

Blue Star Fibres Company Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 06013546



Blue Star Fibres Company Limited

Report and financial statements for the year ended 31 December 2018

Contents

Page:

1	Strategic Report
3	Directors' Report
5	Independent auditor's report
8	Statement of comprehensive income
9	Statement of financial position
10	Statement of changes in equity
11	Notes forming part of the financial statements

Directors

M Koenig
H Muller (resigned 24th December 2018)
Z Hao
M Parkington

Secretary and registered office

Mrs M Riley, PO Box 24, 1 Moody Lane, Corner with Woad Lane, Great Coates, Grimsby N.E. Lincolnshire
DN31 2SS

Company number

06013546

Auditors

BDO LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Blue Star Fibres Company Limited

Strategic Report for the year ended 31 December 2018

The directors present this report and financial statements for the year ended 31 December 2018.

The directors, in preparing the strategic report, have complied with s414C of the Companies Act 2006.

Results

The results of the Company for the year are set out on page 8.

Business review and future developments

The principal activities of the company were the development of polyacrylonitrile (PAN) based carbon fibre precursor (CFP), oxidised fibre (OF) and carbon fibre (CF) and the sale of related materials and services.

After careful consideration, the parent company decided in 2013 that this UK business would temporarily suspend production of PAN based CFP, OF and CF and place it in care mode. This suspension continued from 2014-2018, although, the company has also continued to work closely with its sister company in China to develop fibres and associated products and to establish the production facility in Lanzhou. It has also continued to sell certain services in the UK including to its sister company Technical Absorbents Ltd.

Going concern

The company has generated a loss before taxation for the year of £12.2m (2017 - profit £0.5m) and has net liabilities of £191.5m (2017 - £179.2m).

The business is reliant on support from its parent China National Bluestar (Group) Corporation. The directors have written assurances of that support and that this will continue for a period of at least 12 months from the date on which these accounts are signed and therefore the company will continue to be able to meet its liabilities as they fall due.

Key performance indicators

Management uses a number of key performance indicators ("KPIs") to monitor the performance of the business. The financial KPIs comprise: revenue and cash/funding. Additional non-financial KPIs are used to measure performance in other areas of the business. One such KPI focuses on Health and Safety performance in the form of the number of reportable accidents, of which there were none in 2018 (2017 - none). Other KPIs cover health and safety metrics such as audits, near misses, and environmental performance.

Principal risks and uncertainties

The business is reliant on support from its parent China National Bluestar (Group) Corporation. The directors have written assurances of that support and that this will continue for a period of at least 12 months from the date on which these financial statements are signed.

Environment

BSF recognises the ongoing importance of its environmental responsibilities by monitoring its impact on the environment, and designing and implementing policies to reduce any damage that might be caused by the business's activities. The company operates in accordance with all environmental laws and operating licences, whilst also seeking to actively consult with relevant Government agencies to minimise those activities impacting on the environment, including safe disposal of manufacturing waste, recycling and reducing energy consumption. BSF operates its EMS (Environmental Management System) to the framework laid out in ISO 14001. Capital expenditure is made available to maintain environmental performance in line with changing statutory regulations and industry best practice.

Blue Star Fibres Company Limited

Strategic Report
for the year ended 31 December 2018

Principal risks and uncertainties *(continued)*

Health & Safety

BSF recognises the ongoing importance of its Health & Safety responsibilities by monitoring its safety performance, and monitoring/auditing (and where appropriate) implementing new policies to reduce any harm that might be caused by the business's activities. The company complies with all applicable safety laws and operating licences, whilst also seeking to actively consult with relevant Government agencies to minimise those activities impacting the employees and contractors, including Safe Working Procedures, Manual Handling Assessments, COSHH Assessments and other similar risk control procedures. BSF operates its Safety Systems to the framework of ISO 18001. Funding is made available to maintain health & safety performance in line with changing statutory regulations and industry best practice.

Employees

Details of the number of employees and relevant costs can be found in note 5 to the financial statements: BSF recognises the importance of its responsibilities to ensure that no employee is subjected to any form of discrimination (direct or indirect) on grounds of a protected characteristic throughout the entire recruitment/employment cycle.

The company actively promotes a policy and practice of keeping employees informed on matters relevant to them as employees, through regular meetings. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

Approved by the Board of Directors and signed on behalf of the Board.



M Parkington
Director

Date 25/3/19

Blue Star Fibres Company Limited

Directors' report for the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report.

Dividends

The directors cannot declare a dividend (2017 - same).

Ownership

Blue Star Fibres Company Limited ("BSF") is a subsidiary of Bluestar Fibres Investment Company Limited, itself a subsidiary of Bluestar Petro Chemical Company Limited, a subsidiary of China National Chemical Corporation (ChemChina).

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting 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.

Blue Star Fibres Company Limited

Directors' report for the year ended 31 December 2018 *(continued)*

Auditors

The directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

This report was approved by the board and signed on its behalf.



M Parkington
Director

Date 25/3/19

Blue Star Fibres Company Limited

Independent auditor's report

TO THE MEMBERS OF BLUE STAR FIBRES COMPANY LIMITED

Opinion

We have audited the financial statements of Blue Star Fibres Company Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Blue Star Fibres Company Limited

Independent auditor's report (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Blue Star Fibres Company Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

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

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

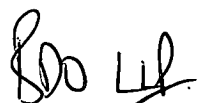
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom

Date 29 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Blue Star Fibres Company Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	As restated 2017 £'000
Turnover	3	4	7
Cost of sales		(2)	(4)
Gross profit/(loss)		2	3
Administrative expenses		(1,372)	(1,507)
Other operating income		14	190
Operating loss	4	(1,356)	(1,314)
Interest (payable)/receivable - and similar (expenditure)/ income	7	(10,892)	1,840
(Loss)/profit on ordinary activities before taxation		(12,248)	526
Taxation on (loss)/profit on ordinary activities	8	-	-
(Loss)/profit on ordinary activities after taxation		(12,248)	526
Total comprehensive (loss)/gain for the year		(12,248)	526

The notes on pages 11 to 20 form part of these financial statements.

Blue Star Fibres Company Limited

Statement of Financial Position as at 31 December 2018

<i>Company number 06013546</i>	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible assets	9		4,611		4,611
Current assets					
Debtors	10	73		94	
Cash at bank and in hand		1		6	
		<u>74</u>		<u>100</u>	
Creditors: amounts falling due within one year	11	<u>(125,332)</u>		<u>(116,407)</u>	
Net current liabilities			<u>(125,258)</u>		<u>(116,307)</u>
Total assets less current liabilities			<u>(120,647)</u>		<u>(111,696)</u>
Creditors: amounts falling due after more than one year	12		(70,653)		(67,290)
Provisions for liabilities	13		(183)		(249)
Net liabilities			<u>(191,483)</u>		<u>(179,235)</u>
Capital and reserves					
Called up share capital	15		18,963		18,963
Profit and loss account			(210,446)		(198,198)
Shareholders' deficit			<u>(191,483)</u>		<u>(179,235)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2019.



M Parkington
Director

The notes on pages 11 to 20 form part of these financial statements.

Blue Star Fibres Company Limited

Statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2018	18,963	(198,198)	(179,235)
Comprehensive loss for the year:			
Loss for the year	-	(12,248)	(12,248)
Total comprehensive loss for the year	-	(12,248)	(12,248)
31 December 2018	18,963	(210,446)	(191,483)

Statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2017	18,963	(198,724)	(179,761)
Comprehensive gain for the year:			
Gain for the year	-	526	526
Total comprehensive gain for the year	-	526	526
31 December 2017	18,963	(198,198)	(179,235)

The notes on pages 11 to 20 form part of these financial statements.

Blue Star Fibres Company Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

Blue Star Fibres Company Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report and directors' report. The financial statements have been prepared in accordance with FRS 102, *the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The functional currency of Blue Star Fibres Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The company has generated a loss before taxation for the year of £12.2m (2017 - £0.5m profit) and has net liabilities of £191.5m (2017 - £179.2m). The company was financed primarily through facilities provided by the parent company until early 2015 when the sister company Technical Absorbents Ltd provided financial support and continues to do so. As detailed in the strategic report, the directors have written assurances of that support from China National Bluestar (Group) Corporation that this will continue for a period of at least 12 months from the date on which these accounts are signed. During 2013 the parent company undertook a review of the company's operations and the outcome of this review was to temporarily suspend production and place the business in care mode. This suspension has continued including 2018. However, the company still undertakes transactions to meet its legal and regulatory obligations as well as other one-off income generating transactions that are related to the old trade. As noted in the strategic report, the company has also continued to work closely with its sister company in China to develop fibre and to establish the production facility in Lanzhou; the eventual outcome of these activities may result in the company resuming its previous trade.

Based on the above assessment, the financial statements have been prepared on a basis that Blue Star Fibres Company Limited is a going concern.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods/services is recognised when the goods/services are physically delivered/taken to the customer.

Blue Star Fibres Company Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life using the following rates:

Plant and machinery	-	10% - 33.3%
Plant and equipment	-	5% - 10%

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Blue Star Fibres Company Limited

Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

1 Accounting policies *(continued)*

Financial instruments (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Blue Star Fibres Company Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Areas of judgements and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

- Provisions for liabilities - the provision is in respect of costs relating to the suspension of production and placing the factory into care mode as disclosed in the strategic report. Management reassesses the provision on an ongoing basis to ensure it reflects the best estimate of the liabilities likely to be payable by the company.
- The company has unrecognised deferred tax assets (as per note 14) of £22,522,820 in relation to unrelieved tax losses. As the company is in care mode, management do not deem it probable at present that they will be recovered against the reversal of future taxable profits and it is correct to not recognise the asset. Management continue to monitor this position on an ongoing basis.
- Fixed asset (land value) – The directors (using locally sourced data comprising of similar properties for sale or rental in the area, and consultation with local property experts) have assessed the value of land held by the entity for impairment. Using this information, the directors deem it appropriate to continue to hold the land at cost, with no evidence of impairment being noted.
- As described in the strategic report, company production has been temporarily suspended, the expenses that remain relate to salaries, rates, rent and other such expenses considered necessary to continue with the aim of future production and the strategy of the group and company. In the current year, the directors have re-assessed the classification of these items in the income statement and concluded that, being no longer considered a direct cost of current revenue, these costs should be recognised in administrative expenses. As such, a reclassification of the prior year balances has been restated so to produce a comparative set of financial statements.

3 Turnover

Turnover and profit before tax were derived from the company's principal activity within the United Kingdom. Turnover is derived from a single class of business.

Blue Star Fibres Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

4 Operating loss

	2018 £'000	2017 £'000
Operating loss is stated after charging:		
Other provisions (note 13)	12	18
	<u> </u>	<u> </u>
The auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	7	7
Tax compliance services	4	3
Tax corporate services	2	-
	<u> </u>	<u> </u>
No services were provided pursuant to contingent fee arrangements.		

5 Staff costs and numbers

	2018 £'000	2017 £'000
Staff costs excluding redundancy costs during the year amounted to:		
Wages and salaries	351	360
Social security costs	42	42
Other pension costs	17	17
	<u> </u>	<u> </u>
	410	419
	<u> </u>	<u> </u>
Redundancy (credit)/costs:		
Redundancy costs during the year amounted to:		
Redundancy and pay in lieu	(8)	3
Social security costs	-	-
Other pension costs	-	-
	<u> </u>	<u> </u>
	(8)	3
	<u> </u>	<u> </u>
The average number of employees during the year was:	Number	Number
Production/Technical	5	5
	<u> </u>	<u> </u>

Blue Star Fibres Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

6 Directors' remuneration

	2018 £'000	2017 £'000
Emoluments	-	-
Company contributions to money purchase schemes	-	-
	<hr/>	<hr/>
Total emoluments	-	-
	<hr/>	<hr/>

Mr M Parkington, director received emoluments of £Nil (2017 - £Nil).

The emoluments of all the other directors were paid by China National Bluestar (Group) Corporation for their services to the group. It is not practicable to make an accurate apportionment of their emoluments to specific group companies.

7 Interest receivable/(payable) and similar income/(charges)

	2018 £'000	2017 £'000
Group loan	(6,000)	(5,235)
Other interest	-	(1)
Foreign exchange (loss)/gain on group loans	(4,892)	7,076
	<hr/>	<hr/>
	(10,892)	1,840
	<hr/>	<hr/>

Blue Star Fibres Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

8 Taxation

	2018 £'000	2017 £'000
<i>Current tax</i>		
UK corporation tax	-	-
	<hr/>	<hr/>
Total current tax charge	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Effect of tax rate change on opening balance	-	-
	<hr/>	<hr/>
Total deferred tax credit	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

The tax assessed for the period is lower (2017 - lower) than the standard rate of corporation tax in the UK.
The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	(12,248)	526
	<hr/>	<hr/>
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(2,327)	101
Effects of:		
Expenses not deductible for tax purposes	2,082	1,485
Income not taxable	-	(1,787)
Transfer pricing adjustments	68	37
Adjust closing deferred tax to average rate of 19.00%	2,650	3,015
Adjust opening deferred tax to average rate of 19.00%	(2,685)	(3,058)
Tax losses not recognised as an asset	(296)	(323)
Losses	-	-
Group relief surrendered	508	530
	<hr/>	<hr/>
Tax position for year	-	-
	<hr/>	<hr/>

The company's future tax charge will be affected by the change in the UK corporation tax rate.

The Finance Act No 2 2015 was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 17% with effect from 1 April, 2020. As these rates have been substantially enacted in tax legislation, deferred tax balances have been calculated with reference to these rates in line with the expected period of reversal of the deferred tax balances.

Blue Star Fibres Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

9 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>			
At 1 January 2018	4,611	26,084	30,695
Adjustment	-	(2,859)	(2,859)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	4,611	23,225	27,836
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2018	-	26,084	26,084
Adjustment	-	(2,859)	(2,859)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	23,225	23,225
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2018	4,611	-	4,611
	<hr/>	<hr/>	<hr/>
At 31 December 2017	4,611	-	4,611
	<hr/>	<hr/>	<hr/>

Land of £4,611,000 (2017 - £4,611,000) has not been depreciated.

The directors have performed a detailed review of the fixed asset register in the year, certain classification adjustments were found, which have been rectified in the above table. There is no impact on the net book value of tangible fixed assets and therefore has no impact on either the statement of financial position or the loss in the period.

10 Debtors

	2018 £'000	2017 £'000
Trade debtors	16	3
Other debtors	57	91
	<hr/>	<hr/>
	73	94
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	175	71
Amounts due to group undertakings	124,889	116,039
Accruals and deferred income	259	286
Other taxation and social security	9	11
	<hr/>	<hr/>
	125,332	116,407
	<hr/>	<hr/>

Blue Star Fibres Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

12 Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Group company loans – interest bearing	54,056	53,252
Group interest accrued	16,597	14,038
	<u>70,653</u>	<u>67,290</u>

The loans are unsecured and interest is charged at Libor + 3%.

Loans from China National Bluestar (Group) Corporation currently have fixed dates of repayment of £25,000,000 and \$28,221,931 on 5 May 2019, £2,000,000 on 17 July 2019, £3,000,000 on 24 September 2019, \$35,000,000 on 23 October 2019, £10,315,603 on 18 January 2020, \$5,850,000 on 20 January 2020, \$11,650,000 9 February 2020 and £30,000,000 27 February 2020.

The company has letters from the China National Bluestar (Group) Corporation confirming the Group company loans will not be recalled for a period of twelve months from the signing date of the financial statements unless there are adequate financial resources available to Blue Star Fibres Company Limited to repay them.

13 Provision for liabilities

£'000

At 1 January 2018	249
Utilisation of provision	(78)
Charge in the statement of comprehensive income	12
	<u>183</u>
At 31 December 2018	

The provision is in respect of costs relating to redundancy costs and legal fees. It is expected that the expenditure will be incurred within 1 year of the balance sheet date.

14 Deferred taxation

The company has unrecognised deferred tax assets of £22,522,820 (2017 - £22,817,706) relating to losses because in the opinion of the directors there will be no suitable taxation profits available in the foreseeable future.

Blue Star Fibres Company Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

15 Share capital

Allotted, called up and fully paid	2018 £'000	2017 £'000
18,962,501 ordinary shares of £1 each	18,963	18,963

16 Pension commitments

A defined contribution pension scheme for all employees is in place and is open to all employees to join, with the company's contribution being 6.3% of the member's salary. At 31 December 2018 there were £Nil outstanding pension contributions (2017 - £Nil).

17 Immediate and ultimate undertaking and controlling party

Blue Star Fibres Company Limited is a wholly owned subsidiary of Bluestar Fibres Investment Company Limited, a company incorporated in Hong Kong. This is the smallest group in which Blue Star Fibres Company Limited accounts are consolidated. The ultimate parent of the company is China National Chemical Corporation whose registered office is No. 62 Beisanhuan W Road, Haidian District, Beijing 100080, China, and which is majority-owned by the Chinese government. The ultimate parent company is the largest group for which consolidated financial statements are drawn up.