

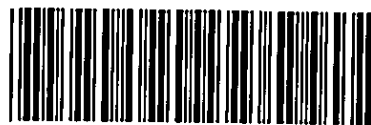
DOW CORNING LIMITED AND SUBSIDIARIES
(Registered Number 486170)

Directors' report and financial statements

31 December 2008

DOW CORNING

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DOW CORNING LIMITED AND SUBSIDIARIES
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

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DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the financial year ended 31 December 2008 for Dow Corning Limited ("the company") and its subsidiaries (together "the group").

PRINCIPAL ACTIVITIES

The group's principal activities during the year continued to be the manufacture and marketing of silicone products. The company is the only trading entity within the group.

BUSINESS REVIEW

During 2008 the company has continued to see significant increases in major raw material costs. This can be attributed to a combination of the weaker pound and higher energy costs.

The main manufacturing facility was shutdown for a number of weeks early in year, to carry out planned essential maintenance work along with a number of process upgrades which will deliver improved reliability and efficiencies in future years. The shutdown had a lesser impact than that of prior years. The increase in the company profit for the year, £22.2 million in 2008 compared with £9.9 million in 2007, is substantially a result of a review of the fixed asset lives undertaken during the year as explained on page 5. The change in the economic climate in the second half of 2008, results in a reduction in the production levels in the fourth quarter in line with the decrease in demand.

In response to current economic challenges the company is undertaking a number of cost saving measures. These are designed to maximise operational efficiency of our manufacturing operations to tightly control expenses. Measures include the elimination of positions in the UK partly through voluntary measures.

In the short term it is anticipated that raw material and energy cost inflation will continue to place pressure on margins and, therefore, increase focus on costs and productivity.

Going concern

The directors have considered the twelve month period from the date of approval of these accounts and are satisfied that the company remains a going concern. This assumption is based on the intention that the ultimate parent company will continue to provide on going support to meet the debts of the company as and when they fall due.

DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

Key Performance Indicators

The company is a wholly owned subsidiary of a US entity and reports its monthly results to the Group in accordance with US GAAP. As these financial statements have been prepared in accordance with UK GAAP, the directors believe that the disclosure of its financial KPI's based on US GAAP results is not appropriate.

Operating KPI's focus on environmental issues and safety as the company considers its responsibility in that respect to be of the utmost importance. An annual Health, Safety, and Environmental report is issued to the community and local businesses to provide information on annual performance, activities, and plans for the coming year. A copy can be obtained at Dow Corning Limited headquarters.

FINANCIAL RISK MANAGEMENT

PRICE RISK

Energy and other raw material price risk management policies, including forward purchase contracts, are in place to meet the company's needs and are reviewed by the directors on a regular basis.

CREDIT RISK

A large proportion of the company's sales are to other companies within the Dow Corning Corporation Group ("the Group"). The company has implemented appropriate credit control policies that require credit evaluations on potential third party customers before sales are made.

FOREIGN CURRENCY RISK

The company conducts business in many foreign countries and as a result is exposed to movements in foreign currency exchange rates. The company's exposure to exchange rate effects is from exchange rate movements on financial instruments and transactions denominated in foreign currencies that impact earnings. The company's most significant foreign currency exposures relate to the United States, Hong Kong, and western European countries. The exchange rate risks are managed on a Group basis by the Group's treasury function and as a result, the company selectively enters into foreign exchange forward contracts and options with its U.S. parent company to hedge its exposure to these risks. There are forward contracts in place to hedge the majority of the company's Euro exposure in 2009.

DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

LIQUIDITY RISK

Dow Corning Limited makes use of the Group treasury function which is based in the USA. The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient funds for operations and planned expansions.

INTEREST RATE CASHFLOW RISK

The company is generally funded by intra-Group borrowings. The principle terms of these borrowings are disclosed in Note 17.

ENVIRONMENTAL RISK

The company works closely with the Environment Agency and routinely conducts tests of all its facilities to ensure compliance with current government legislation. The company has minimised the number of disposal outlets used, and carries out audits to ensure that any wastes are dealt with in the appropriate manner. The company cannot predict what future legal, regulatory or other actions, if any, may be taken regarding the company's products and byproducts or the consequence of their production and sale.

TRADING RESULTS, FUTURE DEVELOPMENTS AND DIVIDEND

The results for the year are set out in the accompanying profit and loss account which show a profit before tax of £22,166,000 (2007: £9,939,000). Earnings before interest, taxation and depreciation amounted to £41.3 million (2007: £42.2 million).

Effective 1 January 2008, the Company reassessed the useful lives of certain property, plant and equipment as a result of the Company's historical experience which demonstrated longer useful lives for certain classes of assets. The change increased pre-tax income by £13.7 million for the year ended 31 December 2008.

The company now provides approximately 50% of Dow Corning Corporation's global capacity for the manufacture of Di-methyl.

The directors do not recommend the payment of a dividend (2007: £Nil).

DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

CHAPTER 11 PROCEEDING

On 15 May 1995, Dow Corning Corporation (the "Ultimate Parent Company") voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Eastern District of Michigan, (the "Bankruptcy Court"). The Chapter 11 proceeding did not include any subsidiaries of the Ultimate Parent Company. On 1 June 2004, the Ultimate Parent Company concluded its Chapter 11 proceeding and is in the process of implementing its plan of reorganization. However, unresolved issues remain with, among others, the creditors represented by a committee of unsecured creditors regarding the amount of interest to be paid on the Ultimate Parent Company's obligations to its commercial creditors. The company believes that the ultimate resolution of these remaining issues will not have a material effect on the future operations and financial results of the company.

The directors support the Ultimate Parent Company's opinion and believe that the ultimate resolution of these remaining issues will not have a material effect on the future operations and financial results of the company.

DIRECTORS

The composition of the Board of Directors during the year, and to the date of this report, was as follows:

H. Davies	Appointed 03 September 2008
L. McNally	Appointed 03 September 2008
P. Cartwright	
M. Matthews	
J. Cole	
J. Maddox	Resigned 03 September 2008
M. Kapp	Appointed 03 September 2008
A. Tomeitch	Appointed 03 September 2008
J. Whitlock	Appointed 03 September 2008

DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

EMPLOYMENT OF DISABLED PERSONS

The company operates a policy of employee selection and promotion which is impartial and based on capability for job accomplishment and career development. This includes being able to comply with health, safety and environmental legislation and site rules and regulations.

No employee, potential employee or past employee shall receive less favourable treatment or consideration on the grounds of gender, sexual orientation, age, race, ethnic origin, colour, religion or beliefs, disability, nationality or marital status. Registered disabled employees or potential employees will not be discriminated against, other than on operational grounds of health, safety or excessive costs in relation to being competitive in our industry.

The company will ensure that adequate facilities are provided to meet the needs of all employees. When new facilities are being designed, such factors as access for the disabled or the provision of facilities for employees of specific religions/beliefs will be considered and accommodated where possible, subject to costs not being excessive.

INVOLVEMENT OF EMPLOYEES IN COMPANY AFFAIRS

The company operates many formal and informal programmes to encourage the involvement of employees in its affairs. Regular management communication meetings are organised where senior representatives of management discuss the company's performance and plans with employees.

RESEARCH AND DEVELOPMENT

During 2008 the company has continued to support a research and development activity at Barry dedicated to developing new product concepts and processes to meet changing customer requirements.

As a result of a world wide review the Group has decided to stream line the research and development activities, resulting in a rationalisation of the activities conducted at the UK site. The rationalisation occurred post year end.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations of £22,895 (2007: £40,687) for charitable purposes and no contributions to political parties (2007: £Nil). These donations were made to a variety of local charities.

DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

POLICY FOR PAYMENT TO CREDITORS

It is the group's policy to agree the terms of each transaction with each of its major suppliers, ensuring suppliers are aware of the terms of payment, and then abide by the terms of payment. At the year end the group had an average of 27 days (2007: 25) of purchases outstanding with trade creditors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and applies them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK 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 and group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DOW CORNING LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

Each director has taken all the steps that they ought to have been taken as a director in order to make themselves aware of any relevant audit information, and to establish that the company's auditors are aware of that information.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board

J.Cole
Director and Company Secretary

Dated:

J. M. Cole

22 July 2009

DOW CORNING LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOW CORNING LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Dow Corning Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

DOW CORNING LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOW CORNING LIMITED (CONTINUED)

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

22 July 2009

DOW CORNING LIMITED AND SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

Continuing Operations	Note	2008 £'000	2007 £'000
Turnover	3	445,801	379,493
Cost of sales		(396,753)	(351,121)
Gross profit		49,048	28,372
Distribution costs		(8,050)	(9,263)
Administrative expense	4	(15,950)	(5,486)
EBITDA		41,311	42,222
Depreciation		(16,263)	(28,599)
Operating profit	5	25,048	13,623
Loss on disposal of fixed assets		(211)	(252)
Interest receivable and similar income	8	1,687	1,857
Interest payable and similar charges	9	(4,358)	(5,289)
Profit on ordinary activities before taxation		22,166	9,939
Tax on profit on ordinary activities	10,14	-	-
Profit for the financial year	19	22,166	9,939

Shareholders' funds

A statement of the movement on reserves is given in Note 19 to the financial statements and a reconciliation of movements in equity shareholders' funds is given in Note 20.

Historical cost profits and losses

There is no material difference between the profit of ordinary activities before taxation and the retained profit for the periods stated above, and their historical cost equivalents.

DOW CORNING LIMITED AND SUBSIDIARIES

STATEMENT of TOTAL RECOGNISED GAINS and LOSSES for the year ended 31 DECEMBER 2008

	2008 £'000	2007 £'000
Profit for the financial year	22,166	9,939
Actuarial (loss) / gain on pension scheme (Note 23)	(21,452)	4,181
Total recognised gains and losses relating to year	<u>714</u>	<u>14,120</u>

DOW CORNING LIMITED AND SUBSIDIARIES

GROUP BALANCE SHEET - 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Fixed Assets			
Tangible assets	11	203,248	205,990
Current Assets			
Stocks	13	66,105	38,092
Debtors	14	154,834	90,926
Debtors due after one year	14	11,000	11,000
Cash at bank and in hand		4,946	3,814
		<u>236,885</u>	<u>143,832</u>
Creditors - Amounts falling due within one year	15	(244,106)	(167,031)
Net Current Liabilities		<u>(7,221)</u>	<u>(23,199)</u>
Total Assets less Current Liabilities		<u>196,027</u>	<u>182,791</u>
Creditors - Amounts falling due after more than one year	16	(16,263)	(18,718)
Net Assets before Pension Liability		<u>179,764</u>	<u>164,073</u>
Pension Liability	23	(49,887)	(34,910)
Net Assets		<u>129,877</u>	<u>129,163</u>
Capital and Reserves			
Called up share capital	18	250,000	250,000
Profit and loss account	19	(123,461)	(124,175)
Share premium	19	3,063	3,063
Revaluation reserve	19	275	275
Equity Shareholders' Funds	20	<u>129,877</u>	<u>129,163</u>

The financial statements and the notes to the financial statements on pages 12 to 36 were approved by the board of directors on 22/7/09 and were signed on it's behalf by:

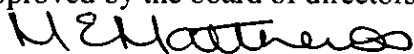

M. Matthews (DIRECTOR)

DOW CORNING LIMITED AND SUBSIDIARIES

COMPANY BALANCE SHEET - 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Fixed Assets			
Tangible assets	11	203,248	205,990
Investments	12	2,278	2,278
		<u>205,526</u>	<u>208,268</u>
Current Assets			
Stocks	13	66,105	38,092
Debtors	14	154,834	90,926
Debtors due after one year	14	11,000	11,000
Cash at bank and in hand		4,946	3,814
		<u>236,885</u>	<u>143,832</u>
Creditors - Amounts falling due within one year	15	(246,384)	(169,354)
Net Current Liabilities		<u>(9,499)</u>	<u>(25,522)</u>
Total Assets less Current Liabilities		<u>196,027</u>	<u>182,746</u>
Creditors - Amounts falling due after more than one year	16	(16,263)	(18,718)
Net Assets before Pension Liability		<u>179,764</u>	<u>164,028</u>
Pension Liability	23	(49,887)	(34,910)
Net Assets		<u>129,877</u>	<u>129,118</u>
Capital and Reserves			
Called up share capital	18	250,000	250,000
Profit and loss account	19	(123,461)	(124,220)
Share premium	19	3,063	3,063
Revaluation reserve	19	275	275
Equity Shareholders' Funds	20	<u>129,877</u>	<u>129,118</u>

The financial statements and the notes to the financial statements on pages 12 to 36 were approved by the board of directors on 22/7/09 and were signed on it's behalf by:


M. Matthews (DIRECTOR)

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with the Companies act 1985 and applicable accounting standards in the UK, all of which have been applied consistently throughout the year and the preceding period. Where a range of treatment is available the directors apply the most appropriate accounting policy and estimation technique in accordance with Financial Reporting Standard Number 18 (FRS 18).

Change in accounting policy

The group has, as required by the relevant standards, adopted the amendments to FRS 17 "Retirement benefits". The adoption of this amendment represents a change in accounting policy. The change in accounting policy to adopt the amendments to FRS 17 did not have a material impact on the balance sheet or profit and loss account for the current year nor on the comparatives provided for the prior year and hence no restatements have been made in these financial statements. The additional disclosure requirements contained in the amendment to FRS 17 have been set out in Note 23.

Fixed assets

Subject only to the revaluation of freehold land, fixed assets are shown at cost less accumulated depreciation. On implementation of FRS 15 "Tangible fixed assets" the company adopted the transitional arrangements to retain the book value of freehold land and buildings at their previously valued amounts. No further revaluations will be undertaken.

Land and assets under construction are not depreciated.

The cost of tangible fixed assets, other than land and assets under construction, are depreciated by equal annual instalments over the expected useful lives of the assets. Effective 1 January 2008, the company changed the estimated useful lives of certain property, plant and equipment as a result of its historical experience which demonstrated longer useful lives for certain classes of assets. The change increased pre-tax income by £13.7million for the year ended 31 December 2008. The current estimated useful lives of the company's fixed assets are

Owned and leased buildings	up to 50 years
Plant and machinery	11 - 18 years
Motor vehicles	3 - 6 years
Computer equipment	2 - 4 years

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES (CONTINUED)

Interest capitalisation

The group has a policy of capitalising interest as a component of the cost of capital assets constructed for its own use. This policy applies to major projects, which exceed £1M in cost and have a construction period that exceeds one year.

Government grants

Account is taken of regional development grants when eligible expenditure is incurred. Special Incentive Scheme grants are accounted for on a cash basis. Some government grants are treated as deferred income and are transferred to the profit and loss account over the lives of the assets to which they relate.

Stocks and work in progress

These are stated at the lower of cost and net realisable value. An appropriate proportion of process overheads are included in the value of finished goods and work in progress.

Deferred taxation

Deferred tax is recognized 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 recognized 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/or 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.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the appropriate rate of exchange at the dates of the transactions. Exchange gains and losses on transactions are dealt with in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end rate. Exchange gains and losses on monetary assets and liabilities are dealt with in the profit and loss account.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

Derivative financial instruments are managed throughout the Group by a centralised treasury function. The Group uses derivative financial instruments to reduce the impact of changes in foreign exchange rates on its earnings, cash flows and fair values of assets and liabilities. The Group enters into derivative financial contracts based on analysis of specific and known economic exposures. The Group's policy prohibits holding or issuing derivative financial instruments for trading or speculative purposes. The types of instruments typically used are forward contracts, but may also include option combinations and purchased option contracts.

At 31 December 2008 the company has no derivative contracts (2007: None).

Turnover

Turnover represents the invoiced value of goods and services supplied in the period, but exclude value added tax.

Research and development

Research and development costs are written off in the year in which they are incurred. Research and development expenditure comprises wages and salaries, materials and attributable overheads. Research is performed under contract for the parent company.

Operating leases

Rental payments in respect of operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiaries made up to 31 December in each year.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES (CONTINUED)

Pension obligations

The group operates a defined benefit pension scheme, which closed to new entrants in 2005, with assets held in a separately administered fund. The assets of the scheme are valued using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The increase in the present value of the liability expected to arise from employee service in the period is charged to operating profit. The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are included in the statement of recognised gains and losses.

The group contributes to a fully insured group personal pension plan managed by an outside insurer, for employees whom are not part of the defined benefit scheme. The pension cost in respect of the personal pension plan comprise of contributions payable in respect of the year.

Cash Flow

The groups' cash flows are included within those reported by its parent and, therefore, under the provisions of FRS1 (revised) the group has taken advantage of the exemption available and has not included a cash flow statement within these financial statements.

2 CHAPTER 11 PROCEEDING

On 15 May 1995, Dow Corning Corporation (the "Ultimate Parent Company") voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Eastern District of Michigan, (the "Bankruptcy Court"). The Chapter 11 proceeding did not include any subsidiaries of the Ultimate Parent Company. On 1 June 2004, the Ultimate Parent Company concluded its Chapter 11 proceeding and is in the process of implementing its plan of reorganization. However, unresolved issues remain with, among others, the creditors represented by a committee of unsecured creditors regarding the amount of interest to be paid on the Ultimate Parent Company's obligations to its commercial creditors. The Ultimate Parent Company believes that the ultimate resolution of these remaining issues will not have a material effect on the future operations and financial results of the company.

As a result of the Chapter 11 filing, the creditors of the Ultimate Parent Company (including the company) were precluded from collecting debts which arose prior to the filing for Chapter 11 protection (other than with the approval of the Bankruptcy Court). As a result of the conclusion of the Ultimate Parent Company's Chapter 11 proceeding, the net receivables from and net payables to the Ultimate Parent Company were satisfied as of 31 December 2004, except for certain royalty payments due from the company to the Ultimate Parent Company.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

2 CHAPTER 11 PROCEEDING (CONTINUED)

The directors support the Ultimate Parent Company's opinion and believe that the ultimate resolution of these remaining issues will not have a material effect on the future operations and financial results of the company.

3 TURNOVER

	2008 £'000	2007 £'000
The geographical analysis of the group's turnover is as follows:		
United Kingdom	73,446	78,007
Rest of the World	372,355	301,486
	<u>445,801</u>	<u>379,493</u>

Further geographical analysis is not given here, as the directors believe it would be seriously prejudicial to the business.

All turnover arises from the principal activities of the group which the directors consider to represent one business segment.

4 ADMINISTRATIVE EXPENSE

	2008 £'000	2007 £'000
Net exchange loss on foreign currency	12,862	62
Other expense	3,088	5,424
	<u>15,950</u>	<u>5,486</u>

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5 OPERATING PROFIT

The operating profit is after charging / (crediting) the following:

	2008 £'000	2007 £'000
Depreciation of owned assets	16,263	28,599
Hire of plant and machinery	1,620	1,506
Other operating lease rentals	553	553
Auditors' remuneration (including expenses)		
– Group	57	56
– Company	57	56
Net exchange loss on foreign currency	12,862	62
Reorganisation costs	383	111

Fees payable to auditors in the year for non-audit work for the group amounted to £7,800 (2007: £17,660).

In addition to the audit fees shown above, an amount of £26,000 (2007: £24,000) has been charged by the auditors in respect of work performed at the request of the auditors of the parent company. This amount has not been reflected within the company's profit and loss account as it is borne by the parent.

An element of the research and development costs is reimbursed by the US parent company pursuant to a contract research agreement.

Reorganisation costs are principally redundancy costs (Note 6).

6 STAFF COSTS

	Group and Company	
	2008 £'000	2007 £'000
Wages and salaries	27,668	33,708
Redundancy	383	111
Social security costs	3,390	3,303
Pension costs (Note 23)	8,576	8,185
	<u>40,017</u>	<u>45,307</u>

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

6 STAFF COSTS (CONTINUED)

The average monthly number of persons employed by the group and company during the year, including directors, was as follows:

	Group and Company	
	2008	2007
	Number	Number
Management and administration	35	41
Production and research	583	572
Sales	48	52
	<u>666</u>	<u>665</u>

These persons were all employed in the United Kingdom.

7 DIRECTORS' EMOLUMENTS

	2008	2007
	£'000	£'000
Emoluments	1,094	688
Highest paid director:		
Total amount of emoluments	403	267
Accrued pension at end of year	43	41

The number of directors participating in the company's defined benefit pension scheme was 3 (2007: 2).

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£'000	£'000
Interest receivable from group undertakings	28	46
Finance income from pension scheme	<u>1,659</u>	<u>1,811</u>
	<u>1,687</u>	<u>1,857</u>

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Interest on loans from group undertakings	<u>4,358</u>	<u>5,289</u>
	<u>4,358</u>	<u>5,289</u>

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no Corporation Tax charge for the year (2007: £Nil). There is no Deferred Tax charge in the year (2007: £Nil) (Note 14).

Factors affecting tax charge for period	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>22,166</u>	<u>9,939</u>
UK corporation tax calculated at the standard weighted average rate of 28.5% (2007: 30%) on profit on ordinary activities before tax	<u>6,317</u>	<u>2,982</u>
Effects of:		
– Expenses not deductible and income not taxable for tax purposes	(2,234)	(2,513)
– Depreciation in excess of capital allowances	1,003	4,334
– Brought forward losses	(12,253)	(2,464)
– Other timing differences	<u>7,167</u>	<u>(2,339)</u>
Total current tax charge for period	<u>-</u>	<u>-</u>

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

11 TANGIBLE ASSETS / GROUP AND COMPANY

	Short Leasehold Land and Buildings £'000	Freehold Land and Buildings £'000	Plant and Equipment £'000	Assets under Construction £'000	Total £'000
Cost or Valuation					
At 1 January 2008	189	77,833	511,965	15,743	605,730
Additions	-	754	6,379	6,599	13,732
Transfers	-	2,487	9,168	(11,655)	-
Disposals	-	(21)	(2,949)	-	(2,970)
At 31 December 2008	189	81,053	524,563	10,687	616,492
Accumulated Depreciation					
At 1 January 2008	122	28,642	370,976	-	399,740
Charge for the year	13	2,648	13,602	-	16,263
Disposals	-	(21)	(2,738)	-	(2,759)
At 31 December 2008	135	31,269	381,840	-	413,244
Net Book Amount					
At 31 December 2008	54	49,784	142,723	10,687	203,248
At 31 December 2007	67	49,191	140,989	15,743	205,990

Included within plant and equipment above is capitalised interest with a net book value of £19,463,209 (2007: £21,896,109) and commissioning costs with a net book value of £1,357,646 (2007: £1,527,352). No interest was capitalised during the year.

Included within freehold land and buildings above are amounts for external valuations performed on certain freehold land as at 30 June 1966.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

11 TANGIBLE ASSETS / GROUP AND COMPANY (CONTINUED)

The historic cost of the freehold land is £553,000 (2007: £553,000). The amounts of the valuations are as follows:

	2008	2007
	£'000	£'000
Freehold land	828	828

Future capital expenditure not provided for in these accounts:

	Group and Company	
	2008	2007
	£'000	£'000
Contracts placed	3,289	3,081

12 INVESTMENTS

As at 31 December 2008 the company owned 100% of the issued ordinary share capital of its subsidiaries. Their names and country of registration are:

Dow Corning Hansil Limited - England
Dow Corning STI Limited - England

Dow Corning STI Limited and Dow Corning Hansil Limited did not trade in the current year, but dividends were paid to Dow Corning Limited, of £1,000 and £44,000 respectively.

13 STOCKS

	Group and Company	
	2008	2007
	£'000	£'000
Raw materials and consumables	59,084	31,554
Finished goods and goods for resale	7,021	6,538
	66,105	38,092

The replacement cost of stock is not materially different from that stated above.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

14 DEBTORS

	Group and Company	
	2008	2007
	£'000	£'000
Amounts falling due within one year		
Trade debtors	14,331	16,666
Amounts owed by group undertakings	138,329	73,643
Other debtors and prepayments	2,174	617
	<u>154,834</u>	<u>90,926</u>
Amounts falling due after one year		
Deferred tax asset due after one year	11,000	11,000
	<u>11,000</u>	<u>11,000</u>

The deferred tax asset arises as follows:-

	Group and Company	
	2008	2007
	£'000	£'000
Capital allowances in excess of depreciation	32,273	33,140
Other short term timing differences	(23,328)	(16,417)
Losses	(19,945)	(27,723)
	<u>(11,000)</u>	<u>(11,000)</u>

The deferred tax asset of £11 million is recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur. Deferred tax assets with a value of £42 million (2007: £46 million) have not been recognised due to uncertainty of utilisation.

Movement on deferred tax

	Group and Company	
	2008	2007
	£'000	£'000
Opening balance	11,000	11,000
Release to profit and loss account	-	-
Closing balance	<u>11,000</u>	<u>11,000</u>

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

15 CREDITORS - Amounts falling due within one year

	Group		Company	
	2008 £'000	2007 £'000	2007 £'000	2007 £'000
Trade creditors	30,463	22,404	30,463	22,404
Amounts due to group undertakings	105,243	83,513	107,521	85,836
Loans from group undertakings (Note 17)	89,412	34,622	89,412	34,622
Taxation and social security	444	817	444	817
Accruals	18,544	25,675	18,544	25,675
	<u>244,106</u>	<u>167,031</u>	<u>246,384</u>	<u>169,354</u>

16 CREDITORS - Amounts falling due after more than one year

	Group and Company	
	2008 £'000	2007 £'000
Loans from group undertakings (Note 17)	15,540	17,238
Accruals	<u>723</u>	<u>1,480</u>
	<u>16,263</u>	<u>18,718</u>

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

17 LOANS FROM GROUP UNDERTAKINGS

Due Within One Year:	Group and Company	
	2008	2007
	£'000	£'000
(a) Unsecured (JPY) loan from Dow Corning Toray Company Ltd (previously named Dow Corning Toray Silicone Company Ltd) under a JPY 10 billion revolving Credit Agreement dated 16 October 2000; the interest rate is TIBOR plus 0.15%.	24,066	4,474
(b) Unsecured (JPY) loan from Dow Corning Holding Japan Ltd (previously named Dow Corning Asia Limited) under a JPY 11 billion revolving Credit Agreement dated 25 October 2000; the interest rate is TIBOR plus 0.25%.	57,157	24,158
(c) Unsecured (USD) loan from Dow Corning Taiwan Inc. under a USD 12 million loan agreement dated 1 December 2007; the interest rate is USD LIBOR plus 0.50%.	8,189	5,990
	<u>89,412</u>	<u>34,622</u>
Due After More Than One Year:		
(d) Unsecured (EUR) loan from the ultimate parent company, under a EUR 100 million revolving Credit Agreement dated 1 November 2004 expiring 31 October 2009; the interest rate is 6 month EUR LIBOR plus 0.30%.	-	11,918
(e) Unsecured (KRW) loan from Dow Corning Korea Ltd under a KRW 15 billion Credit Agreement dated 1 November 2007 expiring 31 October 2010; the interest rate is 6 months KRW KORIBOR plus 0.50%.	8,140	5,320
(f) Unsecured (CAD) loan from Dow Corning Canada Inc. under a CAD 20 million revolving Credit Agreement dated 1 January 2008; the interest rate is 6 months CAD LIBOR plus 0.50%.	1,819	-
(g) Unsecured (SGD) loan from Dow Corning Singapore Pte. Limited under a SGD 25 million revolving Credit Agreement dated 1 January 2008; the interest rate is 6 months SGD LIBOR plus 0.50%.	5,581	-
	<u>15,540</u>	<u>17,238</u>

The net amount of exchange gains and losses on foreign currency borrowings that has been charged to the profit and loss account in the year is a loss of £113,000 (2007: £37,000 loss).

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

18 CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
270,250,000 (2007: 270,250,000)		
Ordinary shares of £1 each	<u>270,250</u>	<u>270,250</u>
Allotted, issued and fully paid:		
250,000,000 (2007: 250,000,000)		
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

19 RESERVES

	Group £'000	Company £'000
PROFIT AND LOSS		
1 January 2008	(124,175)	(124,220)
Retained profit for the financial year	22,166	22,211
Actuarial loss on pension scheme	(21,452)	(21,452)
At 31 December 2008	<u>(123,461)</u>	<u>(123,461)</u>
SHARE PREMIUM		
At 31 December 2008 and 2007	3,063	3,063
REVALUATION RESERVE		
At 31 December 2008 and 2007	275	275
TOTAL RESERVES AT 31 DECEMBER 2008	<u>(120,123)</u>	<u>(120,123)</u>

As permitted by Section 230(1) of the Companies Act 1985, no separate profit and loss account has been presented for the company.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

20 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Profit for the financial year	22,166	9,939	22,211	9,939
Actuarial (loss) / gain on pension scheme	(21,452)	4,181	(21,452)	4,181
Net addition to shareholders' funds	714	14,120	759	14,120
Opening shareholders' funds	129,163	115,043	129,118	114,998
Closing shareholders' funds	129,877	129,163	129,877	129,118

21 OPERATING LEASE COMMITMENTS

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as follows:

	2008			2007		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring within 1 year	-	19	19	-	31	31
Expiring within 2 to 5 years	556	465	1,021	252	363	615
Expiring after 5 years	-	95	95	253	22	275
	556	579	1,135	505	416	921

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

22 LONG TERM SUPPLY CONTRACTS

The company has entered into long term contracts with various suppliers for the supply of electricity and steam, and other services. The expiry dates of the contracts along with the minimum payments due as of 31 December 2008 are shown as follows:

	Electricity, steam and water	Other services
Contract expiry date	2013	2024
Minimum payments due are as follows:	£'000	£'000
2009	29,027	5,729
2010	29,027	5,731
2011	29,027	5,731
2012	29,027	5,503
2013	14,514	4,150
Thereafter	-	33,660

23 PENSION AND SIMILAR OBLIGATIONS

Personal pension plan

Some employees of the group are members of the group personal pension plan, the assets of which are held separately from those of the group, in an independently administered fund. The total pension cost charged in the profit and loss account in respect of this plan, representing contributions made by the group, was £347,000 (2007: £249,000). No amounts are outstanding at the end of 2008 (2007: £Nil).

Defined benefit pension scheme

The company operates a defined benefit scheme, which was closed to new entrants in 2005, with assets held in a separately administered fund. An actuarial valuation of the scheme as at 31 December 2007 using the projected unit basis was carried out by AON Consulting Ltd and has been updated at 31 December 2008. The major assumptions used by the actuary were:

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

DEFINED BENEFIT PENSION SCHEME

Major assumptions

	2008 %	2007 %	2006 %
Discount rate	6.50	5.75	5.25
Inflation rate	3.00	3.25	3.00
Increases to deferred benefits during deferment	3.00	3.25	3.00
Increases to pensions in payment	3.00	3.25	3.00
Salary increases	4.75	5.00	4.75

Mortality table

2008	2007	2006
PNXA00 projected by birth year, with Long Cohort projections	PXA92 projected by year of birth, with Short Cohort projections	PXA92 projected by year of birth, with Short Cohort projections

The expected long term rates of return on the main asset classes at 31 December were:

	2008	2007	2006
Equities	8.00	8.00	8.00
Bonds	5.25	5.10	4.80
Other	7.00	7.00	7.00
The weighted average expected long term rates of return at 31 December	7.25	7.25	7.20

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The market value of the assets in the scheme at 31 December was:

	2008 £'000	2007 £'000	2006 £'000
Equities	111,798	146,567	133,802
Bonds	45,182	42,416	41,111
Other	15,696	18,334	17,296
Total market value of assets	172,676	207,317	192,209
Present value of liabilities	(222,563)	(242,227)	(237,674)
Deficit	(49,887)	(34,910)	(45,465)

The related deferred tax asset has not been recognised as a result of uncertainty surrounding its utilisation.

Reconciliation of present value of scheme liabilities:

	2008 £'000	2007 £'000
Present value of plan liabilities at beginning of year	242,227	237,674
Service cost	8,229	7,936
Interest cost	13,697	12,291
Members' contribution	-	532
Actuarial (gain) on plan liabilities	(33,580)	(9,089)
Benefits paid	(8,010)	(7,117)
Present value of plan liabilities at end of year	222,563	242,227

Reconciliation of scheme assets at fair value:

	2008 £'000	2007 £'000
Fair value of plan assets at beginning of year	207,317	192,209
Expected return on plan assets	15,356	14,102
Actuarial (loss) on plan assets	(55,032)	(4,908)
Members' contribution	-	532
Contributions by the Company	13,045	12,499
Benefits paid	(8,010)	(7,117)
Fair value of plan assets at end of year	172,676	207,317

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

DEFINED BENEFIT PENSION SCHEME (CONTINUED)

Analysis of Amount Charged to Operating Profit

	2008 £'000	2007 £'000
Current service cost	8,229	7,936

Of the operating charge, £7.0 million (2007:£6.6 million) is included within cost of sales, £0.7 million (2007:£0.7 million) is included within distribution expenses and £0.5 million (2007:£0.6 million) is included within administration expenses.

Analysis of amount credited / (charged) as interest

	2008 £'000	2007 £'000
Expected return on pension scheme assets	15,356	14,102
Interest on pension liabilities	(13,697)	(12,291)
Net Return	1,659	1,811

Analysis of Amount Recognised in Statement of Total Recognised Gains & Losses

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(55,032)	(4,908)
Experience gains and (losses) on scheme liabilities	33,580	(3,990)
Changes in assumptions underlying the present value of the scheme liabilities	-	13,079
Actuarial (loss) / gain recognised in the STRGL	(21,452)	4,181

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

DEFINED BENEFIT PENSION SCHEME (CONTINUED)

Movements in Deficit during the year

	2008 £'000	2007 £'000
Deficit in scheme at beginning of the year	(34,910)	(45,465)
Current service cost	(8,229)	(7,936)
Contributions	13,045	12,499
Other finance income	1,659	1,811
Actuarial (loss) / gain	(21,452)	4,181
Deficit in scheme at the end of the year	<u>(49,887)</u>	<u>(34,910)</u>

History of experience gains and losses

	2008	2007	2006	2005	2004
Actual return less expected return on pension scheme assets:					
Amount (£'000)	(55,032)	(4,908)	6,309	20,924	3,253
Percentage of scheme assets (%)	<u>(32)</u>	<u>(2)</u>	<u>3</u>	<u>12</u>	<u>2</u>
Experience gains and losses on scheme liabilities:					
Amount (£'000)	33,580	(3,990)	941	3,270	1,300
Percentage of the present value of the scheme liabilities (%)	15	(2)	-	1	1
Actuarial (loss) / gain recognised in STRGL:					
Amount (£'000)	(21,452)	4,181	19,787	(6,033)	(14,588)
Percentage of the present value of the scheme liabilities (%)	<u>(10)</u>	<u>2</u>	<u>8</u>	<u>(2.5)</u>	<u>(7.3)</u>

The valuation at 31 December 2008 showed an increase in the deficit from £34.9 million to £49.9 million. In 2008 contributions to the pension fund totalled £13.0 million. For 2009 the company will increase the contribution to £25.0 million, with a view to reduce this deficit.

DOW CORNING LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

24 PARENT COMPANY AND RELATED PARTY TRANSACTIONS

Dow Corning UK Holdings LLC, a company incorporated in the Netherlands, is the company's immediate parent company by nature of its 100% interest in the share capital of the company.

Dow Corning Corporation, a company incorporated in the State of Michigan in the United States of America, is the ultimate parent company and controlling party. Group accounts may be obtained from:

Dow Corning Limited
Cardiff Road
Barry
Vale of Glamorgan
CF63 2YL

The company is a 100% owned subsidiary of a corporation producing group accounts which are publicly available and, accordingly, the company has taken advantage of the exemption set out in FRS 8 not to disclose related party transactions with members of the Dow Corning Corporation group.

25 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 31 December 2008, the company has bank guarantees totalling £1,929,885 (2007: £1,471,595) held with its bankers. These guarantees have arisen in the normal course of business and relate to guarantees provided to HM Customs & Excise for £1,000,000 (2007: £1,000,000), the Environment Agency for £927,885 (2007: £469,595) and supplier guarantees for £2,000 (2007: £2,000).

26 POST BALANCE SHEET EVENT

On 24 February 2009, Dow Corning Corporation announced its intention to eliminate 800 positions worldwide. These actions occurred primarily in the first half of 2009, through a combination of voluntary and involuntary redundancies.

As this is a non adjusting post balance sheet event, Dow Corning Limited has made no provision for the cost of these redundancies in the year ended 31 December 2008 financial statements. The company's redundancy costs relating to this announcement are in excess of £5 million.