

**LUBRIZOL ADIBIS HOLDINGS (UK)
LIMITED**

Report and Financial Statements

31 December 2000

**Deloitte & Touche
Martins Building
4 Water Street
Liverpool
L2 8UY**



REPORT AND FINANCIAL STATEMENTS 2000

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DIRECTORS' REPORT

The directors present their annual report and the financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group during the year was the manufacture and sale of a wide range of chemical additives for lubricants and fuels. The directors expect the company to continue developing new technologies in these markets.

The financial position of the group is shown on page 5.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit after taxation for the year amounts to £936,000 (1999 profit £204,000) which has been transferred to reserves.

The directors do not recommend the payment of a dividend (1999 £Nil).

DIRECTORS

The directors of the company who held office during the financial year and thereafter were:

Mr G P Baker
Mr C B Chapman
Mr G R Hill (US)

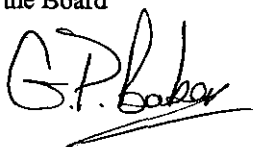
No directors had any material interest, as defined by the Companies Act 1985, at either the beginning or end of the year in shares of the company, or any other Lubrizol group company in the United Kingdom.

There were no contracts of significance during the year in which any director had a material interest.

AUDITORS

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

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'G.P. Baker', with a horizontal line drawn underneath it.

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



LUBRIZOL ADIBIS HOLDINGS (UK) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors 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 of the state of the affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

18 October 2001

LUBRIZOL ADIBIS HOLDINGS (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2000

	Note	2000 £'000	1999 £'000
TURNOVER	2	19,525	22,525
Cost of sales		(15,992)	(18,682)
Gross profit		3,533	3,843
Administrative expenses		(2,290)	(2,601)
Other operating income		70	61
Other operating expenditure		-	(595)
OPERATING PROFIT	3	1,313	708
Interest receivable and similar income	5	87	114
Interest payable and similar charges	6	(24)	(311)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,376	511
Tax on profit on ordinary activities	7	(440)	(307)
RETAINED PROFIT FOR THE FINANCIAL YEAR		936	204

All activities arise from continuing operations.

A consolidated statement of historical cost profits and losses has not been prepared, as any differences are immaterial.

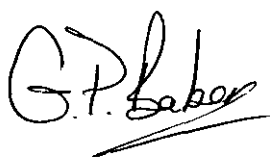
LUBRIZOL ADIBIS HOLDINGS (UK) LIMITED

BALANCE SHEETS 31 December 2000

	Note	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
FIXED ASSETS					
Investments	9	-	-	4,846	4,846
Tangible assets	10	204	248	-	-
		<u>204</u>	<u>248</u>	<u>4,846</u>	<u>4,846</u>
CURRENT ASSETS					
Stock	11	6,477	5,871	-	-
Debtors	12	2,339	3,245	-	-
Cash at bank and in hand		812	167	-	-
		<u>9,628</u>	<u>9,283</u>	<u>-</u>	<u>-</u>
CREDITORS: amounts falling due within one year	13	(4,915)	(4,943)	-	-
NET CURRENT ASSETS		<u>4,713</u>	<u>4,340</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,917</u>	<u>4,588</u>	<u>4,846</u>	<u>4,846</u>
CAPITAL AND RESERVES					
Called-up share capital	14	5,087	5,087	5,087	5,087
Profit and loss account	15	(170)	(499)	(241)	(241)
EQUITY SHAREHOLDERS' FUNDS		<u>4,917</u>	<u>4,588</u>	<u>4,846</u>	<u>4,846</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

11/10/01



Director

LUBRIZOL ADIBIS HOLDINGS (UK) LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial year	936	204
Currency translation differences on foreign currency net investments	<u>(607)</u>	<u>(99)</u>
Total recognised gains and losses relating to the year	<u>329</u>	<u>105</u>

RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

Year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial year	936	204
Currency translation differences on foreign currency net investments	<u>(607)</u>	<u>(99)</u>
Net addition to shareholders' funds	329	105
Opening shareholders' funds	<u>4,588</u>	<u>4,483</u>
Closing shareholders' funds	<u>4,917</u>	<u>4,588</u>

NOTES TO THE ACCOUNTS**Year ended 31 December 2000****1. ACCOUNTING POLICIES**

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The financial statements consolidate the results of all companies within the group. In prior years group accounts have not been prepared on the basis that the group is exempt under section 248 of Companies Act 1985 on the grounds of being medium sized. These criteria have now been breached and consolidated accounts have been prepared. Therefore for the profit and loss account and related notes the comparative figures are different as the prior year accounts showed the results of the parent company.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets, depreciation is provided in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Buildings	2%
Machinery and equipment	10-33%
Fixtures and fittings	5-100%

The 100% relates to small value items that are considered portable.

Stock

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and a share of the production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated, selling price less all further costs to completion.

Pension benefits

The expected cost of providing pensions, calculated periodically by professionally qualified actuaries, is charged to the profit and loss account, so as to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling, the balance sheet at the closing rate and the profit and loss account at the average rate of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is taken direct to reserves.

Operating lease rentals

Rentals on operating leases are charged against profit in the year to which they relate.

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation is capitalised and amortised over its estimated useful economic life.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and allowances. Turnover, all of which arises in South Africa, is attributable to one activity, the sale of chemical additives and lubricants.

3. OPERATING PROFIT

	2000 £'000	1999 £'000
Operating profit is after charging:		
Depreciation – owned assets	62	95
Rentals under operating leases		
Hire of plant and machinery	107	96
Other operating leases	6	8
Loss on foreign exchange differences	352	352
Write off of intercompany debt	-	595
Auditors' remuneration		
Group audit fees	14	15
Company audit fees	3	-
Other services	-	-
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors did not receive any remuneration from the Company or subsidiary companies, nor are they members of the Company's pension scheme.

	2000 £'000	1999 £'000
Staff costs during the year:		
Wages and salaries	354	346
Payroll taxes	64	66
Pension costs	56	56
	<u> </u>	<u> </u>
	474	468
	<u> </u>	<u> </u>
	2000 No.	1999 No.
Average number of persons employed:		
Production	14	14
Administration	15	15
	<u> </u>	<u> </u>
	29	29
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £'000	1999 £'000
Bank interest	87	114

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Exchange loss on group financing	-	235
Interest payable to group undertakings	24	76
	24	311

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
South African taxation based on profits for the year	440	307

8. PROFIT ON PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company did not trade during the year (1999 – loss of £830,000).

9. FIXED ASSET INVESTMENT

	£'000
Shares in subsidiary undertakings: Cost and net book value As at 1 January 2000 and 31 December 2000	4,846

The principal subsidiary undertakings at 31 December 2000 were:

Company	Country of incorporation	Nature of business	Proportion of shares held
Lubrizol Adibis Africa (Proprietary) Limited	South Africa	Marketing of lubricating oil additives	100%
Lubrizol South Africa (Proprietary) Limited	South Africa	Importation and distribution of lubricating oil additives	100%

All subsidiary undertakings have been included in the consolidation.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

10. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Machinery and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2000	111	298	281	690
Foreign exchange translation differences	(13)	(35)	(33)	(81)
Additions	5	17	25	47
	<u>103</u>	<u>280</u>	<u>273</u>	<u>656</u>
At 31 December 2000				
Accumulated depreciation				
At 1 January 2000	31	200	211	442
Foreign exchange translation differences	(4)	(23)	(25)	(52)
Charge for year	3	27	32	62
	<u>30</u>	<u>204</u>	<u>218</u>	<u>452</u>
At 31 December 2000				
Net book value				
At 31 December 2000	73	76	55	204
	<u>73</u>	<u>76</u>	<u>55</u>	<u>204</u>
At 31 December 1999	80	98	70	248
	<u>80</u>	<u>98</u>	<u>70</u>	<u>248</u>

11. STOCKS

Group	2000 £'000	1999 £'000
Raw materials and consumables	13	8
Work in progress	91	195
Finished goods	6,373	5,668
	<u>6,477</u>	<u>5,871</u>

12. DEBTORS

Group	2000 £'000	1999 £'000
Trade accounts receivable	2,009	2,921
Amounts owed by group undertakings	7	7
Other debtors	302	286
Prepayments and accrued income	21	31
	<u>2,339</u>	<u>3,245</u>

Included within other debtors is £64,000 tax overpaid (1999 £114,000).

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

13. CREDITORS

	2000 £'000	1999 £'000
Group		
Trade accounts payable	82	104
Amounts owed to group undertakings	4,519	4,539
Accruals and deferred income	314	300
	<u>4,915</u>	<u>4,943</u>

14. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised, allotted and fully paid		
5,087,325 ordinary shares of £1 each	<u>5,087</u>	<u>5,087</u>

15. RESERVES

	Group 2000 £'000	1999 £'000	Company 2000 £'000	1999 £'000
At 1 January 2000	(499)	(604)	(241)	589
Retained profit/(loss)	936	204	-	(830)
Foreign exchange translation differences	(607)	(99)	-	-
At 31 December 2000	<u>(170)</u>	<u>(499)</u>	<u>(241)</u>	<u>(241)</u>

16. OPERATING LEASES

Annual commitments for the group under non-cancellable operating leases are as set out below:

	Land and buildings £'000	Other £'000
Operating leases which expire:		
Within one year	-	50
In the second to fifth years	-	46
Over five years	-	-

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Group and Company

There were no contingent liabilities and capital commitments at the year end (1999 Nil).

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

18. PENSIONS

The company does not have any employees and does not participate in any pension scheme.

However, Lubrizol South Africa (Proprietary) Limited and Lubrizol Adibis Africa (Proprietary) Limited (its subsidiaries) participate in a defined benefit scheme, the Lubrizol South Africa Pension Fund.

The defined benefit scheme is funded with assets held separately by the Trustees from those of the member companies.

Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent actuarial valuation at 1 March 2000 showed that the market value of the scheme's assets was Rands 5,190,390 and represented 92.7% of the benefits that had accrued to members, after allowing for expected future increases in payroll costs. The actuarial valuation assumes the membership size will remain constant, with leavers replaced by new members. The assumed investment return, future pensionable pay increases and level of guaranteed pension increases used in determining actuarial values were 10%, 8.5% and 6%.

The pension cost charge for the year was £56,000 (1999 £56,000).

19. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The immediate parent company is Lubrizol Europe BV, a company incorporated in the Netherlands.

The ultimate parent company is Lubrizol Corporation, a company incorporated in the United States of America.

Copies of the group financial statements of Lubrizol Corporation are available from 24900 Lakeland Boulevard, Wickliffe, Ohio, 44092 USA.

20. 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.

21. CASH FLOW STATEMENT

The company has taken advantage of the exemption for subsidiaries in FRS 1 Cash Flow Statements from the requirement to present a cashflow statement.

A consolidated cashflow statement is presented in the financial statements of the ultimate parent company.