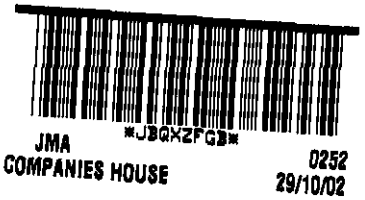
Company Registration No. 530121

LUBRIZOL ADIBIS HOLDINGS (UK) LIMITED

Report and Financial Statements

31 December 2001



REPORT AND FINANCIAL STATEMENTS 2001

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DIRECTORS' REPORT

The directors present their annual report and the financial statements for the year ended 31 December 2001.

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 £672,000 (2000 - £936,000) which has been transferred to reserves.

The directors do not recommend the payment of a dividend (2000 £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 director 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



Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte
& Touche

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUBRIZOL ADIBIS HOLDINGS (UK) LIMITED

We have audited the financial statements of Lubrizol Adibis Holdings (UK) Limited for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated statement of total recognised gains and losses, the movement in consolidated shareholders' funds and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 affairs of the company and the group as at 31 December 2001 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

Deloitte & Touche
Chartered Accountants and Registered Auditors
Liverpool

17 October 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	20,142	19,525
Cost of sales		(16,703)	(15,992)
Gross profit		3,439	3,533
Administrative expenses		(2,632)	(2,290)
Other operating income		11	70
OPERATING PROFIT	3	818	1,313
Interest receivable and similar income	5	139	87
Interest payable and similar charges	6	(6)	(24)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		951	1,376
Tax on profit on ordinary activities	7	(279)	(440)
RETAINED PROFIT FOR THE FINANCIAL YEAR	16	672	936

All activities arise from continuing operations.

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

BALANCE SHEETS
31 December 2001

	Note	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
FIXED ASSETS					
Investments	9	-	-	4,846	4,846
Tangible assets	10	150	204	-	-
		150	204	4,846	4,846
CURRENT ASSETS					
Stock	11	5,168	6,477	-	-
Debtors	12	2,541	2,339	-	-
Cash at bank and in hand		490	812	-	-
		8,199	9,628	-	-
CREDITORS: amounts falling due within one year	13	(4,634)	(4,915)	-	-
NET CURRENT ASSETS		3,565	4,713	-	-
TOTAL ASSETS LESS CURRENT LIABILITIES		3,715	4,917	4,846	4,846
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1)	-	-	-
TOTAL NET ASSETS		3,714	4,917	4,846	4,846
CAPITAL AND RESERVES					
Called-up share capital	15	5,087	5,087	5,087	5,087
Profit and loss account	16	(1,373)	(170)	(241)	(241)
EQUITY SHAREHOLDERS' FUNDS		3,714	4,917	4,846	4,846

These financial statements were approved by the Board of Directors on 13th September 2002

Signed on behalf of the Board of Directors

G.P. Baber

Director

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2001

	2001 £'000	2000 £'000
Profit for the financial year	672	936
Currency translation differences on foreign currency net investments	(1,875)	(607)
Total recognised gains and losses relating to the year	(1,203)	329

RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS
Year ended 31 December 2001

	2001 £'000	2000 £'000
Profit for the financial year	672	936
Currency translation differences on foreign currency net investments	(1,875)	(607)
Net (reduction in)/addition to shareholders' funds	(1,203)	329
Opening shareholders' funds	4,917	4,588
Closing shareholders' funds	3,714	4,917

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

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.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

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.

Goodwill

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that a liability or asset will crystallise in the future.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

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

	2001 £'000	2000 £'000
Operating profit is after charging:		
Depreciation – owned assets	45	62
Rentals under operating leases		
Hire of plant and machinery	59	107
Other operating leases	1	6
Loss on foreign exchange differences	701	352
Auditors' remuneration		
Group audit fees	14	14
Company audit fees	3	3
Other services	-	-

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.

	2001 £'000	2000 £'000
Staff costs during the year:		
Wages and salaries	343	354
Social security costs	91	64
Pension costs	53	56
	487	474

	2001 No.	2000 No.
Average number of persons employed:		
Production	14	14
Administration	18	15
	32	29

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £'000	2000 £'000
Bank interest	139	87

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Interest payable to group undertakings	6	24

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
South African taxation based on profits for the year:		
Corporation tax at 30% (2000 – 30%)	278	440
Deferred taxation	1	-
	279	440

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 or prior year.

9. FIXED ASSET INVESTMENT

	£'000
Shares in subsidiary undertakings:	
Cost and net book value	
As at 1 January 2001 and 31 December 2001	4,846

The subsidiary undertakings at 31 December 2001were:

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.

The trade of Lubrizol Adibis Africa (Proprietary) Limited was transferred to Lubrizol South Africa (Proprietary) Limited on 1 November 2001 and Lubrizol Adibis Africa (Proprietary) Limited will be deregistered in 2002.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

10. TANGIBLE FIXED ASSETS

Group	Construction in progress £'000	Freehold land and buildings £'000	Machinery and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2001	-	103	280	273	656
Foreign exchange translation differences	-	(35)	(95)	(90)	(220)
Additions	3	8	17	25	53
Disposals	-	-	(22)	(11)	(33)
At 31 December 2001	3	76	180	197	456
Accumulated depreciation					
At 1 January 2001	-	30	204	218	452
Foreign exchange translation differences	-	(11)	(75)	(78)	(164)
Charge for year	-	3	19	23	45
Disposals	-	-	(18)	(9)	(27)
At 31 December 2001	-	22	130	154	306
Net book value					
At 31 December 2001	3	54	50	43	150
At 31 December 2000	-	73	76	55	204

11. STOCKS

Group	2001 £'000	2000 £'000
Raw materials and consumables	28	13
Work in progress	154	91
Finished goods	4,986	6,373
	5,168	6,477

12. DEBTORS

Group	2001 £'000	2000 £'000
Trade accounts receivable	2,049	2,009
Amounts owed by group undertakings	28	7
Other debtors	393	302
Prepayments and accrued income	71	21
	2,541	2,339

Included within other debtors is £160,000 tax overpaid (2000 £64,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. CREDITORS

Group	2001 £'000	2000 £'000
Trade accounts payable	116	82
Amounts owed to group undertakings	4,313	4,519
Accruals and deferred income	205	314
	4,634	4,915

14. PROVISIONS FOR LIABILITIES AND CHARGES

The Group	£
Provision at 1 January 2001	-
Charge for the year	1
Provision at 31 December 2001	1

The amounts of deferred taxation provided in the financial statements and the potential amounts not provided are:

	Provided 2001 £'000	Provided 2000 £'000	Unprovided 2001 £'000	Unprovided 2000 £'000
Capital allowances in excess of depreciation	-	-	-	-
Other timing differences	1	-	-	(3)
Losses carried forward	-	-	(134)	(212)
	1	-	(134)	(215)

15. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised, allotted and fully paid		
5,087,325 ordinary shares of £1 each	5,087	5,087

16. RESERVES

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
At 1 January	(170)	(499)	(241)	(241)
Retained profit	672	936	-	-
Foreign exchange translation differences	(1,875)	(607)	-	-
At 31 December	(1,373)	(170)	(241)	(241)

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

17. 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	-	13
In the second to fifth years	-	20
Over five years	-	-
	-	33

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Group and Company

There were no contingent liabilities and capital commitments at the year end (2000 Nil).

19. 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 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 5,190,390 Rands 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% respectively.

The pension cost charge for the year was £53,000 (2000 £56,000).

The group is adopting the transitional approach to FRS 17. The additional disclosure requirements are set out below for the Lubrizol South Africa Pension Fund.

	31 December 2001 £'000
Fair value of scheme assets - managed funds	384
Actuarial value of the liability	(334)
Scheme surplus	50
Related deferred tax liability	(15)
Net pension asset	35

The above figures are based on a full actuarial valuation as at 1 March 2000, updated to 31 December 2001 by a qualified independent actuary.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

19. PENSIONS (continued)

The assumptions made at 31 December 2001 were:

	%
Inflation	8.0
Salary increase	9.0
Pension increases in payment	3.6
Discount rate	11.6
Expected return on investments	12.0

The impact of the scheme surplus above on reserves is illustrated below:

	31 December 2001 £'000
Profit and loss account reserves as reported	(1,373)
Adjustments	
FRS 17 scheme surplus	50
Related deferred tax liability	(15)
Profit and loss account reserves on FRS 17 basis	(1,338)

20. 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 29400 Lakeland Boulevard, Wickliffe, Ohio, 44092 USA.

21. 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.

22. 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.