

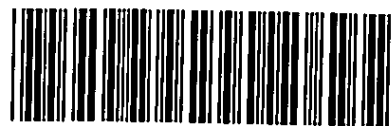
DOW CORNING LIMITED

**ANNUAL REPORT and FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2010**

Registered Number: 00486170

DOW CORNING

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DOW CORNING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2010

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DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The company's principal activity during the year continued to be the manufacture and marketing of silicone products

BUSINESS REVIEW

Due to the uncertainty in the economic climate, the company continued cost control measures to maximise operational efficiency of our manufacturing, customer service, and research and development operations. Throughout 2010 the company saw significant recovery in demand and continued to take opportunities to carry out essential maintenance and improvement projects which delivered improved efficiencies improvements.

The profit before taxation of £9.2 million for the year, compared to a loss before taxation of £3.6 million in 2009, is favourably impacted by the absence of any exceptional items (2009: £14 million of exceptional items). In 2010 the company was able to substantially increase demand and associated production, and continued its efforts on expense control and efficiency improvements.

The key business risks and uncertainties affecting the company are considered to be raw material and energy cost inflation which will place pressure on margins and, therefore, continued focus on costs and productivity will remain a company priority.

FUTURE DEVELOPMENT

The company intend to continue the management policies of innovation and development.

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. Loans from group undertakings due within one year will be met by rolling intercompany original issue discount notes.

DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

KEY PERFORMANCE INDICATORS

The company is a wholly owned subsidiary of a US entity and reports its monthly results to the Dow Corning Corporation Group ("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 the use of 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 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 2010.

DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (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 16.

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.

RESULTS AND DIVIDENDS

The results for the year are set out in the accompanying profit and loss account which shows a profit before tax of £9.2 million (2009: loss £3.6 million). Earnings before interest, taxation, depreciation, amortisation and exceptional costs amounted to £29.4 million (2009: £31.5 million).

The company now provides approximately 45% of Dow Corning Corporation's global capacity for the manufacture of Di-methyl

The directors do not recommend the payment of a dividend (2009: £Nil).

DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (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, Northern Division in order to resolve the Ultimate Parent Company's breast implant liabilities and related matters (the "Chapter 11 Proceeding"). The Chapter 11 proceeding did not include any subsidiaries of the Ultimate Parent Company. The Joint Plan of Reorganization was confirmed in November 1999 and provides funding for the resolution of breast implant and other products liability litigation covered by the Chapter 11 Proceeding through several settlement options or through litigation and for the satisfaction of commercial creditor claims in the Chapter 11 Proceeding. The Ultimate Parent Company emerged from the Chapter 11 Proceeding on June 1, 2004 (the "Effective Date") and is implementing its Joint Plan of Reorganization.

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 directors of the company who were in office during the year and up to the date of signing the financial statements are given below:

H. Davies	
L. McNally	
P. Cartwright	
M. Matthews	
J. Whitlock	
D. Ott	
J. Cole	Resigned 7 July 2010
M. Kapp	Resigned 31 March 2010
A. Tometich	Resigned 27 May 2010
I. Wilson	Appointed 27 May 2010
B. Tessin	Appointed 27 May 2010
K. Palumbo	Appointed 27 May 2010

DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (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 2010 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. The company spent £3.8 million on research and development during the year (2009: £4.5 million).

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations of £25,719 (2009: £17,266) for charitable purposes and no contributions to political parties (2009: £Nil). These donations were made to a variety of local charities.

DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (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 company had an average of 25 days (2009 44 days) of purchases outstanding with trade creditors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DOW CORNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors at the date the Directors' Report is approved, the following applies:

- so 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

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

On behalf of the Board



K. Palumbo
Director and Company Secretary

Dated 26 May 2011

DOW CORNING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOW CORNING LIMITED

We have audited the financial statements of Dow Corning Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

DOW CORNING LIMITED

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

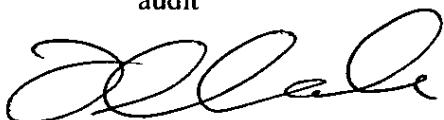
Opinion on other matter prescribed by the Companies Act 2006

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



Jason Clarke (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

26 May 2011.

DOW CORNING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

Continuing Operations	Note	2010 £'000	2009 £'000
Turnover	3	440,431	390,581
Cost of sales		(415,361)	(360,000)
Gross profit		25,070	30,581
Distribution costs		(7,782)	(7,241)
Administrative expense (including exceptional costs)	4	(5,300)	(22,711)
EBITDA before exceptional costs		29,477	31,534
Exceptional costs	5	-	(14,053)
Depreciation	11	(17,489)	(16,852)
Operating profit – before interest and taxation	5	11,988	629
Loss on disposal of fixed assets		(231)	(342)
Interest receivable and similar income	8	1,752	3
Interest payable and similar charges	9	(4,329)	(3,902)
Profit / (loss) on ordinary activities before taxation		9,180	(3,612)
Tax on profit on ordinary activities	10	12,654	-
Profit / (loss) for the financial year	18	21,834	(3,612)

Historical cost profits and losses

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

DOW CORNING LIMITED

**STATEMENT of TOTAL RECOGNISED GAINS and LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010	2009
	£'000	£'000
Profit / (loss) for the financial year	9,180	(3,612)
Actuarial gain / (loss) on pension scheme (Note 22)	11,978	(27,739)
Movement in deferred tax relating to pension liability	<u>(3,234)</u>	<u>-</u>
Total recognised gains and losses relating to year	<u>17,924</u>	<u>(31,351)</u>

DOW CORNING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Fixed Assets			
Tangible assets	11	191,220	196,594
		<u>191,220</u>	<u>196,594</u>
Current Assets			
Stocks	12	44,033	45,475
Debtors	13	210,094	164,566
Debtors due after one year	13	11,000	11,000
Cash at bank and in hand		-	3,741
		<u>265,127</u>	<u>224,782</u>
Creditors-Amounts falling due within one year	14	(300,823)	(240,180)
Net Current (Liabilities)		<u>(35,696)</u>	<u>(15,398)</u>
Total Assets less Current Liabilities		<u>155,524</u>	<u>181,196</u>
Creditors-Amounts falling due after more than one year	15	(951)	(23,919)
Net Assets before Pension Liability		<u>154,573</u>	<u>157,277</u>
Pension Liability	22	(25,469)	(58,751)
Net Assets including Pension Liability		<u>129,104</u>	<u>98,526</u>
Capital and Reserves			
Called up share capital	17	250,000	250,000
Profit and loss account	18	(124,234)	(154,812)
Share premium	18	3,063	3,063
Revaluation reserve	18	275	275
Total Shareholders' Funds	19	<u>129,104</u>	<u>98,526</u>

The financial statements on pages 12 to 37 were approved by the board of directors on 26 May 2011 and were signed on its behalf by

D Ott DIRECTOR

Registered Number: 00486170



DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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).

Basis of preparation – 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. Loans from group undertakings due within one year will be met by rolling intercompany original issue discount notes.

Fixed assets

Subject only to the revaluation of freehold land, fixed assets are shown at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Short leasehold and freehold buildings	up to 50 years
Plant and equipment	
Plant and machinery	18 years
Motor vehicles	3 - 6 years
Computer equipment	2 - 4 years

Interest capitalisation

The company 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.

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

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. Where necessary, provision is made for obsolete, slow moving or unsaleable stocks.

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. Deferred tax is measured on an undiscounted basis.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

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 2010 the company has no derivative contracts (2009: None).

Turnover

Turnover represents the invoiced value of goods and services supplied in the period, but excludes value added tax. Turnover is recognised in accordance with 'inco-terms' that are agreed on a customer by customer basis. These 'inco-terms' identify when the risk and rewards of ownership pass to the customer, at which point the company recognises the sale.

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 Statement

The company's cash flows are included within those reported by its parent and, therefore, under the provisions of FRS1 (revised 1996) the company has taken advantage of the exemption available and has not included a cash flow statement within these financial statements.

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

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.

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, Northern Division in order to resolve the Ultimate Parent Company's breast implant liabilities and related matters (the "Chapter 11 Proceeding"). The Chapter 11 proceeding did not include any subsidiaries of the Ultimate Parent Company. The Joint Plan of Reorganization was confirmed in November 1999 and provides funding for the resolution of breast implant and other products liability litigation covered by the Chapter 11 Proceeding through several settlement options or through litigation and for the satisfaction of commercial creditor claims in the Chapter 11 Proceeding. The Company emerged from the Chapter 11 Proceeding on June 1, 2004 (the "Effective Date") and is implementing its Joint Plan of Reorganization.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

3 TURNOVER

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

	2010	2009
	£'000	£'000
United Kingdom	80,211	68,727
Rest of the World	360,220	321,854
	440,431	390,581

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 company which the directors consider to represent one business segment

4 ADMINISTRATIVE EXPENSE

	2010	2009
	£'000	£'000
Net exchange (gain) / loss on foreign currency	(196)	3,681
Other expense	5,496	4,977
Exceptional costs (note 5)	-	14,053
	5,300	22,711

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

5 OPERATING PROFIT

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

	2010 £'000	2009 £'000
Depreciation of owned assets	17,489	16,852
Hire of plant and machinery	2,118	2,120
Other operating lease rentals	339	553
Auditors' remuneration (including expenses)	58	57
Net exchange (gain) / loss on foreign currency	(196)	3,681
Exceptional costs	-	14,053

Fees payable to auditors in the year for non-audit work for the group amounted to £5,000 (2009 £8,500). The non audit services provided comprised entirely of tax compliance advice.

In addition to the audit fees shown above, an amount of £14,000 (2009: £18,000) 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.

In the prior year exceptional costs of £14 million comprised of redundancy costs, 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. No such costs were incurred in the current year ended 31 December 2010.

6 STAFF COSTS

	2010 £'000	2009 £'000
Wages and salaries	30,476	26,964
Redundancies	2	4,998
Social security costs	2,716	2,793
Pension costs (Note 22)	8,176	6,386
	<u>41,370</u>	<u>41,141</u>

The average monthly number of persons employed by the company during the year, including directors, was as follows: These persons were all employed in the United Kingdom.

	2010 Number	2009 Number
Management and administration	23	27
Production and research	529	547
Sales	29	38
	<u>581</u>	<u>612</u>

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

7 DIRECTORS' EMOLUMENTS

	2010	2009
	£'000	£'000
Emoluments	1,143	801
Highest paid director:		
Total amount of emoluments	351	391
Accrued pension at end of year	-	43

The number of directors participating in the company's defined benefit pension scheme was 3 (2009 3) There are no directors participating in the company's personal pension plan (2009 0)

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£'000	£'000
Interest receivable from group undertakings	-	3
Finance income from pension scheme	1,752	-
	1,752	3

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£'000	£'000
Finance expense from pension scheme	-	1,182
Bank interest expense	2	-
Interest on loans from group undertakings	1,092	2,495
Discount expense from group undertakings	3,235	225
	4,329	3,902

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax on profit / (loss) on ordinary activities	2010 £'000	2009 £'000
Current Tax		
UK Corporation tax at 28% (2009 28%)	-	-
Deferred Tax		
Tax relating to the pension scheme at 27%	<u>(12,654)</u>	<u>-</u>
Tax (credit) on profit / (loss) on ordinary activities	<u>(12,654)</u>	<u>-</u>

The current tax credit for the year is different to the standard rate of corporation tax in the UK
The differences are explained below -

Factors affecting tax charge for period	2010 £'000	2009 £'000
Profit / (loss) on ordinary activities before tax	<u>9,180</u>	<u>(3,612)</u>
UK corporation tax calculated at the standard rate of 28% (2009. 28%) on profit on ordinary activities before tax	2,570	(1,011)
Effects of		
- Expenses not deductible and income not taxable for tax purposes	(456)	(309)
- Pension relief	(3,327)	(4,978)
- Depreciation in excess of capital allowances	1,971	1,522
- Losses not recognised in the year	3,652	12,434
- Other timing differences	<u>(4,410)</u>	<u>(7,658)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

10 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting current and future tax changes

During the year, as a result of the change in the UK main corporation tax rate from 28% to 27% that was substantially enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in June 2010 and March 2011 Budgets. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantially enacted at the balance sheet date and, therefore, are not recognised in these financial statements

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of future changes from 27% to 23%, if these are applied to the deferred tax balance at 31 December 2010, would be to reduce the deferred tax asset by £1.6 million (being £0.4 million recognised in 2011, £0.4 million recognised in 2012, £0.4 million recognised in 2013 and a further £0.4 million recognised in 2014)

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

11 TANGIBLE ASSETS

	Short Leasehold Land and Buildings £'000	Freehold Land and Buildings £'000	Plant and Equipment £'000	Asset under Construction £'000	Total £'000
Cost or Valuation					
At 1 January 2010	189	81,845	523,845	15,504	621,383
Additions	-	146	5,473	6,769	12,388
Transfers	-	6,659	7,442	(14,101)	-
Disposals	-	(125)	(1,982)	(54)	(2,161)
At 31 December 2010	189	88,525	534,778	8,118	631,610
Accumulated Depreciation					
At 1 January 2010	140	33,551	391,098	-	424,789
Charge for the year	5	2,393	15,091	-	17,489
Disposals	-	(77)	(1,811)	-	(1,888)
At 31 December 2010	145	35,867	404,378	-	440,390
Net Book Amount					
At 31 December 2010	44	52,658	130,400	8,118	191,220
At 31 December 2009	49	48,294	132,747	15,504	196,594

Included within plant and equipment above is capitalised interest with a net book value of £14,597,404 (2009: £17,030,305) and commissioning costs with a net book value of £1,018,236 (2009: £1,187,942). 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 FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

11 TANGIBLE ASSETS (CONTINUED)

The historic cost of the freehold land is £553,000 (2009: £553,000). The amounts of the valuations are as follows

	2010	2009
	£'000	£'000
Freehold land	828	828
Future capital expenditure not provided for in these accounts.		
	2010	2009
	£'000	£'000
Contracts placed	3,493	2,606

12 STOCKS

	2010	2009
	£'000	£'000
Raw materials and consumables	39,197	41,583
Finished goods and goods for resale	4,836	3,892
	<u>44,033</u>	<u>45,475</u>

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

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

13 DEBTORS

	2010	2009
	£'000	£'000
Amounts falling due within one year		
Trade debtors	17,396	15,623
Amounts owed by group undertakings	174,069	147,207
Other debtors and prepayments	18,629	1,736
	<u>210,094</u>	<u>164,566</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 -

	2010	2009
	£'000	£'000
Capital allowances in excess of depreciation	29,030	31,319
Other short term timing differences	(11,014)	(15,669)
Losses	(29,016)	(26,650)
	<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 £44 million (2009 £48 million) have not been recognised due to uncertainty of utilisation.

Movement on deferred tax

	2010	2009
	£'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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

14 CREDITORS - Amounts falling due within one year

	2010	2009
	£'000	£'000
Bank overdraft	3	-
Trade creditors	25,683	35,475
Amounts due to group undertakings	64,934	96,180
Loans from group undertakings (Note 16)	190,979	85,660
Taxation and social security	528	427
Accruals	18,696	22,438
	300,823	240,180

15 CREDITORS - Amounts falling due after more than one year

	2010	2009
	£'000	£'000
Loans from group undertakings (Note 16)	-	23,595
Accruals	951	324
	951	23,919

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

16 LOANS FROM GROUP UNDERTAKINGS

Due Within One Year:

	2010	2009
	£'000	£'000
(a) Unsecured (GBP) original issue discount notes from Dow Corning United Kingdom Holding Company LLC dated 19 th November 2009, 10 th November 2010, 21 st December 2010, 23 rd December 2010, 24 th December 2010 discount arising is £1,902,279, £3,598,285, £814,000, £706,000, £857,000, expiring 18 th November 2011 and 19 th November 2011	181,597	49,155
(b) 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
(c) Inter-Company revolving credit agreement with Dow Corning Coordination Center SA dated 7 April 2000, Zero-Cash Balancing.	9,382	26,540
	<u>190,979</u>	<u>85,660</u>

Due After More Than One Year:

(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
	<u>-</u>	<u>23,595</u>

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 £4,000 (2009 £130,000)

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

17 CALLED UP SHARE CAPITAL

	2010	2009
	£'000	£'000
Authorised:		
270,250,000 (2009: 270,250,000)		
Ordinary shares of £1 each	<u>270,250</u>	<u>270,250</u>
Allotted, issued and fully paid:		
250,000,000 (2009: 250,000,000)		
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

18 RESERVES

	£'000
PROFIT AND LOSS	
1 January 2010	(154,812)
Profit for the financial year	21,834
Actuarial gain on pension scheme	11,978
Movement in deferred tax relating to pension liability	(3,234)
At 31 December 2010	<u>(124,234)</u>
SHARE PREMIUM	
At 31 December 2010 and 2009	3,063
REVALUATION RESERVE	
At 31 December 2010 and 2009	275
TOTAL RESERVES AT 31 DECEMBER 2010	<u>(120,896)</u>

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit / (loss) for the financial year	21,834	(3,612)
Actuarial gain / (loss) on pension scheme	11,978	(27,739)
Movement on deferred tax on pension liability	(3,234)	-
Net addition / (reduction) to shareholders' funds	30,578	(31,351)
Opening shareholders' funds	98,526	129,877
Closing shareholders' funds	129,104	98,526

20 OPERATING LEASE COMMITMENTS

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	2010			2009		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring within 1 year	-	353	353	286	78	364
Expiring within 2 to 5 years	-	269	269	-	506	506
	-	622	622	286	584	870

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

21 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 2010 are shown as follows

	Electricity, steam and water	Other services
Contract expiry date	2013	2024
Minimum payments due are as follows	£'000	£'000
2010	25,851	5,985
2012	25,851	5,755
2013	12,925	4,379
2014	-	4,074
2015	-	4,074
Thereafter	-	28,474

22 PENSION AND SIMILAR OBLIGATIONS

Personal pension plan

Some employees of the company are members of the company personal pension plan, the assets of which are held separately from those of the company, 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 company, was £383,000 (2009: £398,000). No amounts are outstanding at the end of 2010 (2009: £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 Hewitt and has been updated at 31 December 2010. The major assumptions used by the actuary were:

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Defined benefit pension scheme (continued)

Major assumptions

	2010 %	2009 %
Discount rate	5.50	5.75
Inflation rate	3.50	3.75
Increases to deferred benefits during deferment	3.50	3.75
Increases to pensions in payment	3.50	3.50
Salary increases	4.75	5.00

Mortality table

2010	SINXA base tables projected from birth year, with an age rating adjustment of -1.2 (-0.5) years for males (females), with CMI 2009 model long term improvement rate of 1.0% pa plus constant additional allowance of 0.25% pa
2009	PNXA00 projected by birth year, with Long Cohort projections

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

	2010	2009
Equities	8.25	8.75
Bonds	5.10	5.75
Other	7.25	7.00
The weighted average expected long term rates of return at 31 December	6.75	7.75

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

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

	2010 £'000	2009 £'000
Equities	170,193	148,070
Bonds	76,953	56,420
Other	19,345	21,070
Total market value of assets	266,491	225,560
Present value of liabilities	(301,380)	(284,311)
Deficit in the scheme	(34,889)	(58,751)
Related deferred tax asset	9,420	-
Net Pension Deficit	(25,469)	(58,751)

The related deferred tax asset was not recognised in the prior year as a result of uncertainty surrounding its utilisation. However, the directors believe that the structural changes to the business have resulted in improved financial performance in the current year which will continue and improve in future years and the related deferred tax asset will be utilised against future trading profits. Therefore, the directors believe that it is appropriate to recognise the deferred tax asset in full in the current year.

Reconciliation of present value of scheme liabilities:

	2010 £'000	2009 £'000
Present value of plan liabilities at beginning of year	284,311	222,563
Service cost	7,793	5,988
Interest cost	16,129	14,203
Curtailements	-	(1,097)
Actuarial loss on plan liabilities	747	50,754
Benefits paid	(7,600)	(8,100)
Present value of plan liabilities at end of year	301,380	284,311

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Reconciliation of scheme assets at fair value:

	2010 £'000	2009 £'000
Fair value of plan assets at beginning of year	225,560	172,676
Expected return on plan assets	17,881	13,021
Actuarial gain on plan assets	12,725	23,015
Contributions by the Company	17,925	24,948
Benefits paid	(7,600)	(8,100)
Fair value of plan assets at end of year	266,491	225,560

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 £30.6 million (2009: £36.0 million).

Analysis of amount charged to operating profit

	2010 £'000	2009 £'000
Current service cost	7,793	5,988

Of the operating charge, £6.8 million (2009: £5.2 million) is included within cost of sales, £0.6 million (2009: £0.5 million) is included within distribution expenses and £0.4 million (2009: £0.3 million) is included within administration expenses.

Analysis of amount credited / (charged) as interest

	2010 £'000	2009 £'000
Expected return on pension scheme assets	17,881	13,021
Interest on pension liabilities	(16,129)	(14,203)
Net return / (expense)	1,752	(1,182)

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

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

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	12,725	23,015
Experience gain on scheme liabilities	3,574	7,173
Loss from changes in assumptions underlying the present value of the scheme liabilities	(4,321)	(57,927)
Actuarial gain / (loss) recognised in the STRGL	<u>11,978</u>	<u>(27,739)</u>

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £66 0 million (2009 £77 9 million)

Movements in deficit during the year

	2010 £'000	2009 £'000
Deficit in scheme at beginning of the year	(58,751)	(49,887)
Current service cost	(7,793)	(5,988)
Contributions	17,925	24,948
Other finance income / (expense)	1,752	(1,182)
Curtailment	-	1,097
Actuarial gain / (loss)	<u>11,978</u>	<u>(27,739)</u>
Deficit in scheme at the end of the year	<u>(34,889)</u>	<u>(58,751)</u>

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

22 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Amounts for current and previous four years

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefit obligation	(301,380)	(284,311)	(222,563)	(242,227)	(237,674)
Plan assets	266,491	225,560	172,676	207,317	192,209
(Deficit)	(34,889)	(58,751)	(49,887)	(34,910)	(45,465)
Expense adjustment on plan assets					
Amount	12,725	23,015	(55,032)	(4,908)	6,309
Expense adjustments on plan liabilities					
Amount	3,574	7,173	(1,952)	(3,990)	941
Total amount recognised in statement of total recognised gains and losses					
Amount	11,978	(27,739)	(21,452)	4,181	(6,033)

The valuation at 31 December 2010 showed a decrease in the deficit from £58.7 million to £34.9 million. In 2010 contributions to the pension fund totalled £17.9 million. The total contribution expected to be made to the scheme by Dow Corning Limited in the year to 31 December 2011 is £12.9 million.

DOW CORNING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

23 PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The immediate parent undertaking is Dow Corning UK Holdings LLC, a company incorporated in the Netherlands

The ultimate parent undertaking and controlling party is Dow Corning Corporation, a company incorporated in United States of America

Dow Corning Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2010. The consolidated financial statements of Dow Corning Corporation are available from

Dow Corning Corporate Center
2200 W Salzburg Road
P O. Box 994
Midland, MI 48686-0994

Dow Corning UK Holdings LLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Dow Corning UK Holdings LLC can be obtained from

Dow Corning UK Holdings LLC
2200 W. Salzburg Rd ,
Midland, MI 48686

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

24 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 31 December 2010, the company has bank guarantees totalling £1,737,885 (2009: £1,721,290) 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 (2009: £1,250,000), the Environment Agency for £485,885 (2009: £458,290), Dutch tax authority £299,000 (2009: Nil) and supplier guarantees for £2,000 (2009: £2,000).