

**CHA TECHNOLOGIES GROUP PUBLIC
LIMITED COMPANY
REPORT AND ACCOUNTS
31 MARCH 2004**

Company Registration Number 4040321



CHA TECHNOLOGIES GROUP PLC

Report and Accounts

31 March 2004

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

DIRECTORS' REPORT

The directors present their report and the audited Group accounts for the year ended 31 March 2004.

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.

In October 2004 an announcement was made to the workforce that a decision had been made to cease production at the Winsford factory. Customers and suppliers were also informed of this decision, although it is anticipated that it will have no significant effect on our customers. The stitchbond production lines would be transferred to a related company's factory in Haining, China and the UK and European market for these products would be serviced by this Chinese factory. A sales, warehousing and distribution facility would be maintained in the UK for the purpose of servicing customer needs. The automotive production equipment would be transferred to the Ledatec Division of the Company based in Blackburn, Lancashire and the capacity would be enhanced by the addition of a further production line. Consultations with affected parties are continuing as at the date of this report.

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 2004 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 48 days (2003: 37 days) purchases outstanding at 31 March 2004, 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

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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 24 January 2005 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 2004****INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2004**

We have audited the financial statements on pages 6 to 31 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 2004 and of the loss 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
28 January 2005

Chadwick
CHADWICK
Chartered Accountants
& Registered Auditors

CHA TECHNOLOGIES GROUP PLC
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GROUP PROFIT AND LOSS ACCOUNT

	Notes	£'000	2004 £'000	2003 £'000
GROUP TURNOVER:	2			
Continuing operations		69,599		
Acquisitions		5,121	74,720	81,287
Cost of sales			(59,556)	(58,777)
GROSS PROFIT			15,164	22,510
Distribution costs			(1,703)	(2,306)
Administrative expenses			(15,233)	(14,862)
GROUP OPERATING (LOSS) / PROFIT	2 and 3			
Continuing operations		(1,785)		
Acquisitions		13		
Profit on sale of Investments			(1,772) 376	5,342 -
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION			(1,396)	5,342
Interest receivable			311	425
Interest payable	6		(2,181)	(2,225)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(3,266)	3,542
Tax charge on (loss) / profit on ordinary activities	7		(498)	(1,420)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8		(3,764)	2,122
Minority Interest			(1,413)	(1,246)
(LOSS) / PROFIT FOR THE YEAR	19		(5,177)	876

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2004****GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 March 2004**

	2004	2003
	£'000	£'000
(Loss) / Profit for the financial year	(5,177)	876
Currency losses on re-translation of assets	(3,183)	(2,337)
Total recognised gains and losses relating to the year	(8,360)	(1,461)

RECONCILIATION OF SHAREHOLDERS' FUNDS**For the year ended 31 March 2004**

Group	2004	2003
	£'000	£'000
Opening shareholders' funds	20,841	22,302
Total recognised gains and losses relating to the year	(8,360)	(1,461)
Closing shareholders' funds	12,481	20,841
Company	2004	2003
	£'000	£'000
Opening shareholders' funds	20,107	20,697
Deficit for the year	(685)	(590)
Closing shareholders' funds	19,422	20,107

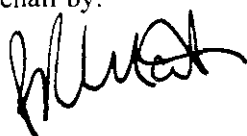
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CONSOLIDATED BALANCE SHEET
At 31 March 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible assets	9	21,230	24,906
Investments	10	174	247
Other investments	10	705	657
Intangible fixed assets	11	829	871
		22,938	26,681
CURRENT ASSETS			
Stocks	12	10,589	10,212
Debtors: amounts falling due within one year	13	18,622	18,471
Deferred tax asset	17	3,655	4,621
Cash at bank and in hand		4,442	6,608
		37,308	39,912
CREDITORS: amounts falling due within one year	14	(17,474)	(15,099)
NET CURRENT ASSETS		19,834	24,813
TOTAL ASSETS LESS CURRENT LIABILITIES		42,772	51,494
CREDITORS: amounts falling due after more than one year	15	(23,876)	(24,419)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	(1,110)	(1,186)
MINORITY INTERESTS		(5,305)	(5,048)
		12,481	20,841
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(9,157)	(797)
		12,481	20,841

The accounts on pages 6 to 31 were approved by the Board of Directors on 24 January 2005 and were signed on its behalf by:

P R Martin



CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2004****BALANCE SHEET****At 31 March 2004**

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Investments	10	39,617	39,617
CURRENT ASSETS			
Debtors due within one year	13	881	1,481
Cash at bank and in hand		64	156
		945	1,637
CREDITORS: amounts falling due within one year	14	(25)	(25)
NET CURRENT ASSETS		920	1,612
TOTAL ASSETS LESS CURRENT LIABILITIES		40,537	41,229
CREDITORS: amounts falling due after more than one year	15	(21,115)	(21,122)
		19,422	20,107
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(2,216)	(1,531)
		19,422	20,107

The accounts on pages 6 to 31 were approved by the Board of Directors on 24 January 2005 and were signed on its behalf by:

P R Martin



CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2004**

GROUP CASH FLOW STATEMENT**For the year ended 31 March 2004**

	Notes	2004 £'000	2003 £'000
CASH FLOW FROM OPERATING ACTIVITIES	20a	615	8,043
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20b	(2,296)	(2,248)
TAXATION		519	(389)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20b	(1,528)	(2,809)
ACQUISITIONS	20b	73	1,158
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(2,617)	3,755
FINANCING			
Other financing	20b	(123)	(685)
(DECREASE) / INCREASE IN CASH IN THE YEAR		(2,740)	3,070

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

		2004 £'000
Decrease in cash in the year		(2,740)
Financing	20b	123
Change in net debt resulting from cashflows and movement in net debt in the year at 31 March 2004		(2,617)

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 2004. 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.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

Investments

Fixed asset investments are stated at cost.

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 a discounted 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.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

Foreign currency translation

The results of overseas subsidiaries 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 subsidiaries at the beginning of the year are dealt with as a movement on reserves.

Profits 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.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2004****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:

	2004 £'000	2003 £'000
United Kingdom	15,564	15,164
United Kingdom exports	5,018	16,037
Far East	26,376	14,435
United States	27,762	35,651
	74,720	81,287

With effect from 1 April 2003, the Company has accounted for its interest in CTC Asia (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 CTC Asia (Hong Kong) Limited, a subsidiary undertaking at 31 March 2004, using acquisition accounting. For the year ended 31 March 2003 the group did not exert control over CTC Asia (Hong Kong) Limited and the Group's financial statements consolidated the results of CTC Asia (Hong Kong) Limited using gross equity accounting.

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

	Continuing £'000	2004 Acquisition £'000	Total £'000	2003 Total £'000
Group turnover	69,599	5,121	74,720	81,287
Cost of sales	(54,855)	(4,701)	(59,556)	(58,777)
Gross profit	14,744	420	15,164	22,510
Distribution costs	(1,650)	(53)	(1,703)	(2,306)
Administrative expenses	(14,879)	(354)	(15,233)	(14,862)
Group operating (loss) / profit	(1,785)	13	(1,772)	5,342

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.

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2004****3 GROUP OPERATING (LOSS) / PROFIT**

This is stated after charging/(crediting):

	2004	2003
	£'000	£'000
Depreciation and other amounts written off		
Tangible fixed assets	3,199	4,070
Auditors' remuneration – the holding company auditors	31	30
– other auditors	33	30
– non-audit services of holding company auditors	15	12
Exchange (loss)/gain on foreign currency balances and remittances / payments	(166)	(51)
Property rental income	(2)	(21)
Operating lease rentals – land and buildings	1,687	2,088
– other assets	462	449
Research and development	118	148
Amortisation of intangibles	1	61
Loss on sale of fixed assets	22	-
Forgiveness of Debt	517	-
	<u> </u>	<u> </u>

Depreciation includes £219,000 (2003: £227,000) in respect of tangible fixed assets held under finance leases.

NOTES TO THE ACCOUNTS

4 DIRECTORS

Emoluments

The emoluments of the directors of the Company were:-

	2004 £'000	2003 £'000
Aggregate emoluments	61	58
Company pension contributions to money purchase schemes	3	2

5 STAFF COSTS

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

	2004 No	2003 No
Total	887	856

	2004 £'000	2003 £'000
Wages and salaries	14,498	15,154
Social security costs	1,173	1,197
Other pension costs	579	618
	16,250	16,969

6 INTEREST

	2004 £'000	2003 £'000
Interest payable		
Bank loans and overdrafts wholly repayable within five years	418	462
Finance charges payable under finance leases	31	31
Other interest	1,732	1,732
	2,181	2,225

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NOTES TO THE ACCOUNTS

7 TAXATION

The taxation (credit)/charge is made up as follows:

		2004		2003	
		£'000	£'000	£'000	£'000
Based on the (loss)/profit for the year:					
UK Corporation tax			8		32
Overseas tax			165		280
Over provision in respect of prior year			74		(1)
			247		311
Deferred taxation (note 17)	UK	(76)		645	
	Overseas	(586)		464	
	Discounting	913		-	
			251		1,109
			498		1,420

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.

The deferred tax asset has been discounted to its net present value.

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% (2003 – 30%).

	2004	2003
	£'000	£'000
(Deficit)/Profit on ordinary activities before taxation	(3,266)	3,542
(Deficit)/Profit on ordinary activities by rate of tax	(980)	1,063
Disallowable expenses	39	118
Capital allowances for period in excess of depreciation	(14)	(22)
Tax losses utilised not recognised in deferred tax	233	(512)
Adjustment in respect of prior years	74	(1)
Different rate of tax applicable to overseas earnings	223	(307)
Tax losses recognised in deferred tax	678	-
Other timing differences	(6)	(28)
	247	311

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NOTES TO THE ACCOUNTS

8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The deficit dealt with in the accounts of the Company was £685,000 (2003 : £590,000).

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 2003	6,064	53,561	2,320	61,945
Foreign currency translation	(278)	(3,296)	(176)	(3,750)
Additions	222	1,459	240	1,921
Disposals	(146)	(368)	(40)	(554)
At 31 March 2004	5,862	51,356	2,344	59,562
Depreciation:				
At 1 April 2003	1,118	34,652	1,269	37,039
Foreign currency translation	(36)	(1,540)	(86)	(1,662)
Provided during the year	131	2,866	202	3,199
Disposals	(111)	(98)	(35)	(244)
At 31 March 2004	1,102	35,880	1,350	38,332
Net book value				
At 31 March 2004	4,760	15,476	994	21,230
Net book value:				
At 1 April 2003	4,946	18,909	1,051	24,906

The net book value of plant and machinery above includes an amount of £548,000 (2003: £775,000) 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 Investments In associated Undertakings
	Total £'000
At cost and net book value	
At 1 April 2003	247
Reallocation as Subsidiaries	(73)
As at 31 March 2004	174

With effect from 1 April 2003, the group have accounted for its interest in CTC Asia (Hong Kong) Limited as that of a parent company in a subsidiary. Although the company still only owns 50% of CTC Asia (Hong Kong) Limited, it now exerts control.

A subsidiary, Winsford Cord Ltd, has acquired 48 % ordinary share capital in Maver Srl, a company incorporated in Italy, during the year.

Other investments

	£'000
Opening balance 1 April 2003	657
Additions	231
Currency loss	(183)
Closing balance 31 March 2004	705

The other investments represent 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.

Previously, the group had received shares in a quoted US company on its demutualisation. There was no consideration given. During the current year the shares were sold for £376,000.

Company

	£'000
At 1 April 2003 and 31 March 2004	39,617

CHA TECHNOLOGIES GROUP PLC**Report and Accounts****31 March 2004**

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
CTC Asia (Hong Kong) Limited	Hong Kong		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.

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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 2003	406	16	768	1,190
Foreign currency translation	(56)	-	-	(56)
Additions	40	-	-	40
At 31 March 2004	<u>390</u>	<u>16</u>	<u>768</u>	<u>1,174</u>
Amortisation				
At 1 April 2003	224	11	84	319
Foreign currency translation	(35)	-	-	(35)
Charge for the year	19	3	39	61
At 31 March 2004	<u>208</u>	<u>14</u>	<u>123</u>	<u>345</u>
Net book value				
At 31 March 2004	<u>182</u>	<u>2</u>	<u>645</u>	<u>829</u>
At 31 March 2003	<u>182</u>	<u>5</u>	<u>684</u>	<u>871</u>

12 STOCKS

	Group	
	2004	2003
	£'000	£'000
Raw materials	4,209	4,000
Work in progress	667	830
Finished goods	5,233	4,460
Goods for resale	480	922
	<u>10,589</u>	<u>10,212</u>

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

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NOTES TO THE ACCOUNTS

13 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	15,611	15,298	-	-
Amounts owed by joint ventures	-	21	-	-
Amounts owed by related company	881	1,480	881	1,481
Other debtors	1,614	795	-	-
Corporation tax recoverable	1	106	-	-
Prepayments and accrued income	515	771	-	-
	<u>18,622</u>	<u>18,471</u>	<u>881</u>	<u>1,481</u>

14 CREDITORS: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Loans from associated companies (note 16)	-	121	-	-
Current instalments due on bank				
Loans (note 16)	2,197	1,530	-	-
Bank overdraft	3,456	2,882	-	-
Trade creditors	7,755	5,823	-	-
Associated undertakings	-	495	-	-
Other taxes and social security costs	541	606	-	-
Corporation tax	167	145	-	-
Obligations under finance leases and hire purchase	21	154	-	-
Other creditors	2,277	1,041	-	-
Accruals and deferred income	1,060	2,302	25	25
	<u>17,474</u>	<u>15,099</u>	<u>25</u>	<u>25</u>

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NOTES TO THE ACCOUNTS

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans	1,540	1,233	-	-
Loan Notes	21,000	21,000	21,000	21,000
Obligations under finance leases and hire purchase contracts	35	6	-	-
Accruals	115	122	115	122
Loans from associated companies	1,186	2,058	-	-
	<u>23,876</u>	<u>24,419</u>	<u>21,115</u>	<u>21,122</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:-

£92,915 (2003 : £317,490) payable to financial institution, secured by real estate and manufacturing equipment, payable in monthly instalments of £15,073 (2003 : £17,485) plus interest at the prime rate plus 0.5%, maturity 1 December 2005.

£90,860 (2003 : £168,069) payable to a financial institution, secured by inventory and accounts receivable, payable in monthly instalments of £4,724 (2003 : £5,232) plus interest at 8.25%, maturity 1 December 2005.

£626,443 (2003 : £869,649) 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 £10,270 (2003 : £11,913) 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.

£197,176 (2003 : £228,730) 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

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

£158,288 payable to Tennessee Valley Authority, secured by manufacturing equipment, payable in monthly instalments of £2,915 including interest at 4.0% through March 2009.

£282,293 payable to Tennessee Valley Authority, secured by research and development manufacturing line, payable in monthly instalments of £5,624 including interest at 4% through September 2008.

£497,289 payable to financial institution secured by substantially all fixed assets of Filament Fiber Technology, Inc. and guaranteed by the company's stockholders, payable in monthly instalments of £13,052 including interest at 6.75% through October 2007.

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	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts falling due:				
In one year or less	2,197	1,805	-	-
In more than one year but not more than two years	583	2,348	-	-
In more than two years but not more than five years	1,490	671	-	-
In more than 5 years	21,803	21,278	21,000	21,000
	<u>26,073</u>	<u>26,102</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 £'000	Liability £'000
At 1 April 2003	4,621	(1,186)
Credit for the year (note 7)	586	76
Translation difference	(639)	-
Discounting of asset	(913)	
	<u>3,655</u>	<u>(1,110)</u>

Deferred taxation provided in the accounts:

	Asset £'000	Liability £'000
Capital allowances in advance of depreciation	-	1,267
Other timing differences	-	45
Losses available	3,655	(202)
	<u>3,655</u>	<u>1,110</u>

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The deferred tax asset is recognised as profits are expected to accrue from a future profit, which can be offset against losses brought forward. It has been discounted to its net present value using a discount factor of 5.5%. No provision is made on undistributed profits from overseas subsidiaries as there is no intention or obligation to remit undistributed earnings to the United Kingdom.

18 SHARE CAPITAL

	2004	2003
	£'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 2003	(797)	(1,531)
Deficit for the year	(5,177)	(685)
Exchange difference on re-translation of net assets	(3,183)	-
	<u> </u>	<u> </u>
At 31 March 2004	(9,157)	(2,216)
	<u> </u>	<u> </u>

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

	2004	2003
	£'000	£'000
Operating (loss) / profit	(1,772)	5,342
Depreciation	3,199	4,070
Amortisation of intangibles	61	61
Increase in stocks	(377)	(1,078)
Increase in debtors	(256)	(666)
Increase/ in creditors	1,359	880
Currency movements	(1,621)	(566)
Loss on sale of fixed assets	22	-
	<u> </u>	<u> </u>
Net cash inflow from operating activities	615	8,043
	<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

	2004	2003
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	311	425
Interest paid	(2,181)	(2,225)
Dividends paid to minority interests	(426)	(448)
Net cash outflow for returns on investments and servicing of finance	(2,296)	(2,248)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,921)	(2,368)
Sale of plant and machinery	288	10
Purchase of other investments	(231)	(402)
Purchase of intangible assets	(40)	(63)
Sale of intangible assets	-	14
Sale of investments	376	-
Net cash outflow for capital expenditure and financial investment	(1,528)	(2,809)
	£'000	£'000
Acquisitions (note 10)		
Net cash balances of subsidiaries reclassification	73	1,158
Net cash inflow from acquisitions	73	1,158
	£'000	£'000
Financing		
Capital element of finance lease payments	(104)	(237)
Loans from associated companies	(973)	(3)
Repayment of bank loan	974	(445)
Net cash outflow from financing	(123)	(685)

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NOTES TO THE ACCOUNTS

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

(c) Analysis of debt

	At April 2003 £'000	Cash flow £'000	At 31 March 2004 £'000
Cash at bank and in hand	6,608	(2,166)	4,442
Overdrafts	(2,882)	(574)	(3,456)
	<u>3,726</u>	<u>(2,740)</u>	<u>986</u>
Bank loans falling due within one year	(1,530)	(667)	(2,197)
Bank loans falling due after one year	(1,233)	(307)	(1,540)
Loans from associated companies	(2,179)	993	(1,186)
Loan notes	(21,000)	-	(21,000)
Finance leases	(160)	104	(56)
	<u>(26,102)</u>	<u>123</u>	<u>(25,979)</u>
	<u>(22,376)</u>	<u>(2,617)</u>	<u>(24,993)</u>

21 CONTINGENT LIABILITIES

At 31 March 2004 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 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Contracted but not provided	Nil	380	Nil	Nil

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NOTES TO THE ACCOUNTS

23 OPERATING LEASES

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

	2004		2003	
	Land an Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
Within one year	-	88	-	57
Between two and five years	-	132	-	100
In over five years	1,687	242	1,956	127
	1,687	462	1,956	284

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

2004	Sales to £'000	Purchases from £'000	Net Outstanding balances from £'000
Haining Textile Allied Industry	-	-	-
Industry Co Limited	-	-	8
UMI	1,189	-	(23)
Akosombo Textiles Limited	781	-	963
CTD Benin SARL	715	-	763
CTD Togo SARL	369	-	467
CTD Niger SARL	999	-	687
CTD America Group LLP	33	-	215
Broadway Industrial Services Limited	396	-	8
A. Brunschweiler & Co	-	-	(141)
CTD Management AG	-	-	18
Sharfarm Loan	-	-	881
Qualitex Textiles Ltd	-	-	(110)
Castle Industries Ltd	-	-	(6)
United Textiles Plc	-	-	-
Mansor Finance	-	-	(1,186)
CTD Burkina FASO	-	-	124
2003	Sales to £'000	Purchases from £'000	Net Outstanding balances from £'000
Haining Textile Allied Industry	-	-	-
Industry Co Limited	-	177	20
UMI	1,008	-	(6)
Akosombo Textiles Limited	534	-	221
CTD Benin SARL	1,966	-	906
CTD Togo SARL	800	-	346
CTD Niger SARL	1,823	-	909
CTD America Group LLP	167	-	201
Broadway Industrial Services Limited	-	1,976	(126)
A. Brunschweiler & Co	-	-	(103)
CTD Management AG	-	-	18
United Nigerian Textiles Ltd	-	-	-
Qualitex Textiles Ltd	-	-	(49)
Castle Industries Ltd	-	-	(6)
United Textiles Plc	-	-	13
Mansor Finance	-	-	(1,449)
CTD Burkina FASO	-	-	-
Sharfarm Loan	-	-	1,481

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NOTES TO THE ACCOUNTS

24 RELATED PARTY TRANSACTIONS/Cont...

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.