Directors' Report and Audited Financial Statements

For the year ended 31 December 2014

Cha Technologies Group Plc

Company No: 04040321

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COMPANIES HOUSE

DIRECTORS	J E Boubal T S Inn A R Worsley (resigned 17 July 2014) J P Winnie P R Martin (appointed 17 July 2014)
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

STRATEGIC REPORT

Business review

Cha Technologies Group plc is a global manufacturer of Fiber, Yarn and Nonwovens with a specific filtration division manufacturing filters and providing instalment and maintenance services. The group's experience and technical expertise in these industries enable it to offer a flexible and customer orientated service.

Principal risks and uncertainties

The main risk to the group's profitability is the price of key raw materials (primarily polyester). The group is relatively diversified and therefore is not exposed significantly to any one particular market sector.

Despite the majority of purchases being in US Dollars ("USD"), the group is exposed to currency fluctuations with Chinese Renminbi ("RMB"). During 2014 the exchange rate was relatively stable, however as the currency becomes more widely traded the uncertainty will still remain.

Financial key performance indicators

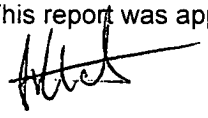
Turnover has decreased from $139.5m in 2013 to $116m in 2014 largely due to a fall of $21.5m in Fiber Innovation Technology, Inc. turnover. This has given rise to decreased operating profit from $10.3m to $9.4m.

The group generated a net cash inflow from operations of $9.9m giving an increase in cash during the period of $8.9m. Customer and supplier payment terms have been maintained in line with the previous year. At 31 December 2014 the group had net funds of $29.8m. The balance sheet position of the group has strengthened from $64.2m to $70.7m at 31 December 2014.

Non-financial key performance indicators

As the primary cost for the group is the purchase of raw materials it is vitally important that wastage is monitored and kept to a minimum. In order to meet customer requirements and to ensure yields are as high as possible the weight of products is monitored carefully and compared to specification.

This report was approved by the board on 18 June 2015 and signed on its behalf by



P R Martin
Director

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

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

2014 was a challenging year with growth in many operations being offset by falls elsewhere.

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 has a 50% interest in a joint venture (see note 10) which had taken out a foreign exchange hedge product with the objective of minimising the USD/CNY exchange rate risk.

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 24 days (2013: 24 days) purchases outstanding at 31 December 2014, based on the average daily amount invoiced by suppliers during the period.

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

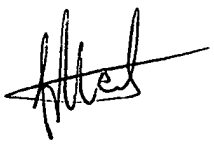
AUDITORS

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



P R Martin
Director

Approved by the directors on 18 June 2015

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 2014 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 5, 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 2014 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 Strategic Report and 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

22 June 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2014

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
TURNOVER;			
Continuing activities		172,339	189,857
Less: Share of joint ventures' turnover		(56,316)	(50,310)
CONSOLIDATED TURNOVER	2	116,023	139,547
Cost of sales		(92,227)	(113,401)
GROSS PROFIT		23,796	26,146
Distribution costs		(5,192)	(4,439)
Administrative expenses		(12,448)	(14,170)
Other operating income		3,245	2,806
OPERATING PROFIT	3	9,401	10,343
Share of operating profit of joint venture	10	7,101	5,879
		16,502	16,222
Profit on sale of fixed assets and subsidiary undertakings	3b	21	1,890
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		16,523	18,112
Interest receivable	6	1	303
Interest payable	6	(67)	(405)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,457	18,010
Taxation	7	(4,152)	(3,459)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		12,305	14,551
Minority interest	26	(1,093)	(654)
PROFIT FOR THE FINANCIAL YEAR	19	11,212	13,897

The notes on pages 13 to 31 form part of these financial statements

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2014

	31 Dec 2014 $'000	31 Dec 2013 $'000
Profit for the financial period	11,212	13,897
Currency translation differences on foreign currency net investments	(1,697)	913
Total gains and losses relating to the period	9.515	14,810

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2014

Group	31 Dec 2014 $'000	31 Dec 2013 $'000
Total recognised gains relating to the period	9,515	14,810
Dividends (note 20)	(3,000)	-
Net increase in shareholders' funds	6,515	14,810
Opening shareholders' funds	64,187	49,377
Closing shareholders' funds	70,702	64,187

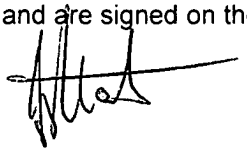
Company	31 Dec 2014 $'000	31 Dec 2013 $'000
Opening shareholders' funds	80,050	72,271
Profit for the period	8,477	6,004
Dividends (note 20)	(3,000)	-
Exchange (losses) / gains on translation adjustments	(4,612)	1,775
Closing shareholders' funds	80,915	80,050

The notes on pages 13 to 31 form part of these financial statements

CONSOLIDATED BALANCE SHEET
COMPANY NUMBER 04040321
At 31 December 2014

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
FIXED ASSETS			
Tangible Assets	9	20,790	23,888
Other investments	10	299	304
Investment in joint venture companies	10	7,287	7,476
Intangible fixed assets	11	1,327	2,126
		29,703	33,794
CURRENT ASSETS			
Stocks	12	9,580	11,503
Debtors amounts falling due in more than twelve months	13	1,208	2,528
Debtors: amounts falling due within one year	13	19,728	22,248
Cash at bank and in hand		30,326	21,425
		60,842	57,704
CREDITORS: amounts falling due within one year	14	(16,115)	(21,554)
NET CURRENT ASSETS		44,727	36,150
TOTAL ASSETS LESS CURRENT LIABILITIES		74,430	69,944
CREDITORS: Amounts falling due after more than one year	15	(91)	(1,962)
MINORITY INTERESTS	26	(3,637)	(3,795)
		70,702	64,187
CAPITAL AND RESERVES			
Called up share capital	18	33,030	33,030
Share premium account		33,677	33,677
Profit and loss account	19	3,995	(2,520)
SHAREHOLDERS' FUNDS		70,702	64,187

These financial statements were approved by the directors and authorised for issue on 18 June 2015 and are signed on their behalf by:



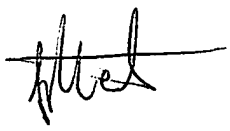
P R Martin
Director

The notes on pages 13 to 31 form part of these financial statements

COMPANY BALANCE SHEET
COMPANY NUMBER 04040321
At 31 December 2014

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
FIXED ASSETS			
Tangible Assets	9	50	91
Investments	10	79,529	85,981
		79,579	86,072
CURRENT ASSETS			
Debtors due within one year	13	4,241	4,267
Cash at bank and in hand		18,498	12,892
		22,739	17,159
CREDITORS: amounts falling due within one year	14	(3,248)	(2,010)
NET CURRENT ASSETS		19,491	15,149
TOTAL ASSETS LESS CURRENT LIABILITIES		99,070	101,221
CREDITORS: amounts falling due after more than one year	15	(18,155)	(21,171)
		80,915	80,050
CAPITAL AND RESERVES			
Called up share capital	18	33,030	33,030
Share premium account		33,677	33,677
Profit and loss account	19	14,208	13,343
SHAREHOLDERS' FUNDS		80,915	80,050

These financial statements were approved by the directors and authorised for issue on 18 June 2015 and are signed on their behalf by:



P R Martin
Director

The notes on pages 13 to 31 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2014

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
CASH FLOW FROM OPERATING ACTIVITIES	21a	9,951	11,320
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21b	4,737	3,636
TAXATION		(597)	(822)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21b	(303)	(586)
EQUITY DIVIDENDS PAID	20	(3,000)	-
NET CASH INFLOW BEFORE FINANCING		10,788	13,548
FINANCING			
Other financing	21b	(1,879)	(6,732)
INCREASE IN CASH IN THE PERIOD		8,909	6,816

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

		31 Dec 2014 $'000	31 Dec 2013 $'000
Increase in cash in the period		8,909	6,816
Net cash outflow from financing	21b	1,879	6,732
New hire purchase agreements		(146)	-
Movement in net funds in the period		10,642	13,548
Net funds at the start of the period		19,062	5,514
Net funds at the end of the period	21b	29,704	19,062

The notes on pages 13 to 31 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 is US dollars as this is the functional currency of the group.

Basis of consolidation

The group financial statements consolidate the accounts of Cha Technologies Group plc and its subsidiary undertakings drawn up to 31 December 2014. 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 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 on consolidation 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.

NOTES TO THE FINANCIAL STATEMENTS

2 TURNOVER AND SEGMENTAL ANALYSIS

The table below provides a summary of turnover:

	Year ended 31 Dec 2014 $'000	Year ended 31 Dec 2013 $'000
United Kingdom	19,772	20,542
Europe	7,615	8,816
Far East	2,277	4,143
United States	74,171	95,939
Other	12,188	10,107
	116,023	139,547

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) Operating profit is stated after charging:

	Year ended 31 Dec 2014 $'000	Year ended 31 Dec 2013 $'000
Depreciation and other amounts written off tangible fixed assets	3,083	3,246
Auditors' remuneration - audit of holding company	64	64
- audit of other companies	60	60
- tax services	17	16
- non-audit services of holding company auditors	34	91
- other auditors	206	223
Exchange loss on foreign currency balances and remittances / payments	(829)	610
Operating lease rentals - land and buildings	136	112
- other assets	76	35
Research and development	246	164
Amortisation of intangibles	34	30
Amortisation of goodwill	138	147
Impairment of goodwill	526	-
Loss on disposal of intangibles	32	7

b) Profit on sale of fixed assets and subsidiary undertakings

Profit on disposal of tangible fixed assets	21	791
Profit on disposal of subsidiary undertakings	-	1,099
	21	1,890

NOTES TO THE FINANCIAL STATEMENTS

4 DIRECTORS

The emoluments of the directors of the Company were:-

	Year ended 31 Dec 2014 $'000	Year ended 31 Dec 2013 $'000
Aggregate emoluments	1,432	1,274
Company pension contributions to money purchases schemes	147	136

During the period the highest paid director received $1,045,000 in remuneration (2013: $1,005,000) and $117,000 of pension contributions (2013: $121,000). 3 director's received pension contributions in the current period (2013: 3).

5 STAFF COSTS

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

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Production	263	260
Administration	60	63
Sales and marketing	17	21
	340	344

	Year ended 31 Dec 2014 $'000	Year ended 31 Dec 2013 $'000
Wages and salaries	18,657	17,954
Social security costs	1,337	1,443
Other pension costs	529	478
	20,523	19,875

6 INTEREST

	Year ended 31 Dec 2013 $'000	Year ended 31 Dec 2013 $'000
a) **Interest receivable**		
Bank interest	1	303
b) **Interest payable**		
Bank and hire purchase interest	67	405

NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION

	$'000	Year ended 31 Dec 2014 $'000	$'000	Year ended 31 Dec 2013 $'000
Based on the profit/(loss) for the period:				
UK Corporation tax	390		131	
Overseas tax	398		636	
Group share of joint venture tax charge	1,327		1,494	
Total current tax		2,115		2,261
Deferred taxation (note 17)				
UK	-		-	
Overseas	2,037		1,198	
Total deferred taxation		2,037		1,198
Tax on profit on ordinary activities		4,152		3,459

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 (2013 less) than the standard rate of corporation tax in the UK of 21% (Dec 2013 23%).

	Year ended 31 Dec 2014 $'000	Year ended 31 Dec 2013 $'000
Profit on ordinary activities before taxation	16,457	18,010
Profit on ordinary activities by standard rate of corporation tax in the UK	3,456	4,142
Disallowable expenses/non-taxable income	48	(192)
Depreciation for period in excess of capital allowances	74	109
Different rate of tax applicable to overseas earnings	1,018	1,357
Tax losses arising in the period recognised/(not recognised)	(3,178)	(4,052)
State taxes	149	255
Other differences leading to an increase/(decrease) in the tax charge	548	642
Current tax charge for the year (see note above)	2,115	2,261

8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the Company was $8,477,000 (2013: $6,004,000).

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 2014	17,817	40,670	2,446	60,933
Currency adjustment	(309)	(891)	(50)	(1,250)
Additions	145	1,060	128	1,333
Disposals	(21)	(1,810)	(115)	(1,946)
At 31 December 2014	17,632	39,029	2,409	59,070
Depreciation				
At 1 January 2014	(3,340)	(32,432)	(1,273)	(37,045)
Currency adjustment	72	683	36	791
Provided during the period	(347)	(2,354)	(382)	(3,083)
Disposals	20	929	108	1,057
At 31 December 2014	(3,595)	(33,174)	(1,511)	(38,280)
Net book value				
At 31 December 2014	14,037	5,855	898	20,790
Net book value				
At 1 January 2014	14,477	8,238	1,173	23,888

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

Company	Fixtures and fittings $'000
Cost	
At 1 January 2014	393
Exchange difference on translation	(23)
Additions in the period	18
At 31 December 2014	388
Depreciation	
At 1 January 2014	302
Depreciation charge in the period	54
Exchange difference on translation	(18)
At 31 December 2014	338
Net book value at 31 December 2014	50
Net book value at 31 December 2013	91

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 2014 and 31 December 2014	272
Impairment	
At 1 January 2014 and 31 December 2014	(272)
Net book value	
At 1 January 2014 and 31 December 2014	-

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 at 1 January 2014	304
Disposals	(5)
Closing balance at 31 December 2014	299

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 and disposals at cost.

Joint venture companies

	$'000
Group share of net assets at 1 January 2014	7,476
Group share of profits for the period	7,101
Group share of joint ventures tax charge	(1,327)
Dividend	(5,963)
Group share of net assets at 31 December 2014	7,287

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 2014 $'000
Fixed assets	1,708
Current assets	19,175
Liabilities due within one year	(13,046)
Liabilities due in more than one year	(550)
	7,287

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSET INVESTMENTS/ Continued ...

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.

Derivative financial instrument

Cosmo Hong Kong Limited entered into an "at-expiry knock-in target redemption forward contract" on 4 February 2014, covering a period of 24 months for $2,000,000 per month. The contract has a strike rate of 6.12 and a knock in rate of 6.17 with the intention to achieve a hedge at the strike rate. Where the rate is above the knock-in rate, Cosmo Hong Kong Limited is required to sell the notional amount of $2,000,000 at the strike rate, which would result in a loss and gives rise to a contingent liability.
The fair value of the derivative contract as at 31 December 2014 was $(1,015,360). In accordance with UK accounting standards the group share of the fair value of the derivative contract is excluded from the group share of the joint venture's net assets at 31 December 2014.

b) Company

Shares in subsidiary undertaking

	$'000
Cost	
At 1 January 2014	91,877
Currency adjustment	(4,879)
Disposals	(16)
At 31 December 2014	86,982
Impairment	
Provision for impairment at 1 January 2014	5,896
Currency adjustment	(237)
Provision for impairment during the year	1,810
Disposals	(16)
Provision for impairment at 31 December 2014	7,453
Net book value	
31 December 2014	79,529
31 December 2013	85,981

The disposal in the year is recognised following the liquidation of the subsidiary undertaking CTD International Services Limited, effective on 9 October 2014.

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSET INVESTMENTS/ Continued ...

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	95%	Intermediate 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
Advancetex International Tecidos Industriais Ltda	Brazil	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.

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 2014	601	26	2,926	3,553
Foreign currently translation	(9)	(2)	(161)	(172)
Additions	31	-	-	31
Disposals	(70)	-	(371)	(721)
At 31 December 2014	553	24	2,394	2,691
Amortisation				
At 1 January 2014	(342)	(25)	(1,060)	(1,427)
Foreign currency translation	8	3	61	72
Charge for the period	(34)	-	(138)	(172)
Impairment	-	-	(526)	(526)
Disposals	38	-	371	689
At 31 December 2014	(330)	(22)	(1,292)	(1,364)
Net book value				
At 31 December 2014	223	2	1,102	1,327
At 1 January 2014	259	1	1,866	2,126

The disposal of goodwill arising on consolidation is recognised following the liquidation of Advancetex International Canada Limited on 11 December 2014.

12 STOCKS

	Group	
	31 Dec 2014 $'000	31 Dec 2013 $'000
Raw materials	4,739	4,695
Work in progress	84	178
Finished goods and goods for resale	4,757	6,630
	9,580	11,503

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

NOTES TO THE FINANCIAL STATEMENTS

13 DEBTORS

	Group		Company	
	31 Dec 2014 $'000	31 Dec 2013 $'000	31 Dec 2014 $'000	31 Dec 2013 $'000
Trade debtors	14,171	15,917	-	43
Associated undertakings	2,493	2,494	2,000	2,149
Corporation tax	124	116	-	-
Other debtors	345	422	182	8
Prepayments and accrued income	540	527	65	57
Deferred taxation (note 17)	3,263	5,300	-	-
Amounts due from subsidiary undertakings	-	-	1,994	2,010
	20,936	24,776	4,241	4,267

Deferred taxation ($1,170,000) and other debtors ($38,000) include balances which fall due in more than one year

14 CREDITORS: amounts falling due within one year

	Group		Company	
	31 Dec 2014 $'000	31 Dec 2013 $'000	31 Dec 2014 $'000	31 Dec 2013 $'000
Overdraft and bank loans	488	496	-	-
Trade creditors	7,226	7,605	16	-
Associated undertakings	3,143	8,643	-	-
Other taxes and social security costs	492	207	37	12
Corporation tax	199	-	-	-
Other creditors	923	1,332	4	21
Hire purchase agreements	52	-	-	-
Accruals and deferred income	3,592	3,271	105	135
Amount owed to subsidiary undertakings	-	-	3,086	1,842
	16,115	21,554	3,248	2,010

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	31 Dec 2014 $'000	31 Dec 2013 $'000	31 Dec 2014 $'000	31 Dec 2013 $'000
Group undertakings	-	-	18,135	19,304
Loans from associated undertakings	20	1,867	20	1,867
Other creditors	9	95	-	-
Hire purchase agreements	62	-	-	-
	91	1,962	18,155	21,171

NOTES TO THE FINANCIAL STATEMENTS

16 BORROWINGS

Group and company

	Group		Company	
	31 Dec 2014 $'000	31 Dec 2013 $'000	31 Dec 2014 $'000	31 Dec 2013 $'000
Amounts falling due:				
In one year or less	540	496	-	-
In more than one year but not more than two years	62	-	-	-
In more than two years but not more than five years	-	-	-	-
In more than 5 years	20	1,867	20	1,867
	622	2,363	20	1,867

Bank borrowings are secured by fixed charges over freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital. There is also a first floating charge over all assets and undertakings both present and future. A composite unlimited multilateral guarantee is in existence given by Cha Technologies Group Plc, and its subsidiary undertakings Cosmopolitan Textile Company Limited and Cha Textiles Limited. Hire purchase liabilities are secured over the assets concerned. There are no fixed repayment terms for the borrowings due in more than 5 years and they are interest free.

17 DEFERRED TAXATION - GROUP

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

	$'000
At 1 January 2014	(5,300)
Charge for the period	2,037
At the end of the period	(3,263)

Deferred taxation provided in the accounts

	2014 $'000	2013 $'000
Available tax losses	(3,263)	(5,300)
	(3,263)	(5,300)

A deferred tax asset of $3,263,000 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 carried forward of $17,919,000 is not recognised in the financial statements as there is uncertainty over the timing of profits against which these losses may be offset.

NOTES TO THE FINANCIAL STATEMENTS

18 SHARE CAPITAL

	31 Dec 2014 $'000	31 Dec 2013 $'000
Allotted, called up and fully paid		
21,112,291 ordinary shares of £1 each	33,030	33,030

19 PROFIT AND LOSS ACCOUNT

Group	$'000
At 1 January 2014	(2,520)
Exchange difference on retranslation of assets	(1,697)
Dividend (note 20)	(3,000)
Profit for the year	11,212
At 31 December 2014	3,995

Company	$'000
At 1 January 2014	13,343
Exchange difference on retranslation of assets	(4,612)
Dividend (note 20)	(3,000)
Profit for the year	8,477
At 31 December 2014	14,208

20 DIVIDENDS

	31 Dec 2014 $'000	31 Dec 2013 $'000
Dividends paid on equity capital	3,000	-

A dividend of $0.14 per share was paid to the shareholders on 14 April 2014.

21 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	31 Dec 2014 $'000	31 Dec 2013 $'000
Operating profit	9,401	10,343
Depreciation	3,083	3,246
Amortisation of intangibles	172	177
Impairment of intangibles	526	-
Loss on disposal of intangibles	32	7
Decrease in stocks	1,923	1,117
Decrease in debtors	1,811	762
Decrease in creditors	(5,768)	(5,074)
Currency movements	(1,229)	742
Net cash flow from operating activities	9,951	11,320

NOTES TO THE FINANCIAL STATEMENTS

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

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

	31 Dec 2014 $'000	31 Dec 2013 $'000
Returns on investments and servicing of finance		
Interest received	1	303
Interest paid	(67)	(405)
Dividend received from joint venture	5,963	5,000
Dividends paid to minority interests	(1,160)	(1,262)
Net cash inflow for returns on investments and servicing of finance	4,737	3,636
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,187)	(1,442)
Purchase of intangible fixed assets	(31)	(13)
Sale of tangible fixed assets	910	980
Purchase of investments	5	(111)
Net cash outflow for capital expenditure and financial investment	(303)	(586)
Financing		
Loans repaid to associated companies	(1,847)	(6,657)
Loan repayment	-	(75)
Capital element of hire purchase	(32)	-
Net cash outflow from financing	(1,879)	(6,732)

	At 1 January 2014 $'000	Cash flow $'000	Other non cast changes $'000	At 31 December 2014 $'000
Cash at bank and in hand	21,425	8,901	-	30,326
Overdraft	(496)	8	-	(488)
	20,929	8,909	-	29,838
Debt				
Hire purchase	-	32	(146)	(114)
Loans from associated companies	(1,867)	1,847	-	(20)
	(1,867)	1,879	(146)	(134)
Net funds	19,062	10,788	(146)	29,704

NOTES TO THE FINANCIAL STATEMENTS

22 CONTINGENT LIABILITIES

At 31 December the value of contingent liabilities amounted to $1,800,000. An estimated liability of approximately $1,500,000 was recorded as at 31 December 2014, relating to U.S. Customs and Border Protection duties from fabrics imported by CTC US LLC and $300,000 for the provision of other legal cases.

23 CAPITAL COMMITMENTS

	Group 31 Dec 2014 $'000	Group 31 Dec 2013 $'000	Company 31 Dec 2014 $'000	Company 31 Dec 2013 $'000
Contracted but not provided	Nil	Nil	Nil	Nil

24 OPERATING LEASES

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

	31 Dec 2014		31 Dec 2013	
	Land and buildings $'000	Other $'000	Land and buildings $'000	Other $'000
Expiry date:				
Within one year	213	70	197	48
Between two and five years	164	106	177	38
Over five years	-	4	99	-
	377	180	473	86

NOTES TO THE FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS

As at 31 December 2014 the group had the following balances with related parties:-

	31 Dec 2014 Debtor $'000	31 Dec 2014 Creditor $'000
Cha Textiles Hong Kong Ltd	-	4
Fibril Trading (HK) Ltd	2,000	-
Design Creativity Ltd	-	16
COMPANY	**2,000**	**20**
Haining Xi Neng Fibres & Non Wovens Ltd	493	-
Fibril Trading (HK) Ltd	-	131
Haining Textile Allied Industries Co Ltd	-	1,917
Silkstream Industrial Services Ltd	-	28
Cosmo Hong Kong Limited	-	991
Xaimen Citius	-	76
GROUP	**2,493**	**3,163**

All of 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.

During the year Zhangjiagang Advancetex Environment Technologies Co. Limited disposed of tangible fixed assets with a carrying value of $846,000 to Haining Textile Allied Industries Co Ltd for consideration of $1,046,000. The valuation of the assets was based on an independent asset valuation report.

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.

NOTES TO THE FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS /continued

	31 Dec 2013 Debtor $'000	31 Dec 2013 Creditor $'000
Silkstream Industrial Services Ltd	-	1,851
Design Creativity Ltd	-	16
Cha Textiles Hong Kong Ltd	-	-
Sabre Trading (HK) Ltd	149	-
Fibril Trading (HK) Ltd	2,000	-
COMPANY	**2,149**	**1,867**
Haining Textile Allied Industries Co Ltd	-	2,094
Hong Kong Industrial Services Ltd	-	500
Silkstream Industrial Services Ltd	-	28
Bandel Ltd	-	452
Cosmo Hong Kong Ltd	-	1,407
Fibril Trading (HK) Ltd	345	4,139
Xaimen Citius	-	23
GROUP	**2,494**	**10,510**

All transactions took place on normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS

26 MINORITY INTERESTS

	$'000
Balance at 1 January 2014	3,795
Exchange difference on retranslation of assets	(91)
Share of profit for the period	1,093
Dividend	(1,160)
Balance as 31 December 2014	3,637

27 POST BALANCE SHEET EVENTS

On 5 January 2015 Cha Technologies Group Plc paid a dividend of $0.71 per share, equivalent to $15,000,000, to its parent company, Gold Peak Holdings (BVI) Limited.

28 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company of the group is Gold Peak Holdings (BVI) Limited a company registered in the British Virgin Islands. The accounts of Gold Peak Holdings (BVI) Limited are not available to the public.

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