

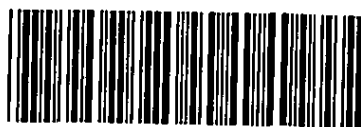
Directors' Report and Audited Financial Statements

For the year ended 31 December 2012

Cha Technologies Group
Plc

Company No 04040321

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COMPANIES HOUSE

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

DIRECTORS

J E Boubal
T S Inn
P R Martin (resigned 21 May 2012)
A R Worsley (appointed 21 May 2012)
J P Winnie (appointed 26 May 2012)

SECRETARY

A R Worsley

REGISTERED OFFICE

St James' Building
79 Oxford Street
Manchester
M1 6EJ

AUDITORS

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

BANKERS

HSBC
4 Hardman Square
Spinningfields
Manchester
M3 3EB

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2012

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 7. The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The group consolidated further on the gains made in the previous financial years

The current economic climate will lead to a challenging business environment over the next twelve months. Despite this the business is expected to grow organically and build on its current manufacturing expertise. The business will continue to invest further in new product development as a strategy for future success. As further investment is made in sales and marketing, the business is expected to expand into new markets and territories.

FIXED ASSETS

Details of movements in fixed assets in the year are set out in notes 9, 10 and 11 to the financial statements.

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 31 days (2011 47 days) purchases outstanding at 31 December 2012, based on the average daily amount invoiced by suppliers during the period.

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITORS

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.

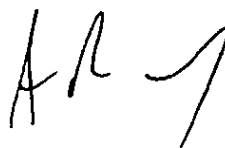
AUDITORS

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 3rd June 2013

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

We have audited the financial statements of Cha Technologies Group Plc for the year ended 31 December 2012 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2012 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

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 Auditors

The Lexicon
10-12 Mount Street
Manchester
M2 5NT

4th June 2013

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2012

	Notes	31 Dec 2012 \$'000	31 Dec 2011 \$'000
TURNOVER;			
Continuing activities		176,274	152,254
Acquisitions		-	12,419
Less Share of joint ventures' turnover		(49,139)	(50,120)
CONSOLIDATED TURNOVER	2	127,135	114,553
Cost of sales		(99,158)	(87,638)
GROSS PROFIT		27,977	26,915
Distribution costs		(4,328)	(4,622)
Administrative expenses		(15,815)	(16,189)
Administrative expenses – Exceptional expenses	3b	-	(1,208)
Other operating income		2,027	78
OPERATING PROFIT	3		
Continuing activities	26	9,861	4,686
Acquisitions	26	-	288
		9,861	4,974
Share of operating profit of joint venture	10	6,507	4,441
		16,368	9,415
Loss on sale of fixed assets		(120)	(992)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		16,248	8,423
Interest receivable	6	86	320
Interest payable	6	(528)	(796)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,806	7,947
Taxation	7	5,159	(1,283)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		20,965	6,664
Minority interest	25	(923)	(447)
PROFIT FOR THE FINANCIAL YEAR	19	20,042	6,217

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
Year Ended 31 December 2012

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Profit for the financial period	20,042	6,217
Currency translation differences on foreign currency net investments	477	98
Total gains and losses relating to the period	<u>20,519</u>	<u>6,315</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2012

Group	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Total recognised gains relating to the period	<u>20,519</u>	<u>6,315</u>
Net increase in shareholders' funds	20,519	6,315
Opening shareholders' funds	<u>28,858</u>	<u>22,543</u>
Closing shareholders' funds	<u>49,377</u>	<u>28,858</u>
 Company	 31 Dec 2012	 31 Dec 2011
	\$'000	\$'000
Opening shareholders' funds	65,717	60,479
Profit for the period	4,158	5,401
Exchange gains/(losses) on translation adjustments	2,396	(163)
Closing shareholders' funds	<u>72,271</u>	<u>65,717</u>

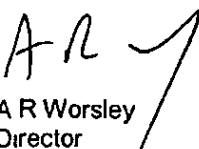
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CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

CONSOLIDATED BALANCE SHEET
COMPANY NUMBER 04040321
At 31 December 2012

	Notes	31 Dec 2012 \$'000	31 Dec 2011 \$'000
FIXED ASSETS			
Tangible Assets	9	25,739	27,753
Other investments	10	193	117
Investment in joint venture companies	10	8,091	6,632
Intangible fixed assets	11	2,260	2,267
		<u>36,283</u>	<u>36,769</u>
CURRENT ASSETS			
Stocks	12	12,620	13,283
Debtors amounts falling due in more than twelve months	13	4,451	4,300
Debtors amounts falling due within one year	13	22,230	19,217
Cash at bank and in hand		18,686	19,297
		<u>57,987</u>	<u>56,097</u>
CREDITORS amounts falling due within one year	14	(31,899)	(43,686)
		<u>26,088</u>	<u>12,411</u>
NET CURRENT ASSETS			
		<u>62,371</u>	<u>49,180</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due after more than one year	15	(8,599)	(15,349)
		<u>(4,395)</u>	<u>(4,973)</u>
MINORITY INTERESTS	25		
		<u>49,377</u>	<u>28,858</u>
CAPITAL AND RESERVES			
Called up share capital	18	33,030	33,030
Share premium account		33,677	33,677
Profit and loss account	19	(17,330)	(37,849)
		<u>49,377</u>	<u>28,858</u>
SHAREHOLDERS' FUNDS			
		<u>49,377</u>	<u>28,858</u>

These financial statements were approved by the directors and authorised for issue on 3rd June 2013 and are signed on their behalf by


A R Worsley
Director

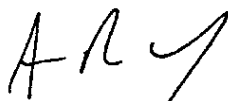
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CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

COMPANY BALANCE SHEET
COMPANY NUMBER 04040321
At 31 December 2012

	Notes	31 Dec 2012 \$'000	31 Dec 2011 \$'000
FIXED ASSETS			
Tangible Assets	9	153	239
Investments	10	85,406	81,399
		<u>85,559</u>	<u>81,638</u>
CURRENT ASSETS			
Debtors due within one year	13	27,180	15,433
Cash at bank and in hand		3,654	7,469
		<u>30,834</u>	<u>22,902</u>
CREDITORS: amounts falling due within one year	14	<u>(16,623)</u>	<u>(5,352)</u>
NET CURRENT ASSETS		<u>14,211</u>	<u>17,550</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>99,770</u>	<u>99,188</u>
CREDITORS: amounts falling due after more than one year	15	<u>(27,499)</u>	<u>(33,471)</u>
		<u><u>72,271</u></u>	<u><u>65,717</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	33,030	33,030
Share premium account		33,677	33,677
Profit and loss account	19	5,564	(990)
SHAREHOLDERS' FUNDS		<u><u>72,271</u></u>	<u><u>65,717</u></u>

These financial statements were approved by the directors and authorised for issue on 3rd June 2013 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
Year Ended 31 December 2012

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2012

	Notes	31 Dec 2012 \$'000	31 Dec 2011 \$'000
CASH FLOW FROM OPERATING ACTIVITIES	20a	6,283	8,189
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20b	2,195	4,502
OVERSEAS TAXATION		(303)	(320)
Acquisition	20b	-	(42)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20b	(1,674)	(2,513)
NET CASH INFLOW BEFORE FINANCING		6,501	9,816
FINANCING			
Other financing	20b	(6,716)	(1,347)
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(215)	8,469

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

		31 Dec 2012 \$'000	31 Dec 2011 \$'000
(Decrease)/increase in cash in the period		(215)	8,469
Net cash outflow from financing	20b	6,716	1,347
Movement in net funds/(debt) in the period		6,501	9,816
Net funds/(debt) at the start of the period		(987)	(10,803)
Net funds/(debt) at the end of the period	20b	5,514	(987)

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

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

Accounting Convention

The financial statements are prepared under the historical cost convention

The presentational currency of the financial statements has been changed to US dollars as this is the functional currency of the group. The comparative figures have been restated to this basis

Basis of consolidation

The Group financial statements consolidate the accounts of Cha Technologies Group plc and its subsidiary undertakings drawn up to 31 December 2012. 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 and not to 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 FINANCIAL STATEMENTS

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 levels 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 FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES /Continued ...

Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange. Gains and losses arising on these translations are taken to reserves.

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
Year Ended 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS

2 TURNOVER AND SEGMENTAL ANALYSIS

The table below provides a summary of turnover

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
United Kingdom	18,462	20,975
Europe	6,805	8,149
Far East	2,407	3,384
United States	84,220	77,623
Other	15,241	4,422
	<u>127,135</u>	<u>114,553</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 2012 \$'000	Year ended 31 Dec 2011 \$'000
Depreciation and other amounts written off tangible fixed assets	3,246	3222
Auditors' remuneration - audit of holding company	55	45
- audit of other companies	66	56
- tax services	18	13
- non-audit services of holding company auditors	86	13
- other auditors	245	170
Exchange (gain)/loss on foreign currency balances and remittances / payments	224	(194)
Operating lease rentals - land and buildings	79	48
- other assets	78	125
Research and development	329	295
Amortisation of intangibles	36	46
Amortisation of goodwill	155	344
Loss on disposal of intangibles	101	-
	<u></u>	<u></u>
b) Exceptional Item		
Provisions against Maver Srl loans and investments	-	1,208
	<u></u>	<u></u>

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS

4 DIRECTORS

The emoluments of the directors of the Company were -

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Aggregate emoluments	1,231	1,299
Company pension contributions to money purchases schemes	135	138

During the period the highest paid director received \$956,000 in remuneration (year to 31 December 2011 \$1,028,000) and \$118,000 of pension contributions (2011 \$109,000) 4 directors received pension contributions in the current period (2011 3).

5 STAFF COSTS

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

	Year ended 31 Dec 2012 No.	Year ended 31 Dec 2011 No.
Total	361	358

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Wages and salaries	17,550	16,612
Social security costs	1,413	1,041
Other pension costs	597	548
	<u>19,560</u>	<u>18,201</u>

6 INTEREST

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
a) Interest receivable		
Bank interest	86	320
b) Interest payable		
Bank overdraft and bank loans	528	796

CHA TECHNOLOGIES GROUP PLC
Report and Financial Statements
Year Ended 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION

		Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Based on the profit/(loss) for the period			
UK Corporation tax		-	-
Overseas tax		393	309
Group share of joint venture tax charge		946	974
		<u>1,339</u>	<u>1,283</u>
Total current tax			
Deferred taxation (note 17)			
UK		-	-
Overseas	(6,498)	-	-
		<u>(6,498)</u>	<u>-</u>
Total deferred taxation			
Tax on profit on ordinary activities		<u>(5,159)</u>	<u>1,283</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 (2011 less) than the standard rate of corporation tax in the UK of 24% (Dec 2011 26.5%)

	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2011 \$'000
Profit on ordinary activities before taxation	<u>15,806</u>	<u>7,947</u>
Profit on ordinary activities by standard rate of corporation tax in the UK	3,793	2,106
Disallowable expenses/non-taxable income	(68)	492
Depreciation for period in excess of capital allowances	102	133
Different rate of tax applicable to overseas earnings	703	339
Tax losses arising in the period recognised/(not recognised)	(3,417)	(2,061)
State taxes	431	274
Other differences leading to a decrease in the tax charge	(205)	-
	<u>1,339</u>	<u>1,283</u>
Current tax charge for the year (see note above)		

As at 31 December 2012, the Group has UK tax losses of approximately \$17,857,824 carried forward

8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the Company was \$4,158,000 (2011 \$5,401,000)

NOTES TO THE FINANCIAL STATEMENTS

9 TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Group Total \$'000
Cost				
At 1 January 2012	17,159	45,234	2,686	65,079
Currency adjustment	(20)	160	23	163
Additions	467	598	332	1,397
Disposals	(49)	(1,185)	(805)	(2,039)
Transfer	-	(135)	135	-
At 31 December 2012	<u>17,557</u>	<u>44,672</u>	<u>2,371</u>	<u>64,600</u>
Depreciation				
At 1 January 2012	(2,536)	(33,398)	(1,392)	(37,326)
Currency adjustment	(7)	(159)	(15)	(181)
Provided during the period	(349)	(2,393)	(504)	(3,246)
Disposals	28	1,059	805	1,892
Transfer	(131)	131	-	-
At 31 December 2012	<u>(2,995)</u>	<u>(34,760)</u>	<u>(1,106)</u>	<u>(38,861)</u>
Net book value				
At 31 December 2012	<u>14,562</u>	<u>9,912</u>	<u>1,265</u>	<u>25,739</u>
Net book value At 31 December 2011	<u>14,623</u>	<u>11,836</u>	<u>1,294</u>	<u>27,753</u>

Freehold land and buildings include \$923,000 in respect of land which is not depreciated

Company

	Fixtures and fittings \$'000
Cost	
At 1 January 2012	451
Currency adjustment	16
Additions in the period	5
At 31 December 2011	<u>472</u>
Depreciation	
At 1 January 2012	(212)
Depreciation charge in the period	(99)
Exchange difference on translation of assets	(8)
At 31 December 2012	<u>(319)</u>
Net book value at 31 December 2012	<u>153</u>
Net book value at 31 December 2011	<u>239</u>

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSET INVESTMENTS

a) Group

Investments in associated undertakings	Total \$'000
At cost and net book value	
At 1 January 2012 and 31 December 2012	272
Impairment	
At 1 January 2012 and 31 December 2012	(272)
Net book value	
At 1 January 2012 and 31 December 2012	-

This represents an indirect holding of 48% of the ordinary share capital in Maver Srl, a company incorporated in Italy. The investment is fully impaired due to its trading performance and the directors consider it to have no value.

Other Investments	Endowment Policies \$'000
Opening balance 31 December 2011	117
Additions	76
Closing balance 31 December 2012	193

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.

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10 FIXED ASSET INVESTMENTS/ Continued ...

Joint venture companies

	\$'000
Group share of net assets at 1 January 2012	6,632
Exchange adjustment on retranslation of opening net assets	(102)
Group share of profits and losses for the period	6,507
Group share of joint ventures tax charge	(946)
Dividend	(4,000)
	<u>8,091</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 2012
	\$'000
Fixed assets	968
Current assets	16,801
Liabilities due within one year	(9,056)
Liabilities due in more than one year	(622)
	<u>8,091</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 1 January 2012	85,454
Currency adjustment	3,012
Additions	1,543
	<u>90,009</u>
At 31 December 2012	
Impairment	
Provision for impairment at 1 January 2012	4,055
Currency adjustment	143
Provision for impairment during the year	405
	<u>4,603</u>
Provision for impairment at 31 December 2012	
Net book value	
31 December 2012	<u>85,406</u>
31 December 2011	<u>81,399</u>

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSET INVESTMENTS/ Continued ...

The additions in the year represent the amounts paid to subscribe for share capital in Advancetex International Holdings Limited, a company incorporated in England and Wales

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
Zhangjiagang Advancetex Environment Technologies Co Limited	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

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

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NOTES TO THE FINANCIAL STATEMENTS

11 INTANGIBLE FIXED ASSETS

Group	Patent	Purchased Goodwill	Goodwill arising on Consolidation	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 January 2012	757	25	2,959	3,741
Foreign currency translation	(5)	1	104	100
Additions	1	-	227	228
Disposals	(158)	-	-	(158)
At 31 December 2012	<u>595</u>	<u>26</u>	<u>3,290</u>	<u>3,911</u>
Amortisation				
At 1 January 2012	(332)	(22)	(1,120)	(1,474)
Foreign currency translation	(1)	(1)	(41)	(43)
Charge for the period	(36)	-	(155)	(191)
Disposals	57	-	-	57
At 31 December 2012	<u>(312)</u>	<u>(23)</u>	<u>(1,316)</u>	<u>(1,651)</u>
Net book value				
At 31 December 2012	<u>283</u>	<u>3</u>	<u>1,974</u>	<u>2,260</u>
At 31 December 2011	<u>425</u>	<u>3</u>	<u>1,839</u>	<u>2,267</u>

12 STOCKS

	31 Dec 2012	Group 31 Dec 2011
	\$'000	\$'000
Raw materials	5,009	4,831
Work in progress	301	102
Finished goods and goods for resale	7,310	8,350
	<u>12,620</u>	<u>13,283</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 FINANCIAL STATEMENTS

13 DEBTORS

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$'000	\$'000	\$'000	\$'000
Trade debtors	13,472	16,575	-	3
Associated undertakings	5,276	5,660	825	750
Other taxes and social security costs	378	-	-	-
Corporation tax	61	-	-	-
Other debtors	186	785	18	11
Prepayments and accrued income	810	497	77	69
Deferred taxation (note 17)	6,498	-	-	-
Amounts due from subsidiary undertakings	-	-	26,260	14,600
	<u>26,681</u>	<u>23,517</u>	<u>27,180</u>	<u>15,433</u>

Amounts owed by companies under common control above include \$4,451,150 (2011 \$4,300,000) recoverable in more than one year

14 CREDITORS: amounts falling due within one year

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$'000	\$'000	\$'000	\$'000
Overdraft and bank loans	4,573	4,969	-	-
Trade creditors	8,382	11,288	78	127
Associated undertakings	15,586	23,650	-	4,126
Other taxes and social security costs	127	316	13	-
Corporation tax	-	2	-	-
Overseas tax	159	5	-	-
Other creditors	1,733	1,062	3	22
Accruals and deferred income	1,339	2,394	76	113
Amount owed to subsidiary undertakings	-	-	16,453	964
	<u>31,899</u>	<u>43,686</u>	<u>16,623</u>	<u>5,352</u>

15 CREDITORS amounts falling due after more than one year

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$'000	\$'000	\$'000	\$'000
Group undertakings	-	-	20,895	20,183
Bank loans	75	172	-	-
Loans from associated undertakings	8,524	15,143	6,604	13,288
Other creditors	-	34	-	-
	<u>8,599</u>	<u>15,349</u>	<u>27,499</u>	<u>33,471</u>

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16 BORROWINGS

Group and company

	Group		Company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$'000	\$'000	\$'000	\$'000
Amounts falling due				
In one year or less	4,573	4,969	-	-
In more than one year but not more than two years	-	3	-	-
In more than two years but not more than five years	75	169	-	-
In more than 5 years	8,524	15,143	27,499	33,471
	<u>13,172</u>	<u>20,284</u>	<u>27,499</u>	<u>33,471</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 DEFERRED TAXATION - GROUP

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

	\$'000
At 1 January 2012	-
Credit for the period	(6,498)
At the end of the period	<u>(6,498)</u>
Deferred taxation provided in the accounts	
	2012
	\$'000
Available tax losses	(6,498)
	<u>(6,498)</u>

A deferred tax asset of \$6,498,000 has been recognised in the financial statements on available tax losses in certain US group companies. The directors consider that recognition of the asset is supported by forecast and actual trading performance sufficient to generate future taxable profits against which the deferred tax asset is expected to reverse.

A deferred tax asset on other available group tax losses of \$32,296,000 is not recognised in the financial statements as there is uncertainty over the timing of profits against which these losses may be offset.

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NOTES TO THE FINANCIAL STATEMENTS

18 SHARE CAPITAL

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Allotted, called up and fully paid		
21,112,291 ordinary shares of £1 each	<u>33,030</u>	<u>33,030</u>

19 PROFIT AND LOSS ACCOUNT

Group	\$'000
At 1 January 2012	(37,849)
Exchange difference on retranslation of assets	477
Profit for the year	<u>20,042</u>
At 31 December 2012	<u>(17,330)</u>
Company	\$'000
At 1 January 2012	(990)
Exchange difference on retranslation of assets	2,396
Profit for the year	<u>4,158</u>
At 31 December 2012	<u>5,564</u>

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Operating profit	9,861	4,974
Depreciation	3,246	3,222
Amortisation of intangibles	191	391
Loss on disposal of intangibles	101	-
Decrease/(Increase) in stocks	663	(3,070)
Decrease/(Increase) in debtors	3,395	(527)
(Decrease)/Increase in creditors	(11,575)	2,942
Currency movements	401	(15)
Provision for impairment of investment	-	272
Net cash flow from operating activities	<u>6,283</u>	<u>8,189</u>

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NOTES TO THE FINANCIAL STATEMENTS

20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT /Continued .

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

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Returns on investments and servicing of finance		
Interest received	86	320
Interest paid	(528)	(796)
Dividend received from joint venture	4,000	5,204
Dividends paid to minority interests	(1,363)	(706)
Shares subscribed by minority	-	480
	<u>2,195</u>	<u>4,502</u>
Net cash inflow for returns on investments and servicing of finance		
	<u>2,195</u>	<u>4,502</u>
Acquisitions		
Cash balances of subsidiaries at acquisition	-	(42)
	<u>-</u>	<u>(42)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,397)	(2,585)
Purchase of intangible fixed assets	(228)	-
Sale of tangible fixed assets	27	24
(Purchase)/sale of investments	(76)	48
	<u>(1,674)</u>	<u>(2,513)</u>
Net cash outflow for capital expenditure and financial investment		
	<u>(1,674)</u>	<u>(2,513)</u>
Financing		
Loans repaid to associated companies	(6,619)	(58)
Loan repayment	(97)	(1,289)
	<u>(6,716)</u>	<u>(1,347)</u>
Net cash outflow from financing		
	<u>(6,716)</u>	<u>(1,347)</u>

	At 1 January 2012 \$'000	Cash flow \$'000	At 31 December 2012 \$'000
Cash at bank and in hand	19,297	(611)	18,686
Overdraft	(4,969)	396	(4,573)
	<u>14,328</u>	<u>(215)</u>	<u>14,113</u>
Debt			
Bank loans falling due after one year	(172)	97	(75)
Loans from associated companies	(15,143)	6,619	(8,524)
	<u>(15,315)</u>	<u>6,716</u>	<u>8,599</u>
Net funds/(debt)	<u>(987)</u>	<u>6,501</u>	<u>5,514</u>

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21 CONTINGENT LIABILITIES

At 31 December 2012 the value of contingent liabilities amounted to \$190,000 this being potential duties payable in the USA on the import of fabrics

22 CAPITAL COMMITMENTS

	Group 31 Dec 2012 \$'000	Group 31 Dec 2011 \$'000	Company 31 Dec 2012 \$'000	Company 31 Dec 2011 \$'000
Contracted but not provided	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

23 OPERATING LEASES

At 31 December 2012 the Group had annual commitments under non-cancellable operating leases as follows

	31 Dec 2012		31 Dec 2011	
	Land and buildings \$'000	Other \$'000	Land and buildings \$'000	Other \$'000
Expiry date				
Within one year	-	5	-	-
Between two and five years	<u>162</u>	<u>250</u>	<u>47</u>	<u>122</u>
	<u>162</u>	<u>255</u>	<u>47</u>	<u>122</u>

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24 RELATED PARTY TRANSACTIONS

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

	Debtor	Creditor
	\$'000	\$'000
Haining Xin Gao Fibres Ltd	618	-
Haining Textile Allied Industries Co Ltd	147	-
Broadway Industrial Services Ltd	60	-
Silkstream Industrial Services Ltd	-	3,209
Buildstart Holdings Ltd (BVI)	-	1,060
Design Creativity Ltd	-	16
Cha Textiles Ltd Hong Kong	-	2,319
COMPANY	825	6,604
Cregneash Holdings Limited	4,451	-
Axxel HK Ltd	-	183
Haining Textile Allied Industries Co Ltd	-	1,408
Hong Kong Industrial Services Ltd	-	500
Haining Textiles Allied Industries Ltd	-	1,065
Mansor Finance Ltd	-	1,920
Silkstream Industrial Services Ltd	-	28
Broadway Industrial Services Ltd	-	16
Buildstart Holdings Limited (BVI)	-	31
Bandel Limited	-	4,671
Cosmo Hong Kong Limited	-	769
Castle Industries Ltd	-	2,055
Truegoal Trading Limited	-	4,860
GROUP	5,276	24,110

All the above are under the common control of the Cha family with the exception of Cosmo Hong Kong Limited, a company 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

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NOTES TO THE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS /continued

	2011	
	Debtor	Creditor
	\$'000	\$'000
Axxel HK Limited	575	-
Haining Textile Allied Industries Limited	149	-
CTC Trading (Hong Kong) Limited	17	-
Broadway Industrial Services Limited	9	-
Gold Peak Holdings Limited	-	13,274
Silkstream Industrial Limited	-	3,100
Buildstart Holdings Limited (BVI)	-	1,024
Design Creativity Limited	-	16
COMPANY	750	17,414
Cregneash Holdings Limited	4,300	-
Hong Kong Industrial Services Limited	205	506
United Nigerian Textiles PLC	128	86
United Markets Inc	106	-
Qualitex Textiles Limited	53	209
CTD Congo SARL	41	-
Haining Textile Allied Industries Limited	41	622
Cosmo Hong Kong Limited	19	1,021
CTD Ghana Limited	17	-
Bandel Limited	-	7,033
Truegoal Trading Limited	-	5,131
Axxel HK Limited	-	2,691
Castle IOM Limited	-	1,994
Mansor Finance Limited	-	1,854
Cha Textiles Limited Hong Kong	-	172
Silkstream Industrial Limited	-	30
Citius	-	20
Buildstart Holdings Limited (BVI)	-	9
China Dyeing Holdings Limited	-	1
GROUP	5,660	38,793

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

NOTES TO THE FINANCIAL STATEMENTS

25 MINORITY INTERESTS

	\$'000
Balance at 1 January 2012	4,973
Exchange difference on retranslation of assets	(138)
Share of profit for the period	923
Dividend	(1,363)
	<u> </u>
Balance as 31 December 2012	<u>4,395</u>

26 COST OF SALES AND EXPENSES

	2012 Continuing \$'000	2011 Continuing \$'000
Cost of sales	99,158	87,638
	<u> </u>	<u> </u>
Administrative expenses	15,815	16,189
	<u> </u>	<u> </u>
Distribution expenses	4,328	4,622
	<u> </u>	<u> </u>

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

	2012 \$'000	2011 \$'000
Cost of sales	-	9,006
	<u> </u>	<u> </u>
Administrative expenses	-	2,744
	<u> </u>	<u> </u>
Distribution expenses	-	381
	<u> </u>	<u> </u>