

**CHA TECHNOLOGIES GROUP PUBLIC
LIMITED COMPANY
REPORT AND ACCOUNTS
31 MARCH 2003**

Company Registration Number 4040321



CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2003

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
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31 March 2003

DIRECTORS' REPORT

The directors present their report and the audited Group accounts for the year ended 31 March 2003.

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.

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 2003 had beneficial interests in the ordinary share capital of the Company, or any other member of the 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 37 days (2002: 35 days) purchases outstanding at 31 March 2003, 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.

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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 4 December 2003 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 2003****GROUP PROFIT AND LOSS ACCOUNT**

	Notes	£'000	2003 £'000	2002 £'000
TURNOVER:	2		81,287	75,777
Less: Share of joint ventures' turnover			-	(6,821)
GROUP TURNOVER:	2			
Continuing operations		66,852		
Acquisitions		14,435	81,287	68,956
Cost of sales			(58,777)	(54,647)
GROSS PROFIT			22,510	14,309
Distribution costs			(2,306)	(1,934)
Administrative expenses			(14,862)	(11,805)
GROUP OPERATING PROFIT	2 and 3			
Continuing operations		3,117		
Acquisitions		2,225	5,342	570
Share of operating profit of joint venture			-	1,052
Profit on sale of fixed assets			-	168
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION			5,342	1,790
Interest receivable			425	459
Interest payable	6		(2,225)	(2,410)
PROFIT/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION			3,542	(161)
Tax charge on profit on ordinary activities	7		(1,420)	(15)
PROFIT/(DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION	8		2,122	(176)
Minority Interest			(1,246)	77
PROFIT FOR THE YEAR/(DEFICIT ABSORBED) 19			876	(99)

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003****INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2003**

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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2003 and of the profit 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
15 December 2003

cl dw l
CHADWICK
Chartered Accountants
& Registered Auditors

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003****GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 March 2003**

	2003 £'000	2002 £'000
Profit/(Deficit) for the financial year	876	(99)
Currency (losses)/gains on re-translation of assets	(2,337)	579
Total recognised gains and losses relating to the year	(1,461)	480

RECONCILIATION OF SHAREHOLDERS' FUNDS**For the year ended 31 March 2003**

Group	2003 £'000	2002 £'000
Opening shareholders' funds	22,302	21,822
Total recognised gains and losses relating to the year	(1,461)	480
Closing shareholders' funds	20,841	22,302
Company	2003 £'000	2002 £'000
Opening shareholders' funds	20,697	21,334
Deficit for the year	(590)	(637)
Closing shareholders' funds	20,107	20,697

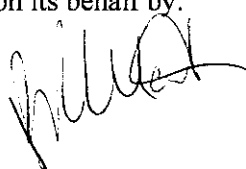
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CONSOLIDATED BALANCE SHEET
At 31 March 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	9	24,906	25,988
Investments	10	247	2,697
Other investments	10	657	1,296
Intangible fixed assets	11	871	883
		26,681	30,864
CURRENT ASSETS			
Stocks	12	10,212	7,720
Debtors: amounts falling due within one year	13	18,471	15,709
Deferred tax asset	17	4,621	5,614
Cash at bank and in hand		6,608	4,501
		39,912	33,544
CREDITORS: amounts falling due within one year	14	(15,099)	(13,669)
NET CURRENT ASSETS		24,813	19,875
TOTAL ASSETS LESS CURRENT LIABILITIES		51,494	50,739
CREDITORS: amounts falling due after more than one year	15	(24,419)	(25,934)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	(1,186)	(541)
MINORITY INTERESTS		(5,048)	(1,962)
		20,841	22,302
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(797)	664
		20,841	22,302

The accounts on pages 6 to 30 were approved by the Board of Directors on 4 December 2003 and were signed on its behalf by:

P R Martin



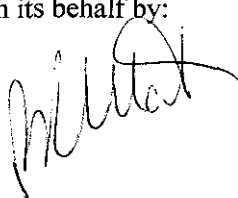
CHA TECHNOLOGIES GROUP PLC
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BALANCE SHEET
At 31 March 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	10	39,617	39,617
CURRENT ASSETS			
Debtors due within one year	13	1,481	2,037
Cash at bank and in hand		156	197
		1,637	2,234
CREDITORS: amounts falling due within one year	14	(25)	(46)
NET CURRENT ASSETS		1,612	2,188
TOTAL ASSETS LESS CURRENT LIABILITIES		41,229	41,805
CREDITORS: amounts falling due after more than one year	15	(21,122)	(21,108)
		20,107	20,697
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(1,531)	(941)
		20,107	20,697

The accounts on pages 6 to 30 were approved by the Board of Directors on 4 December 2003 and were signed on its behalf by:

P R Martin



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GROUP CASH FLOW STATEMENT
For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
CASH FLOW FROM OPERATING ACTIVITIES	20a	8,043	670
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20b	(2,248)	(2,512)
TAXATION		(389)	(224)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20b	(2,809)	(3,834)
ACQUISITIONS	20b	1,158	(272)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		3,755	(6,172)
FINANCING			
Other financing	20b	(685)	(14,588)
INCREASE/(DECREASE) IN CASH IN THE YEAR		3,070	(20,760)

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

		2003 £'000
Increase in cash in the year		3,070
Financing	20b	685
Change in net debt resulting from cashflows and movement in net debt in the year and net debt at 31 March 2003		3,755

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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 2003. 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.

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 if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

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;
- 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.

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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 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. The table below provides a summary of turnover:

	2003 £'000	2002 £'000
United Kingdom	15,164	16,082
United Kingdom exports	16,037	15,656
Far East	14,435	6,821
United States	35,651	37,218
	81,287	75,777

With effect from 1 April 2002, the Company has accounted for its interest in Cosmo Hong Kong Limited as that of a parent company in a subsidiary. As the group now exerts control, the Group's financial statements now consolidate the results of Cosmo Hong Kong Limited, a subsidiary undertaking at 31 March 2003, using acquisition accounting. For the year ended 31 March 2002 the group did not exert control over Cosmo Hong Kong Limited and the Group's financial statements consolidated the results of Cosmo Hong Kong Limited using gross equity accounting. Under acquisition accounting sales to the Far East for the year ended 31 March 2002 would have been £13,642,000.

The results of the group may be analysed as to:-

	Continuing £'000	2003 Acquisition £'000	Total £'000	2002 Total £'000
Group turnover	66,852	14,435	81,287	68,956
Cost of sales	(49,843)	(8,934)	(58,777)	(54,647)
Gross profit	17,009	5,501	22,510	14,309
Distribution costs	(1,666)	(640)	(2,306)	(1,934)
Administrative expenses	(12,226)	(2,636)	(14,862)	(11,805)
Group operating profit	3,117	2,225	5,342	570

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.

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3 GROUP OPERATING PROFIT

This is stated after charging/(crediting):

	2003	2002
	£'000	£'000
Depreciation and other amounts written off tangible fixed assets	4,070	3,430
Auditors' remuneration – the holding company auditors	30	28
– other auditors	30	30
– non-audit services of holding company auditors	12	12
Exchange (loss)/gain on foreign currency balances and remittances / payments	(51)	(5)
Property rental income	(21)	(31)
Operating lease rentals – land and buildings	2,088	1,365
– other assets	449	415
Research and development	148	-
Amortisation of intangibles	61	97

Depreciation includes £227,000 (2002: £127,000) in respect of tangible fixed assets held under finance leases.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003**

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

The emoluments of the directors of the Company were:-

	2003 £'000	2002 £'000
Aggregate emoluments	58	56
Company pension contributions to money purchase schemes	2	2
	<u> </u>	<u> </u>

5 STAFF COSTS

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

	2003 No	2002 No
Total	856	619
	<u> </u>	<u> </u>

	2003 £'000	2002 £'000
Wages and salaries	15,154	13,317
Social security costs	1,197	1,111
Other pension costs	618	592
	<u> </u>	<u> </u>
	16,969	15,020
	<u> </u>	<u> </u>

6 INTEREST

	2003 £'000	2002 £'000
Interest payable		
Bank loans and overdrafts wholly repayable within five years	462	485
Finance charges payable under finance leases	31	56
Other interest	1,732	1,869
	<u> </u>	<u> </u>
	2,225	2,410
	<u> </u>	<u> </u>

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003****NOTES TO THE ACCOUNTS****7 TAXATION**

The taxation charge is made up as follows:

		2003	2002
		£'000	£'000
Based on the profit for the year:			
UK Corporation tax		32	(45)
Overseas tax/Group's share of joint venture's tax charge		280	222
Over provision in respect of prior year		(1)	(33)
		<u>311</u>	<u>144</u>
Deferred taxation (note 17)	UK	645	125
	Overseas	464	(254)
		<u>1,109</u>	<u>(129)</u>
		<u>1,420</u>	<u>15</u>

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 profit/(deficit) on ordinary activities is more than the standard rate of corporation tax in the UK of 30% (2002 – 30%).

	2003	2002
	£'000	£'000
Profit/(Deficit) on ordinary activities before taxation	3,542	(161)
	<u>1,063</u>	<u>(48)</u>
Profit/(deficit) on ordinary activities by rate of tax	118	263
Disallowable expenses	(22)	(92)
Capital allowances for period in excess of depreciation	(512)	(131)
Tax losses utilised not recognised in deferred tax	(1)	(8)
Adjustment in respect of prior years	(307)	(94)
Different rate of tax applicable to overseas earnings	-	254
Tax losses recognised in deferred tax	(28)	-
	<u>311</u>	<u>144</u>

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003**

NOTES TO THE ACCOUNTS**8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The deficit dealt with in the accounts of the Company was £590,000 (2002: £637,000).

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 2002	6,229	52,286	1,184	59,699
Foreign currency translation	(214)	(2,514)	(150)	(2,878)
On acquisition	-	2,733	888	3,621
Additions	49	1,906	413	2,368
Disposals	-	(850)	(15)	(865)
At 31 March 2003	6,064	53,561	2,320	61,945
Depreciation:				
At 1 April 2002	1,003	31,979	729	33,711
Foreign currency translation	(46)	(1,231)	(73)	(1,350)
On acquisition	-	1,098	365	1,463
Provided during the year	161	3,656	253	4,070
Disposals	-	(850)	(5)	(855)
At 31 March 2003	1,118	34,652	1,269	37,039
Net book value				
At 31 March 2003	4,946	18,909	1,051	24,906
Net book value:				
At 1 April 2002	5,226	20,307	455	25,988

The net book value of plant and machinery above includes an amount of £775,000 (2002: £2,069,000) 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.

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NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS

Group	Joint Ventures £'000
Group share of net assets at 1 April 2002	2,697
Movements on change of status	(2,697)
Group share of net assets at 31 March 2003	-

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

	2003 £'000	2002 £'000
Fixed assets	-	1,115
Current assets	-	2,711
Liabilities due within one year	-	(1,129)
	-	2,697

With effect from 1 April 2002, the group have accounted for its interest in Cosmo Hong Kong Limited as that of a parent company in a subsidiary. Although the company still only owns 50% of Cosmo Hong Kong Limited, it now exerts control. As at 1 April 2002 the assets and liabilities were:

Cosmo Hong Kong Limited	£'000
Tangible fixed assets	2,158
Stocks	1,414
Debtors	2,153
Cash balances	1,158
Creditors	(1,240)
Taxation current	(250)
Minorities	(2,696)
	2,697

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NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS (Continued)

	Group Investments In associated Undertakings
	Total £'000
At cost and net book value	
At 1 April 2002	-
Additions	247
	247

During the year the Group acquired 1,945,000 shares of HK\$1 for £247,000, 50% interest, in CTC Asia (Hong Kong) Limited. For the year ended 31 March 2003 CTC Asia (Hong Kong) Limited made sales of £867,000, retained profits of £24,000 and net assets were £340,000.

Other investments

	£'000
Opening balance 1 April 2002	1,296
Reallocation	(672)
Additions	155
Currency loss	(122)
Closing balance 31 March 2003	657

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 previous year, the group received shares in a quoted US company on its demutualisation. There was no consideration given. As at 31 March 2003 these shares had a market value of £200,000. If the shares were sold at this amount there would be a tax liability of £68,000.

Company

	£'000
At 1 April 2002 and 31 March 2003	39,617

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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%	the provision of technical services
Indirect			
HDK Industries Inc	Tennessee, USA	86%	the manufacture and marketing of non-woven textile fabrics
Cosmo Hong Kong Limited	Cayman Islands	50%	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

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003****NOTES TO THE ACCOUNTS****11 INTANGIBLE FIXED ASSETS**

Group	Patents	Purchased goodwill	Goodwill arising on consolidation	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2002	378	16	768	1,162
Additions	63	-	-	63
Disposals	(35)	-	-	(35)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2003	406	16	768	1,190
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortisation				
At 1 April 2002	221	11	47	279
Charge for the year	24	-	37	61
Disposals	(21)	-	-	(21)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2003	224	11	84	319
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 March 2003	182	5	684	871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2002	157	5	721	883
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

12 STOCKS

	Group	
	2003	2002
	£'000	£'000
Raw materials	4,000	2,600
Work in progress	830	794
Finished goods	4,460	3,294
Goods for resale	922	571
Sundry stocks	-	461
	<u> </u>	<u> </u>
	10,212	7,720
	<u> </u>	<u> </u>

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

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003****NOTES TO THE ACCOUNTS****13 DEBTORS**

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade debtors	15,298	11,182	-	-
Amounts owed by joint ventures	21	111	-	-
Amounts owed by related company	1,480	2,030	1,481	2,030
Other debtors	795	1,335	-	-
Amounts receivable under finance				
Leases	-	233	-	-
Corporation tax recoverable	106	163	-	-
Prepayments and accrued income	771	655	-	7
	<u>18,471</u>	<u>15,709</u>	<u>1,481</u>	<u>2,037</u>

Amounts receivable under finance leases include an amount of £nil (2002:£233,000) falling due after more than one year.

14 CREDITORS: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Loans from associated companies (note 16)	121	174	-	-
Current instalments due on bank				
Loans (note 16)	1,530	2,019	-	-
Bank overdraft	2,882	3,845	-	-
Trade creditors	5,823	5,171	-	-
Associated undertakings	495	-	-	-
Other taxes and social security costs	606	448	-	-
Corporation tax	145	30	-	-
Obligations under finance leases				
and hire purchase	154	244	-	-
Other creditors	1,041	503	-	10
Accruals and deferred income	2,302	1,235	25	36
	<u>15,099</u>	<u>13,669</u>	<u>25</u>	<u>46</u>

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2003****NOTES TO THE ACCOUNTS****15 CREDITORS:** amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans	1,233	1,189	-	-
Loan Notes	21,000	21,000	21,000	21,000
Obligations under finance leases and hire purchase contracts	6	153	-	-
Accruals	122	108	122	108
Loans from associated companies	2,058	2,008	-	-
Other creditor	-	1,476	-	-
	<u>24,419</u>	<u>25,934</u>	<u>21,122</u>	<u>21,108</u>

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:-

£317,490 (2002 : £581,558) payable to financial institution, secured by real estate and manufacturing equipment, payable in monthly instalments of £17,485 (2002 : £19,115) plus interest at the prime rate plus 0.5%, maturity 1 December 2005.

£168,069 (2002 : £254,428) payable to a financial institution, secured by inventory and accounts receivable, payable in monthly instalments of £5,232 (2002 : £5,777) plus interest at 8.25%, maturity 1 December 2005.

£869,649 (2002 : £254,425) 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 £11,913 (2002 : £13,152) 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 2003 the Company is not in compliance with all the requirements of the agreement. As of 22 July 2003 the bank has not waived the requirements, and accordingly the entire amount of the note, £1,117,952, has been included in current liabilities.

£228,730 (2002 : £252,526) 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 2002 at which time principal and interest payments will be made monthly for eight years, maturing 25 January 2009.

NOTES TO THE ACCOUNTS

16 LOANS

Group and company

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts falling due:				
In one year or less	1,805	2,437	-	-
In more than one year but not more than two years	2,348	2,430	-	-
In more than two years but not more than five years	671	642	-	-
In more than 5 years	21,278	21,278	21,000	21,000
	<u>26,102</u>	<u>26,787</u>	<u>21,000</u>	<u>21,000</u>

Certain bank loans are secured on certain assets owned by the group.

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation – Group

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

	Asset	Liability
	£'000	£'000
At 1 April 2002	5,614	(541)
Credit/(Charge) for the year (note 7)	(464)	(645)
Translation difference	(529)	-
	<u>4,621</u>	<u>(1,186)</u>

Deferred taxation provided in the accounts:

	Asset	Liability
	£'000	£'000
Capital allowances in advance of depreciation	-	(1,316)
Other timing differences	-	44
Losses available	4,621	86
	<u>4,621</u>	<u>(1,186)</u>

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.

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NOTES TO THE ACCOUNTS

18 SHARE CAPITAL

	2003	2002
	£'000	£'000
Authorised:		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid in the year:		
112,291 ordinary shares of £1 each	112	112
	<u> </u>	<u> </u>

19 PROFIT AND LOSS ACCOUNT

	Group	Company
	£'000	£'000
At 1 April 2002	664	(941)
Retained profit/(deficit) for the year	876	(590)
Exchange difference on re-translation of net assets	(2,337)	-
	<u> </u>	<u> </u>
At 31 March 2003	(797)	(1,531)
	<u> </u>	<u> </u>

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	2003	2002
	£'000	£'000
Operating profit	5,342	570
Depreciation	4,070	3,430
Amortisation of intangibles	61	97
Increase in stocks	(1,078)	(290)
Increase in debtors	(666)	(2,184)
Increase/(Decrease) in creditors	880	(1,037)
Currency movements	(566)	84
	<u> </u>	<u> </u>
Net cash inflow from operating activities	8,043	670
	<u> </u>	<u> </u>

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

	2003	2002
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	425	459
Interest paid	(2,225)	(2,410)
Dividends paid to minority interests	(448)	(561)
Net cash outflow for returns on investments and servicing of finance	(2,248)	(2,512)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,368)	(3,141)
Sale of plant and machinery	10	181
Purchase of other investments	(402)	(750)
Purchase of intangible assets	(63)	(124)
Sale of intangible assets	14	-
Net cash outflow for capital expenditure and financial investment	(2,809)	(3,834)
	£'000	£'000
Acquisitions (note 10)		
Purchase of subsidiary undertakings	-	(10)
Net cash balances of subsidiaries at acquisition	1,158	124
Purchase of minority and subsidiary	-	(386)
Net cash inflow/(outflow) from acquisitions	1,158	(272)
	£'000	£'000
Financing		
Capital element of finance lease payments	(237)	(481)
Loans from associated companies	(3)	(11,706)
Repayment of bank loan	(445)	(2,401)
Net cash outflow from financing	(685)	(14,588)

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NOTES TO THE ACCOUNTS

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

(c) Analysis of debt

	At April 2002 £'000	Cash flow £'000	At 31 March 2003 £'000
Cash at bank and in hand	4,501	2,107	6,608
Overdrafts	(3,845)	963	(2,882)
	<u>656</u>	<u>3,070</u>	<u>3,726</u>
Bank loans falling due within one year	(2,019)	489	(1,530)
Bank loans falling due after one year	(1,189)	(44)	(1,233)
Loans from associated companies	(2,182)	3	(2,179)
Loan notes	(21,000)	-	(21,000)
Finance leases	(397)	237	(160)
	<u>(26,787)</u>	<u>685</u>	<u>(26,102)</u>
	<u>(26,131)</u>	<u>3,755</u>	<u>(22,376)</u>

21 CONTINGENT LIABILITIES

At 31 March 2003 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 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Contracted but not provided	<u>380</u>	<u>268</u>	<u>Nil</u>	<u>Nil</u>

NOTES TO THE ACCOUNTS

23 OPERATING LEASES

At 31 March 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
Within one year	-	57	-	36
Between two and five years	-	100	-	175
In over five years	1,956	127	1,367	141
	1,956	284	1,367	352

NOTES TO THE ACCOUNTS

24 RELATED PARTY TRANSACTIONS

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

2003	Sales to £'000	Purchases from £'000	Net Outstanding balances from £'000
Haining Textile Allied Industry Co Limited	-	177	20
UMI	1,007	-	-
Akosombo Textiles Limited	534	-	180
CTD Benin SARL	1,966	-	903
CTD Togo SARL	800	-	344
CTD Niger SARL	1,823	-	907
CTD America Group LLP	169	-	201
Broadway Industrial Services Limited	-	1,967	(126)
	<u> </u>	<u> </u>	<u> </u>
2002	Sales to £'000	Purchases from £'000	Net Outstanding balances from £'000
Cosmostar Limited	205	64	-
	<u> </u>	<u> </u>	<u> </u>
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)
	<u> </u>	<u> </u>	<u> </u>

All 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.