MILETA a.s.

Financial statements
31 March 2018

Released on: 27 September 2018
Language version – English

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Part A Independent auditor's report

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MILETA a.s.
Husova 734
508 01 Hořice

27 September 2018

English translation of the independent auditor's report and statutory financial statements for the year ended 31 March 2018

Dear Sirs,

We have audited the statutory financial statements of MILETA a.s. ("the Company"), which comprise the balance sheet as at 31 March 2018, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements"), prepared in the Czech language.

In connection with our audit of the financial statements, our responsibility is also to read the other information that comprises the annual report of the Company for year ended 31 March 2018 ("the annual report"), but does not include the financial statements nor our auditor's report therein. In doing so, we are required to consider whether the other information is not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.

We have issued the auditor's report in the Czech language dated 27 September 2018 on the financial statements and annual report of the Company for the year ended 31 March 2018, which was translated into English and is appended for your information to this letter.

We draw to your attention that the enclosed financial statements have been translated for information purposes. The other information included in the annual report has not been translated even though it represents the other information that we are required to read in connection with our audit of the financial statements. The result of our reading is further specified in the Other information paragraph of the appended auditor's report.

As a result of the aforementioned, we accept no responsibility to you or any other party as to the completeness and sufficiency of the accompanying English language financial statements as at 31 March 2018 and no reliance should be placed on the auditor's report of the Company without consideration of the full set of information including also the other information disclosed in the annual report.

Should you require any further information, please do not hesitate to contact us.

Yours faithfully,

Václav Prýmek
Partner
PricewaterhouseCoopers Audit, s.r.o.

Appendices:	Translation of the auditor's report
	Translation of the financial statements for the year ended 31 March 2018

English translation

Independent auditor's report

to the shareholder of MILETA a.s.

Opinion

We have audited the accompanying financial statements of MILETA a.s., with its registered office at Husova 734, Hořice ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 March 2018, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

27 September 2018

PricewaterhouseCoopers Audit, s.r.o.
represented by

Václav Prýmek

Hana Valešová
Statutory Auditor, Evidence No. 2004

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

Part B Financial statements

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BALANCE SHEET

(in thousand Czech crowns)

Reference a				ASSETS	31/03/2018 Gross	Provision	Net	31/03/2017 Net
				TOTAL ASSETS	1,289,341	-518,393	770,948	797,554
B				Fixed assets	661,914	-455,608	206,306	224,114
	B.I.			Intangible fixed assets	15,591	-14,887	704	670
		B.I.2.		Royalties	15,176	-14,887	289	255
			B.I.2.1.	Software	15,048	-14,877	171	255
			B.I.2.2.	Other royalties	128	-10	118	0
		B.I.5.		Intangible fixed assets in the course of construction and advances paid for intangible fixed assets	415	0	415	415
			B.I.5.2.	Intangible fixed assets in the course of construction	415	0	415	415
	B.II.			Tangible fixed assets	646,323	-440,721	205,602	223,444
		B.II.1.		Land and constructions	243,310	-120,938	122,372	127,168
			B.II.1.1.	Land	4,082	0	4 082	4,082
			B.II.1.2.	Constructions	239,228	-120,938	118,290	123,086
		B.II.2.		Equipment	388,051	-319,679	68,372	86,540
		B.II.4.		Other tangible fixed assets	1,294	-104	1,190	16
			B.II.4.3.	Other tangible fixed assets	1,294	-104	1,190	16
		B.II.5.		Tangible fixed assets in the course of construction and advances paid for tangible fixed assets	13,668	0	13,668	9,720
			B.II.5.1.	Advances paid for tangible fixed assets	3,433	0	3,433	4,692
			B.II.5.2.	Tangible fixed assets in the course of construction	10,235	0	10,235	5,028
C				Current assets	614,781	-62,785	551,996	564,002
	C.I.			Inventories	332,930	-15,423	317,507	309,933
		C.I.1.		Raw materials	55,966	-2,236	53,730	47,066
		C.I.2.		Work in progress and semi-finished products	64,612	-1,691	62,921	64,255
		C.I.3.		Finished goods and goods for resale	212,027	-11,496	200,531	198,607
			C.I.3.1.	Finished goods	180,634	-10,483	170,151	169,208
			C.I.3.2.	Goods for resale	31,393	-1,013	30,380	29,399
		C.I.5.		Prepayments for inventory	325	0	325	5
	C.II.			Receivables	275,617	-47,362	228,255	246,136
		C.II.1.		Long-term receivables	9,057	-3,337	5,720	3,488
			C.II.1.4.	Deferred tax asset	2,326	0	2,326	114
			C.II.1.5.	Other receivables	6,731	-3,337	3,394	3,374
			C.II.1.5.2.	Long-term advances paid	57	0	57	37
			C.II.1.5.4.	Other receivables	6,674	-3,337	3,337	3,337
		C.II.2.		Short-term receivables	266,560	-44,025	222,535	242,648
			C.II.2.1.	Trade receivables	255,254	-44,025	211,229	234,357
			C.II.2.4.	Other receivables	11,306	0	11,306	8,291
			C.II.2.4.3.	Taxes and state subsidies receivable	9,079	0	9,079	5,629
			C.II.2.4.4.	Short-term advances paid	1,876	0	1,876	2,047
			C.II.2.4.6.	Other receivables	351	0	351	615
	C.IV			Financial assets	6,234	0	6,234	7,933
		C.IV.1		Cash in hand	3,268	0	3,268	3,790
		C.IV.2		Cash at bank	2,966	0	2,966	4,143
D				Prepayments and accrued income	12,646	0	12,646	9,438
		D.1.		Prepaid expenses	12,646	0	12,646	9,438

Reference			LIABILITIES AND EQUITY	31/03/2018	31/03/2017
a			b	5	6
			TOTAL LIABILITIES AND EQUITY	770,948	797,554
A			Equity	381,851	386,102
	A.I.		Share capital	231,310	231,310
		A.I.1.	Share capital	231,310	231,310
	A.II.		Share premium and capital contributions	1,835	1,835
		A.II.2.	Capital contributions	1,835	1,835
			A.II.2.1. Other capital contributions	1,835	1,835
	A.III.		Reserve fund and other reserves	32,341	32,341
		A.III.1.	Others legal reserve funds	31,913	31,913
		A.III.2.	Statutory and other reserves	428	428
	A.IV.		Retained earnings / Accumulated losses	120,616	108,587
		A.IV.1.	Retained earnings	120,616	108,587
	A.V.		Profit / (loss) for the current period (+/-)	-4,251	12,029
B+C			Liabilities	387,362	409,298
B			Provisions	3,776	3,488
	B.4.		Other provisions	3,776	3,488
C			Liabilities	383,586	405,810
	C.I.		Long-term liabilities	152,589	167,591
		C.I.2.	Long-term liabilities to credit institutions / banks	53,041	67,591
		C.I.6.	Liabilities - controlling entities / subsidiaries	99,548	100,000
	C.II.		Short-term liabilities	230,997	238,219
		C.II.2.	Short-term liabilities to credit institutions / banks	116,289	120,278
		C.II.3.	Short-term advances received	1,352	6,100
		C.II.4.	Trade payables	66,044	66,224
		C.II.6.	Liabilities - controlling entities / subsidiaries	9,941	15,142
		C.II.8.	Other liabilities	37,371	30,475
			C.II.8.2. Other short-term borrowings	6,170	4,718
			C.II.8.3. Liabilities to employees	8,819	8,522
			C.II.8.4. Liabilities for social security and health insurance	14,472	7,869
			C.II.8.5. Taxes and state subsidies payable	543	635
			C.II.8.6. Estimated payables	6,623	8,115
			C.II.8.7. Other liabilities	744	616
D			Accruals and deferred income	1,735	2,154
	D.1.		Accruals	0	778
	D.2.		Deferred income	1,735	1,376

INCOME STATEMENT

(in thousand Czech crowns)

Reference			DESCRIPTION	Accounting period	
				Reported 12 months ended 31 Mar 2018	Previous 12 months ended 31 Mar 2017
a			b	1	2
	I.		Sales of own products and services	534,442	602,188
	II.		Sales of goods	37,559	55,845
A			Cost of sales	401,720	438,840
		A.1.	Cost of goods sold	27,080	43,529
		A.2.	Raw materials and consumables	281,954	300,152
		A.3.	Services	92,686	95,159
B			Change in inventory of finished goods and work in progress	-6,952	14,223
C			Own work capitalised	-2,536	-2,768
D			Staff costs	148,134	140,012
		D.1.	Wages and salaries	111,034	104,760
		D.2.	Social security and health insurance costs	37,100	35,252
		D.2.1.	Social security and health insurance costs	36,214	34,311
		D.2.2.	Others costs	886	941
E			Value adjustments to operating activities	26,531	34,049
		E.1.	Depreciation of fixed assets	28,826	29,545
		E.1.1.	Depreciation of fixed assets - permanent	28,826	29,545
		E.2.	Value adjustments of inventories	975	228
		E.3.	Value adjustments of receivables	-3,270	4,276
	III.		Other operating income	6,138	1,414
		III.1.	Sale of fixed assets	5,152	23
		III.2.	Sale of raw materials	307	677
		III.3.	Other operating income	679	714
F			Other operating charges	13,987	9,051
		F.1.	Net book value of fixed assets sold	5,147	0
		F.2.	Net book value of raw materials sold	34	295
		F.3.	Taxes and charges	741	849
		F.4.	Operating provisions and complex prepaid expenses	288	659
		F.5.	Other operating charges	7,777	7,248
*Operating result (+/-)				-2,745	26,040
	VI.		Interest income and similar income	0	1
		VI.2.	Other interest income and similar income	0	1
J			Interest expense and similar expense	7,424	7,865
		J.1.	Interest expense and similar expense - controlled entities / subsidiaries	3,649	3,955
		J.2.	Other interest expense and similar expense	3,775	3,910
	VII.		Other financial income	5,166	4
K			Other financial expense	1,661	1,968
*Financial result (+/-)				-3,919	-9,828
**Net profit / (loss) before taxation (+/-)				-6,664	16,212
L			Tax on profit or loss	-2,413	4,183
		L.1.	Tax on profit or loss - current	-201	4,806
		L.2.	Tax on profit or loss - deferred	-2,212	-623
**Profit or loss after taxation (+/-)				-4,251	12,029
***Net profit / (loss) for the financial period (+/-)				-4,251	12,029
*Net turnover for the financial period =I.+II.+III.+IV.+V.+VI.+VII.				583,305	659,452

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Reserve funds	Capital funds	Retained earnings	Profit/loss of accounting period	Total equity
As at 1 April 2016	231,310	32,341	1,835	84,221	24,366	374,073
Profit/ (loss) distribution	0	0	0	24,366	-24,366	0
Net profit/(loss) for the current period	0	0	0	0	12,029	12,029
As at 31 March 2017	231,310	32,341	1,835	108,587	12,029	386,102
Profit/ (loss) distribution	0	0	0	12,029	-12,029	0
Net profit/(loss) for the current period	0	0	0	0	-4,251	-4,251
As at 31 March 2018	231,310	32,341	1,835	120,616	-4,251	381,851

CASH FLOW

(in thousand Czech crowns)

			Description	Accounting period	
				2017	2016
a			b	1	2
			Operating cash flow		
			Net profit on ordinary activities before tax	-6,664	16,212
A.	1.		Adjustments for non-cash movements:	34,239	42,549
A.	1.	1.	Depreciation of fixed assets	28,826	29,545
A.	1.	2.	Change in provisions	-2,007	5,163
A.	1.	3.	Loss / (profit) from disposal of fixed assets	-4	-23
A.	1.	5.	Net interest expense / (income)	7,424	7,864
A	*		Net operating cash flow before taxation and changes in working capital	27,575	58,761
A.	2.		Working capital changes:	14,265	-16,147
A.	2.	1.	Change in receivables and prepayments and accrued income	22,717	-38,143
A.	2.	2.	Change in short-term payables and accruals and deffered income	97	-1,582
A.	2.	3.	Change in inventories	-8,549	23,578
A	**		Net operating cash flow before taxation	41,840	42,614
A.	3.		Interest paid	-3,656	-4,099
A.	4.		Interest received	0	1
A.	5.		Income tax on ordinary activities paid	-2,361	-11,653
A	***		Net operating cash flow	35,823	26,863
B.	1.		Acquisition of fixed assets	-11,014	-19,513
B.	2.		Proceeds from the sale of fixed assets	0	23
B	***		Net cash flow from investing activities	-11,014	-19,490
C.	1.		Change in long- and short-term liabilities	-27,362	-5,782
C	***		Net cash flow from financing activities	-27,362	-5,782
			Net increase / (decrease) in cash and cash equivalents	-2,553	1,591
			Cash and cash equivalents in the beginning of the period	-14,394	-15,985
			Cash and cash equivalents at the end of the period	-16,947	-14,394

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Part C
Translation and release footnote

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Translation footnote

This set of the financial statements as a whole has been prepared in both, Czech and English language versions. Both versions were prepared with the same effort and level of attention to keep them of equal importance, quality, sense and substance.

To entertain any language inconsistency issues, use or understanding matters the Company declares the following:

In case of any inconsistences, disputes or uncertainties as to the interpretation of information, views, opinions or outcomes, the Czech language version of the financial statements and all adjoining documents shall be read as the prevailing one for all the purposes and all users, including whatsoever legal issues, and without any limitations.

Release footnote

In the period between the balance sheet date and the date of release of these financial statements, the Company had not provided any third party with unaudited provisional financial statements except for:

(a) the reporting package provided to ALOK INDUSTRIES LIMITED, which prepares the consolidated financial statements for the largest and smallest group of entities of which the Company forms a part as a subsidiary

(b) presentation to the financing bank for the purposes of:

- (i) covenants evaluation
- (ii) understanding of the current state of business affairs
- (iii) understanding of the opening position for the year 2018 – 2019

The Consolidated financial statements of ALOK INDUSTRIES LIMITED are available on company´s webpages in the section Investor Relations (refer to www.alokind.com or www.moneycontrol.com).

During the accounting period ending 31 March 2019 these financial statements will be published as an integral part of the Annual report in the Commercial register.

Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 27 September 2018

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Part D Notes to the financial statements

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Notes to the financial statements

MILETA a.s.

31 March 2018

Accounting period 1 April 2017 – 31 March 2018

Hořice, 27 September 2018

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Content

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BALANCE SHEET

(in thousand Czech crowns)

Reference		ASSETS	31/03/2018	31/03/2017	references to footnotes
a		b	Net 3	Net 4	PAGE NO.
		TOTAL ASSETS	770,948	797,554	44-65
B		Fixed assets	206,306	224,114	45-47, 53-60
	B.I.	Intangible fixed assets	704	670	45-46, 55-57
	B.II.	Tangible fixed assets	205,602	223,444	45-47, 53-55, 58-60
C		Current assets	551,996	564,002	44, 47-49, 61-65
	C.I.	Inventories	317,507	309,933	44, 61-62
	C.II.	Receivables	228,255	246,136	48-49, 63
	C.IV.	Financial assets	6,234	7,933	47, 65
D		Prepayments and accrued income	12,646	9,438	65

Reference		LIABILITIES AND EQUITY	31/03/2018	31/03/2017	references to footnotes
a		b	5	6	PAGE NO.
		TOTAL LIABILITIES AND EQUITY	770,948	797,554	47, 67-74
A		Equity	381,851	386,102	47, 67
	A.I.	Share capital	231,310	231,310	67
	A.II.	Share premium and capital contributions	1,835	1,835	67
	A.III.	Reserve fund and other reserves	32,341	32,341	67
	A.IV.	Retained earnings / Accumulated losses	120,616	108,587	67
	A.V.	Profit / (loss) for the current period (+/-)	-4,251	12,029	67
B+C		Liabilities	387,362	409,298	47-49, 67, 69-74
B		Provisions	3,776	3,488	67
	B.4.	Other provisions	3,776	3,488	67
C		Liabilities	383,586	405,810	69-74
	C.I.	Long-term liabilities	152,589	167,591	47, 69-71
	C.II.	Short-term liabilities	230,997	238,219	47, 69-71
D		Accruals and deferred income	1,735	2,154	71, 73
	D.1.	Accruals	0	778	71, 73
	D.2.	Deferred income	1,735	1,376	73

INCOME STATEMENT

(in thousand Czech crowns)

Reference		DESCRIPTION	Accounting period		
			Reported	Previous	references to footnotes
a		b	1	2	PAGE NO.
	I.	Sales of own products and services	534,442	602,188	77
	II.	Sales of goods	37,559	55,845	77
A		Cost of sales	401,720	438,840	77
B		Change in inventory of finished goods and work in progress	-6,952	14,223	61-62
C		Own work capitalised	-2,536	-2,768	44
D		Staff costs	148,134	140,012	77-78
E		Value adjustments to operating activities	26,531	34,049	48-49, 61
	III.	Other operating income	6,138	1,414	78
F		Other operating charges	13,987	9,051	78
Operating result			-2,745	26,040	
	VI.	Interest income and similar income	0	1	
J		Interest expense and similar expense	7,424	7,865	78
	VII.	Other financial income	5,166	4	
K		Other financial expense	1,661	1,968	47, 78
Financial result			-3,919	-9,828	
Net profit / (loss) before taxation			-6,664	16,212	
L		Tax on profit or loss	-2,413	4,183	47-48, 78
**Profit or loss after taxation			-4,251	12,029	
***Net profit / (loss) for the financial period			-4,251	12,029	
*Net turnover for the financial period =I.+II.+III.+IV.+V.+VI.+VII.			583,305	659,452	

ALOK INDUSTRIES	Group of companies controlled by the Company Alok Industries Limited
ALOK INDUSTRIES INTERNATIONAL LTD.	The company with its official seat in British Virgin Islands, Pasea Estate, Road Town, Tortola, a company was duly established on February 11, 1993 and is existing under the laws of British Virgin Islands, registered on February 11, 1993 under the BVI company number 1382028.
ALOK INFRASTRUCTURE PRIVATE LIMITED	The company with its registered office at Tower B, Peninsula Business Park, GK Marg, Lower Parel, Mumbai – 400 013 India was duly established on September 1, 2006 and is existing under the laws of Republic of India, registered on September 1, 2006 under India Corporate Identity Number U45201MH2006PLC164267.
ALOK INDUSTRIES LIMITED	The company with its registered office at Tower B, Peninsula Business Park, GK Marg, Lower Parel, Mumbai – 400 013 India. Alok Industries Limited is the listed company at the National Stock Exchange of India, Mumbai (www.nseindia.com) under NSE ticker ALOKTEXT, resp. Bloomberg ticker ALOK: IN. Refer to www.alokind.com.
Auditor	PricewaterhouseCoopers Audit, s.r.o. with its registered office at Hvězdova 1734/2c, CZ-140 00, Praha 4, Czech Republic, a company duly established on 26 August 1991 and existing under the laws of the Czech Republic, registered in the Commercial Registrar as kept by the Municipal Court of Justice of City of Prague, Section C, Folio No. 3637, having corporate ID 407 65 521.
CAL (Client Access License)	License with the right to use server capacity on client´s side.
ČNB – Česká Národní Banka	The Czech National Bank - the central bank of the Czech Republic and the supervisor of the Czech financial market. Refer to www.cnb.cz.
EULA (End User License Agreement)	License for end user of the software defining the rights of the user.
FCM BV	Fine Cotton Mills B.V., a limited liability company, with its registered office at Prins Bernhardplein 200, 1097JB AMSTERDAM
FCM CZ	Fine Cotton Mills CZ s.r.o., a limited liability company, with its registered office at V Celnici 1031/4, CZ-110 00, Praha 1, Czech Republic, a company duly established on 1 December 2015 and existing under the laws of the Czech Republic, registered in the Commercial Registrar as kept by the Municipal Court of Justice of City of Prague, section C, Folio No. 250647, having corporate ID 046 07 031.
IRS	Interest rate Swap
Lease Plan	LeasePlan Česká Republika, s.r.o., a limited liability company with its registered office at Bucharova 1423/6, CZ-158 00, Praha 5, Czech Republic, a company duly established on 7 June 1995 and existing under the laws of the Czech Republic, registered in the Commercial Registrar as kept by the Municipal Court of Justice of City of Prague, Section C, Folio No. 37940, having corporate ID 636 71 069. Refer to www.leaseplan.cz.
MILETA or the Company	MILETA a.s. with its registered office at Husova 734, CZ-508 01, Hořice, Czech Republic, a company duly established on 1 May 1992 and existing under the laws of the Czech Republic, registered in the Commercial Registrar as kept by the Regional court of justice in Hradec Králové, Section B, Folio 597, having corporate ID 455 34 403. Refer to www.mileta.cz. MILETA a.s. is a member of the consolidation group ALOK INDUSTRIES LIMITED which prepares the consolidated financial statements for the largest and smallest group of entities of which the Company forms a part as a subsidiary. The Consolidated financial statements of ALOK INDUSTRIES LIMITED are available on company´s webpages in the section Investor Relations (refer to www.alokind.com or www.moneycontrol.com).
MOQ	Minimum order quantity

NBV – Net Book Value	Net book value is the value of an asset according to its balance sheet account balance. The net book value is based on the original cost of the asset less any depreciation, amortization or impairment costs made against the asset
OEM (Original Equipment Manufacturer)	The software license where the end user´s license is acquired as the equipment to hardware or other software products.
Raiffeisenbank	Raiffeisenbank, a.s. with its registered office at Hvězdova 1716/2b, CZ-140 78, Praha 4, Czech Republic, a company duly established on 25 June 1993 and existing under the laws of the Czech Republic, registered in the Commercial Registrar as kept by the Municipal Court of Justice of City of Prague, Section B, Folio No. 2051, having corporate ID 492 40 901. Refer to www.rb.cz.
Raiffeisen - Leasing	Raiffeisen – Leasing, s.r.o. with its registered office at Hvězdova 1716/2b, CZ-140 78, Praha 4, Czech Republic, a company duly established on 22 June 1994 and existing under the laws of the Czech Republic, registered in the Commercial Registrar as kept by the Municipal Court of Justice of City of Prague, Section C, Folio No. 29553, having corporate ID 614 67 863. Refer to www.rl.cz
SAS	Software as service
SOL	Ship owners liability
TCO	Total cost of ownership – total costs associated with holding and operation of an asset, irrespective of its form of acquisition.
Year 2017 ("2017")	The accounting period, i.e. the period from 1 April 2017 to 31 March 2018.
Year 2016 ("2016")	The comparative period, i.e. the period from 1 April 2016 to 31 March 2017.

Introduction

MILETA is a woven textile manufacturing company of fabrics made of fine yarn, cotton, linen, polyester and mixture, for the apparel industry. The Company is fully vertically integrated operation of fine cotton fabrics production, from dyeing to the final fabrics finishing, taking place before dispatching to customers.

The share purchase agreement for 100% of MILETA shares was signed on 10 April 2016 with Fine Cotton Mills BV. The share purchase agreement was novated, amended and restated several times over the year 2017. On 15 June 2018 Fine Cotton Mills CZ s.r.o. (the wholy owned subsidiary of Fine Cotton Mills BV) and ALOK INDUSTRIES INTERNATIONAL LTD. signed the Deed of termination of the share purchase agreement.

The financial statements have been prepared in accordance with the accounting rules of the Czech Republic, especially with the Act on Accounting (563/1991, Coll.), the Czech Accounting Standards and the Decree on Accounting 500/ 2002 Coll. and their later amendments effective during the accounting period and applicable for reporting in for both, accounting and comparative periods.

The post balance sheet events (after the date of 31 March 2018) are described in part "Other significant information on the Company affairs".

The financial statements were prepared on 27 September 2018 with respect to the fact of uninterrupted and unlimited continuation in the business; under the going concern principle.

This introduction to the annual financial statements does not constitute any substitution of either Annual Report or Report on Relations (Related party transactions report).

Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 27 September 2018

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Part I. - Information about the Company

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General information

Company Name:	MILETA a.s. („the Company“)
Registered office:	Husova 734, 508 01 Hořice, Czech Republic
Legal form:	joint-stock company
Commercial Register:	Regional court of justice in Hradec Králové, Section B, Folio No. 597
Date of registration:	1 May 1992
Identification number:	455 34 403
Primary business:	Yarn dyeing and chemical processing of fabrics Accommodation services Production, sale and services not included in the appendix 1 to 3 of the Trade Law
Board of directors:	
Chairman:	Otakar Petráček
Vice-chairman:	Gopinath R. Kamath
Supervisory Board:	
Chairman:	Jan Šelder
Sole shareholder:	ALOK INDUSTRIES INTERNATIONAL LTD, Pasea Estate, Road Town, Tortola, British Virgin Islands, Registration number: 1382028
Share capital:	CZK 231,309,792 (CZK 231,310 ths.) of it paid up – 100%
Shares form and depository	Company shares are de-materialised, recorded in the Central register of securities ran by the Central Securities Depository (www.cdcp.cz).
Changes in the Commercial register	No changes to the Commercial register entry were made and recorded in the accounting period. No unregistered entry changes exist as of the date of preparation of these accounts.
Change in the group structure	No changes in the ALOK INDUSTRIES group having effect over Company's legal and tax position occured over the Accounting period or between the Balance Sheet date and date of preparation of these accounts. No change in the ultimate beneficial owner happened till the date of preparation these accounts.
VAT registration	The Company is registered for VAT in the Czech Republic only.
Other significant registrations outside the Czech Republic	The Company fulfilled all registration requirements related to the employment law in Italy.

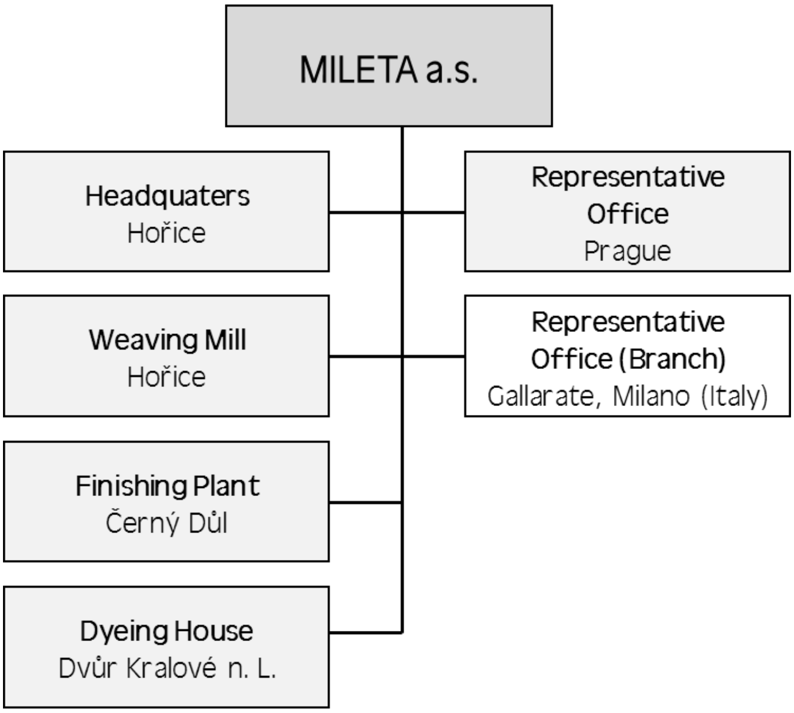
Organizational chart of the Company and number of employees

Company organisational affairs

Organisational chart of the Company

The organisation chart of the Company during the whole accounting period was as follows:

Table 1 – Organizational chart of the Company



Branch in Italy

The Branch of MILETA a.s. was registered in Italy on 12 June 2008. The Branch acts as a representative office and provides marketing and market analyses for the Company. The Branch employs two employees in accordance with the Italian labour code.

The Branch represents the Company and negotiates overhead supplies contracts on its behalf. The Branch is not taking part in the direct business activities (e.g. order processing, billing and logistics). Therefore it does not have any revenues of such kind and is fully funded by the Company.

The Branch's accounting is outsourced to an Italian professional services firm, including payroll processing, reporting, statutory contribution and registration duties, payroll tax duties withholding towards the Italian state authorities and other respective institutions in connection with the social security and health insurance.

Number of employees and staff costs

Number of employees remained stable during the accounting period. The Company successfully managed to replace outgoing employees by hiring the new ones, substantially from abroad.

Table 2 – No. of employees

Number of employees	2017	2016
Headcount, year end	378	378
Full time equivalent, year end	374	377
Out of which: management (CEO, heads of divisions, plant directors)	8	8

Remuneration to the shareholders, members of the statutory and supervisory bodies and management

Shareholders

No dividend or similar remuneration was paid to Company's shareholders in the current or preceding period.
No non-ordinary course of business payments were paid to its shareholders in the current or preceding period.

All payments to its shareholders were made strictly in adherence to the loan agreement by and between the Company and its shareholder - ALOK INDUSTRIES INTERNATIONAL LTD. Intragroup loans are described in detail in the Section – Intercompany borrowings.
No goods or services were provided to the Company's shareholders on preferential terms.

Statutory and supervisory bodies

Board of directors and Supervisory board were active and acting during the current and preceding period.
The members of statutory and supervisory bodies were provided with certain services related to the completion of their duties.
Chairman and Vice Chairman of the Board of Directors are entitled to the personal cars for both, business and private, purposes. Car brand, make and costs are adhering to the Car Policy as stipulated in the internal rules of the Company.
Chairman and Vice-Chairman of the Board are also entitled to the certain financial benefits and benefits in kind, adhering to their board membership contracts.
All and any such benefits were properly taxed according to the Czech taxation framework.
No compensation other than connected with their duties and properly contracted was provided to the members of the statutory and supervisory bodies.
No loans, guarantees or similar benefits were provided to the members of the statutory and supervisory bodies in the current or preceding periods, neither in the financial terms nor in the form of benefits in kind.
The Company did not provide to the members of the statutory and supervisory bodies any services or goods on preferential terms.

Table 3 – Remuneration of the members of statutory and supervisory bodies

CZK ths	2017	2016
Members of statutory and supervisory bodies - accommodation and other services	405	402
Members of statutory and supervisory bodies - cars operating lease full service costs	944	1,426

Management

The Company's management for the purposes of this section excludes Board of directors and includes CFO, technical and production directors and other divisional – plant managers.
Neither compensation other than salary based nor extraordinary benefits were paid to the members of management in the current or preceding period. All and any payments and benefits in kind to the management members were properly reported and taxed, adhering to the legislation requirements. Managers are entitled to the personal cars for both, business and private, purposes. Car brand, make and costs are adhering to the Car Policy as stipulated in the internal rules of the Company.
No loans, guarantees or similar benefits, neither in the financial terms nor in the form of benefits in kind were provided to the members of management in the current or preceding period.
The Company did not provide to the members of management any services or goods on preferential terms.

Auditor and audit fee

Statutory conditions compliance	The Company met the conditions set forth by the Act on Accounting No. 563/1991 Coll. and Act on Auditors No. 93/ 2009 Coll. as time to time amended for compulsory statutory audit in the current and preceding periods. The Company subordinated fully to the Act on corporations No. 90/2012 Coll. by the change of its memorandum of association. This became effective on 16 September 2014. All statutory requirements are reflected in its corporate documents and registers entries.
Audit fee	No other services were provided by the auditor within the accounting period. No other services than statutory audit were provided by the statutory auditor to the Company in both, current and comparative periods. Audit fees for the audit of the accounting period ended 31 March 2018 were not paid as of the Balance Sheet date and are properly accrued.

Table 4 – Audit fees

CZK ths	2017	2016
Statutory audit fee	400	400

Note – Statutory audit fee stated in Table 4 relates to the accounting period which was the subject of the audit.

Part II. – Applied accounting policies and methodology

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Accounting policies, general accounting principles and valuation methods used

General

Compliance of financial statements with the respective accounting and financial reporting framework	The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Czech Republic - Act on Accounting No. 563/1991 Coll., ("Act on Accounting"), which is further defined by Decree No. 500/2002 Coll. and their later amendments. The balance sheet date, i.e. 31 March 2018, is the decisive date for application of the valid legal framework. Any changes in financial reporting policies that occurred before the date of the preparation of the financial statements as stipulated above are reflected only if they significantly affected the method of the presentation of the financial statements' content or the retrospective application of such changes were explicitly required by the law.
Functional currency	The Company uses the Czech crown (CZK) as its functional currency despite of the fact that pervasive number of the sales and purchases transactions are made in EUR or USD. The Company's accounting records and financial reporting are kept and presented in CZK. Due to a significant volume of foreign exchange transactions the Company monitors and evaluates permanently all risks associated with the open position in respect of foreign exchange rate fluctuation risk and has imposed natural hedging measures.
Accounting period	The Company uses financial year running from 1 April to 31 March and its adoption has properly been performed in 2008. The Company uses "2017" and "2016" year-titles in the notes to financial statements in order to simplify the presentation of financial information. The year 2017 hence refers to the accounting period from 1 April 2017 until 31 March 2018. The year 2016 hence refers to the preceding accounting period, i.e. from 1 April 2016 until 31 March 2017.
Accounting principles	The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic as of the balance sheet date. Accounting records and transactions are kept in CZK. The financial data presented in the financial statements and notes to financial statements have been rounded to thousands of Czech crowns (CZK ths.) unless it was explicitly stated otherwise. In certain cases rounding can cause immaterial difference of several thousands CZK in the balance sheet balancing. The financial statements have been prepared under the historical cost convention. No substantial revaluation has been made except for the regular, annual inventory revaluation. The financial statements have been prepared under the prudence concept, independence principle, matching concept and accrual accounting principles. In case of material transactions the substance rather than form is followed to ensure true and fair view concept is kept and legal requirements are followed. The Company was VAT registered and accounted for VAT during the entire accounting period.

Valuation techniques

Purchased inventories	In accordance with the Act 563/1991 Coll. and CAS-015 the Company follows the "A" method for valuation and accounting for the raw material and goods for resale. The purchased inventories are valued at the lower of cost and net realisable amount. Indirect acquisition costs are kept on a separate analytical account and pro-rata released to the profit and loss account. The first-in-first-out (FIFO) method is used for all disposals (i.e. requisition to production or sale). The indirect acquisition costs are pro-rated to the profit and loss account with each disposal.
Own production inventories and finished goods	In accordance with the Act 563/1991 Coll. and CAS-015 the Company follows the "A" method for valuation and accounting for the finished goods. Finished goods are valued at the production cost using the standard costing method. Given the long production cycle the production costs include direct production costs and manufacturing overheads. S,G&A (admin) overheads - administration, selling and distribution expenses - are not included in the valuation of finished goods.
Work in progress	Work in progress is valued at the lower of production costs and estimated net realisable amount. Transfers from Work-in-progress inventory to finished goods are posted based on warehouse inventory movements and monthly stocktaking of Work-in-progress. All work-in-progress goods disclosed in the balance sheet are valued on the basis of "the snapshot" concept at the Balance sheet date.
Valuation of securities and ownership interests	Ownership interests are recorded at cost less a provision for diminution in value. Short-term securities, bills of exchange and cheques are recorded at their nominal value.
Assets and liabilities accounted for at their fair value	The Company has no assets or liabilities that would require revaluation to their fair value.
Own products valuation - cost classification	
General comment	For the purpose of valuation of finished goods the Company classifies costs related to the acquisition of raw material and costs included in the price of finished goods in their production costs.
Definition of indirect acquisition costs	• Indirect costs charged by the supplier • Freight • Third party inspection costs • Commissions paid for purchases • Customs duty and other related charges • Freight insurance
Definition of costs included in the price of own products	• Direct material A, B, C incl. scrap • Cost of external subcontractors (outsourced services costs) • Direct labour costs (i.e. direct wages + social security and health insurance contributions) • Production overheads

Fixed assets

Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 60 ths. excl. VAT (the functional unit) are treated as intangible fixed assets.

Purchased intangible assets are initially recorded at the acquisition cost, which includes the purchase price and all costs related to its acquisition. Costs related to the software acquisition include particularly costs incurred during and directly associated with the implementation of the software, the maintenance costs are excluded. Interest expenses from external sources of financing incurred in the accounting period of acquisition are not capitalised.

All OEM software is accounted for with respect to EULA (End User License Agreement) together with respective hardware and it is also either sold or disposed together with this hardware. OEM software has no separate long term asset cards but its evidence is kept in the asset card (under asset tag) of the respective hardware.
Additional clients' licenses to server-software (CAL) are capitalized and amortised on separate asset cards if the total price of purchased licenses relating to one server license exceeds CZK 60 ths. excl. VAT during the accounting period. The Company keeps the records of purchased software in order to correctly determine when an asset card should be created.

All software purchased under SAS concept is properly registered by the Company and accrued for the right accounting period.

All intangible assets with their useful life longer than one year and the unit cost of less than CZK 60 ths. (per functional unit) are expensed.
The amortisation charge of intangible assets is calculated on the basis of the acquisition cost and the expected economic useful life of the asset.
The Company starts amortisation of assets in the month following the month of capitalisation. If the asset is disposed before its net book value equals zero, the amortisation is ceased in the month of disposal. Detailed information regarding the amortisation methods used are provided in part Depreciation of fixed assets of this Section.
Intangible fixed assets are amortised applying the straight-line method. The expected useful life of intangible fixed assets in years is as follows in the table 5 below.

A provision for the impairment is created when the carrying value of an asset is greater than its estimated recoverable amount.
The technical improvements (additions) to the intangible assets exceeding CZK 40 ths. per accounting period and asset card are capitalised and subsequently amortised, using the proper economic life extension determination technique.

Table 5 – Depreciation period - software

Expected useful life	(in years)
Software	3-4
Cloud software, web presentations	2
Trade marks	6

Tangible fixed assets

All tangible assets with a useful life longer than one year and a unit cost of more than CZK 40 ths. excl. VAT (the functional unit) are treated as tangible fixed assets.
All tangible assets with a useful life longer than one year and a unit cost of less than CZK 4 ths. (the functional unit) are expensed at acquisition.

The acquired tangible fixed assets are initially recorded at cost, which includes purchase price and all costs related to its acquisition (e.g. freight, assembly cost). The tangible fixed assets created internally are recorded at their cost. External debt interest costs incurred up to the asset acquisition process completion are not capitalised.

The Company uses stamping dies and screens in its production and control processes. Stamping dies and screens owned by the Company with a unit cost of more than CZK 40 ths. are capitalised as tangible assets and depreciated.

The depreciation of tangible assets is calculated based on the acquisition cost and expected economic useful life. The Company applies the straight-line method. The expected useful life of tangible fixed assets in years is as follows in the table below.
The Company generally applies similar depreciation rates as set out in the Income Tax Code No. 586/1992 Coll., as time to time amended, pro-rated to the monthly depreciation rates as described in the Section Depreciation of fixed assets In case the expected useful life determined by a technical manager significantly differs from depreciation rates set out in the Act No. 586/1992 Coll., the depreciation rate proposed by the technical manager is applied.

A provision for impairment is to be created where the carrying value of tangible asset is higher than its estimated market value.

Repairs and maintenance expenditures are expensed as incurred. The technical improvements of tangible fixed assets exceeding CZK 40 ths. per accounting period are capitalised, providing the fact that improvement either extends its economic useful life or improves its performance.

Table 6 – Depreciation period of tangible fixed assets

Expected useful life	(in years)
Buildings, halls and constructions	20-40
Machinery and equipment	3-10
Vehicles	3-5
Fixtures and fittings	2-3
Stamping dies, screens	3-5

Low-value tangible and intangible assets

All tangible assets with a useful life longer than one year and unit cost between CZK 4 – 40 ths. are treated as low-value tangible assets.
All intangible assets with a useful life longer than one year and unit cost between CZK 4 – 60 ths. are treated as low-value intangible assets.

Low-value assets include mainly items that do not create a functional unit and are multilaterally useable to compose the set. In respect of low-value intangible assets the classification of assets is determined among others by EULA which specifies if respective asset does not constitute ultimate component of the other tangible asset.

The depreciation of low-value tangible and intangible assets is calculated on the basis of acquisition cost and expected economic useful life (generally determined as 2-3 years). The Company applies the straight-line method of depreciation.

Capitalisation of costs into fixed assets

The costs are capitalized into fixed assets solely based on technical and operating documentation. It ensures correct classification of fixed assets and properly followed reality in the accounting records.
Fixed assets are classified based on the evaluation of the respective technical manager.
For the purpose of tax and accounting depreciation and amortization of fixed assets the Company splits tangible and intangible fixed assets and low-value assets into classes in accordance with the Income Tax Act No. 586/1992 Coll.
If the depreciation or amortization rates are subsequently changed or the asset classification is latter amended by the law, the Company keeps the rates set and does neither retrospective nor beforehand changes to the accounting rates of depreciation charge to the respective assets.

Depreciation of fixed assets

The Company depreciates its fixed assets on a monthly basis, starting one (1) month after the capitalisation of the assets (put into use).
In case of delayed capitalisation of an asset the Company performs extraordinary depreciation charge. It adjusts the accounting records by the amount that equals to the difference between actual amount charged to the Income statement and amount that should have been charged.

Depreciation term adjustment	The depreciation period may be (adjusted) reduced on the basis of the recommendation made by the respective technical manager. In case the actual expected useful life is significantly shorter compared to the expected useful life of such an asset according to the Act No. 586/1992 Coll. as time to time amended, the expected useful life as per the Income tax code is used and applied by pro-rating of annual depreciation rates.
Depreciation of sets of assets	The sets of assets are depreciated using a depreciation rate corresponding to the main element of respective set of assets. The sets of assets include mainly a larger set of individual assets that are used as a complex and based on their simultaneous utilization and location it is rational to consider such assets as a structural unit. The set of assets comprising low-value assets are depreciated over a period of up to four (4) years. The CFO determines the depreciation rate based on proposal of respective technical manager.
Depreciation suspension	The Company does not allow for the suspension in accounting depreciation of its assets.
Other substantial accounting policies	
Cash and cash equivalents	The cash items (cash in hand and cash at banks including bank overdrafts) are stated at their nominal value as at the date of the transaction or the last year end translation. The cash items denominated in foreign currencies have been properly translated, using the exchange rate table published by the Czech National Bank as at the balance sheet date. Cheques are treated and translated as cash, analyzed as presented and unpresented cheques. All checks in the evidence are in their face value and are neither void nor rejected by the bank.
Cash flow statement	The Company uses indirect method in its statutory Cash Flow reporting.
Equity	The share capital of the Company represents the share capital registered in the Commercial Register as at the balance sheet date. The legal reserve fund was created up to the amount of 10 % of the share capital. In accordance with the new Civil Code and adjoining statutes this concept was abandoned, but legal reserve fund already created may be used to offset accumulated losses only.
Bank loans and other borrowings	Short-term and long-term loans and borrowings are recorded at their nominal value. The current portion of long-term loans and borrowings payable within one year after the balance sheet date are classified as short-term loans and borrowings. The interest is expensed in the Income statement under the accrual principle irrespective of the payment due date. In case of expected breach of covenants resulting into the risk of immediate repayment of the loan the loan is classified fully as short term.
Revenues and expenses	Revenues and expenses are recognized under the accrual principle i.e. matched in the accounting period in which they were earned and incurred. Under the prudence principle the Company creates provisions and recognizes the impairments of assets in order to cover all potential risks, losses and decrease in values of assets recorded as known at the date of preparation of the financial statements.
Foreign currency translation	Transactions denominated in a foreign currency are translated and recorded at the exchange rate as published by the Czech National Bank (CNB) ruling as at the transaction date except for the cash in hand. Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.
Corporate income tax - current	The income tax expense reported in the Income statement for the accounting period comprised corporate income tax expense and deferred tax expense/credit.

	The current period corporate income tax charge has been calculated based on the profit before tax for the accounting period adjusted for permanent and temporary differences using the valid tax rate.
Corporate income tax - deferred	The deferred tax is to be recognised on all temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base. The deferred tax is calculated at the corporate income tax rate that is expected to be applied in the period when the tax liability is expected to be settled or the asset realised. Deferred tax asset is recognised only if it is probable that sufficient future taxable profits will be available against which the asset can be utilised.
Pension plans	The Company does not contribute to any defined contribution pension plans of its employees operated by independent pension funds. The Company regularly contributes to the mandatory state pension fund. The related cost is expensed in the respective accounting period.
Hedging interest rate risk and foreign currency risk and hedge accounting	The Company does not substantially hedge against either the interest rate risk or foreign currency risk. The interest rate risk and foreign currency risk were taken into consideration when calculating the standard cost of products and creating cash flow and payment instruments strategies. No hedge accounting entries were performed.
Leasing	The costs of assets held under both finance and operating leases were not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease contract. If the leased asset is purchased at the end of the lease period, the asset is capitalised at its purchase price or its replacement cost in case the purchase price is close to zero. Initial lease payments (down payments), if any, are evenly allocated over the lease term.
Assets impairment policies – general comment	The Company creates provisions for impairment of inventory of raw materials, finished goods, work in progress, goods for resale, fixed assets and receivables in line with the prudence principle to record these assets in their fair value.
Provisions for inventory of raw materials, finished goods and goods for resale	The provision is created at 50 % of the inventory unit carrying value for: • Slow moving inventory, items that are more than one (1) year without movement • Scrap for sale
Provisions for work in progress	The provision is created at 50 % of the dyed yarn stock value as at 31 March that is more than one (1) year with no movement, based on the results of stock-take held.
Provisions for fixed assets	The provision for impairment is established based on the results of the physical inspection and the expected remaining useful life of individual fixed assets.
Bad debt provisions	The Company creates tax-deductible provisions (in accordance with Act No. 593/1992 Coll., Tax Reserves Act) and non-tax-deductible bad debt provisions (in accordance with the Czech Accounting Standard No. 005). A provision for doubtful amounts is created on the basis of individual evaluation and credit scoring of the respective customer. Bad debt provisions to receivables created in the period ended 31.12.2013 with a nominal value not exceeding CZK 200 ths. are provided for based on their ageing analysis – for receivables past due of: • > 12 month 100% provision is created by increasing the tax allowable provision • 6-12 month 30% provision is created by increasing the tax allowable provision • 3-6 month 20% provision is created by increasing the tax allowable provision Bad debt provisions to receivables created in the period after 1.1.2014 are provided for based on their ageing analysis – for receivables past due of:

- > 18 month 100% provision
- > 12 month 50% provision

Any further provisions above or below this level are merit based, subject to the individual assessment of collectability/ risk assessment made by CFO.

Bad debt provision for customers in bankruptcy and similar proceedings	The bad debt provision is created in the total nominal value (100%) of the respected receivables. The bankruptcy proceedings and customers with higher risk are closely monitored. The Company focuses on minimizing bad debt risk exposure by matching its receivables with payables of the same counterparty before turning to the bankruptcy court. The provision can be of lower level in case of restructure procedure in place.
Revaluation of inventories	
Revaluation difference	In case the purchase costs of raw material would fluctuate significantly it might be necessary to adjust the valuation of finished goods (FG) to reflect their real value.
Revaluation difference release	The resulting revaluation difference is released to the Income statement based on the turnover period of these inventories:

$$\text{Turnover period of FG in months} = \frac{\text{FG inventory level before revaluation}}{\text{average monthly revenues}}$$

$$\text{The revaluation difference differed} = \frac{\text{revaluation difference}}{\text{turnover period of FG in months}} \text{ X no. of months}$$

Year-on-Year changes in the reporting pattern as reflected in the financial statements, valuation policies changes	There were no substantial year-on-year changes in the valuation, depreciation and accounting policies in the year ended 31 March 2018 compared to the preceding accounting period. The financial statements in the comparative period are in full compliance with the new statutory accounting and reporting framework which has been effective from 1 January 2016.
Subsequent events	The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date. Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

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Part III. – Additional information on the Balance Sheet

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Tangible fixed assets – general comment

Tangible fixed assets are recorded at cost. No revaluation to the market value of tangible fixed assets was made in the current or preceding accounting periods.
The Company believes that the carrying value of the tangible fixed assets is not overstated, no impairment provision was created. Fixed assets physical inspection was performed as at 31 December 2017.
No provision is recorded for the cost of repairs of the fixed assets. The maintenance of fixed assets meets the Company's daily operating requirements and is sufficient in respect of the current conditions of tangible fixed assets. There was no provision created to the tangible fixed assets as for their excessive wear and tear.

Tangible fixed assets – movable assets

The Company's tangible movable fixed assets in the current and preceding accounting period can be analyzed as follows in the Table 7 - Overview of movable fixed assets, below.

All assets kept and used by the Gallarate Branch are leased under operating lease conditions, no tangible fixed assets to be accounted for and disclosed exist.

Table 7 – Overview of movable fixed assets (CZK ths)

Group	2017 Cost	2017 Acc'd dep'n	2017 NBV	2016 Cost	2016 Acc'd dep'n	2016 NBV
Machinery and equipment	366,703	298,995	67,708	364,600	279,475	85,125
Vehicles	47	41	6	47	35	12
Low-value tangible fixed assets	21,301	20,643	658	20,808	19,405	1,403
Total	388,051	319,679	68,372	385,455	298,915	86,540

Tangible fixed assets – immovable assets

The Company's immovable fixed assets in the current and preceding accounting period can be analyzed as follows in the Table 8 - Overview of immovable fixed assets, CZK ths.

None of the Company's immovable tangible fixed assets were entitled to be enrolled into either 'brownfields' revitalization program or programs for remediation of old environmental damage in the current and preceding accounting period.

Easements relate mainly to the rights of use in respect of use of adjoining plots. The rights received free of charge are valued at cost associated with their market value. The easements are properly disclosed as other tangible fixed assets on row no. B.II.4.3. of financial statements.

The Company uses tangible immovable assets primarily for its production purposes. Some of the tangible immovable assets are either leased (e.g. as apartments, family houses, hostel) or held for sale.

Carrying value of the assets held for sale is at a level when the Company is not exposed to risk of potential loss from the sale of these fixed assets.

Table 8 – Overview of immovable fixed assets (CZK ths)

Group	2017 Cost	2017 Acc'd dep'n	2017 NBV	2016 Cost	2016 Acc'd dep'n	2016 NBV
Buildings, halls and constructions	239,228	120,938	118,290	236,751	113,665	123,086
Land	4,082	0	4,082	4,082	0	4,082
Other tangible fixed assets - easements	1,294	104	1,190	118	102	16
Total	244,604	121,042	123,562	240,951	113,767	127,184

Leased assets – operating and capital leases

General Comment

Several core business assets are acquired via capital (finance) lease.
Several non-core assets are acquired via operating lease (cars).

Tangible movable fixed assets under the lease or rent - Finance (capital) leases

The Company uses capital (finance) leases for the financing of production assets acquisition (looms sets, warpers, sizing machine). There is no downpayment clause in any of the leasing contracts. All lease contracts are concluded for 5 years.

All and any leased assets are not leased for the period longer than their economic useful life.
In case of the complex set of assets leased the performance bond for the cross performance guarantee has been issued by the Company as assets combination was performed under direct and exclusive Company's requirements.

Lease costs are charged on pay as you go basis to the Income statement, the Company is responsible for the damage and liability insurance.

Table 9a – Capital leases (EUR)

To date	Leased Item	Amounts paid and payable from existing contracts [EUR]	Paid [EUR]	Amounts payable from the existing contracts Within 1 year [EUR]	Amounts payable from the existing contracts More than 1 year [EUR]
31/03/2018	Jacquard looms	1,357,847	976,928	266,366	114,554
31/03/2018	Dobby looms	618,622	508,450	110,171	0
31/03/2018	Warp preparation - sizing machine	388,157	297,587	77,631	12,939
31/03/2018	Warp preparation - other	95,410	69,967	19,082	6,361
31/03/2018	Dyeing machine	205,426	30,814	41,085	133,527
31/03/2018	Other leased assets	21,766	16,446	4,256	1,064

Sale and leaseback

Due to the fact that the Company leases specific technologies, usually supplied as "multi-vendor deals", technically the Company sells the assets under construction to the leasing company and lease them back. All sale and leaseback contracts are concluded with Raiffeisen-Leasing.

Table 9b – Sale and leaseback (EUR)

Leased Item	2017 [EUR]	2016 [EUR]
Jacquard looms	1,357,847	1,357,847
Dobby looms	618,622	618,622
Warp preparation - sizing machine	388,157	388,157
Warp preparation - other	95,410	95,410
Dyeing machine	205,426	169,000
Other leased assets	21,766	21,766

Tangible movable fixed assets under the lease or rent - Operating leases

The only tangible movable fixed assets under company control with no current or future contracted ownership were personal cars and light utility van; where operating lease contract is in force. Leases are concluded for a definite period of time and mileage with aim to minimize TCO of each particular car. TCO is calculated on the basis of full service lease.

Lease terms are between 3 and 5 years, determined by the expected annual mileage and expected future market value of each particular vehicle. Leases are performed in the Czech Republic and Italy by the same leasing company.

Lease cost as stipulated below include full costs, including highway vignette, full insurance and petrol costs prepayment. Final settlement will be performed at the end of the lease.

Table 9c – Operating leases (CZK ths)

To date	Number of cars	Amounts paid and payable from existing contracts	Paid	Amounts payable	
				Within 1 year	More than 1 year
31/03/2018	18	13,235	6,895	2,905	3,435
31/03/2017	19	13,330	8,476	1,966	2,888

Tangible immovable fixed assets under the lease or rent

The Company did not use finance lease of any of its tangible immovable assets in the current or comparative accounting period to acquire the assets (capital leases).
The Company used leased office premises in Černý Most - Prague and in Milano – Gallarate, Italy and an apartment for the member of the statutory body. The Company did not use any other tangible immovable assets.

Table 10 – Rent of immovables (CZK ths)

	2017	2016
Černý Most	174	181
Gallarate	265	264
Appartment for member of statutory body	360	360
Total	800	805

Tangible assets not presented in the balance sheet

Except for tangible fixed assets held under the finance lease and low-value assets with unit cost less than CZK 4 ths. the Company did not have any tangible fixed assets not reflected on the balance sheet. There were no ownership rights or any similar rights or benefits in the current and preceding accounting period.

Tangible fixed assets with a unit cost of less than CZK 4 ths. were either expensed or treated as inventory (MTZ) and expensed upon consumption. This approach was consistent in both periods, the current and preceding accounting period.

Intangible fixed assets – general

The intangible fixed assets are recorded at cost. No revaluation to the market value of intangible fixed assets was made in the current or preceding accounting period.
The Company believes that the carrying value of the tangible fixed assets is not overstated and therefore no impairment provision was created.

Intangible fixed assets - definition

Software accounting policies as described in Intangible fixed assets, were strictly adhered to. The Company follows OEM principles (inseparability of hardware and software), EULA and SAS contracts. All OEM software is accounted for as a part of the respective hardware.

The Company's intangible fixed assets in the accounting period were as follows:

Table 11 – Intangible fixed assets (CZK ths)

Group	2017			2016		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Software	14,375	14,204	171	14,376	14,121	255
Software low-value intangible assets	673	673	0	1,150	1,150	0
Other royalties	128	10	118	0	0	0
Total	15,176	14,887	289	15,526	15,271	255

Intangible fixed assets leased	The Company did not use any leased intangible assets in the current or preceding accounting period.
Intangible fixed assets – other royalties	Other royalties represent trademarks in possession of the Company and are properly disclosed on row no. B.I.2.2. in the balance sheet. As at 31 March 2018 the Company had the ownership rights to the trademark „MILETA“ registered in EIPO under the registration number 016152381 and the trademark “PERLA” registered in WOTRA under the registration number TE-828-03F.
Intangible assets not reflected on the balance sheet	The Company does not use any intangible assets other than reflected on the balance sheet except for combined trademarks “MILETA HOŘICE a.s.”, registered in ÚPV, OHIM and WIPO under identification numbers 211 648, 211 649. These intangible assets are neither valued nor presented on the balance sheet due to the fact that they were acquired by own activity.

Table 12 – Overview of intangible fixed assets (CZK ths)

	as at 1.4.2017	Additions/ transfers	Disposals	as at 31.3.2018
COST				
Software	14,376	0	0	14,376
Software - low-value intangible assets	1,150	0	-478	672
Trade marks	0	128	0	128
Advances paid for intangible fixed assets and intangible fixed assets in the course of construction	415	0	0	415
Total	15,941	128	-478	15,591
ACCUMULATED DEPRECIATION				
Software	-14,121	-84	0	-14,205
Software low-value intangible assets	-1,150	0	478	-672
Trade marks	0	-10	0	-10
Total	-15,271	-94	478	-14,887
NBV	670			704

	as at 1.4.2016	Additions/ transfers	Disposals	as at 31.3.2017
COST				
Software	14,251	125	0	14,376
Software - low-value intangible assets	1,081	69	0	1,150
Advances paid for intangible fixed assets and intangible fixed assets in the course of construction	492	-77	0	415
Total	15,824	117	0	15,941
ACCUMULATED DEPRECIATION				
Software	-14,033	-88	0	-14,121
Software low-value intangible assets	-1,081	-69	0	-1,150
Total	-15,114	-157		-15,271
NBV	710			670

Table 13 – Overview of tangible fixed assets (CZK ths)

	as at 1.4.2017	Additions/ transfers	Disposals	as at 31.3.2018
COST				
Buildings, halls and constructions	236,751	2,477	0	239,228
Land	4,082	0	0	4,082
Works of art and collections	0	1,176	0	1,176
Other tangible fixed assets	118	0	0	118
Machinery, plant and equipment	364,600	2,275	-172	366,703
Vehicles	47	0	0	47
Low-value tangible fixed assets	20,808	1,014	-521	21,301
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	9,720	9,095	-5,147	13,668
Total	636,126	16,037	-5,840	646,323
ACCUMULATED DEPRECIATION				
Buildings, halls and constructions	-113,665	-7,273	0	-120,938
Other tangible fixed assets	-102	-2	0	-104
Machinery, plant and equipment	-278,274	-20,895	173	-298,996
Vehicles	-35	-6	0	-41
Low-value tangible fixed assets	-20,606	-557	521	-20,642
Total	-412,682	-28,733	694	-440,721
NBV	223,444			205,602

	as at 1.4.2016	Additions / transfers	Disposals	as at 31.3.2017
COST				
Buildings, halls and constructions	217,374	19,377	0	236,751
Land	4,082	0	0	4,082
Other tanginble fixed assets	118	0	0	118
Machinery, plant and equipment	361,071	5,450	-1,921	364,600
Vehicles	47	0	0	47
Low-value tangible fixed assets	22,116	1,483	-2,791	20,808
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	16,634	-6,914	0	9,720
Total	621,442	19,396	-4,712	636,126
ACCUMULATED DEPRECIATION				
Buildings, halls and constructions	-107,362	-6,303	0	-113,665
Other tangible fixed assets	-101	-1	0	-102
Machinery, plant and equipment	-258,576	-21,619	1,921	-278,274
Vehicles	-29	-6	0	-35
Low-value tangible fixed assets	-21,938	-1,459	2,791	-20,606
Total	-388,006	-29,388	4,712	-412,682
NBV	233,436			223,444

Additions of fixed assets

The Company continuously renews and upgrades fixed assets to secure its future operations or to improve the production efficiency. These capital expenditures are financed from Company´s own funds or via capital leases and from long-term CAPEX loans.

Additions and disposals of fixed assets – analysis of additions and disposals in net book value

Several disposals were made in the accounting period. These assets were disposed off as to their wear and tear and business non-core assets status.

All disposals of fixed assets were made by sales at a price equal to or higher than their directly attributable net book value. The Company did not recognize any losses arising from the sale of fixed assets, save the immaterial sales of assets, where it was impractical to keep the assets as to their wear and tear and level of maintenance costs, and one unique sale of the machine to the leasing company as described below.

During the comparative accounting period the Company acquired the short-liquor dyeing machine FabricMaster Jet from the Swiss manufacturer LAB-PRO GmbH. The machine was sold to the leasing company as it was the subject of sale & leaseback contract provided by Raiffeisen – Leasing, s.r.o. during the accounting period. The income from the sale of the machine in the amount of CZK 5,045 ths was properly disclosed in row no. III.1. in the income statement. The associated net book value of the machine in the amount of CZK 5,147 ths was properly disclosed in row. no. F.1. in the income statement. The difference between the sale price and the net book value of the asset stands for the costs which were relating to the acquisition or the installation of the machine but were not the subject of the lease contract.

Analysis of sales of immovable assets

The company did not have any substantial sales of immovable assets during financial year 2017. All sales relate to the non-core assets sales only.

Table 14 – Analysis of sales of immovable assets (CZK ths)

Immovable assets sold or exchanged	2017	2016
Land	2	0

Note to Table 14 – year 2017: The disposal of immovable assets in the value of CZK 2 ths represents the exchange of the plot of land no. 281/40 for the plot of land no. 232/2, both in the cadastral area Černý Důl, with the municipality Černý Důl.

Analysis of sales of movable assets

Assets replacements

During the current accounting period the Company sold unused movable fixed assets and replaced them by the new ones.

Table 15 – Analysis of sales of movable assets

Assets sold	2017	2016
Other movable assets	7	23

Fixed assets under construction

Fixed assets under construction - analysis

Fixed assets under construction consists mainly of the wide washing machine (project no. 7016/16) in the value of CZK 9,102 ths as at 31 March 2018 (from it: machinery: CZK 7,929 ths, installation costs & building upgrades: CZK 1,173 ths). The machine was acquired as the second-hand in January 2017 and was fully refurbished. The machine is in the testing operation as at the date of preparation of financial statements. The total budgeted amount for the acquisition of the machine and associated works amounts to EUR 440,000 and the Company refinanced these capital expenditures via sale & leaseback during the current accounting period (2018/2019).

During the accounting period the Company put the new short-liquor dyeing machine FabricMaster Jet into permanent operation and refinanced it under the sale & leaseback scheme with Raiffeisen-Leasing (the value of the capital lease contract as at 31 March 2018: EUR 192,925).

Software and other intangible assets under construction represent new web presentation and e-shop which are the subject of undergoing modifications and were not put into permanent operation as at 31 March 2018.

Table 16 – Analysis of fixed assets under construction (CZK ths)

Fixed assets under construction	2017	2016
Machinery & equipment	8,743	4,189
Production halls	1,453	836
Software and other intangible assets	415	415
Other	39	3

Assets under construction longer than one year

Several asset replacement projects last substantially longer than one year. These projects are prepared and capitalised, the Company makes regular tests on impairment of such capitalised expenses.

Table 17 – Analysis of fixed assets in the course of construction longer than 1 year – 2017

Project no.	Description	Amount	Status
7044/13	Web presentation and e-shop	415	testing
	Other	142	

Company's assets with significantly higher market value compared to the net book value

Except for the assets held for sale or the valuation for the purposes of security interest charge no expert valuation of the company's assets was made in the current or preceding accounting period.

Pledges and other similar rights to Company´s assets

Property rights restrictions

All property rights restrictions relate to the security interest over company property in relation to the bank financing.

Table 18 – Pledges and other rights to Company`s assets

Lender	Date of pledge	Registrar	Identification
Raiffeisenbank	02/03/2015	Cadastral office Hradec Kralove region	r.n. V-1581/2015-604
Raiffeisenbank	25/02/2013	Cadastral office Hradec Kralove region	r.n. V-648/2013-604
Raiffeisenbank	15/07/2015	Cadastral office Hradec Kralove region	r.n. V-6046/2015-610

Related party pledges

Neither in the preceding periods nor in the accounting period there was no pledge made to a related party.

Fixed assets under encumbrances and easements

The Company owns the following assets under encumbrances and easements in the current accounting period.

Table 19 – Encumbrances and easements

Right of use	Land identification	Area	Identification
Right to enter	226, 292, 1417/18, 1845	Dolní Branná	Z-260035/1999-610
Right to establish distribution system	107/3	Podhůří - Harta	V-3070/2012-610
Rigt to enter	1572/2, 1797/1	Dvůr Králové nad Labem	V-5639/2011-610
Right to consume groundwater	5800, 1797/1, 4910	Dvůr Králové nad Labem	V-5639/2011-610
Right to enter	232/2	Černý Důl	Z-2100037/2000-610

Inventories

Categories of inventories

According to the nature of Company's business, the categories of inventories in the accounting period were as follows:

(a) Raw Material
(b) Work-in-progress
(c) Semi-finished goods
(d) Finished goods
(e) Goods for resale

The semi-finished goods may be used to proceed into finished goods by the Company or may be sold to the customer as finished goods depending on conditions of individual orders. The valuation of these products is identical either as semi-finished products or finished goods.

The net amount of Company's inventories was CZK 317,507 ths as at 31 March 2018 (CZK 309,933 ths as at 31 March 2017).

Table 20 – Structure of inventories (CZK ths)

	2017			2016		
	Gross	Provision	Net	Gross	Provision	Net
Yarn	25,279	1,455	23,824	26,629	1,446	25,183
Other material	30,687	781	29,906	22,639	756	21,883
Total material	55,966	2,236	53,730	49,268	2,202	47,066
Work-in-progress	64,612	1,691	62,921	65,703	1,448	64,255
Finished goods	180,634	10,483	170,151	179,213	10,005	169,208
Goods for resale	31,393	1,013	30,380	30,192	793	29,399
Prepayments for inventory	325	0	325	5	0	5
Total	332,930	15,423	317,507	324,381	14,448	309,933

Provisions to inventories

General provision to inventories is created to reflect saleability of slow moving inventory based on the analysis of turnover as described in the Part II.
Further, a provision is created for obsolete, damaged or for other inventories with limited demand.
Structure of provisions made is shown in Table 20 – Structure of inventories.

Revaluation of own products

The Company revalued finished goods, semi-finished goods and work-in-progress inventory as at 1 January 2018 to its net realizable value derived from the price of cotton yarn in global markets.
The total resulting revaluation difference as of 1 January 2018 represents the decrease in the inventory value in the amount of CZK 7,119 ths (the increase in the inventory value in the amount of CZK 3,111 ths as at 1 January 2017) and it is released to the income statement based on the turnover period of such inventories calculated as per the formula disclosed in Part II. of these notes. This transaction is recorded in the row no. B Change in inventory of finished goods and work in progress in the Income statement.
The inventory revaluations were made in order to ensure the true and fair view of the financial statements and minimize the impact of volatility of commodity prices.

Inventory stock-count results

The Company performed the inventory stock-count as at 31 December 2017 pursuant to the legal framework. Surpluses and shortages from the inventory stock-count were posted based on the valid policy and reflected in the calculation of the current year tax base.

Table 21 – Inventory stock-count results (CZK ths)

Inventory stock-count results	Description	Difference
Raw Material	Shortage below the limit	-2,387
Work-in-progress	Shortage below the limit	-41
Finished goods	Damage	-25
Merchandise	Damage	-29
Total result of inventory stock-count:		-2,482

Trade receivables – general comment

Due to the nature of the industry, the Company is not able to have its receivables secured by collateral or by any other pledge equivalent.
The Company's receivables are not covered by any credit insurance policy covering the credit risk due to the geographical revenues structure.

The Company is continuously scoring the credit of its customers. The Company focuses on mitigation of credit risks by the implementation of internal controls at the moment of sale and application of methodology KYC (Know Your Client) within the sales team.
Short-term receivables include short-term advance payments to suppliers, but are net off any receivables in factoring.

Trade and other receivables of the Company have not been secured against any guarantees and are not due after more than 5 years.

Table 22 – Trade receivables (CZK ths)

	2017	2016
Trade receivables – total	255,254	281,652
Out of which : overdue receivables	159,096	171,165
Out of which: overdue receivables – more than 180 days	119,712	111,805

Factoring

The Company uses factoring of receivables. All receivables recorded in balance sheet are genuine trade receivables of the Company.
As at 31 March 2018 there is only one (1) valid contract signed by the Company relating to factoring services.
No suspended receivables in factoring were reported by the factor.

Table 23 – Factored receivables and advance payments received from factoring (CZK ths)

	2017	2016
Total amount of receivables in factoring	7,713	5,898
Related advance payments reached	6,170	4,718

Short-term intercompany receivables

Neither as at 31 March 2018 nor as at 31 March 2017 the Company did not have any intercompany receivables.

Tax receivables

Tax receivables relate to the VAT claim for March 2018 in the amount of CZK 3,590 ths. (CZK 2,702 ths. as at 31 March 2017) and the tax overpaid from Corporate Income tax advances paid CZK 5,489 ths. (CZK 2,927 ths. as at 31 March 2017)

Receivables pledged as collateral

Neither as at 31 March 2018 nor as at 31 March 2017 the Company did not have any receivables pledged as collateral. The Company does not use its receivables as a pledge for operational or other financing purposes.

Long-term receivables

The Company had the long-term receivable in the net amount of CZK 3,337 ths as at 31 March 2018 to the contractor which supplied the new production hall in Horice, the company PSK – Průmyslové stavby a konstrukce, a.s. (CZK 3,337 ths. as at 31 March 2017). This receivable in the original amount of CZK 6 674 ths represents contractual fines and penalties arising from the settlement agreement concluded with this company.

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Financial assets, prepayments and accrued income

Cash and cash equivalents – general comment

Cash and cash equivalents include petty cash, cash in banks including bank overdraft and cash equivalents. The balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date.

Table 24a – Analysis of cash and cash equivalents as reported in the Cash Flow Statement (CZK ths)

Analysis of financial assets	2017	2016
Cash on hand	450	1,012
Cash equivalents	30	33
Bank accounts	2,966	4,143
Cash in Transit (non-cashed cheques)	2,788	2,745
Total financial assets as at 31.03.2018	6,234	7,933
Bank overdraft	-23,181	-22,327
Cash and cash equivalents at the end of the period	-16,947	-14,394

Cash in bank and petty cash

The Company had opened bank accounts in six (6) financial institutions in order to minimize transaction fees and at the same time maximize the flexibility of payment options, which are expected by customers and if lost could result in the deterioration of the customer's payment ability or even the loss of customers. Bank accounts balances as reported in the Balance Sheet do not include overdrafts, reported in the short term loans.

Table 24b – Analysis of short-term financial assets as reported on the Balance Sheet (CZK ths)

Analysis of financial assets	2017	2016
Cash on hand	450	1,012
Cash equivalents	30	33
Bank accounts	2,966	4,143
Cash in Transit (non-cashed cheques)	2,788	2,745
Total financial assets as at 31.03.2018	6,234	7,933

Translation balances denominated in foreign currencies

The Company translated petty cash balances and cash in bank accounts denominated in foreign currencies as at the balance sheet date 31 March 2018. The resulting expense of CZK 51 ths was reflected as the decrease of the year-end balance due to the foreign currency translation.

Received checks and bills of exchange

As at 31 March 2018 the Company had unpresented cheques in the total value of CZK 2,788 ths. These instruments were accounted for as cash received.

Long-term financial assets

The Company does not hold any financial investments in the current period nor in the preceding period. The Company did not make any long-term financial investment either in the current or preceding period.

Prepaid expenses – general comment

Prepaid expenses represent ordinary operating expenses, which form an integral part of the Company's accounts in the current accounting period but due to time and factual coherence they represent expenses of future accounting periods.

The total amount of prepaid expenses as at 31 March 2018 is CZK 12,646 ths (CZK 9,438 ths as at 31 March 2017) and is properly disclosed on row no. D.1. of financial statements. Prepaid expenses consists mainly of prepaid marketing costs, the relevant part of revaluation of inventories and interest expense arising of letters of credit relating to future accounting period.

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Share capital

The company ALOK INDUSTRIES INTERNATIONAL LTD is the Company's sole shareholder as at 31 March 2018.

Table 25 – Analysis of share capital

Structure of share capital	As at 31 March 2018			As at 31 March 2017		
	Share capital	No. of shares	Share (%)	Share capital	No. of shares	Share (%)
ALOK INDUSTRIES INTERNATIONAL LTD. *(shares with nominal value of CZK 196, fully paid)*	231,310	1,180,152	100	231,310	1,180,152	100

Changes in equity

The loss reported in the current accounting period will be transferred to retained earnings in the subsequent accounting period.

Table 26 – Statement of changes in shareholders' equity (CZK ths)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital	Reserve funds	Capital funds	Retained earnings	Profit/loss of acc. period	Total equity
As at 1 April 2016	231,310	32,341	1,835	84,221	24,366	374,073
Profit distribution	0	0	0	24,366	-24,366	0
Net profit for the current period	0	0	0	0	12,029	12,029
As at 31 March 2017	231,310	32,341	1,835	108,587	12,029	386,102
Profit distribution	0	0	0	12,029	-12,029	0
Net loss for the current period	0	0	0	0	-4,251	-4,251
As at 31 March 2018	231,310	32,341	1,835	120,616	-4,251	381,851

Profit distribution/loss cover

The Company has not made any proposal on loss cover for the year 2017 as at the date of preparation of financial statements. The profit of prior fiscal year 2016 (preceding accounting period) was distributed as follows:

Table 27 – Distribution of profit from preceding accounting period (CZK ths)

Distribution of profit from previous years	
Profit earned to be distributed	12,029
Retained earnings as at 1 April 2017	108,587
Retained earnings as at 31 March 2018	120,616

Reserves & provisions

The Company recorded a provision for untaken holiday in total amount CZK 2,652 ths in 2017 (CZK 2,228 ths in the preceding accounting period)
In 2017 the provision for unpaid salaries and pension scheme contributions created in accordance to the Italian law in Gallarate branch in total amount CZK 1,124 ths (in 2016 CZK 1,055 ths).

Table 28 – Creation of reserves (CZK ths)

Provision	2017	2016
Untaken holiday	2,652	2,228
Not paid salaries	1,124	1,055
Other	0	205
Total	3,776	3,488

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Loans, borrowings and other financing instruments

Bank loans – general comment

Raiffeisenbank provided the Company with the credit facility up to EUR 10,000 ths. (including capital leases) based on the credit facility agreement. The facility is structured in overlapping baskets and maximum capacity of all baskets (facility mix enabling maximum capacity) was set to the amount stipulated below.

Specifically the Company uses the overdraft with the maximum limit of EUR 1,000 ths for covering day-to-day operating expenses (low-value raw materials, energy supplies, office suplies, ship & freight, wages & salaries, services not capitalised into fixed assets, etc.). Furthermore the Company uses import letters of credit with the total limit of EUR 4,000 ths. as a secure payment method for buying raw materials (mainly yarn) and goods for resale from countries outside Europe.

The Company used the factoring of receivables to respective customers with the maximum factoring limit up to EUR 300 ths which is valid from February 2018.

Acquisitions of long-term assets are financed by the appropriate tools, mainly long-term bank loans or via sale & leaseback capital leases provided by Raiffeisen-Leasing.

Capital expenditures loans

Raiffeisenbank provided the Company with several CAPEX loans which were gradually drawn in the accounting periods 2013 – 2015. All these loans are repaid in regular monthly instalments containing fixed repayment of principal and the interest element stipulated as the surcharge to variable market interest rate (EURIBOR).

Purpose of these CAPEX loans is to finance the renewal of production and office premises after the conflagration in December 2012 and the reconstruction of sewage water treatment plant of the production facility (finishing department) in Černý Důl.

Table 29-a – CAPEX loans

type	purpose	principal (EUR)	principal (EUR) as at 31 Mar 2018	principal (EUR) as at 31 Mar 2017
CAPEX loan 2	construction of production hall and warehouse	1,923,077	1,263,737	1,483,517
CAPEX loan 3	reconstruction of office premices	1,200,000	848,211	985,347
CAPEX loan 4	reconstruction of sewage water treatment plant	521,000	388,626	446,514
	TOTAL	3,644,077	2,500,574	2,915,378

Operating capital loans

Factoring
The contract concluded with Raiffeisenbank for the assignment of receivables to respective foreign customers to meet Company´s present and immediate cash needs for financing its working capital.
The maximum limit is EUR 300 ths as at 31 March 2018.
The outstanding balance as at 31 March 2018 is EUR 243 ths (As at 31 March 2017: EUR 175 ths).

Multi purpose OpEx loan
Multi purpose facility of EUR 5,200 ths for financing L/C imports, bank guarantees and overdraft.
The company uses the overdraft with the maximum limit of EUR 1,000 ths for financing of its short-term common operating needs.
The company uses the import letters of credit as a secure payment method for buying raw materials (mainly yarn) and goods for resale from countries outside Europe. The maximum limit is EUR 4,000 ths and can be used for LCs in EUR or in USD. The outstanding balance from LCs as at 31 March 2018 is EUR 2,596 ths and USD 801 ths (As at 31 March 2017: EUR 2,380 ths and USD 887 ths).

Master agreement for financial transactions
The Company concluded the master agreement for financial transactions with Raiffeisenbank in order to be able to promptly react to adverse changes in financial markets by hedging its interest rates or FX risks. The Company continuously monitors the situation in financial markets. No forwards, futures, options or swaps were concluded as at 31 March 2018.

Bank guarantees

Bank guarantees
In the accounting period Raiffeisenbank provided the Company with the Letter of Indemnity to be given in return for delivering the shipment of goods to the respective Australian customer without production of the original Bill of Lading incorporating the Bank´s agreement to join in the Letter of Indemnity. The liability of each and every person under this indemnity shall in no circumstances exceed 150% of the CIF value of the cargo and represents the total amount of USD 14.376,-.

On 17th October 2017 the Company was provided with the bank guarantee in the form of comprehensive guarantee which covers the amount of existing and potential customs debt and of other charges, where applicable, corresponding to more than one customs procedure of the Company. This new requirement on the security of customs debt resulted from the changes of the implementing regulations to the Union Customs Code (Regulation (EU) No 952/2013) which have become effective from 01 May 2016.

The total reference amount of CZK 5,900 ths, corresponding to the comprehensive guarantee, is composed of two different parts according to relevant customs procedures:
The amount of CZK 4,900 ths corresponding to the estimated maximum value of VAT and customs duty relating to the imported goods placed in the temporary storage.
The amount of CZK 1,000 ths corresponding to the estimated maximum value of customs duty relating to the goods released for free circulation.

Both of the above stated bank guarantees were provided by Raiffeisenbank a.s. based on the credit facility agreement dated 22 February 2013, as amended.

No bank guarantees were presented to be claimed as at 31 March 2017.

Table 29-b – OPEX loans

type	purpose	FX	maximum limit (EUR)	outstanding bal. as at 31 Mar 2018	outstanding bal. as at 31 Mar 2017
Overdraft	OPEX	EUR	1,000,000	911,550	826,017
Factoring	OPEX	EUR	300,000	242,621	174,537
Letters of credit (EUR)	goods and raw materials imports	EUR	4,000,000	2,596,493	2,379,543
Letters of credit (USD)	goods and raw materials imports	USD		800,890	886,768
Bank guarantees	guarantees	EUR	300,000	0	0
		USD		14,376	0
		CZK		5,900,000	0
Financial instruments	FX contracts, financial derivatives	EUR	individual	0	0

Risk management

The Company strictly adheres to all and any mandatory duties and strictly refrains from any actions which could be considered as “events of default”.
Furthermore the Company monitors the interest rate risk and considers the implementation of IRS.

Table 29-c – Bank loans (CZK ths)

	2017	2016
Long-term part	53,041	67,591
Short-term part	116,289	120,278
Factoring	6,170	4,718
Total loan unpaid	175,500	192,587

Interest expense	In the accounting period the Company accounted for CZK 7,424 ths as interest costs, in the comparative period then paid CZK 7,865 ths.

Accrued interest	Accrued unpaid interest has been properly disclosed on row C.II.8.6. of the balance sheet in the amount of CZK 904 ths (CZK 976 ths as at 31 March 2017).

Intercompany borrowings

The sole shareholder ALOK INDUSTRIES INTERNATIONAL LTD. provided the Company with several loans for financing its operating and investing needs. All these loans were consolidated with prior consent of Raiffeisenbank into one (1) unsecured loan in the total amount of EUR 6,700 ths based on the loan agreement concluded between the Sole shareholder as the lender and the Company as the borrower on 16 February 2013.

The part of the loan in the amount of CZK 100,000 ths is subordinated to the loans of Raiffeisenbank with prior consent of the Sole Shareholder. This part of the loan is classified as the long-term liability and is properly disclosed in on row no. C.I.6. – Liabilities to controlling entities.

The total outstanding balance as at 31 March 2018 is EUR 3,914,571 (As of 31 March 2017: EUR 3,992,800)

Table 30 – Intercompany borrowings in the foreign currency

Borrowings	Drawing date	Unpaid as at 31 March 2018	Unpaid as at 31 March 2017	Currency
ALOK Consolidated	01/01/2013	3,914,571	3,992,800	EUR

Table 31 – Intercompany borrowings (CZK ths)

	2017	2016
Long-term part	99,548	100,000
Short-term part	9,941	15,142
Total loans unpaid	109,489	115,142

Table 32 – Unpaid interests from intercompany borrowings (CZK ths)

	2017	2016
Unpaid interests arising from intercompany borrowings	9,941	7,217

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Payables other than from financing, anticipated payables, contingencies

General information

As at the date of preparation of financial statements the Company settled its due liabilities towards the state authorities, Social security office (ČSSZ), and health insurance companies, as well as paid salaries to its employees in due course.

Trade payables

The Company had no intercompany trade payables as at 31 March 2018 as well as at 31 March 2017. The intercompany payables as at 31 March 2018 represent interest from intercompany borrowings.

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years.

Table 33 – Aging of short-term payables (CZK ths)

Aged payables	Trade payables	Other payables	Total
Not due	42,071	22,508	64,579
- out of which: intercompany payables	0	0	0
Overdue	23,973	19,986	43,959
- Out of which: intercompany payables	0	9,941	9,941
Total as at 31 March 2018	66,044	42,494	108,538
Not due	45,598	36,189	81,787
- out of which: intercompany payables	0	7,925	7,925
Overdue	20,626	10,810	31,436
- Out of which: intercompany payables	0	7,217	7,217
Total as at 31 March 2017	66,224	46,999	113,223

Other payables

Other payables as at 31 March 2018 consist mainly of prepayments received, liabilities to controlling or controlled entity, liabilities to the social security office – CSSZ, health insurance compamies, unpaid wages and salaries, anticipated payables and interest arising from letters of credit.

Liabilities to the state, ČSSZ and health insurance companies – see Table 34 below.

Table 34 – Other payables (CZK ths)

Payables to state authorities	Social security	Health insurance	Tax payables
Not due	3,131	1,296	543
Overdue	7,565	2,480	0
Total as at 31 March 2018	10,696	3,776	543
Not due	3,026	1,250	635
Overdue	2,515	1,078	0
Total as at 31 March 2017	5,541	2,328	635

Note to Table 34: All due payables to state authorities and health insurace companies were paid as at the date of preparation of financial statements.

Short term advances received

The Company has short-term advances received as at 31 March 2018 of CZK 1,352 ths which represent advances received from customers (CZK 6,100 ths. as at 31 March 2017).

Anticipated payables

The anticipated payables as at 31 March 2018 include mainly unbilled supplies of energy (CZK 4,560 ths), refunds of goods for resale (CZK 598 ths), accrued interest (CZK 904 ths). Other anticipated payables represent payables from ordinary business activities.

Deferred revenue

The Company accounted for deferred revenue of CZK 1,735 ths (CZK 1,376 ths in the comparative period) relating to exports where sales recognition based on the transfer of risks and rewards, driven by the INCOTERMS 2010 conditions have not been met.

Commitments and contingencies	Total value of commitments unrecorded in the Balance sheet amounts to CZK 86,931 ths and will be fulfilled across the contracted payment terms or instalment schedules over the next 5 years. The Company has two (2) bank guarantees in its evidence, not disclosed in the balance sheet, but properly disclosed in these notes to financial statements in the section “Loans, borrowings and other financing instruments”.
Contingencies from litigations	The Company did not have any liabilities or contingent liabilities arising from active or passive law suits. None of the passive litigations was conducted against the Company’s assets.
Contingencies from the state authorities examinations and administrative proceedings	The Company did not have any administrative proceedings underway as at the balance sheet date and the date of preparation of the financial statements, which could potentially result in a liability which was not recognized in the balance sheet.
Financial derivatives, accounting for financial derivatives instruments	Even though the Company has an open position towards the currency volatility risk, no financial derivatives or any other derivative products were used. The Company’s policy regarding the risks is disclosed in part Risk management and risk factors.

Part IV. – Additional information to the Profit & loss statement

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Additional information to the Profit & loss statement

Revenues from sales of products and services

The revenue from sales of products, goods and services can be analysed as follows:

Table 35 – Revenues from sales of products, goods and services (CZK ths)

	2017		2016	
	Domestic	Export	Domestic	Export
Revenues from sales of goods for resale	23,968	13,591	34,379	21,466
Revenues from sales of finished goods	24,023	489,164	47,368	518,277
Revenues from job processing	16,544	2,046	26,943	4,089
Revenues from sales of services	2,665	0	2,881	2,630
Total	67,200	504,801	111,571	546,462

Table 36 - Geographical distribution of revenues from sales of products, goods and services

Geographical area	2017	2016
Europe	471,751	538,945
from it: Czech Republic	*67,879*	*111,571*
Africa	46,999	58,736
Asia	20,300	22,574
from it: Middle East	*11,200*	*15,263*
North America	27,633	32,839
South America	2,891	2,854
Australia and Oceania	2,427	2,085

Structure of personal expenses

Company's management includes directors and other senior staff members directly reporting to the Board of directors.
The Company neither employ nor provide any employees through the personal agencies in the current or preceding accounting period. The Company does not provide its employees to the third party upon temporary staff loan.

Table 37 – Personal expense overview (CZK ths)

Structure of personal expenses	Management	Others	Total
Labour costs	8,191	102,843	111,034
Social and health insurance	2,691	33,523	36,214
Other social costs	66	820	886
Total year 2017	10,948	137,186	148,134
Labour costs	7,635	97,125	104,760
Social and health insurance	2,674	31,637	34,311
Other social costs	73	868	941
Total year 2016	10,382	129,630	140,012

Remuneration and benefits of Board of directors and Supervisory board

Over the whole current and preceding accounting periods the Company had functional Board of directors and the Supervisory board. The members of the Board of directors and the Supervisory board were entitled to remuneration and benefits adhering to the decision of General Meeting and respective contracts of mandate.

Directors have exclusively their contracts of mandate and have concluded no employments contracts. No loans, borrowings, guarantees or non-monetary remuneration were provided to the statutory body in the current or preceding accounting period.

Table 38 – Analysis of the personal costs of the Board of directors and the Supervisory board (CZK ths)

Personal expenses analysis	Board of directors	Supervisory board	Total
Wages and salaries	5,277	96	5,373
Social and health insurance	1,081	33	1,114
Total year 2017	6,358	129	6,487
Wages and salaries	5,877	96	5,973
Social and health insurance	1,419	33	1,452
Total year 2016	7,296	129	7,425

Foreign exchange gains and losses

There are significant exchange rate differences arising from the fact that the Company is obliged to use the Czech crowns as a functional currency, while the purchases of raw material are denominated mainly in EUR and most of revenues are invoiced in EUR.

Foreign exchange gains and losses were net off in both, accounting and comparative periods.

The Company manages the foreign currency risk by natural hedges as stated in part Risk management and risk factors.

Table 39 – Foreign exchange gains and losses (CZK ths)

	2017	2016
Foreign exchange gains	28,933	3,037
Foreign exchange losses	-23,772	-3,165
Net amount	5,161	-128

Other operating charges and income

Other operating charges in total amount of CZK 13,987 ths consists mainly of net book value of fixed assets sold to the leasing company via sale & leaseback agreements (disclosed separately on row no. F.I. of the income statement), insurance charges, taxes and other charges, refunds of goods for resale from respective customers.

Other operating income in total amount of CZK 6,138 ths consists mainly of income from the sale of fixed assets sold to the leasing company (disclosed separately on row no. III.1. of the income statement), accounts payables write-offs and income assocítated with several immaterial insurance covers received in the accounting period.

Interest expense

The Company recognises interest expense on the accrual principle basis. As at 31 March 2018 the interest expense relating to the period of 12 months ending 31 March 2018 was included in costs of this accounting period irrespective of actual cash outflow.

EU subsidies

The Company did not draw any subsidies in 2017.

Corporate Income Tax (“CIT”)

Income tax and all income tax prepayments have been paid adhering to the tax return duly filed for the respective accounting period. The Company had not accounted for CIT expense as at 31 March 2018 due to the fact that it realised the accounting loss during the accounting period and the income tax return for 2017 had not been filled or calculated by the tax consultant as at the date of preparation of financial statements.

Deferred tax

The Company recorded deferred tax asset of CZK 2,326 ths as at 31 March 2018 (deferred tax liability of CZK 114 ths as at 31 March 2017).

Table 41 – Deferred tax (CZK ths)

	2017		2016	
	CZK ths	Tax rate	CZK ths	Tax rate
Difference between accounting and tax net book value of fixed assets	-41,520	19%	-46,183	19%
Unpaid social & health security	9,362	19%	0	
Provisions	40,626	19%	43,297	19%
Reserves	3,776		3,488	
Total deferred tax base	12,244	19%	602	19%
Deferred tax asset	2,326		114	

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Part V. – Additional information about the Company

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Other significant information on the Company affairs

Related party transactions

All material transactions with related parties in the current and preceding period were concluded under the standard market conditions.

The Company's related parties for the purpose of the preparation of the financial statements are considered to be all members of the group ALOK INDUSTRIES, with whom the Company traded or had an outstanding balance during the accounting period.

- ALOK Industries Limited
- ALOK INDUSTRIES INTERNATIONAL LIMITED

Table 42 – Related party transactions – receivables and payables (CZK ths)

Receivables and payables from/to related parties	31 March 2018	31 March 2017
Receivables		
Trade receivables	0	0
Other receivables	0	0
Total receivables	0	0
Payables		
Trade payables	0	0
Borrowings	99,548	107,925
Unpaid interest from borrowings	10,845	8,193
Total payables	110,393	116,118

Table 43 – Related party transactions – revenues and costs (CZK ths)

Intercompany revenues and costs	31 March 2018	31 March 2017
Revenues		
Revenues from sales of goods and services	0	96
Total revenues	0	96
Costs		
Purchases of material and goods	0	3,296
Purchases of goods and services	0	309
Interest costs from borrowings	3,649	3,955
Total costs	3,649	7,560

Transactions not recorded on the Balance sheet and / or Profit & loss statement

There were no material transactions not recorded on the balance sheet, that would have either material impact on the assessment of the financial position of the Company or their omission would lead to misrepresentation, misstatement or incompleteness of the accounting records or the balance sheet presented.

All transactions made by the Company during the accounting period are disclosed in the Balance sheet and/or Profit & loss statement. No other material transactions were made that would have to be disclosed.

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Subsequent events

Subsequent events – general comment

The share purchase agreement for 100% of MILETA shares, that was signed on 10 April 2016 with Fine Cotton Mills BV, was novated, amended and restated several times over the year 2017. On 15 June 2018 Fine Cotton Mills CZ s.r.o., the wholy owned subsidiary of Fine Cotton Mills BV, and ALOK INDUSTRIES INTERNATIONAL LTD. signed the Deed of termination of the share purchase agreement.

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Liquidity

The company runs comprehensive treasury function including detailed cash-flow forecasting in order to maximise utilisation of its resources in line with its strategic and tactical plans.

The Company is fully aware of its current liquidity position which is closely monitored and managed properly in order to continuously improve its position and reserves.

The company strictly adheres to the financing policy based on financing of short-term operating needs from short-term borrowings and financing of long-term cash needs from long-term debt or capital lease.

Specifically the Company uses the overdraft with the maximum limit of EUR 1,000 ths for covering day-to-day operating expenses fluctuations (low-value raw materials, energy supplies, office suplies, ship & freight, wages & salaries, services not capitalised into fixed assets, etc.). Furthermore the Company uses the import letters of credit as a secure payment method for buying raw materials (mainly yarn) and goods for resale from countries outside Europe. Acquisitions of long-term assets are financed by long-term financial resources, mainly from long-term bank loans pr capital leases.

The Company manages its liquidity position by the pairing of its ‘in’ and ‘out’ flows with major aim; to ensure

(a) smooth and uninterrupted running of the Company’s affairs;
(b) decrease of working capital bound in stocks and receivables;
(c) create the reserve for the future fiscal expansion of the operating capital;
(d) more efficient use of the supplier payment terms (settlement discounts);
(e) decrease of overdue liabilities, bringing additional costs

The company uses the factoring of receivables to respective foreign customers in order to meet its present and immediate cash needs for financing its working capital. In the preceding accounting period the Company considered the extension of factoring of receivables to another customers. For this purpose the Company performed complex analysis of accounts receivables and structure of portfolio of its customers based on historical data. The company concluded from the obtained evidence that there are no actual opportunities for the extension of factoring to another customers and subsequently negotiated the decrease of the maximum factoring limit from EUR 1,000 ths to EUR 300 ths as at 31 March 2018. Nevertheless the Company will consider possible opportunities for the development of accounts receivables management in the upcoming periods and will revise its current strategy if necessary.

The company also implemented the monitoring of the level of working capital on monthly basis and continuously considers possible actions for its optimization. The company regulerly (on weekly basis) monitors the level of overdue and not-due trade receivables and payables. All overdue receivables above the certain level are debated with respective customers and further actions are taken if required.

The liquidity risk is considered as low with positive outlook towards very low.

Customer credit risk

The company continuously monitors the creditworthiness of its customers based on the historical evidence and actual information gained from publicly available sources or directly from its customers. In order to improve its liquidity position the Company decided to cease trading with certain customers with a lower payment discipline. The Company is further improving the collectability of receivables and implemented the early payment discounts for selected customers with average or below-average payment discipline.

The Company implemented segmentation of its customers to ensure not only the right level of service, but effectively improve its level of payment terms defaults by its customers. The segmentation is based mainly on the level of orders, payment discipline, margin realised and other factors. Customers with lower scoring rate are transferred to cash/prepaid delivery only.

As for the fact that substantial part of the receivables cannot be insured for the reasonable insurance premium due to the target destinations the Company closely interacts with its agents and customers to keek the maximum achievable information available.

This risk is considered as medium to low, with positive outlook to low.

Interest risk	The Company does not hedge against the interest rate risk (e.g. through long term interest fixation or interest rate swaps). The hedging would represent a significant burden in comparison to possible and probable increase in interest rates. The Company closely monitors the market to buy proper IRS or similar derivative. The Company concluded the master agreement for financial transactions with Raiffeisenbank in order to be able to promptly react to adverse changes in financial markets by hedging its interest rates or FX risks. The Company continuously monitors the situation in financial markets. No forwards, futures, options or swaps were concluded as at 31 March 2018. Bank loans are EUR denominated and the interest rate is stipulated as the surcharge to variable market interest rate (EURIBOR). The Company continuously monitors the risk of substantial EURIBOR growth. The company expects the slight increase of EURIBOR rate in the upcoming period but the substantial increase of interest rates can be seen as rather improbable in short to medium term. The interest rate risk is considered as medium to low and it is mitigated by continuous monitoring of financial markets with strategy to fix interest rate in case of adverse development or reasonably predicted adverse development to change the risk evaluation.
Debt financing/ capital lease default risk	The Company uses comprehensive Debt service planning risk policy. Such a policy helps the Company to determine and understand its liquidity risk associated with the debt financing (see the Liquidity section above). This risk is evaluated as low to remote.
Exchange rate risk	The Company is exposed to open foreign currency position, resulting from the fact that most of total revenues are billed in EUR and part of the expenditures is denominated in CZK (specifically wages & salaries, taxes & charges and some kind of services rendered by local smaller entities). The Company is continuously calculating its exposure to the exchange rate risk. The Company concluded so called "natural hedge" in the year 2013 by contracting purchases of utilities and raw materials as well all substantial capital expenditures in EUR. The Company also implemented so called "waterfall system" for payment processing with minimum conversions and identification of avoidable loss making foreign exchange transactions due to conversion costs. The end of CNB´s exchange rate commitment with respect to CZK/EUR exchange rate on 06 April 2017 led firstly to increased volatility of the exchange rate followed by subsequent continuous appreciation of CZK during the whole accounting period. As the result of the end of CNB´s exchange rate commitment the CZK/EUR exchange rate decreased from the level of 27,03 as at 31 March 2017 to 25,43 as at 31 March 2018. The evolution of the CZK/EUR exchange rate and its increased volatility thoroughly examined the Company´s exchange rate risk management policy and confirmed its long-term success by mitigating adverse impact mainly due to strict adherence to its natural hedge policy. Furthemore the Company closely monitors the situation ready to act and use its instruments to mitigate potential impact of excessive exchange rate fluctuations if needed. The significant change of the CZK/EUR exchange rate during the accounting period had more likely the effect on the presentation of financial statements rather than on realized exchange rate gains or losses. The evolution of the exchange rate had probably the most significant impact on the disclosure of sales of own products and services disclosed in CZK due to the fact that app. 90% of these sales are denominated in EUR. The Company estimates that the exchange rate movement contributed to the total decrease in the sales of own products and services disclosed in the income statement by up to 45%. The foreign exchange risk is considered as rather low to moderate and it is under full control to the extent controllable to mitigate substantial adverse impact. The Company continuously monitors and evaluates this risk and situation in financial markets and aligns its treasury, pricing and trading approaches and policies if needed.

Risk of price fluctuations of raw material on commodity markets	The Company purchases raw material well in advance in EUR or USD, mainly from India, Pakistan, China, Turkey and Egypt. Price of cotton yarn is derived from the worldwide prices of cotton as a commodity. The Company continuously review the proportion of mix of long-term contracts in Asia vs spot purchase contracts in Europe and the diversification of its purchasing mix from the geographic perspective. The company reflects the fluctuation of raw materials prices derived from cotton prices in global markets in the valuation of own inventory. The Company continuously analysis the level of fluctuation and performs revaluation of inventory on annual basis in case of substantial material changes. The Company considered and explored the opportunity to enter into synthetic (structured) commodity forwards. In 2013 the Company decided not to do so as for the relative price stability and since then, being repeatedly evaluated, this option has not been found to be relevant. Change in the policy is reviewed on regular basis every six months but no derivative was identified to become an underlying asset of the synthetic derivative yet. This risk is considered as medium to low. The company stands ready to use forward transactions in case of necessity or identified well correlating underlying asset.
Utilities price fluctuations on the energy exchanges	Utilities form substantial EUR denominated expenditure. The Company imputed policy of long-term cooperation with one stable partner, having under control its pricing and purchases. The Company uses trading on the EEX over the supplier's trading and settlement application with business model market price plus. The Company has an access to the future contracts up to 3 years. The Company regularly performs analyses of historical data on utilities purchases in order to review/align its purchasing strategy in mix of spot and forward products. This analyses are used for the further optimization of purchasing strategy. Currently the Company evaluates the situation in the energy commodities markets. The Company is considering the timing and possible extent of hedging for calendar years 2019-2021. The utilities price (unexpected and mismanaged fast long-term growth) risk is considered as low and it is under full control. The Company monitors this risk and modifies its purchasing policy if needed.
Environmental risk	The Company follows all the procedures and legislation changes. In the comparative period the Company successfully finished trial run of the sewage water treatment plant in Černý Důl and received the conformity certificate. Now the Company is fully compliant with the latest environmental legislation. Risk of the operations interruption or high penalties is rather remote, but Company is well aware of the risk existence and monitors it with immediate measures taken on the ongoing basis.
Legislation changes risks	No new environmental, customs or business regulation substantially hitting the business of the Company can be identified. As at the date of preparation of financial statements the Company is in full compliance with newly adopted EU regulation – Regulation (EU) – 2016/679 - General Data Protection Regulation ("GDPR") which became effective on 25 May 2018. The Company already started the preparation phase of the new regulation adoption in the preceding accounting period, analysed personal data internal processing and provided responsible persons with professional training in order to be prepared for this change in advance. The new regulation has been reflected in newly established Company´s internal guidelines, amendments to employment contracts of employees processing personal data and related documentation. The protection and workflow of personal data in the Company has been thoroughly examined, revised and is now fully compliant with the new legislation. Another stage of REACH legislation implementation has become effective from 01 June 2018. As of that day only REACH certified chemicals in the quantity exceeding 1,000 kg are allowed to be imported or produced in EU since the above stated date. Taking into cosideration the fact that REACH certification represents significant burden on suppliers of chemicals, the Company entered into dealings with its

suppliers in advance and managed to negotiate sufficient supplies at advantageous prices at least for the whole accounting period 2018.

The risk of changes of legislation framework can be rated as low to moderate as it is substantially dependent on the EU and parliament Bills and is closely watched.

Employee fluctuation and competence risk	As for the general situation in the economy there is much lower offer in the labour market and missing employees are to be imported, mainly from Ukraine. This risk is not driven by the low level of personal costs, but non existence of the respective employees in the market. The Company works on stabilisation of the respective newcomers by planned capital expenditures into their accommodation and further professional development in order to maximise the smootheness of their integration. This risk can be rated as low to moderate as it is substantially dependent on the EU and parliament Bills and is closely watched.
Market risk	The Company has geographically and product diversified revenue streams. The company continuously monitors the situation in individual geographic markets and takes appropriate actions if required. The Company partly eliminated its exposure in Western Africa in recent years as the result of adverse economic and political events in this area. The Company expects the economic recovery in this market in the short to medium term period. The Company is not a single product and single market oriented, the risk is evaluated as low, save the fact of the deep global crisis. In such a case the risk perception grows to the moderate level. Probability of such adverse development can be rated as low for 2018 – 2019.

Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 27 September 2018

Part VI. – Cash flow statement

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CASH FLOW

(in thousand Czech crowns)

Description			TEXT	Accounting period 2017	2016
a			b	1	2
			Operating cash flow		
			Net profit on ordinary activities before tax	-6,664	16,212
A.	1.		Adjustments for non-cash movements:	34,239	42,549
A.	1.	1.	Depreciation of fixed assets	28,826	29,545
A.	1.	2.	Change in provisions	-2,007	5,163
A.	1.	3.	Loss / (profit) from disposal of fixed assets	-4	-23
A.	1.	5.	Net interest expense / (income)	7,424	7,864
A	*		Net operating cash flow before taxation and changes in working capital	27,575	58,761
A.	2.		Working capital changes:	14,265	-16,147
A.	2.	1.	Change in receivables and prepayments and accrued income	22,717	-38,143
A.	2.	2.	Change in short-term payables and accruals and deffered income	97	-1,582
A.	2.	3.	Change in inventories	-8,549	23,578
A	**		Net operating cash flow before taxation	41,840	42,614
A.	3.		Interest paid	-3,656	-4,099
A.	4.		Interest received	0	1
A.	5.		Income tax on ordinary activities paid	-2,361	-11,653
A	***		Net operating cash flow	35,823	26,863
B.	1.		Acquisition of fixed assets	-11,014	-19,513
B.	2.		Proceeds from the sale of fixed assets	0	23
B	***		Net cash flow from investing activities	-11,014	-19,490
C.	1.		Change in long- and short-term liabilities	-27,362	-5,782
C	***		Net cash flow from financing activities	-27,362	-5,782
			Net increase / (decrease) in cash and cash equivalents	-2,553	1,591
			Cash and cash equivalents in the beginning of the period	-14,394	-15,985
			Cash and cash equivalents at the end of the period	-16,947	-14,394

Method used for cash-flow statement preparation

Cash	Cash in hand including stamps, vouchers (group of accounts no. 21) and cash in transit (account no. 261), cash in bank including bank overdrafts (group of accounts no. 22).
Cash equivalents	Short term investments – account no. 251 and 253. Cash and cash equivalents are disclosed in the Balance sheet.
Net operating cash flow	Net operating cashflow has been prepared using the indirect method, i.e. adjustments were made for the non-cash transactions, changes in the working capital and income and expenses form financing and investing activities.
Restriction of compensation	All cash flows are disclosed in non-compensated form.
Related parties	A person with close relationship to the Company, associate, shareholder and partnership without legal personality is meant under the term „related party". The related parties are listed in the Section Related party transaction.
Overdrafts reporting	Overdrafts are reported as a part of Cash and cash equivalents at the beginning and end of the accounting period in the cash-flow statement, whereas they are not reported as part of the financial assets but as part of short-term bank loans in the balance sheet. in the Cash flow statement they are set off against cash balances reported in the Balance sheet.

Table 44 - Reconciliation of cash flow statement to the Balance sheet

	2017	2016
Total financial assets	6,234	7,933
Bank overdraft	-23,181	-22,327
Cash and cash equivalents at the end of the period	-16,947	-14,394

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