

**LUBRIZOL ADVANCED MATERIALS
MANUFACTURING UK LIMITED**

Report and Financial Statements

31 December 2009

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LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

E R Schnur

SECRETARY

M M J Verthongen

REGISTERED OFFICE

The Knowle
Nether Lane
Hazelwood
Derbyshire
DE56 4AN

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
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 2009

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

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

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. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

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 AND DIVIDENDS

The profit for the year amounted to £118,800 (2008: loss of £139,219). The director does not recommend a dividend in respect of the year ended 31 December 2009 (2008: £nil). The net assets for the year amounted to £567,448, which is an increase of £118,800 from 2008.

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

DIRECTOR'S REPORT (Continued)

FUTURE DEVELOPMENTS

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

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 2010/2011 remains relatively consistent with 2009 results

The company is part of a successful group, its ultimate parent being The Lubrizol Corporation, 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

After making due enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than twelve months from the date of approval of the financial statements and for this reason, the going concern basis continues to be adopted in preparing the financial statements

DIRECTOR

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

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

DIRECTOR'S REPORT (Continued)

DIRECTOR'S RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

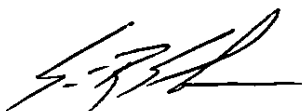
Each of the persons who is a director at the date of approval of this report confirms that

- (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 s418 of the Companies Act 2006.

Deloitte 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



E R SCHNUR
Director

INDEPENDENT AUDITORS' 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 2009, which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. 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 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB'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.

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 2009 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 Directors' 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report.

Alistair Pritchard FCA

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

5 August 2010

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2009**

	Note	2009 £	2008 Restated (note 13) £
TURNOVER	2	1,159,652	1,481,938
Cost of sales		<u>(1,038,553)</u>	<u>(1,362,285)</u>
GROSS PROFIT		121,099	119,653
Administrative expenses		<u>(3,734)</u>	<u>274</u>
OPERATING PROFIT	4	117,365	119,927
Bank interest receivable		<u>1,435</u>	<u>25,509</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		118,800	145,436
Tax on profit on ordinary activities	5	<u>-</u>	<u>(284,655)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	10	<u>118,800</u>	<u>(139,219)</u>

There are no recognised gains or losses other than the profit of £118,800 (2008 loss of £139,219) attributable to the shareholders for the year ended 31 December 2009 and accordingly, no statement of total recognised gains and losses has been prepared

All of the results derive from continuing operations

The 2008 cost of sales and administrative expenses have been restated, this is explained in more detail at note 13

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

BALANCE SHEET 31 December 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	6	1,472,320	1,445,660
CURRENT ASSETS			
Debtors	7	1,989,503	1,593,701
		<u>1,989,503</u>	<u>1,593,701</u>
CREDITORS. amounts falling due within one year	8	(2,894,375)	(2,590,713)
NET CURRENT LIABILITIES		<u>(904,872)</u>	<u>(997,012)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>567,448</u>	<u>448,648</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	567,447	448,647
TOTAL SHAREHOLDERS' FUNDS	10	<u>567,448</u>	<u>448,648</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 Advance Materials Manufacturing UK Limited, Company Registration Number 4653208, were approved and signed by the director on 30 July 2010



E R SCHNUR

Director

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

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

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 2010/2011 remains relatively consistent with 2009 results.

The company is part of a successful group, its ultimate parent being The Lubrizol Corporation, 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.

After making due enquiries, the Director has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than twelve months from the date of approval of the financial statements and for this reason, the going concern basis continues to be adopted in preparing the financial statements.

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.

Fixed assets

All fixed assets are initially recorded at cost, net of 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

Year ended 31 December 2009

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. An analysis of turnover by geographical market is given below

	2009	2008
	£	£
Europe	<u>1,159,652</u>	<u>1,481,938</u>

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

3. INFORMATION REGARDING DIRECTOR AND EMPLOYEES

	2009	2008
	Number	Number
Average number of persons employed		
Production staff	24	29
	<u> </u>	<u> </u>
	£	£
Staff costs during the year (including the director)		
Wages and salaries	593,034	561,146
Social security costs	51,778	61,948
Pension costs	26,025	22,033
	<u>670,837</u>	<u>645,127</u>

The director did not receive any remuneration for his services to this company, nor is he a member of the company's pension scheme

4 OPERATING PROFIT

Operating profit is stated after charging / (crediting)

	2009	2008
	£	£
Depreciation of owned fixed assets	130,802	188,930
Loss on disposal of fixed assets	3,513	9,524
Auditors remuneration – annual audit services pursuant to legislation	8,625	8,750
Loss/(gain) on foreign exchange	3,734	(274)
	<u> </u>	<u> </u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£	£
Current tax		
Adjustment in respect of prior years	-	(643)
Deferred tax:		
Origination and reversal of timing differences	26	34,418
Adjustment in respect of previous periods	(26)	250,880
	<u> </u>	<u> </u>
	-	284,655

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are reconciled below

	2009 £	2008 £
Profit on ordinary activities before taxation	118,800	145,436
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2008 28.5%)	33,264	41,449
Effects of		
Expenses not deductible for tax purposes	324	(1,801)
Capital Allowances in excess of depreciation	(34,572)	(37,748)
Loss on disposal of assets	984	2,714
Group relief	-	(4,614)
Adjustment in respect of prior years	-	(643)
Total current tax credit for the year	-	(643)

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

	2009 £	2008 £
Tax losses available	228,803	228,803
Accelerated capital allowances	171,555	204,686
	400,358	433,489

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 £1,429,851 (2008 £1,548,177). 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 **Year ended 31 December 2009**

6. TANGIBLE FIXED ASSETS

	Assets under construction £	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost					
At 1 January 2009	1,255	1,293,576	1,234,782	63,441	2,593,054
Additions	60,856	-	100,119	-	160,975
Disposals	-	-	(69,048)	-	(69,048)
Transfers	(6,384)	-	6,384	-	-
	<u>55,727</u>	<u>1,293,576</u>	<u>1,272,237</u>	<u>63,441</u>	<u>2,684,981</u>
At 31 December 2009					
Depreciation					
At 1 January 2009	-	188,239	917,135	42,020	1,147,394
Charged in the year	-	27,067	95,778	7,957	130,802
Disposals	-	-	(65,535)	-	(65,535)
	<u>-</u>	<u>215,306</u>	<u>947,378</u>	<u>49,977</u>	<u>1,212,661</u>
At 31 December 2009					
Net book value					
At 31 December 2009	<u>55,727</u>	<u>1,078,270</u>	<u>324,859</u>	<u>13,464</u>	<u>1,472,320</u>
At 31 December 2008	<u>1,255</u>	<u>1,105,337</u>	<u>317,647</u>	<u>21,421</u>	<u>1,445,660</u>

7 DEBTORS

	2009 £	2008 £
Other debtors	619	-
Amounts owed by group undertakings	1,974,348	1,587,573
Prepayments and accrued income	14,536	6,128
	<u>1,989,503</u>	<u>1,593,701</u>

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

8 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Bank overdraft	-	2,815
Trade creditors	17,090	6,292
Amounts owed to group undertakings	2,676,357	2,445,158
Other taxation and social security	70,209	68,465
Accruals and deferred income	130,719	67,983
	<u>2,894,375</u>	<u>2,590,713</u>

There is no security on the bank overdraft above

9. CALLED UP SHARE CAPITAL

	2009 £	2008 £
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 £	2009 Total shareholders' funds £	2008 Total shareholders' funds £
At 1 January	1	448,647	448,648	587,867
Profit/(loss) for the year	-	118,800	118,800	(139,219)
At 31 December	<u>1</u>	<u>567,447</u>	<u>567,448</u>	<u>448,648</u>

LUBRIZOL ADVANCED MATERIALS MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

11. ULTIMATE PARENT COMPANY

The ultimate controlling party and parent undertaking of the largest and smallest group of undertakings for which group financial statements 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 financial statements of The Lubrizol Corporation can be obtained from 29400 Lakeland Boulevard, Wickliffe, Ohio 44092 USA.

12. RELATED PARTY TRANSACTIONS

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

13. PRIOR YEAR ADJUSTMENT

The split of cost of sales and operating expenses have been restated in the prior year due to the change in accounting system during 2009, the directors believe this better reflects the true activities of the business. The only expense remaining in administrative expenses relate to foreign exchange gains or losses for the year.

There was no effect on the profit for either year or the net assets in either year.