'000	Year ended 31 December 2018 €'000
Revenues	2	**284**	6,171	6,308
Cost of materials and services		**(200)**	(7,075)	(7,378)
Personnel expenses		**(618)**	(3,837)	(4,567)
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets		**(7)**	(640)	(655)
Other income		**346**	9,058	9,556
Other expenses		**(667)**	(916)	(2,025)
Currency (losses) / gains		**(590)**	(99)	324
(Loss) / profit before interest and taxes ("EBIT")		**(1,452)**	2,662	**1,563**
Net finance income		**37**	24	**64**
(Loss) / profit before taxes ("EBT")		**(1,415)**	2,686	**1,627**
Income taxes	3	**-**	(68)	**(264)**
(Loss) / profit attributable to owners of the parent		**(1,415)**	2,618	**1,363**
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to profit or loss:				
Currency translation adjustment		**1,371**	77	**(537)**
Actuarial loss on defined pension scheme		**-**	-	**(126)**
Total comprehensive (loss) / income				
Attributable to owners of the parent		**(44)**	2,695	**700**
Basic and diluted (loss) / earnings per share (EPS) in Euro cents				
From (loss) / profit for the period / year	4	**(0.9)**	1.7	**0.9**

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

Consolidated balance sheet

as at 30 June 2019

	Notes	**As at 30 June 2019 €'000**	As at 30 June 2018 €'000	As at 31 December 2018 €'000
Intangible assets		**-**	-	**-**
Property, plant and equipment		**48**	64	**51**

Other non-current assets		**-**	400	**-**
Total non-current assets		**48**	464	**51**
Cash and cash equivalents		**9,596**	39,607	**53,964**
Trade accounts receivable		**15**	2,866	**40**
Inventories		**77**	179	**125**
Prepaid expenses and other assets		**297**	14,655	**537**
Total current assets		**9,985**	57,307	**54,666**
Total assets		**10,033**	57,771	**54,717**
Trade accounts payable		**88**	529	**99**
Accrued expenses		**634**	509	**911**
Provisions		**-**	1,005	**-**
Tax liabilities		**943**	1,152	**1,348**
Other current liabilities		**12**	111	**21**
Total current liabilities		**1,677**	3,306	2,379
Share capital		**326**	12,332	12,332
Share premium		**-**	50,511	50,511
Other reserves		**-**	25,096	25,096
Shares held by the EBT	5	**(154)**	(372)	(372)
Share-based payment reserve		**139**	294	162
Reverse acquisition reserve		**(3,601)**	(3,601)	(3,601)
Retained earnings / (accumulated losses)		**15,365**	(5,814)	(7,194)
Currency translation reserve		**(3,719)**	(23,981)	(24,596)
Total equity		**8,356**	54,465	52,338
Total liabilities and equity		**10,033**	57,771	54,717

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

Consolidated statement of changes in equity

for the six months ended 30 June 2019

	Share capital €'000	Share premium €'000	Other reserves €'000	Shares held by the EBT €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Retained earnings / (accumulated losses) €'000	Currency translation reserve €'000	Total equity €'000
As at 1 January 2018	12,332	50,511	25,096	(372)	294	(3,601)	(8,431)	(24,059)	51,770
Profit for the period	-	-	-	-	-	-	2,618	-	2,618
Currency translation adjustment	-	-	-	-	-	-	-	77	77
Total comprehensive income	-	-	-	-	-	-	2,618	77	2,695
As at 30 June 2018	12,332	50,511	25,096	(372)	294	(3,601)	(5,813)	(23,982)	54,465

As at 1 January 2019	12,332	50,511	25,096	(372)	162	(3,601)	(7,194)	(24,596)	52,338
Share based payment charge	-	-	-	218	(23)	-	-	-	195
Shareholder return	-	-	-	-	-	-	(44,133)	-	(44,133)
Capital reorganisation	(12,006)	-	-	-	-	-	9,310	2,696	-
Capital reorganisation	-	(50,511)	-	-	-	-	34,823	15,688	-
Capital reorganisation	-	-	(25,096)	-	-	-	23,974	1,122	-
Transactions with owners	**(12,006)**	**(50,511)**	**(25,096)**	**218**	**(23)**	**-**	**23,974**	**19,506**	**(44,110)**
Loss for the period	-	-	-	-	-	-	(1,415)	-	(1,415)
Currency translation adjustment	-	-	-	-	-	-	-	1,371	1,371
Total comprehensive income	-	-	-	-	-	-	(1,415)	1,371	(44)
As at 30 June 2019	326	-	-	(154)	139	(3,601)	15,365	(3,719)	8,356

Consolidated cash flow statement

for the six months ended 30 June 2018

	Six months ended 30 June 2019 €'000	Six months ended 30 June 2018 €'000	Year ended 31 December 2018 €'000
(Loss) / profit before taxes	**(1,415)**	2,686	1,627

Adjustments for:			
Net interest income	**(37)**	(24)	**(64)**
Depreciation, impairment and amortisation	**7**	640	**655**
Inventory writedown	**-**	778	**591**
Credit / (charge) for retirement benefit obligation and share-based payment charge	**195**	-	**(132)**
Change in provisions	**-**	(379)	**(1,385)**
Gain from disposal of property, plant and equipment and intangibles	**(49)**	-	**(27)**
Losses in foreign currency exchange	**(20)**	-	**145**
	(1,319)	3,701	**1,410**
Changes in working capital			
Decrease in inventories	**48**	2,957	**3,197**
Decrease / (increase) in accounts receivables	**999**	(1,353)	**1,000**
Decrease in accounts payables and deferred revenue	**(1,258)**	(825)	**(329)**
Decrease in other assets	**241**	8,202	**22,549**
Decreasein other liabilities	**(8)**	(56)	**(147)**
	(1,297)	12,625	27,680
Income taxes paid	**(405)**	-	-
Interest received	**37**	24	64
Net cash flows generated from / (used in) operating activities	**(1,665)**	12,649	27,744
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**49**	-	29
Payments to acquire property, plant and equipment and intangibles	**(4)**	(8)	(12)
Net cash flows generated from / (used in) investing activities	**45**	(8)	17
Cash flows from financing activities			
Capital return	**(44,133)**	-	-
Interest paid	**-**	-	-
Net cash flows used in financing activities	**(44,133)**	-	-
Cash (used in) / generated from operations	**(45,753)**	12,641	27,761
Effects of foreign exchange rate changes on cash and cash equivalents	**1,385**	86	(678)
Cash and equivalents at beginning of the period	**53,964**	26,881	26,881
Cash and equivalents at end of the period	**9,596**	39,607	53,964

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

Notes to the consolidated interim financial statements

for the six months ended 30 June 2019

1. Group accounting policies

Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2019. They have been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the financial statements for the year ended 31 December 2018.

Going concern

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

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

On 30 June 2019 there was a net cash balance of €9.6 million. As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. The directors, after careful consideration and after making appropriate enquiries, are of the opinion that the levels of net cash outflows remain low such that Group has sufficient cash to continue in operational existence for at least twelve months from the date of approval of the financial statements, in September 2020.

The Group intends to continue operations at PV Crystalox Solar Silicon GmbH, in Germany which involve the cutting of silicon and non-silicon materials together with a continued focus on research and development activities. A sale to a third party or a transfer of the business to the existing management team remains under consideration.

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

Basis of consolidation

The Group financial statements consolidate those of the parent company and its subsidiary undertakings drawn up to 30 June 2019. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The results of any subsidiary sold or acquired are included in the Consolidated Statement of Comprehensive Income up to, or from, the date control passes.

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

All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

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

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

Geographical information for the six months ended 30 June 2019

	Japan €'000	Taiwan €'000	Canada €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	Rest of World €'000	Group €'000
Revenues								
By entity's country of domicile	-	-	-	**284**	-	-	-	**284**
By country from which derived	-	-	-	**179**	-	**105**	-	**284**
Non-current assets*								
By entity's country of domicile	-	-	-	**48**	-	-	-	**48**

* Excludes financial instruments, deferred tax assets and post-employment benefit assets.

Three customers accounted for more than 10% of Group revenue each and sales to these customers were (figure in €'000):

1. Korea 105

2. Germany 75

3. Germany 51

Geographical information for the six months ended 30 June 2018

	Japan €'000	Taiwan €'000	Canada €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	Rest of World €'000	Group €'000
Revenues								
By entity's country of domicile	-	-	-	**181**	**5,990**	-	-	**6,171**
By country from which derived	-	**6,024**	-	**70**	-	-	**77**	**6,171**
Non-current assets*								
By entity's country of domicile	-	-	-	**64**	-	-	-	**64**

* Excludes financial instruments, deferred tax assets and post-employment benefit assets.
** Includes sales of surplus polysilicon feedstock.

One Taiwanese customer accounted for more than 10% of Group revenue and sales to this customer was (figure in €'000): 6,024.

3. Income tax
The average taxation rate shown in the Consolidated Statement of Comprehensive Income is nil% (H1 2018: nil%).

The anticipated long-term average tax rate for the Group, normalised on the basis that the Group returns to profitability, is approximately 32%.

4. Earnings per share
Net earnings per share is computed by dividing the net loss for the period attributable to ordinary shareholders of €1.4 million (H1 2018: profit of €2.6 million) by the weighted average number of ordinary shares outstanding during the year.

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

The calculation of the weighted average number of ordinary shares is set out below:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Number of shares	**160,278,975**	160,278,975
Weighted average number of EBT shares held	**(1,973,063)**	(1,973,063)
Share consolidation (including EBT shares)	**(10,059,851)**	(1,973,063)
Weighted average number of shares for basic earnings per share calculation	**148,246,061**	158,305,912
Dilutive share options	**742,982**	1,142,982
Weighted average number of shares for fully diluted EPS calculation	**148,989,043**	159,448,894

5. Share Capital

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

	2019	2018
Allotted, called up and fully paid		
At 1 January	**160,278,975**	160,278,975
Share consolidation	**(152,993,567)**	-
At 30 June	**7,285,408**	160,278,975

As a result of the Share Capital Consolidation Shareholders received 1 New Ordinary Share for every 22 Existing Ordinary Shares, effective from 7 June 2019.

6. Shares held by the Employee Benefit Trust ("EBT")

As at 30 June 2019 the EBT held 89,685 shares (1.2%) of the issued share capital in the Company (30 June 2018: 1,973,063 shares (1.2%)). It holds these shares in trust for the benefit of employees. Additionally, the cash balance held by the EBT on 30 June 2019 was €1,127,000 (30 June 2018: €605,000)

7. Return of Capital

In June 2019 a return of cash was made to all shareholders of 24 pence per share to shareholders on the register at the time of the Return of Capital, This was implemented through a reduction of the capital reserves. The reduction of the Company's share premium account and of the nominal value of the Ordinary Shares enable the Company to make a Return of Capital to Shareholders of €44.1 million in aggregate.

	Six months ended 30 June 2019 €'000	Six months ended 30 June 2018 €'000
Total shareholder return	**44,133**	-

8. Changes in contingent assets and liabilities

There were no changes in contingent assets and liabilities.

9. Related party disclosures

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

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

10. Approval of interim financial statements

The unaudited consolidated interim financial statements for the six months ended 30 June 2018 were approved by the Board of Directors on 24 September 2019.

The financial information for the year ended 31 December 2018 set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2018 have been filed with the Registrar of Companies. The Auditors' Report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Statement of directors' responsibilities

to the members of PV Crystalox Solar PLC

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union and that this Interim Report includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority, paragraphs DTR 4.2.7 and DTR 4.2.8.

The directors of PV Crystalox Solar PLC are listed at the end of this Interim Report and their biographies are included in the PV Crystalox Solar PLC Annual Report for the year ended 31 December 2018.

By order of the Board

Matthew Wethey

Chief Financial Officer and Group Secretary

25 September 2019

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Half-year Report - RNS