

COMPANY NUMBER 05958909

**BLUESTAR SILICONES (UK) LIMITED**

DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011



**BLUESTAR SILICONES (UK) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2011**

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# **BLUESTAR SILICONES (UK) LIMITED**

## **DIRECTORS AND PROFESSIONAL ADVISERS**

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### **DIRECTORS**

Mr F Jacquin  
Mr L Leservoisier

### **COMPANY SECRETARY**

Dr M J Kent

### **REGISTERED OFFICE**

Wolfe Mead  
Farnham Road  
Bordon  
Hampshire  
GU35 0NH

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Savannah House  
3 Ocean Way  
Ocean Village  
Southampton  
SO14 3TJ

### **BANKERS**

HSBC Bank plc  
Regional Service Centre Europe  
62 – 76 Park Street  
London  
SE1 9DZ

# BLUESTAR SILICONES (UK) LIMITED

## THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011 (*Continued*)

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### **Interest rate risk**

The company's interest rate exposure arises mainly from its interest bearing borrowings from the Group Cash Pool. The directors do not feel that the risk is sufficient to warrant mitigation, but will continue to monitor this approach over time.

### **Credit risk**

The company monitors credit risk closely and considers that its current policies of credit checks and applications of credit limits on all customers meets its objectives of managing exposure to credit risk. The company has no significant concentrations of credit risk.

### **Liquidity risk**

The company closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments to ensure it has sufficient funds to meet its obligations as they fall due. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies upon the Group Cash Pool.

### **Exchange rate risk**

The company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the euro. The company manages its holding of foreign currency, specifically euros, to ensure that the impact of currency fluctuations on the company are reduced. The use of forward contracts has been considered, as a further measure to mitigate this risk. However the company has not entered into any contracts of this nature during the year.

### **Commodity price risk**

The company is exposed to commodity price risk, but this risk is borne and managed by the Group, via long-term contracts with multiple suppliers, or hedging contracts where these are considered necessary.

## RESEARCH AND DEVELOPMENT

The company undertakes research and development activity aimed at updating and further improving existing products and the launching of new silicone technologies. The amount charged to the profit and loss account for the year amounted to £230,613 (2010 - £192,713).

## DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows:

Mr F Jacquin  
Mr L Leservoisier

## DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers. Following shareholder approval, the company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This was in place during the year to 31 December 2011 and at the date of this report.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 the directors have prepared 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,

# BLUESTAR SILICONES (UK) LIMITED

## THE DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2011

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The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

#### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the sales and marketing of silicone-based polymers and chemicals

#### BUSINESS REVIEW

The company achieved turnover for the year of £24,192,973 (2010 - £23,310,190) and profit on ordinary activities before taxation of £553,173 (2010 - £472,754)

A steady increase of 3.8% in revenue (2010 - 12.6%) is in line with the company's aim to grow revenues back to 2008 levels prior to the economic downturn. This was mainly as a result of continued strong demand from the company's key customers.

Increased trade has led to an increase in gross profit of £102,322 to £2,364,728 (2010 - £2,262,406)

As above, profit before tax has increased by 17% year on year. The key drivers include the increased gross profit and a foreign exchange gain of £103,499, offset by increases in other operating expenses of £131,559.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to market conditions in the United Kingdom and Ireland, in particular silicone market prices and demand for silicone-based polymers in the chemical and other manufacturing industries. These are mitigated at a group level (see below).

#### FUTURE DEVELOPMENTS

The company maintained a satisfactory level of business throughout 2011 despite the uncertainty caused by difficulties throughout European markets. There were no significant changes in the product portfolio or the customer mix. Our expectation is for a similar level of business during 2012. This will be achieved by maintaining the strong relationships with key customers and continuing to monitor opportunities to offer wider product ranges to existing customers.

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £419,640 (2010 - £351,285). No dividends were paid in the year or in the comparative year.

#### KEY PERFORMANCE INDICATORS

Management consider the key performance indicators for the company to be sales turnover and fixed costs. Sales turnover and fixed costs are monitored by management on a monthly basis. New sales projects are essential to the healthy long-term performance of the company. All projects are monitored regularly and the progress of specific technical projects are assessed monthly. Either resources are reassessed or the project abandoned as each project moves from inception to full commercialisation.

#### FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, credit risk, liquidity risk, exchange rate risk and commodity price risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

The policies set by the board of directors are implemented by the company's finance department or at a group level.

# BLUESTAR SILICONES (UK) LIMITED

## THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011 (*Continued*)

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES (*Continued*)

- 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.

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware there is no relevant audit information of which the company's auditor is unaware, and
- He has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

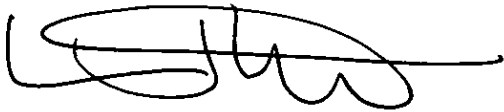
### DONATIONS

The company made charitable donations to the value of £1,200 during the year (2010 - £500). The purpose of these donations was as follows: £500 was donated to a music student to assist with fees at the Royal Welsh College of Music & Drama (2010 - £400), £200 to support a local children's football team (2010 - £Nil) and £500 was paid in respect of various customer charity events (2010 - £100).

### INDEPENDENT AUDITORS

Pricewaterhouse Coopers LLP are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

By order of the Board



Dr M J Kent  
Company Secretary

Approved by the directors on

23<sup>rd</sup> July 2012

# BLUESTAR SILICONES (UK) LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLUESTAR SILICONES (UK) LIMITED

We have audited the financial statements of Bluestar Silicones (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit 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.

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

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

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

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

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



Jennifer Candy (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton

~~Date~~ 24<sup>th</sup> July 2012

**BLUESTAR SILICONES (UK) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
<b>TURNOVER</b>	2	24,192,973	23,310,190
Cost of sales		<u>(21,828,245)</u>	<u>(21,047,784)</u>
<b>GROSS PROFIT</b>		2,364,728	2,262,406
Distribution costs		(647,482)	(604,720)
Administrative expenses		<u>(1,111,010)</u>	<u>(1,191,615)</u>
<b>OPERATING PROFIT</b>	3	606,236	466,071
Interest receivable and similar income	6	1,638	13,032
Interest payable and similar charges	7	<u>(54,701)</u>	<u>(6,349)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		553,173	472,754
Tax on profit on ordinary activities	8	<u>(133,533)</u>	<u>(121,469)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>419,640</u>	<u>351,285</u>

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

All activities derive from continuing operations

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented



# BLUESTAR SILICONES (UK) LIMITED

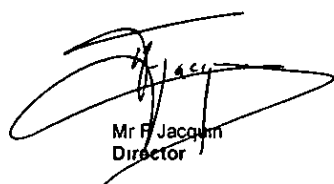
## BALANCE SHEET

AS AT 31 DECEMBER 2011

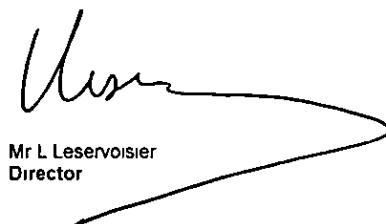
	Note	2011		2010	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	9		28,670		34,140
<b>CURRENT ASSETS</b>					
Stock	10	722,793		805,066	
Debtors	11	5,367,898		3,905,251	
Cash at bank and in hand		<u>641,213</u>		<u>631,608</u>	
		6,731,904		5,341,925	
<b>CREDITORS</b> Amounts falling due within one year	13	(3,877,550)		(2,912,681)	
<b>NET CURRENT ASSETS</b>			<u>2,854,354</u>		<u>2,429,244</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,883,024</u>		<u>2,463,384</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		101		101
Share premium account	17		879,546		879,546
Profit and loss account	17		<u>2,003,377</u>		<u>1,583,737</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	18		<u>2,883,024</u>		<u>2,463,384</u>

The financial statements on pages 6 to 15 were approved and authorised for issue by the board of directors on

23<sup>rd</sup> July 2012, and are signed on its behalf by



Mr F Jacquem  
Director



Mr L Leservoisier  
Director

Bluestar Silicones (UK) Limited  
Registered No 05958909

# BLUESTAR SILICONES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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### 1 ACCOUNTING POLICIES

#### Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below. These policies have been consistently applied throughout the year.

#### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 "Cash flow statements" (revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its intermediate parent company, Bluestar Silicones Investment Co Limited, publishes consolidated financial statements that include the results of the company.

#### Turnover

The turnover shown in the profit and loss account represents amounts receivable for goods provided during the period in the normal course of business, net of discounts, rebates, value added tax and other sales related taxes. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred as stipulated in the contractual terms of trade.

#### Research

Research expenditure is written off to the profit and loss account in the period in which it is incurred.

#### Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset less its estimated residual value, over the useful economic life of that asset as follows:

Plant and Machinery	-	10% straight line basis
Office Equipment	-	10% - 33% straight line basis

#### Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Stock is accounted for on a monthly weighted average basis.

#### Operating lease agreements

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs

The company makes contributions to a defined contribution pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the company. The contributions are charged to the profit and loss account in the period to which they relate.

# BLUESTAR SILICONES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 (*Continued*)

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### 1 ACCOUNTING POLICES (*continued*)

#### Deferred taxation

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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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

#### Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date

Any exchange differences arising are taken to the profit and loss account in the period in which they arise

### 2 TURNOVER

Turnover is attributable to the one principal activity of the company

An analysis of turnover by geographical segment is given below

By destination

	2011	2010
	£	£
United Kingdom	20,908,298	19,941,349
Europe	3,284,675	3,368,841
	<u>24,192,973</u>	<u>23,310,190</u>

All sales originate from the UK

**BLUESTAR SILICONES (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2011 (Continued)****3 OPERATING PROFIT**

Operating profit is stated after charging/(crediting)

	2011	2010
	£	£
Depreciation of owned tangible fixed assets	6,720	4 604
Operating lease costs		
- Plant and machinery	23,970	16,087
- Other	52,190	52,190
Research and development	230,613	192,713
Net (gain)/loss on foreign currency translation	(103,500)	65,902
Services provided by the company's auditors		
- fees payable for the audit	<u>15,000</u>	<u>13,800</u>

**4 PARTICULARS OF DIRECTORS AND EMPLOYEES**

The average monthly number of staff (including directors) employed by the company during the financial year was

	2011	2010
	Number	Number
By activity		
Administrative	10	10
Research and development	<u>4</u>	<u>4</u>
	<u>14</u>	<u>14</u>

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	476,336	452 733
Social security costs	58,892	55,538
Other pension costs (Note 5)	<u>84,998</u>	<u>84,139</u>
	<u>620,226</u>	<u>592,410</u>

One of the directors in office during the year and the comparative year, received his emoluments from Bluestar Silicones France SAS (another group company) The other received his emoluments from Bluestar Silicones Services SARL (another group company) during the year and comparative year Their services to the company are incidental to their services to the group as a whole

**5 PENSION COSTS**

The cost of contributions to the defined contribution scheme amounts to £84,998 (2010 - £84,139), which has been charged to the profit and loss account The contribution includes an accrual of £6,178 (2010 - £7,433)

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2011	2010
	£	£
Interest from group undertakings	1,638	12,888
Other interest	<u>-</u>	<u>144</u>
	<u>1,638</u>	<u>13,032</u>

**BLUESTAR SILICONES (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (Continued)**

<b>7</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2011</b>	<b>2010</b>
		£	£
	Interest owed to group undertakings	<u>54,701</u>	<u>6,349</u>
<b>8</b>	<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2011</b>	<b>2010</b>
		£	£
	<b>Current tax</b>		
	In respect of the year		
	UK corporation tax on profits of the period	<b>129,114</b>	108,741
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	<b>3,336</b>	12,728
	Impact of change in tax rate	<u>1,083</u>	<u>-</u>
	<b>Total Deferred Tax (Note 12)</b>	<u>4,419</u>	<u>12,728</u>
	<b>Tax on profit on ordinary activities</b>	<u>133,533</u>	<u>121,469</u>

The tax assessed for the period is lower (2010 - lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2011 of 26.5% (2010 - 28%)

The differences are explained below

		<b>2011</b>	<b>2010</b>
		£	£
	<b>Profit on ordinary activities before taxation</b>	<u>553,173</u>	<u>472,754</u>
	Profit on ordinary activities by rate of tax of 26.5% (2010 - 28%)	<b>146,591</b>	132,371
	Effect of		
	Expenses not deductible for tax purposes	<b>1,440</b>	3,363
	Capital allowances in excess of depreciation	<b>(3,336)</b>	(12,556)
	Pension provision adjustment	-	464
	Research & development enhanced expenditure	<u>(15,581)</u>	<u>(14,901)</u>
	<b>Total current tax</b>	<u>129,114</u>	<u>108,741</u>

**Factors affecting current and future tax charges**

Finance (No 2) Act 2010 was substantively enacted on 21 July 2010 and included legislation to reduce the main rate of corporation tax from 28% to 27%. A further reduction to 26% with effect from 1 April 2011 was enacted via a resolution passed by Parliament on 29 March 2011. Finance Act 2011 was substantively enacted on 19 July 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012. Closing deferred tax balances have therefore been valued at 25% (2010 - 27%)

The March 2012 Budget Statement announced further reductions of the main rate of corporation tax to 24% with effect from 1 April 2012, and by 1% per annum to 22% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, the effects of these are not included in these financial statements

# BLUESTAR SILICONES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 (*Continued*)

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES (*Continued*)

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

Deferred tax has not been discounted

9	TANGIBLE FIXED ASSETS	Plant and	Office	Total
		Machinery	Equipment	
COST		£	£	£
	At 1 January 2011	85,022	11,924	96,946
	Additions	-	1,250	1,250
	<b>At 31 December 2011</b>	<b>85,022</b>	<b>13,174</b>	<b>98,196</b>
ACCUMULATED DEPRECIATION				
	At 1 January 2011	55,660	7,146	62,806
	Charge for the year	5,287	1,433	6,720
	<b>At 31 December 2011</b>	<b>60,947</b>	<b>8,579</b>	<b>69,526</b>
NET BOOK VALUE				
	<b>At 31 December 2011</b>	<b>24,075</b>	<b>4,595</b>	<b>28,670</b>
	At 31 December 2010	29,362	4,778	34,140
10	STOCK		2011	2010
			£	£
	Raw material		6,872	753
	Finished goods		715,921	804,313
			<b>722,793</b>	<b>805,066</b>

£192,769 (2010 - £167,989) of finished goods included above are consignment stocks. Title to these stocks passes when they are utilised by the consignee. The company retains the right to invoice any consignment stock that has been in stock for more than two months from delivery date.

The directors do not consider that the replacement cost of stock is materially different from the balance sheet value.

**BLUESTAR SILICONES (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011 (Continued)**

11 DEBTORS	2011	2010
	£	£
Trade debtors	4,144,757	3,836,684
Amounts owed by group undertakings	1,196,151	12,888
Corporation tax recoverable	-	6,619
Prepayments and accrued income	14,241	31,892
Deferred taxation (note 12)	<u>12,749</u>	<u>17,168</u>
	<u><b>5,367,898</b></u>	<u><b>3,905,251</b></u>

Amounts owed by group undertakings are unsecured, bear interest at 3 month GBP Libor/Eunbor plus a margin of 100 basis points per annum and are repayable on demand

12 DEFERRED TAXATION	2011	2010
	£	£
The deferred tax asset included in the balance sheet is as follows	£	£
1 January @ 27%	17,168	29,896
Charged to the Profit and loss account (Note 8)	<u>(4,419)</u>	<u>(12,728)</u>
31 December @ 25%	<u><b>12,749</b></u>	<u><b>17,168</b></u>
	£	£
Depreciation exceeding capital allowances	10,891	15,161
Short term timing differences	<u>1,858</u>	<u>2,007</u>
	<u><b>12,749</b></u>	<u><b>17,168</b></u>

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset and therefore, the asset has been recognised in these financial statements. There are no unrecognised/unprovided deferred tax assets or liabilities (2010 - £Nil)

13 CREDITORS Amounts falling due within one year	2011	2010
	£	£
Trade creditors	195,829	203,569
Amounts owed to group undertakings	2,791,257	2,038,119
Corporation tax	84,688	-
Other taxation and social security	659,467	547,133
Other creditors	16,083	28,448
Accruals and deferred income	<u>130,226</u>	<u>95,412</u>
	<u><b>3,877,550</b></u>	<u><b>2,912,681</b></u>

Amounts owed to group undertakings are unsecured and repayable on demand. Included within amounts owed to group undertakings is a loan of £2,581,729 (2010 - £1,562,466) which is part of the Group Cash Pool arrangement and incurs interest at 3 month GBP Libor / Eunbor plus a margin of 125 basis points per annum. The remainder of the balance is interest free.

# BLUESTAR SILICONES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011 (*Continued*)

### 14 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Operating leases which expire				
Within 1 year	-	-	-	5,703
Within 2 to 5 years	52,190	21,594	52,190	6,411
After more than 5 years	-	-	-	-
	<u>52,190</u>	<u>21,594</u>	<u>52,190</u>	<u>12,114</u>

### 15 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available to wholly owned subsidiary companies, under Financial Reporting Standard No 8 (Related party disclosures) not to disclose certain related party transactions between group companies

The intermediate holding company that consolidates the financial statements is Bluestar Silicones Investment Co Limited. The accounts are publicly available.

There were no other related party transactions in the period.

### 16 CALLED UP SHARE CAPITAL

Authorised share capital	2011	2010
	£	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted and fully paid	2011		2010	
	Number	£	Number	£
Ordinary shares of £1 each	<u>101</u>	<u>101</u>	<u>101</u>	<u>101</u>

### 17 RESERVES

	Share premium account	Profit and loss account
	£	£
1 January 2011	879,546	1,583,737
Profit for the year	-	419,640
31 December 2011	<u>879,546</u>	<u>2,003,377</u>

### 18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011	2010
	£	£
Profit for the financial year	<u>419,640</u>	<u>351,285</u>
Net addition to shareholders' funds	419,640	351,285
Opening shareholders' funds	<u>2,463,384</u>	<u>2,112,099</u>
Closing shareholders' funds	<u>2,883,024</u>	<u>2,463,384</u>



# BLUESTAR SILICONES (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011 *(Continued)*

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### 19 ULTIMATE PARENT AND CONTROLLING PARTY

The immediate parent undertaking is Bluestar Silicones International SARL Luxembourg

The ultimate parent undertaking and controlling party is China National Chemical Corporation which is a state-owned enterprise established by the State Council of the People's Republic of China. China National Chemical Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011.

Bluestar Silicones Investment Co Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Bluestar Silicones Investment Co Limited can be obtained from 29/F, 88 Hing Fat Street, Causeway Bay, Hong Kong.