

MILETA a.s.

Financial statements
31 March 2019

Released on: 4th October 2019
Language version – English

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Part A

Independent auditor's report

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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 2019, the income statement, statement of changes in shareholder's equity and cash flow statement for the year ended 31 March 2019 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 2019, of its financial performance and its cash flows for the year ended 31 March 2019 in accordance with Czech accounting legislation.

Basis for Opinion

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

Other Information

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

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

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

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

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

Responsibilities of the Board of Directors and Supervisory Board 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.

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Independent auditor's report

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.

4 October 2019

PricewaterhouseCoopers Audit, s.r.o.
represented by

Václav Prýmek
Partner

Jana Sabaďášová
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.

Zpráva nezávislého auditora

akcionáři společnosti Mileta a.s.

Výrok auditora

Provedli jsme audit přiložené účetní závěrky společnosti Mileta a.s., se sídlem Husova 734, Hořice („Společnost“), sestavené na základě českých účetních předpisů, která se skládá z rozvahy k 31. březnu 2019, výkazu zisku a ztráty, přehledu o změnách vlastního kapitálu a přehledu o peněžních tocích za rok končící 31. března 2019 a přílohy této účetní závěrky, která obsahuje podstatné účetní metody a další vysvětlující informace.

Podle našeho názoru přiložená účetní závěrka podává věrný a poctivý obraz finanční pozice Společnosti k 31. březnu 2019, její finanční výkonnosti a jejích peněžních toků za rok končící 31. března 2019 v souladu s českými účetními předpisy.

Základ pro výrok

Audit jsme provedli v souladu se zákonem o auditorech a auditorskými standardy Komory auditorů České republiky, kterými jsou Mezinárodní standardy auditu (ISA), případně doplněné a upravené souvisejícími aplikačními doložkami. Naše odpovědnost stanovená těmito předpisy je podrobněji popsána v oddílu Odpovědnost auditora za audit účetní závěrky. V souladu se zákonem o auditorech a Etickým kodexem pro auditory a účetní znalce, vydaným Radou pro mezinárodní etické standardy účetních (IESBA) a přijatým Komorou auditorů České republiky, jsme na Společnosti nezávislí a splnili jsme i další etické povinnosti vyplývající z uvedených předpisů. Domníváme se, že důkazní informace, které jsme shromáždili, poskytují dostatečný a vhodný základ pro vyjádření našeho výroku.

Ostatní informace

Ostatními informacemi jsou v souladu s § 2 písm. b) zákona o auditorech informace uvedené ve výroční zprávě mimo účetní závěrku a naši zprávu auditora. Za ostatní informace odpovídá představenstvo Společnosti.

Náš výrok k účetní závěrce se k ostatním informacím nevztahuje. Přesto je však součástí našich povinností souvisejících s auditem účetní závěrky seznámení se s ostatními informacemi a posouzení, zda ostatní informace nejsou ve významném nesouladu s účetní závěrkou či s našimi znalostmi o Společnosti získanými během auditu nebo zda se jinak tyto informace nejeví jako významně nesprávné. Také posuzujeme, zda ostatní informace byly ve všech významných ohledech vypracovány v souladu s příslušnými právními předpisy. Tímto posouzením se rozumí, zda ostatní informace splňují požadavky právních předpisů na formální náležitosti a postup vypracování ostatních informací v kontextu významnosti, tj. zda případné nedodržení uvedených požadavků by bylo způsobilé ovlivnit úsudek činěný na základě ostatních informací.

Na základě provedených postupů, do míry, již dokážeme posoudit, uvádíme, že

- ostatní informace, které popisují skutečnosti, jež jsou též předmětem zobrazení v účetní závěrce, jsou ve všech významných ohledech v souladu s účetní závěrkou a
- ostatní informace byly vypracovány v souladu s právními předpisy.

Dále jsme povinni uvést, zda na základě poznatků a povědomí o Společnosti, k nimž jsme dospěli při provádění auditu, ostatní informace neobsahují významné věcné nesprávnosti. V rámci uvedených postupů jsme v obdržených ostatních informacích žádné významné věcné nesprávnosti nezjistili.

Odpovědnost představenstva a dozorčí rady Společnosti za účetní závěrku

Představenstvo Společnosti odpovídá za sestavení účetní závěrky podávající věrný a poctivý obraz v souladu s českými účetními předpisy, a za takový vnitřní kontrolní systém, který považuje za nezbytný pro sestavení účetní závěrky tak, aby neobsahovala významné nesprávnosti způsobené podvodem nebo chybou.

Při sestavování účetní závěrky je představenstvo Společnosti povinno posoudit, zda je Společnost schopna nepřetržitě trvat, a pokud je to relevantní, popsat v příloze účetní závěrky záležitosti týkající se jejího nepřetržitého trvání a použití předpokladu nepřetržitého trvání při sestavení účetní závěrky, s výjimkou případů, kdy představenstvo plánuje zrušení Společnosti nebo ukončení její činnosti, resp. kdy nemá jinou reálnou možnost než tak učinit.

Za dohled nad procesem účetního výkaznictví odpovídá dozorčí rada Společnosti.

Zpráva nezávislého auditora

Odpovědnost auditora za audit účetní závěrky

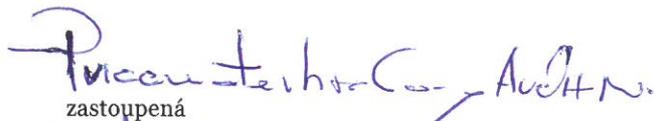
Naším cílem je získat přiměřenou jistotu, že účetní závěrka jako celek neobsahuje významnou nesprávnost způsobenou podvodem nebo chybou a vydat zprávu auditora obsahující náš výrok. Přiměřená míra jistoty je velká míra jistoty, nicméně není zárukou, že audit provedený v souladu s výše uvedenými předpisy ve všech případech v účetní závěrce odhalí případnou existující významnou nesprávnost. Nesprávnosti mohou vznikat v důsledku podvodů nebo chyb a považují se za významné, pokud lze reálně předpokládat, že by jednotlivě nebo v souhrnu mohly ovlivnit ekonomická rozhodnutí, která uživatelé účetní závěrky na jejím základě přijmou.

Při provádění auditu v souladu s výše uvedenými předpisy je naší povinností uplatňovat během celého auditu odborný úsudek a zachovávat profesní skepticismus. Dále je naší povinností:

- Identifikovat a vyhodnotit rizika významné nesprávnosti účetní závěrky způsobené podvodem nebo chybou, navrhnout a provést auditorské postupy reagující na tato rizika a získat dostatečné a vhodné důkazní informace, abychom na jejich základě mohli vyjádřit výrok. Riziko, že neodhalíme významnou nesprávnost, k níž došlo v důsledku podvodu, je větší než riziko neodhalení významné nesprávnosti způsobené chybou, protože součástí podvodu mohou být tajné dohody, falšování, úmyslná opomenutí, nepravdivá prohlášení nebo obcházení vnitřních kontrol.
- Seznámit se s vnitřním kontrolním systémem Společnosti relevantním pro audit v takovém rozsahu, abychom mohli navrhnout auditorské postupy vhodné s ohledem na dané okolnosti, nikoli abychom mohli vyjádřit názor na účinnost jejího vnitřního kontrolního systému.
- Posoudit vhodnost použitých účetních pravidel, přiměřenost provedených účetních odhadů a informace, které v této souvislosti představenstvo Společnosti uvedlo v příloze účetní závěrky.
- Posoudit vhodnost použití předpokladu nepřetržitého trvání při sestavení účetní závěrky představenstvem, a to, zda s ohledem na shromážděné důkazní informace existuje významná nejistota vyplývající z událostí nebo podmínek, které mohou významně zpochybnit schopnost Společnosti trvat nepřetržitě. Jestliže dojdeme k závěru, že taková významná nejistota existuje, je naší povinností upozornit v naší zprávě na informace uvedené v této souvislosti v příloze účetní závěrky, a pokud tyto informace nejsou dostatečné, vyjádřit modifikovaný výrok. Naše závěry týkající se schopnosti Společnosti trvat nepřetržitě vycházejí z důkazních informací, které jsme získali do data naší zprávy. Nicméně budoucí události nebo podmínky mohou vést k tomu, že Společnost ztratí schopnost trvat nepřetržitě.
- Vyhodnotit celkovou prezentaci, členění a obsah účetní závěrky, včetně přílohy, a dále to, zda účetní závěrka zobrazuje podkladové transakce a události způsobem, který vede k věrnému zobrazení.

Naší povinností je informovat představenstvo a dozorčí radu mimo jiné o plánovaném rozsahu a načasování auditu a o významných zjištěních, která jsme v jeho průběhu učinili, včetně zjištěných významných nedostatků ve vnitřním kontrolním systému.

4. října 2019


zastoupená

Ing. Václav Prýmek


Ing. Jana Sabadášová
statutární auditorka, evidenční č. 2378

Tato zpráva je určena akcionáři společnosti Mileta a.s.

Part B

Financial

statements

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BALANCE SHEET

(in thousand Czech crowns)

Reference a	ASSETS	31/03/2019			31/03/2018
		Gross	Provision	Net	Net
	TOTAL ASSETS	1,265,512	-548,328	717,184	770,948
B	Fixed assets	651,584	-478,525	173,059	206,306
B.I.	Intangible fixed assets	16,342	-14,976	1,366	704
	B.I.2. Royalties	15,176	-14,976	200	289
	B.I.2.1. Software	15,048	-14,945	103	171
	B.I.2.2. Other royalties	128	-31	97	118
	B.I.5. Intangible fixed assets in the course of construction and advances paid for intangible fixed assets	1,166	0	1,166	415
	B.I.5.2. Intangible fixed assets in the course of construction	1,166	0	1,166	415
B.II.	Tangible fixed assets	635,242	-463,549	171,693	205,602
	B.II.1. Land and constructions	246,491	-128,946	117,545	122,372
	B.II.1.1. Land	4,161	0	4,161	4,082
	B.II.1.2. Constructions	242,330	-128,946	113,384	118,290
	B.II.2. Equipment	385,832	-334,497	51,335	68,372
	B.II.4. Other tangible fixed assets	2,328	-106	2,222	1,190
	B.II.4.3. Other tangible fixed assets	2,328	-106	2,222	1,190
	B.II.5. Tangible fixed assets in the course of construction and advances paid for tangible fixed assets	591	0	591	13,668
	B.II.5.1. Advances paid for tangible fixed assets	0	0	0	3,433
	B.II.5.2. Tangible fixed assets in the course of construction	591	0	591	10,235
C	Current assets	609,143	-69,803	539,340	551,996
C.I.	Inventories	327,354	-17,685	309,669	317,507
	C.I.1. Raw materials	51,252	-2,630	48,622	53,730
	C.I.2. Work in progress and semi-finished products	70,570	-2,173	68,397	62,921
	C.I.3. Finished goods and goods for resale	205,385	-12,882	192,503	200,531
	C.I.3.1. Finished goods	176,470	-12,184	164,286	170,151
	C.I.3.2. Goods for resale	28,915	-698	28,217	30,380
	C.I.5. Prepayments for inventory	147	0	147	325
C.II.	Receivables	276,032	-52,118	223,914	228,255
	C.II.1. Long-term receivables	11,862	-6,674	5,188	5,720
	C.II.1.4. Deferred tax asset	5,082	0	5,082	2,326
	C.II.1.5. Other receivables	6,780	-6,674	106	3,394
	C.II.1.5.2. Long-term advances paid	106	0	106	57
	C.II.1.5.4. Other receivables	6,674	-6,674	0	3,337
	C.II.2. Short-term receivables	264,170	-45,444	218,726	222,535
	C.II.2.1. Trade receivables	251,353	-45,444	205,909	211,229
	C.II.2.4. Other receivables	12,817	0	12,817	11,306
	C.II.2.4.3. Taxes and state subsidies receivable	7,959	0	7,959	9,079
	C.II.2.4.4. Short-term advances paid	4,799	0	4,799	1,876
	C.II.2.4.6. Other receivables	59	0	59	351
C.IV	Financial assets	5,757	0	5,757	6,234
	C.IV.1 Cash in hand	4,041	0	4,041	3,268
	C.IV.2 Cash at bank	1,716	0	1,716	2,966
D	Prepayments and accrued income	4,785	0	4,785	12,646
	D.1. Prepaid expenses	4,785	0	4,785	12,646

Reference	LIABILITIES AND EQUITY	31/03/2019	31/03/2018
a	b	5	6
	TOTAL LIABILITIES AND EQUITY	717,184	770,948
A	Equity	335,542	381,851
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	116,365	120,616
	A.IV.1. Retained earnings	116,365	120,616
A.V.	Profit / (loss) for the current period (+/-)	-46,309	-4,251
B+C	Liabilities	378,067	387,362
B	Provisions	3,430	3,776
B.4.	Other provisions	3,430	3,776
C	Liabilities	374,637	383,586
C.I.	Long-term liabilities	143,128	152,589
	C.I.2. Long-term liabilities to credit institutions / banks	43,128	53,041
	C.I.6. Liabilities - controlling entities / subsidiaries	100,000	99,548
C.II.	Short-term liabilities	231,509	230,997
	C.II.2. Short-term liabilities to credit institutions / banks	101,986	116,289
	C.II.3. Short-term advances received	2,276	1,352
	C.II.4. Trade payables	80,139	66,044
	C.II.6. Liabilities - controlling entities / subsidiaries	12,672	9,941
	C.II.8. Other liabilities	34,436	37,371
	C.II.8.2. Other short-term borrowings	4,228	6,170
	C.II.8.3. Liabilities to employees	8,530	8,819
	C.II.8.4. Liabilities for social security and health insurance	12,524	14,472
	C.II.8.5. Taxes and state subsidies payable	829	543
	C.II.8.6. Estimated payables	7,774	6,623
	C.II.8.7. Other liabilities	551	744
D	Accruals and deferred income	3,575	1,735
D.1.	Accruals	3,324	0
D.2.	Deferred income	251	1,735

INCOME STATEMENT

(in thousand Czech crowns)

Reference	DESCRIPTION	Accounting period	
		Reported 12 months ended 31 Mar 2019	Previous 12 months ended 31 Mar 2018
a	b	1	2
I.	Sales of own products and services	505,200	534,442
II.	Sales of goods	39,678	37,559
A	Cost of sales	379,950	401,720
	A.1. Cost of goods sold	28,807	27,080
	A.2. Raw materials and consumables	257,577	281,954
	A.3. Services	93,566	92,686
B	Change in inventory of finished goods and work in progress	946	-6,952
C	Own work capitalised	-2,628	-2,536
D	Staff costs	159,200	148,134
	D.1. Wages and salaries	119,345	111,034
	D.2. Social security and health insurance costs	39,855	37,100
	D.2.1. Social security and health insurance costs	38,987	36,214
	D.2.2. Others costs	868	886
E	Value adjustments to operating activities	34,621	26,531
	E.1. Depreciation of fixed assets	27,602	28,826
	E.1.1. Depreciation of fixed assets - permanent	27,602	28,826
	E.2. Value adjustments of inventories	2,263	975
	E.3. Value adjustments of receivables	4,756	-3,270
III.	Other operating income	26,323	6,138
	III.1. Sale of fixed assets	22,974	5,152
	III.2. Sale of raw materials	1,029	307
	III.3. Other operating income	2,320	679
F	Other operating charges	32,736	13,987
	F.1. Net book value of fixed assets sold	22,635	5,147
	F.2. Net book value of raw materials sold	652	34
	F.3. Taxes and charges	800	741
	F.4. Operating provisions and complex prepaid expenses	-362	288
	F.5. Other operating charges	9,011	7,777
	*Operating result (+/-)	-33,624	-2,745
VI.	Interest income and similar income	1	0
	VI.2. Other interest income and similar income	1	0
J	Interest expense and similar expense	7,439	7,424
	J.1. Interest expense and similar expense - controlled entities / subsidiaries	3,675	3,649
	J.2. Other interest expense and similar expense	3,764	3,775
VII.	Other financial income	11	5,166
K	Other financial expense	5,160	1,661
	*Financial result (+/-)	-12,587	-3,919
	**Net profit / (loss) before taxation (+/-)	-46,211	-6,664
L	Tax on profit or loss	98	-2,413
	L.1. Tax on profit or loss - current	2,853	-201
	L.2. Tax on profit or loss - deferred	-2,755	-2,212
	**Profit or loss after taxation (+/-)	-46,309	-4,251
	***Net profit / (loss) for the financial period (+/-)	-46,309	-4,251
	*Net turnover for the financial period =I.+II.+III.+IV.+V.+VI.+VII.	571,213	583,305

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 2017	231,310	32,341	1,835	108,587	12,029	386,102
Profit/ (loss) distribution	0	0	0	12,029	-12,029	0
Net profit/(loss) for the current period	0	0	0	0	-4,251	-4,251
As at 31 March 2018	231,310	32,341	1,835	120,616	-4,251	381,851
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

CASH FLOW

(in thousand Czech crowns)

		Description	Accounting period	
			2018	2017
a	b		1	2
	Operating cash flow			
	Net profit on ordinary activities before tax		-46,211	-6,664
A.	1.	Adjustments for non-cash movements:	41,374	34,239
A.	1. 1.	Depreciation of fixed assets	27,602	28,826
A.	1. 2.	Change in provisions	6,672	-2,007
A.	1. 3.	Loss / (profit) from disposal of fixed assets	-339	-4
A.	1. 5.	Net interest expense / (income)	7,439	7,424
A	*	Net operating cash flow before taxation and changes in working capital	-4,837	27,575
A.	2.	Working capital changes:	30,003	14,265
A.	2. 1.	Change in receivables and prepayments and accrued income	8,561	22,717
A.	2. 2.	Change in short-term payables and accruals and deferred income	15,866	97
A.	2. 3.	Change in inventories	5,576	-8,549
A	**	Net operating cash flow before taxation	25,166	41,840
A.	3.	Interest paid	-3,724	-3,656
A.	4.	Interest received	1	0
A.	5.	Income tax on ordinary activities paid	-1,211	-2,361
A	***	Net operating cash flow	20,232	35,823
B.	1.	Acquisition of fixed assets	5,645	-11,014
B.	2.	Proceeds from the sale of fixed assets	339	0
B	***	Net cash flow from investing activities	5,984	-11,014
C.	1.	Change in long- and short-term liabilities	-23,173	-27,362
C	***	Net cash flow from financing activities	-23,173	-27,362
		Net increase / (decrease) in cash and cash equivalents	3,043	-2,553
		Cash and cash equivalents in the beginning of the period	-16,947	-14,394
		Cash and cash equivalents at the end of the period	-13,904	-16,947

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Part C

Translation and release footnote

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Translation footnote

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

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

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

Release footnote

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

- (a) the reporting package provided to ALOK INDUSTRIES LIMITED, which prepares the consolidated financial statements for the largest and smallest group of entities of which the Company forms a part as a subsidiary
- (b) presentation to the financing bank for the purposes of:
 - (i) covenants evaluation
 - (ii) understanding of the current state of business affairs
 - (iii) understanding of the opening position for the year 2019 – 2020

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 2020 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, 4th October 2019

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Part D

Notes to the financial statements

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Notes to the financial statements

MILETA a.s.

31 March 2019

Accounting period 1 April 2018 – 31 March 2019

Hořice, 27th September 2019

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References to footnotes

BALANCE SHEET

(in thousand Czech crowns)

Reference	ASSETS	31/03/2019	31/03/2018	references to footnotes
a	b	Net 3	Net 4	PAGE NO.
	TOTAL ASSETS	717,184	770,948	44-67
B	Fixed assets	173,059	206,306	45-47, 53-62
	B.I. Intangible fixed assets	1,366	704	45-46, 55-57
	B.II. Tangible fixed assets	171,693	205,602	45-47, 53-55, 58-60
C	Current assets	539,340	551,996	44, 47-49, 63-67
	C.I. Inventories	309,669	317,507	44, 63-65
	C.II. Receivables	223,914	228,255	48-49, 65
	C.IV. Financial assets	5,757	6,234	47, 67
D	Prepayments and accrued income	4,785	12,646	67

Reference	LIABILITIES AND EQUITY	31/03/2019	31/03/2018	references to footnotes
a	b	5	6	PAGE NO.
	TOTAL LIABILITIES AND EQUITY	717,184	770,948	47, 69-76
A	Equity	335,542	381,851	47, 69
	A.I. Share capital	231,310	231,310	69
	A.II. Share premium and capital contributions	1,835	1,835	69
	A.III. Reserve fund and other reserves	32,341	32,341	69
	A.IV. Retained earnings / Accumulated losses	116,365	120,616	69
	A.V. Profit / (loss) for the current period (+/-)	-46,309	-4,251	69
B+C	Liabilities	378,067	387,362	47-49, 69, 71-76
B	Provisions	3,430	3,776	69
	B.4. Other provisions	3,430	3,776	69
C	Liabilities	374,637	383,586	71-76
	C.I. Long-term liabilities	143,128	152,589	47, 71-73
	C.II. Short-term liabilities	231,509	230,997	47, 71-73
D	Accruals and deferred income	3,575	1,735	73, 75
	D.1. Accruals	3,324	0	73, 75
	D.2. Deferred income	251	1,735	75

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	505,200	534,442	79
II.	Sales of goods	39,678	37,559	79
A	Cost of sales	379,950	401,720	79
B	Change in inventory of finished goods and work in progress	946	-6,952	63-65
C	Own work capitalised	-2,628	-2,536	44
D	Staff costs	159,200	148,134	79-80
E	Value adjustments to operating activities	34,621	26,531	48-49, 63
III.	Other operating income	26,323	6,138	80
F	Other operating charges	32,736	13,987	80
Operating result		-33,624	-2,745	
VI.	Interest income and similar income	1	0	
J	Interest expense and similar expense	7,439	7,424	80
VII.	Other financial income	11	5,166	
K	Other financial expense	5,160	1,661	47, 80
Financial result		-12,587	-3,919	
Net profit / (loss) before taxation		-46,211	-6,664	
L	Tax on profit or loss	98	-2,413	47-48, 80
**Profit or loss after taxation		-46,309	-4,251	
***Net profit / (loss) for the financial period		-46,309	-4,251	
*Net turnover for the financial period =I.+II.+III.+IV.+V.+VI.+VII.		571,213	583,305	

Glossary of Terms

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	<p>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.</p> <p>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.</p> <p>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).</p>
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 2018 (“2018”)	The accounting period, i.e. the period from 1 April 2018 to 31 March 2019.
Year 2017 (“2017”)	The comparative period, i.e. the period from 1 April 2017 to 31 March 2018.

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 27th September 2019 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, 27th September 2019

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Part I. - Information about the Company

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General information

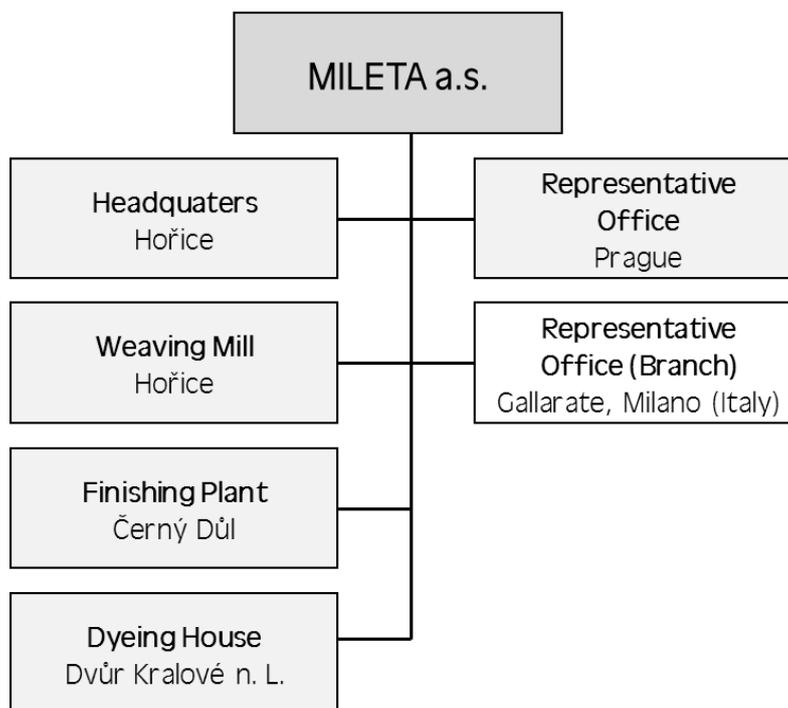
Company Name:	MILETA a.s. („the Company“)
Registered office:	Husova 734, 508 01 Hořice, Czech Republic
Legal form:	joint-stock company
Commercial Register:	Regional court of justice in Hradec Králové, Section B, Folio No. 597
Date of registration:	1 May 1992
Identification number:	455 34 403
Primary business:	Yarn dyeing and chemical processing of fabrics Accommodation services Production, sale and services not included in the appendix 1 to 3 of the Trade Law
Board of directors:	
Chairman:	Otakar Petráček
Vice-chairman:	Gopinath R. Kamath
Supervisory Board:	
Chairman:	Jan Šelder
Sole shareholder:	ALOK INDUSTRIES INTERNATIONAL LTD, Pasea Estate, Road Town, Tortola, British Virgin Islands, Registration number: 1382028
Share capital:	CZK 231,309,792 (CZK 231,310 ths.) of it paid up – 100%
Shares form and depository	Company shares are de-materialised, recorded in the Central register of securities ran by the Central Securities Depository 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 occurred 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	2018	2017
Headcount, year end	369	378
Full time equivalent, year end	366	374
Out of which: management (CEO, heads of divisions, plant directors)	9	8

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

Shareholders

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

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

Statutory and supervisory bodies

Board of directors and Supervisory board were active and acting during the current and preceding period. The members of statutory and supervisory bodies were provided with certain services related to the completion of their duties.

Chairman and Vice Chairman of the Board of Directors are entitled to the personal cars for both, business and private, purposes. Car brand, make and costs are adhering to the Car Policy as stipulated in the internal rules of the Company.

Chairman and Vice-Chairman of the Board are also entitled to the certain financial benefits and benefits in kind, adhering to their board membership contracts.

All and any such benefits were properly taxed according to the Czech taxation framework.

No compensation other than connected with their duties and properly contracted was provided to the members of the statutory and supervisory bodies.

No loans, guarantees or similar benefits were provided to the members of the statutory and supervisory bodies in the current or preceding periods, neither in the financial terms nor in the form of benefits in kind.

The Company did not provide to the members of the statutory and supervisory bodies any services or goods on preferential terms.

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

CZK ths	2018	2017
Members of statutory and supervisory bodies - accommodation and other services	360	405
Members of statutory and supervisory bodies - cars operating lease full service costs	1,042	944

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 2019 were not paid as of the Balance Sheet date and are properly accrued.

Table 4 – Audit fees	CZK ths	2018	2017
	Statutory audit fee	440	400

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

Part II. – Applied accounting policies and methodology

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Accounting policies, general accounting principles and valuation methods used

General

Compliance of financial statements with the respective accounting and financial reporting framework	<p>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.</p> <p>The balance sheet date, i.e. 31 March 2019, 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.</p>
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Functional currency	<p>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.</p>
---------------------	---

Accounting period	<p>The Company uses financial year running from 1 April to 31 March and its adoption has properly been performed in 2008.</p> <p>The Company uses "2018" and "2017" year-titles in the notes to financial statements in order to simplify the presentation of financial information. The year 2018 hence refers to the accounting period from 1 April 2018 until 31 March 2019. The year 2017 hence refers to the preceding accounting period, i.e. from 1 April 2017 until 31 March 2018.</p>
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Accounting principles	<p>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.</p>
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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	<p>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.</p> <p>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.</p>
Own production inventories and finished goods	<p>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.</p> <p>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.</p>
Work in progress	<p>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.</p>
Valuation of securities and ownership interests	<p>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.</p>
Assets and liabilities accounted for at their fair value	<p>The Company has no assets or liabilities that would require revaluation to their fair value.</p>
Own products valuation - cost classification	
General comment	<p>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.</p>
Definition of indirect acquisition costs	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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 unrepresented 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • > 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: <ul style="list-style-type: none"> • > 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:
	$\text{Turnover period of FG in months} = \frac{\text{FG inventory level before revaluation}}{\text{average monthly revenues}}$
	$\text{The revaluation difference differed} = \frac{\text{revaluation difference}}{\text{turnover period of FG in months}} \times \text{no. of months}$
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.

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Part III. – Additional information on the Balance Sheet

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Fixed assets

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 2018.

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	2018			2017		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Machinery and equipment	364,295	313,424	50,871	366,703	298,995	67,708
Vehicles	77	49	28	47	41	6
Low-value tangible fixed assets	21,460	21,024	436	21,301	20,643	658
Total	385,832	334,497	51,335	388,051	319,679	68,372

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	2018			2017		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Buildings, halls and constructions	242,330	128,946	113,384	239,228	120,938	118,290
Land	4,161	0	4,161	4,082	0	4,082
Other tangible fixed assets - easements	2,328	106	2,222	1,294	104	1,190
Total	248,819	129,052	119,767	244,604	121,042	123,562

Leased assets -
operating and
capital leases

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

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

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

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

Table 9a – Capital leases (EUR)

To date	Leased Item	Amounts paid and payable from existing contracts [EUR]	Paid [EUR]	Amounts payable from the existing contracts	
				Within 1 year [EUR]	More than 1 year [EUR]
31.3.2019	Jacquard looms	1,357,847	1,243,294	114,554	0
31.3.2019	Dobby looms	618,622	618,622	0	0
31.3.2019	Warp preparation - sizing machine	388,157	362,280	25,877	0
31.3.2019	Welker	95,410	89,050	6,361	0
31.3.2019	Short-liquor dyeing machine	205,426	71,899	41,085	92,442
31.3.2019	Other leased asset	21,766	20,702	1,064	0
31.3.2019	Printer	489,617	72,536	108,804	308,278
31.3.2019	Wide washing machine	451,626	103,550	80,325	267,751

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.

Leased Item	2018 [EUR]	2017 [EUR]
Jacquard looms	1,357,847	1,357,847
Dobby looms	618,622	618,622
Warp preparation - sizing machine	388,157	388,157
Warp preparation - other	95,410	95,410
Short-liquor dyeing machine	205,426	205,426
Other leased asset	21,766	21,766
Printer	489,617	0
Wide washing machine	451,626	0

Tangible movable fixed assets under 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

the lease or rent - a definite period of time and mileage with aim to minimize TCO of each particular car. TCO is calculated on
Operating leases 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.

To date	Number of cars	Amounts paid and payable from existing contracts	Paid	Amounts payable	
				Within 1 year	More than 1 year
31.3.2019	17	13,290	6,227	2,825	4,239
31.3.2018	18	13,235	6,895	2,905	3,435

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.

	2018	2017
Černý Most	177	174
Gallarate	252	265
Apartment for member of statutory body	360	360
Total	789	799

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:

Group	2018			2017		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Software	14,376	14,273	103	14,376	14,205	171
Software low-value intangible assets	672	672	0	672	672	0
Other royalties	128	31	97	128	10	118
Total	15,176	14,976	200	15,176	14,887	289

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	<p data-bbox="451 342 1394 400">Other royalties represent trademarks in possession of the Company and are properly disclosed on row no. B.I.2.2. in the balance sheet.</p> <p data-bbox="451 439 1394 528">As at 31 March 2019 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.</p>
Intangible assets not reflected on the balance sheet	<p data-bbox="451 566 1394 656">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.</p> <p data-bbox="451 694 1394 752">These intangible assets are neither valued nor presented on the balance sheet due to the fact that they were acquired by own activity.</p>

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

	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

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

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

	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 tangible 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	-18,592	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

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

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.
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Additions and disposals of fixed assets - analysis of additions and disposals in net book value	<p>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.</p> <p>All disposals of fixed assets were made by sales at a price equal to or higher than their directly attributable net book value. The Company did not recognize any losses arising from the sale of fixed assets, save the immaterial sales of assets, where it was impractical to keep the assets as to their wear and tear and level of maintenance costs, and two (2) unique sales of machines to the leasing company as described below.</p>
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I. Acquisition of the wide washing machine

During the accounting period 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 August 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

During the accounting period 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 accounting period 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.
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Table 14 – Analysis of sales of immovable assets (CZK ths)	Immovable assets sold or exchanged	2018	2017
	Land	0	2

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

Analysis of sales of movable assets

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

Table 15 – Analysis of sales of movable assets	Assets sold	2018	2017
	Other movable assets	43	7

Fixed assets under construction

Fixed assets under construction - analysis Fixed intangible assets under construction as at 31 March 2019 consists mainly of the accounting software which was not fully invoiced as at the balance sheet date (in total: CZK 751 ths) and the web presentation and e-shop which are the subject of undergoing modifications and were not put into permanent operation as at 31 March 2019 (in total: CZK 415 ths).

Fixed tangible assets under construction as at 31 March 2019 represents mainly the reconstruction of freight elevator (CZK 277 ths).

Fixed assets under construction as at 31 March 2018 consist mainly of the wide washing machine (project no. 7016/16) in the value of CZK 9,102 ths. The machine was acquired as the second-hand in January 2017 and was fully refurbished. The machine is in full operation as at the balance sheet date and was subject to sale & leaseback as stated above.

Table 16 – Analysis of fixed assets under construction (CZK ths)	Fixed assets under construction	2018	2017
	Machinery & equipment	85	8,743
	Production halls	396	1,453
	Software and other intangible assets	1,166	415
	Other	110	39

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

Table 17 – Analysis of fixed assets in the course of construction longer than 1 year – 2018	Project no.	Description	Amount	Status
	7044/13	Web presentation and e-shop	415	in progress
	7004/17	Reconstruction of freight elevator	277	in progress
	7008/17	Modernization of lighting in the weaving mill	83	in progress
		Other	114	

Company's assets with significantly higher market value compared to the net book value Except for the assets held for sale or the valuation for the purposes of security interest charge no expert valuation of the company's assets was made in the current or preceding accounting period.

Pledges and other similar rights to Company's assets

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

Table 18 – Pledges and other rights to Company's assets	Lender	Date of pledge	Registrar	Identification
	Raiffeisenbank	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

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

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

Table 19 – Encumbrances and easements

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

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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 309,669 ths as at 31 March 2019 (CZK 317,507 ths as at 31 March 2018).

Table 20 – Structure of inventories (CZK ths)

	2018			2017		
	Gross	Provision	Net	Gross	Provision	Net
Yarn	16,388	1,685	14,703	25,279	1,455	23,824
Other material	34,864	945	33,919	30,687	781	29,906
Total material	51,252	2,630	48,622	55,966	2,236	53,730
Work-in-progress	70,570	2,173	68,397	64,612	1,691	62,921
Finished goods	176,470	12,184	164,286	180,634	10,483	170,151
Goods for resale	28,915	698	28,217	31,393	1,013	30,380
Prepayments for inventory	147	0	147	325	0	325
Total	327,354	17,685	309,669	332,930	15,423	317,507

Provisions to inventories

General provision to inventories is created to reflect saleability of slow moving inventory based on the analysis of turnover as described in the Part II.

Further, a provision is created for obsolete, damaged or for other inventories with limited demand. Structure of provisions made is shown in Table 20 – Structure of inventories.

Revaluation of own products

The Company revalued finished goods, semi-finished goods and work-in-progress inventory as at 1 January 2019 to its net realizable value derived from the price of cotton yarn in global markets.

The total resulting revaluation difference as of 1 January 2019 represents the increase in the inventory value in the amount of CZK 6,648 ths (the decrease in the inventory value in the amount of CZK 7,119 ths as at 1 January 2018) 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 2018 pursuant to the legal framework. Surpluses and shortages from the inventory stock-count were posted based on the valid policy and reflected in the calculation of the current year tax base.

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

Inventory stock-count results	Description	Difference
Raw Material	Shortage below the limit	-1,346
Work-in-progress	Shortage below the limit	-28
Finished goods	Damage	-11
Merchandise	Damage	-14
Total result of inventory stock-count:		-1,399

Receivables

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 95,3 mill. CZK (from it: 84,3 mill. CZK overdue as at 31st March 2019) 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 22 – Trade receivables (CZK ths)	2018	2017
Trade receivables – total	251,353	255,254
Out of which : overdue receivables	158,752	159,096
Out of which: overdue receivables – more than 180 days	137,167	119,712

Factoring The Company uses factoring of receivables. All receivables recorded in balance sheet are genuine trade receivables of the Company.
As at 31 March 2019 there is only one (1) valid contract signed by the Company relating to factoring services.
No suspended receivables in factoring were reported by the factor.

Table 23 – Factored receivables and advance payments received from factoring (CZK ths)	2018	2017
Total amount of receivables in factoring	5,285	7,713
Related advance payments reached	4,228	6,170

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 2019 in the amount of CZK 2,050 ths. (CZK 3,590 ths. as at 31 March 2018) and the tax overpaid from Corporate Income tax advances paid CZK 3,847 ths. (CZK 5,489 ths. as at 31 March 2018)

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 In the comparative accounting period the Company had the long-term receivable in the net amount of CZK 3,337 ths as at 31 March 2018 to the contractor which supplied the new production hall in Horce, the company PSK – Průmyslové stavby a konstrukce, a.s.
This receivable in the original amount of CZK 6 674 ths represented contractual fines and penalties arising from the settlement agreement concluded with this company.
The receivable was fully written off as at 31 March 2019 as it is improbable that the receivable will be settled in the foreseeable future.

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Financial assets, prepayments and accrued income

Cash and cash equivalents - general comment

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

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

Analysis of financial assets	2018	2017
Cash on hand	609	450
Cash equivalents	16	30
Bank accounts	1,716	2,966
Cash in Transit (non-cashed cheques)	3,416	2,788
Total financial assets as at 31.03.	5,757	6,234
Bank overdraft	-19,661	-23,181
Cash and cash equivalents at the end of the period	-13,904	-16,947

Cash in bank and petty cash

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

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

Analysis of financial assets	2018	2017
Cash on hand	609	450
Cash equivalents	16	30
Bank accounts	1,716	2,966
Cash in Transit (non-cashed cheques)	3,416	2,788
Total financial assets as at 31.03.2019	5,757	6,234

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 2019. The resulting expense of CZK 26 ths was reflected as the decrease of the year-end balance due to the foreign currency translation.

Received checks and bills of exchange

As at 31 March 2019 the Company had unrepresented cheques in the total value of CZK 3,667 ths. These instruments were accounted for as cash received.

Long-term financial assets

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

Prepaid expenses - general comment

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

The total amount of prepaid expenses as at 31 March 2019 is CZK 4,785 ths (CZK 12,646 ths as at 31 March 2018) and is properly disclosed on row no. D.1. of financial statements. Prepaid expenses consists mainly of prepaid marketing costs and interest expense arising of letters of credit relating to future accounting period.

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Share capital The company ALOK INDUSTRIES INTERNATIONAL LTD is the Company's sole shareholder as at 31 March 2019.

Table 25 – Analysis of share capital	Structure of share capital	As at 31 March 2019			As at 31 March 2018		
		Share capital	No. of shares	Share (%)	Share capital	No. of shares	Share (%)
	ALOK INDUSTRIES INTERNATIONAL LTD. <i>(shares with nominal value of CZK 196, fully paid)</i>	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 26 – Statement of changes in shareholders' equity (CZK ths)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						
	Share capital	Reserve funds	Capital funds	Retained earnings	Profit/loss of acc. period	Total equity
As at 1 April 2017	231,310	32,341	1,835	108,587	12,029	386,102
Profit distribution	0	0	0	12,029	-12,029	0
Net profit for the current period	0	0	0	0	-4,251	-4,251
As at 31 March 2018	231,310	32,341	1,835	120,616	-4,251	381,851
Profit distribution	0	0	0	-4,251	4,251	0
Net 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 distribution/loss cover The Company has not made any proposal on loss cover for the year 2018 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 27.

Table 27 – 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	-4,251
	Retained earnings as at 1 April 2018	120,616
	Retained earnings as at 31 March 2019	116,365

Reserves & provisions The Company recorded a provision for untaken holiday in total amount CZK 1,911 ths in 2018 (CZK 2,652 ths in the preceding accounting period)
In 2018 the provision for unpaid salaries and pension scheme contributions created in accordance to the Italian law in Gallarate branch in total amount CZK 1,282 ths (in 2017 CZK 1,124 ths).

Table 28 – Creation of reserves (CZK ths)	Provision	2018	2017
	Untaken holiday	1,911	2,652
	Not paid salaries	1,282	1,124
	Other	237	0
	Total	3,430	3,776

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Loans, borrowings and other financing instruments

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

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

The Company used the factoring of receivables to respective customers with the maximum factoring limit up to EUR 300 ths.

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

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

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

Table 29-a – CAPEX loans

type	purpose	principal (EUR)	principal (EUR) as at 31 Mar 2019	principal (EUR) as at 31 Mar 2018
CAPEX loan 2	construction of production hall and warehouse	1,923,077	1,043,957	1,263,737
CAPEX loan 3	reconstruction of office premises	1,200,000	711,075	848,211
CAPEX loan 4	reconstruction of sewage water treatment plant	521,000	330,738	388,626
	TOTAL	3,644,077	2,085,770	2,500,574

Operating capital loans Factoring
The contract concluded with Raiffeisenbank for the assignment of receivables to respective foreign customers to meet Company's present and immediate cash needs for financing its working capital. The maximum limit is EUR 300 ths as at 31 March 2019. The outstanding balance as at 31 March 2019 is EUR 164 ths (As at 31 March 2018: EUR 243 ths).

Multi purpose OpEx loan

Multi purpose facility of EUR 5,200 ths for financing L/C imports, bank guarantees and overdraft. The company uses the overdraft with the maximum limit of EUR 1,000 ths for financing of its short-term common operating needs.

The company uses the import letters of credit as a secure payment method for buying raw materials (mainly yarn) and goods for resale from countries outside Europe. The maximum limit is EUR 4,000 ths and can be used for LCs in EUR or in USD. The outstanding balance from LCs as at 31 March 2019 is EUR 1,834 ths and USD 1,034 ths (As at 31 March 2018: EUR 2,596 ths and USD 801 ths).

Master agreement for financial transactions

The Company concluded the master agreement for financial transactions with Raiffeisenbank in order to be able to promptly react to adverse changes in financial markets by hedging its interest rates or FX risks. The Company continuously monitors the situation in financial markets. No forwards, futures, options or swaps were concluded as at 31 March 2019.

Bank guarantees

Bank guarantees

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,-.

As at 31 March 2019 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.

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 29-b – OPEX loans

type	purpose	FX	maximum limit (EUR)	outstanding bal. as at 31 Mar 2019	outstanding bal. as at 31 Mar 2018
Overdraft	OPEX	EUR	1,000,000	762,044	911,550
Factoring	OPEX	EUR	300,000	163,863	242,621
Letters of credit (EUR)	goods and raw materials imports	EUR	4,000,000	1,833,883	2,596,493
Letters of credit (USD)	goods and raw materials imports	USD		1,033,602	800,890
Bank guarantees	guarantees	EUR	300,000		
		USD		14,376	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.

The Company did not meet one of the bank covenants – DSCR ratio (Debt Service Coverage Ratio) as at 31 March 2019. Raiffeisenbank was duly informed about this matter. The bank loan is not due and not disclosed as a short-time loan in line with the negotiations with the financing bank.

Table 29-c – Bank loans (CZK ths)

	2018	2017
Long-term part	43,128	53,041
Short-term part	101,986	116,289
Factoring	4,228	6,170
Total loan unpaid	149,342	175,500

Interest expense	In the accounting period the Company accounted for CZK 7,439 ths as interest costs, in the comparative period then paid CZK 7,424 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 7,774 ths (CZK 6,623 ths as at 31 March 2018).
Intercompany borrowings	<p>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.</p> <p>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.</p> <p>The total outstanding balance as at 31 March 2019 is EUR 3,882,345 (As of 31 March 2018: EUR 3,914,571)</p>

Table 30 – Intercompany borrowings in the foreign currency	Borrowings	Drawing date	Unpaid as at 31 March 2019	Unpaid as at 31 March 2018	Currency
	ALOK Consolidated	01/01/2013	3,882,345	3,914,571	EUR

Table 31 – Intercompany borrowings (CZK ths)		2018	2017
	Long-term part	100,000	99,548
	Short-term part	12,672	9,941
	Total loans unpaid	112,672	109,489

Table 32 – Unpaid interests from intercompany borrowings (CZK ths)		2018	2017
	Unpaid interests arising from intercompany borrowings	12,508	9,941

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Payables other than from financing, anticipated payables, contingencies

General information	As at the balance sheet date the Company had not any overdue liabilities towards the state authorities, Social security office (ČSSZ), and health insurance companies, nor overdue payables to its employees. The company paid salaries to its employees in due and regular course during the whole accounting period.
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Trade payables	The Company had no intercompany trade payables as at 31 March 2019 as well as at 31 March 2018. The intercompany payables as at 31 March 2019 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.
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	Aged payables	Trade payables	Other payables	Total
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
Not due		42,071	22,508	64,579
- out of which: intercompany payables		0	0	0
Overdue		23,973	19,986	43,959
- Out of which: intercompany payables		0	9,941	9,941
Total as at 31 March 2018		66,044	42,494	108,538

Other payables	Other payables as at 31 March 2019 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.
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Liabilities to the state, ČSSZ and health insurance companies – see Table 34 below.

	Payables to state authorities	Social security	Health insurance	Tax payables
Not due		10,749	1,775	829
Overdue		0	0	0
Total as at 31 March 2019		10,749	1,775	829
Not due		3,131	1,296	543
Overdue		7,565	2,480	0
Total as at 31 March 2018		10,696	3,776	543

Note to Table 34: The Company had negotiated payment calendars with several health insurance companies and social security authority. All payables arising from the payment calendars 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 2019 of CZK 2,276 ths which represent advances received from customers (CZK 1,352 ths. as at 31 March 2018).
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Anticipated payables	The anticipated payables as at 31 March 2019 include mainly unbilled supplies of energy (CZK 4,919 ths), accrued interest (CZK 904 ths), accrued CAPEX in the course of construction (CZK 588 ths). Other anticipated payables represent payables from ordinary business activities.
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Accruals and deferred income	The Company accounted for accruals of CZK 3,324 ths arising from the revaluation of inventories based on the inventory turnover days and deferred income of CZK 251 ths relating to exports where sales recognition based on the transfer of risks and rewards, driven by the INCOTERMS 2010 conditions have not been met.
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Commitments and contingencies	<p>Total value of commitments unrecorded in the Balance sheet amounts to CZK 78,397 ths and will be fulfilled across the contracted payment terms or instalment schedules over the next 5 years.</p> <p>The Company has two (2) bank guarantees in its evidence, not disclosed in the balance sheet, but properly disclosed in these notes to financial statements in the section "Loans, borrowings and other financing instruments".</p>
Contingencies from litigations	<p>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.</p>
Contingencies from the state authorities examinations and administrative proceedings	<p>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.</p>
Financial derivatives, accounting for financial derivatives instruments	<p>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.</p>

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

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Additional information to the Profit & loss statement

Revenues from sales of products and services

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

	2018		2017	
	Domestic	Export	Domestic	Export
Revenues from sales of goods for resale	24,928	14,750	23,968	13,591
Revenues from sales of finished goods	23,095	457,710	24,023	489,164
Revenues from job processing	18,186	2,908	16,544	2,046
Revenues from sales of services	3,248	54	2,665	0
Total	69,457	475,422	67,200	504,801

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

Geographical area	2018	2017
Europe	467,599	471,751
<i>from it: Czech Republic</i>	<i>69,457</i>	<i>67,879</i>
Africa	31,308	46,999
Asia	21,824	20,300
<i>from it: Middle East</i>	<i>10,982</i>	<i>11,200</i>
North America	20,496	27,633
South America	1,596	2,891
Australia and Oceania	2,053	2,427

Structure of personal expenses

Company's management includes directors and other senior staff members directly reporting to the Board of directors.

The Company neither employ nor provide any employees through the personal agencies in the current or preceding accounting period. The Company does not provide its employees to the third party upon temporary staff loan.

Table 37 – Personal expense overview (CZK ths)

Structure of personal expenses	Management	Others	Total
Labour costs	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
Labour costs	8,191	102,843	111,034
Social and health insurance	2,691	33,523	36,214
Other social costs	66	820	886
Total year 2017	10,948	137,186	148,134

Remuneration and benefits of Board of directors and Supervisory board

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

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

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

Personal expenses analysis	Board of directors	Supervisory board	Total
Wages and salaries	6,177	96	6,273
Social and health insurance	1,357	33	1,390
Total year 2018	7,534	129	7,663
Wages and salaries	5,277	96	5,373
Social and health insurance	1,081	33	1,114
Total year 2017	6,358	129	6,487

Foreign exchange gains and losses

There are significant exchange rate differences arising from the fact that the Company is obliged to use the Czech crowns as a functional currency, while the purchases of raw material are denominated mainly in EUR and most of revenues are invoiced in EUR.
Foreign exchange gains and losses were net off in both, accounting and comparative periods.
The Company manages the foreign currency risk by natural hedges as stated in part Risk management and risk factors.

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

	2018	2017
Foreign exchange gains	8,787	28,933
Foreign exchange losses	-12,170	-23,772
Net amount	-3,383	5,161

Other operating charges and income

Other operating charges in total amount of CZK 32,736 ths consists mainly of net book value of fixed assets sold to the leasing company via sale & leaseback agreements (disclosed separately on row no. F.I. of the income statement), insurance charges, taxes and other charges, refunds of goods for resale from respective customers.

Other operating income in total amount of CZK 26,323 ths consists mainly of income from the sale of fixed assets sold to the leasing company (disclosed separately on row no. III.1. of the income statement), accounts payables write-offs and income associated with several immaterial insurance covers received in the accounting period.

Interest expense

The Company recognises interest expense on the accrual principle basis. As at 31 March 2019 the interest expense relating to the period of 12 months ending 31 March 2019 was included in costs of this accounting period irrespective of actual cash outflow.

EU subsidies

The Company did not draw any subsidies in 2018.

Corporate Income Tax ("CIT")

Income tax and all income tax prepayments have been paid adhering to the tax return duly filed for the respective accounting period. CIT expense disclosed on row no. L.1. represents corporate income tax related to the preceding accounting period which was fully paid in due and regular course during the accounting period.

The Company had not accounted for CIT provision as at 31 March 2019 due to the fact that it realised the accounting loss during the accounting period and the income tax return for 2018 had not been filled.

Deferred tax The Company recorded deferred tax asset of CZK 2,755 ths as at 31 March 2019 (deferred tax liability of CZK 2,326 ths as at 31 March 2018).

Table 40 – Deferred tax (CZK ths)

	2018		2017	
	CZK ths	Tax rate	CZK ths	Tax rate
Difference between accounting and tax net book value of fixed assets	-31,740	19%	-41,520	19%
Unpaid social & health security	7,670	19%	9,362	19%
Provisions	47,389	19%	40,626	19%
Reserves	3,430		3,776	
Total deferred tax base	26,749	19%	12,244	19%
Deferred tax asset	5,082		2,326	

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Part V. – Additional information about the Company

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Other significant information on the Company affairs

Related party transactions

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

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

- ALOK Industries Limited
- ALOK INDUSTRIES INTERNATIONAL LIMITED

Table 41 – Related party transactions – receivables and payables (CZK ths)

Receivables and payables from/to related parties	31 March 2019	31 March 2018
Receivables		
Trade receivables	45	0
Other receivables	0	0
Total receivables	45	0
Payables		
Trade payables	0	0
Borrowings	100,165	99,548
Unpaid interest from borrowings	13,412	10,845
Total payables	113,577	110,393

Table 42 – Related party transactions – revenues and costs (CZK ths)

Intercompany revenues and costs	31 March 2019	31 March 2018
Revenues		
Revenues from sales of goods and services	45	0
Total revenues	45	0
Costs		
Purchases of material and goods	0	0
Purchases of goods and services	0	0
Interest costs from borrowings	3,676	3,649
Total costs	3,676	3,649

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

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

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

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Subsequent events

Subsequent events - general comment No events have occurred subsequent to the year-end that would have a material impact on the financial statements as at 31 March 2019.

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Risk management and risk factors

Liquidity

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

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

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

Specifically the Company uses the overdraft with the maximum limit of EUR 1,000 ths for covering day-to-day operating expenses fluctuations (low-value raw materials, energy supplies, office supplies, 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.

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

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

The company uses the factoring of receivables to respective foreign customers in order to meet its present and immediate cash needs for financing its working capital. The maximum factoring limit is EUR 300 ths as at 31 March 2019.

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

The liquidity risk is considered as medium with positive outlook.

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 covenants performance. In case of breach of the covenant or close-to-breach situation the management immediately communicates with the respective financing party to seek proactively appropriate cure of the potential default.

The risk associated with any financing acceleration is considered to be low.

Customer credit risk

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

The Company 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 keep the maximum achievable information available.

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

Interest risk

The Company does not hedge against the interest rate risk (e.g. through long term interest fixation or interest rate swaps). The hedging would represent a significant burden in comparison to possible and probable increase in interest rates. The Company closely monitors the market to buy proper IRS or similar derivative.

The Company concluded the master agreement for financial transactions with Raiffeisenbank in order to be able to promptly react to adverse changes in financial markets by hedging its interest rates or foreign exchange risks.

The Company continuously monitors the situation in financial markets. No forwards, futures, options or swaps were concluded as at 31 March 2019.

Bank loans are EUR denominated and the interest rate is stipulated as the surcharge to variable market interest rate (EURIBOR). The Company continuously monitors the risk of substantial EURIBOR growth. The company expects the slight increase of EURIBOR rate in the upcoming period but the substantial increase of interest rates can be seen as rather improbable in short to medium term.

The interest rate risk is considered as medium to low and it is mitigated by continuous monitoring of financial markets with strategy to fix interest rate in case of adverse development or reasonably predicted adverse development to change the risk evaluation.

**Debt financing/
capital lease default
risk**

The Company uses comprehensive Debt service planning risk policy. Such a policy helps the Company to determine and understand its liquidity risk associated with the debt financing (see the Liquidity section above). This risk is evaluated as low to remote.

Exchange rate risk

The Company is exposed to open foreign currency position, resulting from the fact that most of total revenues are billed in EUR and part of the expenditures is denominated in CZK (specifically wages & salaries, taxes & charges and some kind of services rendered by local smaller entities). The Company is continuously calculating its exposure to the exchange rate risk.

The Company concluded so called "natural hedge" in the year 2013 by contracting purchases of utilities and raw materials as well all substantial capital expenditures in EUR. The Company also implemented so called "waterfall system" for payment processing with minimum conversions and identification of avoidable loss making foreign exchange transactions due to conversion costs.

Furthermore 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 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. The Company imputed policy of long-term cooperation with one stable partner, having under control its pricing and purchases.

The Company uses trading on the EEX over the supplier's trading and settlement application with business model market price plus. The Company has an access to the future contracts up to 3 years.

The Company regularly performs analyses of historical data on utilities purchases in order to review/align its purchasing strategy in mix of spot and forward products. These analyses are used for the further optimization of purchasing strategy.

The accounting period 2018-2019 was characterised by the increased volatility in energy commodities markets. Based on the utilities market development in Q4-2018 and the energetic outlook for the year 2019 with higher level of uncertainty the Company extended its hedging for Q1-2019 in order to minimise the possible adverse development of utilities prices.

Currently the Company evaluates the situation in the energy commodities markets. The recent situation in the utilities markets represents the opposite – more favourable - development than in Q4-2018. The Company evaluated based on the relevant data that there is no specific or urgent need for higher hedging for the upcoming period.

Recently the Company has started the negotiations about the terms and conditions of the contract of energy supplies for the calendar year 2020.

The utilities price (unexpected and mismanaged fast long-term growth) risk is considered as low and it is under full control. The Company monitors this risk and modifies its purchasing policy if needed.

Environmental risk

The Company follows all the procedures and legislation changes. The Company is fully compliant with the latest environmental legislation.

Another stage of REACH legislation implementation has become effective from 01 June 2018. As of that day only REACH certified chemicals in the quantity exceeding 1,000 kg are allowed to be imported or produced in EU since the above stated date. Although the Company was able to negotiate supplies at advantageous prices in advance, the new regulation represented the unavoidable increase of prices of up to tenths of percents. In response to this situation the Company performed the in-depth examination of current formulas and technological procedures which resulted in the optimization of respective production processes in order to reach higher efficiency and utilization rate of chemicals used in the production.

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

As for the general situation in the economy there is much lower offer in the labour market and missing employees are to be imported, mainly from Ukraine. This risk is not driven by the increasing level of personal costs, but non existence of the respective employees in the market.

During the accounting period the Company managed to keep the required level of employees corresponding with the level of turnover and production.

The Company works on stabilisation of the respective newcomers by planned capital expenditures into their accommodation and further professional development in order to maximise the smoothness of their integration.

This risk can be rated as low to moderate as it is substantially dependent on the EU and parliament Bills and is closely watched.

Market risk

The Company has geographically and product diversified revenue streams. The company continuously monitors the situation in individual geographic markets and takes appropriate actions if required.

The Company partly eliminated its exposure in Western Africa in recent years as the result of adverse economic and political events in this area. Furthermore the Company reevaluated 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 expects the economic recovery in this market in the short to medium term period.

The Company is not a single product and single market oriented, the risk is evaluated as low, save the fact of the deep global crisis. In such a case the risk perception grows to the moderate level. Probability of such adverse development can be rated as low for 2019-2020.



Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 27th September 2019

Part VI. – Cash flow statement

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Cash flow statement

CASH FLOW

(in thousand Czech crowns)

Description		TEXT	Accounting period	
			2018	2017
a	b		1	2
	Operating cash flow			
	Net profit on ordinary activities before tax		-46,211	-6,664
A.	1.	Adjustments for non-cash movements:	41,374	34,239
A.	1. 1.	Depreciation of fixed assets	27,602	28,826
A.	1. 2.	Change in provisions	6,672	-2,007
A.	1. 3.	Loss / (profit) from disposal of fixed assets	-339	-4
A.	1. 5.	Net interest expense / (income)	7,439	7,424
A	*	Net operating cash flow before taxation and changes in working capital	-4,837	27,575
A.	2.	Working capital changes:	30,003	14,265
A.	2. 1.	Change in receivables and prepayments and accrued income	8,561	22,717
A.	2. 2.	Change in short-term payables and accruals and deferred income	15,866	97
A.	2. 3.	Change in inventories	5,576	-8,549
A	**	Net operating cash flow before taxation	25,166	41,840
A.	3.	Interest paid	-3,724	-3,656
A.	4.	Interest received	1	0
A.	5.	Income tax on ordinary activities paid	-1,211	-2,361
A	***	Net operating cash flow	20,232	35,823
B.	1.	Acquisition of fixed assets	5,645	-11,014
B.	2.	Proceeds from the sale of fixed assets	339	0
B	***	Net cash flow from investing activities	5,984	-11,014
C.	1.	Change in long- and short-term liabilities	-23,173	-27,362
C	***	Net cash flow from financing activities	-23,173	-27,362
		Net increase / (decrease) in cash and cash equivalents	3,043	-2,553
		Cash and cash equivalents in the beginning of the period	-16,947	-14,394
		Cash and cash equivalents at the end of the period	-13,904	-16,947

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 from financing and investing activities.
Restriction of compensation	All cash flows are disclosed in non-compensated form.
Related parties	A person with close relationship to the Company, associate, shareholder and partnership without legal personality is meant under the term „related party“. The related parties are listed in the Section Related party transaction.
Overdrafts reporting	Overdrafts are reported as a part of Cash and cash equivalents at the beginning and end of the accounting period in the cash-flow statement, whereas they are not reported as part of the financial assets but as part of short-term bank loans in the balance sheet.

in the Cash flow statement they are set off against cash balances reported in the Balance sheet.

Table 44 - Reconciliation of cash flow statement to the Balance sheet	2018	2017
Total financial assets	5,757	6,234
Bank overdraft	-19,661	-23,181
Cash and cash equivalents at the end of the period	-13,904	-16,947

Otakar Petráček
Chairman of the Board of Directors
Hořice v Podkrkonoší, 27th September 2019