

A O C (Europe) Limited

FINANCIAL STATEMENTS

for the year ended

30 September 2002



A O C (Europe) Limited

FINANCIAL STATEMENTS

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A O C (Europe) Limited

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

Mr P S Cheshire
Mr F S Norman
Mr J A Roesle
Mr J W Griggs
Mr T M Bayless

COMPANY SECRETARY

Wollastons Nominees Limited

REGISTERED OFFICE

Factory Lane
Brantham
Manningtree
Essex
CO11 1NT

AUDITORS

Baker Tilly
Chartered Accountants
& Registered Auditors
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

BANKERS

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

SOLICITORS

Wollastons
Brierly Place
New London Road
Chelmsford
Essex
CM2 0AP

A O C (Europe) Limited

THE DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 30 September 2002.

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 that the results for the year are as presented and anticipate improving operations 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 company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company. The directors who served AOC (Europe) Limited during the year were as follows:

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

On 1 October 2002, Messrs J W Griggs and T M Bayless were appointed as directors.

On 5 December 2002, Messrs S C Olle and J F Cook resigned as directors.

Auditors

A resolution to re-appoint Baker Tilly, formerly known as 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



P S Cheshire
Director

Approved by the directors on 5 December 2002

A O C (Europe) Limited

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 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:

- a. select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent; and
- c. 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 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.

A O C (Europe) Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the financial statements on pages 5 to 17 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

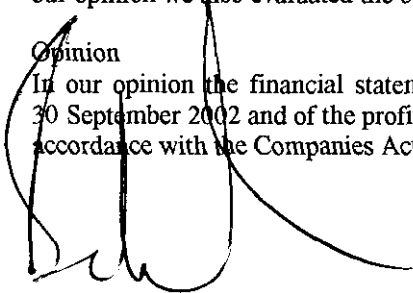
Basis of audit opinion

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 the company's affairs as at 30 September 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Baker Tilly

Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

5 December 2002

A O C (Europe) Limited
PROFIT AND LOSS ACCOUNT
year ended 30 September 2002

	<i>Notes</i>	2002 £	2001 £
Turnover	2	9,788,089	8,769,748
Operating costs:			
Raw materials and consumables		8,647,058	7,618,538
Staff costs	3	486,902	495,673
Depreciation written off fixed assets	4	45,403	48,322
Other operating charges		521,095	621,381
Operating profit/(loss)	4	87,631	(14,166)
Interest receivable	6	–	2,708
Interest payable	7	(62,263)	(113,433)
Profit/(loss) on ordinary activities before taxation		25,368	(124,891)
Tax on profit/(loss) on ordinary activities	8	(19,269)	–
Retained profit/(loss) for the financial year		44,637	(124,891)
Balance brought forward		(441,716)	(316,825)
Balance carried forward		(397,079)	(441,716)

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.

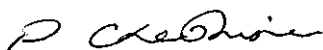
A O C (Europe) Limited

BALANCE SHEET

30 September 2002

	Notes	£	2002 £	2001 £
Fixed assets				
Intangible assets	9		—	—
Tangible assets	10		69,496	110,641
			<u>69,496</u>	<u>110,641</u>
Current assets				
Stocks	11	1,026,180		826,587
Debtors	12	2,605,935		2,323,559
Cash at bank and in hand		1,883		109,041
		<u>3,633,998</u>		<u>3,259,187</u>
Creditors: amounts falling due within one year	13	3,044,353		3,523,671
			<u>589,645</u>	<u>(264,484)</u>
Net current assets/(liabilities)				
Total assets less current liabilities			659,141	(153,843)
Creditors: amounts falling due after more than one year	14		980,834	212,487
			<u>(321,693)</u>	<u>(366,330)</u>
Capital and reserves				
Called-up equity share capital	19		800	800
Share premium account			74,586	74,586
Profit and loss account			(397,079)	(441,716)
Deficiency	20		<u>(321,693)</u>	<u>(366,330)</u>

These financial statements were approved by the directors on the 5 December 2002 and are signed on their behalf by:



P S Cheshire
Director



J A Roesle
Director

A O C (Europe) Limited
CASH FLOW STATEMENT
year ended 30 September 2002

	<i>Notes</i>	£	2002 £	2001 £
Net cash (outflow)/inflow from operating activities	21		(1,269,103)	171,053
Returns on investments and servicing of finance	21		(62,263)	(110,725)
Capital expenditure and financial investment	21		(4,258)	(9,189)
Cash (outflow)/inflow before financing			<u>(1,335,624)</u>	<u>51,139</u>
Financing	21		1,223,991	34,375
(Decrease)/increase in cash	21		<u>(111,633)</u>	<u>85,514</u>

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

1. Accounting policies

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

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%
Computer equipment	- 50%

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.

PENSION COSTS

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

A O C (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 September 2002

1. Accounting policies *(continued)*

DEFERRED TAXATION

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

* provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

* provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

* deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

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:

	2002 £	2001 £
United Kingdom	9,223,461	7,983,490
Other European Union countries	488,992	723,204
Elsewhere	75,636	63,054
	----- 9,788,089 =====	----- 8,769,748 =====

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

3. Particulars of employees

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

	2002	2001
	No.	No.
Number of distribution staff	14	15
Number of administrative staff	4	3
	<u>18</u>	<u>18</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	431,373	429,173
Social security costs	41,324	51,682
Other pension costs	14,205	14,818
	<u>486,902</u>	<u>495,673</u>

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2002	2001
	£	£
Amortisation	—	54
Depreciation	45,403	55,268
Profit on disposal of fixed assets	—	(7,000)
Auditors' remuneration		
- as auditors	6,100	6,100
- for other services	11,015	7,907
	<u>62,518</u>	<u>64,275</u>

5. Directors' emoluments

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

	2002	2001
	£	£
Aggregate emoluments	295,144	239,322
Value of company pension contributions to money purchase schemes	21,801	14,818
	<u>316,945</u>	<u>254,140</u>

Emoluments of highest paid director:

	2002	2001
	£	£
Total emoluments (excluding pension contributions):	131,185	105,665
Pension contributions	7,596	3,740
	<u>138,781</u>	<u>109,405</u>

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

	2002	2001
	No.	No.
Money purchase schemes	3	3

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

6. Interest receivable

	2002	2001
	£	£
Other loan interest receivable	<u>-</u>	<u>2,708</u>

7. Interest payable

	2002	2001
	£	£
Finance charges	1,956	2,219
Other similar charges payable	60,307	111,214
	<u>62,263</u>	<u>113,433</u>

Interest paid to group undertakings amounted to £11,565 (2001 - £26,877).

8. Tax on profit or (loss) on ordinary activities

Taxation

	2002	2001
	£	£
UK Corporation tax at 20%	-	-
Deferred tax credit	19,269	-
	<u>19,269</u>	<u>-</u>

No corporation tax liability arises due to the availability of losses brought forward.

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

9. Intangible fixed assets

	Know-how £	Patents and trademarks £	Total £
Cost			
At 1 October 2001	17,000	2,066	19,066
Disposals	(17,000)	(2,066)	(19,066)
At 30 September 2002	<u>-</u>	<u>-</u>	<u>-</u>
Amortisation			
At 1 October 2001	17,000	2,066	19,066
On disposals	(17,000)	(2,066)	(19,066)
At 30 September 2002	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 30 September 2002	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2001	<u>-</u>	<u>-</u>	<u>-</u>

The intangible assets were fully provided for at 30 September 2001. It was felt appropriate that they be written out of the balance sheet altogether at 30 September 2002.

10. Tangible fixed assets

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
Cost					
At 1 October 2001	67,269	148,484	13,062	63,840	292,655
Additions	-	865	579	2,814	4,258
At 30 September 2002	<u>67,269</u>	<u>149,349</u>	<u>13,641</u>	<u>66,654</u>	<u>296,913</u>
Depreciation					
At 1 October 2001	24,006	95,083	11,616	51,309	182,014
Charge for the year	6,727	25,566	820	12,290	45,403
At 30 September 2002	<u>30,733</u>	<u>120,649</u>	<u>12,436</u>	<u>63,599</u>	<u>227,417</u>
Net book value					
At 30 September 2002	<u>36,536</u>	<u>28,700</u>	<u>1,205</u>	<u>3,055</u>	<u>69,496</u>
At 30 September 2001	<u>43,263</u>	<u>53,401</u>	<u>1,446</u>	<u>12,531</u>	<u>110,641</u>

Hire purchase agreements

Included within the net book value of £69,496 is £19,870 (2001 - £72,637) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £9,935 (2001 - £24,212).

11. Stocks

	2002 £	2001 £
Goods for resale	<u>1,026,180</u>	<u>826,587</u>

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

12. Debtors

	2002	2001
	£	£
Trade debtors	2,477,004	2,049,672
Other debtors	64,630	141,847
Prepayments and accrued income	64,301	132,040
	<u>2,605,935</u>	<u>2,323,559</u>

Included within other debtors is an amount of £19,269 being a deferred taxation asset recognised under Financial Reporting Standard 19. At 30 September 2001, the unprovided asset was £25,898.

13. Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	4,475	—
Trade creditors	1,599,940	1,435,085
Other creditors including taxation and social security:		
PAYE and social security	23,572	18,882
VAT	83,969	78,614
Hire purchase agreements	7,153	9,153
Other creditors	605,078	803,265
Amount owed to parent undertaking	<u>670,264</u>	<u>1,109,838</u>
	1,390,036	2,019,752
Accruals and deferred income	49,902	68,834
	<u>3,044,353</u>	<u>3,523,671</u>

The bank overdraft 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 £605,078 (2001:£802,033) secured by an assignment of trade debtors and a second charge over other company assets.

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

	2002	2001
	£	£
Other creditors:		
Hire purchase agreements	17,883	24,987
Other creditors	<u>962,951</u>	<u>187,500</u>
	<u>980,834</u>	<u>212,487</u>

Other creditors above represents amounts owed to parent undertaking.

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

15. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	7,153	9,153
Amounts payable between 1 and 2 years	7,153	7,153
Amounts payable between 3 and 5 years	10,730	17,834
	<u>25,036</u>	<u>34,140</u>

Hire purchase agreements are analysed as follows:

Current obligations	7,153	9,153
Non-current obligations	17,883	24,987
	<u>25,036</u>	<u>34,140</u>

16. 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 £14,205 (2001:£14,818).

17. Commitments under operating leases

At 30 September 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002 Land and buildings £	Other £	2001 Land and buildings £	Other £
Operating leases which expire:				
Within 2 to 5 years	–	13,960	–	30,330
After more than 5 years	40,000	–	40,000	–
	<u>40,000</u>	<u>13,960</u>	<u>40,000</u>	<u>30,330</u>

18. Related party transactions

At 30 September 2002 the company owed its parent undertaking AOC, LLC £1,633,215 (2001:£1,297,338). This balance includes trade items outstanding, unsecured loans and a loan note.

Excluding the trade balances, the loans are repayable as follows:

	£
Within one year	607,644
Between two and five years	962,951
	<u>-----</u>
Total	<u>1,570,595</u> <u>=====</u>

No interest is payable on any of the amounts owed to AOC, LLC.

Purchases from AOC, LLC during the year ended 30 September 2002 totalled £945,697 (2001: £1,026,976)

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

19. Share capital

Authorised share capital:

	2002	2001
	£	£
Ordinary shares of £1 each	<u>226,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	<u>800</u>	<u>800</u>

20. Reconciliation of movements in shareholder's funds

	2002	2001
	£	£
Profit/(loss) for the financial year	44,637	(124,891)
Opening shareholder's equity deficit	(366,330)	(241,439)
Closing shareholder's equity deficit	<u>(321,693)</u>	<u>(366,330)</u>

21. Notes to the statement of cash flows

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

	2002	2001
	£	£
Operating profit/(loss)	87,631	(14,166)
Amortisation	—	54
Depreciation	45,403	55,268
Profit on disposal of fixed assets	—	(7,000)
(Increase)/decrease in stocks	(199,593)	49,144
(Increase)/decrease in debtors	(263,108)	369,543
Decrease in creditors	(939,436)	(281,790)
Net cash (outflow)/inflow from operating activities	<u>(1,269,103)</u>	<u>171,053</u>

Returns on investments and servicing of finance

	2002	2001
	£	£
Interest received	—	2,708
Interest paid	(60,307)	(111,214)
Interest element of hire purchase	(1,956)	(2,219)
Net cash outflow from returns on investments and servicing of finance	<u>(62,263)</u>	<u>(110,725)</u>

Capital expenditure

	2002	2001
	£	£
Payments to acquire tangible fixed assets	(4,258)	(16,189)
Receipts from sale of fixed assets	—	7,000
Net cash outflow from capital expenditure	<u>(4,258)</u>	<u>(9,189)</u>

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

21. Notes to the statement of cash flows *(continued)*

Financing

	2002	2001
	£	£
Capital element of hire purchase	(9,104)	(15,625)
Net inflow from other long-term creditors	1,233,095	50,000
Net cash inflow from financing	<u>1,223,991</u>	<u>34,375</u>

Reconciliation of net cash flow to movement in net debt

	2002	2001
	£	£
(Decrease)/increase in cash in the period	(111,633)	85,514
Cash outflow in respect of hire purchase	9,104	15,625
Net cash inflow from other long-term creditors	<u>(1,233,095)</u>	<u>(50,000)</u>
Change in net debt resulting from cash flows	(1,335,624)	51,139
New hire purchase agreements	-	(35,765)
Change in net debt	(1,335,624)	15,374
Net debt at 1 October 2001	(262,599)	(277,973)
Net debt at 30 September 2002	<u>(1,598,223)</u>	<u>(262,599)</u>

Analysis of changes in net debt

	At 1 Oct 2001 £	Cash flows £	At 30 Sep 2002 £
Net cash:			
Cash in hand and at bank	<u>109,041</u>	<u>(111,633)</u>	<u>(2,592)</u>
Debt:			
Long term and other loans	(337,500)	(1,233,095)	(1,570,595)
Hire purchase agreements	<u>(34,140)</u>	<u>9,104</u>	<u>(25,036)</u>
	<u>(371,640)</u>	<u>(1,223,991)</u>	<u>(1,595,631)</u>
Net debt	<u>(262,599)</u>	<u>(1,335,624)</u>	<u>(1,598,223)</u>

22. Ultimate parent company

The ultimate parent undertaking is The Alpha Corporation of Tennessee, a company incorporated in the United States of America. The Alpha Corporation is the parent company of AOC, LLC which owns 100% of the company's issued share capital.

The largest and smallest group of companies for which group accounts are prepared is that headed by The Alpha Corporation of Tennessee.

A O C (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
year ended 30 September 2002

23. Going concern

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