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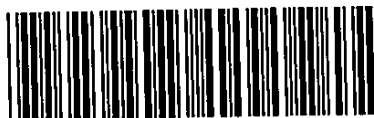
# Directors' Report and Audited Financial Statements

For the year ended 31 December 2011

Cosmopolitan Textile  
Company Limited

Company No 0670717

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**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial statements**  
**31 December 2011**

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**DIRECTORS**

Sir Hal Miller (Chairman)  
J E Boubal  
P R Martin (resigned 21 May 2012)  
J P Winnie (appointed 21 May 2012)  
A R Worsley (appointed 21 May 2012)

**SECRETARY**

A R Worsley

**REGISTERED OFFICE**

St James' Building  
79 Oxford Street  
Manchester  
M1 6EJ

**AUDITORS**

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

**BANKERS**

HSBC  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial statements**  
**31 December 2011**

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**DIRECTORS' REPORT**

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

**PRINCIPAL ACTIVITY**

The Group's principal activity continues to be the manufacture and marketing of non-woven textile fabrics

**FINANCIAL RESULTS AND DIVIDENDS**

The results are set out in the profit and loss account on page 8. During the period the company paid dividends of £4,155,000 (2010 £2,292,000)

**BUSINESS REVIEW**

The directors are pleased to report continuing improvements in profitability. All the businesses within the Group are now performing profitably and we continue to build on our manufacturing and distribution strengths in Europe and Asia.

**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.

**FUTURE DEVELOPMENTS**

The Group will continue to focus on its strategy of providing technical non-woven fabrics to new and existing markets, both in the UK and overseas.

**POST BALANCE SHEET EVENTS**

Since the year end the company has paid dividends of \$2,000,000 to its parent company having received dividends of \$2,000,000 from its joint venture.

## **DIRECTORS' REPORT**

### **FIXED ASSETS**

Details of movements in fixed assets in the period are set out in notes 9, 10 and 26 to the accounts

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

Given the size of the Group the directors have not yet delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

#### **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' REPORT**

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the period are set out on page 1

No directors of the Company at 31 December 2011 had beneficial interests in the ordinary share capital of the Company, or any other member of the Cha Technologies Group plc

### **EMPLOYEES**

The policy of the Group for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position in the Group, having regard to the maintenance of a safe working environment and the constraints of their disabilities. Group companies recognise the importance of good relations with employees, and management are encouraged to adopt such employee consultation as is appropriate

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial period and of the profit or loss of the Group for the period ended on that date. In preparing those accounts, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors confirm that the accounts comply with the above requirements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- There is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial statements**  
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**DIRECTORS' REPORT**

**AUDITORS**

In accordance with section 489 of the Companies Act 2006 a resolution to reappoint Mazars LLP will be put to the members

By order of the board

A R 

A R Worsley  
Secretary

Date 21/09/12

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
**31 December 2011**

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**Independent auditor's report to the members of Cosmopolitan Textile Company Limited**

We have audited the financial statements of Cosmopolitan Textile Company Limited for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, 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 auditors**

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 the financial statements and express an opinion in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on the financial statements**

In our opinion the financial statements

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

**Opinion on the other matter presented by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent within the financial statements.

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
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**Independent auditor's report to the members of Cosmopolitan Textile Company Limited continued**

**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

Date 26 September 2012



**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
**31 December 2011**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2011**

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
<b>TURNOVER:</b>		49,520	44,924
Less Share of joint ventures' turnover		(31,294)	(27,142)
<b>CONSOLIDATED TURNOVER</b>	2	18,226	17,782
Cost of sales		(15,991)	(14,713)
<b>GROSS PROFIT</b>		2,235	3,069
Distribution of costs		(775)	(882)
Administrative expenses		(1,708)	(1,704)
Exceptional administrative expenses		(754)	(672)
Other operating income		30	823
<b>OPERATING (LOSS)/ PROFIT</b>	3	(972)	634
Share of operating profit of joint venture	10	2,773	2,301
		1,801	2,935
Loss on sale of fixed assets		-	(220)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		1,801	2,715
Interest receivable	6	-	27
Interest payable	6	(76)	(40)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,725	2,702
Taxation	7	(610)	(267)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,115	2,435
Monthly interest	19	-	83
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18	1,115	2,518

All amounts relate to continuing activities  
The notes on pages 14 to 34 form part of these financial statements

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
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**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) for the financial period	1,115	2,518
Currency translation differences on foreign currency net investments	119	147
	<u>1,234</u>	<u>2,665</u>
Total recognised gains and (losses) relating to the period		

**RECONCILIATION OF SHAREHOLDERS' FUNDS**  
**Group**

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Total recognised gains and (losses) relating to the period	1,234	2,665
Dividend paid	(4,155)	(2,292)
	<u>(2,921)</u>	<u>373</u>
Net movement in shareholders' funds		
Opening shareholders' funds	15,415	15,062
	<u>12,514</u>	<u>15,435</u>
Closing shareholders' funds		

**Company**

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Total recognised gains and (losses) relating to the period	5,319	2,529
Dividends paid	(4,155)	(2,292)
	<u>1,164</u>	<u>237</u>
Net increase in shareholders' funds		
Opening shareholders' funds	8,222	7,985
	<u>9,386</u>	<u>8,222</u>
Closing shareholders' funds		

The notes on pages 14 to 34 form part of these financial statements

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
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**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**Group**

	<b>31 Dec 2011</b> <b>£'000</b>	<b>31 Dec 2010</b> <b>£'000</b>
<b>REPORTED PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	1,725	2,702
Difference between historical cost depreciation charge and actual depreciation charge for the period calculated on the revalued amount	<u>10</u>	<u>10</u>
<b>HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<u>1,726</u>	<u>2,712</u>
<b>HISTORICAL COST PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION AND MINORITY INTEREST</b>	<u>1,115</u>	<u>2,528</u>

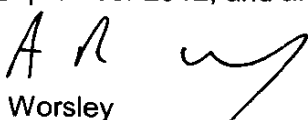
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**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
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**COMPANY NUMBER 670717**  
**CONSOLIDATED BALANCE SHEET**

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	4,849	5,182
Investment in associated company	10	-	174
Investment in joint venture companies	10	4,242	5,201
Intangible fixed assets	26	-	566
		<u>9,091</u>	<u>11,123</u>
<b>CURRENT ASSETS</b>			
Stocks	11	2,266	1,669
Debtors amounts falling due			
After one year	12	-	386
Within one year	12	5,771	6,585
Cash at bank and in hand	28	1,156	100
		<u>9,193</u>	<u>8,740</u>
<b>CREDITORS:</b> amounts falling due within one year	13	(5,770)	(4,428)
		<u>3,423</u>	<u>4,312</u>
<b>NET CURRENT ASSETS</b>			
		<u>12,514</u>	<u>15,435</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Deferred taxation	15	-	-
		<u>12,514</u>	<u>15,435</u>
<b>NET ASSETS</b>			
		<u><u>12,514</u></u>	<u><u>15,435</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	3,270	3,270
Share premium account	17	1,553	1,553
Revaluation reserve	17	249	259
Capital redemption reserve fund	17	180	180
Profit and loss account	18	7,262	10,173
		<u>12,514</u>	<u>15,435</u>
<b>SHAREHOLDERS' FUNDS</b>			
Minority Interest	19	-	-
		<u>12,514</u>	<u>15,435</u>
		<u><u>12,514</u></u>	<u><u>15,435</u></u>

These financial statements were approved by the directors and authorised for issue on 21 September 2012, and are signed on their behalf by

  
A R Worsley

The notes on pages 14 to 34 form part of these financial statements

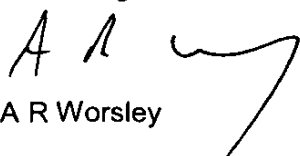
**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
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**COMPANY NUMBER 670717**

**COMPANY BALANCE SHEET**

	Notes	31 Dec 2011 £'000	31 Dec 2010 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	4,832	5,154
Investments	10	793	6,296
		<u>5,625</u>	<u>11,450</u>
<b>CURRENT ASSETS</b>			
Stocks	11	2,266	1,669
Debtors amounts falling due			
After one year	12	-	935
Within one year	12	5,667	6,146
Cash at bank and in hand	28	982	30
		<u>8,915</u>	<u>8,780</u>
<b>CREDITORS:</b> amounts falling due within one year	13	(4,942)	(3,280)
<b>NET CURRENT ASSETS</b>		<u>3,973</u>	<u>5,500</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,598</u>	<u>16,950</u>
<b>CREDITORS:</b> amounts falling due after more than one year	14	(212)	(8,728)
<b>NET ASSETS</b>		<u><u>9,386</u></u>	<u><u>8,222</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	3,270	3,270
Share premium account	17	1,553	1,553
Revaluation reserve	17	249	259
Capital redemption reserve	17	180	180
Profit and loss account	18	4,134	2,960
<b>SHAREHOLDERS' FUNDS</b>		<u><u>9,386</u></u>	<u><u>8,222</u></u>

These financial statements were approved by the directors and authorised for issue on 21 September 2012, and are signed on their behalf by

  
A R Worsley

The notes on pages 14 to 34 form part of these financial statements

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
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**CONSOLIDATED CASH FLOW STATEMENT**

	<b>Notes</b>	<b>31 Dec 2011 £'000</b>	<b>31 Dec 2010 £'000</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>	20a	2,859	1,882
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	20b	3,173	1,280
<b>DIVIDEND</b>		(4,155)	(2,292)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	20b	(270)	(87)
<b>NET CASH FLOW BEFORE FINANCING</b>		1,607	783
<b>FINANCING</b>	20b	-	(128)
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD</b>		1,607	655

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

	<b>31 Dec 2011 £'000</b>
Increase in cash in the period	1,607
Movement in bank loans	-
Change in net debt resulting from cash flows and movement in net debt in the period	1,607
Net borrowing at 1 January 2011	(1,101)
Net borrowing at 31 December 2011	506

The notes on pages 14 to 34 form part of these financial statements

## **NOTES TO THE ACCOUNTS**

### **1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance 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, modified to include the revaluation of certain freehold land and buildings.

The financial statements have been prepared in accordance with applicable Accounting Standards.

#### **Basis of consolidation**

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

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

#### **Turnover**

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax. It is recognised when the significant risks and reward of the goods have passed to the buyer and the amount of revenue can be reliably measured. Royalties are accounted for on a received basis where there is uncertainty of their receipt.

#### **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 in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The directors are taking advantage of the transitional rules of FRS 15. It is their intention that freehold land and buildings will not be revalued on a regular basis in the future but will be carried at their current book value as reduced by depreciation charges in future years.

The part of the annual depreciation charge on revalued assets which relates to the surplus on revaluation is transferred from the revaluation reserve to the profit and loss account reserve.

**NOTES TO THE ACCOUNTS**

**1 ACCOUNTING POLICIES /Continued ...**

**Accounting for leases**

Assets acquired under finance lease and hire purchase contracts are included in tangible fixed assets at their estimated fair value at the date of inception of the lease. Obligations under such agreements are included in creditors, net of finance charges allocated to future periods. Finance charges are allocated to the profit and loss account over the period of each lease so as to give an approximately annual rate of charge on the balance of each obligation.

Rental costs under operating leases are written off to the profit and loss account in equal annual instalments over the 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.

**Investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value.

**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 overheads based on normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks to write them down to net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions -

- 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.



## **NOTES TO THE ACCOUNTS**

### **1 ACCOUNTING POLICIES /Continued ...**

#### **Foreign currency translation**

The results of overseas joint ventures are translated to sterling at the exchange rate ruling at the financial period end. Exchange differences on the retranslation of the net investment in overseas subsidiary and joint ventures at the beginning of the period are dealt with as a movement on reserves.

Profit and losses on transactions in foreign currencies are included in results from ordinary activities before taxation.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Pension costs**

Pension schemes operated on behalf of the Group in the United Kingdom, are defined contribution schemes which are administered by insurance companies. Pension schemes, where operated by companies overseas, comply with local legislation. The charge to the profit and loss account comprises the total contributions payable to the schemes in respect of the account 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.

### **2 TURNOVER AND SEGMENTAL ANALYSIS**

The table below provides a summary of turnover

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	13,002	12,147
Europe	4,226	3,519
Far East	998	2,116
	<u>18,226</u>	<u>17,782</u>

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

**NOTES TO THE ACCOUNTS**

**3 GROUP OPERATING (LOSS)/ PROFIT**

a) This is stated after charging

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Amortisation of goodwill	566	34
Depreciation	603	669
Auditors' remuneration		
- of the holding company auditors	24	23
- of other auditors	2	13
- other services	-	-
- taxation	4	5
Directors' remuneration	-	133
Exchange gains on foreign currency balances and remittances / payments	(65)	(118)
Operating leases plant and machinery	13	20
	<u>          </u>	<u>          </u>

b) Exceptional administrative expenses

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Bad debt with related parties	-	172
Amount provided against Maver Srl	754	-
	<u>          </u>	<u>          </u>

**4 DIRECTORS**

**Emoluments**

The emoluments of the directors of the Company were

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	10	130
Company pension contributions to money purchase schemes	-	3
	<u>          </u>	<u>          </u>

No retirement benefits are accruing to directors under defined contribution pension schemes (2010 – 1)

In addition, group management charges in the year of £162,000 were charged by fellow group undertakings for the service of its directors

**COSMOPOLITAN TEXTILE COMPANY LIMITED**  
**Report and Financial Statements**  
**31 December 2011**

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**NOTES TO THE ACCOUNTS**

**5 STAFF COSTS**

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

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Production	55	63
Administration	23	39
	<u>78</u>	<u>102</u>

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	2,067	2,094
Social security costs	174	186
Other pension costs	110	133
	<u>2,351</u>	<u>2,413</u>

**6. INTEREST**

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Interest receivable</b>		
Bank deposits	<u>-</u>	<u>27</u>
<b>(b) Interest payable</b>		
Bank loans and overdrafts wholly repayable within five years	<u>76</u>	<u>40</u>

**NOTES TO THE ACCOUNTS**

**7. TAXATION**

The taxation charge is made up as follows

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Based on the profit for the period		
Overseas Corporation tax	2	2
Group share of joint ventures tax charge	600	442
	<u>610</u>	<u>444</u>
Deferred taxation (note 16)	-	(177)
	<u>610</u>	<u>267</u>

**Factors affecting tax charge for the year**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 26.5 % (2010 28%) The differences are explained below

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	1,725	2,702
	<u>          </u>	<u>          </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	457	757
Effects of		
Expenses not deductible for tax purposes	359	12
Different rate of tax applicable to subsidiary	(127)	(201)
Tax losses utilised in the year	(179)	(197)
Tax effect of dividend from Joint Venture	-	(229)
Tax losses not recognised	17	174
Excess depreciation over capital allowances	83	128
	<u>610</u>	<u>444</u>

No provision has been made for withholding taxes or for the United Kingdom taxes which would become payable should retained profits of the overseas subsidiary attributable to the Group be remitted to the United Kingdom  
The company has unutilised tax losses of £50,000

**8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The profit dealt with in the accounts of the Company was £5,319,000 (2010 £2,529,000)

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**9 TANGIBLE FIXED ASSETS**

**Group**

	<b>Freehold Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Total £'000</b>
Cost or valuation				
At 1 January 2011	3,122	9,836	246	13,204
Additions	-	268	2	270
	<u>3,122</u>	<u>10,104</u>	<u>248</u>	<u>13,474</u>
At 31 December 2011	3,122	10,104	248	13,474
Depreciation				
At 1 January 2011	555	7,372	95	8,022
Translation difference				
Provided during the year	60	540	3	603
	<u>615</u>	<u>7,912</u>	<u>98</u>	<u>8,625</u>
At 31 December 2011	615	7,912	98	8,625
Net book value				
At 31 December 2011	<u>2,507</u>	<u>2,192</u>	<u>150</u>	<u>4,849</u>
At 1 January 2011	<u>2,567</u>	<u>2,464</u>	<u>151</u>	<u>5,182</u>

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**9 TANGIBLE FIXED ASSETS /Continued ...**

**Company**

	<b>Freehold Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Total £'000</b>
Cost or valuation				
At 1 January 2011	3,122	9,752	246	13,120
Additions	-	265	2	267
At 31 December 2011	<u>3,122</u>	<u>10,017</u>	<u>248</u>	<u>13,387</u>
Depreciation				
At 1 January 2011	555	7,316	95	7,966
Provided during the year	60	527	2	589
At 31 December 2011	<u>615</u>	<u>7,843</u>	<u>97</u>	<u>8,555</u>
Net book value				
At 31 December 2011	<u>2,507</u>	<u>2,174</u>	<u>151</u>	<u>4,832</u>
At 1 January 2011	<u>2,567</u>	<u>2,436</u>	<u>151</u>	<u>5,154</u>

**Group and Company**

The net book value of plant and machinery above includes an amount of £45,117 (2010 £45,117) in respect of assets held under finance leases and hire purchase contracts

Freehold land and buildings include £537,000 (2010 £537,000) in respect of land which is not depreciated

Freehold land and buildings were professionally valued in November 1995 at £1,852,000 by Chartered Surveyors, at their existing use value. Additions since that date and all other fixed assets are included at cost

**NOTES TO THE ACCOUNTS**

**9 TANGIBLE FIXED ASSETS /Continued ...**

The directors are taking advantage of the transitional provisions of FRS 15, and have decided that the freehold land and buildings will not be revalued on a regular basis in the future, but will be carried at its current book value as reduced by depreciation charges in future years

The historical cost of freehold land and buildings is as follows

	<b>£'000</b>
At 1 January 2011	2,836
	<u>2,836</u>
At 31 December 2011	2,836
	<u>2,836</u>
Cumulative depreciation based on cost	
At 1 January 2011	845
	<u>845</u>
At 31 December 2011	895
	<u>895</u>

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**NOTES TO THE ACCOUNTS**

**10 FIXED ASSET INVESTMENTS**

	<b>Company Investment in subsidiary undertakings £'000</b>	<b>Group Investment in associated undertakings £'000</b>
Cost		
At 1 January and Dissolved	9,587 (8,072)	174 -
At 31 December 2011	<u>1,515</u>	<u>174</u>
Provision for diminution in value		
At 1 January 2011	3,291	-
Arising in the year	33	174
Dissolved	(2,602)	-
	<u>722</u>	<u>174</u>
Net book value		
At 31 December 2011	<u>793</u>	<u>174</u>
At 1 January 2011	<u>6,296</u>	<u>174</u>

During the year the company dissolved those dormant UK subsidiaries for which it had no use

Details of the principal investments in which the Group or the Company holds more than 10% of the nominal value of any class of share capital are as follows

<b>Name</b>	<b>Country of incorporation or registration (or incorporation and operation)</b>	<b>Proportion of Holding shares held</b>	<b>Nature of Business</b>
Joint venture Cosmo Hong Kong Limited and its subsidiaries and joint ventures (held indirectly)	Hong Kong	Ordinary shares 50%	Manufacture of non-woven fabrics
Subsidiary undertakings CTC Asia (Hong Kong) Limited (held indirectly)	Hong Kong	Ordinary shares 92%	Manufacture of non-woven fabrics
Associated Company held indirectly Maver S r l	Italy	Ordinary shares 48%	Digital printing



**NOTES TO THE ACCOUNTS**

**10 FIXED ASSET INVESTMENTS /Continued ...**

**Joint venture companies**

	<b>£'000</b>
Group share of net assets at 1 January 2011	5,201
Exchange adjustment on retranslation of opening net assets	125
Group share of profits and losses for the period	2,773
Group share of joint ventures tax charge	(608)
Dividends	(3,249)
	<u>4,242</u>
Group share of net assets at 31 December 2011	<u>4,242</u>

The company holds 50% of Cosmo Hong Kong Limited. The Group's share of the net assets of joint venture comprises

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

In addition, the Company continues to hold all the issued share capital of a number of non-trading subsidiaries, full details of which are filed in the Company's Annual Return

**11 STOCKS**

	<b>The Group</b>		<b>The Company</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials	660	468	660	468
Finished goods	1,606	1,201	1,606	1,201
	<u>2,266</u>	<u>1,669</u>	<u>2,266</u>	<u>1,669</u>

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

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**12 DEBTORS**

	<b>The Group</b>		<b>The Company</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	2,982	3,038	2,937	2,977
Amounts owed by fellow subsidiary Undertakings	2,473	2,973	2,339	2,838
Associated undertakings	25	699	25	339
Amounts owed by subsidiary undertakings	-	-	85	727
Other debtors	66	19	62	2
Prepayments and accrued income	225	242	219	198
	<u>5,771</u>	<u>6,971</u>	<u>5,667</u>	<u>7,081</u>

**Amounts falling due in more than one year included above**

	<b>The Group</b>		<b>The Company</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amount owed by associated undertakings	-	253	-	253
Amounts owed by subsidiary undertakings	-	-	-	682
Amounts owed by fellow subsidiary undertakings	-	133	-	-
	<u>-</u>	<u>386</u>	<u>-</u>	<u>935</u>

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**13 CREDITORS:** amounts falling due within one year

	<b>The Group</b>		<b>The Company</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank overdraft	650	1,201	-	555
Trade creditors	1,919	1,987	1,907	1,923
Associated undertakings	1,016	368	1,014	329
Other taxes and social security costs	57	168	57	168
Other creditors	13	158	10	8
Amounts owed to fellow subsidiary undertakings	1,417	264	1,259	17
Accruals and deferred income	694	279	694	279
Corporation tax	4	3	1	1
	<u>5,770</u>	<u>4,428</u>	<u>4,942</u>	<u>3,280</u>

Part of the bank overdraft and loans are secured against the freehold land and buildings of the company and certain of its assets

**14 CREDITORS:** amounts falling due after more than one year

	<b>The Group</b>		<b>The Company</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to subsidiary undertakings	<u>-</u>	<u>-</u>	<u>212</u>	<u>8,728</u>

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**NOTES TO THE ACCOUNTS**

**15 PROVISION FOR LIABILITIES AND CHARGES**

	<b>The Group</b>		<b>The Company</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred taxation	-	-	-	-

**Deferred taxation – Group and Company**

The movements in deferred taxation during the current and previous years are as follows

	<b>Group</b>	<b>Company</b>
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
At the start of the period	-	177
Credit for the period (note 7)	-	(177)
At the end of the period	-	-

Full provision is made for deferred taxation and no amounts are not provided are as follows

	<b>The Group and Company</b>			
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital allowances in advance of depreciation	15	220	15	220
Losses available	(15)	(220)	(15)	(220)
	-	-	-	-

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**NOTES TO THE ACCOUNTS**

**16 SHARE CAPITAL**

	31 Dec 2011 £'000	31 Dec 2010 £'000
Authorised		
3,697,300 ordinary shares of £1 each (2009 3,697,300)	3,697	3,697
2,700 ordinary redeemable shares of £1 each	3	3
	<u>3,700</u>	<u>3,700</u>
Allotted, issued and fully paid		
3,270,916 ordinary shares £1 each	<u>3,270</u>	<u>3,270</u>

The company has the right to redeem, at the price of £1,000 per share, all or any of the outstanding redeemable shares, at any time after 31 March 2006, upon giving to the holders of the particular redeemable shares to be redeemed not less than one month's notice in writing. Each of the redeemable shares not previously redeemed shall be redeemed on 31 March 2021, or so soon thereafter as the company shall be able to comply.

Every member shall have 1 vote for each ordinary share of which he is the holder and 1,000 votes for each ordinary redeemable share of which he is the holder.

Each class of share ranks *pari passu* in all other respects.

**17 RESERVES**

Group and Company	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000
At 1 January 2011	1,553	259	180
Depreciation on revaluation surplus during the year	-	(10)	-
	<u>1,553</u>	<u>249</u>	<u>180</u>
At 31 December 2011	<u>1,553</u>	<u>249</u>	<u>180</u>

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**NOTES TO THE ACCOUNTS**

**18 PROFIT AND LOSS ACCOUNT**

	<b>Group £'000</b>	<b>Company £'000</b>
At 1 January 2011	10,173	2,960
Exchange differences on retranslation of net assets	119	-
Depreciation on revaluation surplus during the year	10	10
Profit for the year	1,115	5,319
Dividends paid	(4,155)	(4,155)
At 31 December 2011	<u>7,262</u>	<u>4,134</u>

**19 MINORITY INTEREST**

	<b>£'000</b>
At 1 January 2011	-
Exchange differences on retranslation of net assets	-
Share of results for the year	-
At 31 December 2011	<u>-</u>

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**NOTES TO THE ACCOUNTS**

**20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT**

**(a) Reconciliation of operating profit to operating cash flows**

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Operating (loss)/profit	(972)	634
Depreciation and amortisation	1,169	703
Impairment of investment	174	-
(Increase)/decrease in stocks	(597)	554
Decrease in debtors	1,200	851
Increase/(decrease) in creditors	1,891	(873)
Currency movements	(6)	13
Net cash flow from operating activities	<u>2,859</u>	<u>1,882</u>

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

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>£'000</b>	<b>£'000</b>
Returns on investments and servicing of finance		
Interest received	-	27
Dividend received	3,249	1,293
Interest paid	(76)	(40)
Net cash inflow for returns on investments and servicing of finance	<u>3,173</u>	<u>1,280</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(270)	(170)
Sale of plant and machinery	-	83
Net cash outflow for capital expenditure	<u>(270)</u>	<u>(87)</u>
	<b>£'000</b>	<b>£'000</b>
Financing		
Bank loan movements	-	(128)
Net cash inflow/(outflow) from financing	<u>-</u>	<u>(128)</u>

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**20 NOTES TO CONSOLIDATED CASH FLOW STATEMENT /Continued ...**

**(c) Analysis of funds**

	<b>1 January 2011 £'000</b>	<b>Cash flow £'000</b>	<b>31 Dec 2011 £'000</b>
Cash at bank and in hand	100	1,056	1,156
Overdrafts	(1,201)	551	(650)
	<u>(1,101)</u>	<u>1,607</u>	<u>506</u>

**21 CONTINGENT LIABILITIES**

At 31 December 2011 there were no contingent liabilities or guarantees

**22 CAPITAL COMMITMENTS**

	<b>Group 31 Dec 2011</b>	<b>Group 31 Dec 2010</b>	<b>Company 31 Dec 2011</b>	<b>Company 31 Dec 2010</b>
Contracted but not provided	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>



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**NOTES TO THE ACCOUNTS**

**23 OPERATING LEASES**

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

	<b>31 Dec 2011</b>		<b>31 Dec 2010</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Expiry date				
Within one year	-	13	-	5
Between two and five years	-	-	-	-
	<u>-</u>	<u>13</u>	<u>-</u>	<u>5</u>
	<u>-</u>	<u>13</u>	<u>-</u>	<u>5</u>

**24 PARENT COMPANY**

The immediate holding company is Cha Technologies Group Plc, a company registered in England and Wales. Copies of the consolidated accounts of Cha Technologies Group Plc may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF4 4UZ. Cha Technologies Group plc is the largest group of companies into which the group's results are consolidated where the accounts are available to the public. The ultimate parent company is Goldpeak Holdings Limited. A company incorporated in British Virgin Islands.

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**NOTES TO THE ACCOUNTS**

**25 RELATED PARTY BALANCES**

As at 31 December 2011, the group had the following balances with associated companies

	<b>Debtor</b>	<b>Creditor</b>
	<b>£,000</b>	<b>£,000</b>
Haining Textile Allied Industries Limited	25	398
Cosmopolitan Textile Hong Kong	-	617
	<u>25</u>	<u>1,015</u>
Company	25	1,015
China Dyeing Holdings Limited	-	1
	<u>-</u>	<u>1</u>
Group	<u>25</u>	<u>1,016</u>

During the year ended 31 December 2011, the group provided for debts due from Akosombo Textiles Limited £nil (2010 £672,000) and CTD Congo of £nil (2010 £182,000)  
As at 31 December 2010, the group had the following balances with associated companies

	<b>Debtor</b>	<b>Creditor</b>
	<b>£,000</b>	<b>£,000</b>
CTD Congo	80	-
Haining Textiles Allied Industries Limited	217	354
Maver Sri	258	-
Castle Industries LLC	85	-
Cosmo Textiles Hong Kong Limited	26	13
CTD Niger	-	1
China Dyeing Holdings	2	-
Congotex	3	-
Axxel	28	-
	<u>28</u>	<u>-</u>

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 ACCOUNTS**

**26 GOODWILL ARISING ON CONSOLIDATION**

<b>Cost</b>	<b>£'000</b>
At 1 January 2011 and 31 December 2011	<u>679</u>
<b>Amortisation</b>	
At 1 January 2011	113
Amortisation in the period	<u>566</u>
At 31 December 2011	<u>679</u>
<b>Net book value</b>	
At 31 December 2011	<u>-</u>
At 1 January 2011	<u>566</u>

The directors have assessed the value of the goodwill and consider it be zero given the prospect of the subsidiary to which it relates

**27 POST BALANCE SHEET EVENTS**

Since the year end the company has paid dividends of \$2,000,000 to its parent company after having received dividends of \$2,000,000 from its joint venture

**28 CASH AT BANK AND IN HAND**

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