
Cha Technologies Group Plc
Annual report and financial statements
For the year ended 31 December 2016



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Administrative information

Directors

J E Boubal
T S Inn
P R Martin
J P Winnie

Registered office

St James' Building
79 Oxford Street
Manchester
M1 6EJ

Auditor

Mazars LLP
Chartered Accountants and Statutory Auditors
One St Peter's Square
Manchester
M2 3DE

Bankers

HSBC
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Strategic report

The directors present their strategic report for Cha Technologies Group Plc (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2016.

Principal activity

Cha Technologies Group plc is a global manufacturer of Fiber, Yarn and Nonwovens. The Group's experience and technical expertise in these industries enable it to offer a flexible and customer orientated service.

The Group's principal activity is the manufacture and marketing of non-woven textile fabrics.

Review of the business and future developments

2016 was a difficult year with lower sales in the USA and UK sales being affected by the devaluation of GBP.

The current uncertainties on a macroeconomic level mean that the economic climate presents increasing challenges for the business. 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.

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 2016 the exchange rate was relatively stable, however as the currency becomes more widely traded the uncertainty will still remain.

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 key performance indicators

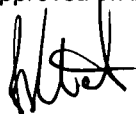
Turnover has decreased from \$95.6m in 2015 to \$77.1m in 2016 largely due to a fall in US and UK turnover. Despite this, close cost control and lower goodwill impairments for underperforming business sectors have resulted in an increase in operating profit from \$5.9m to \$7.3m.

The Group generated a net cash inflow from operations of \$9.9m and at 31 December 2016 the Group had net cash and cash equivalents of \$17.1m.

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.

Approved on behalf of the board on 25th May 2017 and signed on its behalf by



P R Martin

Director

Directors' report

The directors present their annual report for Cha Technologies Group Plc (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2016.

Financial results and dividends

The results are set out in the statement of comprehensive income on page 7.

Fixed assets

Details of movements in fixed assets in the year are set out in notes 11 – 16 to the financial statements.

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.

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.

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 35 days (2015: 29 days) purchases outstanding at 31 December 2016, based on the average daily amount invoiced by suppliers during the period.

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* 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 of the profit or loss of the company 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditor

So far as each person who is a director is aware, there is no relevant audit information of which the Group's auditor is unaware. Each director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Mazars LLP has expressed its willingness to continue in office and a resolution concerning reappointment will be put to the directors at the board meeting approving these financial statements.

Approved on behalf of the board on 25th May 2017 and signed on its behalf by



P R Martin

Director

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 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

One St. Peter's Square
Manchester
M2 3DE

25 May 2017

Consolidated statement of comprehensive income

As at 31 December 2016

<i>Continuing operations</i>	Note	2016 \$'000	2015 \$'000
Turnover	3	77,139	95,654
Cost of sales		(61,019)	(75,892)
Gross profit		16,120	19,762
Distribution costs		(3,926)	(5,099)
Administrative expenses		(9,518)	(12,537)
Other operating income	4	4,607	3,732
Operating profit	5	7,283	5,858
Gain on investments held at fair value through profit or loss	16	-	35
Share in profit of joint venture	14	7,040	6,078
Interest receivable and similar income	8	11	21
Interest payable and similar charges	9	(40)	(87)
Profit on ordinary activities before taxation		14,294	11,905
Taxation	10	(2,305)	(755)
Profit for the year		11,989	11,150
Attributable to:			
The owners of the parent company		10,827	10,104
The non-controlling interest		1,162	1,046
		11,989	11,150
Other comprehensive income			
Foreign currency translation differences		(2,611)	(805)
Total comprehensive income for the year		9,378	10,345
Attributable to:			
The owners of the parent company		8,216	9,290
The non-controlling interest		1,162	1,055
		9,378	10,345

The notes on pages 13 to 42 are an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2016

	Note	2016 \$'000	2015 \$'000
Fixed assets			
Intangible assets	11	561	646
Tangible assets	12	15,838	18,044
Investment in joint venture	14	10,397	8,357
Investments held at fair value through profit or loss	16	2,471	2,577
		<u>29,267</u>	<u>29,624</u>
Current assets			
Stock	17	7,376	8,760
Debtors: amounts falling due within one year	18	9,981	11,492
Debtors: amounts falling due after more than one year	18	2,158	2,812
Cash at bank and in hand		17,104	13,803
		<u>36,619</u>	<u>36,867</u>
Creditors: amounts falling due within one year	19	(10,998)	(11,147)
Net current assets		<u>25,621</u>	<u>25,720</u>
Total assets less current liabilities		<u>54,888</u>	<u>55,344</u>
Creditors: amounts falling due after more than one year	19	(2,280)	(2,342)
Net assets		<u>52,608</u>	<u>53,002</u>
Capital and reserves			
Called up share capital	24	33,030	33,030
Share premium account		33,677	33,677
Profit and loss account		(16,991)	(16,187)
Equity attributable to the owners of the parent company		<u>49,716</u>	<u>50,520</u>
Non-controlling interest		2,892	2,482
Total shareholders' funds		<u>52,608</u>	<u>53,002</u>

These financial statements were approved by the board of directors on 25th May 2017 and signed on its behalf by



P R Martin
Director

The notes on pages 13 to 42 are an integral part of these financial statements.

Registered number: 04040321

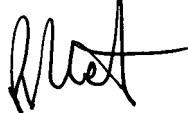
Company statement of financial position

As at 31 December 2016

	Note	2016 \$'000	2015 \$'000
Fixed assets			
Tangible assets	12	7	24
Investment property	13	3,826	4,441
Investment in subsidiary undertakings	15	60,287	73,237
		<u>64,120</u>	<u>77,702</u>
Current assets			
Debtors: amounts falling due within one year	18	3,466	7,918
Cash at bank and in hand		1,010	290
		<u>4,476</u>	<u>8,208</u>
Creditors: amounts falling due within one year	19	(15,829)	(22,156)
Net current assets/(liabilities)		<u>(11,353)</u>	<u>(13,948)</u>
Total assets less current liabilities		<u>52,767</u>	<u>63,754</u>
Net assets/(liabilities)		<u>52,767</u>	<u>63,754</u>
Capital and reserves			
Called up share capital	24	33,030	33,030
Share premium account		33,677	33,677
Profit and loss account		(13,940)	(2,953)
Total shareholders' funds		<u>52,767</u>	<u>63,754</u>

The Company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's profit for the year was \$8,597k (2015: \$15,505k). Other comprehensive income for the year related to foreign currency translation differences arising on translation to the presentational currency.

These financial statements were approved by the board of directors and authorised for issue on 25th May 2017.



P R Martin

Director

The notes on pages 13 to 42 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to the owners of the parent company	Non- controlling interest	Total shareholders' funds
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2015	33,030	33,677	3,488	70,195	3,637	73,832
Profit/(loss) for the year	-	-	10,104	10,104	1,046	11,150
Other comprehensive expense	-	-	(814)	(814)	9	(805)
Total comprehensive income	-	-	9,290	9,290	1,055	10,345
Purchase of non- controlling interests	-	-	(185)	(185)	(813)	(998)
Dividends paid	-	-	(28,780)	(28,780)	(1,397)	(30,177)
At 31 December 2015	<u>33,030</u>	<u>33,677</u>	<u>(16,187)</u>	<u>50,520</u>	<u>2,482</u>	<u>53,002</u>
Profit/(loss) for the year	-	-	10,827	10,827	1,162	11,989
Other comprehensive expense	-	-	(2,611)	(2,611)	-	(2,611)
Total comprehensive income	-	-	8,216	8,216	1,162	9,378
Dividends paid	-	-	(9,020)	(9,020)	(752)	(9,772)
At 31 December 2016	<u>33,030</u>	<u>33,677</u>	<u>(16,991)</u>	<u>49,716</u>	<u>2,892</u>	<u>52,608</u>

Reserves

Share premium account

The share premium account represents the difference between the proceeds and the nominal value of each share issued.

Profit and loss account

The profit and loss account represents cumulative profits and losses of the Group.

Non-controlling interest

The non-controlling interest represents the share of the interest held by the non-controlling shareholders of the subsidiary undertakings.

The notes on pages 13 to 42 are an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	\$'000	\$'000	\$'000	\$'000
At 1 January 2015	33,030	33,677	14,208	80,915
Profit/(loss) for the year	-	-	15,505	15,505
Other comprehensive expense	-	-	(3,886)	(3,886)
Total comprehensive income	-	-	11,619	11,619
Dividends paid	-	-	(28,780)	(28,780)
At 31 December 2015	<u>33,030</u>	<u>33,677</u>	<u>(2,953)</u>	<u>63,754</u>
Profit/(loss) for the year	-	-	8,597	8,597
Other comprehensive expense	-	-	(10,564)	(10,564)
Total comprehensive expense	-	-	(1,967)	(1,967)
Dividends paid	-	-	(9,020)	(9,020)
At 31 December 2016	<u>33,030</u>	<u>33,677</u>	<u>(13,940)</u>	<u>52,767</u>

Reserves

Share premium account

The share premium account represents the difference between the proceeds and the nominal value of each share issued.

Profit and loss account

The profit and loss account represents cumulative profits and losses of the Company.

The profit and loss account is in deficit due to foreign exchange losses on translation to the presentational currency of United States Dollars. In its functional currency of Pounds Sterling the profit and loss account is in surplus.

The notes on pages 13 to 42 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Operating activities:			
Operating profit		7,283	5,858
Adjustments for:			
Amortisation of intangible assets	11	192	251
Impairment of intangible assets	11	-	647
Depreciation of tangible assets	12	2,278	2,793
Loss on disposal of intangible assets		-	23
(Profit)/loss on disposal of tangible assets		(8)	10
Operating cash flow before movement in working capital		9,745	9,582
Decrease in stock		62	485
(Increase)/decrease in debtors		(1,142)	5,666
Increase/(decrease) in creditors		1,846	(4,773)
Interest received		11	21
Income tax paid		(647)	(386)
Net cash flows from operating activities		9,875	10,595
Investing activities:			
Purchase of intangible assets	11	(56)	(69)
Purchase of tangible assets	12	(849)	(1,081)
Proceeds from disposal of tangible assets		67	322
Purchase of investments held at fair value through profit or loss	16	(157)	(136)
Purchase of non-controlling interest		-	(990)
Proceeds from disposal of investments held at fair value	16	263	846
Dividends received from joint ventures	14	5,000	4,501
Net cash flows from investing activities		4,268	3,393
Financing activities:			
Repayment of loans and borrowings		(76)	(199)
Repayment of obligations under finance lease		(35)	(47)
Interest paid		(40)	(85)
Dividends paid		(9,020)	(28,780)
Dividends paid to the non-controlling interest		(752)	(1,397)
Net cash flows from financing activities		(9,923)	(30,508)
Net increase/(decrease) in cash and cash equivalents		4,220	(16,520)
Cash and cash equivalents at the beginning of the year		13,803	30,326
Effect of exchange rates on cash and cash equivalents		(919)	(3)
Cash and cash equivalents at end of the year		17,104	13,803

The notes on pages 13 to 42 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies

1.1 General information

Cha Technologies Group Plc ("the Company") is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is St James' Building, 79 Oxford Street, Manchester, M1 6EJ.

The Company is a parent undertaking and therefore these consolidated financial statements present the financial information of the Company and its subsidiary undertakings (together "the Group"), as well as the Company's individual financial statements.

The Company's functional currency is Pounds Sterling, being the currency of the primary economic environment in which the Company operates. The Group and Company have chosen to present these financial statements in United States Dollars; this being on the basis that from a Group perspective United States Dollars is the most predominantly transacted currency.

1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical costs convention, as modified for the fair value of certain financial instruments and investment properties.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions, which have been complied with including notification of, and no objection to, the use of exemptions by the Company's shareholders.

In preparing the Company individual financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 *Statement of Financial Position*; and
- from presenting a statement of cash flows, as required by Section 7 *Statement of Cash Flows*.

On the basis that equivalent disclosures are given in the consolidated financial statements, the Company has also taken advantage of the exemption not to provide certain disclosure requirements set out in Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues*.

1.3 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings for the year ended 31 December 2016. Subsidiaries are included within the consolidation where the Company has control over such entities, thereby having the power to govern the financial and operating policies of the entity. The financial statements of subsidiaries that are acquired or disposed of within the financial year are included within, or excluded from, the consolidation from the date that the Company obtains, or loses control.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. The accounting years of subsidiaries are coterminous with those of the Company. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity.

1.4 Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks, including an assessment of uncertainty on future trading projection for a period of at least twelve months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the directors consider that the Group maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations of external debt liabilities.

In addition, the Group's assets are assessed for recoverability on a regular basis, and the directors consider that the Group is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties that lead to significant doubt regarding the Group's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of discounts and other sales-related taxes.

Turnover

Turnover is derived from the sale of non-woven textile fabrics and fibers. Turnover from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, which is usually the date that delivery of the goods is taken.

Other income

Service fee income relates to management charges for the provision of support services and is recognised in the period in which the services are provided.

Royalty income arises from the use of the Group's trade names and is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Interest income is recognised as interest accrues using the effective interest rate method.

1.6 Taxation

The tax expense for the year comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction, or other event, that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts, and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.7 Foreign currencies

Foreign currency transactions are translated into the functional currency of the reporting entity using the exchange rate prevailing at the date the transactions took place.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group are translated using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised through other comprehensive income.

1.8 Research and development

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

1.9 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued, plus the costs directly attributable to the business combination.

Goodwill recognised represents the excess of the consideration and directly attributable costs of the purchase consideration over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to the cash-generating units ("CGU's") that are expected to benefit from the combination. Goodwill is amortised over its expected useful life. The useful life of goodwill is 20 years. Goodwill is assessed for impairment where an indication of impairment exists at the reporting date.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

1.10 Intangible assets other than goodwill

Intangible assets other than goodwill comprise acquired software and patents.

Intangible assets are initially recognised at cost, being the purchase price plus any directly attributable costs. Subsequently, intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Amortisation is charged on a straight line basis to profit or loss over the shorter of the useful life of the asset or the contractual or legal rights arising on acquisition. The useful lives are as follows:

Acquired software	3 - 5 years
Patents	10 - 20 years

Intangible assets are tested for impairment where indication of impairment exists at the reporting date.

1.11 Tangible assets

Tangible assets comprise freehold land and buildings, plant and machinery and fixtures and fittings, which are initially recognised at cost, being the purchase price plus any directly attributable costs, and are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight line basis to profit or loss, so as to allocate the asset's cost, less its estimated residual value, over its estimated useful life. The useful lives are as follows:

Freehold buildings	25 - 40 years
Plant and machinery	10% - 33%
Fixtures and fittings	10% - 33%

Freehold land is not depreciated.

Tangible assets are tested for impairment where an indication of impairment exists at the reporting date.

1.12 Investment property

Land and buildings, whether in whole or part, are classified as investment property when it is held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure, and are subsequently remeasured to fair value at each reporting date, with changes in fair value recognised in profit or loss.

1.13 Investment in joint ventures

Entities which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as jointly controlled entities and are accounted for using the equity method in the consolidated financial statements.

Under the equity method of accounting, investments in jointly controlled entities are initially recognised at the transaction price, including transaction costs, and are subsequently adjusted to reflect the Group's share of the profit or loss, other comprehensive income and equity.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

1.14 Investments in subsidiary undertakings

Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses in the Company financial statements. Investments are tested for impairment where an indication of impairment exists at the reporting date.

1.15 Impairment of assets

At each reporting date the Group reviews the carrying value of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

1.16 Stock

Stock is 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 the estimated selling price less further costs expected to be incurred to completion and disposal.

1.17 Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds basic and non-basic financial instruments, which comprise cash and cash equivalents, debtors, creditors, investments held at fair value through profit or loss and derivative financial instruments. The Group has chosen to apply the measurement and recognition provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Debtors

Debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

Investments held at fair value through profit or loss

Investments held at fair value through profit or loss are initially recognised at the transaction price, excluding any transaction costs, and are subsequently measured at fair value through profit or loss.

At the end of each reporting year, the Group assesses whether there is objective evidence that any financial asset that is not held at fair value through profit or loss may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments

Creditors

Creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount expected to be payable.

Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Derivative financial instruments – classified as non-basic financial instruments

Derivative financial instruments comprise forward foreign exchange contracts that are initially recognised at the transaction price, excluding any transaction costs, and are subsequently measured at fair value through profit or loss.

1.18 Employee benefits

Post-employment benefits

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes, the assets of which are held separately from those of the Group in funds administered by insurance companies. Contributions to the defined contribution pension schemes are charged to the profit or loss in the year to which the contributions relate.

Other post-employment schemes

Outside of the United Kingdom, the Group operates post-employment schemes, the obligation for which remains with the Group. The scheme liability is remeasured at each reporting date using the projected unit of credit method. The change in the liability arising from employee services rendered during the reporting period is recognised in profit or loss. Any changes in the actuarial assumptions are recognised through other comprehensive income.

The Group holds assets including cash on deposit and endowment policies in respect of funding these obligations.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. An accrual is provided for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Notes to the financial statements

For the year ended 31 December 2016

1 Accounting policies (continued)

1.19 Lease arrangements

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments using the interest rate implicit in the lease, each determined at the inception of the lease. Incremental direct costs incurred in negotiating and arranging the lease are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

The capital element of lease obligations is recorded as a finance lease liability on inception of the arrangement. Lease payments are apportioned between capital repayment and the finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding. Finance expenses are recognised in profit or loss.

Operating leases

Rentals payable or receivable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Any lease incentives are spread on a straight-line basis over the lease term.

Notes to the financial statements

For the year ended 31 December 2016

2 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

2.1 Critical judgements in applying the Group's accounting policies

The critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below.

(i) Assessing the functional currency

The directors are required to identify the functional currency of the Company and each subsidiary undertaking. In making this judgement the directors have considered factors such as the currency which mainly influences both sales and cost prices, and the countries whose competitive forces and regulations affect those prices. Where the functional currency is not clearly identifiable, the directors have used judgement to determine which currency most faithfully represents the economic effects of the underlying transactions, events and conditions.

(ii) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

(iii) Recognition of a deferred tax asset

A deferred tax asset is recognised only to the extent that it will be recoverable against the future profits of the Group. The directors have reviewed the business plans and forecasts of the Group and applied judgement in the recognition of the deferred tax asset.

2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Determining and reassessing residual values and useful economic lives of tangible and intangible assets

The Group depreciates tangible assets, and amortises intangible assets, over their estimated useful lives. In determining appropriate useful lives of assets, the directors have considered historic performance as well as future expectations for factors such as the expected usage of the asset, physical wear and tear, technical and commercial obsolescence and legal limitations on the usage of the asset, such as lease terms. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Notes to the financial statements

For the year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgement is applied to determine the residual values for tangible assets. When determining the residual values, the directors have assessed the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. At each reporting date, the directors have also assessed whether there have been any indicators, such as a change in how the asset is used, significant unexpected wear and tear and changes in market prices, which suggest previous estimates may differ from current expectations. Where this is the case, the residual value and/or useful life is amended and accounted for on a prospective basis.

(ii) Establishing fair value of investment properties

When the fair value of investment properties cannot be measured based on the price of a recent transaction for an identical asset or liability, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as market rent, vacancy rate, yield requirement and inflation. Changes in assumptions about these factors could affect the reported fair value of investment properties.

(iii) Establishing fair value of financial instruments

When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets or on the price of a recent transaction for an identical asset or liability, their fair values are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iv) Recoverability of debtors

A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability, the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(v) Estimating value in use

Where an indication of impairment exists, the directors have carried out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation required the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit.

Notes to the financial statements

For the year ended 31 December 2016

3 Turnover

Turnover is derived from the sale of goods associated with the Group's principal activities.

An analysis of the Group's turnover by geographical market is as follows:

	2016 \$'000	2015 \$'000
United Kingdom	14,948	18,613
Europe	5,327	7,743
Far East	2,565	2,111
United States	49,060	60,104
Other	5,239	7,083
	<u>77,139</u>	<u>95,654</u>

4 Other operating income

An analysis of the Group's other operating income by category is as follows:

	2016 \$'000	2015 \$'000
Royalty income	1,894	1,596
Service fee income	2,713	2,136
	<u>4,607</u>	<u>3,732</u>

Notes to the financial statements

For the year ended 31 December 2016

5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2016 \$'000	2015 \$'000
Loss/(profit) on disposal of intangible assets	-	23
Loss/(profit) on disposal of tangible assets	(8)	10
Operating lease expense – land and buildings	115	134
Operating lease expense – other	87	69
Research and development expenditure	269	275
Foreign exchange (gain)/loss	(784)	910
Auditor's remuneration	286	402
An analysis of the auditor's remuneration is as follows:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	58	67
Fees payable to the Company's auditor and their associates for other services to the Company:		
The audit of the Company's subsidiaries	55	62
Assurance services		
Taxation compliance services	15	19
Other taxation services	-	6
Other services	5	71
Fees paid to secondary auditors associated with Mazars LLP	138	161
Fees paid to secondary auditors that are not associated with Mazars LLP	15	16
	<u>286</u>	<u>402</u>

Notes to the financial statements

For the year ended 31 December 2016

6 Staff costs

The average monthly number of employees (including executive directors) was:

	2016	2015
Production	200	228
Administration	72	60
Sales and marketing	17	20
	<u>289</u>	<u>308</u>

Their aggregate remuneration was:

	2016 \$'000	2015 \$'000
Wages and salaries	15,434	17,192
Social security costs	1,218	1,353
Pension costs	461	502
	<u>17,113</u>	<u>19,047</u>

7 Directors' emoluments

The directors of the Company are considered to be the key management personnel of the Group. Their aggregate emoluments were:

	2016 \$'000	2015 \$'000
Remuneration	1,094	1,327
Pension scheme contributions to money purchase schemes	120	150
	<u>1,214</u>	<u>1,477</u>

The number of directors who are members of a money purchase pension scheme

<u>3</u>	<u>3</u>
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The emoluments of the highest paid director were:

	2016 \$'000	2015 \$'000
Remuneration	631	875
Pension scheme contributions to money purchase schemes	81	107
	<u>712</u>	<u>982</u>

Notes to the financial statements

For the year ended 31 December 2016

8 Interest receivable and similar income

	2016 \$'000	2015 \$'000
Interest receivable on cash at bank and in hand	11	21

9 Interest payable and similar charges

	2016 \$'000	2015 \$'000
Interest payable on loans and overdrafts	36	81
Interest payable on finance lease obligations	4	6
	40	87

Notes to the financial statements

For the year ended 31 December 2016

10 Taxation

The tax charge on profit/(loss) comprises:

	2016 \$'000	2015 \$'000
Current tax		
UK corporation tax	319	258
Overseas corporation tax	519	(30)
Adjustments in respect of prior years	(5)	43
Total current tax	<u>833</u>	<u>271</u>
Deferred tax		
Origination and reversal of timing differences	1,472	484
Total deferred tax	<u>1,472</u>	<u>484</u>
Total tax	<u>2,305</u>	<u>755</u>

Tax on profit/(loss) on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are reconciled below:

	2016 \$'000	2015 \$'000
Profit/(loss) on ordinary activities before taxation	<u>14,294</u>	<u>11,905</u>
Tax calculated at 20% (2015: 20.25%)	2,859	2,411
Disallowable expenses/non-taxable income	46	(76)
Impact of overseas tax rates	647	662
Adjustment in respect of prior years	(5)	43
Research and development claim	(12)	(13)
Tax losses recognised/not recognised	180	(1,112)
Utilisation of previously unrecognised tax losses	(285)	(344)
State taxes	322	(97)
Other differences	(1,447)	(719)
Total tax	<u>2,305</u>	<u>755</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted in October 2015.

Notes to the financial statements

For the year ended 31 December 2016

11 Intangible assets

Group

	Patents	Acquired software	Goodwill arising on consolidation	Purchased goodwill	Negative goodwill arising on consolidation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At 1 January 2016	484	561	2,744	23	(883)	2,929
Exchange difference on translation	(2)	(95)	(202)	(4)	147	(156)
Additions	46	10	-	-	-	56
Disposals	-	-	-	-	-	-
At 31 December 2016	528	476	2,542	19	(736)	2,829
Amortisation and impairment						
At 1 January 2016	241	302	2,382	23	(665)	2,283
Exchange difference on translation	(1)	(59)	(254)	(4)	111	(207)
Amortisation charge	44	100	85	-	(37)	192
Disposals	-	-	-	-	-	-
At 31 December 2016	284	343	2,213	19	(591)	2,268
Carrying value						
At 31 December 2016	244	133	329	-	(145)	561
At 31 December 2015	243	259	362	-	(218)	646

Notes to the financial statements

For the year ended 31 December 2016

12 Tangible assets

Group

	Freehold land and buildings \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Total \$'000
Cost				
At 1 January 2016	15,054	38,775	2,189	56,018
Exchange difference on translation	(768)	(2,094)	(49)	(2,911)
Additions	26	657	166	849
Disposals	(42)	(374)	(70)	(486)
At 31 December 2016	<u>14,270</u>	<u>36,964</u>	<u>2,236</u>	<u>53,470</u>
Depreciation				
At 1 January 2016	3,875	32,413	1,686	37,974
Exchange difference on translation	(220)	(1,923)	(50)	(2,193)
Depreciation charge	348	1,685	245	2,278
Disposals	(11)	(353)	(63)	(427)
At 31 December 2016	<u>3,992</u>	<u>31,822</u>	<u>1,818</u>	<u>37,632</u>
Carrying value				
At 31 December 2016	<u>10,278</u>	<u>5,142</u>	<u>418</u>	<u>15,838</u>
At 31 December 2015	<u>11,179</u>	<u>6,362</u>	<u>503</u>	<u>18,044</u>
The carrying amount of assets held under finance lease 2016	-	42	-	42
The carrying amount of assets held under finance lease 2015	-	57	-	57

Notes to the financial statements

For the year ended 31 December 2016

12. Tangible assets (continued)

Company

	Plant and machinery \$'000	Fixtures and fittings \$'000	Total \$'000
Cost			
At 1 January 2016	200	169	369
Exchange difference on translation	(33)	(28)	(61)
At 31 December 2016	<u>167</u>	<u>141</u>	<u>308</u>
Depreciation			
At 1 January 2016	184	161	345
Exchange difference on translation	(31)	(27)	(58)
Depreciation charge	7	7	14
At 31 December 2016	<u>160</u>	<u>141</u>	<u>301</u>
Carrying value			
At 31 December 2016	<u>7</u>	<u>-</u>	<u>7</u>
At 31 December 2015	<u>16</u>	<u>8</u>	<u>24</u>

Notes to the financial statements

For the year ended 31 December 2016

13 Investment property

Company

	2016 \$'000	2015 \$'000
Fair value		
At 1 January	4,441	-
Exchange difference on translation	(750)	(136)
Additions	-	4,577
Fair value gains/(losses)	135	-
At 31 December	<u>3,826</u>	<u>4,441</u>

The historical cost equivalent values for the investment property are as follows:

	2016 \$'000	2015 \$'000
Cost	3,703	4,441
Accumulated depreciation	(108)	(19)
	<u>3,595</u>	<u>4,422</u>

The property was valued by an independent valuer at 31 December 2016. This review gave rise to a fair value gain of \$135k.

The investment property was valued in accordance with the current edition of the RICS Valuation – Professional Standards (Red Book) on the following basis:

- Market Value VPS 4 1.2 The estimated amount for which a property should exchange on the valuation date between a willing buyer and willing seller, in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

There are no restrictions on the realisability of the investment property or the remittance of income. Furthermore, there are no contractual obligations that must be disclosed with regards to the investment property.

Notes to the financial statements

For the year ended 31 December 2016

14 Investment in joint venture

Group

The Group owns 50% of the ordinary share capital of Cosmostar Limited, a Company incorporated in The Cayman Islands. The principal activity of Cosmostar Limited is that of a holding company.

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 subsidiary undertakings is the manufacture and marketing of non-woven textile fabrics.

	2016 \$'000	2015 \$'000
Equity method		
At 1 January	8,357	6,780
Share of profit for the year	7,040	6,078
Dividends received	(5,000)	(4,501)
At 31 December	<u>10,397</u>	<u>8,357</u>

15 Investment in subsidiary undertakings

Company

	2016 \$'000	2015 \$'000
Cost		
At 1 January	82,406	86,982
Exchange difference on translation	(13,700)	(4,677)
Additions	-	110
Disposals	-	(9)
At 31 December	<u>68,706</u>	<u>82,406</u>
Provision for impairment		
At 1 January	9,169	7,453
Exchange difference on translation	(1,597)	(525)
Impairment charge	847	2,241
Disposals	-	-
At 31 December	<u>8,419</u>	<u>9,169</u>
Carrying value	<u>60,287</u>	<u>73,237</u>

The impairment during the year relates to the Company's investment in Advancetex International Holdings Limited.

Refer to note 28 for a full list of the Company's subsidiary undertakings.

Notes to the financial statements

For the year ended 31 December 2016

16 Investments held at fair value through profit or loss

Group

The Group holds endowment policies and money market deposits in respect of certain employees who participate in the post-employment benefit schemes, as a method of funding the obligation retained by the Group.

The fair value of the endowment policies at the reporting date is measured with reference to the cash-out value at that date, this being the value at which the asset could be exchanged between willing parties in an arm's length transaction.

	2016 \$'000	2015 \$'000
Fair value		
At 1 January	2,577	3,252
Additions	157	136
Disposals	(263)	(846)
Fair value gains/(losses)		35
At 31 December	<u>2,471</u>	<u>2,577</u>

17 Stock

Group

	2016 \$'000	2015 \$'000
Raw materials	3,555	3,990
Work in progress	73	67
Finished goods and goods for resale	3,748	4,703
	<u>7,376</u>	<u>8,760</u>

During the year impairments were made to stock of \$35k (2015: \$296k), which were recognised within cost of sales within profit or loss. The impairment arose as a result of the application of the Group's accounting policy to impair stock over a certain age and as a result of products being discontinued in the year.

During the year stock charged as an expense amounted to \$50,189k (2015: \$63,671k).

Notes to the financial statements

For the year ended 31 December 2016

18 Debtors

	Group 2016 \$'000	Group 2015 \$'000	Company 2016 \$'000	Company 2015 \$'000
Amounts falling due within one year:				
Trade debtors	9,071	8,680	3	-
Amounts due from related undertakings	247	1,584	70	2
Amounts due from subsidiary undertakings	-	-	3,186	7,608
Other debtors	145	351	-	241
Corporation tax	116	252	82	-
Prepayments and accrued income	402	625	125	67
	<u>9,981</u>	<u>11,492</u>	<u>3,466</u>	<u>7,918</u>

All balances are unsecured, interest free and repayable on demand.

	Group 2016 \$'000	Group 2015 \$'000	Company 2016 \$'000	Company 2015 \$'000
Amounts falling due after more than one year:				
Other debtors	846	28	-	-
Prepayments and accrued income	5	5	-	-
Deferred tax (note 23)	1,307	2,779	-	-
	<u>2,158</u>	<u>2,812</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2016

19 Creditors

	Group 2016 \$'000	Group 2015 \$'000	Company 2016 \$'000	Company 2015 \$'000
Amounts falling due within one year:				
Trade creditors	4,957	5,096	1	28
Bank loans and overdrafts (note 20)	-	89	-	-
Amounts owed to related undertakings	3,839	3,236	12	19
Amounts owed to subsidiary undertakings	-	-	15,585	21,825
Amounts payable under finance lease arrangements (notes 20 and 21)	18	46	-	-
Other creditors	379	495	9	122
Corporation tax	265	209	-	-
Other taxes and social security costs	328	693	121	7
Accruals and deferred income	1,212	1,283	101	155
	<u>10,998</u>	<u>11,147</u>	<u>15,829</u>	<u>22,156</u>

Amounts payable to subsidiary undertakings by the Company include balances of \$15,585k (2015: \$20,775k) that attract interest at a fixed rate of 5%. All balances are repayable on demand or within one year.

	Group 2016 \$'000	Group 2015 \$'000	Company 2016 \$'000	Company 2015 \$'000
Amounts falling due after more than one year:				
Amounts payable under finance lease arrangements (notes 20 and 21)	-	17	-	-
Post-employment scheme obligation (note 22)	2,280	2,325	-	-
	<u>2,280</u>	<u>2,342</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2016

20 Loans and borrowings

Loans and borrowings included within creditors include bank loans and overdrafts and obligations under finance lease. These are analysed as follows:

	Group 2016 \$'000	Group 2015 \$'000	Company 2016 \$'000	Company 2015 \$'000
Amounts falling due:				
In one year or less	18	135	-	-
In more than one year but not more than two years	-	17	-	-
In more than two years but not more than five years	-	-	-	-
In more than five years	-	-	-	-
	<u>18</u>	<u>152</u>	<u>-</u>	<u>-</u>

Bank borrowings are secured by fixed charges over the assets of the Group. 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. Bank borrowings, now repaid, attract interest at a rate of 1.83%.

Finance lease liabilities are secured over the assets concerned.

21 Finance leases

The Group as a lessee

The Group had outstanding commitments for future minimum lease payments under non-cancellable finance leases as at the reporting date as follows:

	Plant and machinery	
	2016 \$'000	2015 \$'000
Not later than one year	19	50
Later than one year and not later than five years	-	18
Later than five years	-	-
Total future minimum lease payments	<u>19</u>	<u>68</u>

Notes to the financial statements

For the year ended 31 December 2016

22 Post-employment scheme obligation

Group

The Group operates a post-employment scheme, the obligation for which remains with the Group.

The scheme is open to certain employees who receive contributions made by the Group based on a percentage of annual salary. The benefits become payable when the employee leaves service.

The scheme liability is remeasured at each reporting date using the projected unit of credit method. The change in the liability arising from employee services rendered during the reporting period is recognised in profit or loss. Any changes in the actuarial assumptions are recognised through other comprehensive income. The assumptions used when applying the projected unit of credit method have been assessed by the directors and are not material during the current or comparative year.

As set out in note 16 the Group holds assets including cash on deposit and endowment policies in respect of funding these obligations. These assets do not meet the definition of "plan assets" in respect of the scheme, and as such are presented gross of the liabilities in the statement of financial position.

A reconciliation of scheme liabilities is as follows:

	2016 \$'000	2015 \$'000
Carrying value		
At 1 January	2,325	2,953
Current service costs	275	240
Benefits paid	(320)	(868)
At 31 December	<u>2,280</u>	<u>2,325</u>

Notes to the financial statements

For the year ended 31 December 2016

23 Deferred tax

Group

	Accumulated tax losses \$'000
At 1 January 2016	2,779
Reversed in the year recognised in profit or loss	(1,472)
At 31 December 2016	<u>1,307</u>
Deferred tax assets	1,307
Deferred tax liabilities	-
Net deferred tax	<u>1,307</u>

The recognised deferred tax asset primarily relates to available tax losses in certain US group companies.

As deferred tax assets relate to accumulated tax losses, reversal of the assets is dependent upon the profitability of Group companies and the extent to which these losses are eligible to be offset against those profits. As such the directors have not set an expectation to the extent to which the deferred tax asset is expected to reverse in 2017.

The Group also has available tax losses carried forward of \$13,557k (2015: \$17,219k) that have not been recognised in the financial statements as there is uncertainty over the availability of profits against which these losses may be offset. The expiry date of these unrecognised tax losses ranges from those expiring in 2017 to those with an indefinite period over which they can be utilised.

Notes to the financial statements

For the year ended 31 December 2016

24 Share capital

	2016 \$'000	2015 \$'000
Allotted, called up and fully paid 21,112,291 ordinary shares of £1 each	33,030	33,030

The Company has one class of ordinary shares; each share carries one voting right per share but no right to fixed income.

25 Operating leases

The Group as a lessee

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as at the reporting date as follows:

	Land and buildings		Other	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than one year	182	225	46	93
Later than one year and not later than five years	277	391	38	68
Later than five years	-	-	-	-
Total future minimum lease payments	459	616	84	161

The Company as a lessor

The Company has an investment property that is leased to a subsidiary undertaking. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Land and buildings	
	2016 \$'000	2015 \$'000
Not later than one year	346	415
Later than one year and not later than five years	1,382	1,658
Later than five years	1,325	2,003
Total future minimum lease payments	3,053	4,076

Notes to the financial statements

For the year ended 31 December 2016

26 Contingent liabilities

There were no contingent liabilities at 31 December 2016 or at 31 December 2015.

27 Related party transactions

The Company has taken advantage of the exemption provided in Section 33 *Related Party Disclosures*, not to disclose transactions with wholly owned Group members.

During the year the Group and the Company entered into the following transactions with related parties:

Group

	Debtor 2016 \$'000	Debtor 2015 \$'000	Creditor 2016 \$'000	Creditor 2015 \$'000
Sabre Trading HK Ltd	-	-	520	-
Cha Textiles Hong Kong Ltd	69	2	34	4
Fibril Trading (HK) Ltd	148	1,582	9	-
Design Creativity Ltd	-	-	12	15
Haining Xin Gao Fibres Ltd	-	-	575	-
Haining Textile Allied Industries Co Ltd	-	-	1,776	1,602
Cosmo Hong Kong Ltd	-	-	913	1,540
Xaimen Citius	-	-	-	75
Cregneash Holdings Ltd	30	-	-	-
	<u>247</u>	<u>1,584</u>	<u>3,839</u>	<u>3,236</u>

	Sales 2016 \$'000	Sales 2015 \$'000	Purchases 2016 \$'000	Purchases 2015 \$'000
Sabre Trading HK Limited	296	371	-	-
Cha Textiles Hong Kong Ltd	176	2	-	-
Haining Xin Neng Fibres & Non Wovens Ltd	589	-	79	-
Haining Xin Gao Fibres Ltd	-	-	589	-
Fibril Trading (HK) Ltd	157	1,607	-	235
Haining Textile Allied Industries Co Ltd	-	-	5,979	7,092
HTA China	-	876	-	280
Cosmo Hong Kong Ltd	573	571	-	-
Cosmostar Limited	1,894	1,596	-	-
Xaimen Citius	-	-	201	477
United Nigerian Textiles Plc	852	779	-	-
Cregneash Holdings Limited	65	305	-	-
	<u>4,602</u>	<u>6,107</u>	<u>6,848</u>	<u>8,084</u>

Notes to the financial statements

For the year ended 31 December 2016

27 Related party transactions (continued)

Company

	Debtor 2016 \$'000	Debtor 2015 \$'000	Creditor 2016 \$'000	Creditor 2015 \$'000
Cha Textiles Hong Kong Ltd	69	2	-	4
Fibril Trading (HK) Ltd	1	-	-	-
Design Creativity Ltd	-	-	12	15
	<u>70</u>	<u>2</u>	<u>12</u>	<u>19</u>

	Sales 2016 \$'000	Sales 2015 \$'000	Purchases 2016 \$'000	Purchases 2015 \$'000
Sabre Trading HK Ltd	16	-	-	-
Cha Textiles Hong Kong Ltd	75	2	-	-
Fibril Trading (HK) Ltd	34	-	-	-
Haining Textile Allied Industries Co Ltd	-	-	-	-
	<u>125</u>	<u>2</u>	<u>-</u>	<u>-</u>

All of the above companies are under the common control of the Cha family with the exception of Cosmo Hong Kong Limited, a company over which the Group has joint control.

Notes to the financial statements

For the year ended 31 December 2016

28 Interests in subsidiary undertakings, jointly controlled entities and associated undertakings

The Company has the following interests in subsidiary undertakings:

Name	Country of incorporation	Nature of business	Proportion of capital held
Direct subsidiary undertakings			
Cosmopolitan Textile Company Limited	United Kingdom – England and Wales	Manufacture and marketing of non-woven textile fabrics	100%
Cha Technologies Inc	Delaware, USA	Manufacture and marketing of non-woven textile fabrics	100%
Advancetex International Holdings Limited	United Kingdom – England and Wales	Intermediate holding company	100%
Cha Technologies Trading and Services SA	Switzerland	Non-woven textile and fibre trading and service centre	100%
Cha Textiles Limited	United Kingdom – England and Wales	Design studio (textiles)	100%
Indirect subsidiary undertakings and associated undertakings			
HDK Industries Inc	Tennessee, USA	Manufacture and marketing of non-woven textile fabrics	78%
Advancetex International Pty Limited	Australia	Manufacture and sales of specialist industrial products and services	100%
Top Strength Holdings Limited	Hong Kong	Intermediate holding company	100%
Zhangjiagang Advancetex Environment Technologies Co Limited	People's Republic of China	Manufacture and sales of specialist industrial products and services	100%
Advancetex International Tecidos Industriais Ltda	Brazil	Manufacture and sales of specialist industrial products and services	100%
Advancetex International USA Inc	USA	Sales of specialist industrial products and services	100%
Fibre Innovation Technology Inc	Tennessee, USA	Bi-Component fibre manufacturing and marketing	100%
CTC US LLC	Delaware, USA	Sales of non-woven textile fabrics	100%
Sabre Trading Inc	South Carolina, USA	Non-woven textiles and fibre trading	83%
Manx, Inc	South Carolina, USA	Specialist printing services	80%
Castle Industries LLC	South Carolina, USA	Specialist textile design and printing	80%
Winsford Cord Co Limited	United Kingdom – England and Wales	Intermediate holding company	100%
Mäver Srl.	Italy	Dormant	48%

Notes to the financial statements

For the year ended 31 December 2016

28. Interests in subsidiary undertakings, jointly controlled entities and associated undertakings (continued)

The Company has the following interests in jointly controlled entities:

Name	Country of incorporation	Nature of business	Proportion of capital held
Indirect jointly controlled entities			
Cosmostar Limited	Cayman Islands	Holding company	50%
Cosmostar Limited has the following subsidiary undertakings			
Cosmo Hong Kong Limited	Hong Kong	Manufacture of non-woven textile fabrics	100%
Cosmo Textile Company Limited (Zhongshan)	People's Republic of China	Manufacture and trade of non-woven fabrics	100%
Jadestar Holding Limited	Hong Kong	Import and export of laminated fabrics	85%
Cosmo Viet Nam Co., Ltd.	Vietnam	Import and export of fabrics	100%
Splash Off Limited	Hong Kong	Import and export of apparel fabrics	100%
PT Cosmo Indonesia	Indonesia	Dormant	100%
Mountain Star Limited	Hong Kong	Import and export of fabrics in Hong Kong and PRC	50%
Camstar International Limited	Hong Kong	Import and export of fabrics in Hong Kong and PRC	50%

29 Parent undertaking and ultimate controlling party

The immediate and ultimate parent company of the Company is Gold Peak Holdings (BVI) Limited, a company incorporated in the British Virgin Islands. The financial statements of Gold Peak Holdings (BVI) Limited are not publicly available.

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

30 Events after the reporting date

Group and Company

There were no significant events arising after the reporting date.