

**CHA TECHNOLOGIES GROUP PUBLIC
LIMITED COMPANY
REPORT AND ACCOUNTS
31 MARCH 2002**

Company Registration Number 4040321



CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2002

DIRECTORS

L L W Chan
P Chou
P R Martin

JOINT SECRETARIES

P R Martin
J D Secretariat Limited

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 2002

DIRECTORS' REPORT

The directors present their report and the audited Group accounts for the year ended 31 March 2002.

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.

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.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the results for the year.

The Group will continue to focus on its strategy of providing technical non-woven fabrics, bi-component specialist fibres and the marketing of product in transfer and wax prints. To further our aim the Group installed a state of the art bi-component yarn plant in the USA.

FIXED ASSETS

Details of movements in fixed assets in the year 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 year are set out on page 1.

No directors of the Company at 31 March 2002 had beneficial interests in the ordinary share capital of the Company, or any other member of the Cha Technologies Group plc.

CHA TECHNOLOGIES GROUP PLC

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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 35 days (2001 : 56 days) purchases outstanding at 31 March 2002, based on the average daily amount invoiced by suppliers during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for the year 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

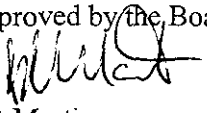
31 March 2002

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Chadwick as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

Approved by the Board of Directors on 12 Nov. 2002 and were signed on its behalf by:


P R Martin
Secretary
Commercial Street
Hyde
Cheshire
SK14 2HP

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2002**

We have audited the financial statements on pages 6 to 29 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 in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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.

BASIS OF OPINION

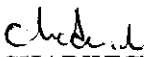
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 and of the group as at 31 March 2002 and of the result of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Television House
10/12 Mount Street
Manchester
M2 5NT


CHADWICK
Chartered Accountants
& Registered Auditors

26 November 2002.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002****GROUP PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2002**

	Notes	2002 £'000	2001 £'000
TURNOVER: group and share of joint ventures		75,777	19,322
Less: Share of joint ventures' turnover		(6,821)	(898)
GROUP TURNOVER: continuing operations	2	68,956	18,424
Cost of sales		(54,647)	(14,737)
GROSS PROFIT		14,309	3,687
Distribution costs		(1,934)	(577)
Administrative expenses		(11,805)	(2,441)
GROUP OPERATING PROFIT	3	570	669
Profit/(loss) on sale of fixed assets		168	(12)
Share of operating profit of joint venture	10	1,052	272
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		1,790	929
Interest receivable		459	267
Interest payable	6	(2,410)	(740)
(DEFICIT)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(161)	456
Tax charge on profit on ordinary activities	7	(15)	(160)
(DEFICIT)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	(176)	296
MINORITY INTEREST		77	(112)
(DEFICIT ABSORBED)/PROFIT RETAINED BY THE GROUP AND ITS SHARE OF JOINT VENTURES	19	(99)	184

All of the group's activities are continuing.

The 2001 accounting period included the results of Cha Textiles Limited from 1 December 2000 and for both Cosmopolitan Textile Company Limited and Cha Technologies Inc from 1 January 2001.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002****GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 March 2002**

	2002 £'000	2001 £'000
(Deficit)/Profit for the financial year	(99)	184
Currency gains on re-translation of assets	579	-
Total recognised gains and losses relating to the year	480	184

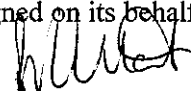
RECONCILIATION OF SHAREHOLDERS' FUNDS**For the year ended 31 March 2002**

Group	2002 £'000	2001 £'000
Opening shareholders' funds	21,822	-
Total recognised gains and losses relating to the year	480	184
Issue of share capital	-	21,638
Closing shareholders' funds	22,302	21,822
Company	2002 £'000	2001 £'000
Opening shareholders' funds	21,334	-
Issue of share capital	-	21,638
Deficit for the year/period	(637)	(304)
Closing shareholders' funds	20,697	21,334

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002****CONSOLIDATED BALANCE SHEET****At 31 March 2002**

	Notes	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	9	25,988	25,624
Investments in joint ventures	10	2,697	1,861
Other investments	10	1,296	546
Intangible fixed assets	11	883	985
		30,864	29,016
CURRENT ASSETS			
Stocks	12	7,720	7,430
Debtors: amounts falling due within one year	13	15,617	13,659
Deferred tax asset	17	5,614	5,119
Cash at bank and in hand		4,501	30,126
		33,452	56,334
CREDITORS: amounts falling due within one year	14	(13,577)	(31,529)
NET CURRENT ASSETS		19,875	24,805
TOTAL ASSETS LESS CURRENT LIABILITIES		50,739	53,821
CREDITORS: amounts falling due after more than one year	15	(25,934)	(28,348)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	(541)	(416)
MINORITY INTERESTS		(1,962)	(3,235)
		22,302	21,822
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	664	184
		22,302	21,822

The accounts on pages 6 to 29 were approved by the Board of Directors on 12 Nov. 2002 and were signed on its behalf by:


P R Martin

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002****BALANCE SHEET****At 31 March 2002**

	Notes	2002 £'000	2001 £'000
FIXED ASSETS			
Investments	10	39,617	27,963
CURRENT ASSETS			
Debtors due within one year	13	2,037	-
Cash at bank and in hand		197	21,624
		2,234	21,624
CREDITORS: amounts falling due within one year	14	(24)	(7,015)
NET CURRENT ASSETS		2,210	14,609
TOTAL ASSETS LESS CURRENT LIABILITIES		41,827	42,572
CREDITORS: amounts falling due after more than one year	15	(21,130)	(21,238)
		20,697	21,334
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(941)	(304)
		20,697	21,334

The accounts on pages 6 to 29 were approved by the Board of Directors on 12 Nov. 2002 and were signed on its behalf by:


P R Martin

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31 March 2002

GROUP CASH FLOW STATEMENT
For the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
CASH FLOW FROM OPERATING ACTIVITIES	20a	670	2,384
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20b	(2,512)	(700)
TAXATION		(224)	(30)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20b	(3,834)	(1,549)
ACQUISITIONS	20b	(272)	1,552
		<u>(6,172)</u>	<u>1,657</u>
NET CASH OUTFLOW BEFORE FINANCING			
FINANCING			
Issue of ordinary shares		-	50
Other financing	20b	(14,588)	19,709
		<u>(14,588)</u>	<u>19,759</u>
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(20,760)</u>	<u>21,416</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (note 20c)

		2002 £'000
Decrease in cash in the year		(20,760)
Financing	20b	14,588
		<u>(6,172)</u>
Change in net debt resulting from cashflows and movement in net debt in the year and net debt at 31 March 2002		<u>(6,172)</u>

CHA TECHNOLOGIES GROUP PLC

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31 March 2002

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 2002. 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 for the year ended 31 March 2002. 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 the financial statements for the year ended 31 December 2001 and the management accounts for the three months to 31 March 2002.

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 year 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 years 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 years. Finance charges are allocated to the profit and loss account over the year 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 year 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 years 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 cost of raw materials plus attributable overheads based on normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks to write them down to net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

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 deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associated and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as available;

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

Deferred taxation /Continued ...

- deferred tax assets 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 currency translation

The results of overseas subsidiary and joint ventures are translated to sterling at the exchange rate ruling at the financial year end. Exchange differences on the retranslation of the net investment in overseas subsidiary and joint ventures at the beginning of the year 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 year.

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

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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 year amounted to £16,741,000 (2001 : £5,028,000) and overseas sales were £35,654,000 (2001 : £9,426,000).

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):

	2002 £'000	2001 £'000
Depreciation and other amounts written off tangible fixed assets	3,430	732
Auditors' remuneration – the holding company auditors	28	9
– other auditors	30	7
– non-audit services of holding company auditors	12	7
Exchange (loss)/gain on foreign currency balances and remittances / payments	(5)	249
Property rental income	(31)	(15)
Operating lease rentals – land and buildings	1,365	199
– other assets	415	304
Government grants received	-	(7)
Amortisation of goodwill on consolidation	37	10
	<u> </u>	<u> </u>

Depreciation includes £127,000 (2001 : £95,946) in respect of tangible fixed assets held under finance leases.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002**

NOTES TO THE ACCOUNTS**4 DIRECTORS****Emoluments**

The emoluments of the directors of the Company were:-

	2002 £'000	2001 £'000
Aggregate emoluments	56	-
Company pension contributions to money purchase schemes	2	-

5 STAFF COSTS

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

	2002 No	2001 No
Total	619	215

	2002 £'000	2001 £'000
Wages and salaries	13,317	2,361
Social security costs	1,111	180
Other pension costs	592	112
	15,020	2,653

6 INTEREST

	2002 £'000	2001 £'000
Interest payable		
Bank loans and overdrafts wholly repayable within five years	485	349
Finance charges payable under finance leases	56	18
Other interest	1,869	373
	2,410	740

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002****NOTES TO THE ACCOUNTS****7 TAXATION**

The taxation charge is made up as follows:

		2002	2001
		£'000	£'000
Based on the profit for the year:			
UK Corporation tax		(45)	63
Group's share of joint venture's tax charge		222	44
Over provision in respect of prior year		(33)	-
		144	107
Deferred taxation (note 17)	UK	125	51
	Overseas	(254)	2
		(129)	53
		15	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.

Factors Affecting Current Tax Charge

The assessed tax on the (deficit)/profit on ordinary activities is more than the standard rate of corporation tax in the UK of 30% (2001 – 30%).

	2002	2001
	£'000	£'000
(Deficit)/profit on ordinary activities before taxation	(161)	457
(Deficit)/profit on ordinary activities by rate of tax	(48)	127
Disallowable expenses	263	18
Capital allowances for period in excess of depreciation	(92)	19
Tax losses (utilised)/generated not recognised in deferred tax	(131)	-
Adjustment in respect of prior years	(8)	(19)
Different rate of tax applicable to Joint Venture earnings	(94)	(38)
Tax losses recognised in deferred tax	254	-
	144	107

NOTES TO THE ACCOUNTS

8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The deficit dealt with in the accounts of the Company was £637,000 (2001 : £304,000).

9 TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Group Total £'000
Cost:				
At 1 April 2001	6,007	48,369	1,399	55,775
Additions	88	2,871	182	3,141
Disposals	(4)	(292)	(46)	(342)
Reallocation	41	354	(395)	-
Foreign currency translation	97	984	44	1,125
At 31 March 2002	6,229	52,286	1,184	59,699
Depreciation:				
At 1 April 2001	796	28,574	781	30,151
Provided during the year	151	3,150	129	3,430
Disposals	(4)	(280)	(46)	(330)
Reallocation	42	117	(159)	-
Foreign currency translation	18	418	24	460
At 31 March 2002	1,003	31,979	729	33,711
Net book value				
At 31 March 2002	5,226	20,307	455	25,988
Net book value:				
At 1 April 2001	5,211	19,795	618	25,624

The net book value of plant and machinery above includes an amount of £2,069,000 (2001 : £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 2002****NOTES TO THE ACCOUNTS****10 FIXED ASSET INVESTMENTS**

Group	Joint Ventures	
	£'000	
Group share of net assets at 1 April 2001	1,861	
Group share of unremitted profits and losses before tax for the year	1,052	
Group share of tax charge	(222)	
Exchange adjustment on re-translation of opening net assets	6	
Group share of net assets at 31 March 2002	2,697	
The Group's share of the net assets of joint ventures comprises:		
	2002	2001
	£'000	£'000
Fixed assets	1,115	960
Current assets	2,711	2,113
Liabilities due within one year	(1,129)	(1,212)
	2,697	1,861
Other investments		£'000
Opening balance 1 April 2001		546
Additions		750
Closing balance 31 March 2002		1,296

The other investments represents the market value of endowment policies upon the life of the directors of certain American subsidiaries, as at the date of acquisition and subsequent additions at cost.

During the year, the group received shares in a quoted US company on its demutualisation. There was no consideration given. As at 31 March 2002 these shares had a market value of £536,000. If the shares were sold at this amount there would be a tax liability of £182,000.

Company	£'000
At 1 April 2001	27,963
Additions in the year	11,654
As at 31 March 2002	39,617

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2002**

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 Textile Company Limited	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.
CTD International Services Limited	England and Wales	100%	provision of technical services
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

NOTES TO THE ACCOUNTS

10. FIXED ASSET INVESTMENTS (continued)

Joint ventures

Cosmostar Limited	Cayman Islands	50%	Holding company
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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 the trade of the manufacture and marketing of non-woven textile fabrics.

11 INTANGIBLE FIXED ASSETS

Group

	Patents	Purchased goodwill	Goodwill arising on consolidation	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2001	254	417	496	1,167
Arising in the year	124	-	272	396
Reduction on purchase of minority in US sub-group	-	(401)	-	(401)
At 31 March 2002	378	16	768	1,162
Amortisation				
At 1 April 2001	161	11	10	182
Charge for the year	60	-	37	97
At 31 March 2002	221	11	47	279
Net book value				
At 31 March 2002	157	5	721	883
At 31 March 2001	93	406	486	985

NOTES TO THE ACCOUNTS

12 STOCKS

	Group	
	2002	2001
	£'000	£'000
Raw materials	2,600	2,681
Work in progress	794	456
Finished goods	3,294	3,650
Goods for resale	571	538
Sundry stocks	461	105
	<u>7,720</u>	<u>7,430</u>

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

13 DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Trade debtors	11,182	10,983	-	-
Amounts owed by joint ventures	111	678	-	-
Amounts owed by related company	2,030	-	2,030	-
Other debtors	1,335	1,059	-	-
Amounts receivable under finance				
Leases	233	233	-	-
Corporation tax recoverable	163	-	-	-
Prepayments and accrued income	655	706	7	-
	<u>15,709</u>	<u>13,659</u>	<u>2,037</u>	<u>-</u>

Amounts receivable under finance leases include an amount of £233,000 falling due after more than one year.

CHA TECHNOLOGIES GROUP PLC
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31 March 2002

NOTES TO THE ACCOUNTS

14 CREDITORS: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Loans from associated companies (note 16)	174	11,393	-	6,375
Current instalments due on bank				
Loans (note 16)	2,019	1,484	-	-
Bank overdraft	3,845	8,710	-	-
Factors	-	246	-	-
Trade creditors	5,171	6,260	-	-
Other taxes and social security costs	448	408	-	-
Corporation tax	30	88	-	-
Obligations under finance leases				
and hire purchase	244	388	-	-
Other creditors	503	114	10	-
Accruals and deferred income	1,235	2,438	36	640
	<u>13,669</u>	<u>31,529</u>	<u>46</u>	<u>7,015</u>

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans	1,189	4,145	-	-
Loan Notes	21,000	21,000	21,000	21,000
Obligations under finance leases				
and hire purchase contracts	153	490	-	-
Accruals	108	238	108	238
Loans from associated companies	2,008	2,475	-	-
Other creditor	1,476	-	-	-
	<u>25,934</u>	<u>28,348</u>	<u>21,108</u>	<u>21,238</u>

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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:-

£581,558 (2001 : £775,797) payable to financial institution, secured by real estate and manufacturing equipment, payable in monthly instalments of £19,115 (2001 : £18,436) plus interest at the prime rate plus 0.5%, maturity 1 December 2005.

£254,428 (2001 : £303,705) payable to a financial institution, secured by inventory and accounts receivable, payable in monthly instalments of £5,777 (2001 : £5,519) plus interest at 8.25%, maturity 1 December 2005.

£254,425 (2001 : £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 £13,152 (2001 : £12,561) plus interest at the prime rate plus 0.75%, maturity 4 March 2004. The loan agreement includes certain covenants which required GlobeTec, Inc to meet certain ratios and levels of net worth. At 31 March 2002 the Company is not in compliance with all the requirements of the agreement. As of 22 July 2002 the bank has not waived the requirements, and accordingly the entire amount of the note, £1,117,952, has been included in current liabilities.

£252,526 (2001 : £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		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts falling due:				
In one year or less	2,193	12,877	-	6,375
In more than one year but not more than two years	2,430	1,777	-	-
In more than two years but not more than five years	1,541	2,765	-	-
In more than 5 years	23,272	23,078	21,000	21,000
	29,436	40,497	21,000	27,375

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 £Nil (2001 : £2,399,000) secured by way of a fixed and floating charge.

NOTES TO THE ACCOUNTS

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation – Group

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

	Asset £'000	Liability £'000
At 1 April 2001	5,119	(416)
Credit/(Charge) for the year (note 7)	254	(125)
Translation difference	241	-
At the end of the year	5,614	(541)

Deferred taxation provided in the accounts:

	Asset £'000	Liability £'000
Capital allowances in advance of depreciation	-	(910)
Other timing differences	-	73
Losses available	5,614	296
	5,614	(541)

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

	2002 £'000	2001 £'000
Authorised:		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid in the year:		
112,291 ordinary shares of £1 each	112	112

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19 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 2001	184	(304)
Retained deficit for the year	(99)	(637)
Exchange difference on re-translation of net assets	579	-
At 31 March 2002	664	(941)

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	2002 £'000	2001 £'000
Operating profit	570	669
Depreciation	3,430	732
Amortisation of intangibles	97	16
(Increase)/Decrease in stocks	(290)	741
Increase in debtors	(2,184)	(1,037)
(Decrease)/Increase in creditors	(953)	1,263
Net cash inflow from operating activities	670	2,384

NOTES TO THE ACCOUNTS

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT /Continued ...

(b) Analysis of cash flows for headings netted in the cash flow statement

	2002	2001
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	459	267
Interest paid	(2,410)	(740)
Dividends paid to minority interests	(561)	(227)
Net cash outflow for returns on investments and servicing of finance	(2,512)	(700)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,141)	(1,551)
Sale of plant and machinery	181	2
Purchase of other investments	(750)	-
Purchase of intangible assets	(124)	-
Net cash outflow for capital expenditure and financial investment	(3,834)	(1,549)
	£'000	£'000
Acquisitions (note 25)		
Purchase of subsidiary undertakings	(10)	(125)
Net cash balances of subsidiaries at acquisition	124	1,677
Purchase of minority and subsidiary	(386)	-
Net cash outflow from acquisitions	(272)	1,552
	£'000	£'000
Financing		
Capital element of finance lease payments	(481)	(213)
Loans from associated companies	(11,706)	(295)
Repayment of bank loan	(2,401)	(783)
Issue of debenture loan	-	21,000
Net cash outflow from financing	(14,588)	19,709

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20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT /Continued ...

(c) Analysis of debt

	At April 2001 £'000	Cash flow £'000	At 31 March 2002 £'000
Cash at bank and in hand	30,126	(25,625)	4,501
Overdrafts	(8,710)	4,865	(3,845)
	<u>21,416</u>	<u>(20,760)</u>	<u>656</u>
Bank loans falling due within one year	(1,484)	(535)	(2,019)
Bank loans falling due after one year	(4,125)	2,936	(1,189)
Loans from associated companies	(13,888)	11,706	(2,182)
Loan notes	(21,000)	-	(21,000)
Finance leases	(878)	481	(397)
	<u>(41,375)</u>	<u>14,588</u>	<u>(26,787)</u>
	<u>(19,959)</u>	<u>(6,172)</u>	<u>(26,131)</u>

21 CONTINGENT LIABILITIES

At 31 March 2002 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

22 CAPITAL COMMITMENTS

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Contracted but not provided	<u>268</u>	<u>227</u>	<u>Nil</u>	<u>Nil</u>

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At 31 March 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
Within one year	-	36	10	14
Between two and five years	-	175	-	184
In over five years	1,367	141	1,367	4
	<u>1,367</u>	<u>352</u>	<u>1,377</u>	<u>202</u>

24 RELATED PARTY TRANSACTIONS

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

2002	Sales to £'000	Purchases from £'000	Net Outstanding balances from £'000
Cosmostar Limited	205	64	-
Haining Textile Allied Industry Co Limited	698	376	759
UMI	1,085	-	-
Akosombo Textiles Limited	103	-	103
CTD Benin SARL	1,037	-	636
CTD Togo SARL	620	-	269
CTD Niger SARL	1,921	-	441
CTD America Group LLP	122	-	102
CTD Congo SARL	-	-	5
CTD America Inc	-	-	49
Broadway Industrial Services Limited	-	1,057	(140)
2001	Sales to £'000	Purchases from £'000	Net Outstanding balances from/to £'000
Cosmostar Limited	1,055	13	13
Haining Textile Allied Industry Co Limited	14	270	60

Haining Textile Allied Industry Company Limited and UMI are both companies under common control.

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NOTES TO THE ACCOUNTS

24 RELATED PARTY TRANSACTIONS /Continued

Included in the net outstanding balances are £759,000 (2001 : £96,000) 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.

25 ACQUISITIONS

During the year the company acquired the following interests:-

	CTD International Services Limited £'000	Cosmopolitan Textile Company Limited £'000	Cha Technologies Inc Subsidiary (Indirect Holding) £'000	Total £'000
Debtors	53	(279)	-	(226)
Creditors	(157)	-	-	(157)
Taxation	(3)	-	-	(3)
Goodwill	(7)	279	(401)	(129)
Cash balances	124	-	-	124
Minorities	-	-	787	787
Cash paid	10	-	386	396

In addition the company subscribed £644,000 for new shares in existing subsidiaries during the year.

The Cosmopolitan Textile Company Limited transaction refers to a loan to the former shareholders of that company and a company under common control which should have been accounted for as a dividend before Cosmopolitan Textile Company Limited was acquired by Cha Technologies Group plc.