

**LUBRIZOL ADVANCED MATERIALS
MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

Report and Financial Statements

31 December 2006

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2006 REPORT AND FINANCIAL STATEMENTS

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**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

2006 REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTOR

D Bogus

SECRETARY

M M J Verthongen

REGISTERED OFFICE

The Knowle
Nether Lane
Hazelwood
Derbyshire
DE56 4AN

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Nottingham

DIRECTOR'S REPORT

The director presents his annual report on the affairs of the company together with the financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the manufacture of speciality chemicals under a toll processing agreement with Lubrizol Advanced Materials Europe BVBA. The director's report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985. The company changed its name to Lubrizol Advanced Materials Manufacturing UK Limited in July 2007.

RESULTS AND DIVIDENDS

The profit for the year amounted to £102,991 (2005: loss £88,197). The director does not recommend a dividend in respect of the year ended 31 December 2006 (2005: £Nil).

FUTURE DEVELOPMENTS

The director aims to maintain management policies which should result in satisfactory results for the forthcoming years.

DIRECTOR AND HIS INTERESTS

The director who served during the year was

D Bogus

There are no director's interests requiring disclosure under the Companies Act 1985.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 director is required to

- select suitable accounting policies and then apply them consistently
- make judgments and 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 and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records that 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 1985. He is 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.

DIRECTOR'S REPORT

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

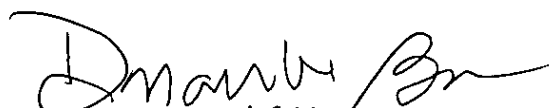
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he 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 s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved and signed by the Director


D BOGUS 14 SEPTEMBER 2007
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly Noveon Manufacturing UK Limited)

We have audited the financial statements of Lubrizol Advanced Materials Manufacturing UK Limited (formerly Noveon Manufacturing UK Limited) for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Nottingham, UK

27 September 2007

**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	2	1,297,921	1,273,608
Cost of sales		(1,210,556)	(1,187,672)
GROSS PROFIT		87,365	85,936
Administrative expenses		(49,587)	(81,053)
OPERATING PROFIT	4	37,778	4,883
Interest payable and similar charges		-	(343)
Bank interest receivable		2,142	2,712
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		39,920	7,252
Tax on profit on ordinary activities	5	63,071	(95,449)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		102,991	(88,197)

There are no recognised gains or losses other than the profit of £102,991 (2005 loss of £88,197) attributable to the shareholders for the year ended 31 December 2006

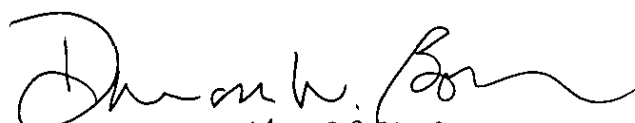
All of the results derive from continuing operations

**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

BALANCE SHEET
31 December 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	6	1,762,601	1,890,570
CURRENT ASSETS			
Debtors	7	1,328,907	1,227,702
Cash at bank and in hand		2 632	100,467
		<u>1 331,539</u>	<u>1,328,169</u>
CREDITORS: amounts falling due within one year	8	(2,582,000)	(2,809,590)
NET CURRENT LIABILITIES		<u>(1,250,461)</u>	<u>(1,481,421)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>512,140</u>	<u>409,149</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	512,139	409,148
SHAREHOLDERS' FUNDS		<u>512,140</u>	<u>409,149</u>

The financial statements were approved and signed by the director on


D BOGUS 14 SEPTEMBER 2007
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Cash flow statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of The Lubrizol Corporation, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the The Lubrizol Corporation group.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold property	over 20 years
Plant and machinery	over 8 to 14 years
Fixtures and fittings	over 10 to 15 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials, consumable and goods for resale - purchase cost on a first-in, first-out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Taxation

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

Deferred tax is recognised 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 that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

2. TURNOVER

Turnover is shown net of VAT and discounts and is attributable to one principal activity, that of the manufacture of chemicals. An analysis of turnover by geographical market is given below

	2006	2005
	£	£
Europe	1,297,921	1,273,608

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006	2005
	No	No
Average number of persons employed		
Production staff	28	28
	£	£
Staff costs during the year (including the director)		
Wages and salaries	553,534	530,192
Social security costs	46,853	55,083
Pension costs	21,976	25,349
	622,363	610,624

**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

4. OPERATING PROFIT

Operating profit is stated after charging

	2006 £	2005 £
Depreciation of owned fixed assets	192,740	206,627
Auditors remuneration – annual audit services	7,650	16,618
	<u> </u>	<u> </u>

There were no non audit fees in either year

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
Deferred tax		
Origination and reversal of timing differences	101,501	94,709
Origination and reversal of timing differences adjustment in respect of previous periods	(164,572)	740
	<u>(63,071)</u>	<u>95,449</u>

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005-30%) The differences are reconciled below

	2006 £	2005 £
Profit on ordinary activities before taxation	39,920	7,252
	<u> </u>	<u> </u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	11,976	2,176
Effects of		
Expenses not deductible for tax purposes	3,786	1 880
Depreciation in excess of capital allowances	(102,455)	(94,709)
Loss on disposal of assets	5,119	-
Group relief surrendered for nil payment	81,574	90,653
	<u> </u>	<u> </u>
Total current tax charge for the year	<u>-</u>	<u>-</u>

The deferred taxation asset not recognised in the financial statements is as follows

	2006 £	2005 £
Capital allowances in advance of depreciation	-	-
Tax losses available	245,146	318,149
	<u>245,146</u>	<u>318 149</u>

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £1,561,798 (2005 £1,562,802) The asset would be recovered if profits were made in the future from the same trade

**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

5 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

In March 2007, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted on 26 June 2007. In future periods, the deferred tax assets and liabilities, currently stated at 30% of temporary differences, will be restated at 28% of those amounts. In addition, the effective tax rate for the period to 31 December 2008 is expected to reduce accordingly.

6. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 31 December 2005	1 315,442	1,119,877	107,436	2,542,755
Additions	5,130	69,451	7,253	81 834
Disposals	(26,995)	(4,316)	-	(31,311)
	<u>1,293,577</u>	<u>1,185,012</u>	<u>114,689</u>	<u>2,593,278</u>
At 31 December 2006	1,293,577	1,185,012	114,689	2,593,278
Depreciation				
At 31 December 2005	103,851	489,917	58,417	652,185
Provided in year	31,970	139,908	20 862	192,740
Disposals	(12,148)	(2,100)	-	(14,248)
	<u>123,673</u>	<u>627,725</u>	<u>79,279</u>	<u>830,677</u>
At 31 December 2006	123,673	627,725	79,279	830,677
Net book value				
At 31 December 2006	<u>1 169 904</u>	<u>557,287</u>	<u>35,410</u>	<u>1,762,601</u>
At 31 December 2005	<u>1,211,591</u>	<u>629,960</u>	<u>49,019</u>	<u>1,890,570</u>

7. DEBTORS: DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts owed by group undertakings	955 573	917,754
Deferred tax asset	371,055	307,984
Prepayments and accrued income	2,279	1,964
	<u>1,328,907</u>	<u>1,227,702</u>

**LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

7 DEBTORS (continued)

Unprovided deferred tax disclosures are in Note 5. Deferred tax provided in the accounts is as follows relating to capital allowances and has been recognised on the basis that it is recoverable against future profits

	£
Deferred tax asset at 1 January 2006	307,984
Adjustment in respect of prior year	164,572
Charged to profit and loss account	<u>(101,501)</u>
Deferred tax asset as at 31 December 2006	<u>371,055</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	21,284	43,462
Amounts owed to group undertakings	2,435,139	2,692,954
Other taxation and social security	55,740	17,182
Accruals and deferred income	69,837	55,992
	<u>2,582,000</u>	<u>2,809,590</u>

9 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	2006 Total shareholders' funds £	2005 Total shareholders' funds £
At 1 January 2006	1	409,148	409,149	497,346
Profit for the period		102,991	102,991	(88,197)
At 31 December 2006	<u>1</u>	<u>512,139</u>	<u>512,140</u>	<u>409,149</u>

• **LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED (formerly
Noveon Manufacturing UK Limited)**

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

11. ULTIMATE PARENT COMPANY

The ultimate controlling party and parent undertaking of the largest and smallest group of undertakings for which group accounts were drawn up and of which the company was a member is The Lubrizol Corporation, which is incorporated in the USA. The immediate parent company is Lubrizol Advanced Materials UK Limited, registered in England.

Copies of accounts of The Lubrizol Corporation, can be obtained from 29400 Lakeland Boulevard, Wickliffe, Ohio, 44092 USA and copies of Lubrizol Advanced Materials UK Limited accounts can be obtained from Companies House, Crown Way, Mandy, Cardiff CF4 3UZ.