

DOW CORNING LIMITED AND SUBSIDIARIES
(Registered Number 00486170)

Directors' report and financial statements

31 December 2009

DOW CORNING

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DOW CORNING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

<u>Contents</u>	<u>Page Nos.</u>
Report of the Directors	3 – 9
Independent Auditors Report	10 – 11
Group Profit & Loss Account	12
Group Statement of Total Recognised Gains and Losses	13
Group Balance Sheet	14
Company Balance Sheet	15
Notes to the Financial Statements	16 – 35

DOW CORNING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and financial statements for the financial year ended 31 December 2009 for Dow Corning Limited ("the company") and its subsidiaries (together "the group")

PRINCIPAL ACTIVITIES

The group's principal activity, contributed entirely by the company during the year continued to be the manufacture and marketing of silicone products

BUSINESS REVIEW

In response to the economic downturn in 2009 the company enacted a number of cost saving measures to maximise operational efficiency of our manufacturing, customer service, and research and development operations. The loss of £3.6 million for the year, compared to a profit of £22.2 million in 2008, is substantially the result of reduced production, and exceptional costs connected with the world wide economic downturn.

During the slow down in the beginning of the year the company took the opportunity to carry out essential maintenance which delivered improved efficiencies and reliability. In the second half of 2009 the company saw significant recovery in demand.

In the short term it is anticipated that raw material and energy cost inflation will place pressure on margins and, therefore, continued focus on costs and productivity will remain a company priority.

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 (see page 35).

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 US parent company to hedge its exposure to these risks. There are no forward contracts in place at the 31 December 2009.

DOW CORNING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 shows a loss before tax of £3.6 million (2008 profit £22.2 million). Earnings before interest, taxation, depreciation, amortisation and exceptional costs amounted to £31.9 million (2008 £41.3 million)

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 (2008: £Nil)

DOW CORNING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 this 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	
L McNally	
P Cartwright	
M Matthews	
J Cole	
M Kapp	Resigned 31 March 2010
A Tometich	Resigned 27 May 2010
J Whitlock	
D Ott	Appointed 7 July 2009
I Wilson	Appointed 27 May 2010
B Tessin	Appointed 27 May 2010
K Palumbo	Appointed 27 May 2010

DOW CORNING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 2009 the company has continued to support a research and development activity at its Barry site. The focus is on improving process efficiency, reducing waste and minimising the carbon footprint.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations of £17,266 (2008: £22,895) for charitable purposes and no contributions to political parties (2008: £Nil). These donations were made to a variety of local charities.

DOW CORNING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

POLICY FOR PAYMENT TO CREDITORS

It is the company'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 44 days (2008: 27) 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 group and parent company 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 group and the company 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 apply 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.

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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DOW CORNING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 he or she ought to have taken as a director in order to make himself or herself 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:

27 May 10

DOW CORNING LIMITED

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 2009 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets 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 Directors' Responsibilities Statement set out 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. Our responsibility is to audit 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 group's and parent 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss and cash flows 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

DOW CORNING LIMITED

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Kevin A Williams (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

27 May 2010

DOW CORNING LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

Continuing Operations	Note	2009 £'000	2008 £'000
Turnover	3	390,581	445,801
Cost of sales		(360,000)	(396,753)
Gross profit		30,581	49,048
Distribution costs		(7,241)	(8,050)
Administrative expense	4	(22,711)	(15,950)
EBITDA before exceptional costs		31,534	41,311
Exceptional costs	5	(14,053)	-
Depreciation	11	(16,852)	(16,263)
Operating profit – before interest and taxation	5	629	25,048
Loss on disposal of fixed assets		(342)	(211)
Interest receivable and similar income	8	3	1,687
Interest payable and similar charges	9	(3,902)	(4,358)
(Loss)/profit on ordinary activities before taxation		(3,612)	22,166
Tax on profit on ordinary activities	10,14	-	-
(Loss)/profit for the financial year	19	(3,612)	22,166

Historical cost profits and losses

There is no material difference between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the periods stated above, and their historical cost equivalents

DOW CORNING LIMITED

GROUP STATEMENT of TOTAL RECOGNISED GAINS and LOSSES for the year ended 31 DECEMBER 2009

	2009	2008
	£'000	£'000
(Loss)/profit for the financial year	(3,612)	22,166
Actuarial (loss) on pension scheme (Note 23)	(27,739)	(21,452)
Total recognised losses and gains relating to year	<u>(31,351)</u>	<u>714</u>

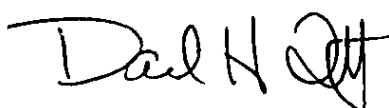
DOW CORNING LIMITED

GROUP BALANCE SHEET - 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
Fixed Assets			
Tangible assets	11	196,594	203,248
Current Assets			
Stocks	13	45,475	66,105
Debtors	14	164,566	154,834
Debtors due after one year	14	11,000	11,000
Cash at bank and in hand		3,741	4,946
		<u>224,782</u>	<u>236,885</u>
Creditors-Amounts falling due within one year	15	(240,180)	(244,106)
Net Current (Liabilities)		<u>(15,398)</u>	<u>(7,221)</u>
Total Assets less Current Liabilities		<u>181,196</u>	<u>196,027</u>
Creditors-Amounts falling due after more than one year	16	(23,919)	(16,263)
Net Assets before Pension Liability		<u>157,277</u>	<u>179,764</u>
Pension Liability	23	(58,751)	(49,887)
Net Assets		<u>98,526</u>	<u>129,877</u>
Capital and Reserves			
Called up share capital	18	250,000	250,000
Profit and loss account	19	(154,812)	(123,461)
Share premium	19	3,063	3,063
Revaluation reserve	19	275	275
Equity Shareholders' Funds	20	<u>98,526</u>	<u>129,877</u>

The financial statements and the notes to the financial statements were approved by the board of directors on 27 May 2010 and were signed on it's behalf by

D Ott (DIRECTOR)



Dow Corning Limited
Registered Number :00486170

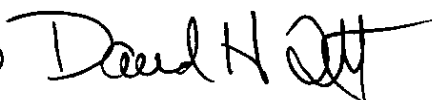
DOW CORNING LIMITED

COMPANY BALANCE SHEET - 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
Fixed Assets			
Tangible assets	11	196,594	203,248
Investments	12	-	2,278
		<u>196,594</u>	<u>205,526</u>
Current Assets			
Stocks	13	45,475	66,105
Debtors	14	164,566	154,834
Debtors due after one year	14	11,000	11,000
Cash at bank and in hand		3,741	4,946
		<u>224,782</u>	<u>236,885</u>
Creditors-Amounts falling due within one year	15	(240,180)	(246,384)
Net Current (Liabilities)		<u>(15,398)</u>	<u>(9,499)</u>
Total Assets less Current Liabilities		<u>181,196</u>	<u>196,027</u>
Creditors-Amounts falling due after more than one year	16	(23,919)	(16,263)
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Share premium	19	3,063	3,063
Revaluation reserve	19	275	275
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The financial statements and the notes to the financial statements were approved by the board of directors on 27 May 2010 and were signed on it's behalf by

D Ott (DIRECTOR)



Dow Corning Limited

Registered Number :00486170

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009

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 2006 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).

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. The current estimated useful lives of the company's fixed assets are:

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

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 £1million 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.

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

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

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 2009 the company has no derivative contracts (2008: None)

Turnover

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

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

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.

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.

Cash flow

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

Pension obligations

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

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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

The directors 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

The geographical analysis of the group's turnover is as follows

	2009 £'000	2008 £'000
United Kingdom	68,727	73,446
Rest of the World	321,854	372,355
	<u>390,581</u>	<u>445,801</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

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

4 ADMINISTRATIVE EXPENSE

	2009 £'000	2008 £'000
Net exchange loss on foreign currency	3,681	12,862
Other expense	4,977	3,088
Exceptional costs	14,053	-
	<u>22,711</u>	<u>15,950</u>

5 OPERATING PROFIT

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

	2009 £'000	2008 £'000
Depreciation of owned assets	16,852	16,263
Hire of plant and machinery	2,120	1,620
Other operating lease rentals	553	553
Auditors' remuneration (including expenses)	57	57
Net exchange loss on foreign currency	3,681	12,862
Exceptional costs	14,053	-

Fees payable to auditors in the year for non-audit work for the group amounted to £8,500 (2008 £7,800). The non audit services provided comprised entirely of tax compliance advice.

In addition to the audit fees shown above, an amount of £18,000 (2008 £26,000) 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.

Exceptional costs of £14 million comprised of redundancy costs (Note 6), lease termination costs, and the resolution of a contract dispute. All of these costs were connected with the company's response to the worldwide economic downturn.

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

6 STAFF COSTS

	Group and Company	
	2009	2008
	£'000	£'000
Wages and salaries	26,964	27,668
Redundancy	4,998	383
Social security costs	2,793	3,390
Pension costs (Note 23)	6,386	8,576
	<u>41,141</u>	<u>40,017</u>

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

	Group and Company	
	2009	2008
	Number	Number
Management and administration	27	35
Production and research	547	583
Sales	38	48
	<u>612</u>	<u>666</u>

These persons were all employed in the United Kingdom

7 DIRECTORS' EMOLUMENTS

	Group and Company	
	2009	2008
	£'000	£'000
Emoluments	801	1,094
Highest paid director:		
Total amount of emoluments	391	403
Accrued pension at end of year	43	43

The number of directors participating in the company's defined benefit pension scheme was 3 (2008 3)

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Interest receivable from group undertakings	3	28
Finance income from pension scheme	-	1,659
	<u>3</u>	<u>1,687</u>

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Finance expense from pension scheme	1,182	-
Interest on loans from group undertakings	2,495	4,358
Discount expense from group undertakings	225	-
	<u>3,902</u>	<u>4,358</u>

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no Corporation Tax charge for the year (2008 £Nil) There is no Deferred Tax charge in the year (2008 £Nil) (Note 14)

Factors affecting tax charge for period	2009 £'000	2008 £'000
(Loss) / profit on ordinary activities before tax	<u>(3,612)</u>	<u>22,166</u>
UK corporation tax calculated at the standard rate of 28% (2008 28.5%) on profit on ordinary activities before tax	(1,011)	6,317
Effects of		
– Expenses not deductible and income not taxable for tax purposes	(5,393)	(2,234)
– Depreciation in excess of capital allowances	1,522	1,003
– Losses	12,540	(12,253)
– Other timing differences	(7,658)	7,167
Total current tax charge for period	<u>-</u>	<u>-</u>

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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 2009	189	81,053	524,563	10,687	616,492
Additions	-	137	1,781	8,991	10,909
Transfers	-	937	3,237	(4,174)	-
Disposals	-	(282)	(5,736)	-	(6,018)
At 31 December 2009	189	81,845	523,845	15,504	621,383
Accumulated Depreciation					
At 1 January 2009	135	31,269	381,840	-	413,244
Charge for the year	5	2,383	14,464	-	16,852
Disposals	-	(101)	(5,206)	-	(5,307)
At 31 December 2009	140	33,551	391,098	-	424,789
Net Book Amount					
At 31 December 2009	49	48,294	132,747	15,504	196,594
At 31 December 2008	54	49,784	142,723	10,687	203,248

Included within plant and equipment above is capitalised interest with a net book value of £17,030,305 (2008 £19,463,209) and commissioning costs with a net book value of £1,187,942 (2008 £1,357,646) 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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

11 TANGIBLE ASSETS – GROUP AND COMPANY (CONTINUED)

The historic cost of the freehold land is £553,000 (2008 £553,000) The amounts of the valuations are as follows

	Group and Company	
	2009	2008
	£'000	£'000
Freehold land	828	828
Future capital expenditure not provided for in these accounts		
	2009	2008
	£'000	£'000
Contracts placed	2,606	3,289

12 INVESTMENTS

As at 31 December 2009 the company had liquidated 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 or prior year

13 STOCKS

	Group and Company	
	2009	2008
	£'000	£'000
Raw materials and consumables	41,583	59,084
Finished goods and goods for resale	3,892	7,021
	<u>45,475</u>	<u>66,105</u>

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

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

14 DEBTORS

	Group and Company	
	2009 £'000	2008 £'000
Amounts falling due within one year		
Trade debtors	15,623	14,331
Amounts owed by group undertakings	147,207	138,329
Other debtors and prepayments	1,736	2,174
	<u>164,566</u>	<u>154,834</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>

	Group and Company	
	2009 £'000	2008 £'000
The deferred tax asset arises as follows -		
Capital allowances in excess of depreciation	31,319	32,273
Other short term timing differences	(15,669)	(23,328)
Losses	(26,650)	(19,945)
	<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 £48 million (2008 £42 million) have not been recognised due to uncertainty of utilisation.

	Group and Company	
	2009 £'000	2008 £'000
Movement on deferred tax		
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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

15 CREDITORS - Amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade creditors	35,475	30,463	35,475	30,463
Amounts due to group undertakings	96,180	105,243	96,180	107,521
Loans from group undertakings (Note 17)	85,660	89,412	85,660	89,412
Taxation and social security	427	444	427	444
Accruals	22,438	18,544	22,438	18,544
	<u>240,180</u>	<u>244,106</u>	<u>240,180</u>	<u>246,384</u>

16 CREDITORS - Amounts falling due after more than one year

	Group and Company	
	2009	2008
	£'000	£'000
Loans from group undertakings (Note 17)	23,595	15,540
Accruals	324	723
	<u>23,919</u>	<u>16,263</u>

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

17 LOANS FROM GROUP UNDERTAKINGS

Due Within One Year:

	2009 £'000	2008 £'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
(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
(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
(d) Unsecured (GBP) original issue discount notes from Dow Corning United Kingdom Holding Company LLC dated 23 rd October 2009, 10 th November 2009 and 29 th December 2009, discount arising is £22,580, £720,628 and £319,602, expiring 22 nd January 2010, 10 th November 2010 and 29 th June 2010	49,155	-
(e) Unsecured (EUR) loan from the ultimate parent company, under a EUR 100 million revolving Credit Agreement dated 1 November 2004 expiring 1 May 2010, the interest rate is 6 month EUR LIBOR plus 30%	9,965	-
(f) Inter-Company revolving credit agreement with Dow Corning Coordination Center SA dated 7 April 2000, Zero-Cash Balancing	26,540	-
	85,660	89,412

Due After More Than One Year:

(f) 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
(g) 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
(h) 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
(i) Unsecured (GBP) original issue discount note from Dow Corning United Kingdom Holding Company LLC dated 19 th November 2009, discount arising is £1,902,279, expiring 19 th November 2011	23,595	-
	23,595	15,540

The net amount of exchange gains and losses on foreign currency borrowings that has been recognised in the profit and loss account in the year is a gain of £130,000 (2008 £113,000 loss)

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

18 CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised:		
270,250,000 (2008 270,250,000) Ordinary shares of £1 each	<u>270,250</u>	<u>270,250</u>
Allotted, issued and fully paid:		
250,000,000 (2008 250,000,000) Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

19 RESERVES – GROUP AND COMPANY

	£'000
PROFIT AND LOSS	
1 January 2009	(123,461)
Loss for the financial year	(3,612)
Actuarial loss on pension scheme	(27,739)
At 31 December 2009	<u>(154,812)</u>
SHARE PREMIUM	
At 31 December 2009 and 2008	3,063
REVALUATION RESERVE	
At 31 December 2009 and 2008	275
TOTAL RESERVES AT 31 DECEMBER 2009	<u>(151,474)</u>

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account has been presented for the company

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

20 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group and Company	
	2009 £'000	2008 £'000
(Loss) / profit for the financial year	(3,612)	22,166
Actuarial (loss) on pension scheme	(27,739)	(21,452)
Net reduction to shareholders' funds	(31,351)	714
Opening shareholders' funds	129,877	129,163
Closing shareholders' funds	98,526	129,877

21 OPERATING LEASE COMMITMENTS

At 31 December 2009 the group had annual commitments under non-cancellable operating leases as follows

	2009			2008		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring within 1 year	286	78	364	-	19	19
Expiring within 2 to 5 years	-	506	506	556	465	1,021
Expiring after 5 years	-	-	-	-	95	95
	286	584	870	556	579	1,135

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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 2009 are shown as follows

	Electricity, steam and water	Other services
Contract expiry date	2013	2024
Minimum payments due are as follows	£'000	£'000
2010	21,529	5,834
2011	21,529	5,834
2012	21,529	5,599
2013	10,765	4,244
2014	-	3,452
Thereafter	-	31,067

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 £398,000 (2008 £347,000). No amounts are outstanding at the end of 2009 (2008 £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 2009. The major assumptions used by the actuary were

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Defined benefit pension scheme (continued)

Major assumptions

	2009 %	2008 %	2007 %
Discount rate	5.75	6.50	5.75
Inflation rate	3.75	3.00	3.25
Increases to deferred benefits during deferment	3.75	3.00	3.25
Increases to pensions in payment	3.50	3.00	3.25
Salary increases	5.00	4.75	5.00

Mortality table

2009	2008	2007
PNXA00 projected by birth year, with Long Cohort projections	PNXA00 projected by birth year, with Long Cohort projections	PXA92 projected by birth year, with Short Cohort projections

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

	2009	2008	2007
Equities	8.75	8.00	8.00
Bonds	5.75	5.25	5.10
Other	7.00	7.00	7.00
The weighted average expected long term rates of return at 31 December	7.75	7.25	7.25

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

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

	2009 £'000	2008 £'000	2007 £'000
Equities	148,070	111,798	146,567
Bonds	56,420	45,182	42,416
Other	21,070	15,696	18,334
Total market value of assets	225,560	172,676	207,317
Present value of liabilities	(284,311)	(222,563)	(242,227)
Deficit	(58,751)	(49,887)	(34,910)

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

Reconciliation of present value of scheme liabilities:

	2009 £'000	2008 £'000
Present value of plan liabilities at beginning of year	222,563	242,227
Service cost	5,988	8,229
Interest cost	14,203	13,697
Curtailments	(1,097)	-
Actuarial loss / (gain) on plan liabilities	50,754	(33,580)
Benefits paid	(8,100)	(8,010)
Present value of plan liabilities at end of year	284,311	222,563

Reconciliation of scheme assets at fair value:

	2009 £'000	2008 £'000
Fair value of plan assets at beginning of year	172,676	207,317
Expected return on plan assets	13,021	15,356
Actuarial gain / (loss) on plan assets	23,015	(55,032)
Members' contribution	-	-
Contributions by the Company	24,948	13,045
Benefits paid	(8,100)	(8,010)
Fair value of plan assets at end of year	225,560	172,676

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £36.0 million (2008: £39.7 million).

Analysis of amount charged to operating profit

	2009 £'000	2008 £'000
Current service cost	5,988	8,229

Of the operating charge, £5.2 million (2008: £7.0 million) is included within cost of sales, £0.5 million (2008: £0.7 million) is included within distribution expenses and £0.3 million (2008: £0.5 million) is included within administration expenses.

Analysis of amount (charged) / credited as interest

	2009 £'000	2008 £'000
Expected return on pension scheme assets	13,021	15,356
Interest on pension liabilities	(14,203)	(13,697)
Net (expense) / return	(1,182)	1,659

Analysis of amount recognised in statement of total recognised gains & losses

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	23,015	(55,032)
Experience gain / (loss) on scheme liabilities	7,173	(1,952)
(Loss) / gain from changes in assumptions underlying the present value of the scheme liabilities	(57,927)	35,532
Actuarial (loss) recognised in the STRGL	(27,739)	(21,452)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £77.9 million (2008: £50.2 million).

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

23 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Movements in deficit during the year

	2009 £'000	2008 £'000
Deficit in scheme at beginning of the year	(49,887)	(34,910)
Current service cost	(5,988)	(8,229)
Contributions	24,948	13,045
Other finance (expense) / income	(1,182)	1,659
Curtailment	1,097	-
Actuarial (loss)	(27,739)	(21,452)
Deficit in scheme at the end of the year	(58,751)	(49,887)

Amounts for current and previous four years

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Defined benefit obligation	(284,311)	(222,563)	(242,227)	(237,674)	(237,346)
Plan assets	225,560	172,676	207,317	192,209	169,686
(Deficit)	(58,751)	(49,887)	(34,910)	(45,465)	(67,660)
Expense adjustment on plan assets					
Amount	23,015	(55,032)	(4,908)	6,309	20,933
Expense adjustments on plan liabilities					
Amount	7,173	(1,952)	(3,990)	941	3,270
Total amount recognised in statement of total recognised gains and losses					
Amount	(27,739)	(21,452)	4,181	19,787	(6,033)

The valuation at 31 December 2009 showed an increase in the deficit from £49.9 million to £58.7 million. In 2009 contributions to the pension fund totalled £24.9 million. The total contribution expected to be made to the scheme by Dow Corning Limited in the year to 31 December 2010 is £12.9 million.

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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

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 consolidated 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 2009, the company has bank guarantees totalling £1,710,290 (2008 £1,929,885) held with its bankers. These guarantees have arisen in the normal course of business and relate to guarantees provided to HM Customs & Excise for £1,250,000 (2008 £1,000,000), the Environment Agency for £458,290 (2008 £927,885) and supplier guarantees for £2,000 (2008 £2,000)