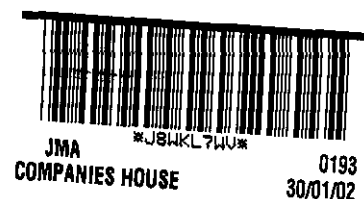


**CHA TECHNOLOGIES GROUP PUBLIC
LIMITED COMPANY
REPORT AND ACCOUNTS
31 MARCH 2001**

Company Registration Number 4040321



CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

DIRECTORS

L L W Chan
P Chou
P R Martin

JOINT SECRETARIES

P R Martin
Jeffcote Donalson

REGISTERED OFFICE

Commercial Street
Hyde
Cheshire
SK14 2HP

AUDITORS

Chadwick
Chartered Accountants
Television House
10/12 Mount Street
Manchester
M2 5NT

BANKERS

HSBC
King Street Branch
P O Box 360
100 King Street
Manchester M60 2HD

Standard Chartered Bank plc
37 Gracechurch Street
London
EC3B 0BX

CHA TECHNOLOGIES GROUP PLC
Report and Accounts
31 March 2001

DIRECTORS' REPORT

The directors present their report and the audited Group accounts for the period from 20 July 2000 to 31 March 2001.

PRINCIPAL ACTIVITY

The Group's principal activity is the manufacture and marketing of non-woven textile fabrics and the manufacture and marketing of printed textiles.

COMPANY FORMATION

The company was formed on 20 July 2000.

FINANCIAL RESULTS AND DIVIDENDS

The results are set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend.

On 22 November 2000, the company acquired the whole of the issued share capital of Cha Textiles Limited, a company incorporated in England whose principal activity is the manufacture and marketing of printed textiles and that of manufacturers' agents.

On 22 December 2000, the company acquired the whole of the issued share capital of Cosmopolitan Textile Company Limited, a company incorporated in England whose principal activity is the manufacture and marketing of non-woven textile fabrics.

On 29 December 2000, the company acquired the whole of the issued share capital of Cha Technologies Inc, a company incorporated in Delaware, USA, whose principal activity is the manufacture and marketing of non-woven textile fabrics and bi-component polymer-yarn.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the results for the period.

The Group will continue to focus on its strategy of providing technical non-woven fabrics to new and existing markets, both in the UK and overseas, and develop the manufacture and marketing of printed textiles. It will also develop new textile technologies including staple fibre extrusion and wide width printing. The group is becoming a world leader in bi-component microdenier and alloy polymer extrusion manufacture.

FIXED ASSETS

Details of movements in fixed assets in the period are set out in notes 9, 10 and 11 to the accounts. The directors are of the opinion that the market value of fixed assets is not less than the amount at which they are included in the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period, all of whom were appointed on 20 July 2000, are set out on page 1.

No directors of the Company at 31 March 2001 had beneficial interests in the ordinary share capital of the Company, or any other member of the Cha Technologies Group plc.

DIRECTORS' REPORT

EMPLOYEES

The policy of the Group for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position in the Group, having regard to the maintenance of a safe working environment and the constraints of their disabilities. Group companies recognise the importance of good relations with employees, and management are encouraged to adopt such employee consultation as is appropriate.

SUPPLIERS

It is the policy of the Group to establish payment terms with suppliers when agreeing the terms of business transactions. The aim is to dispatch cheques on the due date or, where other means of payment are adopted, to deliver funds to suppliers as if payment had been made by cheque.

The Group had 56 days purchases outstanding at 31 March 2001, based on the average daily amount invoiced by suppliers during the period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial period and of the profit or loss of the Group for the period ended on that date. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the accounts comply with the above requirements.

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

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

- On 2 April 2001 the company subscribed for 2,700 new Ordinary redeemable £1 shares at a premium of £999 per share in its subsidiary Cosmopolitan Textile Company Limited and 5,200 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.
- On 30 May 2001 the company subscribed for 773 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.
- On 5 July 2001 the company subscribed for 1,243 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.
- On 3 October 2001 the company subscribed for 953 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.

AUDITORS

The directors appointed Chadwick as first auditors to the company and a resolution to re-appoint them as auditors will be put to the members at the Annual General Meeting.

By order of the board



P R Martin
Secretary

25 JANUARY 2002

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001**

AUDITORS' REPORT TO THE MEMBERS OF CHA TECHNOLOGIES GROUP PLC

We have audited the financial statements on pages 6 to 30 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 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 group and company's affairs as at 31 March 2001 and of the profit of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Television House
10/12 Mount Street
Manchester
M2 5NT
29 January 2002


CHADWICK
Chartered Accountants
& Registered Auditors

CHA TECHNOLOGIES GROUP PLC
Report and Accounts
31 March 2001

GROUP PROFIT AND LOSS ACCOUNT
For the period from 20 July 2000 to 31 March 2001

		2001 £'000
	Notes	
TURNOVER: group and share of joint ventures		19,322
Less: Share of joint ventures' turnover		(898)
GROUP TURNOVER: continuing operations	2	<u>18,424</u>
Cost of sales		(14,737)
GROSS PROFIT		<u>3,687</u>
Distribution costs		(577)
Administrative expenses		(2,453)
GROUP OPERATING PROFIT	3	<u>657</u>
Share of operating profit of joint venture	10	272
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	8	<u>929</u>
Interest receivable		267
Interest payable	6	(740)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>456</u>
Tax charge on profit on ordinary activities	7	(160)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>296</u>
MINORITY INTEREST		(112)
PROFIT RETAINED BY THE GROUP AND ITS SHARE OF JOINT VENTURES	20	<u><u>184</u></u>

All of the group's activities are continuing.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001**

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the period ended 31 March 2001**

	2001 £'000
Profit for the financial period	184
Total recognised gains and losses relating to the period	184

RECONCILIATION OF SHAREHOLDERS' FUNDS**For the period ended 31 March 2001**

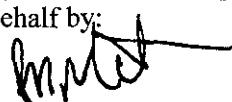
	2001 £'000
Total recognised gains and losses relating to the period	184
Issue of share capital	21,638
Net increase in shareholders' funds and Closing shareholders' funds	21,822

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001****CONSOLIDATED BALANCE SHEET****At 31 March 2001**

	Notes	2001 £'000
FIXED ASSETS		
Tangible assets	9	25,624
Investments in joint ventures	10	1,861
Other investments	10	546
Intangible fixed assets	11	985
		29,016
CURRENT ASSETS		
Stocks	12	7,430
Debtors: amounts falling due within one year	13	13,659
Deferred tax asset	17	5,119
Cash at bank and in hand		30,126
		56,334
CREDITORS: amounts falling due within one year	14	(31,529)
NET CURRENT ASSETS		24,805
TOTAL ASSETS LESS CURRENT LIABILITIES		53,821
CREDITORS: amounts falling due after more than one year	15	(28,348)
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation	17	(416)
MINORITY INTERESTS		(3,235)
		21,822
CAPITAL AND RESERVES		
Called up share capital	18	112
Share premium account	19	21,526
Profit and loss account	20	184
		21,822

The accounts on pages 6 to 30 were approved by the Board of Directors on 25/01/02 and were signed on its behalf by:

P R Martin

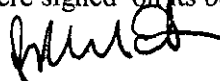


CHA TECHNOLOGIES GROUP PLC
Report and Accounts
31 March 2001

BALANCE SHEET
At 31 March 2001

	Notes	2001 £'000
FIXED ASSETS		
Investments	10	27,963
CURRENT ASSETS		
Cash at bank and in hand		21,624
CREDITORS: amounts falling due within one year	14	(7,015)
NET CURRENT ASSETS		14,609
TOTAL ASSETS LESS CURRENT LIABILITIES		42,572
CREDITORS: amounts falling due after more than one year	15	(21,238)
		21,334
CAPITAL AND RESERVES		
Called up share capital	18	112
Share premium account	19	21,526
Profit and loss account	20	(304)
		21,334

The accounts on pages 6 to 30 were approved by the Board of Directors on 25/01/02 and were signed on its behalf by:


P R Martin

CHA TECHNOLOGIES GROUP PLC
Report and Accounts
31 March 2001

GROUP CASH FLOW STATEMENT
For the period ended 31 March 2001

	Notes	2001 £'000
CASH FLOW FROM OPERATING ACTIVITIES	21a	2,384
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21b	(700)
TAXATION		(30)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21b	(1,549)
ACQUISITIONS	21b	1,552
		1,657
NET CASH OUTFLOW BEFORE FINANCING		
FINANCING		
Issue of ordinary shares		50
Other financing	21b	19,709
INCREASE IN CASH IN THE PERIOD		21,416

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (note 21c)

		2001 £'000
Increase in cash in the period		21,416
Financing	21b	(19,709)
Loans and finance lease acquired with subsidiaries		(21,666)
Change in net debt resulting from cashflows and movement in net debt in the period and net debt at 31 March 2001		(19,959)

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards and comply with the Companies Act 1985.

Basis of consolidation

The Group accounts consolidate the accounts of Cha Technologies Group PLC and its subsidiary undertakings drawn up to 31 March 2001. The results of subsidiaries acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal. Goodwill incorporated in the consolidated financial statements, representing the differences between the cost and the fair value of the assets acquired is written off against reserves over the expected useful lives of between 3 and 20 years

No profit and loss account is presented for Cha Technologies Group PLC as permitted by Section 230 of the Companies Act 1985.

Joint Ventures

The Group financial statements include the Group's share of the results and net assets of joint ventures from the effective date of acquisition. Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other parties under a contractual arrangement are treated as joint ventures. In the group accounts, joint ventures are accounted for using the gross equity method.

The year-end of Cosmostar Limited, a joint venture of the group, and its subsidiaries is 31 December. The results included are based upon management accounts for the three months to 31 March 2001.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life. Freehold buildings are written off over a period of 25 years. In general, items of plant and machinery, including motor vehicles and fixtures and fittings, are depreciated at annual rates varying from 10% to 33%.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

Accounting for leases

As lessee:

Assets acquired under finance lease and hire purchase contracts are included in tangible fixed assets at their estimated fair value at the date of inception of the lease. Obligation under such agreements are included in creditors, net of finance charges allocated to future periods. Finance charges are allocated to the profit and loss account over the period of each lease so as to give an approximately annual rate of charge on the balance of each obligation.

Rental costs under operating leases are written off to the profit and loss account in equal annual instalments over the period of the lease.

As lessor:

Amounts receivable under finance leases are included under debtors and represent the total amount outstanding under lease agreements less unearned income. Finance lease income, having been allocated to accounting periods to give a constant periodic rate of return on the net cash investment, is included within interest receivable.

Investments

Fixed asset investments are stated at valuation.

Purchased Goodwill

Purchased goodwill is written off in equal annual instalments over its expected useful life of 20 years.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value on a first in first out basis. In the case of finished goods and work in progress, cost is defined as the aggregate cost of raw materials and manufacturing costs. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Deferred taxation

Provision is made for deferred taxation using the liability method, to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes, except to the extent that the directors consider a liability to taxation is unlikely to crystallise. Where tax losses are in existence and expected to reverse, an asset is recognised being the amount of taxation on future profits that will be saved by relieving these losses.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

Foreign currency translation

The results of overseas subsidiary and joint ventures are translated to sterling at the exchange rate ruling at the financial period end. Exchange differences on the retranslation of the net investment in overseas subsidiary and joint ventures at the beginning of the period are dealt with as a movement on reserves.

Profit and losses on transactions in foreign currencies are included in results from ordinary activities before taxation.

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

Pension schemes operated on behalf of the Group in the United Kingdom, are defined contribution schemes which are administered by insurance companies. Pension schemes, where operated by companies overseas, comply with local legislation. The charge to the profit and loss account comprises the total contributions payable to the schemes in respect of the account period.

No other material post-retirement benefits are granted to employees.

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

NOTES TO THE ACCOUNTS

2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

Exports from the United Kingdom during the period amounted to £5,028,000 and overseas sales were £9,642,000

As permitted by Schedule 4 to the Companies Act 1985, no subdivision of turnover by geographical market is provided as, in the opinion of the directors, such disclosure would seriously prejudice the Group's interests.

No subdivision of turnover between classes of business is provided as there is only one class of business.

3 GROUP OPERATING PROFIT

This is stated after charging/(crediting):

	2001 £'000
Depreciation and other amounts written off tangible fixed assets	732
Auditors' remuneration – the holding company auditors	9
– other auditors	7
– non-audit services of holding company auditors	7
Loss on sale of tangible fixed assets	(12)
Exchange gain on foreign currency balances and remittances / payments	249
Property rental income	(15)
Operating lease rentals – land and buildings	199
– other assets	304
Government grants received	(7)
Amortisation of intangible fixed assets	16

Depreciation includes £95,946 in respect of tangible fixed assets held under finance leases.

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

NOTES TO THE ACCOUNTS

4 DIRECTORS

Emoluments

The directors received no emoluments from the Group.

5 STAFF COSTS

The average number of persons (including directors) employed by the Group during the period was:

	2001 No
Total	215

	2001 £'000
Wages and salaries	2,361
Social security costs	180
Other pension costs	112
	2,653

6 INTEREST

	2001 £'000
Interest payable	
Bank loans and overdrafts wholly repayable within five years	349
Finance charges payable under finance leases	18
Other interest	373
	740

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

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NOTES TO THE ACCOUNTS

7 TAXATION

The taxation charge is made up as follows:

		2001
	£'000	£'000
Based on the profit for the period:		
UK Corporation tax		63
Overseas taxation		
Group's share of joint venture's tax charge		44
Deferred taxation (note 17)	UK	51
	Overseas	2
		53
		160

No provision has been made for withholding taxes or for the United Kingdom taxes which would become payable should retained profits of overseas subsidiary and joint ventures attributable to the Group be remitted to the United Kingdom.

8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The deficit dealt with in the accounts of the Company was £304,000.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001**

NOTES TO THE ACCOUNTS**9 TANGIBLE FIXED ASSETS**

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Group Total £'000
Cost:				
At acquisition	5,834	47,023	1,393	54,250
Additions	173	1,372	6	1,551
Disposals	-	(26)	-	(26)
At 31 March 2001	6,007	48,369	1,399	55,775
Depreciation:				
At acquisition	759	27,913	759	29,431
Provided during the period	37	673	22	732
Disposals	-	(12)	-	(12)
At 31 March 2001	796	28,574	781	30,151
Net book value:				
At 31 March 2001	5,211	19,795	618	25,624

The net book value of plant and machinery above includes an amount of £1,804,000 in respect of assets held under finance leases and hire purchase contracts.

Freehold land and buildings include £587,000 in respect of land which is not depreciated.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001**

NOTES TO THE ACCOUNTS**10 FIXED ASSET INVESTMENTS****Group****Joint
Ventures
£'000**

Group share of net assets at acquisition	1,633
Group share of unremitted profits and losses before tax for the period	272
Group share of tax charge	(44)
Group share of net assets at 31 March 2001	1,861

The Group's share of the net assets of joint ventures comprises:

	2001 £'000
Fixed assets	960
Current assets	2,113
Liabilities due within one year	(1,212)
	1,861

**Other
investments
2001
£'000**

Acquisition and 31 March 2001	546

The other investments represents the market value of endowment policies upon the life of the directors of certain American subsidiaries.

Company**2001
£'000**

At acquisition	21,713
Subsequent additions in the period	6,250
As at 31 March 2001	27,963

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001****NOTES TO THE ACCOUNTS****10 FIXED ASSET INVESTMENTS (continued)**

During the period the company acquired the whole of the issued share capital of Cha Textiles Limited, Cosmopolitan Textile Company Limited and Cha Technologies Inc. With the exception of Cha Technologies Inc, which is incorporated in Delaware, USA, these subsidiaries are incorporated in England. Details of these acquisitions are shown below:

	Cha Textiles Limited £'000	Cosmopolitan Textiles Limited £'000	Cha Technologies Inc £'000	Total £'000
Tangible fixed assets	2,847	8,496	13,476	24,819
Joint ventures	-	1,633	-	1,633
Investments other	-	-	546	546
Stocks	1,638	2,303	4,230	8,171
Debtors	2,381	5,417	4,824	12,622
Creditors	(1,313)	(3,665)	(3,255)	(8,233)
Taxation current	-	(55)	-	(55)
Taxation deferred	-	(365)	5,121	4,756
Borrowings	(2,496)	(1,342)	(16,737)	(20,575)
Goodwill	(35)	(931)	1,462	496
Hire purchase	-	(237)	(854)	(1,091)
Intangibles	-	-	505	505
Cash balances	(2,897)	281	4,293	1,677
Factors	-	-	(208)	(208)
Minorities	-	-	(3,350)	(3,350)
	<u>125</u>	<u>11,535</u>	<u>10,053</u>	<u>21,713</u>
Shares	-	11,535	10,053	21,588
Cash paid	125	-	-	125
	<u>125</u>	<u>11,535</u>	<u>10,053</u>	<u>21,713</u>

In addition the company subscribed £6,250,000 for new shares in Cha Textiles Limited after acquisition.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001**

NOTES TO THE ACCOUNTS**10. FIXED ASSET INVESTMENTS (continued)**

Details of the principal investments in which the Group or the Company holds more than 10% of the nominal value of any class of share capital are as follows:

Name		Country of incorporation or registration and operation	Proportion of shares held	Nature of business
Subsidiary undertakings				
Direct				
Cha Textiles Limited		England and Wales	100%	manufacture and marketing of printed textiles and that of manufacturers' agents.
Cosmopolitan Limited	Textiles	England and Wales	100%	the manufacture and marketing of non-woven textile fabrics.
Cha Technologies Inc		Delaware, USA	100%	the manufacture and marketing of non-woven textile fabrics.
Indirect				
HDK Industries Inc		Tennessee, USA	86%	the manufacture and marketing of non-woven textile fabrics.
Fibre Innovation Technology Inc		Tennessee, USA	100%	Bi-component fibre manufacturing and marketing

In addition, the Group indirectly holds issued share capital in a number of smaller subsidiaries, full details of which are filed in the Company's Annual Return

Joint ventures

Cosmostar Limited	Cayman Islands	50%	Holding company
-------------------	----------------	-----	--------------------

Cosmostar Limited holds 100% of the issued ordinary shares of Cosmo Hong Kong Limited, which holds 100% of the issued ordinary share capital of Cosmo Textile Company Limited. Both of these companies carry on a similar trade to that of other Group undertakings.

CHA TECHNOLOGIES GROUP PLC
Report and Accounts
31 March 2001

NOTES TO THE ACCOUNTS

11 INTANGIBLE FIXED ASSETS

Group	Patents	Purchased goodwill	Goodwill arising on consolidation	Total
	£'000	£'000	£'000	£'000
Cost				
At acquisition	254	417	-	671
Arising in the period	-	-	496	496
At 31 March 2001	254	417	496	1,167
Amortisation				
At acquisition	158	8	-	166
Charge for the period	3	3	10	16
At 31 March 2001	161	11	10	182
Net book value				
At 31 March 2001	93	406	486	985

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

NOTES TO THE ACCOUNTS

12 STOCKS

	Group 2001 £'000
Raw materials	2,681
Work in progress	456
Finished goods	3,650
Goods for resale	538
Sundry stocks	105
	7,430

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13 DEBTORS

	Group 2001 £'000
Trade debtors	10,983
Amounts owed by joint ventures	678
Other debtors	1,059
Amounts receivable under finance Leases	233
Prepayments and accrued income	706
	13,659

Amounts receivable under finance leases include an amount of £203,000 falling due after more than one year.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2001****NOTES TO THE ACCOUNTS****14 CREDITORS: amounts falling due within one year**

	The Group	The Company
	2001	2001
	£'000	£'000
Loans from associated companies (note 16)	11,393	6,375
Current instalments due on bank		
Loans (note 16)	1,484	-
Bank overdraft	8,710	-
Factors	246	-
Trade creditors	6,260	-
Other taxes and social security costs	408	-
Corporation tax	88	-
Obligations under finance leases		
and hire purchase	388	-
Other creditors	114	-
Accruals and deferred income	2,438	640
	31,529	7,015

Certain bank loans are secured on certain items of plant and machinery owned by the group.

A bank overdraft is secured on the freehold land and buildings of a subsidiary.

Bank loans and overdrafts above include £2,399,000 secured by way of a fixed and floating charge.

15 CREDITORS: amounts falling due after more than one year

	Group	Company
	2001	2001
	£'000	£'000
Bank loans (note 16)	4,145	-
Loan Notes	21,000	21,000
Obligations under finance leases		
and hire purchase contracts	490	-
Accruals	238	238
Loans from associated companies	2,475	-
	28,348	21,238

CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2001

NOTES TO THE ACCOUNTS

15 CREDITORS: amounts falling due after more than one year /Continued ...

On 28 March 2001, the company issued £21,000,000 of 8.25% subordinated bonds. The bonds are subordinated to any money borrowed by the company from its bankers. The bonds are redeemable in full on 30 March 2021. The company has the option to redeem the bonds in full on the fifth anniversary of issue and at intervals of five years thereafter. The bonds are unsecured.

The following amounts are included in bank loans:-

£775,797 payable to financial institution, secured by real estate and manufacturing equipment, payable in monthly instalments of £18,436 plus interest at the prime rate plus 0.5%, maturity date 01/12/05.

£303,705 payable to a financial institution, secured by inventory and accounts receivable, payable in monthly instalments of £5,519 plus interest at 8.25%, maturity 1 December 2005.

£1,218,435 payable to bank, secured by substantially all of the assets of Globetec, Inc., and guaranteed by that Company's stockholders, payable in monthly instalments of £12,561 plus interest at the prime rate plus 0.75%, maturity 4 March 2004.

£241,175 payable to the State of Maryland, Department of Business and Economic Development, secured by the guaranty of the stockholders of GlobeTec, Inc., interest payments at 4.84% are to be made quarterly until 25 February 2001 at which time principal and interest payments will be made monthly for eight years, maturing 25 January 2009.

16 LOANS

Group and company

	Group 2001 £'000	Company 2001 £'000
Amounts falling due:		
In one year or less	12,877	6,375
In more than one year but not more than two years	1,777	-
In more than two years but not more than five years	2,765	-
In more than 5 years	23,078	21,000
	40,497	27,375

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NOTES TO THE ACCOUNTS**17 PROVISION FOR LIABILITIES AND CHARGES****Deferred taxation – Group**

The movements in deferred taxation during the current period are as follows:

	Asset £'000	Liability £'000
On acquisition	5,121	(365)
Charge for the period (note 7)	(2)	(51)
At the end of the period	5,119	(416)

Deferred taxation provided in the accounts:

	Asset £'000	Liability £'000
Capital allowances in advance of depreciation	-	(726)
Other timing differences	-	49
Losses available	5,119	261
	5,119	416

The deferred tax asset is recognised as profits are expected to accrue from a new contract, which can be offset against losses brought forward.

No provision is made on undistributed profits from joint ventures as there is no intention or obligation to remit undistributed earnings to the United Kingdom.

18 SHARE CAPITAL

	2001 £'000
Authorised:	
1,000,000 ordinary shares of £1 each	1,000
Allotted, called up and fully paid in the period:	
112,291 ordinary shares of £1 each	112

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NOTES TO THE ACCOUNTS**19 SHARE PREMIUM ACCOUNT**

Group and Company	Share premium account £'000
On shares issued in the period	21,526
31 March 2001	21,526

20 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
Retained profit/(deficit) for the period	184	(304)
At 31 March 2001	184	(304)

21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating profit to operating cash flows**

	2001 £'000
Operating profit	657
Depreciation	732
Amortisation of intangibles	16
Loss on sale of tangible fixed assets	12
Decrease in stocks	741
Increase in debtors	(1,037)
Increase in creditors	1,263
Net cash inflow from operating activities	2,384

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NOTES TO THE ACCOUNTS**21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT /Continued ...****(b) Analysis of cash flows for headings netted in the cash flow statement**

	2001 £'000
Returns on investments and servicing of finance	
Interest received	267
Interest paid	(740)
Dividends paid to minority interests	(227)
Net cash outflow for returns on investments and servicing of finance	(700)
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(1,551)
Sale of plant and machinery	2
Net cash outflow for capital expenditure and financial investment	(1,549)
	£'000
Acquisitions	
Purchase of subsidiary undertakings	(125)
Net cash balances of subsidiaries at acquisition	1,677
Net cash outflow from acquisitions	1,552
	£'000
Financing	
Capital element of finance lease payments	(213)
Loans from associated companies	(295)
Repayment of bank loan	(783)
Issue of debenture loan	21,000
Net cash outflow from financing	19,709

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NOTES TO THE ACCOUNTS**21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT /Continued ...****(c) Analysis of debt**

	Acquisition	Cash flow	At 31 March 2001
	£'000	£'000	£'000
Cash at bank and in hand	-	30,126	30,126
Overdrafts	-	(8,710)	(8,710)
		<u>21,416</u>	<u>21,416</u>
Bank loans falling due within one year	(1,484)	-	(1,484)
Bank loans falling due after one year	(4,928)	783	(4,125)
Loans from associated company	(14,163)	295	(13,868)
Loan notes	-	(21,000)	(21,000)
Finance leases	(1,091)	213	(878)
	<u>(21,666)</u>	<u>(19,709)</u>	<u>(41,375)</u>
	<u>(21,666)</u>	<u>1,707</u>	<u>(19,959)</u>

22 CONTINGENT LIABILITIES

At 31 March 2001 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Group's business and on these the directors do not anticipate any material loss to the Group

23 CAPITAL COMMITMENTS

	Group £'000	Company £'000
Contracted but not provided	<u>227</u>	<u>Nil</u>

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NOTES TO THE ACCOUNTS

24 OPERATING LEASES

At 31 March 2001 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £'000	2001 Other £'000
Expiry date:		
Within one year	10	14
Between two and five years	-	184
In over five years	1,367	4
	<u>1,377</u>	<u>202</u>

25 RELATED PARTY TRANSACTIONS

During the year the company entered into the following transactions with related parties:-

	Sales to £'000	Purchases from £'000	Net Outstanding balances from £'000
Cosmostar Limited	1,055	12	362
Haining Textile Allied Industry Co Limited	13,650	270,108	60

Haining Textile Allied Industry Company Limited is a company under common control.

Included in the net outstanding balances are £96,070 of other debtors due from Haining Textile Allied Industry Co Limited relating to recharges for costs paid for by the company on their behalf. All other transactions took place on normal commercial terms.

The loans from Associated Companies are from Mansor Finance Limited and are interest free and have no fixed terms of repayment.

The ultimate controlling party of the group is the Cha family.

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NOTES TO THE ACCOUNTS

26 POST BALANCE SHEET EVENTS

- On 2 April 2001 the company subscribed for 2,700 new Ordinary redeemable £1 shares at a premium of £999 per share in its subsidiary Cosmopolitan Textile Company Limited and 5,200 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.
- On 30 May 2001 the company subscribed for 773 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.
- On 5 July 2001 the company subscribed for 1,243 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.
- On 3 October 2001 the company subscribed for 953 new Ordinary redeemable £1 shares at a premium of £999 in its subsidiary Cha Textiles Limited.

27 ACQUISITIONS

Acquisitions during the period and recent results of the acquired companies are as follows:

	Cha Textiles Limited	Cosmopolitan Textiles Limited	Cha Technologies Inc
Date of acquisition	22 November 2000	22 December 2000	29 December 2000
Previous period end	31 December 1999	31 March 2000	31 March 2000
Results in current accounting period to date of acquisition:			
	£'000	£'000	£'000
Turnover	7,074	14,960	23,992
Operating profit/(loss)	61	639	(1,734)
Profit/(loss) before tax and minority interests	(361)	1,417	(2,426)
Prior financial period profit/(loss) after tax and minority interests:	(1,420)	1,056	(1,749)

All the above acquisitions have been accounted for by the acquisition method of accounting.