

**LUBRIZOL ADVANCED MATERIALS  
MANUFACTURING UK LIMITED**

**Report and Financial Statements**

**31 December 2011**

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# **LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

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# **LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTOR**

E R Schnur

#### **SECRETARY**

M M J Verthongen

#### **REGISTERED OFFICE**

The Knowle  
Nether Lane  
Hazelwood  
Derbyshire  
DE56 4AN

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

# **LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED**

## **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 2011

This director's report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

### **PRINCIPAL ACTIVITY**

The principal activity of the company during the year was the manufacture of speciality chemicals under a toll processing agreement with Lubrizol Advance Materials Europe BVBA

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The director considers the following risks to be the most material or significant for the management of the business. These issues do not purport to be a complete list or explanation of all risk factors facing the Company. In particular the Company's performance may be affected by changes in the market and/or economic conditions and changes in legal, regulatory or tax requirement legislation. Additional risks and uncertainties not presently known by the Company or that the Company currently deems immaterial may also impact the business.

#### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including, credit risk and cash flow risk

##### **Cash flow risk**

The Company is part of a cash pooling arrangement centralised for all Lubrizol entities in Europe at Lubrizol Luxembourg Sarl. Lubrizol Luxembourg Sarl holds accounts in various currencies on the group's behalf and together with the economies of being part of a centralized treasury function, the group is able to minimise its exposure to the financial risks of changes in foreign currency exchange rates.

##### **Credit risk**

The Company's principal financial assets are bank balances, cash and intercompany receivables. The Company's credit risk is low due to the fact that it does not have trade customers, the Company's activities are with other group companies.

The credit risk on liquid funds is limited because the European treasury function ensures the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

##### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses short-term finance in the form of the intercompany cash pooling arrangement. The funding is managed centrally by the European treasury function.

### **RESULTS**

The profit for the year amounted to £256,347 (2010: £141,065). The net assets for the year amounted to £964,860 which is an increase of £256,347 from 2010.

# **LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED**

## **DIRECTOR'S REPORT (Continued)**

### **GOING CONCERN**

After making due enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason, the going concern basis continues to be adopted in preparing the financial statements

In reaching this conclusion the Director has considered the financial position of the Company, considering the net current liability position and its funding facilities. The Board has undertaken a review of the Company's forecasts and associated risks and sensitivities. The main activity of the Company is to act as a toll processor to another group company, the Director is satisfied this activity will continue, and the subsequent forecast for the 12 months from the date of approvals of these financial statements remains relatively consistent with 2011 results.

The company is part of a very successful group, its ultimate parent being Berkshire Hathaway Incorporated, listed on the New York Stock Exchange. The immediate parent Lubrizol Luxembourg has provided confirmation to the director to support the company in the event that this is needed in the form of financial support.

The Company is part of a European intercompany cash pooling arrangement, the European Treasury function is based in Luxembourg. Short term financing needs are serviced by the cash pooling arrangement. This European Treasury function holds accounts in various currencies on the group's behalf and together with the economies of being part of a centralized treasury function, the group is able to minimise its exposure to the financial risks of changes in foreign currency exchange rates.

### **DIRECTOR**

The director who served throughout the year and subsequently was  
E R Schnur

# **LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED**

## **DIRECTOR'S REPORT (Continued)**

### **DIRECTOR'S RESPONSIBILITIES STATEMENT**

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). Under company law the director 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. 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.

### **AUDITOR**

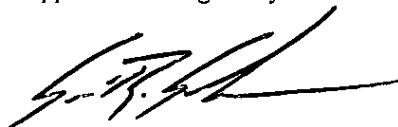
Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved and signed by the Director



E R SCHNUR  
Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED**

We have audited the financial statements of Lubrizol Advanced Materials Manufacturing UK Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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).

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.

### **Respective responsibilities of director and auditor**

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the director's report.

*Alistair Pritchard FCA*

Alistair Pritchard FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

*14 August 2012*

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2011

	Note	2011 £	2010 £
<b>TURNOVER</b>	2	1,446,815	1,303,950
Cost of sales		(1,190,265)	(1,149,669)
<b>GROSS PROFIT</b>		256,550	154,281
Administrative expenses		(494)	(14,726)
<b>OPERATING PROFIT</b>	4	256,056	139,555
Bank interest receivable		1,861	1,510
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		257,917	141,065
Tax on profit on ordinary activities	5	(1,570)	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	10	256,347	141,065

There are no recognised gains or losses other than the profit of £256,347 (2010 £141,065) attributable to the shareholders for the year ended 31 December 2011 and accordingly, no statement of total recognised gains and losses has been prepared

All of the results derive from continuing operations



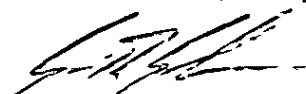
# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## BALANCE SHEET 31 December 2011

	Note	2011 £	2010 £
<b>FIXED ASSETS</b>			
Tangible assets	6	1,368,352	1,415,162
<b>CURRENT ASSETS</b>			
Debtors	7	2,151,303	1,863,252
		<u>2,151,303</u>	<u>1,863,252</u>
<b>CREDITORS: amounts falling due within one year</b>	8	(2,554,795)	(2,569,901)
<b>NET CURRENT LIABILITIES</b>		<u>(403,492)</u>	<u>(706,649)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>964,860</u>	<u>708,513</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	1	1
Profit and loss account	10	964,859	708,512
<b>TOTAL SHAREHOLDERS' FUNDS</b>	10	<u>964,860</u>	<u>708,513</u>

These financial statements have been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

The financial statements of Lubrizol Advanced Materials Manufacturing UK Limited, Company Registration Number 4653208, were approved by the director and authorised for issue on 3 August 2012



E R SCHNUR

Director

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

These financial statements have been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

#### Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

After making due enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason, the going concern basis continues to be adopted in preparing the financial statements.

In reaching this conclusion the Director has considered the financial position of the Company, considering the net current liability position and its funding facilities. The Board has undertaken a review of the Company's forecasts and associated risks and sensitivities. The main activity of the Company is to act as a toll processor to another group company, the Director is satisfied this activity will continue, and the subsequent forecast for the 12 months from the date of approvals of these financial statements remains relatively consistent with 2011 results.

The company is part of a successful group, its ultimate parent being Berkshire Hathaway Incorporated, listed on the New York Stock Exchange. The immediate parent Lubrizol Luxembourg has provided confirmation to the director to support the company in the event that this is needed in the form of financial support.

The Company is part of a European intercompany cash pooling arrangement, the European Treasury function is based in Luxembourg. Short term financing needs are serviced by the cash pooling arrangement. This European Treasury function holds accounts in various currencies on the group's behalf and together with the economies of being part of a centralized treasury function, the group is able to minimise its exposure to the financial risks of changes in foreign currency exchange rates.

#### Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard Number 1 "Cash Flow Statements" from the requirement to present a cash flow statement on the basis that the company is a wholly owned subsidiary of Berkshire Hathaway Inc., whose publicly available financial statements include the results of this company.

#### Fixed assets

All fixed assets are initially recorded at cost, net of depreciation and any provision for impairment.

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, 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 5 years

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2011

### 1. ACCOUNTING POLICIES (continued)

#### Taxation

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

Deferred tax is 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. Deferred tax is measured on a non-discounted basis

#### 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. Turnover derived from outside the UK is 100%. Turnover is calculated based on an intercompany agreement by recharging back all qualifying costs incurred in performing services plus a 10% mark up

### 3. INFORMATION REGARDING DIRECTOR AND EMPLOYEES

	2011 Number	2010 Number
<b>Average number of persons employed</b>		
Production staff	24	24
	£	£
<b>Staff costs during the year (including the director)</b>		
Wages and salaries	620,909	536,023
Social security costs	69,052	80,289
Pension costs	34,525	30,406
	724,486	646,718

The director did not receive any remuneration for his services to this company (2010 £nil), nor is he a member of the company's pension scheme. The director is remunerated by another company within the group

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2011

### 4. OPERATING PROFIT

Operating profit is stated after charging

	2011 £	2010 £
Depreciation of owned fixed assets	90,997	99,121
Loss on disposal of fixed assets	4,905	-
Auditor's remuneration – fees payable to the company's auditor for audit of financial statements	8,750	7,915
Loss on foreign exchange	494	14,727
	<u>          </u>	<u>          </u>

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £	2010 £
<b>Current tax</b>		
UK corporation tax	1,182	-
Adjustment in respect of prior years	388	-
	<u>          </u>	<u>          </u>
Total current tax	1,570	-
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(20,651)	(22,331)
Adjustment in respect of rate change	20,519	14,001
Adjustment in respect of previous periods	132	8,330
	<u>          </u>	<u>          </u>
Total deferred tax	-	-
	<u>          </u>	<u>          </u>
<b>Total tax on profit on ordinary activities</b>	<u>1,570</u>	<u>-</u>

#### Factors affecting current tax charge for the current year

On 21 July 2010 the UK Government substantively enacted a reduction in the standard rate of Corporation Tax from 28% to 27% for taxable results from 1 April 2011. In March 2011, the UK Government announced a further reduction in the standard rate of UK Corporation Tax to 26% with effect from 1 April 2011 and to 25% effective 1 April 2012. These further rate reductions became substantively enacted in March 2011 and July 2011 respectively. Accordingly deferred tax balances have been stated at 25%.

The Government announced in the 2012 Budget a further reduction in the rate of corporation tax to 24% from 1 April 2012 and by a further 1% each year to 22% by 1 April 2014. As none of these rates were substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with Financial Reporting Standard 19, as it is a non-adjusting event occurring after the reporting period.

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2011

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The actual tax charge for the current and previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	2011 £	2010 £
<b>Profit on ordinary activities before taxation</b>	<b>257,917</b>	<b>141,065</b>
Tax on loss on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%)	68,348	39,498
Effects of		
Expenses not deductible for tax purposes	6,132	3,232
Capital allowances in excess of depreciation	(28,025)	(37,012)
Loss on disposal of assets	1,299	-
Utilisation of tax losses	(46,572)	(4,567)
Prior year adjustment	388	
Group relief	-	(1,151)
<b>Total current tax charge for the year</b>	<b>1,570</b>	<b>-</b>

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

	2011 £	2010 £
Tax losses available	156,263	216,228
Accelerated capital allowances	87,347	121,705
	<b>243,610</b>	<b>337,933</b>

A deferred tax asset has not been recognised in respect of trading losses and accelerated capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the unrecognised asset carried forward is £974,439 (2010: £1,251,604). The asset would be recovered if profits were made in future from the same trade.

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2011

### 6. TANGIBLE FIXED ASSETS

	Assets under construction £	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 January 2011	5,013	1,293,576	1,364,914	63,441	2,726,944
Additions	49,092	-	-	-	49,092
Disposals	-	(1,408)	(37,805)	-	(39,213)
Transfers	(54,105)	-	54,105	-	-
At 31 December 2011	-	1,292,168	1,381,214	63,441	2,736,823
<b>Depreciation</b>					
At 1 January 2011	-	240,481	1,015,582	55,719	1,311,782
Charged in the year	-	24,501	61,846	4,650	90,997
Disposals	-	(1,408)	(32,900)	-	(34,308)
At 31 December 2011	-	263,574	1,044,528	60,369	1,368,471
<b>Net book value</b>					
At 31 December 2011	-	1,028,594	336,686	3,072	1,368,352
At 31 December 2010	5,013	1,053,095	349,332	7,722	1,415,162

### 7. DEBTORS

	2011 £	2010 £
Other debtors	4,358	20,713
Amounts owed by group undertakings	2,133,574	1,829,779
Prepayments and accrued income	13,371	12,760
	<u>2,151,303</u>	<u>1,863,252</u>

All amounts are due within one year

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade creditors	5,413	19,309
Amounts owed to group undertakings	2,422,197	2,427,841
Other taxation and social security	18,620	16,717
Accruals and deferred income	107,383	106,034
Corporation tax	1,182	-
	<u>2,554,795</u>	<u>2,569,901</u>

# LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2011

### 9. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Called up, allotted and fully paid 1 ordinary share of £1 each	1	1

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

	Share capital £	Profit and loss account £	2011 Total shareholders' funds £	2010 Total shareholders' funds £
At 1 January	1	708,512	708,513	567,448
Profit for the year	-	256,347	256,347	141,065
At 31 December	1	964,859	964,860	708,513

### 11. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Berkshire Hathaway Inc, a company incorporated in the United States of America, the parent undertaking of the largest group for which group financial statements are drawn up and of which the reporting company is a member

The immediate parent company is Lubrizol Advanced Materials UK Limited, registered in England

Copies of the group financial statements of Berkshire Hathaway Inc are available from 3555 Farnam Street Suite 1440, Omaha, NE 68131

### 12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions contained in Financial Reporting Standard Number 8 "Related Party Transactions" not to present transactions with fellow group companies