MILETA a.s.

Financial statements
31 March 2020

Released on: 31st August 2020
Language version – English

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part A
Independent auditor's report

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

pwc

Mileta a.s.
Husova 734
50801 Hořice

31 August 2020

English translation of the independent auditor's report and statutory financial statements for the year ended 31 March 2020

Dear Sirs,

We have audited the statutory financial statements of Mileta a.s. ("the Company"), which comprise the balance sheet as at 31 March 2020, the income statement, statement of changes in equity and statement of cash flows 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 the year ended 31 March 2020 ("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 31 August 2020 on the financial statements and annual report of the Company for the year ended 31 March 2020, which was translated into English and is appended for your information to this letter.

We draw to your attention that the enclosed financial statements for the year ended 31 March 2020 have been translated for information purposes.

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 procedures performed in connection with the other information 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 2020, 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 Prymek
Partner
PricewaterhouseCoopers Audit, s.r.o.

Appendices: Translation of the auditor's report
Translation of the financial statements for the year ended 31 March 2020

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 2020, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 March 2020 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 2020, of its financial performance and its cash flows for the year ended 31 March 2020 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 therein. 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 of the Company 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.

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 of the Company is responsible for overseeing the 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.

31 August 2020

PricewaterhouseCoopers Audit, s.r.o.
represented by

Václav Prýmek

Jana Sabadášová
Statutory Auditor, Licence No. 2378

This report is addressed to the shareholder of Mileta a.s.

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.

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part B Financial statements

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

BALANCE SHEET
(in thousand Czech crowns)

Reference a				ASSETS	31/03/2020 Gross	Provision	Net	31/03/2019 Net
				TOTAL ASSETS	1,248,311	-585,432	662,879	717,184
B				Fixed assets	652,281	-499,919	152,362	173,059
	B.I.			Intangible fixed assets	16,343	-15,147	1,196	1,366
		B.I.2.		Royalties	15,928	-15,147	781	200
			B.I.2.1.	Software	15,800	-15,095	705	103
			B.I.2.2.	Other royalties	128	-52	76	97
		B.I.5.		Intangible fixed assets in the course of construction and advances paid for intangible fixed assets	415	0	415	1,166
			B.I.5.2.	Intangible fixed assets in the course of construction	415	0	415	1,166
	B.II.			Tangible fixed assets	635,938	-484,772	151,166	171,693
		B.II.1.		Land and constructions	247,154	-136,356	110,798	117,545
			B.II.1.1.	Land	4,161	0	4,161	4,161
			B.II.1.2.	Constructions	242,993	-136,356	106,637	113,384
		B.II.2.		Equipment	385,344	-348,309	37,035	51,335
		B.II.4.		Other tangible fixed assets	2,713	-107	2,606	2,222
			B.II.4.3.	Other tangible fixed assets	2,713	-107	2,606	2,222
		B.II.5.		Tangible fixed assets in the course of construction and advances paid for tangible fixed assets	727	0	727	591
			B.II.5.2.	Tangible fixed assets in the course of construction	727	0	727	591
C				Current assets	595,122	-85,513	509,609	539,340
	C.I.			Inventories	300,026	-17,796	282,230	309,669
		C.I.1.		Raw materials	42,010	-2,447	39,563	48,622
		C.I.2.		Work in progress and semi-finished products	73,970	-2,335	71,615	68,397
		C.I.3.		Finished goods and goods for resale	184,018	-12,994	171,024	192,503
			C.I.3.1.	Finished goods	161,330	-12,521	148,809	164,286
			C.I.3.2.	Goods for resale	22,688	-473	22,215	28,217
		C.I.5.		Prepayments for inventory	28	0	28	147
	C.II.			Receivables	283,463	-67,717	215,746	223,914
		C.II.1.		Long-term receivables	18,559	-6,674	11,885	5,188
			C.II.1.4.	Deferred tax asset	11,744	0	11,744	5,082
			C.II.1.5.	Other receivables	6,815	-6,674	141	106
			C.II.1.5.2.	Long-term advances paid	141	0	141	106
			C.II.1.5.4.	Other receivables	6,674	-6,674	0	0
		C.II.2.		Short-term receivables	264,904	-61,043	203,861	218,726
			C.II.2.1.	Trade receivables	260,840	-61,043	199,797	205,909
			C.II.2.4.	Other receivables	4,064	0	4,064	12,817
			C.II.2.4.3.	Taxes and state subsidies receivable	2,307	0	2,307	7,959
			C.II.2.4.4.	Short-term advances paid	1,603	0	1,603	4,799
			C.II.2.4.6.	Other receivables	154	0	154	59
	C.IV			Financial assets	11,633	0	11,633	5,757
		C.IV.1		Cash in hand	2,999	0	2,999	4,041
		C.IV.2		Cash at bank	8,634	0	8,634	1,716
D				Prepayments and accrued income	908	0	908	4,785
		D.1.		Prepaid expenses	908	0	908	4,785

Reference			LIABILITIES AND EQUITY	31/03/2020	31/03/2019
a			b	5	6
			TOTAL LIABILITIES AND EQUITY	662,879	717,184
A			Equity	319,162	335,542
	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	70,056	116,365
		A.IV.1.	Retained earnings	70,056	116,365
	A.V.		Profit / (loss) for the current period (+/-)	-16,380	-46,309
B+C			Liabilities	340,344	378,067
B			Provisions	3,232	3,430
	B.4.		Other provisions	3,232	3,240
C			Liabilities	337,112	374,637
	C.I.		Long-term liabilities	134,292	143,128
		C.I.2.	Long-term liabilities to credit institutions / banks	34,292	43,128
		C.I.6.	Liabilities - controlling entities / subsidiaries	100,000	100,000
	C.II.		Short-term liabilities	202,820	231,509
		C.II.2.	Short-term liabilities to credit institutions / banks	96,006	101,986
		C.II.3.	Short-term advances received	45	2,276
		C.II.4.	Trade payables	61,322	80,139
		C.II.6.	Liabilities - controlling entities / subsidiaries	19,961	12,672
		C.II.8.	Other liabilities	25,486	34,436
		C.II.8.2.	Other short-term borrowings	171	4,228
		C.II.8.3.	Liabilities to employees	8,736	8,530
		C.II.8.4.	Liabilities for social security and health insurance	8,855	12,524
		C.II.8.5.	Taxes and state subsidies payable	739	829
		C.II.8.6.	Estimated payables	6,505	7,774
		C.II.8.7.	Other liabilities	480	551
D			Accruals and deferred income	3,373	3,575
	D.1.		Accruals	1,593	3,324
	D.2.		Deferred income	1,780	251

INCOME STATEMENT

(in thousand Czech crowns)

Reference		DESCRIPTION			Accounting period	
					Reported 12 months ended 31 Mar 2020	Previous 12 months ended 31 Mar 2019
a		b			1	2
	I.	Sales of own products and services			500,741	505,200
	II.	Sales of goods			37,815	39,678
A		Cost of sales			340,107	379,950
		A.1.	Cost of goods sold		30,229	28,807
		A.2.	Raw materials and consumables		232,058	257,577
		A.3.	Services		77,820	93,556
B		Change in inventory of finished goods and work in progress			6,737	946
C		Own work capitalised			-2,756	-2,628
D		Staff costs			163,306	159,200
		D.1.	Wages and salaries		122,255	119,345
		D.2.	Social security and health insurance costs		41,051	39,855
			D.2.1.	Social security and health insurance costs	40,139	39,987
			D.2.2.	Others costs	912	868
E		Value adjustments to operating activities			38,215	34,621
		E.1.	Depreciation of fixed assets		22,505	27,602
			E.1.1.	Depreciation of fixed assets - permanent	22,505	27,602
		E.2.	Value adjustments of inventories		111	2,263
		E.3.	Value adjustments of receivables		15,599	4,756
	III.	Other operating income			521	26,323
		III.1.	Sale of fixed assets		2	22,974
		III.2.	Sale of raw materials		242	1,029
		III.3.	Other operating income		277	2,320
F		Other operating charges			7,470	32,736
		F.1.	Net book value of fixed assets sold		0	22,635
		F.2.	Net book value of raw materials sold		18	652
		F.3.	Taxes and charges		653	800
		F.4.	Operating provisions and complex prepaid expenses		-198	-362
		F.5.	Other operating charges		6,997	9,011
*Operating result (+/-)					-14,002	-33,624
	VI.	Interest income and similar income			1	1
		VI.2.	Other interest income and similar income		1	1
J		Interest expense and similar expense			6,616	7,439
		J.1.	Interest expense and similar expense - controlled entities / subsidiaries		3,627	3,675
		J.2.	Other interest expense and similar expense		2,989	3,764
	VII.	Other financial income			1,345	11
K		Other financial expense			3,770	5,160
*Financial result (+/-)					-9,040	-12,587
**Net profit / (loss) before taxation (+/-)					-23,042	-46,211
L		Tax on profit or loss			-6,662	98
		L.1.	Tax on profit or loss - current		0	2,853
		L.2.	Tax on profit or loss - deferred		-6,662	-2,755
**Profit or loss after taxation (+/-)					-16,380	-46,309
***Net profit / (loss) for the financial period (+/-)					-16,380	-46,309
*Net turnover for the financial period =I.+II.+III.+IV.+V.+VI.+VII.					540,423	571,213

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 2018	231,310	32,341	1,835	120,616	-4,251	381,851
Profit/ (loss) distribution	0	0	0	-4,251	4,251	0
Net profit/(loss) for the current period	0	0	0	0	-46,309	-46,309
As at 31 March 2019	231,310	32,341	1,835	116,365	-46,309	335,542
Profit/ (loss) distribution	0	0	0	-46,309	46,309	0
Net profit/(loss) for the current period	0	0	0	0	-16,380	-16,380
As at 31 March 2020	231,310	32,341	1,835	70,056	-16,380	319,162

CASH FLOW

(in thousand Czech crowns)

			Description	Accounting period	
				2019	2018
a			b	1	2
			Operating cash flow		
			Net profit on ordinary activities before tax	-23,042	-46,211
A.	1.		Adjustments for non-cash movements:	44,631	41,374
A.	1.	1.	Depreciation of fixed assets	22,505	27,602
A.	1.	2.	Change in provisions	15,512	6,672
A.	1.	3.	Loss / (profit) from disposal of fixed assets	-2	-339
A.	1.	5.	Net interest expense / (income)	6,616	7,439
A	*		Net operating cash flow before taxation and changes in working capital	21,589	-4,837
A.	2.		Working capital changes:	446	30,003
A.	2.	1.	Change in receivables and prepayments and accrued income	-739	8,561
A.	2.	2.	Change in short-term payables and accruals and deffered income	-26,143	15,866
A.	2.	3.	Change in inventories	27,328	5,576
A	**		Net operating cash flow before taxation	22,035	25,166
A.	3.		Interest paid	-2,988	-3,724
A.	4.		Interest received	1	1
A.	5.		Income tax on ordinary activities paid	3,847	-1,211
A	***		Net operating cash flow	22,894	20,232
B.	1.		Acquisition of fixed assets	-1,808	5,645
B.	2.		Proceeds from the sale of fixed assets	2	339
B	***		Net cash flow from investing activities	-1,806	5,984
C.	1.		Change in long- and short-term liabilities	-13,868	-23,173
C	***		Net cash flow from financing activities	-13,868	-23,173
			Net increase / (decrease) in cash and cash equivalents	7,221	3,043
			Cash and cash equivalents in the beginning of the period	-13,904	-16,947
			Cash and cash equivalents at the end of the period	-6,683	-13,904

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part C
Translation and release footnote

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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) the reporting package provided to the financing bank for the purposes of regular monitoring of financial performance of the Company

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 2021 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, 31st August 2020

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part D Notes to the financial statements

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Notes to the financial statements

MILETA a.s.

31 March 2020

Accounting period 1 April 2019 – 31 March 2020

Hořice, 31st August 2020

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Content

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

BALANCE SHEET

(in thousand Czech crowns)

Reference		ASSETS	31/03/2020	31/03/2019	references to footnotes
a		b	Net 3	Net 4	PAGE NO.
		TOTAL ASSETS	662,879	717,184	42-65
B		Fixed assets	152,362	173,059	43-45, 51-59
	B.I.	Intangible fixed assets	1,196	1,366	43-44, 53-55
	B.II.	Tangible fixed assets	151,166	171,693	43-45, 51-53, 58-59
C		Current assets	509,609	539,340	42, 45-47, 61-65
	C.I.	Inventories	282,230	309,669	42, 61-62
	C.II.	Receivables	215,746	223,914	46-47, 63
	C.IV.	Financial assets	11,633	5,757	45, 65
D		Prepayments and accrued income	908	4,785	65

Reference		LIABILITIES AND EQUITY	31/03/2020	31/03/2019	references to footnotes
a		b	5	6	PAGE NO.
		TOTAL LIABILITIES AND EQUITY	662,879	717,184	45, 67-74
A		Equity	319,162	335,542	45, 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	70,056	116,365	67
	A.V.	Profit / (loss) for the current period (+/-)	-16,380	-46,309	67
B+C		Liabilities	340,344	378,067	45-47, 65, 69-71
B		Provisions	3,232	3,430	67
	B.4.	Other provisions	3,232	3,776	67
C		Liabilities	337,112	374,637	69-74
	C.I.	Long-term liabilities	134,292	143,128	45, 67-71
	C.II.	Short-term liabilities	202,820	231,509	45, 69-71
D		Accruals and deferred income	3,373	3,575	71
	D.1.	Accruals	1,593	3,324	74
	D.2.	Deferred income	1,780	251	74

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	500,741	505,200	77
	II.	Sales of goods	37,815	39,678	77
A		Cost of sales	340,107	379,950	77
B		Change in inventory of finished goods and work in progress	6,737	946	61-62
C		Own work capitalised	-2,756	-2,628	42-43
D		Staff costs	163,306	159,200	77-78
E		Value adjustments to operating activities	38,215	34,621	44-47, 61
	III.	Other operating income	521	26,323	78
F		Other operating charges	7,470	32,736	78
Operating result			-14,002	-33,624	
	VI.	Interest income and similar income	1	1	
J		Interest expense and similar expense	6,616	7,439	78
	VII.	Other financial income	1,345	11	
K		Other financial expense	3,770	5,160	45, 76
Financial result			-9,040	-12,587	
Net profit / (loss) before taxation			-23,042	-46,211	
L		Tax on profit or loss	-6,662	98	57-46, 78
**Profit or loss after taxation			-16,380	-46,309	
***Net profit / (loss) for the financial period			-16,380	-46,309	
*Net turnover for the financial period =I.+II.+III.+IV.+V.+VI.+VII.			540,423	571,213	

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.
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 2019 ("2019")	The accounting period, i.e. the period from 1 April 2019 to 31 March 2020.
Year 2018 ("2018")	The comparative period, i.e. the period from 1 April 2018 to 31 March 2019.

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 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 financial statements were prepared on 31st August 2020 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, 31st August 2020

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part I. - Information about the Company

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

General information

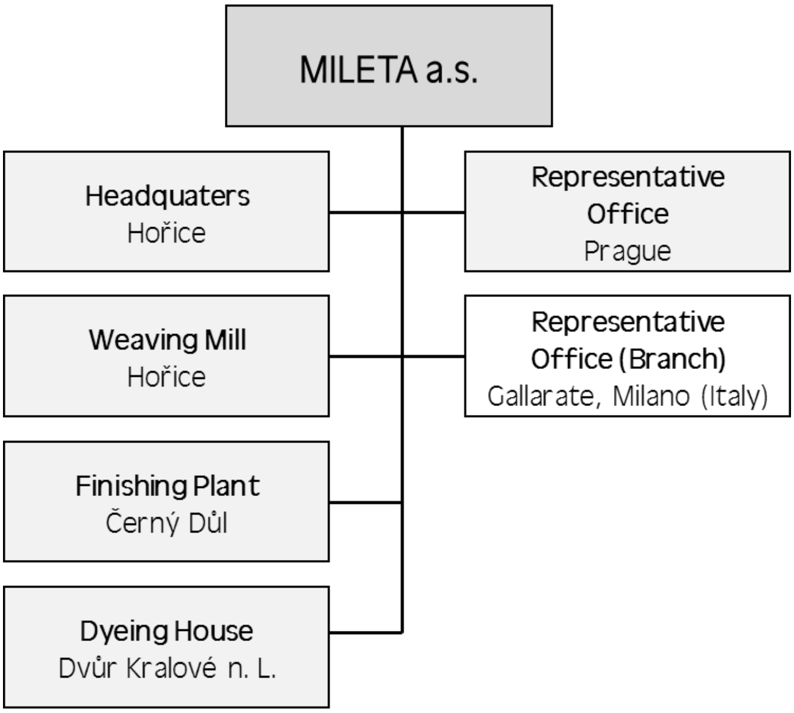
Company Name:	MILETA a.s. („the Company“)
Registered office:	Husova 734, 508 01 Hořice, Czech Republic
Legal form:	joint-stock company
Commercial Register:	Regional court of justice in Hradec Králové, Section B, Folio No. 597
Date of registration:	1 May 1992
Identification number:	455 34 403
Primary 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
Member:	Deepak Mawandia
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 Prague (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. No group VAT registration where the Company shall take a part exist.
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 slightly decreased during the accounting period. The Company successfully managed to maintain the stable FTE to its turnover and production volume.

Table 2 – No. of employees

Number of employees	2019	2018
Headcount, year end	355	369
Full time equivalent, year end	354	366
Out of which: management (CEO, heads of divisions, plant directors)	9	9

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	2019	2018
Members of statutory and supervisory bodies - accommodation and other services	360	360
Members of statutory and supervisory bodies - cars operating lease full service costs	949	1,042

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 or 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 2020 were not paid as of the Balance Sheet date and are properly accrued.

Table 4 – Audit fees

CZK ths	2019	2018
Statutory audit fee	600	440

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

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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 2020, 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 "2019" and "2018" year-titles in the notes to financial statements in order to simplify the presentation of financial information. The year 2019 hence refers to the accounting period from 1 April 2019 until 31 March 2020. The year 2018 hence refers to the preceding accounting period, i.e. from 1 April 2018 until 31 March 2019.
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 as at 31 March 2020.
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 4 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 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 or prolonged on the basis of the recommendation made by the respective technical manager. In case the actual expected useful life is significantly shorter or longer 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.
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.

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 2019 compared to the preceding accounting period.
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.

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part III. – Additional information on the Balance Sheet

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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 2019.
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	2019			2018		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Machinery and equipment	363,811	327,206	36,605	364,295	313,424	50,871
Vehicles	188	57	131	77	49	28
Low-value tangible fixed assets	21,345	21,046	299	21,460	21,024	436
Total	385,344	348,309	37,035	385,832	334,497	51,335

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	2019			2018		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Buildings, halls and constructions	242,993	136,356	106,637	242,300	128,946	113,384
Land	4,161	0	4,161	4,161	0	4,161
Other tangible fixed assets - easements	2,713	107	2,606	2,328	106	2,222
Total	249,867	136,463	113,404	248,819	129,052	119,767

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 (CZK ths)

Leased Item	Amounts paid and payable from existing contracts	Paid	Amounts payable from the existing contracts	
			Within 1 year [EUR]	More than 1 year [EUR]
Jacquard looms	37,103	37,103	0	0
Dobby looms	16,904	16,904	0	0
Warp preparation - sizing machine	10,606	10,606	0	0
Welker	2,607	2,607	0	0
Short-liquor dyeing machine	5,613	3,087	1,123	1,403
Other leased asset	595	595	0	0
Printer	13,379	4,995	2,973	5,451
Wide washing machine	12,341	5,024	2,195	5,121

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 (CZK ths)

Leased Item	2019
Jacquard looms	37,103
Dobby looms	16,904
Warp preparation - sizing machine	10,606
Warp preparation - other	2,607
Short-liquor dyeing machine	5,613
Digital printer	13,379
Wide washing machine	12,341
Other leased asset	595

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
31.3.2020	17	13,632	8,389	2,288	2,956
31.3.2019	17	13,290	6,227	2,825	4,239

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)

	2019	2018
Černý Most	180	177
Gallarate	297	252
Appartment for member of statutory body	360	360
Total	837	789

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	2019			2018		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Software	15,127	14,422	705	14,376	14,273	103
Software low-value intangible assets	673	673	0	672	672	0
Other royalties	128	52	76	128	31	97
Total	15,928	15,147	781	15,176	14,976	200

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 2020 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 1.4.2019	Additions/ transfers	Disposals	as at 31.3.2020
COST				
Software	14,376	751	0	15,127
Software - low-value intangible assets	672	1	0	673
Trade marks	128	0	0	128
Advances paid for intangible fixed assets and intangible fixed assets in the course of construction	1,166	0	-751	415
Total	16,342	752	-751	16,343
ACCUMULATED DEPRECIATION				
Software	-14,273	-149	0	-14,422
Software low-value intangible assets	-672	-1	0	-673
Trade marks	-31	-21	0	-52
Total	-14,976	-171	0	-15,147
NBV	1,366			1,196

	as at 1.4.2018	Additions/ transfers	Disposals	as at 31.3.2019
COST				
Software	14,376	0	0	14,376
Software - low-value intangible assets	672	0	0	672
Trade marks	128	0	0	128
Advances paid for intangible fixed assets and intangible fixed assets in the course of construction	415	751	0	1,166
Total	15,591	751	0	16,342
ACCUMULATED DEPRECIATION				
Software	-14,205	-68	0	-14,273
Software low-value intangible assets	-672	0	0	-672
Trade marks	-10	-21	0	-31
Total	-14,887	-89	0	-14,976
NBV	704			1,366

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

	as at 1.4.2019	Additions/ transfers	Disposals	as at 31.3.2020
COST				
Buildings, halls and constructions	242,330	663	0	242,993
Land	4,161	0	0	4,161
Works of art and collections	2,210	385	0	2,595
Other tangible fixed assets	118	0	0	118
Machinery, plant and equipment	364,295	108	-592	363,811
Vehicles	77	112	0	189
Low-value tangible fixed assets	21,460	447	-563	21,344
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	591	1,366	-1,229	727
Total	635,242	3,081	-2,384	635,938
ACCUMULATED DEPRECIATION				
Buildings, halls and constructions	-128,946	-7,410	0	-136,356
Other tangible fixed assets	-106	-23	0	-108
Machinery, plant and equipment	-313,424	-14,366	584	-327,206
Vehicles	-49	-8	0	-57
Low-value tangible fixed assets	-21,024	-565	543	-21,046
Total	-463,549	-22,351	1,127	-484,772
NBV	171,693			151,166

	as at 1.4.2018	Additions / transfers	Disposals	as at 31.3.2019
COST				
Buildings, halls and constructions	239,228	3,102	0	242,330
Land	4,082	79	0	4,161
Works of art and collections	1,176	1,034	0	2,210
Other tanginble fixed assets	118	0	0	118
Machinery, plant and equipment	366,703	1,756	-4,164	364,295
Vehicles	47	30	0	77
Low-value tangible fixed assets	21,301	704	-545	21,460
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	13,668	9,609	-22,686	591
Total	646,323	16,314	-27,395	635,242
ACCUMULATED DEPRECIATION				
Buildings, halls and constructions	-120,938	-8,008	0	-128,946
Other tangible fixed assets	-104	-2	0	-106
Machinery, plant and equipment	-298,996	-15,592	4,164	-313,424
Vehicles	-41	-8	0	-49
Low-value tangible fixed assets	-20,642	-927	545	-21,024
Total	-440,721	-27,537	4,709	-463,549
NBV	205,602			171,693

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.

I. Acquisition of the wide washing machine (2018)

During the preceding accounting period (2018) the Company put into full operation the wide washing machine (project no. 7016/16). The machine was acquired as the second-hand in January 2017 and was fully refurbished in the comparative accounting period. The market value of the machine was determined based on the expert opinion as the value of EUR 502,900 for the purposes of the leasing company.

The machine was sold to the leasing company in the preceding accounting period (2018) 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 11,051 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 10,709 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 represents the difference between the market value of the machine which is the leasing company willing to finance and the directly associated costs incurred by the acquisition of the machine and its further refurbishment.

II. Acquisition of the digital printer (2018)

During the preceding accounting period (2018) the Company put into full operation the digital printer. 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 11,818 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 11,913 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.

Furthermore the Company acquired during the preceding accounting period (2018) 3 flats and associated plots of land in Hořice (CZ) in the total purchase price of CZK 979 ths from the city of Hořice based on the letter of intent dated 11 March 1996 and the purchase contract dated 24 October 2017. The estimated market value of these acquired flats is CZK 2,330 ths.

Analysis of sales of immovable assets	The company did not have any sales of immovable assets during financial year 2018.
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 14 – Analysis of sales of movable assets

Assets sold	2019	2018
Other movable assets	2	43

Fixed assets under construction

Fixed assets under construction - analysis

Fixed intangible assets under construction as at 31 March 2020 consists of the web presentation and e-shop (in total: CZK 415 ths) which were not put into permanent operation as at 31 March 2020

Fixed tangible assets under construction as at 31 March 2020 represents mainly the reconstruction of freight elevator (CZK 277 ths) and the roof construction for chemicals storage as the part of sewage water treatment plant in Černý Důl (CZK 222 ths).

Fixed intangible assets under construction as at 31 March 2020 consists mainly of the new accounting software which was not fully invoiced and put into permanent operation as at tha balance sheet date.

Table 15 – Analysis of fixed assets under construction (CZK ths)

Fixed assets under construction	2019	2018
Machinery & equipment	10	85
Production halls	682	396
Software and other intangible assets	415	1,166
Other	36	110

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 16 – Analysis of fixed assets in the course of construction longer than 1 year – 2019

Project no.	Description	Amount	Status
7044/13	Web presentation and e-shop	415	in progress
7004/17	Reconstruction of freight elevator	277	in progress

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 17 – Pledges and other rights to Company`s assets

Lender	Date of pledge	Registrar	Identification
Raiffeisenbank	2.3.2015	Cadastral office Hradec Kralove region	r.n. V-1581/2015-604
Raiffeisenbank	25.2.2013	Cadastral office Hradec Kralove region	r.n. V-648/2013-604
Raiffeisenbank	15.7.2015	Cadastral office Hradec Kralove region	r.n. V-6046/2015-610
Raiffeisenbank	15.8.2018	Cadastral office Hradec Kralove region	r.n. V-6186/2018-610
Raiffeisenbank	28.2.2019	Cadastral office Hradec Kralove region	r.n. V-1180/2019
Raiffeisenbank	5.3.2019	Cadastral office Hradec Kralove region	r.n. V-1759/2019-610
Raiffeisenbank	5.3.2019	Cadastral office Hradec Kralove region	r.n. V-1386/2019-604
Raiffeisenbank	30.5.2019	Cadastral office Hradec Kralove region	r.n. V-2806/2019-608

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 18 – 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 groudwater	5800, 1797/1, 4910	Dvůr Králové nad Labem	V-5639/2011-610
Rigt to enter	232/2	Černý Důl	Z-2100037/2000-610
Right to establish distribution system	808/1, 808/2	Hořice v Podkrkonoší	V-5822/2018-604

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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 282,230 ths as at 31 March 2020 (CZK 309,669 ths as at 31 March 2019).

Table 19 – Structure of inventories (CZK ths)

	2019			2018		
	Gross	Provision	Net	Gross	Provision	Net
Yarn	20,055	1,397	18,658	16,388	1,685	14,703
Other material	21,955	1,050	20,905	34,864	945	33,919
Total material	42,010	2,447	39,563	51,252	2,630	48,622
Work-in-progress	73,970	2,355	71,615	70,570	2,173	68,397
Finished goods	161,330	12,521	148,809	176,470	12,184	164,286
Goods for resale	22,688	473	22,215	28,915	698	28,217
Prepayments for inventory	28	0	28	147	0	147
Total	300,026	17,796	282,230	327,354	17,685	309,669

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 19 – Structure of inventories.

Revaluation of own products

The Company revalued finished goods, semi-finished goods and work-in-progress inventory as at 1 January 2020 to its net realizable value derived from the price of cotton yarn in global markets.
The total resulting revaluation difference as of 1 January 2020 represents the increase in the inventory value in the amount of CZK 3,981 ths (the decrease in the inventory value in the amount of CZK 6,648 ths as at 1 January 2019) 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 2019 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 20 – Inventory stock-count results (CZK ths)

Inventory stock-count results	Description	Difference
Raw Material	Shortage below the limit	0
Work-in-progress	Deficit	44
Finished goods	Damage	45
Merchandise	Damage	33
Total result of inventory stock-count:		122

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. The company had the receivables in the total amount of CZK 92 223 ths (from it: CZK 80 169 ths overdue as at 31st March 2020) to the company Mada Trading Ltd. as at the balance sheet date. No provision to this receivable was created as at the balance sheet date since the company believes that this receivable is fully recoverable.

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

Table 21 – Trade receivables (CZK ths)

	2019	2018
Trade receivables – total	260,840	251,353
Out of which : overdue receivables	185,323	158,752
Out of which: overdue receivables – more than 180 days	132,461	137,167

Factoring

The Company had used factoring of receivables in the current and preceding accounting period. The Company discontinued factoring in December 2019 after the revision of its economic benefits in relation to the associated costs and the utilisation of factoring in the preceding years. The Company has informed all affected customers in due and timely manner. The remaining receivables under the factoring in the amount of CZK 213 ths represented the receivables which had been already claimed to the factor but were not paid by customer as at the balance sheet date. The Company did not have in its evidence any receivables which were claimed to the factor but not paid by customer as at the date of preparation of financial statements. All receivables recorded in balance sheet are genuine trade receivables of the Company.

Table 22 – Factored receivables and advance payments received from factoring (CZK ths)

	2019	2018
Total amount of receivables in factoring	213	5,285
Related advance payments reached	171	4,228

Short-term intercompany receivables

The Company had the only intercompany receivables in the immaterial total amount of CZK 45 ths arising from the sales of goods valued at market prices. The Company did not have any intercompany receivables in the comparative period.

Tax receivables

Tax receivables relate to the VAT claim for March 2020 in the amount of CZK 2,307 ths. (as at 31 March 2019: receivables arising from VAT claim: CZK 4,112 ths, receivables arising from overpaid Corporate Income tax advances: CZK 3,847 ths).

Receivables pledged as collateral

The Company signed the agreement on the pledge of receivables as collateral with Raiffeisenbank on 28th February 2019 for operational or other financing purposes.

Long-term receivables

The long-term receivables in the amount of CZK 141 ths as at 31 March 2020 and receivables of CZK 106 ths as at 31 March 2019 represent the long-term prepayments to the fund of repairs relating to non-core immovable properties owned by the Company.

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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 23a – Analysis of cash and cash equivalents as reported in the Cash Flow Statement (CZK ths)

Analysis of financial assets	2019	2018
Cash on hand	762	609
Cash equivalents	3	16
Bank accounts	8,364	1,716
Cash in Transit (non-cashed cheques)	2,233	3,416
Total financial assets as at 31.03.	11,633	5,757
Bank overdraft	-18,316	-19,661
Cash and cash equivalents at the end of the period	-6,683	-13,904

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 23b – Analysis of short-term financial assets as reported on the Balance Sheet (CZK ths)

Analysis of financial assets	2019	2018
Cash on hand	762	609
Cash equivalents	3	16
Bank accounts	8,634	1,716
Cash in Transit (non-cashed cheques)	2,233	3,416
Total financial assets as at 31.03.2019	11,633	5,757

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 2020. The resulting expense of CZK 1,065 ths was reflected as the decrease of the year-end balance due to the foreign currency translation.

Received cheques and bills of exchange

As at 31 March 2020 the Company had unpresented cheques in the total value of CZK 2,225 ths (from it unpresented cheques: CZK 1,277 ths). These cheques represent payments from customers for the goods or services received.
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 2020 is CZK 908 ths (CZK 4,785 ths as at 31 March 2019) and is properly disclosed on row no. D.1. of financial statements. Prepaid expenses consists mainly of immovable property tax paid in the amount of CZK 341 ths and interest expense in the amount of CZK 216 ths arising of letters of credit relating to future accounting period. The prepaid expenses of CZK 4,785 ths as at 31 March 2019 included also prepaid marketing costs.

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Share capital

The company ALOK INDUSTRIES INTERNATIONAL LTD is the Company's sole shareholder as at 31 March 2020.

Table 24 – Analysis of share capital

Structure of share capital	As at 31 March 2020			As at 31 March 2019		
	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 covered from retained earnings in the subsequent accounting period.

Table 25 – 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 2018	231,310	32,341	1,835	120,616	-4,251	381,851
Profit distribution	0	0	0	-4,251	4,251	0
Net profit for the current period	0	0	0	0	-46,309	-46,309
As at 31 March 2019	231,310	32,341	1,835	116,365	-46,309	335,542
Profit distribution	0	0	0	-46,309	46,309	0
Net loss for the current period	0	0	0	0	-16,380	-16,380
As at 31 March 2020	231,310	32,341	1,835	70,056	-16,380	319,162

Profit distribution/loss cover

The Company has not made any proposal on loss cover for the year 2019 as at the date of preparation of financial statements. The loss from the preceding accounting period was covered from the retained earnings as follows – Table 26.

Table 26 – Distribution of profit from preceding accounting period (CZK ths)

Distribution of profit from previous years	
Loss incurred in the previous year covered from retained earnings	-46,309
Retained earnings as at 1 April 2019	116,365
Retained earnings as at 31 March 2020	70,056

Reserves & provisions

The Company recorded a provision for untaken holiday in total amount CZK 1,669 ths (CZK 1,911 ths in the preceding accounting period)

In 2019 the provision for unpaid salaries and pension scheme contributions created in accordance to the Italian law in Gallarate branch in total amount CZK 1, 422 ths (in 2018 CZK 1,282 ths).

Table 27 – Creation of reserves (CZK ths)

Provision	2019	2018
Untaken holiday	1,669	1,911
Not paid salaries	1,422	1,282
Other	141	237
Total	3,232	3,430

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Bank loans – general comment

The Company strictly adheres to the general financing rules in order to match assets with debts in terms of time, i.e. that the long-term assets are financed by long-term debt and the short-term assets or working capital are financed by short-term debt. The Company uses Raiffeisenbank a.s. as the long-term partner for its financing purposes since 2012.

The Company finance some of its long-term assets by CAPEX loans provided by Raiffeisenbank a.s. or by sale & lease back provided by Raiffeisen – Leasing s.r.o.

The Company uses short-term financing for its short-term cash needs. Specifically the Company uses the overdraft with the maximum limit of EUR 764 ths (CZK 20,876 ths) for covering day-to-day operating expenses (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 3,000 ths (CZK 81 975 ths) as a secure payment method for buying raw materials (mainly yarn) and goods for resale from countries outside Europe.

The Company had used the factoring of receivables to respective customers with the maximum factoring limit up to EUR 300 ths (CZK 8 198 ths). This type of financing was discontinued by the Company and had not been used as at the date of preparition of these financial statements.

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.

The Company continued in repayments of these CAPEX loans during the coronavirus pandemic and had not utilized the possibility to postpone these repayments (especially the protective period as permited by the law no. 177/2020 Coll.) or any other possibilities arising from the pandemic COVID-19.

Table 28-a – CAPEX loans

type	purpose	principal	principal as at 31 Mar 2020	principal as at 31 Mar 2019
CAPEX loan 2	construction of production hall and warehouse	52,548	22,521	26,934
CAPEX loan 3	reconstruction of office premices	32,790	15,683	18,346
CAPEX loan 4	reconstruction of sewage water treatment plant	14,236	7,456	8,533
	TOTAL	99,754	45,659	53,813

Operating capital loans

Factoring

The Company had used factoring of receivables based on 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 Company discontinued this type of financing during the accounting period. All receivables which had been claimed to the factor are fully settled as at the date of preparation of these financial statements.

The outstanding balance as at 31 March 2020 is CZK 164 ths (As at 31 March 2019: CZK 4,231 ths).

The framework agreement for credit facilities

The Company uses the short-term financing provided by Raiffeisenbank a.s. based on the agreement for credit facilities or its short-term cash need since 2013.
The multi purpose facility of EUR 4,000 ths includes financing L/C imports, bank guarantees and overdraft. The company uses the overdraft with the maximum limit of EUR 764 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 3,000 ths and can be used for LCs in EUR or in USD. The outstanding balance from LCs as at 31 March 2020 is EUR 2,226 ths and USD 175 ths (As at 31 March 2020: EUR 1,834 ths and USD 1,034 ths).

Based on the prudence principle as the reaction to the outbreak of COVID-19 pandemic (the impact of this pandemic and associated risks are discussed in section „Risk management and risk factors") The Company negotiated with the financing bank the graceperiod for letters of credit repayments till 30th September 2020. At the same time the Company would not apply for new letters of credit and the purchases of raw materials and goods for resale will be settled by the combination of direct payments and partial prepayments before the delivery.

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 2020.

Bank guarantees

Bank guarantees
As at 31 March 2020 the Company had been 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.

As at 31 March 2019 Raiffeisenbank had 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,-. The bank guarantee terminated on 27 March 2020. No payment was provided from this bank guarantee.

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.

Table 28-b – OPEX loans

type	purpose	FX	maximum limit (EUR)	outstanding bal. as at 31 Mar 2020	outstanding bal. as at 31 Mar 2019
Overdraft	OPEX	EUR	764,000	670,295	762,044
Factoring	OPEX	EUR	300,000	6,247	163,863
Letters of credit (EUR)	goods and raw materials imports	EUR	3,000,000	2,265,997	1,833,883
Letters of credit (USD)	goods and raw materials imports	USD		174,783	1,033,602

Bank guarantees	guarantees	EUR	300,000		
		USD		0	14,376
		CZK		5,900,000	5,900,000
Financial instruments	FX contracts, financial derivatives	EUR	individual		

Risk management

The Company strictly adheres to its payment schedule 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 28-c – Bank loans (CZK ths)

	2019	2018
Long-term part	34,292	43,128
Short-term part	96,006	101,986
Factoring	171	4,228
Total loan unpaid	130,469	149,342

Interest expense

In the accounting period the Company accounted for CZK 6,616 ths as interest costs, in the comparative period then paid CZK 7,439 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 6,505 ths (CZK 7,774 ths as at 31 March 2019).

Intercompany borrowings

The sole shareholder ALOK INDUSTRIES INTERNATIONAL LTD. Had 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 2020 is EUR 3,882,345 (As of 31 March 2019: EUR 3,882,345)

Table 29 – Intercompany borrowings (CZK ths)

Borrowings	Drawing date	Unpaid as at 31 March 2020	Unpaid as at 31 March 2019
ALOK Consolidated	01/01/2013	106,085	100,165

Table 30 – Intercompany borrowings (CZK ths)

	2019	2018
Long-term part	100,000	100,000
Short-term part	19,961	12,672
Total loans unpaid	119,961	112,672

Table 31 – Unpaid interests from intercompany borrowings (CZK ths)

	2019	2018
Unpaid interests arising from intercompany borrowings	13,876	12,508

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Payables other than from financing, anticipated payables, contingencies

General information

As at the balance sheet date the Company had trade payables to its suppliers arising from regular raw materials supplies, chemicals, energy & utilities, services provided and goods for resale.
The intercompany payables represented the interest from the loan provided by the mother company and short-term part of the long-term intercompany loan.
Other liabilities consisted mainly from liabilities towards Social security office (ČSSZ), and health insurance companies, payables to employees arising from unpaid wages & salaries for March 2020 and estimated payables.

Trade payables

The Company did not have any intercompany trade payables as at 31 March 2020 nor as at 31 March 2019. The intercompany payables as at 31 March 2020 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 32 – Aging of short-term payables (CZK ths)

Aged payables	Trade payables	Other payables	Total
Not due	34,912	21,120	56,032
- out of which: intercompany payables	0	0	0
Overdue	26,410	24,201	50,611
- Out of which: intercompany payables	0	19,961	19,961
Total as at 31 March 2020	61,322	45,321	106,643
Not due	41,482	32,484	73,966
- out of which: intercompany payables	0	0	0
Overdue	38,657	12,672	51,329
- Out of which: intercompany payables	0	12,672	12,672
Total as at 31 March 2019	80,139	45,156	125,295

Other payables

Other payables as at 31 March 2020 consist mainly of prepayments received, liabilities to controlling or controlled entity, liabilities to the social security office – ČSSZ, health insurance companies, unpaid wages and salaries, anticipated payables and interest arising from letters of credit.

Liabilities to the state, ČSSZ and health insurance companies – see Table 33 below.

Table 33 – Other payables (CZK ths)

Payables to state authorities	Social security	Health insurance	Tax payables
Not due	3,263	1,352	739
Overdue	2,962	1,278	0
Total as at 31 March 2020	6,225	2,630	739
Not due	10,749	1,775	829
Overdue	0	0	0
Total as at 31 March 2019	10,749	1,775	829

Note to Table 33: Overdue payables to state authorities represent payables from social and health insurance for the period 02/2020, due on 20th March 2020, which were not fully paid as at the balance sheet date. The Company postponed these payments due to the prudence principle in its cash-flow management policy in connection with the pandemic COVID-19. All relevant institutions were informed in duly and timely manner about this fact. All payable arising from negotiated payment calendars with several health insurance companies and social security authority were paid in due and regular course during the accounting period.

Short term advances received	The Company has short-term advances received as at 31 March 2020 of CZK 45 ths which represent advances received from customers (CZK 2,276 ths. as at 31 March 2019).
Anticipated payables	The anticipated payables as at 31 March 2020 include mainly unbilled supplies of energy (CZK 3,797 ths), accrued interest (CZK 968 ths). Other anticipated payables represent payables from ordinary business activities.
Accruals and deferred income	The Company accounted for accruals of CZK 1,593 ths arising from the revaluation of inventories based on the inventory turnover days and deferred income of CZK 1,780 ths relating to exports where sales recognition based on the transfer of risks and rewards, driven by the INCOTERMS 2010, 2020 conditions have not been met.
Commitments and contingencies	Total value of commitments unrecorded in the Balance sheet amounts to CZK 77,470 ths and will be fulfilled across the contracted payment terms or instalment schedules over the next 5 years. The Company has one (1) bank guaranty in the amount of CZK 5,900 ths 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

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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

	2019		2018	
	Domestic	Export	Domestic	Export
Revenues from sales of goods for resale	23,705	14,110	24,928	14,750
Revenues from sales of finished goods	26,119	439,031	23,095	457,710
Revenues from job processing	22,707	9,193	18,186	2,908
Revenues from sales of services	3,689	2	3,248	54
Total	76,220	462,336	69,457	475,422

Table 35 - Geographical distribution of revenues from sales of products, goods and services

Geographical area	2019	2018
Europe	451,222	467,599
from it: Czech Republic	*76,220*	*69,457*
Africa	25,568	31,308
Asia	26,985	21,824
from it: Middle East	*13,020*	*10,982*
North America	26,873	20,498
South America	6,048	1,596
Australia and Oceania	1,861	2,053

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 36 – Personal expense overview (CZK ths)

Structure of personal expenses	Management	Others	Total
Labour costs	9,398	112,857	122,255
Social and health insurance	3,260	36,879	40,139
Other social costs	74	838	912
Total year 2019	12,732	150,574	163,306
Labour costs	9,412	109,933	119,345
Social and health insurance	3,041	35,946	38,987
Other social costs	68	800	868
Total year 2018	12,521	146,679	159,200

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 37 – 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	1,340	33	1,373
Total year 2019	6,617	129	6,746
Wages and salaries	6,177	96	6,273
Social and health insurance	1,357	33	1,390
Total year 2018	7,534	129	7,663

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 38 – Foreign exchange gains and losses (CZK ths)

	2019	2018
Foreign exchange gains	23,922	8,787
Foreign exchange losses	-25,751	-12,170
Net amount	-1,829	-3,383

Other operating charges and income

Other operating charges in total amount of CZK 7,470 ths consists mainly of insurance charges, taxes and other charges, compensations to employees and bad debts written off.

Other operatin income in total amount of CZK 521 ths consists of revenues from sale of textile and other waste, accounts payables write-offs and income associated with several immaterial insurance covers received in the accounting period.

Other operating charges (CZK 32,736 ths) and other operating income (CZK 26 323 ths) in the preceding accounting period 2018 consists mainly of income or charges generated from the sale of fixed assets sold to the leasing company via sale & leaseback, whereas the net book value of fixed assets sold was disclosed separatelz on row no. F.1. and the associated income was disclosed on row no. III.1. of the income statement as reveneus from sales of fixed assets.

Interest expense

The Company recognises interest expense on the accrual principle basis. As at 31 March 2020 the interest expense relating to the period of 12 months ending 31 March 2020 was included in costs of this accounting period irrespective of actual cash outflow.

EU subsidies

The Company did not draw any subsidies in 2019.

Corporate Income Tax (“CIT”)

The Company had not accounted for CIT provision as at 31 March 2020 due to the fact that it realised the accounting loss during the accounting period and the income tax return for 2019 had not been filled.

Deferred tax

The Company recorded deferred tax asset of CZK 11,744 ths as at 31 March 2020 (deferred tax asset of CZK 5,082 ths as at 31 March 2019).

Table 39 – Deferred tax (CZK ths)

	2019		2018	
	CZK ths	Tax rate	CZK ths	Tax rate
Difference between accounting and tax net book value of fixed assets	-9,253	19%	-31,740	19%
Unpaid social & health security	8,726	19%	7,670	19%
Unrealized tax loss from the preceding accounting period	6,026		0	
Provisions	53,351	19%	47,389	19%
Reserves	3,232		3,430	
Total deferred tax base	61,812	19%	26,749	19%
Deferred tax asset	11,744		5,082	

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part V. – Additional information about the Company

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

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 40 – Related party transactions – receivables and payables (CZK ths)

Receivables and payables from/to related parties	31 March 2020	31 March 2019
Receivables		
Trade receivables	0	45
Other receivables	0	0
Total receivables	0	45
Payables		
Trade payables	0	0
Borrowings	106,085	100,165
Unpaid interest from borrowings	14,844	13,412
Total payables	120,929	113,577

Table 41 – Related party transactions – revenues and costs (CZK ths)

Intercompany revenues and costs	2019	2018
Revenues		
Revenues from sales of goods and services	45	45
Total revenues	45	45
Costs		
Purchases of material and goods	0	0
Purchases of goods and services	0	0
Interest costs from borrowings	3,627	3,676
Total costs	3,627	3,676

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.

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Subsequent events – general comment	No events have ocurred subsequent to the year-end that would have a material impact on the financial statements as at 31 March 2020.

*** REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK***

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

The risk of global pandemic of COVID-19 illness

The epidemic of respiratory infectious disease COVID-19 was first identified in December 2019 in Wuhan, China and its surroundings. The disease is caused by the new type of coronavirus SARS-CoV-2 which started to spread from China in other countries at the beginning of 2020. The World Health Organization (WHO) declared the COVID-19 outbreak a public health emergency of international concern (PHEIC). Currently the presence of the disease is confirmed in most countries including the Czech Republic, where the first three cases of the disease were confirmed on 1st March 2020.

The outbreak of global pandemic of COVID-19 disease (further also "COVID-19") has had significant global health and economic consequences. The business activities of MILETA a.s. were affected mainly in terms of health and working conditions security, partially also in terms of economic consequences in connection with the global economic situation because individual layers of the economy, industries and national economies are very closely interconnected in the whole world. The below mentioned text concerns primarily with the impact of the actual coronavirus pandemic but the related risk assessment is applicable for any virus epidemic which can occur in the future.

<u>The impact on Company´s activities from the perspective of health security and working conditions</u>

The Company has implemented several restrictive and preventive measures as the reaction on the pandemic outbreak. The measures taken by the Company exceeded the government restrictions and recommendations with the aim to protect the health of our employees and to prevent further damages. All employees were informed on timely basis about the special measures taken and restrictions in the form of the issued orders of the chairman of the board of directors.

The protective tools (respirators and germicidal detergents) were distributed to all our employees immediately after the confirmed occurrence of the pandemic disease in the Czech Republic. During the first stage of the outbreak of the disease all employees coming back from abroad were instructed to stay in the quarantine as well as all employees were informed about the risks associated with traveling in the most affected countries (China, South Corea, northern Italy, Germany, France, Great Britain,...)

The Company instructed all employees to keep secure distances between them in all production, storage as well as administrative company´s premices. All employees were instructed to use respirators and maintain increased hygienic standards. Many employees were instructed to work from home and the working hours schedule was revised if applicable in order to minimise physical contact between employees only for necessarily period of time. The collective meetings were substituted by phone calls and video-conferences. Many of the aforementioned restrictions persisted even after the gradual the restrictions release by the state authorities.

Presently, after the decrease of the first coronavirus outbreak accompanied by the increase of the number of infected people in the Czech Republic, we, as the management of the Company can evaluate that the Company was very successful in the fight with the dissemination of the coronavirus disease.
As at the issue date of this report the Company does not register any transfer of the diesease between employees or members of the statutory body, nor any of the employees was tested for COVID-19 disease with positive results.

Though the aforementioned achievements are not the sufficient arguments for the reduction or even the negligence of the preventive measures taken in order to fight with the spreading of the coronavirus disease in the future or with the spreading of any epidemic disease respectively.

<u>The economic impact on business activities of the Company</u>

The pandemic outbreak had partial economic impact on heavily export oriented company MILETA a.s. considering the interconnection of global economy. The economic impact on the company can be negative or positive, the overall economic impact is rather negative but not above the average level which is applicable to other global companies of different levels or branches of economy. On the other hand the current crises has opened many new business opportunities. The possible economic impact of coronavirus or any other pandemic on the company can be analysed from different perspectives and the extent of causality between the pandemic and its economic impacts affecting directly or indirectly the business activities of the company.

(a) Temporary decrease in global demand for fashion apparels

The temporary decrease of the market of fashion apparels can be identified globally from March 2020. This decrease was generated mainly by restrictive government measures which resulted in reduction of opening hours of apparel shops or their temporary closure. The merchandisers were not able to compensate the decrease of sales in their shops by sales in their e-shops as the internet sales of clothes proved to be not very successful based on long-term historical data, at least not as successful as the internet sales of electronics, books or hobby products. This results from the fact that our typical customer prefers to see the product with his eyes, touch it, feel it and try it instead of evaluating the product based on its technical parametres. Apart from this the internet sales of clothes also have higher rate of customer returns which represents higher distribution costs.

Considerable number of customers have voluntarily postponed or directly missed out shoping in fashion stores in order to avoid the risk of becoming infected with the virus.

Our customers have accumulated a large amount of inventory resulting from the impossibility to introduce their spring and summer collection in time thanks to opening hours restrictions in their shops and lower customers´ demand for their goods.

Theoretically, the fairly higher risk would be generated by the long-term change of consumers behaviour which could lead to a more conservative behaviour of customers. This could result in the global decline of aggregate consumption including the decrease of demand for fashion apparels. The market data does not prove this trend even though many customers have temporarily reduced their shopping appetite for unnecessary goods or postponed their purchase for later. It can be reasonably assumed that textile or fashion industry would be affected by this long-term change of customer behaviour far less than e.g. automotive industry, tourism, construction and many various services. The company is specialized in luxurious goods manufacturing and compete with other rivals not by lower price but higher quality. Luxurious and fashion products can be substituted by cheaper asian products only with difficulties as well as there is no systematic subsitute which can supersede the fashion apparels.

(b) Change of aggregate demand (the change of mix in demand)

Further spread of the pandemic could temporarily reduce the global demand for fashion apparels but the new business opportunities are arising almost inseparably with this scenario. The global pandemic has generated dramatic increase in the demand for the material for the production of surgical masks. The management of the Company acted without any delay and utilised this new opportunity in full. The Company developed the special "coro-program", the all new collection of textile material for the production of surgical masks. The collection was developed within several weeks in March 2020. This new material has very unique properties and it is exceptionally effective against germs and bacterias regarding their fixture and elimination. The company was able to redirect the production capacity in favour of this new anti-germs and antibacterial material for the production of surgical masks which was distributed globally. Although the Company is able to achieve the higher economic value added on this product, the Company was not able to adequately compensate the decrease of demand for traditional products like shirting by this new product line in terms of turnover as well as quantity. The principal reason consists in lower unit material consumption for the production of surgical masks.

(c) The change in accessibility or change in price of the input material

The Company uses the cotton yarn as the basic input material for the production of most of its own products. Considering the fact that the most of the cotton is imported from Asia, there was a partial restraint of the cotton yarn supplies, mainly from China, as the result of temporary production discontinuity of local manufacturers and restraints in marine and air transportation. Despite of the abovementioned facts the Company was not forced to restrain the production as the result of the shortage of supply of the material nor forced to change the production mix according to the currently available resources. The Company had

managed to stock up sufficient quantity of cotton yarn before the outbreak of the pandemic. The eventual lack of several types of cotton yarn was managed by spot purchases from european suppliers.
The risk of the increase of yarn prices can be considered as low to very low in the short- and long-term period regarding the fact that the decrease of global demand for yarn represents the pressure on the overall decrease of yarn prices.

<u>(d) The restraint of the production capacity due to government restrictions</u>

Based on the present development of the situation can be concluded that the most affected companies in the Czech Republic which had to fully terminate their business activities as the result of restrictive government measures were companies providing various services, especially tourism, leisure activities & entertainment, restaurants and logistics. Textile manufacturing companies had been not directly affected by government restrictions although many manufacturing companies were forced to discontinue their operations, mainly companies from north Italy. Contrary to this the Company had managed to reorient part of its production capacity to the production of material for surgical masks. The Company reinforced its strategic significance from the perspective of national production independence on foreign import.

<u>(e) The lack or inaccessibility of labour force</u>

Some of the restrictive measures taken by the Czech government restricted the free movement of workers from abroad. The borders were closed. Some of the workers coming to the Czech Republic from abroad were instructed to stay in the quarantine or they were obligatorily tested for COVID-19. Considering the fact that most of our employees is from the Czech Republic and many other employees, mainly for Ukraine, live and work in the Czech Republic permanently, the Company was minimally affected. It can be expected that in case of outbreak of the next pandemic wave or any other pandemic, the borders could be closed and the free movement of individuals could be restricted. The Company has minimised this risk by prefering stable and experienced staff on a long-term basis to short-term agency employees. The Company provides long-term accommodation at advantegeous prices to foreign workers, as well as provides these employees with various training and requalification courses. All these activities reduce Company´s dependence on short-term labour force or agency employees.

<u>(f) Use of state subsidies and funding</u>

The Company evaluates the possibilities of the usage of state subsidies generally, continually and independently on new business opportunities arising from the pandemic and consequent extraordinary restriction measures. It can be concluded that the state subsidies under the pandemic measures is closely oriented on the group of self-employeed persons and small or medium sized companies. The company MILETA a.s. meets the definition of the big-size company from many perspectives. That is why the possibilities of state subsidies were limited especially during the first pandemic wave. The Company simply had not met the criterias under the subsidy "Covid" and "Covid II" which enabled different companies and self-employed persons to gain bank guarantees provided by the Czech-Moravian Guarantees and Development Bank (ČMZRB) for the loans provided by commercial banks. The new national subsidy program "Covid III" was declared in May 2020. This subsidy is eligible for companies with less then 500 employees. The Company has decided not to apply for this subsidy after having considered the amount of the subsidy, its form, type and period. The Company is registered as applicant for the state subsidy under the program "Antivirus". This program should help companies to protect staffing levels by compensation of labour costs spent by the employers which had to instruct their employees to stay in the quarantine or were forced to reduce fully or partially their operations as the result of the pandemic. The Company evaluates the terms and conditions of this subsidy including the associated law and regulations risks and monitors continuously its labour costs from which the amount of the state subsidy is derived. The Company would apply for the state subsidy only if the economic benefits of the subsidy was higher than the associated risks as well as risks associated with company´s cash-flow.

The Company continuously evaluates all the abovementioned risks and opportunities, monitors the situation in global markets within its industry as well as in other sectors of the economy. The list of risks stated above can not be considered as complete. The risks change over time and place and new risks could arise depending on how long and how serious the impact of further spread of the pandemic would be. The future development of the pandemic and its impact on customers´behaviour is rather unpredictable, especially in the medium- and long-term period. It is rather impossible to predict the future government measures on national or global level from the point of view of restrictive measures as the reaction to further spread of the pandemic or from the point of view of state subsidies which could be offered to most affected companies. All of this results in uncertainty with certain impacts which are hard to predict and it is not possible to calculate its costs or can not be managed as other types of risks which have quantifiable results or are easy to prevent or avoid even though with reasonably spent costs. The assessment of the abovementioned risks is applicable to potential risk associated with the spread of any other virus or bacterial infections.

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 764 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 or capital leases.

As the reaction to coronavirus pandemic the Company has negotiated with its financing bank the grace period for letters of credti repayments till 30th September 2020. The Company did not claim the right to postpone the repayments of CAPEX loans since the Company is able to pay the installments in duly and timely manner. Furthermore the Company negotiated the grece period for repayments of captial leases with Raiffeisen – Leasing s.r.o. till 31st October 2020.

The Company has postponed the payments of social and health insurance paid by the employer (not by employees). The relevant institutions were informed on duly and timely manner.

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 had used 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 accounting period. The Company discontinued to use type of financing in December 2019.

The company regularly monitors 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 future development of the risk of liquidity is hard to anticipate taking into consideration the coronavirus pandemic because the liquidity is affected by creditworthiness of customers which is driven by the actual global situation. The Company considers the liquidity risk as medium with positive outlook in case of progressive return to before the crisis state of the ecomy in a short-term period.

Bank financing acceleration risk

The Company perpetually monitors and evaluates any risk of worsening the financing position, especially risk or any loans acceleration given by the covemants performance. In case of breach of the covenant or

	close-ti-breach situation the management immediately communicates with the respective financing party to seek proactively appropriate cure of the potential default. The Company did not claim the right for the discontinuance of CAPEX loans repayments as the result of the coronavirus pandemic and has continued in duly and timely repayments. The risk associated with any financing acceleration is considered to be low to medium depending on the approach of financing banks during the pandemic time.
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 have 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. In connection with the pandemic the Company has tightened the rules for the assessments of customers creditworthiness. Deliveries to some of Company´s customers are conditioned by payments of full or partial prepaments or the Company has reduced deliveries to some of its customers. Furthermore the Company motivates its customers to take advantage of discounts provided by the Company to its customers for early payments. This risk is considered as low to medium depending on future development of coronavirus pandemic and subsequent global economic situation.
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 foreign exchange risks. The Company continuously monitors the situation in financial markets. No forwards, futures, options or swaps were concluded as at 31 March 2020. 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 medium.

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. 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 actual depreciation of czech crown is considered as temporary, with minimal affect on Company´s business operations mainly due to the usage of natural hedge specified above. The foreign exchange risk is considered as low 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 materials well in advance in EUR or USD, mainly from India, Pakistan, China, Poland, 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. After the long-term cooperation with one stable partner, the Company successfully realized an open competition for supplies of electricity nad gas in order to get more advantageous payment terms, optimize nergy commodities costs and diverzify the risk of having one single supplier of all energy commodities among more independent suppliers. As the result the Company has now two different suppliers for electricity and gas, every supplier being specialized to one single commodity. The Company uses trading on the EEX via its suppliers with business model market price plus. The Company has an access to the future contracts up to 3 years. The Company managed to gain significant energy savings, particularly thanks to its proper purchasing strategy and descending unit prices. 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. These analyses are used for the further optimization of purchasing strategy. The utilities price (unexpected and mismanaged fast long-term growth) risk is considered as low and it is under full control of the Company. The Company monitors this risk and modifies its purchasing policy if needed.

Environmental risk

The Company follows all the procedures and legislation changes. 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.

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 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.

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

The Company managed to keep the required level of employment during the accounting period. The temporary general lack of free labour force in the market in 2019/2020 has stabilized and nowadays it shows the adverse development in connection with the coronavirus pandemic and subseqent economic downturn. The automotive industry which is has been generally strong in the Czech Republic is not as attractive for employees as it was in previous years which could represent further improvement of availabilitiy of new employees in the labour market.

This risk can be rated as low to moderate as it is substantially dependent on future development of the coronavirus pandemic, EU legislature 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. Furthermore the Company revaluated its sales strategy for this continent and successfully initiated the business cooperation with several european customers further exporting damasks and batists to the African continent.

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 depending on future development of the pandemic and subsequent global economic development.

Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 31st August 2020

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

Part VI. – Cash flow statement

*** THIS PAGE IS INTENTIONALLY LEFT BLANK***

CASH FLOW

(in thousand Czech crowns)

Description			TEXT	Accounting period 2019	2018
a			b	1	2
			Operating cash flow		
			Net profit on ordinary activities before tax	-23,042	-46,211
A.	1.		Adjustments for non-cash movements:	44,631	41,374
A.	1.	1.	Depreciation of fixed assets	22,505	27,602
A.	1.	2.	Change in provisions	15,512	6,672
A.	1.	3.	Loss / (profit) from disposal of fixed assets	-2	-339
A.	1.	5.	Net interest expense / (income)	6,616	7,439
A	*		Net operating cash flow before taxation and changes in working capital	21,589	-4,837
A.	2.		Working capital changes:	446	30,003
A.	2.	1.	Change in receivables and prepayments and accrued income	-739	8,561
A.	2.	2.	Change in short-term payables and accruals and deffered income	-26,143	15,866
A.	2.	3.	Change in inventories	27,328	5,576
A	**		Net operating cash flow before taxation	22,035	25,166
A.	3.		Interest paid	-2,988	-3,724
A.	4.		Interest received	1	1
A.	5.		Income tax on ordinary activities paid	3,847	-1,211
A	***		Net operating cash flow	22,894	20,232
B.	1.		Acquisition of fixed assets	-1,808	5,645
B.	2.		Proceeds from the sale of fixed assets	2	339
B	***		Net cash flow from investing activities	-1,806	5,984
C.	1.		Change in long- and short-term liabilities	-13,868	-23,173
C	***		Net cash flow from financing activities	-13,868	-23,173
			Net increase / (decrease) in cash and cash equivalents	7,221	3,043
			Cash and cash equivalents in the beginning of the period	-13,904	-16,947
			Cash and cash equivalents at the end of the period	-6,683	-13,904

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 42 - Reconciliation of cash flow statement to the Balance sheet

	2019	2018
Total financial assets	11,633	5,757
Bank overdraft	-18,316	-19,661
Cash and cash equivalents at the end of the period	-6,683	-13,904

Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 31st August 2020