

Momentive Performance Materials Limited

Annual Report and Financial Statements

For the year ended 31 December 2013



Momentive Performance Materials Limited

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Momentive Performance Materials Limited

Officers and professional advisers

DIRECTORS

Robert Gnann
George Knight
Jonathan Chard
Peter Bering

SECRETARY

Karel D'Hulst

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
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

Momentive Performance Materials Limited

Strategic Report for the year ended 31 December 2013

The directors present their Strategic Report on the Company for the year ended 31 December 2013.

Review of the business

Momentive Performance Materials Limited continues operates 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 after taxation of £154,163 (2012: £299,318). The Company increased turnover in the year to £3,885,955 (2012: £3,706,103), and the Company made an operating profit of £235,226 (2012: £92,466), 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.

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.

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.

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


Peter Bering
Director
Date: 15 September 2014

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2013

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The Company is a wholly owned subsidiary of Momentive Performance Materials GmbH, Leverkusen, Germany, and operates after General Electric sold the Global Silicones Business to Apollo Management LP as a part of the European Momentive Performance Materials 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 Material operations in both the Americas and the Pacific region. The European Momentive 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 to Company to operate as a tolling entity within the Momentive Group, which makes sales to the parent on a cost-plus basis.

Employees

The Company's employees are a critical part of the continued success of the European Momentive Group. The nature of the services and manufacturing carried out by the Company require a highly skilled and trained work force. The Company continues to attract and retain such employees. The Company operates under strict integrity policies and practices, and is an equal opportunity employer.

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.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

Robert Gnann
Arnoldus Mertens - resigned 12 September 2014
George Knight
Jonathan Chard
Peter Bering – appointed 12 September 2014

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2013 (continued)

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012 - £nil).

Political and charitable donations

The Company made no political or charitable donations in the year (2012: £nil).

Research and development

The company incurred expenditure amounting to £nil (2012: £nil) on research and development during the year.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the immediate parent company, Momentive Performance Materials GmbH. The directors have received confirmation that Momentive Performance Materials GmbH 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 Cost of Goods Sold (COGS) and 7.2% for all other costs such as Selling and Administration.

Chapter 11 proceeding

On 13 April 2014, Momentive Performance Materials Inc. (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 South District of New York ("the Bankruptcy Court"). The ultimate parent company is acting as a debtor in possession under the supervision of the Bankruptcy Court. As a debtor in possession, the ultimate parent company is authorised to operate its business, but may not engage in transactions outside the ordinary course of business without the approval of the Bankruptcy Court. The Chapter 11 proceeding does not include any subsidiaries of the ultimate parent company outside of the United States. In the view of the management of the ultimate parent company, filing Chapter 11 protection was necessary to successfully implement the reorganisation plan.

A Chapter 11 filing in the United States is often a voluntary action taken by a company to protect its ongoing business from financial claims. During a Chapter 11 proceeding, the company financially reorganises so that it can meet all or part of the financial claims of those to whom it owes money at the date of filing. A Chapter 11 proceeding is not a liquidation proceeding. In general, companies file for Chapter 11 protection voluntarily because the process provides a mechanism for the company to emerge as a viable business. Under a Chapter 11 proceeding, a company maintains its normal business operations, continues to pay employee salaries and benefits and does business with suppliers and creditors in a routine matter for the duration of the proceeding.

As a result of the Chapter 11 proceeding, there are certain risks to the Company and group relating to the amounts payable to and receivable from Momentive Performance Materials Inc. This matter is also noted in Note 19 to the financial statements.

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2013 (continued)

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.

Disclosure of information to auditors

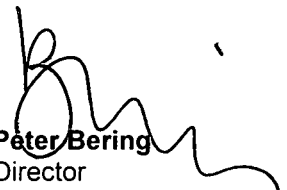
Each of the persons who are directors at the time this Directors' Report is approved have confirmed that:

- 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 the Director has taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By order of the Board



Peter Bering
Director
Date: 15 September 2014

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 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 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.

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

Emphasis of matter - Chapter 11 proceeding

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures made in note 19 to the financial statements concerning the possible outcome of the Chapter 11 proceeding in respect of Momentive Performance Materials Inc., the ultimate parent company. On 13 April 2014, 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 South District of New York. The ultimate outcome of the matter and the consequent impact upon the company cannot presently be determined, however the Directors expect that the ultimate parent company will emerge from the Chapter 11 proceeding during the second half of 2014 and then successfully implement the measure proposed in the Chapter 11 plan to improve operations.

What we have audited

The financial statements, which are prepared by Momentive Performance Materials Limited, comprise:

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

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

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 and 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 (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.

Momentive Performance Materials Limited

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

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.

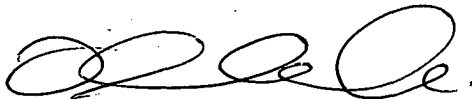
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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

15 September 2014

Momentive Performance Materials Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover		3,885,955	3,706,103
Cost of sales		(1,868,145)	(1,991,102)
Gross profit		2,017,810	1,715,001
Distribution costs		(1,087,782)	(934,560)
Administrative expenses		(694,802)	(687,975)
Operating profit	4	235,226	92,466
Interest payable and similar charges	5	(283,652)	(281,228)
Loss on ordinary activities before taxation		(48,426)	(188,762)
Tax on loss on ordinary activities	6	(105,737)	(110,556)
Loss for the financial year	12	(154,163)	(299,318)

All results derive from continuing operations.

There have been no recognised gains and losses other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The notes on pages 10 to 17 form part of these financial statements.

Momentive Performance Materials Limited

Profit and loss account for the year ended 31 December 2013

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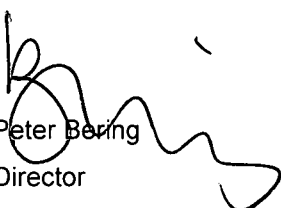
The notes on pages 10 to 17 form part of these financial statements.

Momentive Performance Materials Limited

Balance sheet as at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Intangible assets	7	7,472,103	8,005,825
Tangible assets	8	1,090,694	1,227,996
		8,562,797	9,233,821
Current assets			
Debtors	9	129,792	82,816
Cash at bank and in hand		329,118	-
		458,910	82,816
Creditors: amounts falling due within one year	10	(7,396,558)	(7,513,382)
Net current liabilities		(6,937,648)	(7,430,566)
Total assets less current liabilities		1,625,149	1,803,255
Provisions for liabilities	6	(72,675)	(96,618)
Net assets		1,552,474	1,706,637
Capital and reserves			
Called up share capital	11	1,000	1,000
Share premium	12	3,172,901	3,172,901
Profit and loss account	12	(1,621,427)	(1,467,264)
Total shareholders' funds		1,552,474	1,706,637

The financial statements on pages 8 – 17 were approved by the Board of Directors on 15 September 2014. Signed on behalf of the Board of Directors


 Peter Bering
 Director

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, on the basis of historic cost and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, that have been consistently applied, are set out below.

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 on the basis that the ongoing support will be available from the parent company to meet the debts of the Company as they fall due.

The Company receives reimbursement of all costs incurred in providing their principal activity plus a service fee of 6.25% on COGS and 7.2% for all other costs such as Selling and Administration. The Company's parent company has confirmed that they will provide adequate resources to allow the Company to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of these financial statements.

Turnover

For its activities as toll compounder and commercial services provider for Momentive Performance Materials Silicones GmbH, Leverkusen Germany, the Company receives reimbursement of all costs incurred in providing the above service, plus a service fee of 6.67% of such costs. Costs shall include both direct out-of-pocket costs as well as amortisation and depreciation on intangible and tangible fixed assets employed to carry out the production and service activities of the "Tolling Agreement" between the two parties.

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. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the goodwill is 20 years.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings, tools and equipment	10% and 20% per annum
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Foreign currencies

Income and expense items denominated in foreign currencies have been expressed in Sterling at the rate ruling on their transaction date. Monetary assets and liabilities recorded in foreign currencies have been expressed in Sterling at the rates of exchange ruling on the balance sheet date. Differences on transaction are included in the profit and loss account.

Cash flow statement

The Company has adopted FRS1 and consequently claims exemption from the preparation of a cash flow statement in accordance with the provisions of that standard. The Company's cash flows are included within the group financial statements of Momentive Performance Materials Inc

Pension costs

The Company operates a defined contribution scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the year.

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

Research and development

Amounts spent on research and development are written off against income in the period incurred.

Operating Leases

Rentals paid under any operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Taxation and deferred taxation

Corporation tax is provided on the assessable profits of the Company at the appropriate rates in force.

Deferred tax is provided 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. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits in the future against which the deferred tax asset can be offset. Deferred tax is measured at the 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 balances are not discounted.

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

2. Directors' emoluments

The directors received no remuneration from the Company during the year (2012 £nil). They are remunerated by other group companies for their services to the group as a whole during the period. 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 those companies.

3. Employee information

The monthly number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2013 Number	2012 Number
Production	12	12
Administration	17	17
	29	29
<hr/>		
The aggregate payroll costs of these persons were as follows:	£	£
Wages and salaries	1,271,882	1,292,456
Social security costs	144,607	151,933
Other Pension costs (Note 17)	174,035	178,240
	1,590,524	1,622,629

4. Operating profit

	2013 £	2012 £
Operating profit is after charging/ (crediting):		
Depreciation		
Owned assets	275,234	322,062
Goodwill amortisation	533,721	533,721
Rentals under operating leases		
Other operating leases	93,134	82,827
Land and buildings	107,131	105,182
Foreign exchange gains (losses)	1,999	(760)
Auditors' remuneration	11,100	12,400

5. Interest payable and similar charges

	2013 £	2012 £
Interest payable to group undertakings	283,652	281,228

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

6. Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
Current tax	129,680	29,402
Deferred tax	(23,943)	(81,154)
	(105,737)	110,566

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 and accordingly deferred tax has been calculated using a rate of 20%.

(b) Factors affecting current tax charge

The tax charge for the year is different to the standard rate of corporation tax in the UK 23.25% (2012: 24.5%).

The differences are explained below:

	2013 £	2012 £
Loss on ordinary activities before taxation	(48,426)	(188,762)
Loss on ordinary activities before taxation multiplied by the standard rate in the UK of 23.25% (2012: 24.5%)	(11,259)	(46,247)
Expenses not deductible for tax purposes	112,146	138,356
Capital allowances in excess of depreciation	11,675	16,189
Adjustment in respect of prior year	17,118	(78,897)
Current tax charge for the year	129,680	29,402

(c) Analysis of deferred tax balance for the year

The balance is made up of:

	2013 £	2012 £
Opening deferred tax (liability)	(96,618)	(15,464)
Credit/ (charge) to the profit and loss	23,943	(81,154)
Closing deferred tax (liability)	(72,675)	(96,618)
Deferred tax (liability) at 31 December comprises:		
Accelerated capital allowances and other timing differences	(72,675)	(96,618)

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Intangible fixed assets

	Goodwill £
Cost	
At start and end of the year	10,674,434
Accumulated amortisation	
At 1 January 2013	2,668,609
Charge for the year	533,722
At 31 December 2013	3,202,331
Net book value	
At 31 December 2013	7,472,103
At 31 December 2012	8,005,825

8. Tangible fixed assets

	Fixtures, fittings, tools and equipment £
Cost	
At 1 January 2013	2,094,446
Additions	127,363
At 31 December 2013	2,221,809
Accumulated depreciation	
At 1 January 2013	866,450
Charge for the year	264,665
At 31 December 2013	1,131,115
Net book value	
At 31 December 2013	1,090,694
At 31 December 2012	1,227,996

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

9. Debtors

	2013 £	2012 £
Other debtors	53,310	32,086
Prepayments and accrued income	76,482	50,730
	129,792	82,816

10. Creditors : amounts falling due within one year

	2013 £	2012 £
Trade creditors	126,766	66,861
Amounts owed to group undertakings	7,094,675	7,375,340
Corporation tax	52,552	43,599
Accruals and deferred income	122,565	27,582
	7,396,558	7,513,382

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

11. Called up share capital

	2013 £	2012 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

Momentive Performance Materials Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

12. Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2013	3,172,901	(1,467,264)	1,705,637
Retained loss for the financial year	-	(154,163)	(154,163)
At 31 December 2013	3,172,901	(1,621,427)	1,551,474

13. Reconciliation of movements in equity shareholders' funds

	2013 £	2012 £
Loss for the financial year	(154,163)	(299,318)
Opening shareholders' funds	1,706,637	2,005,955
Closing shareholders' funds	1,552,474	1,706,637

14. Operating lease commitments

At 31 December 2013 the Company has committed to making the following payments during the next year in respect of operating leases:

	2013		2012	
	Land and buildings £	Other £	Land and buildings £	Other £
Between two and five years	104,000	31,065	104,000	31,065
	104,000	31,065	104,000	31,065

15. Capital commitments

At 31 December 2013, the Company had no contracted capital commitments (2012: £nil).