

**CHA TECHNOLOGIES GROUP PUBLIC
LIMITED COMPANY
REPORT AND ACCOUNTS
31 MARCH 2005**

Company Registration Number 4040321



CHA TECHNOLOGIES GROUP PLC
Report and Accounts
31 March 2005

DIRECTORS

B Stamper (appointed 17 March 2005)
T S Inn (appointed 12 May 2005)
P R Martin

JOINT SECRETARIES

P R Martin
J D Secretariat Limited

REGISTERED OFFICE

Commercial Street
Hyde
Cheshire
SK14 2HP

AUDITORS

Chadwick LLP
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 2005.

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 current market conditions.

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 serving at the date of this report are set out on page 1.

L W Chan and P Chou resigned as directors on 18 March 2005 and 19 March 2005 respectively.

B Stamper and T S Inn were appointed directors on 17 March 2005 and 12 May 2005 respectively.

No directors of the Company at 31 March 2005 had beneficial interests in the ordinary share capital of the Company, or any other member of the Cha Technologies Group plc.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

On 4 October 2005 the company's authorised share capital was increased by 21,000,000 ordinary shares of £1 each.

On 4 October 2005 the 8.5% subordinated bonds were redeemed and on the same day 21,000,000 ordinary shares of £1 each were valued at par value for cash.

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 52 days (2004: 48 days) purchases outstanding at 31 March 2005, 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.

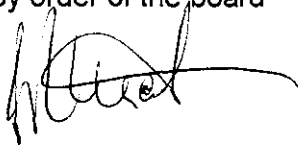
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DIRECTORS' REPORT

AUDITORS

On 1 July 2005, Chadwick, the company's auditors, transferred its business to Chadwick LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. Accordingly Chadwick resigned as auditors on that date and the directors appointed Chadwick LLP as its successor. A resolution to re-appoint Chadwick LLP as auditors will be proposed at the next annual general meeting.

By order of the board



P R Martin
Secretary
Commercial Street
Hyde
Cheshire
SK14 2HP
27 January 2006

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

We have audited the financial statements on pages 7 to 31 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

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

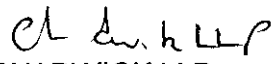
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 2005 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
27 January 2006


CHADWICK LLP
Chartered Accountants
& Registered Auditors

CHA TECHNOLOGIES GROUP PLC
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GROUP PROFIT AND LOSS ACCOUNT

	Notes	2005 £'000	2004 £'000
GROUP TURNOVER:	2		
Continuing operations		73,193	74,720
Cost of sales		(59,931)	(59,556)
GROSS PROFIT		13,262	15,164
Distribution costs		(2,058)	(1,703)
Administrative expenses		(15,151)	(15,233)
GROUP OPERATING LOSS		(3,947)	(1,772)
Profit on sale of Investments		1,021	376
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(2,926)	(1,396)
Interest receivable		304	311
Interest payable	6	(2,407)	(2,181)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,029)	(3,266)
Tax credit /(charge) on loss on ordinary activities	7	571	(498)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	8	(4,458)	(3,764)
Minority Interest	25	(1,121)	(1,413)
LOSS FOR THE YEAR	19	(5,579)	(5,177)

The notes on pages 12 to 31 form part of these financial statements

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GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2005

	2005 £'000	2004 £'000
Loss for the financial year	(5,579)	(5,177)
Currency losses on re-translation of assets	(418)	(3,183)
Total recognised gains and losses relating to the year	(5,997)	(8,360)

RECONCILIATION OF SHAREHOLDERS' FUNDS
For the year ended 31 March 2005

Group	2005 £'000	2004 £'000
Opening shareholders' funds	12,481	20,841
Total recognised gains and losses relating to the year	(5,997)	(8,360)
Closing shareholders' funds	6,484	12,481
Company	2005 £'000	2004 £'000
Opening shareholders' funds	19,422	20,107
Deficit for the year	(1,186)	(685)
Closing shareholders' funds	18,236	19,422

The notes on pages 12 to 31 form part of these financial statements

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CONSOLIDATED BALANCE SHEET
At 31 March 2005

	Notes	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	9	20,839	21,230
Investments	10	174	174
Other investments	10	758	705
Intangible fixed assets	11	901	829
		22,672	22,938
CURRENT ASSETS			
Stocks	12	11,557	10,589
Debtors: amounts falling due within one year	13	18,501	18,622
Deferred tax asset	17	4,335	3,655
Cash at bank and in hand		4,617	4,442
		39,010	37,308
CREDITORS: amounts falling due within one year	14	(23,993)	(17,474)
NET CURRENT ASSETS		15,017	19,834
TOTAL ASSETS LESS CURRENT LIABILITIES		37,689	42,772
CREDITORS: amounts falling due after more than one year	15	(24,261)	(23,876)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	(1,101)	(1,110)
MINORITY INTERESTS	25	(5,843)	(5,305)
		6,484	12,481
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(15,154)	(9,157)
		6,484	12,481

The accounts on pages 6 to 31 were approved by the Board of Directors on 27 January 2006 and were signed on its behalf by:


P R Martin

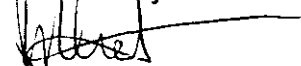
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BALANCE SHEET
At 31 March 2005

	Notes	2005 £'000	2004 £'000
FIXED ASSETS			
Investments	10	39,617	39,617
CURRENT ASSETS			
Debtors due within one year	13	257	881
Cash at bank and in hand		19	64
		276	945
CREDITORS: amounts falling due within one year	14	(647)	(25)
NET CURRENT (LIABILITIES)/ASSETS		(371)	920
TOTAL ASSETS LESS CURRENT LIABILITIES		39,246	40,537
CREDITORS: amounts falling due after more than one year	15	(21,010)	(21,115)
		18,236	19,422
CAPITAL AND RESERVES			
Called up share capital	18	112	112
Share premium account		21,526	21,526
Profit and loss account	19	(3,402)	(2,216)
		18,236	19,422

The accounts were approved by the Board of Directors on 27 January 2006 and were signed on its behalf by:


P R Martin

The notes on pages 12 to 31 form part of these financial statements

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GROUP CASH FLOW STATEMENT
For the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
CASH FLOW FROM OPERATING ACTIVITIES	20a	764	615
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20b	(2,702)	(2,296)
TAXATION		(402)	519
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20b	(3,561)	(1,528)
ACQUISITIONS AND DISPOSALS	20b	1,188	73
NET CASH OUTFLOW BEFORE FINANCING		(4,713)	(2,617)
FINANCING			
Other financing	20b	(1,263)	(123)
DECREASE IN CASH IN THE YEAR		(5,976)	(2,740)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (note 20c)			
			2005 £'000
Decrease in cash in the year			(5,976)
Financing	20b		1,263
Change in net debt resulting from cashflows and movement in net debt in the year at 31 March 2005			(4,713)

The notes on pages 12 to 31 form part of these financial statements

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 2005. 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.

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:

	2005 £'000	2004 £'000
United Kingdom	11,758	15,564
United Kingdom exports	13,560	5,018
Far East	23,802	26,376
United States	24,073	27,762
	73,193	74,720

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 LOSS

This is stated after charging/(crediting):

	2005 £'000	2004 £'000
Depreciation and other amounts written off		
Tangible fixed assets	3,526	3,199
Auditors' remuneration – the holding company auditors	31	31
– other auditors	38	33
– non-audit services of holding company auditors	13	15
Exchange loss/(gain) on foreign currency balances and remittances / payments	26	(166)
Property rental income	-	(2)
Operating lease rentals – land and buildings	1,571	1,687
– other assets	156	462
Research and development	146	118
Amortisation of intangibles	67	61
Loss on sale of fixed assets	112	22
Forgiveness of Debt	144	517

Depreciation includes £196,000 (2004: £219,000) in respect of tangible fixed assets held under finance leases.

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NOTES TO THE ACCOUNTS

4 DIRECTORS

Emoluments

The emoluments of the directors of the Company were:-

	2005 £'000	2004 £'000
Aggregate emoluments	61	61
Company pension contributions to money purchase schemes	3	3

5 STAFF COSTS

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

	2005 No	2004 No
Total	761	887

	2005 £'000	2004 £'000
Wages and salaries	13,226	14,498
Social security costs	1,000	1,173
Other pension costs	557	579
	14,783	16,250

6 INTEREST

	2005 £'000	2004 £'000
Interest payable		
Bank loans and overdrafts wholly repayable within five years	648	418
Finance charges payable under finance leases	27	31
Other interest	1,732	1,732
	2,407	2,181

NOTES TO THE ACCOUNTS

7 TAXATION

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

		2005		2004	
		£'000	£'000	£'000	£'000
<i>Based on the loss for the year:</i>					
UK Corporation tax			7		8
Overseas tax			243		165
(Over)/ under provision in respect of prior year			(5)		74
			245		247
Deferred taxation (note 17)	UK	(9)		(76)	
	Overseas	(807)		(586)	
	Discounting	-		913	
			(816)		251
			(571)		498

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 on ordinary activities is more than the standard rate of corporation tax in the UK of 30% (2004 – 30%).

	2005	2004
	£'000	£'000
Deficit on ordinary activities before taxation	(5,029)	(3,266)
Deficit on ordinary activities by rate of tax	(1,509)	(980)
Disallowable expenses	23	39
Capital allowances for period in excess of depreciation	(24)	(14)
Tax losses utilised not recognised in deferred tax	1,342	233
Adjustment in respect of prior years	(5)	74
Different rate of tax applicable to overseas earnings	(100)	223
Tax losses recognised in deferred tax	807	678
Other timing differences	17	(6)
Gain not liable	(306)	-
	245	247

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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 £1,186,000 (2004 : £685,000).

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 2004	5,862	51,356	2,344	59,562
Foreign currency translation	(52)	(484)	14	(522)
Additions	1,436	2,016	558	4,010
Disposals	(20)	(1,292)	(19)	(1,331)
At 31 March 2005	7,226	51,596	2,897	61,719
Depreciation:				
At 1 April 2004	1,102	35,880	1,350	38,332
Foreign currency translation	(11)	(297)	7	(301)
Provided during the year	166	3,080	280	3,526
Disposals	(1)	(668)	(8)	(677)
At 31 March 2005	1,256	37,995	1,629	40,880
Net book value				
At 31 March 2005	5,970	13,601	1,268	20,839
Net book value:				
At 1 April 2004	4,760	15,476	994	21,230

The net book value of plant and machinery above includes an amount of £352,000 (2004: £548,000) 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.

NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS

**Group
Investments
In associated
Undertakings**

**Total
£'000**

At cost and net book value
At 1 April 2004 and 31 March 2005

174

A subsidiary, Winsford Cord Limited owns 48 % of the ordinary share capital in Maver Srl, a company incorporated in Italy, during the year.

Other investments

£'000

Opening balance 1 April 2004
Additions
Currency loss

705
62
(9)

Closing balance 31 March 2005

758

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.

Company

£'000

At 1 April 2004 and 31 March 2005

39,617

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	Hong Kong	50%	the manufacture and marketing of non-woven textile fabrics
CTC Asia (Hong Kong) Limited	Hong Kong	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.

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11 INTANGIBLE FIXED ASSETS

Group	Patents	Purchased goodwill	Goodwill arising on consolidation	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2004	390	16	768	1,174
Foreign currency translation	(11)	-	-	(11)
Additions	143	-	-	143
At 31 March 2005	<u>522</u>	<u>16</u>	<u>768</u>	<u>1,306</u>
Amortisation				
At 1 April 2004	208	14	123	345
Foreign currency translation	(7)	-	-	(7)
Charge for the year	28	-	39	67
At 31 March 2005	<u>229</u>	<u>14</u>	<u>162</u>	<u>405</u>
Net book value				
At 31 March 2005	<u>293</u>	<u>2</u>	<u>606</u>	<u>901</u>
At 31 March 2004	<u>182</u>	<u>2</u>	<u>645</u>	<u>829</u>

12 STOCKS

	Group	
	2005	2004
	£'000	£'000
Raw materials	4,662	4,209
Work in progress	347	667
Finished goods	5,677	5,233
Goods for resale	871	480
	<u>11,557</u>	<u>10,589</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	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	15,987	15,611	-	-
Amounts owed by joint ventures	-	-	-	-
Amounts owed by related company	291	881	255	881
Other debtors	1,451	1,614	1	-
Corporation tax recoverable	1	1	1	-
Prepayments and accrued income	771	515	-	-
	<u>18,501</u>	<u>18,622</u>	<u>257</u>	<u>881</u>

14 CREDITORS: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Current instalments due on bank				
Loans (note 16)	428	2,197	-	-
Bank overdraft	9,607	3,456	-	-
Trade creditors	7,115	7,755	-	-
Associated undertakings	1,260	-	-	-
Other taxes and social security costs	377	541	-	-
Corporation tax	10	167	-	-
Obligations under finance leases				
and hire purchase	27	21	-	-
Other creditors	4,365	2,277	-	-
Accruals and deferred income	804	1,060	130	25
Subsidiary undertakings	-	-	517	-
	<u>23,993</u>	<u>17,474</u>	<u>647</u>	<u>25</u>

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NOTES TO THE ACCOUNTS

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans	1,082	1,540	-	-
Loan Notes	21,000	21,000	21,000	21,000
Obligations under finance leases and hire purchase contracts	52	35	-	-
Accruals	-	115	-	115
Loans from associated companies	2,127	1,186	10	-
	<u>24,265</u>	<u>23,876</u>	<u>21,010</u>	<u>21,115</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. On 4 October the loan notes were redeemed and on the same day 21,000,000 ordinary shares of £1 each were issued.

The following amounts are included in bank loans:-

£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.

£528,953 payable to bank, secured by substantially all of the assets of Globetec, Inc. and guaranteed by HDK Industries Inc, payable in monthly instalments of £9,980 plus interest at the prime rate plus 0.5% maturity 3 March 2007.

£21,291 payable to the board of County Commissioners of Cecil County, secured by all of the equipment and fixtures of Globetec Inc., interest at 5% shall accrue until 1 October 2002, at which time quarterly payments of £1,331 plus interest will be made, maturing 1 October 2008. This note was in default at 31 March 2005 and was called. The note was repaid in full subsequent to year end.

NOTES TO THE ACCOUNTS

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

£8,633 payable to supplier of Filament Fiber Technology Inc. secured by manufacturing equipment, payable in monthly instalments of £216, interest free through July 2008.

£23,179 payable to a former stockholder of Filament Fiber Technology Inc. unsecured annual payments of £4,162 plus interest at 10%, maturity date of 31 December 2006.

16 LOANS

Group and company

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts falling due:				
In one year or less	428	2,197	-	-
In more than one year but not more than two years	310	583	-	-
In more than two years but not more than five years	757	1,490	-	-
In more than 5 years	23,142	21,803	21,010	21,000
	24,637	26,073	21,010	21,000

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

The loan notes of £21,000,000 referred to in note 15 are considered to be repayable in more than 5 years as they were replaced with an equal balance of share capital.

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 2004	3,655	(1,110)
Credit for the year (note 7)	807	9
Translation difference	(127)	-
Discounting of asset	-	-
At the end of the year	4,335	(1,101)

Deferred taxation provided in the accounts:

	Asset £'000	Liability £'000
Capital allowances in advance of depreciation	-	1,297
Other timing differences	-	28
Losses available	4,355	(224)
	4,355	1,101

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

	2005 £'000	2004 £'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

NOTES TO THE ACCOUNTS

19 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 2004	(9,157)	(2,216)
Deficit for the year	(5,579)	(1,186)
Exchange difference on re-translation of net assets	(418)	-
At 31 March 2005	(15,154)	(3,402)

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	2005 £'000	2004 £'000
Operating loss	(3,947)	(1,772)
Depreciation	3,526	3,199
Amortisation of intangibles	67	61
Increase in stocks	(968)	(377)
Decrease/(Increase) in debtors	248	(256)
Increase in creditors	2,173	1,359
Currency movements	(335)	(1,621)
Loss on sale of fixed assets	-	22
Net cash inflow from operating activities	764	615

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

	2005 £'000	2004 £'000
Returns on investments and servicing of finance		
Interest received	304	311
Interest paid	(2,407)	(2,181)
Dividends paid to minority interests	(599)	(426)
Net cash outflow for returns on investments and servicing of finance	(2,702)	(2,296)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,010)	(1,921)
Sale of plant and machinery	654	288
Purchase of other investments	(62)	(231)
Purchase of intangible assets	(143)	(40)
Sale of intangible assets	-	-
Sale of investments	-	376
Net cash outflow for capital expenditure and financial investment	(3,561)	(1,528)
	£'000	£'000
Acquisitions and disposals		
Net cash balances of subsidiaries reclassification	-	73
Proceeds of sale of minority interest	1,188	-
Net cash inflow from acquisitions	1,188	73
	£'000	£'000
Financing		
Capital element of finance lease payments	23	(104)
Loans from associated companies	941	(872)
(Repayment)/new bank loan	(2,227)	853
Net cash outflow from financing	(1,263)	(123)

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NOTES TO THE ACCOUNTS

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

(c) Analysis of debt

	At April 2004 £'000	Cash flow £'000	At 31 March 2005 £'000
Cash at bank and in hand	4,442	175	4,617
Overdrafts	(3,456)	(6,151)	(9,607)
	<u>986</u>	<u>(5,976)</u>	<u>(4,990)</u>
Bank loans falling due within one year	(2,197)	1,769	(428)
Bank loans falling due after one year	(1,540)	458	(1,082)
Loans from associated companies	(1,186)	(941)	(2,127)
Loan notes	(21,000)	-	(21,000)
Finance leases	(56)	(23)	(79)
	<u>(25,979)</u>	<u>1,263</u>	<u>(24,716)</u>
	<u>(24,993)</u>	<u>(4,713)</u>	<u>(29,706)</u>

21 CONTINGENT LIABILITIES

At 31 March 2005 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 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Contracted but not provided	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

NOTES TO THE ACCOUNTS

23 OPERATING LEASES

At 31 March 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	2005		2004	
	Land an Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
Within one year		75	-	88
Between two and five years		145	-	132
In over five years	1,687	270	1,687	242
	1,687	490	1,687	462

NOTES TO THE ACCOUNTS

24 RELATED PARTY TRANSACTIONS

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

2005	Sales to £'000		Net Outstanding balances from £'000
Broadway Industrial Services Limited	4,643		4,241
CTD Management AG	-		18
Sharfarm Loan	-		255
Mansor Finance	-		(1,186)
2004	Sales to	Purchases from	Net Outstanding balances from
	£'000	£'000	£'000
Broadway Industrial Services Limited	3,692	-	2,902
Mansor Finance	-	-	(1,186)
Sharfarm Loan	-	-	881

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.

NOTES TO THE ACCOUNTS

25 MINORITY INTERESTS

	£'000
Balance at 31 April 2004	5,305
Exchange difference on retranslation of assets	(151)
Share of profit for the year	1,121
Dividend paid to minority	(599)
Share of assets sold to minority	167
	<u>5,843</u>

26 POST BALANCE SHEET EVENTS

On 4 October 2005 the company's authorised share capital was increased by 21,000,000 ordinary shares of £1 each.

On 4 October 2005 the 8.5% subordinated bonds were redeemed and on the same day 21,000,000 ordinary shares of £1 each were valued at par value for cash.