

Directors' Report and Audited Financial Statements

For the year ended 31 December 2011

Cha Technologies Group
Plc

Company No 4040321

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CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

DIRECTORS

J E Boubal
T S Inn
P R Martin (resigned 21 May 2012)
N A Poole (resigned 31 December 2011)
A R Worsley (appointed 21 May 2012)
J P Winnie (appointed 21 May 2012)

SECRETARY

A R Worsley

REGISTERED OFFICE

St James' Building
79 Oxford Street
Manchester
M1 6EJ

AUDITORS

Mazars LLP
Chartered Accountants
The Lexicon
10/12 Mount Street
Manchester
M2 5NT

BANKERS

HSBC
4 Hardman Square
Spinningfields
Manchester
M3 3EB

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2011

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

The group consolidated on the gains made in the previous financial year.

The current economic climate will lead to a challenging business environment over the next twelve months.

On 18 April 2011, the company subscribed cash for 4,000,100 A ordinary shares of \$1 each in Advancetex International Holdings Limited (formerly Global Fashions (UK) Limited), being the whole of the issued share capital in that company. On the same date the company acquired the whole of the issued share capital of All United Holdings Limited (BVI). All United Holdings Limited was the parent company of Advancetex International Pty Limited, a company incorporated in Australia. Also on 18 April 2011 the shares in Advancetex International Pty Limited were transferred to Advancetex International Holdings Limited. On the same date the company acquired the whole of the issued share capital of Top Merchant Holdings Limited (BVI), the ultimate parent company of Altius Environmental Technologies Company Limited, a company incorporated in China. Also on 18 April 2011, the issued share capital of Top Strength Holdings Limited, the immediate parent company of Altius Environmental Technologies Company Limited, was transferred to Advancetex International Holdings Limited.

FIXED ASSETS

Details of movements in fixed assets in the year are set out in notes 9, 10 and 11 to 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 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 risks and as such, no hedge accounting is applied.

Given the size of the Group the directors have not yet 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.

DIRECTORS' REPORT

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 exceeds any potential benefits. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Credit risk

The Group has policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The Group actively reviews the mixture of its 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 interest bearing liabilities. 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

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

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 60 days (2010: 60 days) purchases outstanding at 31 December 2011, based on the average daily amount invoiced by suppliers during the period.

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

and of the profit or loss of the Group for the period 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 2006. 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

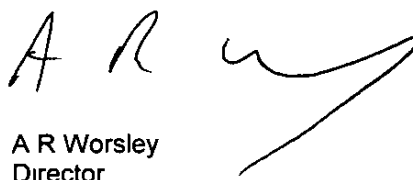
AUDITORS

The Auditors, Mazars LLP, have indicated their willingness to continue in office

Registered office

St James' Building
79 Oxford Street
Manchester
M1 6EJ

Signed by order of the directors


A R Worsley
Director

Approved by the directors on 29 June 2012

Independent auditor's report to the members of Cha Technologies Group PLC

We have audited the financial statements of Cha Technologies Group PLC and subsidiary companies, "The Group" for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at or www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Cha Technologies Group PLC continued

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Timothy Hudson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Lexicon
10-12 Mount Street
Manchester
M2 5NT
29 June 2012

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2011

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
TURNOVER;			
Continuing activities		95,064	83,664
Acquisitions		7,754	-
Less Share of joint ventures' turnover		(31,294)	(27,142)
CONSOLIDATED TURNOVER	2	71,524	56,522
Cost of sales		(54,719)	(45,594)
GROSS PROFIT		16,805	10,928
Distribution costs		(1,013)	(893)
Administrative expenses		(11,981)	(9,230)
Administrative expenses – Exceptional expenses	3b	(754)	(1,732)
Other operating income		49	1,110
OPERATING PROFIT	3		
Continuing activities	26	2,926	183
Acquisitions	26	180	-
		3,106	183
Share of operating profit of joint venture	10	2,773	2,301
		5,879	2,484
Loss on sale of fixed assets		(620)	(220)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		5,259	2,264
Interest receivable		200	52
Interest payable	6	(497)	(455)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,962	1,861
Taxation	7	(801)	(65)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,161	1,796
Minority Interest	25	(279)	(270)
PROFIT FOR THE FINANCIAL YEAR	19	3,882	1,526

The notes on pages 12 to 30 form part of these financial statements

All amounts relate to continuing activities

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2011

	31 Dec 2011	31 Dec 2010
	£'000	£'000
Profit for the financial period	3,882	1,526
Currency translation differences on foreign currency net investments	166	35
Total gains and losses relating to the period	<u>4,048</u>	<u>1,561</u>

RECONCILIATION OF SHAREHOLDERS' FUNDS
For the year ended 31 December 2011

Group	31 Dec 2011	31 Dec 2010
	£'000	£'000
Total recognised gains or (losses) relating to the period	<u>4,048</u>	<u>1,561</u>
Net increase in shareholders' funds	4,048	1,561
Opening shareholders' funds	<u>14,409</u>	<u>12,848</u>
Closing shareholders' funds	<u>18,457</u>	<u>14,409</u>
Company	31 Dec 2011	31 Dec 2010
	£'000	£'000
Opening shareholders' funds	38,660	38,370
Profit for the period	<u>3,372</u>	<u>290</u>
Closing shareholders' funds	<u>42,032</u>	<u>38,660</u>

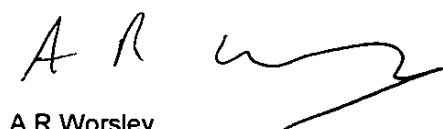
The notes on pages 12 to 30 form part of these financial statements

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

COMPANY NUMBER 4040321
CONSOLIDATED BALANCE SHEET
At 31 December 2011

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
FIXED ASSETS			
Tangible Assets	9	17,750	17,407
Investments	10	-	174
Other investments	10	75	105
Investment in joint venture companies	10	4,242	5,201
Intangible fixed assets	11	1,450	823
		<u>23,517</u>	<u>23,710</u>
CURRENT ASSETS			
Stocks	12	8,496	5,624
Debtors amounts falling due in more than twelve months	13	2,750	2,750
Debtors amounts falling due within one year	13	12,291	9,879
Cash at bank and in hand		12,342	6,701
		<u>35,879</u>	<u>24,954</u>
CREDITORS: amounts falling due within one year	14	(27,941)	(20,592)
		<u>7,938</u>	<u>4,362</u>
NET CURRENT ASSETS			
		<u>31,455</u>	<u>28,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS. Amounts falling due after more than one year	15	(9,817)	(10,636)
		<u>(3,181)</u>	<u>(3,027)</u>
MINORITY INTERESTS	25		
		<u>18,457</u>	<u>14,409</u>
		<u><u>18,457</u></u>	<u><u>14,409</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	21,112	21,112
Share premium account		21,526	21,526
Profit and loss account	19	(24,181)	(28,229)
		<u>18,457</u>	<u>14,409</u>
SHAREHOLDERS' FUNDS		<u><u>18,457</u></u>	<u><u>14,409</u></u>

These financial statements were approved by the directors and authorised for issue on 29 June 2012 and are signed on their behalf by


A R Worsley
Director

The notes on pages 12 to 30 form part of these financial statements

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

COMPANY BALANCE SHEET
COMPANY NUMBER 4040321
At 31 December 2011

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
FIXED ASSETS			
Tangible Assets	9	153	76
Investments	10	52,062	49,828
		<u>52,215</u>	<u>49,904</u>
CURRENT ASSETS			
Debtors due within one year	13	9,871	9,223
Cash at bank and in hand		4,777	1,868
		<u>14,648</u>	<u>11,091</u>
CREDITORS · amounts falling due within one year	14	(3,423)	(340)
NET CURRENT ASSETS		<u>11,225</u>	<u>10,751</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>63,440</u>	<u>60,655</u>
CREDITORS : amounts falling due after more than one year	15	(21,408)	(21,995)
		<u>42,032</u>	<u>38,660</u>
CAPITAL AND RESERVES			
Called up share capital	18	21,112	21,112
Share premium account		21,526	21,526
Profit and loss account	19	(606)	(3,978)
SHAREHOLDERS' FUNDS		<u>42,032</u>	<u>38,660</u>

These financial statements were approved by the directors and authorised for issue on 29 June 2012, and are signed on their behalf by


A R Worsley
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CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2011

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
CASH FLOW FROM OPERATING ACTIVITIES	20a	5,113	2,280
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20b	2,811	19
OVERSEAS TAXATION		(200)	(200)
Acquisition	20b	(26)	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20b	(1,569)	(2,111)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		6,129	(12)
FINANCING			
Other financing	20b	(841)	1,814
INCREASE IN CASH IN THE PERIOD		5,288	1,802

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

		31 Dec 2011 £'000	31 Dec 2010 £'000
Increase in cash in the period		5,288	1,802
Financing	20b	841	(1,814)
Change in net debt resulting from cashflows and movement in net debt in the period		6,129	(12)

The notes on pages 12 to 30 form part of these financial statements

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The accounts are prepared in accordance with applicable Accounting Standards and comply with the Companies Act 2006. These policies have been consistently applied.

Accounting Convention

The accounts are prepared under the historical cost convention.

Basis of consolidation

The Group accounts consolidate the accounts of Cha Technologies Group plc and its subsidiary undertakings drawn up to 31 December 2011. Goodwill incorporated in the consolidated financial statements, representing the differences between the cost of acquisition of shares in subsidiaries and the fair value of the assets and liabilities acquired is written off through the profit and loss account over the expected useful life of 20 years.

The company has elected to take exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account.

Turnover

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. It is recognised when the significant risks and reward of the goods have passed to the buyer and the amount of revenue can be reliably measured.

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. 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

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

Joint venture

Investments in joint ventures are initially recognised at cost.

The carrying amount of the investment is adjusted each period by the Group's share of any relevant profits, losses, or other gains or distributions.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ...

Investments

Fixed asset investments are stated at cost less provisions for any permanent diminution in value

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 production costs 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 -

- Deferred tax assets are 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

Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES /Continued ..

Foreign currency translation

The results of overseas subsidiary undertakings are translated to sterling at the exchange rate ruling at the financial period end. Exchange differences on the retranslation of the net investment in overseas subsidiaries at the beginning of the period 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 accounting period.

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.

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

2 TURNOVER AND SEGMENTAL ANALYSIS

The table below provides a summary of turnover

	Year ended 31 Dec 2011 £'000	Period to 31 Dec 2010 £'000
United Kingdom	13,096	12,147
Europe	5,088	5,487
Far East	2,113	2,115
United States	48,466	36,773
Other	2,761	-
	<u>71,524</u>	<u>56,522</u>

The turnover, profit before taxation and net assets are attributable to the principal activity of manufacture and marketing of non-woven textile fabrics

3 GROUP OPERATING PROFIT

a) This is stated after charging/(crediting)

	Year ended 31 Dec 2011 £'000	Period to 31 Dec 2010 £'000
Depreciation and other amounts written off		
Tangible fixed assets	2,012	1,854
Auditors' remuneration - audit of holding company	28	28
- audit of other companies	35	32
- tax services	8	49
- non-audit services of holding company auditors	8	-
- other auditors	106	76
Exchange (gain)/loss on foreign currency balances and remittances / payments	(121)	(175)
Operating lease rentals - land and buildings	30	80
- other assets	78	165
Research and development	184	166
Amortisation of intangibles	29	22
Amortisation of goodwill	215	75
	<u></u>	<u></u>
b) Exception item		
Bad debt provision relating to Associated undertakings	-	1,732
Provisions against Maver Srl loans and investments	754	
	<u></u>	<u></u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

4 DIRECTORS

The emoluments of the directors of the Company were -

	31 Dec 2011	31 Dec 2010
	£'000	£'000
Aggregate emoluments	811	909
Company pension contributions to money purchases schemes	86	59
Compensation for loss of office	-	40
	<u> </u>	<u> </u>

During the period the highest paid director received £642,000 in remuneration (year to 31 December 2010 £672,000) including £68,000 of pension contributions. Three directors received pension contributions in the current period (2010: 4).

5 STAFF COSTS

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

	31 Dec 2011	31 Dec 2010
	No	No
Total	358	282
	<u> </u>	<u> </u>

	31 Dec 2011	31 Dec 2010
	£'000	£'000
Wages and salaries	10,372	7,270
Social security costs	650	622
Other pension costs	342	323
	<u> </u>	<u> </u>
	11,364	8,215
	<u> </u>	<u> </u>

6 INTEREST

	31 Dec 2011	31 Dec 2010
	£'000	£'000
a) Interest receivable		
Bank interest	200	52
	<u> </u>	<u> </u>
b) Interest payable		
Bank overdraft and bank loans	497	455
	<u> </u>	<u> </u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

7 TAXATION

		31 Dec 2011	31 Dec 2010
	£'000	£'000	£'000
Based on the profit/(loss) for the period			
UK Corporation tax		-	-
Overseas tax		193	106
Group share of joint venture tax charge		608	442
		<u>801</u>	<u>548</u>
Deferred taxation (note 17)			
UK	-	(177)	
Overseas	-	(306)	
		<u>-</u>	<u>(483)</u>
		<u>801</u>	<u>65</u>

No provision has been made for withholding taxes or for the United Kingdom taxes which would become payable should retained profits of overseas subsidiary and joint ventures attributable to the Group be remitted to the United Kingdom

Factors Affecting Current Tax Charge

The assessed tax on the profit on ordinary activities is less (2010 more) than the standard rate of corporation tax in the UK of 26.5% (Dec 2010 28%)

	31 Dec 2011	31 Dec 2010
	£'000	£'000
Profit on ordinary activities before taxation	<u>4,962</u>	<u>1,861</u>
Profit on ordinary activities by standard rate of corporation		
Tax in the UK	1,315	521
Disallowable expenses	307	23
Depreciation for period in excess of capital allowances	83	128
Different rate of tax applicable to overseas earnings	212	(111)
Tax losses arising in the period recognised/(not recognised)	(1,287)	233
Dividend from joint venture not subject to tax	-	(246)
State taxes	171	-
	<u>801</u>	<u>548</u>

As at 31 December 2011, the Group has UK tax losses of approximately £11,458,000 carried forward

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the Company was £3,372,000 (2010 £290,000)

9 TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Group Total £'000
Cost				
At 31 December 2010	10,935	28,880	1,145	40,960
Foreign currency translation	40	98	2	140
Additions	-	1,190	424	1,614
Disposals	-	(2,574)	-	(2,574)
At acquisition	-	1,337	147	1,484
At 31 December 2011	10,975	28,931	1,718	41,624
Depreciation				
At 31 December 2010	1,455	21,393	705	23,553
Foreign currency translation	5	70	1	76
Provided during the period	162	1,699	151	2,012
Disposals	-	(1,939)	-	(1,939)
At acquisition	-	138	34	172
At 31 December 2011	1,622	21,361	891	23,874
Net book value				
At 31 December 2011	9,353	7,570	827	17,750
Net book value				
At 31 December 2010	9,480	7,487	440	17,407

Freehold land and buildings include £570,000 in respect of land which is not depreciated

Company Cost	Fixtures and fittings £'000
At 31 December 2010	166
Additions in the period	122
At 31 December 2011	288
Depreciation	
At 31 December 2010	90
Depreciation charge in the period	45
At 31 December 2011	135
Net book value at 31 December 2011	153
Net book value at 31 December 2010	76

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS

a) Group

Investments in associated undertakings

	Total £'000
At Cost and net book value	
At 31 December 2010 and 31 December 2011	174
Impairment	
During the year and at 31 December 2011	(174)
Net book value	
At 31 December 2011	-
At 31 December 2010	174

This represents an indirect holding of 48% of the ordinary share capital in Maver Sn, a company incorporated in Italy. The trading performance of this company has been such that the directors consider it to have no value.

Other investments

	Endowment Policies £'000
Opening balance 31 December 2010	105
Disposals	(30)
Closing balance 31 December 2011	75

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.

Acquisitions

On 18 April 2011 the group purchased the whole of the issued share capital of both All United Holdings Limited and Top Merchant Limited and their subsidiaries. The transaction may be summarised as to,

	Total £'000
Tangible fixed assets	1,312
Stocks	955
Debtors	2,083
Creditors	(5,188)
Overdrafts	(26)
Net Liabilities	(864)
Goodwill	864
Cash Consideration	-

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS/ Continued ...

Joint venture companies

	£'000
Group share of net assets at 1 January 2011	5,201
Exchange adjustment on retranslation of opening net assets	125
Group share of profits and losses for the period	2,773
Group share of joint ventures tax charge	(608)
Dividend	(3,249)
	<u>4,242</u>

The Group holds 50% of Cosmostar Limited, a company incorporated in The Cayman Islands. The Group's share of the net assets of joint ventures comprises

	31 Dec 2011 £'000
Fixed assets	901
Current assets	9,546
Liabilities due within one year	(5,463)
Liabilities due in more than one year	(742)
	<u>4,242</u>

Cosmostar Limited owns the whole of the issued share capital of Cosmo Hong Kong Limited. The principal activity of Cosmo Hong Kong Limited and its subsidiaries is the manufacture and marketing of non-woven textile fabrics.

b) Company

Shares in subsidiary undertaking

	£'000
Cost	
At 31 December 2010	52,023
Additions	2,633
	<u>54,656</u>
At 31 December 2011	54,656
Provision for impairment at 31 December 2010	2,195
Provision for impairment during the year	399
	<u>2,594</u>
Provision for impairment at 31 December 2011	2,594

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS/ Continued ..

Net book value	
31 December 2011	52,062
31 December 2010	49,828

The additions in the year represent the amounts paid to subscribe for share capital in Advancetex International Holdings Limited, a company incorporated in the England and Cha Technologies Trading and Services SA, a company incorporated in Switzerland

Details of the principal investments in which 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			
Cosmopolitan Textile Company Limited	England and Wales	100%	Manufacture and marketing of non-woven textile fabrics
Cha Technologies Inc	Delaware, USA	100%	Manufacture and marketing of non-woven textile fabrics
Advancetex International Holdings Limited	England and Wales	91%	Intermediary Holding Company
Indirect			
HDK Industries Inc	Tennessee, USA	78%	Manufacture and marketing of non-woven textile fabrics
Advancetex International Pty Limited	Australia	100%	Manufacture and sales of specialist industrial products and services
Altius Environment Technologies (Zhangjiangang) Portfolio	People's Republic of China	100%	Manufacture and sales of specialist industrial products and services
Fibre Innovation Technology Inc	Tennessee, USA	100%	Bi-component fibre manufacturing and marketing

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011
NOTES TO THE ACCOUNTS

10 FIXED ASSET INVESTMENTS/ Continued ...

In addition, the Group indirectly holds issued share capital in a number of other subsidiary undertakings including dormant companies full details of which are filed in the Company's Annual Return

11 INTANGIBLE FIXED ASSETS

Group

	Patent	Purchased Goodwill	Goodwill arising on Consolidation	Total
	£'000	£'000	£'000	£'000
Cost:				
At 31 December 2010	472	16	1,029	1,517
Foreign currently translation	12	-	-	12
Additions	-	-	864	864
	<u>484</u>	<u>16</u>	<u>1,893</u>	<u>2,393</u>
At 31 December 2011	<u>484</u>	<u>16</u>	<u>1,893</u>	<u>2,393</u>
Amortisation				
At 31 December 2010	178	14	502	694
Foreign currency translation	5	-	-	5
Charge for the period	29	-	215	244
	<u>212</u>	<u>14</u>	<u>717</u>	<u>943</u>
At 31 December 2011	<u>212</u>	<u>14</u>	<u>717</u>	<u>943</u>
Net book value				
At 31 December 2011	<u>272</u>	<u>2</u>	<u>1,176</u>	<u>1,450</u>
At 31 December 2010	<u>294</u>	<u>2</u>	<u>527</u>	<u>823</u>

The charge for the period includes an additional £112,000 relating to a reassessment of the carrying value of the goodwill in CTC Asia Limited

12 STOCKS

	31 Dec 2011	Group 31 Dec 2010
	£'000	£'000
Raw materials	3,090	2,425
Work in progress	65	111
Finished goods and goods for resale	5,341	3,088
	<u>8,496</u>	<u>5,624</u>

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

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

13 DEBTORS

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	£'000	£'000	£'000	£'000
Trade debtors	10,601	7,122	2	-
Associated undertakings	3,620	4,078	480	105
Other debtors	502	904	7	857
Prepayments and accrued income	318	525	44	45
Amounts due from subsidiary undertakings	-	-	9,338	8,216
	<u>15,041</u>	<u>12,629</u>	<u>9,871</u>	<u>9,223</u>

Amounts owed by companies under common control above include £2,750,000 (December 2010 £2,750,000) recoverable in more than one year

14 CREDITORS: amounts falling due within one year

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	£'000	£'000	£'000	£'000
Overdraft and bank loans	3,178	2,825	-	-
Trade creditors	7,220	6,053	81	94
Associated undertakings	15,126	9,978	2,639	-
Other taxes and social security costs	202	205	-	39
Corporation tax	1	1	-	-
Overseas tax	3	10	-	-
Other creditors	679	796	14	-
Accruals and deferred income	1,532	724	72	51
Amount owed to subsidiary undertakings	-	-	617	156
	<u>27,941</u>	<u>20,592</u>	<u>3,423</u>	<u>340</u>

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	£'000	£'000	£'000	£'000
Group undertakings	-	-	12,909	13,459
Bank loans	110	915	-	-
Loans from associated undertakings	9,685	9,721	8,499	8,536
Other creditors	22	-	-	-
	<u>9,817</u>	<u>10,636</u>	<u>21,408</u>	<u>21,995</u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

16 BORROWINGS

Group and company

	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	£'000	£'000	£'000	£'000
Amounts falling due				
In one year or less	3,178	2,825	-	-
In more than one year but not more than two years	2	470	-	-
In more than two years but not more than five years	108	445	-	-
In more than 5 years	9,685	9,721	21,408	21,995
	<u>12,973</u>	<u>13,461</u>	<u>21,408</u>	<u>21,995</u>

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

There are no fixed repayment terms for the amounts due in more than 5 years and they are interest free

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation – Group

The movements in deferred taxation during the current period are as follows

	£'000
At 1 January 2011	-
Credit for the period	-
At the end of the period	<u>-</u>

Deferred taxation provided in the accounts

	2011	2010
	£'000	£'000
Capital allowances in advance of depreciation	17	220
Losses	(17)	(220)
	<u>-</u>	<u>-</u>

Deferred tax unprovided

	2011	2010
	£'000	£'000
Losses	3,684	3,684

A deferred tax asset is not recognised in the accounts due to the uncertainty of the timing of profits against which these losses may be offset

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

18 SHARE CAPITAL

	31 Dec 2011 £'000	31 Dec 2010 £'000
Authorised 50,000,000 ordinary shares of £1 each	50,000	50,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid 21,112,291 ordinary shares of each	21,112	21,112
	<u> </u>	<u> </u>

19 PROFIT AND LOSS ACCOUNT

Group	£'000
At 1 January 2011	(28,229)
Exchange difference on retranslation of assets	166
Profit for the year	3,882
	<u> </u>
At 31 December 2011	(24,181)
	<u> </u>
Company	£'000
At 1 January 2011	(3,978)
Profit for the year	3,372
	<u> </u>
At 31 December 2011	(606)
	<u> </u>

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	31 Dec 2011 £'000	31 Dec 2010 £'000
Operating profit	3,106	183
Depreciation	2,012	1,854
Amortisation of intangibles	244	97
Increase in stocks	(1,917)	(1,015)
(Increase)/decrease in debtors	(329)	484
Increase in creditors	1,837	1,007
Currency movements	(14)	(330)
Provision for impairment of investment	174	-
	<u> </u>	<u> </u>
Net cash flow from operating activities	5,113	2,280
	<u> </u>	<u> </u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

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

	31 Dec 2011 £'000	31 Dec 2010 £'000
Returns on investments and servicing of finance		
Interest received	200	52
Interest paid	(497)	(455)
Dividend received from joint venture	3,249	1,293
Dividends paid to minority interests	(441)	(871)
Shares subscribed by minority	300	-
	<u>2,811</u>	<u>19</u>
Net cash (outflow)/inflow for returns on investments and servicing of finance		
	<u>2,811</u>	<u>19</u>
Acquisitions		
Cash balances of subsidiaries at acquisition	(26)	-
	<u>(26)</u>	<u>-</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,614)	(3,417)
Sale of tangible fixed assets	15	57
Sale of investments	30	1,249
	<u>(1,569)</u>	<u>(2,111)</u>
Net cash outflow for capital expenditure and financial investment		
	<u>(1,569)</u>	<u>(2,111)</u>
Financing		
Loans repaid to associated companies	(36)	-
Loan repayment	(805)	(1,395)
	<u>(841)</u>	<u>(1,395)</u>
Net cash (outflow)/inflow from financing		
	<u>(841)</u>	<u>1,814</u>

The movement in bank loans due in more than one year represents a non-cash movement as the loan becomes due

	At 1 January 2011 £'000	Cash flow £'000	At 31 December 2011 £'000
Cash at bank and in hand	6,701	5,641	12,342
Overdraft	(2,825)	(353)	(3178)
	<u>3,876</u>	<u>5,288</u>	<u>9,164</u>
Bank loans falling due after one year	(915)	805	(110)
Loans from associated companies	(9,721)	36	(9,685)
	<u>(10,636)</u>	<u>841</u>	<u>(9,795)</u>
	<u>(6,760)</u>	<u>6,129</u>	<u>(631)</u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

21 CONTINGENT LIABILITIES

At 31 December 2011 there were no contingent liabilities or guarantees

22 CAPITAL COMMITMENTS

	Group 31 Dec 2011 £'000	Group 31 Dec 2010 £'000	Company 31 Dec 2011 £'000	Company 31 Dec 2010 £'000
Contracted but not provided	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

23 OPERATING LEASES

At 31 December 2011 the Group had annual commitments under non-cancellable operating leases as follows

	31 Dec 2011		31 Dec 2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
Within one year	-	-	-	12
Between two and five years	<u>30</u>	<u>78</u>	<u>78</u>	<u>6</u>
	<u>30</u>	<u>78</u>	<u>78</u>	<u>18</u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

24 RELATED PARTY TRANSACTIONS

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

	Debtor £'000	Creditor £'000
Axxel HK Limited	368	-
Haining Textile Allied Industries Limited	95	-
CTC Trading (Hong Kong) Limited	11	-
Broadway Industrial Services Limited	6	-
Gold Peak Holdings Limited	-	8,489
Silkstream Industrial Limited	-	1,983
Buildstart Holdings Limited (BVI)	-	655
Design Creativity Limited	-	10
COMPANY	480	11,137
Cregneash Holdings Limited	2,750	-
Hong Kong Industrial SE	131	324
United Nigerian Textiles PLC	82	55
United Markets Inc	68	-
Qualitex Textiles Limited	34	134
CTD Congo SARL	26	-
Haining Textile Allied Industries Limited	26	398
Cosmo Hong Kong Limited	12	653
CTD Ghana Limited	11	-
Bandel Limited	-	4,498
Truegoal Trading Limited	-	3,281
Axxel HK Limited	-	1,721
Castle IOM Limited	-	1,275
Mansor Finance Limited	-	1,186
Cha Textiles Limited Hong Kong	-	110
Silkstream Industrial Limited	-	19
Citrus	-	13
Buildstart Holdings Limited (BVI)	-	6
China Dyeing Holdings Limited	-	1
GROUP	3,620	24,810

All the above are under the common control of the Cha family with the exception of Cosmo Hong Kong Limited and Citrus, companies in which the group has a shareholding

Advantage is taken of the exemption allowed to wholly owned subsidiaries under FRS 8 to not disclose transactions with group companies when consolidated accounts are prepared

During the year the group has provided for the following amounts due from related parties

	£'000
Akosombo Textiles Limited	67

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

24 RELATED PARTY TRANSACTIONS continued

	2010	
	Debtor	Creditor
	£'000	£'000
Castle IOM Limited	-	1,221
United Nigerian Textiles PLC	-	44
DV Fashion Limited	10	-
Qualitex Textiles Limited	8	114
Cosmo Hong Kong Limited	29	13
Cha Textiles Limited Hong Kong	-	207
Congotex SARL	3	-
CTD Congo SARL	92	-
Advancetex Limited	384	-
Mansor Finance Limited	-	1,186
Cregneash Holdings Limited	2,750	-
Gold Peak Holdings Limited	-	8,526
Design Creativity Limited	-	10
Truegoal Trading Limited	123	485
Axxel HK Limited	28	2,779
Castle Industries LLC	85	85
Hong Kong Industries SE	-	226
Maver SRL	258	-
Haining Textile Allied Industries Limited	217	354
HTA China Limited	95	-
HTA Hong Kong Limited	11	-
Bandel Limited	-	4,466
China Dyeing Holdings Limited	2	-
	<u> </u>	<u> </u>

All transactions took place on normal commercial terms

The ultimate parent company of the group is Goldpeak Holdings Limited a company registered in British Virgin Islands. The accounts of Goldpeak Holdings Limited are not available to the public.

The ultimate controlling party of the group is the Cha family.

25 MINORITY INTERESTS

	£'000
Balance at 31 December 2010	3,027
New shares issues	300
Exchange difference on retranslation of assets	16
Share of profit for the period	279
Dividend	(441)
	<u> </u>
Balance as 31 December 2011	<u>3,181</u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
31 December 2011

NOTES TO THE ACCOUNTS

26 COST OF SALES AND EXPENSES

	2011 Continuing £'000	2010 Continuing £'000
Cost of sales	54,719	45,594
Administrative expenses	11,981	9,230
Distribution expenses	1,013	893

The following amounts were included within continuing activities in relation to acquisitions during the year

	2011 £'000	2010 £'000
Cost of sales	5,623	-
Administrative expenses	1,713	-
Distribution expenses	238	-

27 CASH AT BANK AND IN HAND

The balance includes £326,000 held in escrow to support the overdraft of an associated company