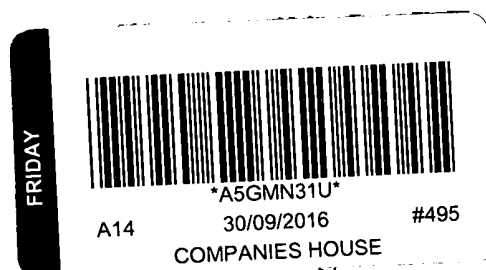


Momentive Performance Materials Limited

**Annual Report and Financial Statements
for the year ended 31 December 2015**



Momentive Performance Materials Limited

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Momentive Performance Materials Limited

Officers and professional advisers

Directors

Peter Bering
Jonathan Chard
Matthias Steiner

Secretary

Abogado Nominees Limited

Registered office

5 Cranfield Road
Lostock Industrial Estate
Lostock, Bolton
BL6 4QD

Registered number

06376744

Principal bankers

Deutsche Bank AG
Global Cash Management Division
3rd Floor Garden House
23 Great Winchester Street
London
EC2P 2AX

Independent auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Momentive Performance Materials Limited

Strategic Report for the year ended 31 December 2015

The directors present their Strategic Report on the Company for the year ended 31 December 2015.

Review of the business

Momentive Performance Materials Limited continues to operate as a tolling entity, in which sales are made wholly to the Company's parent on a cost-plus basis. The result for the year was a loss for the financial year of £103,509 (2014: £109,448). The Company increased turnover in the year to £4,484,769 (2014: £4,374,581), and the Company made an operating profit of £279,986 (2014: £284,473), before the payment of interest to group undertakings. The long term strategy is to continue to fulfil the requirements of the parent under the tolling agreement.

General

In all of Momentive operations product safety, employee health and safety, and environmental care are important elements in the development of the company strategy. It is the responsibility of each Momentive company to ensure that corporate environmental policy is put into practice. This includes protecting the environment by limiting the environmental impact of operations, meeting the requirements of legislation and training employees on environmental health and safety concerns. In order to remain competitive in the future economic environment the Company will further change the mix from commodity to specialty products and continue to focus efforts around productivity and cost reductions in both manufacturing and services.

Principal risks and uncertainties

The directors believe that the Company's activities expose it to a number of financial risks, mainly around raw material pricing risk. Raw materials pricing remains competitive and it is not always possible to pass directly any increases to the end customer due to contractual or competitors pricing policies. Also the general economic environment continues to provide challenges to the business. Risks and uncertainties are managed and mitigated as part of the risk management strategy of the Momentive Performance Materials European Group.

The directors apply Momentive Performance Materials European Group policies that seek to limit any adverse financial effects of these risks and these policies are implemented by the Momentive Europe Finance Department. The Momentive Group has standard policies which set out specific guidance on how credit risk is managed. Liquidity risk is managed through a Momentive Europe cash pooling arrangement, which is used to maintain the working capital requirements of the company on a day to day basis. Currency risk through trading in export markets in foreign currency is managed through forecasting sales and purchases. No hedge accounting is applied.

Financial key performance indicators

The directors focus on operating profit and measures to improve overall profitability, including by changing the product mix from commodity to specialty products and continue to focus efforts around productivity and cost reductions in both manufacturing and service. These are kept under regular review by the Directors and appropriate action taken as required.

Non-financial key performance indicators

The directors believe that the use of non-financial KPIs is not necessary for an understanding of the results and operations of the business.

Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Note 23 details the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

This report was reviewed by the board and signed on its behalf by:


Peter Bering
Director

Date: 27 September 2016

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2015

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2015.

Principal activities

The Company is a wholly owned subsidiary of Momentive Performance Materials GmbH, Leverkusen, Germany, which operates as the parent of the Momentive Performance Materials European Group, hereafter "European Momentive Group".

The European Momentive Group is engaged in the business of producing, marketing and selling a variety of silicone based products to external customers throughout Europe, the Middle East, Africa and India. The European Momentive Group also sells products to affiliated Momentive Performance Materials operations in both the Americas and the Pacific region. The European Momentive Group headquarters and principal manufacturing plant are located in Leverkusen, Germany.

The Company owns and operates a compounding and packaging operation, located in Lostock, UK.

The Company entered into a toll compounding and commercial services agreement with Momentive Performance Materials GmbH, Leverkusen, Germany, hereafter "the GmbH". Under the terms of this agreement, the Company provides field sales and marketing services, customer support to the European Momentive Group, in addition to compounding and packaging services for the GmbH. The Company receives compensation for these services on a cost-plus fee basis.

Review

The results of the Company are shown on page 8. The Company is exempt from the requirement to prepare an enhanced business review as it qualifies as a small company.

Future developments

The directors expect the Company to continue to operate as a tolling entity within the Momentive Group, which makes sales to the parent on a cost-plus basis.

Employees

The Company supports the principle of equal opportunities. Its policy is that there should be no unfair discrimination on the grounds of sex, religion or race. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interest. Employees are made aware of the financial and economic performance of their business unit and of the company as a whole. Communication with employees continues through briefing groups and newsletters.

Health and safety

In all of Momentive operations product safety, employee health and safety, and environmental care are important elements in the development of the company strategy. It is the responsibility of each Momentive company to ensure that corporate environmental policy is put into practice. This includes protecting the environment by limiting the environmental impact of operations, meeting the requirements of legislation and training employees on environmental health and safety concerns.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: £nil).

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2015 (continued)

Political and charitable donations

The Company made no political or charitable donations in the year (2014: £nil).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are disclosed on page 1. The following changes in directors have taken place during the year:

Robert Gnann (resigned on 18 November 2015)
George Knight (resigned on 31 December 2015)
Matthias Steiner (appointed on 7 January 2016)

Qualifying third party indemnity provision

The directors have an insurance policy in place to provide them with indemnity cover.

Financial risk management

Details of the Company's financial risk management policies can be found within the 'Principal risks and uncertainties' section of the Strategic Report.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Momentive Performance Materials Holdings Inc. The directors have received confirmation that Momentive Performance Materials Holdings Inc. intends to support the company for at least one year after these financial statements are signed.

The Company receives reimbursement of all costs incurred in providing their principal activity plus a service fee of 6.25% on Manufacturing Costs and 7.2% for all other costs such as Selling and Administration.

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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102) 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 United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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.

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2015 (continued)

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information (i.e. information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- that director has taken all steps that they ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.


On behalf of the Board
Peter Bering
Director
Date: 27 September 2016

Momentive Performance Materials Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOMENTIVE PERFORMANCE MATERIALS LIMITED

Report on the financial statements

Our opinion

In our opinion, Momentive Performance Materials Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinion on other matter 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 to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Momentive Performance Materials Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOMENTIVE PERFORMANCE MATERIALS LIMITED (continued)

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 4, 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) ("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 parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the 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.



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

27 September 2016

Momentive Performance Materials Limited

Income Statement

	Note	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Turnover	5	4,484,769	4,374,581
Cost of sales		(2,395,637)	(2,094,546)
Gross profit		2,089,132	2,280,035
Distribution costs		(849,143)	(1,079,194)
Administrative expenses		(960,003)	(916,368)
Operating profit	6	279,986	284,473
Net interest expense	8	(275,124)	(264,244)
Profit on ordinary activities before taxation		4,862	20,229
Tax on profit on ordinary activities	9	(108,371)	(129,677)
Loss for the financial year		(103,509)	(109,448)

Statement of Comprehensive Income

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Loss for the financial year	(103,509)	(109,448)
Other comprehensive income	-	-
Total comprehensive expense for the financial year	(103,509)	(109,448)

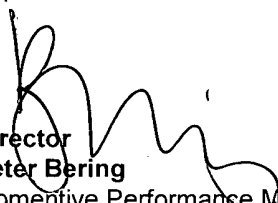
Momentive Performance Materials Limited

Statement of Financial Position

	Note	As at 31 December 2015 £	As at 31 December 2014 £
Fixed assets			
Intangible assets	10	6,407,402	6,938,381
Tangible assets	11	994,387	1,017,818
		7,401,789	7,956,199
Current assets			
Debtors	12	107,443	99,769
Cash at bank and in hand		355,407	317,732
		462,850	417,501
Creditors: amounts falling due within one year	13	(6,429,508)	(6,860,374)
Net current liabilities		(5,996,658)	(6,442,873)
Total assets less current liabilities		1,435,131	1,513,326
Provisions for other liabilities	14	(95,614)	(70,300)
Net assets		1,339,517	1,443,026
Capital and reserves			
Called up share capital	16	1,000	1,000
Share premium account	17	3,172,901	3,172,901
Retained earnings	17	(1,834,384)	(1,730,875)
Total equity		1,339,517	1,443,026

The notes on page 11 to 25 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 27th September 2016 and were signed on its behalf by:


 Director
 Peter Bering
 Momentive Performance Materials Limited
 Registered No. 06376744

Momentive Performance Materials Limited

Statement of Changes in Equity

	Called-up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2014	1,000	3,172,901	(1,621,427)	1,552,474
Loss for the financial year	-	-	(109,448)	(109,448)
Total other comprehensive expense for the year	-	-	(109,448)	(109,448)
At 31 December 2014	1,000	3,172,901	(1,730,875)	1,443,026
At 1 January 2015	1,000	3,172,901	(1,730,875)	1,443,026
Loss for the financial year	-	-	(103,509)	(103,509)
Total other comprehensive expense for the financial year	-	-	(103,509)	(103,509)
At 31 December 2015	1,000	3,172,901	(1,834,384)	1,339,517

Momentive Performance Materials Limited

Notes to the financial statements

1. General information

Momentive Performance Materials Limited ('the company') is engaged in the business of producing, marketing and selling a variety of silicone based products to external customers. The company has manufacturing plants in the UK and sells primarily to the UK and the rest of Europe.

The company is incorporated and domiciled in the UK and is part of Momentive Performance Materials Holdings Inc., a global business manufacturing silicone and quartz based products. The address of its registered office is 5 Cranfield Road, Lostock Industrial Estate, Lostock, Bolton, BL6 4QD.

2. Statement of compliance

The individual financial statements of Momentive Performance Materials Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 23.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The company meets its day-to-day working capital requirements through the group's centralized treasury arrangements and shares a cash pooling arrangement with other Momentive's operations in Europe. The directors, having assessed the responses of the directors of the company's parent Momentive Performance Materials Holdings Inc., have no reason to believe that a material uncertainty exists that may cast significant doubt in the ability of Momentive Performance Materials Holdings Inc. to continue as a going concern or its ability to continue with the current banking arrangements.

On this basis of this assessment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The directors have received confirmation that Momentive Performance Materials Holdings Inc. intends to support the company for at least one year after these financial statements are signed. The Company receives reimbursement of all costs incurred in providing their principal activity plus a service fee of 6.25% on manufacturing costs and 7.2% for all other costs such as selling and administration.

(c) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Momentive Performance Materials Holdings Inc. includes the company's cash flows in its own consolidated financial statements.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(d) Foreign currency

(i) Functional and presentational currency

The company's functional and presentational currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating (losses)/gains'.

(e) Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company recognizes turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

(i) Sale of goods

The company recognises turnover when all the following conditions are satisfied:

- (a) the significant risks and rewards of ownership have been transferred to the buyer;
- (b) the company retains no continuing involvement or control over the goods;
- (c) the amount of turnover can be measured reliably;
- (d) it is probable that future economic benefits will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income is recognised using the effective interest rate method.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(f) Exceptional items

The company classifies charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

(g) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a contribution pension plan.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognized as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognized as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognized in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognized in the reporting period. Tax is recognized in the Income Statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in financial statements.

Deferred tax is recognized on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(i) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under the FRS102 section 18 and 19, goodwill arising on acquisitions has been capitalised and is being amortised over 20 years, being the period expected to benefit. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Software costs

Computer software is stated at cost less accumulated amortization and accumulated impairment losses. Software is amortized over its estimated useful life, of between 3 and 5 years, on a straight line basis. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortization rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(j) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalized.

(i) Plant and machinery and fixtures, fittings, tools and equipment

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Plant and machinery – 10 – 15 years
- Fixtures, fittings, tools and equipment - 10 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iii) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognized. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

(vi) De-recognition

Tangible assets are derecognized on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognized in profit or loss and included in 'Other operating (losses)/gains'.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

(l) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(m) Impairment of non-financial asset

At each Statement of Financial Position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Income Statement.

(n) Provisions and contingencies

(i) Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(a) Restructuring provisions are recognized when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan

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or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(n) Provisions and contingencies (continued)

(b) Provision is not made for future operating losses.

All provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognized when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognized. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Distributions to equity holders

Dividends and other distributions to company's shareholders are recognized as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognized in the statement of changes in equity.

(q) Related party disclosures

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(r) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

The company only enters into basic financial assets, including trade and other receivables and cash and bank balances. These are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income Statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(r) Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and balances due to from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

4. Critical accounting judgements and estimation uncertainty

In applying the accounting policies detailed above, decisions sometimes have to be made as to the likely outcome of future events. Those judgements and estimates made in preparing the financial statements are based on historical experience and assumptions that the directors believed were reasonable in the circumstances.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

(ii) Goodwill

The directors derive a reliable estimate of the useful life of goodwill arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed and any legal, regulatory or contractual provisions that can limit the useful economic life.

5. Turnover

Analysis of turnover by geography:

	2015 £	2014 £
United Kingdom	-	-
Rest of Europe	4,484,769	4,374,581
Other	-	-
	4,484,769	4,374,581

Analysis of turnover by category:

	2015 £	2014 £
Sales of goods	4,484,769	4,374,581
	4,484,769	4,374,581

Momentive Performance Materials Limited

Notes to the financial statements

6. Operating profit

Operating profit is stated after charging/(crediting):

	2015 £	2014 £
Wages and salaries	1,700,409	1,523,799
Social security costs	192,551	170,731
Pension costs (Note 18)	192,911	183,892
Total staff costs	2,085,871	1,878,422
Operating lease rentals:		
- vehicles	53,204	54,355
- plant and equipment	33,251	28,219
- land and buildings	106,703	105,750
Foreign exchange (gains)/losses	(1,494)	664
Audit fees payable to the company's auditors	11,100	11,100
Depreciation of owned assets	219,452	166,084
Goodwill amortisation	533,722	533,722
Software amortisation	867	-

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditor for 'Other services' as this information is included in the consolidation financial statement of Momentive Performance Materials Holdings Inc.

Momentive Performance Materials Limited

Notes to the financial statements

7. Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2015 No.	2014 No.
Production	21	21
Sales	-	-
Administration	19	18
	40	39

Directors

The directors received no remuneration from the Company during the year (2014: £nil). They are remunerated by other group companies for their services to the group as a whole during the year. It is not practicable to allocate their services as a director between group companies. Details of their remuneration can be found in the financial statements of Momentive Performance Materials GmbH.

8. Net interest expense

Interest payable and similar charges

	2015 £	2014 £
Interest payable on inter-company loans	275,124	264,244
Total interest payable and similar charges	275,124	264,244

Net interest expense

	2015 £	2014 £
Interest receivable and similar income	-	-
Interest payable and similar charges	(275,124)	(264,244)
Total net interest expense	(275,124)	(264,244)

Momentive Performance Materials Limited

9. Tax on profit on ordinary activities

a) Tax expense included in the Income Statement

	2015 £	2014 £
Current tax		
- UK Corporation tax on profit for the year	105,467	146,078
- Adjustment in respect of prior year	(22,410)	(14,026)
Total current tax	83,057	132,052
Deferred tax:		
- Origination and reversal of timing differences	25,314	(2,375)
- Impact of changes in tax rates	-	-
Total deferred tax	25,314	(2,375)
Tax on profit on ordinary activities	108,371	129,677

b) Reconciliation of tax charge

Tax assessed for the period is lower (2014: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before taxation	4,862	20,229
Profit on ordinary activities before taxation multiplied by the standard rate in the UK of 20.25% (2014: 21.50%)	985	4,349
Effects of:		
- Expenses not deductible for tax purposes	121,747	116,900
- Capital allowances in excess of depreciation	(17,265)	24,830
- Origination and reversal of timing differences	25,314	(2,375)
- Prior year adjustment	(22,410)	(14,027)
Tax charge for the year	108,371	129,677

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25%. The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014 and hence the effect rate of 21.50% was used in the 2014 accounting period.

The effect of a 1% reduction in the rate of corporation tax would be to reduce the deferred tax liability provided at the Statement of Financial Position date by £956. This decrease in deferred tax liability would decrease profit by £956.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budgets' on 8 July 2015 and 16 March 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. As the changes had not been substantively enacted at the Statement of Financial Position date their effects are not included in these statements.

Momentive Performance Materials Limited

Notes to the financial statements

10. Intangible fixed assets

	Goodwill £	Software £	Total £
At 1 January 2015			
Cost	10,674,434	-	10,674,434
Accumulated amortization	(3,736,053)	-	(3,736,053)
Net book value	6,938,381	-	6,938,381
Year ended 31 December 2015			
Opening net book amount	6,938,381		6,938,381
Additions	-	3,610	3,610
Amortisation	(533,722)	(867)	(534,589)
Closing net book amount	6,404,659	2,743	6,407,402
At 31 December 2015			
Cost	10,674,434	3,610	10,678,044
Accumulated amortization	(4,269,775)	(867)	(4,270,642)
Net book value	6,404,659	2,743	6,407,402

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. The goodwill arose when Momentive Performance Materials Limited purchased the trade and assets of the UK branch of Momentive Performance Materials GmbH in 2008. Positive goodwill is amortised on a straight line basis and has a remaining amortisation period of 13 years. The Company has reconfirmed the carrying value on transition to FRS 102 to be 13 years based upon the latest financial projections.

Software

The software intangible assets include the company's fixed assets management system. The asset is carried at £2,743 (2014: £nil) and has a remaining amortisation period of 5 years. There are no other individually material intangible assets.

Momentive Performance Materials Limited

Notes to the financial statements

11. Tangible fixed assets

	Plant and equipment £	Fixtures, fittings, tools and equipment £	Total £
At 1 January 2015			
Cost	2,206,219	108,798	2,315,017
Accumulated depreciation and impairment	(1,194,419)	(102,780)	(1,297,199)
Net book value	1,011,800	6,018	1,017,818
Year ended 31 December 2015			
Opening net book value	1,011,800	6,018	1,017,818
Addition	199,631	-	199,631
Transfer	(3,610)		(3,610)
Depreciation	(218,845)	(607)	(219,452)
Closing net book amount	988,976	5,411	994,387
At 31 December 2015			
Cost	2,563,250	108,798	2,672,048
Accumulated depreciation and impairment	(1,574,274)	(103,387)	(1,677,661)
Closing net book amount	988,976	5,411	994,387

The Company entered, together with other group entities, into an asset-based group financing facility. Plant and equipment have been pledged as securities for this facility.

Momentive Performance Materials Limited

Notes to the financial statements

12. Debtors

	2015 £	2014 £
Other debtors	44,693	45,157
Prepayments and accrued income	62,750	54,612
	107,443	99,769

13. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	124,830	104,198
Amounts owed to group undertakings	6,063,207	6,564,235
Corporation tax	49,136	64,605
Accruals and deferred income	192,335	127,336
	6,429,508	6,860,374

There are no fixed repayment dates for amounts owed to group undertakings. Interest on amounts owed to group undertakings accrues at a rate of 3.05% per annum.

14. Provisions for other liabilities

	Deferred tax £
Balance brought forward at 1 January 2015	70,300
Income Statement (see note 9)	25,314
Balance carried forward at 31 December 2015	95,614

The provision for deferred taxation consists of the following:

	2015 £'	2014 £'
Accelerated capital allowances	95,614	70,300
Other timing differences	-	-
Deferred tax	95,614	70,300

There are no unused tax losses or unused tax credits.

Momentive Performance Materials Limited

Notes to the financial statements

15. Financial instruments

The Company has the following financial instruments

	2015 £	2014 £
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	-	-
- Amounts owed by group undertakings	-	-
- Other debtors	107,443	99,769
	107,443	99,769
Financial liabilities measured at amortised cost		
- Bank loans and overdraft	-	-
- Trade creditors	124,830	104,198
- Amounts owned to group undertakings	6,063,207	6,564,235
- Other creditors	-	-
	6,188,037	6,668,433

The Company has no derivative financial instruments (2014: nil).

16. Called up share capital

	2015 £	2014 £
Called up, allotted and fully paid		
1,000 (2014: 1,000) ordinary shares of £1 each	1,000	1,000

There is a single class of ordinary shares. There are no restrictions on distributions of dividends and the repayment of capital.

17. Reserves

Share premium account

The share premium account represents the consideration received on the issue of shares in the company in excess of the nominal value of those shares, net of share issue costs, bonus issues of shares and any subsequent capital reductions.

Retained earnings

The retained earnings represents the accumulated profits, losses and distributions of the company.

18. Post-employment benefits

The company provides a group personal pension arrangement for its employees. The amount recognised as an expense for this defined contribution arrangement was £192,911 (2014: £183,892). There was an amount of £nil outstanding at the year-end (2014: £nil).

Momentive Performance Materials Limited

Notes to the financial statements

19. Contingent liabilities

In the opinion of the directors, there were no material contingent liabilities or commitments requiring disclosure.

20. Capital and other commitments

The company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015	2014
	£	£
Within one year	139,070	135,266
Within two to five years	456,740	459,298
After five years	109,929	208,000
	705,739	802,564

The contracts authorized for future capital expenditure not provided in these accounts was £nil (2014: £nil).

In the opinion of the directors, there were no material contingent liabilities or commitments requiring disclosure. The company had no other off balance sheet commitments.

21. Related party disclosures

The Company is exempt from disclosing transactions with members of the group headed by Hexion Inc. that are wholly owned within the group.

Key management, in addition to the directors, include a number of senior managers who have the authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £388,407 (2014: £353,733).

22. Controlling parties

The immediate parent undertaking is Momentive Performance Materials GmbH.

The ultimate parent company is Momentive Performance Materials Holdings Inc., Waterford, NY. Momentive Performance Materials GmbH is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Momentive Performance Materials GmbH can be obtained from the company's registered office at Building V7, D-51368, Leverkusen, Germany. Copies of the group financial statements of Momentive Performance Materials Holdings Inc. are available from the company secretary, at 260 Hudson River Road, Waterford, NY 12188, USA.

23. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There were no changes in accounting policies which resulted in a change to the loss for the financial year ended 31 December 2014 or the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102. Computer software has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.