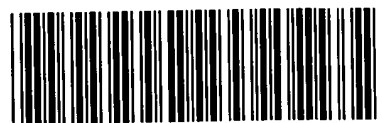


Momentive Performance Materials Limited

**Annual Report and Financial Statements
for the year ended 31 December 2021**

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Momentive Performance Materials Limited

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Momentive Performance Materials Limited

Officers and professional advisers

Directors

Peter Bering
Jonathan Chard

Secretary

Abogado Nominees Limited

Registered office

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

Registered number

06376744

Principal bankers

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Independent auditors

Rödl & Partner Limited
170 Edmund Street
Birmingham
B3 2HB

Momentive Performance Materials Limited

Strategic Report for the year ended 31 December 2021

The directors present their Strategic Report on the Company for the year ended 31 December 2021.

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 profit for the financial year of £105,825 (2020: £44,533). The Company's turnover increased in the year to £5,767,032 (2020: £4,752,239), and the Company made an operating profit of £310,996 (2020: £216,269), 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 limited number of financial risks. The general economic environment continues to provide challenges to the business. The global COVID pandemic and supply chain challenges had an impact on the business development in 2021 and will continue to provide challenges. The impact on energy prices and inflation as a result of the war in Ukraine will additionally 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

As the Company acts as a tolling entity of parent Momentive Performance Materials GmbH, the financial risks are limited. The directors 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.

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



Peter Bering
Director

Date: 11.07.2022



Jonathan Chard
Director

Date: 11.07.2022

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2021

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2021.

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 customers, 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 the following pages. 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 and commercial services 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.

Momentive Performance Materials Limited

Directors' Report for the year ended 31 December 2021 (continued)

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: £nil).

Political and charitable donations

The Company made no political or charitable donations in the year (2020: £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. No changes in directors have taken place during the year.

Qualifying third party indemnity provision

The directors have an insurance policy in place to provide them with indemnity cover. This cover was in force during the financial year and also at the date of approval of the financial statements.

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, hereafter MPM Holdings Inc. The directors have received confirmation that MPM 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 5.00% (2020: 4.00%) on manufacturing costs and 7.20% for all other costs such as selling and administration. Considering the changing impacts of COVID on the overall business development the service fee for manufacturing cost was temporarily adjusted to 5.00%.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director 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

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



On behalf of the Board
Peter Bering
Director
Date: 11.07.2022



Jonathan Chard
Director
Date: 11.07.2022

Momentive Performance Materials Limited

Independent Auditor's Report to the Members of Momentive Performance Materials Limited

Opinion

We have audited the financial statements of Momentive Performance Materials Limited (the 'company') for the year ended 31 December 2021, which comprise the Income statement, Statement of financial position, Statement of changes in equity, and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Momentive Performance Materials Limited

Independent Auditor's Report to the Members of Momentive Performance Materials Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the .

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the [set out on page], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;

Momentive Performance Materials Limited

Independent Auditor's Report to the Members of Momentive Performance Materials Limited

- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Momentive Performance Materials Limited

Independent Auditor's Report to the Members of Momentive Performance Materials Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Imran Farooq (Senior Statutory Auditor)

For and on behalf of Rödl & Partner Limited, Statutory Auditor

170 Edmund Street
Birmingham
B3 2HB

Date: 11th July, 2022

Momentive Performance Materials Limited

Income Statement

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Turnover	5	5,767,032	4,752,329
Cost of sales		(3,080,870)	(2,964,050)
Gross profit		2,686,162	1,788,279
Distribution costs		(1,878,621)	(1,210,426)
Administrative expenses		(496,545)	(361,584)
Operating profit	6	310,996	216,269
Interest receivable and similar income		-	-
Interest payable and similar expenses		(32,050)	(36,441)
Net interest expense	8	(32,050)	(36,441)
Profit before taxation		278,945	179,828
Tax on profit	9	(173,121)	(135,295)
Profit / (Loss) for the financial year		105,825	44,533

Statement of Comprehensive Income

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Profit / (Loss) for the financial year	105,825	44,533
Other comprehensive income	-	-
Total comprehensive income for the year	105,825	44,533

Momentive Performance Materials Limited

Statement of Financial Position

	Note	As at 31 December 2021 £	As at 31 December 2020 £
Fixed assets			
Intangible assets	10	3,215,329	3,756,140
Tangible assets	11	452,510	563,161
		3,667,839	4,319,301
Current assets			
Debtors	12	2,775,379	1,309,668
Cash at bank and in hand		-	46,303
		2,775,379	1,355,971
Creditors: amounts falling due within one year	13	(1,071,764)	(413,432)
Net current liabilities		1,703,615	942,539
Total assets less current liabilities		5,371,453	5,261,840
Provisions for liabilities	14	(72,349)	(68,951)
Other noncurrent liabilities		(390)	-
Net assets		5,298,714	5,192,889
Capital and reserves			
Called up share capital	16	1,000	1,000
Share premium account	17	3,172,901	3,172,901
Other Reserves	17	3,926,424	3,926,424
Accumulated losses	17	(1,801,611)	(1,907,436)
Total equity		5,298,714	5,192,889

The notes on pages following are an integral part of these financial statements.

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


Peter Bering
Director

11.07.2022

Momentive Performance Materials Limited
Registered No. 06376744


Jonathan Chard
Director

11.07.2022

Momentive Performance Materials Limited

Statement of Changes in Equity

	Called up share capital £	Share premium account £	Other Reserves £	Accumulated losses £	Total £
At 1 January 2020	1,000	3,172,901	3,926,424	(1,951,968)	5,148,357
Profit for the financial year	-	-	-	44,533	44,533
Total comprehensive expense for the year	-	-	-	44,533	44,533
Capital Contribution by parent (note 17)	-	-	-	-	-
At 31 December 2020	1,000	3,172,901	3,926,424	(1,907,436)	5,192,889
At 1 January 2021	1,000	3,172,901	3,926,424	(1,907,436)	5,192,889
Profit for the financial year	-	-	-	105,825	105,825
Total comprehensive expense for the year	-	-	-	105,825	105,825
At 31 December 2021	1,000	3,172,901	3,926,424	(1,801,611)	5,298,714

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 shipping a variety of silicone based products. The Company is a service entity and provides sales and marketing services to parent company Momentive Performance Materials GmbH. The Company has a compounding plant in the UK.

The Company is incorporated and domiciled in the UK and is part of MPM 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.

(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 centralised treasury arrangements and shares a cash pooling arrangement with Momentive's other operations in Europe. The directors, having assessed the responses of the directors of the Company's ultimate parent MPM Holdings Inc., have no reason to believe that a material uncertainty exists that may cast significant doubt in the ability of MPM 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 MPM Holdings Inc. intends to support the Company for at least one year after these financial statements are signed. The Company receives reimbursement of all tolling costs incurred in providing their principal activity plus a service fee of 5.00% on manufacturing costs and 7.20% 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, MPM 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 recognised in the Income Statement 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.

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.

(f) 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 recognised 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 recognised 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.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(f) Employee benefits (continued)

(iii) Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the Income Statement 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.

(g) Taxation

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

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

Deferred tax is recognised on all temporary differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised 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.

(h) 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 FRS 102 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 Income Statement.

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.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(i) 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 - 3 to 16 years
- Fixtures, fittings, tools and equipment - 4 to 20 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 recognised 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 derecognised. 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.

(iv) De-recognition

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

(j) 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.

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.

(k) 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.

(l) 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).

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(l) Impairment of non-financial asset (continued)

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.

(m) Provisions and contingencies

(i) Provisions

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

(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 recognised as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised 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 recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Momentive Performance Materials Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) 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 debtors 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 a 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 the Income Statement.

Financial liabilities

Basic financial liabilities, including trade and other creditors, 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.

Momentive Performance Materials Limited

Notes to the financial statements

5. Turnover

Analysis of turnover by geography:

	2021 £	2020 £
United Kingdom	-	-
Rest of Europe	5,767,032	4,752,329
	5,767,032	4,752,329

Analysis of turnover by category:

	2021 £	2020 £
Sales of goods	5,767,032	4,752,329
	5,767,032	4,752,329

6. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £	2020 £
Wages and salaries	2,828,869	2,073,296
Social security costs	294,170	259,370
Other pension costs (Note 18)	244,200	222,379
Total staff costs	3,367,239	2,555,045
Operating lease rentals:		
- vehicles	86,363	72,294
- plant and equipment	40,616	43,910
- land and buildings	105,767	106,117
Audit fees payable to the Company's auditors	15,000	15,000
Foreign exchange (gains) / losses	(9,315)	(451)
Depreciation of owned assets	117,151	133,564
Goodwill amortisation	533,722	533,722
Software amortisation	7,090	7,090

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 consolidated financial statements of MPM 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	2021 No.	2020 No.
Production	32	33
Sales	12	9
Administration	6	4
	50	46

Directors

The directors' emoluments were as follows:	2021 £	2020 £
Aggregate emoluments	178,410	148,859
Company contributions to defined contribution schemes	24,891	24,507
	203,301	173,366

	2021 No.	2020 No.
Post-employment benefits are accruing for the directors, who are members of defined contribution schemes	1	1

Momentive Performance Materials Limited

Notes to the financial statements

8. Net interest expense

Interest receivable and similar income

	2021 £	2020 £
Interest receivable on inter-company cash pooling	-	-
Total interest receivable and similar income	-	-

Interest payable and similar expenses

	2021 £	2020 £
Interest payable on inter-company loans	-	-
Interest payable on inter-company cash pooling	(32,050)	(36,441)
Total interest payable and similar expenses	(32,050)	(36,441)

Net interest expense

	2021 £	2020 £
Interest receivable and similar income	-	-
Interest payable and similar expenses	(32,050)	(36,441)
Total net interest expense	(32,050)	(36,441)

Momentive Performance Materials Limited

Notes to the financial statements

9. Tax on profit

a) Tax expense included in the Income Statement

	2021 £	2020 £
Current tax		
- UK Corporation tax on profit for the year	170,042	153,629
- Adjustment in respect of prior year	(317)	(1,666)
Total current tax charge	169,725	151,963
Deferred tax:		
- Origination and reversal of timing differences	2,373	(17,757)
- Adjustments in respect of prior periods	1,023	1,089
Total deferred tax (credit)/ charge	3,396	(16,668)
Tax on profit	173,121	135,295

b) Reconciliation of tax charge

Tax assessed for the year is the same than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19%. The differences are explained below:

	2021 £	2020 £
Profit before taxation	278,945	179,828
Profit multiplied by standard rate of tax in the UK of 19% (2020: 19%)	55,373	34,167
Effects of:		
- Expenses not deductible for tax purposes	117,042	101,705
- Adjustment from previous periods	706	(577)
Tax charge for the year	173,121	135,295

The standard rate of corporation tax prevailing in the UK is 19%.

Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 19%.

Momentive Performance Materials Limited

Notes to the financial statements

10. Intangible fixed assets

	Goodwill £	Software £	Total £
At 1 January 2021			
Cost	10,674,434	44,838	10,719,272
Accumulated amortisation	(6,938,383)	(24,749)	(6,963,132)
Net book value	3,736,051	20,089	3,756,140
Year ended 31 December 2021			
Opening net book amount	3,736,051	20,089	3,756,140
Transfer Cost	-	-	-
Amortisation	(533,721)	(7,090)	(540,811)
Closing net book value	3,202,330	12,999	3,215,329
At 31 December 2021			
Cost	10,674,434	44,838	10,719,272
Accumulated amortisation	(7,472,104)	(31,839)	(7,503,943)
Net book value	3,202,330	12,999	3,215,329

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 6 years.

Software

The software intangible assets include the Company's fixed assets management system and quality control software. The assets are carried at £ 12,999 (2020: £ 20,089). The remaining amortisation period is 3 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 2021			
Cost	2,871,301	856,305	3,727,606
Accumulated depreciation and impairment	(2,444,958)	(719,487)	(3,164,445)
Net book value	426,343	136,818	563,161
Year ended 31 December 2021			
Opening net book value	426,343	136,818	563,161
Additions	6,070	-	6,070
Transfer Cost	-	-	-
Retirement	(83,258)	-	(83,258)
Depreciation	(98,564)	(14,370)	(112,934)
Transfer Depreciation	-	-	-
Retirement Depreciation	79,471	-	79,471
Closing net book value	330,062	122,448	452,510
At 31 December 2021			
Cost	2,794,113	856,305	3,650,418
Accumulated depreciation and impairment	(2,464,051)	(733,857)	(3,197,908)
Closing net book value	330,062	122,448	452,510

Momentive Performance Materials Limited

Notes to the financial statements

12. Debtors

	2021 £	2020 £
Amounts owed by group undertakings	2,598,676	1,152,486
Other debtors	61,657	44,871
Prepayments and accrued income	115,046	112,311
	2,775,379	1,309,668

13. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	80,185	40,149
Amounts owed to group undertakings	-	-
Corporation tax	219,454	139,731
Accruals and deferred income	772,125	233,552
	1,071,764	413,432

There are no fixed repayment dates for amounts owed to group undertakings. Interest on amounts owed to group undertakings accrues at a rate of 2.43% per annum.

14. Provisions for liabilities

	Deferred tax £
Balance brought forward at 1 January 2021	68,951
Income Statement (see note 9)	3,396
Balance carried forward at 31 December 2021	72,347

The provision for deferred taxation consists of the following:

	2021 £	2020 £
Accelerated capital allowances	72,347	68,951
Deferred tax	72,347	68,951

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:

	2021 £	2020 £
Financial assets that are debt instruments measured at amortised cost		
- Amounts owed from group undertakings	2,598,676	1,152,486
- Other debtors	176,703	157,182
- Prepayments and accrued income		
	2,775,379	1,309,668
Financial liabilities measured at amortised cost		
- Trade creditors	80,185	40,149
- Amounts owed to group undertakings	-	-
	80,185	40,149

The Company has no derivative financial instruments (2020: £nil).

16. Called up share capital

	2021 £	2020 £
Called up, allotted and fully paid		
1,000 (2020: 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.

Other reserves

On 19 December 2018, the parent company, Momentive Performance Materials GmbH, approved a voluntary, non-refundable capital contribution to the Company, without the issue of any shares or any rights in the Company, to be made on 31 December 2018. The contribution of £3,926,424 was financed through the release of the net liability owed by the Company to Momentive Performance Materials GmbH.

Accumulated losses

The accumulated losses represent the accumulated profits, losses and distributions of the Company.

Momentive Performance Materials Limited

Notes to the financial statements

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 £244,200 (2020: £222,378). There was an amount of £nil outstanding at the year-end (2020: £nil).

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:

	2021 £	2020 £
Within one year	90,305	73,842
Within two to five years	56,574	57,796
After five years	-	-
	146,879	131,638

The contracts authorised for future capital expenditure not provided in these financial statements was £nil (2020: £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 MPM Holdings 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 £276,111 (2020: £223,151).

22. Controlling parties

The immediate parent undertaking is Momentive Performance Materials GmbH.
The ultimate parent undertaking, and the smallest and largest group to consolidate these financial statements is KCC Corporation. Copies of the KCC Corporation consolidated financial statements can be obtained from the Company Secretary at 344 Spayeong-daero, Swocho-hu. Seoul, Korea 06608.