CHA TECHNOLOGIES GROUP PUBLIC LIMITED COMPANY

REPORT AND ACCOUNTS

31 MARCH 2007

Company Registration Number 4040321

CHADWICK LLP
Chartered Accountants & Registered Auditors
The Lexicon
10-12 Mount Street
Manchester
M2 5NT

DIRECTORS	B Stamper T S Inn P R Martin
JOINT SECRETARIES	P R Martin
REGISTERED OFFICE	Commercial Street Hyde Cheshire SK14 2HP
AUDITORS	Chadwick LLP Chartered Accountants The Lexicon 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
SOLICITORS	Eversheds Eversheds House 70 Great Bridgewater Street Manchester M1 5ES

DIRECTORS' REPORT

The directors present their report and the audited Group accounts for the year ended 31 March 2007

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 8 The directors do not recommend the payment of a dividend

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Following the disposal of some loss making activities last year the group continued its rationalisation program with the closure of some manufacturing facilities in high cost locations, these products will now be sourced from low cost production facilities Attention has also been focussed on growing those areas of the business that the directors believe will bring enhanced profitability to the group in the future

The directors are pleased to report that these actions have resulted in a significant improvement to the group's results for the year

Further rationalisation is expected to take place in the current financial year

FIXED ASSETS

Details of movements in fixed assets in the year are set out in notes 10, 11 and 12 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

KEY PERFORMANCE INDICATORS

The key performance indicators of the business are the universal ones of sales, gross margin, stock days, debtor days and creditor days

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, credit risk, liquidity risk and interest rate risk The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Given the size of the Group the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the Group's finance department The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk, and circumstances where it would be appropriate to use financial instruments to mange these

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES/ continued

Price risk

The Group is exposed to commodity price risk as a result of its operations However given the size of the Group's operations, the cost of managing exposure to commodity price risk exceed any potential benefits The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature The Group has no exposure to equity securities as it holds no listed or equity investments

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made Where debt finance is utilised, this is subject to pre-approval by the Board of Directors The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board

Liquidity risk

The Group actively maintains a mixture of long and short term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions

Interest rate cash flow risk

The Group has both interest bearing assets and liabilities Interest bearing assets include only cash balances which earn interest at a fixed rate The Group has a policy of maintaining debt at rates fixed to general interest rates to minimise the risk of future interest cash flows The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature

DIRECTORS AND THEIR INTERESTS

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

No directors of the Company at 31 March 2007 had beneficial interests in the ordinary share capital of the Company, or any other member of the Cha Technologies Group plc

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

DIRECTORS' REPORT

SUPPLIERS

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

The Group had 56 days (2006 52 days) purchases outstanding at 31 March 2007, 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

In so far as the directors are aware

there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

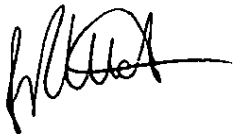
DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Chadwick LLP as auditors will be proposed at the next annual general meeting

Registered office
Commercial Street
Hyde
Cheshire
SK14 2HP

Signed by order of the directors



P R MARTIN
Company Secretary

Approved by the directors on 29 October 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHA TECHNOLOGIES GROUP PLC FOR THE YEAR ENDED 31 MARCH 2007

We have audited the financial statements of Cha Technologies Group plc for the year ended 31 March 2007 on pages 8 to 33 which have been prepared on the basis of the accounting policies set out on pages 13 to 15

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 other transactions 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 AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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

CHADWICK

OPINION

In our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and company as at 31 March 2007 and of the loss of the group for the period then ended, have been properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the financial statements period ended 31 March 2007

CHADWICK LLP
Chartered Accountants
& Registered Auditors

The Lexicon House
10-12 Mount Street
Manchester
M2 5NT

30 October 2007

GROUP PROFIT AND LOSS ACCOUNT

	Notes	2007 £'000	2006 £'000
GROUP TURNOVER:	**2 and 3**		
From continuing operations		87,588	81,426
Discontinued operations		-	2,745
		87,588	84,171
Cost of sales		(71,172)	(71,565)
GROSS PROFIT		16,416	12,606
Distribution costs		(1,711)	(2,246)
Administrative expenses		(14,715)	(15,247)
GROUP OPERATING LOSS			
From continuing group operations		(10)	(3,597)
From discontinued operations		-	(1,290)
	4	(10)	(4,887)
Profit on sale of fixed assets		182	1,706
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		172	(3,181)
Interest receivable		98	205
Interest payable	**7**	(847)	(873)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(577)	(3,849)
Tax credit on loss on ordinary activities	**8**	491	1,435
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	**9**	(86)	(2,414)
Minority Interest	**26**	(670)	(244)
LOSS FOR THE YEAR	**20**	(756)	(2,658)

The notes on pages 13 to 33 form part of these financial statements

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2007

	2007 £'000	2006 £'000
Loss for the financial year	(756)	(2,658)
Currency (losses)/gains on re-translation of assets	(1,415)	1,891
Total gains and losses since the last annual report	(2,171)	(767)

RECONCILIATION OF SHAREHOLDERS' FUNDS
For the year ended 31 March 2007

Group

	2007 £'000	2006 £'000
Issue of new shares	-	21,000
Total recognised gains and losses relating to the year	(2,171)	(767)
Net movement in shareholder funds	(2,171)	20,233
Opening shareholder funds as previously reported	26,717	6,484
Closing shareholders' funds	24,546	26,717

Company

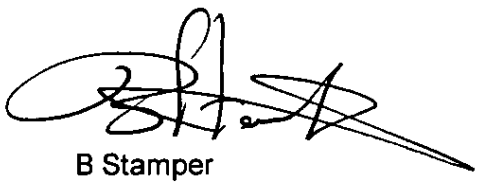
	2007 £'000	2006 £'000
Opening shareholders' funds	39,349	18,236
(Deficit)/Profit for the year	(3)	113
Issue of new shares	-	21,000
Closing shareholders' funds	39,346	39,349

The notes on pages 13 to 33 form part of these financial statements

CONSOLIDATED BALANCE SHEET
At 31 March 2007

	Notes	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	10	17,515	19,739
Investments	11	174	174
Other investments	11	1,889	1,111
Intangible fixed assets	12	797	884
		20,375	21,908
CURRENT ASSETS			
Stocks	13	10,468	11,935
Debtors amounts falling due in more than twelve months	14	1,306	-
Debtors amounts falling due within one year	14	18,873	24,021
Deferred tax asset	18	5,172	5,417
Cash at bank and in hand		4,479	4,299
		40,298	45,672
CREDITORS: amounts falling due within one year	15	(23,794)	(28,715)
NET CURRENT ASSETS		16,504	16,957
TOTAL ASSETS LESS CURRENT LIABILITIES		36,879	38,865
CREDITORS: amounts falling due after more than one year	16	(6,325)	(5,680)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	-	(217)
MINORITY INTERESTS	26	(6,008)	(6,251)
		24,546	26,717
CAPITAL AND RESERVES			
Called up share capital	19	21,112	21,112
Share premium account		21,526	21,526
Profit and loss account	20	(18,092)	(15,921)
		24,546	26,717

These financial statements were approved by the directors and authorised for issue on 29 October 2007, and are signed on their behalf by



B Stamper

The notes on pages 13 to 33 form part of these financial statements

BALANCE SHEET
At 31 March 2007

	Notes	2007 £'000	2006 £'000
FIXED ASSETS			
Investments	11	52,023	52,023
CURRENT ASSETS			
Debtors due within one year	14	255	255
Cash at bank and in hand		9	13
		264	268
CREDITORS: amounts falling due within one year	15	(12,931)	(12,932)
NET CURRENT LIABILITIES		(12,667)	(12,664)
TOTAL ASSETS LESS CURRENT LIABILITIES		39,356	39,359
CREDITORS: amounts falling due after more than one year	16	(10)	(10)
		39,346	39,349
CAPITAL AND RESERVES			
Called up share capital	19	21,112	21,112
Share premium account		21,526	21,526
Profit and loss account	20	(3,292)	(3,289)
		39,346	39,349

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B Stamper

The notes on pages 13 to 33 form part of these financial statements

GROUP CASH FLOW STATEMENT
For the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
CASH FLOW FROM OPERATING ACTIVITIES	21a	5,047	(3,604)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21b	(948)	(668)
TAXATION		(204)	(116)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21b	(2,315)	(390)
NET CASH FLOW BEFORE FINANCING		1,580	(4,778)
FINANCING			
Other financing	21b	301	(17,385)
Issue of shares		-	21,000
INCREASE/(DECREASE) IN CASH IN THE YEAR		1,881	(1,163)

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

		2007 £'000	2006 £'000
Increase/(decrease) in cash in the year		1,881	(1,163)
Financing	21b	(301)	17,385
Change in net debt resulting from cashflows and movement in net debt in the year at 31 March 2007		1,580	16,222

The notes on pages 13 to 33 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 2007 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

Financial Instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

Derivative financial instruments are measured at fair value If they are designated to be part of a cash flow hedge, the effective part of any gain or loss is recognised through the statement of income and expense Any ineffective part, or instrument not designated as a cash flow hedge, is recognised directly to the Group's income statement

NOTES TO THE ACCOUNTS

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Year ended 31 March 2007			
Turnover	87,588	-	87,588
Cost of sales	(71,172)	-	(71,172)
Gross profit/(loss)	16,416	-	16,416
Other expenses	(16,426)	-	(16,426)
Net operating loss	(10)	-	(10)
Year ended 31 March 2006			
Turnover	81,426	2,745	84,171
Cost of sales	(68,333)	(3,232)	(71,565)
Gross profit/(loss)	13,093	(487)	12,606
Other expenses	(17,877)	(803)	(18,680)
Forgiving of debt	1,187	-	1,187
Net operating loss	(3,597)	(1,290)	(4,887)

3 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

	2007 £'000	2006 £'000
United Kingdom	12,742	13,435
United Kingdom exports	18 393	10,236
Far East	30,275	32,634
United States	26,178	27,866
	87,588	84,171

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

4 GROUP OPERATING LOSS

This is stated after charging/(crediting)

		2007 £'000	2006 £'000
Depreciation and other amounts written off			
Tangible fixed assets		2,700	3,550
Auditors' remuneration	- audit of holding company	1	1
	- audit of other companies	45	24
	- tax services	15	9
	- non-audit services of holding company auditors	11	10
	- other auditors	73	59
Exchange loss/(gain) on foreign currency balances and remittances / payments		(23)	30
Operating lease rentals	– land and buildings	834	2,061
	– other assets	139	107
Research and development		88	124
Amortisation of intangibles		89	72
Forgiveness of Debt		-	(1,187)

Depreciation includes £Nil (2006 £196,000) in respect of tangible fixed assets held under finance leases

NOTES TO THE ACCOUNTS

5 DIRECTORS

Emoluments

The emoluments of the directors of the Company were -

	2007 £'000	2006 £'000
Aggregate emoluments	62	61
Company pension contributions to money purchase schemes	3	3

6 STAFF COSTS

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

	2007 No	2006 No
Total	734	697

	2007 £'000	2006 £'000
Wages and salaries	11,571	13,625
Social security costs	842	902
Other pension costs	415	412
	12,828	14,939

7 INTEREST

	2007 £'000	2006 £'000
Interest payable		
Bank loans and overdrafts wholly repayable within five years	780	756
Finance charges payable under finance leases	-	24
Other interest	67	93
	847	873

8 TAXATION

The taxation credit is made up as follows

		2007		2006	
		£'000	£'000	£'000	£'000
Based on the loss for the year					
UK Corporation tax			-		-
Overseas tax					113
Over provision in respect of prior year			204		(5)
			204		108
Deferred taxation (note 17)	UK	(217)		(884)	
	Overseas	(478)		(659)	
			(695)		(1,543)
			(491)		(1,435)

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% (2006 – 30%)

	2007	2006
	£'000	£'000
Deficit on ordinary activities before taxation	(577)	(3,849)
Deficit on ordinary activities by rate of tax	(173)	(1,155)
Disallowable expenses	22	30
Capital allowances for period in excess of depreciation	224	(21)
Tax losses utilised not recognised in deferred tax	4	(34)
Adjustment in respect of prior years	-	(5)
Different rate of tax applicable to overseas earnings	(69)	(144)
Tax losses arising in the year	223	1,753
Other timing differences	(27)	-
Gain not liable	-	(316)
	204	108

NOTES TO THE ACCOUNTS

9 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the Company was £3,000 (2006 profit £113,000)

10 TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Group Total £'000
Cost				
At 1 April 2006	7,085	40,140	2,190	49,415
Foreign currency translation	(257)	(2,676)	(193)	(3,126)
Additions	136	1,250	288	1,674
Disposals	-	(1,127)	(420)	(1,547)
Reclassification	-	154	(154)	-
At 31 March 2007	6,964	37,741	1,711	46,416
Depreciation				
At 1 April 2006	1,225	27,144	1,307	29,676
Foreign currency translation	(62)	(1,871)	(110)	(2,043)
Provided during the year	129	2,332	239	2,700
Disposals	-	(1,022)	(410)	(1,432)
At 31 March 2007	1,292	26,583	1,026	28,901
Net book value				
At 31 March 2007	5,672	11,158	685	17,515
Net book value				
At 1 April 2006	5,860	12,996	883	19,739

The net book value of plant and machinery above includes an amount of £45,000 (2006 £45,000) 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

11 FIXED ASSET INVESTMENTS

	Group Investments In associated Undertakings Total £'000
At cost and net book value	
At 1 April 2006 and 31 March 2007	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	Endowment Policies £'000	Shares £'000	Total £'000
Opening balance 1 April 2006	930	181	1,111
Additions	118	788	906
Currency adjustment	(107)	(21)	(128)
Closing balance 31 March 2007	941	948	1,889

The endowment policies 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 2006 and at 31 March 2007	52,203

NOTES TO THE ACCOUNTS

11 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

NOTES TO THE ACCOUNTS

12 INTANGIBLE FIXED ASSETS

Group

	Patent	Purchased Goodwill	Goodwill arising on Consolidation £'000	Total £'000
Cost				
At 1 April 2006	582	16	768	1,366
Foreign currency translation	(59)	-	-	(59)
Additions	32	-	-	32
Disposals	(180)	-	-	(180)
At 31 March 2007	375	16	768	1,159
Amortisation				
At 1 April 2006	267	14	201	482
Foreign currency translation	(29)	-	-	(29)
Charge for the year	50	-	39	89
Disposals	(180)	-	-	(180)
At 31 March 2007	108	14	240	362
Net book value				
At 31 March 2007	267	2	528	797
At 31 March 2006	315	2	567	884

13 STOCKS

	Group 2007 £'000	2006 £'000
Raw materials	4,624	5,163
Work in progress	500	769
Finished goods	2,726	3,159
Goods for resale	2,618	2,843
	10,468	11,935

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

NOTES TO THE ACCOUNTS

14 DEBTORS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	18,471	16,603	-	-
Amounts owed by related company	383	3,487	255	255
Other debtors	408	1,150	-	-
Corporation tax recoverable	-	-	-	-
Prepayments and accrued income	917	2,781	-	-
	20,179	24,021	255	255

Trade debtors above include £1,306,000 (2006 £Nil) recoverable in more than one year

15 CREDITORS: amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current instalments due on bank Loans (note 16)	1,349	1,806	-	-
Bank overdraft	8,751	10,452	-	-
Trade creditors	7,638	8,627	-	-
Associated undertakings	3,522	4,238	-	-
Other taxes and social security costs	399	655	-	-
Corporation tax	1	1	-	-
Obligations under finance leases and hire purchase	31	41	-	-
Other creditors	1,743	2,304	-	-
Accruals and deferred income	360	591	2	3
Subsidiary undertakings	-	-	12,929	12,929
	23,794	28,715	12,931	12,932

Overdrafts and loans of the group in the UK of £4,595,000 are secured against certain properties and other assets

NOTES TO THE ACCOUNTS

15 CREDITORS: amounts falling due within one year / Continued

The bank overdraft of the American subsidiaries is analysed as follows,

	£'000
Borrowings against a £3,057,300 line of credit agreement with bank, bearing interest at the London Interbank offered rate plus 2 0%, payable on demand, guaranteed by CHA Technologies Group, PLC	3,057
Borrowings against a £509,550 revolving line of credit agreement with bank, collateralised by inventory and accounts receivable of Castle Industries, LLC, bearing interest at the London Interbank offered rate plus 2 75%, payable on demand The line of credit and the Company's business checking account utilise a daily sweep arrangement Under this arrangement, available cash balances are applied against the Company's line of credit The line will increase as checks are issued based on a set borrowing base and will decrease as deposits are received	430
Total	3,487

16 CREDITORS: amounts falling due after more than one year

	Group		Company	
	2007 £'000	**2006 £'000**	**2007 £'000**	**2006 £'000**
Other loans	73	196	-	-
Bank loans	1,749	963	-	-
Obligations under finance leases and hire purchase contracts	1	36	-	-
Loans from associated companies	4,502	4,485	10	10
	6,325	5,680	10	10

The components of long-term debt are as follows

A bank loan of £583,000 secured against property in the United Kingdom

£11,078 payable to financial institution, secured by vehicle, payable in monthly instalments of £242 including interest at 7 25% through September 2011

£14,534 payable to financial institution, secured by vehicle, payable in monthly instalments of £344 including interest at 7 25% through April 2011

£9,411 payable to financial institution, secured by equipment, payable in monthly instalments of £809 including interest at 5 75% through March 2008

16 **CREDITORS:** amounts falling due after more than one year / Continued

£5,269 payable to financial institution, secured by vehicle, payable in monthly instalments of £217 including interest at 5 90% through June 2009

£73,699 payable to Tennessee Valley Authority, secured by manufacturing equipment, payable in monthly instalments of £3,338 including interest at 4 0% through February 2009

£96,185 payable to Tennessee Valley Authority, secured by research and development manufacturing line, payable in monthly instalments of £5,232 including interest at 4 0% through September 2008

£62,439 payable to Tennessee Valley Authority secured by manufacturing equipment, payable in monthly instalments of £2,292 including interest at 5 0% through August 2009

£13,094 payable to financial institution, secured by server, payable in monthly instalments of £334 including interest at 8 19% through December 2010

£94,478 payable to financial institution, secured by manufacturing equipment, payable in monthly instalments of £12,143 including interest at 6 75% through October 2007

£3,305 payable to a supplier, secured by manufacturing equipment, payable in monthly instalments of £206, interest free, through July 2008

£233,521 payable to financial institution, secured by all inventories, receivables, equipment and intangible assets, payable in monthly instalments of £6,942 including interest at 7 55% through May 2010

£335,331 payable to financial institution, secured by furniture, fixtures and equipment, payable in monthly instalments of £6,954 including interest at 8 25% through March 2012

£492,503 payable to financial institution, secured by furniture, fixtures and equipment, payable in monthly instalments of £7,838 including interest at 8 25% through October 2014

£125,145 payable to financial institution, secured by equipment, payable in monthly instalments of £2,027 including interest at LIBOR rate plus 3 25% through January 2014

£101,910 payable to financial institution, secured by equipment, payable in monthly instalments of £1,624 including interest at LIBOR rate plus 3 25% for two payments and balloon payment for the balance due June 2007 This note was refinanced July 2007 with Appalachian Development Corporation, secured by equipment, payable in monthly instalments of £3 019 including interest at 7% through July 2014

The loans from Associated companies have no fixed terms of repayment and are interest free

NOTES TO THE ACCOUNTS

17 LOANS

Group and company

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due				
In one year or less	1,447	1,931	-	-
In more than one year but not more than two years	1,043	477	-	-
In more than two years but not more than five years	908	682	-	-
In more than 5 years	4,401	4,486	-	-
	7,799	7,576	-	-

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

NOTES TO THE ACCOUNTS

18 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 2006	5,417	(217)
Credit for the year (note 7)	478	217
Translation difference	(723)	-
At the end of the year	5,172	-

Deferred taxation provided in the accounts

	Asset £'000	Liability £'000
Capital allowances in advance of depreciation	-	890
Other timing differences	-	52
Losses available	5,172	(942)
	5,172	-

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

19 SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
50,000,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid in the year		
21,112,291 (2006 21,112,291) ordinary shares of £1 each	21,112	21,112

NOTES TO THE ACCOUNTS

20 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 2006	(15,921)	(3,289)
Deficit for the year	(756)	(3)
Exchange difference on re-translation of net assets	(1,415)	-
At 31 March 2007	(18,092)	(3,292)

21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	2007 £'000	2006 £'000
Operating loss	(10)	(4,887)
Depreciation	2,700	3,550
Amortisation of intangibles	89	72
Decrease/(Increase) in stocks	1,467	(378)
Decrease/(Increase) in debtors	3,842	(5,521)
(Decrease)/Increase in creditors	(2,876)	3,877
Currency movements	(165)	870
Forgiving of debt	-	(1,187)
Net cash flow from operating activities	5,047	(3,604)

NOTES TO THE ACCOUNTS

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

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

	2007 £'000	2006 £'000
Returns on investments and servicing of finance		
Interest received	98	205
Interest paid	(847)	(873)
Dividends paid to minority interests	(199)	-
Net cash outflow for returns on investments and servicing of finance	(948)	(668)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,674)	(4,942)
Sale of tangible fixed assets	297	4,932
Purchase of other investments	(906)	(343)
Purchase of intangible assets	(32)	(37)
Net cash outflow for capital expenditure and financial investment	(2,315)	(390)
	£'000	**£'000**
Financing		
Issue of shares	-	21,000
Repayment of loan notes	-	(21,000)
Capital element of finance lease payments	(45)	(2)
Loans from associated companies	17	2,358
New bank loan	329	1,259
Net cash inflow from financing	301	3,615

NOTES TO THE ACCOUNTS

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

(c) Analysis of debt

	At April 2006 £'000	Cash flow £'000	At 31 March 2007 £'000
Cash at bank and in hand	4,299	180	4,479
Overdrafts	(10,452)	1,701	(8,751)
	(6,153)	1,881	(4,272)
Bank loans falling due within one year	(1,806)	457	(1,349)
Bank loans falling due after one year	(963)	(786)	(1,749)
Loans from associated companies	(4,485)	(17)	(4,502)
Finance leases	(77)	45	(32)
	(7,331)	(301)	(7,632)
	(13,484)	1,580	(11,904)

22 CONTINGENT LIABILITIES

At 31 March 2007 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 The company has guaranteed certain borrowings of an overseas subsidiary as noted above at Note 15, £3,057,000

23 CAPITAL COMMITMENTS

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Contracted but not provided	Nil	Nil	Nil	Nil

NOTES TO THE ACCOUNTS

24 OPERATING LEASES

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

	2007		2006	
	Land an Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
Within one year	366	28	-	26
Between two and five years	417	44	-	30
In over five years	688	-	1,387	-
	1,471	72	1,387	56

25 RELATED PARTY TRANSACTIONS

As at the year end the group had the following balances with related parties -

	Debtors £'000	Creditors £'000
Broadway International Services Limited	2,575	-
Akosombo Textiles Limited	2,145	-
Mansor Finance	-	1,837
Bandel Textiles Limited	-	1,052
Cha Textiles Hong Kong Limited	7	1,650
HK Industrial Services	-	228
C M Capital	29	-
Haining	46	2,278
Castle Isle of Man	5	-
Starensier	370	642
Maver Srl	41	-
CTD Niger	566	-
CTD Senegal	108	-
CTD Togo	282	-
CTD Congo	50	-
Mingly Textile	-	126

All the above are under common control with the exception of Strensier, who are a fellow shareholder in a group company, and Maver Srl a company in which the group has a minority shareholding

All transactions took place on normal commercial terms

The ultimate controlling party of the group is the Cha family

NOTES TO THE ACCOUNTS

26 MINORITY INTERESTS

	£'000
Balance at 1 April 2006	6,251
Exchange difference on retranslation of assets	(714)
Share of profit for the year	670
Dividend	(199)
Balance at 31 March 2007	6,008