

AOC HAWK LIMITED
FINANCIAL STATEMENTS
30 SEPTEMBER 2000

Company Registration Number 2090336



HLB KIDSONS
Chartered Accountants & Registered Auditors
Ocean House
Waterloo Lane
Chelmsford
Essex
CM1 1BD

AOC HAWK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr S C Olle
Mr J F Cook
Mr P S Cheshire
Mr F S Norman
Mr P N Parks
Mr J A Roesle

Company secretary

Reynolds Porter Chamberlain

Registered office

Factory Lane
Brantham
Manningtree
Essex
CO11 1NT

Auditors

HLB Kidsons
Chartered Accountants
& Registered Auditors
Ocean House
Waterloo Lane
Chelmsford
Essex
CM1 1BD

Bankers

National Westminster Bank plc
25 High Street
Colchester
Essex
CO1 1DG

Solicitors

Wollastons
Brierly Place
New London Road
Chelmsford
Essex
CM2 0AP

AOC HAWK LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2000

The directors present their report and the financial statements of the company for the year ended 30 September 2000.

Principal activities and business review

The principal activity of the company during the year was the supply and distribution of materials for use in the composites industry.

The directors are satisfied with the results for the year and foresee continued growth in the future.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 September 2000	At 1 October 1999
Mr S C Olle	56	56
Mr J F Cook	40	40
Mr P S Cheshire	40	40
Mr F S Norman	-	-
Mr P N Parks	-	-
Mr J A Roesle	-	-

The directors' and their families' interests in the U.S. parent company AOC, LLC are disclosed in the accounts of that company.

Post balance sheet event

AOC Hawk Limited became a wholly owned subsidiary on 28 February 2001 when the U.S. parent company AOC, LLC. purchased 136 ordinary £1 shares from the directors of AOC Hawk Limited.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

AOC HAWK LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2000

Directors' responsibilities *(continued)*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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

A resolution to re-appoint HLB Kidsons as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:

Factory Lane
Brantham
Manningtree
Essex
CO11 1NT

Signed on behalf of the directors



S C Olle
Director

Approved by the directors on 25 May 2001

AOC HAWK LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 SEPTEMBER 2000

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

Respective responsibilities of the directors and the auditors

As described on pages 2 to 3, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

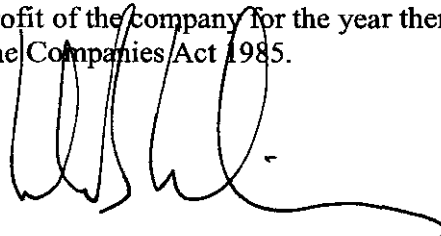
Basis of opinion

We conducted our audit in accordance with 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 company's affairs as at 30 September 2000 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Ocean House
Waterloo Lane
Chelmsford
Essex
CM1 1BD

HLB KIDSONS
Chartered Accountants
& Registered Auditors

25/5/01

AOC HAWK LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2000

	Note	2000 £	1999 £
Turnover	2	8,489,215	7,084,936
Other operating income	3	29,465	-
		<u>8,518,680</u>	<u>7,084,936</u>
Operating costs:			
Raw materials and consumables		(7,283,308)	(5,955,266)
Staff costs	4	(512,937)	(504,530)
Depreciation written off fixed assets		(66,199)	(37,292)
Other operating charges		<u>(607,033)</u>	<u>(516,338)</u>
Operating profit	5	49,203	71,510
Interest receivable	7	467	-
Interest payable	8	(132,714)	(116,986)
		<u>(83,044)</u>	<u>(45,476)</u>
Loss on ordinary activities before taxation			
Tax on loss on ordinary activities	9	5,592	(600)
Retained loss for the financial year	22	<u>(77,452)</u>	<u>(46,076)</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

AOC HAWK LIMITED

BALANCE SHEET

30 SEPTEMBER 2000

	Note	2000 £	1999 £
Fixed assets			
Intangible assets	10	54	3,098
Tangible assets	11	113,955	93,276
Investments	12	-	-
		<u>114,009</u>	<u>96,374</u>
Current assets			
Stocks	13	875,731	671,691
Debtors	14	2,693,102	2,201,772
Cash at bank		23,527	41,038
		<u>3,592,360</u>	<u>2,914,501</u>
Creditors: Amounts falling due within one year	15	<u>(3,695,808)</u>	<u>(2,887,362)</u>
Net current assets		<u>(103,448)</u>	<u>27,139</u>
Total assets less current liabilities		<u>10,561</u>	<u>123,513</u>
Creditors: Amounts falling due after more than one year	16	<u>(252,000)</u>	<u>(287,500)</u>
		<u>(241,439)</u>	<u>(163,987)</u>
Capital and reserves			
Called-up equity share capital	21	800	800
Share premium account		74,586	74,586
Profit and loss account	22	<u>(316,825)</u>	<u>(239,373)</u>
Equity shareholders' deficit	23	<u>(241,439)</u>	<u>(163,987)</u>

These financial statements were approved by the directors on the 25 May 2001, and are signed on their behalf by:

S C Olle
Director



P N Parks
Director



AOC HAWK LIMITED

CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2000

	Note	2000 £	1999 £
Net cash inflow/(outflow) from operating activities	24	361,345	(26,730)
Returns on investments and servicing of finance			
Interest received		467	-
Interest paid		(129,284)	(114,038)
Interest element of hire purchase agreements		(3,430)	(2,948)
		(132,247)	(116,986)
Taxation		7,242	-
Capital expenditure			
Payments to acquire tangible fixed assets		(51,100)	(18,680)
Receipts from sale of fixed assets		-	21,125
		(51,100)	2,445
		185,240	(141,271)
Financing			
Issue of equity share capital		-	500
Share premium on issue of equity share capital		-	74,586
Repayment of long-term amounts owed to group undertakings		(37,500)	-
Capital element of hire purchase agreements		(36,872)	(41,989)
		(74,372)	33,097
Increase/(decrease) in cash	25		
		110,868	(108,174)

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Patents and trademarks	- 10%
Know-how	- 16.67%

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	- 10%
Plant & machinery	- 25%
Furniture and equipment	- 25%
Motor vehicles	- 25%
Computer equipment	- 25%

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

1. Accounting policies (*continued*)

Pension costs

The pension costs charged against profits represent the amount of the contributions payable by the company into personal pension schemes.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average exchange rates in the year. Exchange differences are taken into account in arriving at operating profit.

Investments

Investments are included at cost less provisions for losses.

2. Turnover

The turnover and operating profit for the year were derived from the company's principal activity.

The geographical analysis of turnover is as follows:

	2000 £	1999 £
United Kingdom	7,287,386	5,919,001
Other European Union countries	1,114,350	1,025,513
Elsewhere	87,479	140,422
	<u>8,489,215</u>	<u>7,084,936</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

3. Other operating income

	2000	1999
	£	£
Other operating income	29,465	-

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2000	1999
	No.	No.
Number of distribution staff	15	14
Number of administrative staff	3	3
	<u>18</u>	<u>17</u>

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	448,478	434,690
Social security costs	45,838	43,173
Other pension costs	18,621	26,667
	<u>512,937</u>	<u>504,530</u>

5. Operating profit

Operating profit is stated after charging/(crediting):

	2000	1999
	£	£
Amortisation	3,044	3,036
Depreciation	47,846	36,063
Loss/(Profit) on disposal of fixed assets	15,309	(1,807)
Auditors' remuneration		
- as auditors	6,100	6,018
- accountancy	10,818	4,482
Operating lease costs:		
Land and buildings	<u>46,343</u>	<u>17,500</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Aggregate emoluments	201,696	215,526
Value of company pension contributions to money purchase schemes	18,621	26,667
	<u>220,317</u>	<u>242,193</u>

Emoluments of highest paid director:

	2000 £	1999 £
Total emoluments (excluding pension contributions):	<u>84,927</u>	<u>80,854</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2000 No.	1999 No.
Money purchase schemes	<u>3</u>	<u>3</u>

7. Interest receivable

	2000 £	1999 £
Inland Revenue repayment supplement	<u>467</u>	<u>-</u>

8. Interest payable

	2000 £	1999 £
Interest payable to parent company	31,560	27,592
Finance charges	3,430	2,948
Other similar charges payable	97,724	86,446
	<u>132,714</u>	<u>116,986</u>

Interest paid to group undertakings amounted to £31,560 (1999 - £27,592).

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

9. Tax on profit or loss on ordinary activities

	2000 £	1999 £
In respect of the year:		
Corporation tax based on the results for the year at 0% (1999 - 21%)	-	600
Adjustment in respect of previous years:		
Corporation tax	(5,592)	-
	<u>(5,592)</u>	<u>600</u>

10. Intangible fixed assets

	Know-how £	Patents and trademarks £	Total £
Cost			
At 1 October 1999 and 30 September 2000	<u>17,000</u>	<u>2,066</u>	<u>19,066</u>
Amortisation			
At 1 October 1999	14,160	1,808	15,968
Charge for the year	<u>2,840</u>	<u>204</u>	<u>3,044</u>
At 30 September 2000	<u>17,000</u>	<u>2,012</u>	<u>19,012</u>
Net book value			
At 30 September 2000	-	54	54
At 30 September 1999	<u>2,840</u>	<u>258</u>	<u>3,098</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

11. Tangible fixed assets

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
Cost					
At 1 October 1999	56,600	117,395	10,438	37,434	221,867
Additions	38,408	21,140	2,165	22,121	83,834
Disposals	(29,651)	-	-	-	(29,651)
At 30 September 2000	<u>65,357</u>	<u>138,535</u>	<u>12,603</u>	<u>59,555</u>	<u>276,050</u>
Depreciation					
At 1 October 1999	23,899	67,170	7,926	29,596	128,591
Charge for the year	7,833	28,342	1,724	9,947	47,846
On disposals	(14,342)	-	-	-	(14,342)
At 30 September 2000	<u>17,390</u>	<u>95,512</u>	<u>9,650</u>	<u>39,543</u>	<u>162,095</u>
Net book value					
At 30 September 2000	<u>47,967</u>	<u>43,023</u>	<u>2,953</u>	<u>20,012</u>	<u>113,955</u>
At 30 September 1999	<u>32,701</u>	<u>50,225</u>	<u>2,512</u>	<u>7,838</u>	<u>93,276</u>

Hire purchase agreements

Included within the net book value of £113,955 is £57,109 (1999 - £43,411) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £19,036 (1999 - £14,471).

Capital commitments

	2000 £	1999 £
Contracted but not provided for in the accounts	<u>-</u>	<u>12,000</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

12. Investments

	£
Cost	
At 1 October 1999	191,448
Disposals	(191,448)
At 30 September 2000	-
Amounts written off	
At 1 October 1999	191,448
Eliminated on disposal	(191,448)
At 30 September 2000	-
Net book value	
At 30 September 2000	-
At 30 September 1999	-

The investment represented the company's interest in Hawk International Llc, a company incorporated and managed in Dubai in the United Arab Emirates. The investment was incorporated in March 1996 and commenced trading in July 1996.

The company owned 29% of the issued share capital of Hawk International Llc and had management control over the activities of the investment.

The last audited accounts of Hawk International Llc were made up to 31 January 1997. Since then, the company has incurred losses and is in voluntary liquidation. Accordingly the investment has been eliminated from AOC Hawk Limited's investments.

13. Stocks

	2000 £	1999 £
Goods for resale	875,731	671,691

14. Debtors

	2000 £	1999 £
Trade debtors	2,476,515	2,052,262
Other debtors	116,048	64,232
ACT recoverable against future taxation	-	2,250
Prepayments and accrued income	100,539	83,028
	<u>2,693,102</u>	<u>2,201,772</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

15. Creditors: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	-	128,379
Trade creditors	1,413,128	889,786
Other creditors including taxation and social security:		
Corporation tax	-	600
PAYE and social security	17,865	13,179
VAT	87,041	86,157
Hire purchase agreements	12,000	18,138
Other creditors	1,130,862	966,683
Amount owed to parent undertaking	959,736	727,877
	<u>2,207,504</u>	<u>1,812,634</u>
Accruals and deferred income	75,176	56,563
	<u>3,695,808</u>	<u>2,887,362</u>

The bank overdraft facility is secured by a fixed and floating charge over all of the company's assets.

Included in other creditors is an advance from Lloyds TSB Commercial Finance of £1,129,348 (1999 :£966,683) secured by an assignment of trade debtors and a second charge over other company assets.

16. Creditors: amounts falling due after more than one year

	2000	1999
	£	£
Other creditors including:		
Hire purchase agreements	2,000	-
Amount owed to parent undertaking	250,000	287,500
	<u>252,000</u>	<u>287,500</u>

17. Pensions

The company pays contributions into personal pension schemes. The pension cost charge represents contributions payable by the company to the personal pension schemes and amounted to £18,621 (1999:£26,667).

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

18. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2000 £	1999 £
Amounts payable within 1 year	12,000	18,138
Amounts payable between 1 and 2 years	2,000	-
	<u>14,000</u>	<u>18,138</u>

19. Commitments under operating leases

At 30 September 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	2000		1999	
	Land & Buildings £	Other Items £	Land & Buildings	Other Items £
Operating leases which expire:				
Within 1 year	-	5,206	5,000	-
Within 2 to 5 years	-	53,177	-	50,437
After more than 5 years	40,000	-	40,000	-
	<u>40,000</u>	<u>58,383</u>	<u>45,000</u>	<u>50,437</u>

20. Related party transactions

At 30 September 2000 the company owed its parent undertaking AOC, LLC £1,209,736 (1999: £1,015,377). This balance includes trade items outstanding and an unsecured loan repayable as follows:

	2000 £	1999 £
Within one year	37,500	37,500
Between one and two years	37,500	37,500
Between two and five years	212,500	250,000
Total	<u>287,500</u>	<u>325,000</u>

Interest is payable on the loan at 10% per annum.

Purchases from AOC, LLC during the year ended 30 September 2000 totalled £2,420,282 (1999: £2,044,288).

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

21. Share capital

Authorised share capital:

	2000	1999
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2000	1999
	£	£
Ordinary share capital brought forward	800	300
Issue of 500 Ordinary shares	-	500
800 Ordinary shares of £1 each	<u>800</u>	<u>800</u>

22. Profit and loss account

	2000	1999
	£	£
Balance brought forward	(239,373)	(193,297)
Retained loss for the financial year	<u>(77,452)</u>	<u>(46,076)</u>
Balance carried forward	<u>(316,825)</u>	<u>(239,373)</u>

23. Reconciliation of movements in equity shareholders' deficit

	2000	1999
	£	£
Loss for the financial year	(77,452)	(46,076)
New equity share capital subscribed	-	500
Premium on new share capital subscribed	-	74,586
	<u>-</u>	<u>75,086</u>
Net (subtraction from) / addition to funds	(77,452)	29,010
Opening equity shareholders' deficit	<u>(163,987)</u>	<u>(192,997)</u>
Closing equity shareholders' deficit	<u>(241,439)</u>	<u>(163,987)</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

24. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2000	1999
	£	£
Operating profit	49,203	71,510
Amortisation	3,044	3,036
Depreciation	47,846	36,063
Loss/(profit) on disposal of fixed assets	15,309	(1,807)
Increase in stocks	(204,040)	(23,906)
Increase in debtors	(493,580)	(677,791)
Increase in creditors	943,563	545,526
Reduction in investment	-	14,885
Investment written off	-	5,754
Net cash inflow/(outflow) from operating activities	<u>361,345</u>	<u>(26,730)</u>

25. Reconciliation of net cash flow to movement in net debt

	2000	1999
	£	£
Increase/(decrease) in cash in the year	110,868	(108,174)
Net cash outflow in respect of hire purchase agreements	36,872	41,989
Net cash outflow from debt due within one year	37,500	30,000
New loan from parent undertaking	-	(325,000)
New hire purchase agreements	<u>(32,734)</u>	-
	41,638	(253,011)
Change in net debt	152,506	(361,185)
Net debt at 1 October 1999	(430,479)	(69,294)
Net debt at 30 September 2000	<u>(277,973)</u>	<u>(430,479)</u>

AOC HAWK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2000

26. Analysis of changes in net debt

	At 1 Oct 1999 £	Cash flows £	Non cash flows £	At 30 Sep 2000 £
Net cash:				
Cash in hand and at bank	41,038	(17,511)	-	23,527
Overdrafts	(128,379)	128,379	-	-
	<u>(87,341)</u>	<u>110,868</u>	<u>-</u>	<u>23,527</u>
Debt:				
Debt due after 1 year	(325,000)	37,500	-	(287,500)
Hire purchase agreements	(18,138)	36,872	(32,734)	(14,000)
	<u>(343,138)</u>	<u>74,372</u>	<u>(32,734)</u>	<u>(301,500)</u>
Net debt	<u>(430,479)</u>	<u>185,240</u>	<u>(32,734)</u>	<u>(277,973)</u>

27. Going concern

The company meets its day to day working capital requirements through its banking facilities, its debt factoring facility and the support of its major suppliers. The company has negotiated the renewal of the banking and factoring facilities for the coming year and expects to operate within them.

28. Ultimate parent company

The U.S. parent company, AOC, LLC., owned 83% of the company's issued share capital until 28 February 2001, when it acquired the remaining 17% shareholding from the directors of AOC Hawk Limited.

The ultimate parent undertaking is The Alpha Corporation of Tennessee, a company incorporated in the United States of America, which is the parent company of AOC, LLC.