Registered number: 00486170

DOW CORNING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

DOW CORNING LIMITED

COMPANY INFORMATION

DIRECTORS	H Davies (resigned 3 December 2013) P Cartwright M Matthews I Wilson B Tessin K Palumbo (resigned 31 August 2013) S Dopp K Kaufman H Austin S Dore (appointed 1 September 2013)
COMPANY SECRETARY	S Dore
REGISTERED NUMBER	00486170
REGISTERED OFFICE	Barry Plant Cardiff Road Barry Glamorgan CF63 2YL
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their Strategic Report for Dow Corning Limited for the year ended 31 December 2013.

BUSINESS REVIEW

Sales in 2013 decreased by 3% compared to the prior year due to changes in the contract manufacturing agreement with Dow Corning Corporation. In a year characterized by significant oversupply and pricing pressure in our industry, the company competed well to maintain its financial foundation. We continue to manufacture and sell high volumes of materials in our Silicones segment. Our efforts to continually improve the efficiency of our manufacturing operations have been a significant factor in our ability to compete in this volatile economic environment. We moved decisively to reduce our cost structure in 2013, providing us the ability to focus on growth through serving our customers in 2014 and beyond.

As a part of cost reductions, the defined benefit pension scheme closed to future accrual effective 31 December 2013. The impact of this closure resulted in a non-cash curtailment gain to the company's operating profit for 2013 of £25.8 million.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks to the company are oversupply in the silicone & polycrystalline silicon industries, as well as persistently high raw material costs and global trade policy instability which significantly impacted the company's financial performance in 2013. Whilst these conditions are expected to last throughout 2014, the company's strategy for long term success is clear and robust and the company's foundation remains financially strong. The company continues to take the necessary actions to strengthen its ability to maintain its competitive position in the marketplace and to enable it to continue to invest in developing innovative products for its customers. There is a continued high demand at the Barry site for its product ranges enabling it to run its manufacturing processes at or close to design rates. The site continues to identify efficiency gains which will help offset the impact of rising raw material and energy costs.

FINANCIAL 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 Note 25 for the address).

This report was approved by the board on 22 May 2014 and signed on its behalf by:

S Dore
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their annual report and the audited financial statements of Dow Corning Limited ("the company") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results for the year are set out in the accompanying Profit and Loss Account which shows a profit on ordinary activities before tax of £41.9 million (2012: £26.4 million). Earnings before interest, taxation, depreciation, amortisation and pension curtailment (EBITDA) amounted to £36.6 million (2012: £49.5 million).

The company now provides approximately 33% (2012: 33%) of Dow Corning Corporation's global capacity for the manufacture of Di-methyl.

The directors do not recommend the payment of a dividend (2012: £Nil).

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 financial statements and are satisfied that the company remains a going concern. This assumption is based on the intention that the ultimate parent company, Dow Corning Corporation, 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.

FINANCIAL RISK MANAGEMENT

The main financial risks arising from the company's activities are credit risk, foreign currency risk, liquidity risk and interest rate cash flow risk.

Credit risk
The credit risk to the company is made up of cash, trade debtors, amounts owed by group companies and other debtors. 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 US Dollar and the Euro. 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 other group companies to hedge its exposure to these risks. There are no forward contracts in place at 31 December 2013.

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 Natural Resources Wales (NRW) 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 by products or the consequence of their production and sale.

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 who were in office during the entire year and up to the date of signing the financial statements, unless otherwise stated, were:

H Davies (resigned 3 December 2013)
P Cartwright
M Matthews
I Wilson
B Tessin
K Palumbo (resigned 31 August 2013)
S Dopp
K Kaufman
H Austin
S Dore (appointed 1 September 2013)

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 2013 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 £2.5 million on research and development during the year (2012: £1.8 million).

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations of £23,250 (2012: £27,307) for charitable purposes and no contributions to political parties (2012: £Nil). These donations were made to a variety of local charities.

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 27 days (2012: 32 days) of purchases outstanding with trade creditors.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report 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.

This report and the financial statements on pages 9 to 27 were approved by the board on 22 May 2014 and signed on its behalf by:

S Dore
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOW CORNING LIMITED

Report on the company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Dow Corning Limited, comprise:

- the profit and loss account and statement of total recognised gains and losses for the year ended 31 December 2013;
- the balance sheet as at 31 December 2013; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements ("Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DOW CORNING LIMITED

Opinions on matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 ISAs (UK & 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.

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

22 May 2014

DOW CORNING LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £000	2012 £000
TURNOVER	3	**523,583**	541,169
Cost of Sales		**(492,422)**	(489,543)
GROSS PROFIT		**31,161**	51,626
Distribution costs		**(4,971)**	(5,138)
Administrative expenses		**(9,943)**	(15,896)
Pension curtailment	21	**25,800**	-
EBITDA*		**36,613**	49,456
Depreciation	11	**(20,366)**	(18,864)
Pension curtailment	21	**25,800**	-
OPERATING PROFIT	4	**42,047**	30,592
Loss on disposal of fixed assets		**(147)**	(375)
Interest receivable and similar income		**25**	-
Other finance income/(charges)	9	**1,580**	(115)
Interest payable and similar charges	8	**(1,626)**	(3,720)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**41,879**	26,382
Tax on profit on ordinary activities	10	**(16,305)**	(10,715)
PROFIT FOR THE FINANCIAL YEAR		**25,574**	15,667

All amounts relate to continuing operations.

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

The notes on pages 12 to 27 form part of these financial statements.

* EBITDA - Earnings before interest, tax, depreciation, amortisation and pension curtailment.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £000	2012 £000
PROFIT FOR THE FINANCIAL YEAR		**25,574**	15,667
Actuarial (loss)/gain on pension scheme	21	**(2,755)**	23,796
Movement in deferred tax relating to pension liability	21	**551**	(5,473)
Current tax attributable to actuarial gain		-	500
Effect of reduced tax rate on opening pension liability	21	-	(1,587)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		**23,370**	**32,903**

The notes on pages 9 to 27 form part of these financial statements.

DOW CORNING LIMITED
REGISTERED NUMBER: 00486170

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	£000	2012 £000
FIXED ASSETS					
Tangible assets	11		**194,718**		196,397
CURRENT ASSETS					
Stocks	12	**45,627**		58,731	
Debtors: amounts falling due after more than one year	13	**28,458**		28,970	
Debtors: amounts falling due within one year	13	**87,613**		115,010	
Cash at bank and in hand		**3,978**		3,169	
		165,676		205,880	
CREDITORS: amounts falling due within one year	14	**(139,899)**		(183,200)	
NET CURRENT ASSETS			**25,777**		22,680
TOTAL ASSETS LESS CURRENT LIABILITIES			**220,495**		219,077
CREDITORS: amounts falling due after more than one year	15		**(813)**		(675)
NET ASSETS EXCLUDING PENSION LIABILITY			**219,682**		218,402
Pension liability	21		**(21,064)**		(43,154)
NET ASSETS INCLUDING PENSION LIABILITY			**198,618**		175,248
CAPITAL AND RESERVES					
Called up share capital	18		**250,000**		250,000
Share premium account	19		**3,063**		3,063
Revaluation reserve	19		**275**		275
Profit and loss account	19		**(54,720)**		(78,090)
TOTAL SHAREHOLDERS' FUNDS	20		**198,618**		175,248

The financial statements on pages 9 to 27 were approved and authorised for issue by the board and were signed on its behalf on 22 May 2014 by:

H Austin
Director

The notes on pages 12 to 27 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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 United Kingdom. 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). The principal accounting policies, which have been consistently applied throughout the year, are shown below.

1.2 Going concern

The directors have considered the twelve month period from the date of approval of these financial statements 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 ongoing 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.

1.3 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:

Freehold buildings	-	up to 50 years
Short leasehold buildings	-	up to 50 years
Plant and equipment	-	18 years
Land	-	Not depreciated
Assets under construction	-	Not depreciated

1.4 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 £1 million in cost and have a construction period that exceeds one year.

1.5 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.

1. ACCOUNTING POLICIES (continued)

1.6 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.

1.7 Current and deferred tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

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.

1.8 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.

1.9 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 2013 the company has no derivative contracts (2012: None).

1.10 Turnover

Turnover represents the invoiced value of goods and services supplied in the year, 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.

1. ACCOUNTING POLICIES (continued)

1.11 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.

1.12 Operating leases

Rentals payments in respect of operating leases are charged to the Profit and Loss Account on a straight line basis over period of the lease.

1.13 Cash flow statement

The company is a wholly owned subsidiary of Dow Corning Corporation and is included in the consolidated financial statements of Dow Corning Corporation, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

1.14 Pensions

The company operates a defined benefit pension scheme, which closed to new entrants in December 2005 and closed for future service accrual in December 2013, 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 year 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 all employees. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. TURNOVER

A geographical analysis of turnover is as follows:

	2013 £000	2012 £000
United Kingdom	**65,460**	75,290
Rest of the world	**458,123**	465,879
	523,583	541,169

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. OPERATING PROFIT

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

	2013 £000	2012 £000
Depreciation of tangible fixed assets:		
- owned by the company	**20,366**	18,864
Other operating lease rentals		
- plant and machinery	**2,310**	2,173
Difference on foreign exchange	**(514)**	1,022
Research and development expenditure written off	**2,500**	1,828

5. AUDITORS' REMUNERATION

	2013 £000	2012 £000
Fees payable to the company's auditors for the audit of the company's annual financial statements	**62**	60
Fees payable to the company's auditors in respect of:		
Taxation compliance services	**-**	5
Financial statement preparation and iXBRL compliance services	**2**	2

In addition to the audit fees shown above, an amount of £13,000 (2012: £12,000) 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.

6. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2013 £000	2012 £000
Wages and salaries	**33,461**	36,874
Social security costs	**3,568**	2,205
Other pension costs (Note 21)	**9,368**	10,061
	46,397	49,140

The average monthly number of employees, including the directors, during the year was as follows:

	2013 Number	2012 Number
Management and administration	**24**	24
Production and research	**557**	563
Sales	**18**	20
	599	607

These persons were all employed in the United Kingdom.

7. DIRECTORS' REMUNERATION

	2013 £000	2012 £000
Aggregate emoluments	**1,001**	1,357

Highest paid director:

	2013 £000	2012 £000
Aggregate emoluments	**326**	500

During the year retirement benefits were accruing to 3 directors (2012: 4) in respect of defined benefit pension schemes. There are no directors participating in the company's personal pension plan (2012: none).

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £000	2012 £000
Interest on loans from group undertakings	492	13
Discount expense from group undertakings	1,134	3,707
	1,626	3,720

The discount expense from group undertakings relates to the unsecured (GBP) original issue discount notes from Dow Corning United Kingdom Holding Company LLC dated 18th December 2012 (see note 16).

9. OTHER FINANCE INCOME / (CHARGES)

	2013 £000	2012 £000
Expected return on pension scheme assets	17,434	16,315
Interest on pension scheme liabilities	(15,854)	(16,430)
	1,580	(115)

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £000	2012 £000
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	-	-
Deferred tax		
Origination and reversal of timing differences	6,895	9,677
Effect of decrease in tax rate on opening liability	1,236	1,038
Tax relating to the pension scheme at 20%	8,174	-
Total deferred tax (Note 17)	16,305	10,715
Tax on profit on ordinary activities	16,305	10,715

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012: lower than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	**41,879**	26,382
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**9,737**	6,464
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**(498)**	(525)
Depreciation in excess of capital allowances	**1,514**	1,505
Pension cost in excess of pension relief	**-**	500
Pension relief in excess of pension cost	**(1,551)**	-
Other timing differences	**(6,249)**	201
Utilisation of losses	**(2,953)**	(8,145)
Current tax charge for the year	**-**	-

Factors affecting current and future tax charges

The March 2013 Budget Statement announced changes to the UK Corporation tax rates that were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes have been substantively enacted at the balance sheet date their effects are included in these financial statements. Accordingly, the deferred tax balance has been calculated using a rate of 20%. No further changes to future tax rates were announced in the March 2014 Budget Statement on 19 March 2014.

11. TANGIBLE ASSETS

	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 2013	**189**	**91,261**	**553,003**	**24,551**	**669,004**
Additions	**-**	**866**	**11,693**	**6,274**	**18,833**
Disposals	**-**	**-**	**(3,048)**	**-**	**(3,048)**
Transfers	**-**	**1,378**	**21,855**	**(23,233)**	**-**
At 31 December 2013	**189**	**93,505**	**583,503**	**7,592**	**684,789**
Accumulated depreciation					
At 1 January 2013	**155**	**41,118**	**431,334**	**-**	**472,607**
Charge for the year	**5**	**2,501**	**17,860**	**-**	**20,366**
Disposals	**-**	**-**	**(2,902)**	**-**	**(2,902)**
At 31 December 2013	**160**	**43,619**	**446,292**	**-**	**490,071**
Net book amount					
At 31 December 2013	**29**	**49,886**	**137,211**	**7,592**	**194,718**
At 31 December 2012	34	50,143	121,669	24,551	196,397

Included within plant and equipment above is capitalised interest with a net book value of £7,298,701 (2012: £9,731,602) and commissioning costs with a net book value of £509,118 (2012: £678,824). 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.

The historic cost of the freehold land is £553,000 (2012: £553,000). The amounts of the valuations are as follows:

	2013 £000	2012 £000
Freehold land	**828**	828

Future capital expenditure not provided for in these financial statements:

	2013 £000	2012 £000
Contracts placed	**4,236**	6,774

12. STOCKS

	2013 £000	2012 £000
Raw materials and consumables	**42,510**	54,660
Finished goods and goods for resale	**3,117**	4,071
	45,627	58,731

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

13. DEBTORS

	2013 £000	2012 £000
Due after more than one year		
Deferred tax asset (Note 17)	**28,458**	28,970

	2013 £000	2012 £000
Due within one year		
Trade debtors	**12,071**	14,971
Amounts owed by group undertakings	**69,754**	85,903
Other debtors	**1,210**	1,939
Deferred tax asset due within one year (Note 17)	**4,578**	12,197
	87,613	115,010

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

14. CREDITORS:
Amounts falling due within one year

	2013 £000	2012 £000
Loans from group undertakings	**43,559**	56,550
Trade creditors	**32,501**	37,980
Amounts owed to group undertakings	**37,019**	57,087
Other taxation and social security	**9,804**	9,782
Accruals	**17,016**	21,801
	139,899	183,200

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The terms of the loans from group undertakings are detailed in note 16.

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FOR THE YEAR ENDED 31 DECEMBER 2013

15. CREDITORS:
Amounts falling due after more than one year

	2013 £000	2012 £000
Accruals and deferred income	**813**	675

16. LOANS FROM GROUP UNDERTAKINGS

Due within one year:

	2013 £000	2012 £000
(a) Unsecured and interest free (GBP) original issue discount notes from Dow Corning United Kingdom Holding Company LLC dated 18th December 2013 discount arising is £424,727; expiring 10th July 2014.	**23,062**	44,920
(b) Inter-Company revolving credit agreement with Dow Corning Coordination Center SA dated 7 April 2000; Zero-Cash Balancing.	**20,497**	11,630
	43,559	56,550

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 £Nil (2012: £Nil).

17. DEFERRED TAX ASSET

	2013 £000	2012 £000
At beginning of year	**41,167**	51,882
Released during year	**(6,895)**	(9,677)
Effect of decrease in tax rate on opening liability	**(1,236)**	(1,038)
At end of year	**33,036**	41,167

Deferred tax asset relating to pension deficit:

	2013 £000	2012 £000
At beginning of year	**12,890**	18,363
Deferred tax charged to the Profit and Loss Account	**(8,174)**	-
Deferred tax credited/(charged) in Statement of Total Recognised Gains and Losses	**551**	(5,473)
At end of year	**5,267**	12,890

17. DEFERRED TAX ASSET (continued)

The deferred tax asset is made up as follows:

	2013 £000	2012 £000
Capital allowances in excess of depreciation	**(19,089)**	(22,917)
Losses	**51,032**	62,344
Other short term timing differences	**1,093**	1,740
	33,036	41,167

The deferred tax asset of £33.0 million (2012: £41.2 million) is recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur.

18. CALLED UP SHARE CAPITAL

	2013 £000	2012 £000
Allotted, issued and fully paid		
250,000,000 (2012: 250,000,000) Ordinary shares of £1 (2012: £1) each	**250,000**	250,000

19. RESERVES

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2013	**3,063**	**275**	**(78,090)**
Profit for the financial year	-	-	**25,574**
Pension reserve movement	-	-	**(2,204)**
At 31 December 2013	**3,063**	**275**	**(54,720)**

The closing balance on the Profit and Loss Account reserve includes a £21,064,000 (2012: £43,154,000) debit, stated after deferred taxation of £5,267,000 (2012: £12,890,000), in respect of pension scheme liabilities of the company pension scheme.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Opening shareholders' funds	**175,248**	142,345
Profit for the financial year	**25,574**	15,667
Pension reserve movement	**(2,204)**	17,236
Closing shareholders' funds	**198,618**	175,248

21. 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 £556,066 (2012: £534,088). No amounts are outstanding at the end of 2013 (2012: £Nil).

Defined benefit pension scheme

The company operates a defined benefit pension scheme with assets held in a separately administered fund. Effective 31 December 2013 the scheme was closed to the future accrual of benefits. Active members at the date of closure became Employee Deferred Members with the link to future salary escalation replaced with deferred revaluations, but with enhanced benefits compared to ordinary Deferred Pensioners while they remain in continuous employment with the company.

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

	2013	2012
Equities	**7.75%**	7.75%
Bonds	**4.40%**	4.10%
Other	**6.00%**	6.00%
The weighted average expected long term rates of return at 31 December	**5.75%**	5.75%

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

	2013 £'000	2012 £'000
Equities	**149,600**	129,428
Bonds	**165,100**	149,374
Other	**25,300**	22,698
Total market value of assets	**340,000**	301,500

	2013 £000	2012 £000
Present value of liabilities	**(366,331)**	(357,544)
Total market value of assets	**340,000**	301,500
Deficit in scheme	**(26,331)**	(56,044)
Related deferred tax asset	**5,267**	12,890
Net pension deficit	**(21,064)**	(43,154)

21. PENSION AND SIMILAR OBLIGATIONS (continued)

The amounts recognised in profit or loss are as follows:

	2013 £000	2012 £000
Current service cost	**(8,812)**	(9,527)
Interest on pension liabilities	**(15,854)**	(16,430)
Expected return on pension scheme assets	**17,434**	16,315
Gains on curtailments	**25,800**	-
Total	**18,568**	(9,642)

Of the operating charge, £7.9 million (2012: £8.4 million) is included within cost of sales, £0.4 million (2012: £0.5 million) is included within distribution expenses and £0.5 million (2012: £0.6 million) is included within administration expenses.

Reconciliation of present value of scheme liabilities:

	2013 £000	2012 £000
Present value of plan liabilities at beginning of year	**357,544**	350,501
Service cost	**8,812**	9,527
Interest cost	**15,854**	16,430
Actuarial loss/(gain) on plan liabilities	**20,421**	(9,714)
Gains on curtailments	**(25,800)**	-
Benefits paid	**(10,500)**	(9,200)
Present value of plan liabilities at end of year	**366,331**	357,544

Reconciliation of scheme assets at fair value:

	2013 £000	2012 £000
Fair value of plan assets at beginning of year	**301,500**	272,703
Expected return on plan assets	**17,434**	16,315
Actuarial gain on plan assets	**17,666**	14,082
Contributions by the company	**13,900**	7,600
Benefits paid	**(10,500)**	(9,200)
Fair value of plan assets at end of year	**340,000**	301,500

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 £35.1 million (2012: £30.4 million).

21. PENSION AND SIMILAR OBLIGATIONS (continued)

Major assumptions:

	2013	2012
Discount rate at 31 December	**4.50 %**	4.50 %
Inflation rate	**3.50 %**	3.00 %
Salary increases	**4.25 %**	3.75 %
Increases to pensions in payment	**3.25 %**	3.00 %
Increases to deferred benefits during deferment	**2.75 %**	2.25 %

Mortality table

2013	**S1NXA base tables projected from birth year, with an age rating adjustment of -1.2 (-0.5) for males (females), with CMI_2009 model long term improvement rate of 1% pa plus constant additional allowance of 0.25% pa**
2012	S1NXA 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

Amounts for the current and previous four years

Defined benefit pension schemes

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Defined benefit obligation	**(366,331)**	(357,544)	(350,501)	(301,380)	(284,311)
Scheme assets	**340,000**	301,500	272,703	266,491	225,560
Deficit	**(26,331)**	(56,044)	(77,798)	(34,889)	(58,751)
Experience adjustments on scheme liabilities	**(4)**	49	(2,576)	3,574	7,173
Experience adjustments on scheme assets	**17,666**	14,082	(16,675)	12,725	23,015

21. PENSION AND SIMILAR OBLIGATIONS (continued)

The valuation at 31 December 2013 showed a decrease in the deficit from £56.0 million to £26 million. In 2013 contributions to the pension fund totalled £13.9 million. The total contribution expected to be made to the scheme by Dow Corning Limited in the year to 31 December 2014 is £5.3 million.

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

	2013 £000	2012 £000
Actual return less expected return on pension scheme assets	17,666	14,082
Experience (loss)/gain on scheme liabilities	(4)	49
(Loss)/gain from changes in assumptions underlying the present value of the scheme liabilities	(20,417)	9,665
Actuarial (loss)/gain recognised in the STRGL	(2,755)	23,796

The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £94.6 million (2012: £91.8 million).

Movements in deficit during the year

	2013 £000	2012 £000
Deficit in scheme at beginning of the year	(56,044)	(77,798)
Current service cost	(8,812)	(9,527)
Contributions	13,900	7,600
Other finance income/(charges)	1,580	(115)
Curtailment gains	25,800	-
Actuarial (loss)/gain	(2,755)	23,796
Deficit in scheme at end of the year	(26,331)	(56,044)

22. OPERATING LEASE COMMITMENTS

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

	2013 £000	2012 £000
Expiring within 1 year	247	195
Expiring within 2 to 5 years	104	273
Total	351	468

23. LONG TERM SUPPLY CONTRACTS

The company has entered into long term contracts with various suppliers for the supply of steam and other services. The expiry dates of the contracts along with the minimum payments due as of 31 December 2013 are shown as follows:

	Other services
	£000
Contract expiry date	2024
Minimum payments due as follows:	
2014	5,662
2015	5,700
2016	5,543
2017	3,987
2018	3,739
Thereafter	18,504

24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 31 December 2013, the company has bank guarantees totalling £6,012,323 (2012: £4,793,843) held with its bankers. These guarantees have arisen in the normal course of business and relate to guarantees provided to HM Customs & Excise for £5,000,000 (2012: £2,750,000), the Environment Agency for £800,000 (2012: £1,758,778), Dutch tax authority £210,323 (2012: £283,065) and supplier guarantees for £2,000 (2012: £2,000).

25. PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The immediate parent undertaking is Dow Corning UK Holdings LLC, a company incorporated in the United States of America.

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 and smallest group of undertakings to consolidate these financial statements at 31 December 2013. 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

The company is a 100% owned subsidiary of a corporation producing consolidated financial statements 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.