MILETA a.s.

Interim financial statements and accompanying footnotes for 6 months ended 30 September 2013

Member of the ALOK industries Intl. Group

Independent auditor's report

to the shareholder of MILETA a.s.

We have audited the accompanying interim financial statements of MILETA a.s., identification number 45534403, with registered office at Hořice, Husova 734 ("the Company"), which comprise the balance sheet as at 30 September 2013, the income statement and cash flow statement for the period of 6 months then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 September 2013 and its financial performance and its cash flows for the period of 6 months then ended in accordance with Czech accounting legislation.

15 November 2013

PricewaterhouseCoopers Audit, s.r.o.
represented by

Václav Prýmek
Partner

Pavlína Němcová
Statutory Auditor, Licence No. 2218

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

Company name: MILETA a.s.
Identification number: 45534403
Legal form: joint stock company
Primary business: production and sales of textile products
Date of preparation of the financial statements: 15 November 2013

BALANCE SHEET

(in thousand Czech crowns)

Reference	ASSETS	30.9.2013			31.3.2013
		Gross	Provision	Net	Net
a	b	1	2	3	4
	TOTAL ASSETS	**1 027 560**	**-396 031**	**631 529**	**589 998**
B.	**Fixed assets**	**507 864**	**-355 847**	**152 017**	**141 016**
B. I.	**Intangible fixed assets**	**15 154**	**-14 929**	**225**	**231**
B. I. 1.	Software	14 960	-14 831	129	135
2.	Royalties	108	-98	10	10
3.	Intangible fixed assets in the course of construction	86	0	86	86
B. II.	**Tangible fixed assets**	**492 710**	**-340 918**	**151 792**	**140 785**
B. II. 1.	Land	4 137	0	4 137	4 137
2.	Constructions	129 519	-96 822	32 697	34 226
3.	Equipment	322 768	-244 096	78 672	85 450
4.	Tangible fixed assets in the course of construction	27 384	0	27 384	16 812
5.	Advances paid for tangible fixed assets	8 902	0	8 902	160
C.	**Current assets**	**519 520**	**-40 184**	**479 336**	**448 079**
C. I.	**Inventories**	**239 915**	**-5 957**	**233 958**	**200 769**
C. I. 1.	Raw materials	55 487	-1 869	53 618	42 472
2.	Work in progress and semi-finished products	63 770	-270	63 500	58 852
3.	Finished goods	107 868	-3 816	104 052	92 225
4.	Goods for resale	12 761	-2	12 759	6 586
5.	Prepayments for inventory	29	0	29	634
C. II.	**Long-term receivables**	**8 839**	**0**	**8 839**	**91**
C. II. 1.	Long-term advances paid	121	0	121	91
2.	Deferred tax asset	8 718	0	8 718	0
C. III.	**Short-term receivables**	**155 732**	**-34 227**	**121 505**	**239 942**
C. III. 1.	Trade receivables	148 031	-34 227	113 804	110 146
2.	Taxes and state subsidies receivable	2 259	0	2 259	2 893
3.	Short-term advances paid	2 224	0	2 224	1 847
4.	Estimated receivables	0	0	0	125 000
5.	Other receivables	3 218	0	3 218	56
C. IV.	**Financial assets**	**115 034**	**0**	**115 034**	**7 277**
C. IV. 1.	Cash in hand	3 740	0	3 740	5 639
2.	Cash at bank	111 294	0	111 294	1 638
D. I.	**Prepayments and accrued income**	**176**	**0**	**176**	**903**
D. I. 1.	Prepaid expenses	176	0	176	903

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15.11.2013 DATE

Reference a	LIABILITIES AND EQUITY b	30.9.2013 5	31.3.2013 6
	TOTAL LIABILITIES AND EQUITY	**631 529**	**589 998**
A.	**Equity**	**284 503**	**234 970**
A. I.	**Share capital**	**231 310**	**231 310**
A. I. 1.	Share capital	231 310	231 310
A. II.	**Capital contributions**	**1 835**	**1 835**
A. II. 1.	Other capital contributions	1 835	1 835
A. III.	**Reserve fund and other reserves**	**32 341**	**31 236**
A. III. 1.	Legal reserve fund	31 913	30 808
2.	Statutory and other reserves	428	428
A. IV.	**Retained earnings / Accumulated losses**	**-30 516**	**-51 518**
A. IV. 1.	Retained earnings / (Accumulated losses)	-30 516	-51 518
A. V.	**Profit / (loss) for the current period (+/-)**	**49 533**	**22 107**
B.	**Liabilities**	**326 559**	**354 561**
B. I.	**Provisions**	**504**	**504**
B. I. 1.	Tax-deductible provisions	504	504
B. II.	**Long-term liabilities**	**149 777**	**162 130**
B. II. 2.	Liabilities - controlling entities / subsidiaries	149 777	162 130
B. III.	**Short-term liabilities**	**101 530**	**158 862**
B. II III. 1.	Trade payables	44 588	83 097
2.	Liabilities - controlling entities / subsidiaries	22 497	10 294
3.	Liabilities to employees	7 024	7 350
4.	Liabilities for social security and health insurance	10 640	8 885
5.	Taxes and state subsidies payable	986	256
6.	Short-term advances received	1 836	42 131
7.	Estimated payables	13 350	6 849
8.	Other payables	609	0
B. IV.	**Bank loans & overdrafts**	**74 748**	**33 065**
B. IV. 1.	Long-term bank loans	3 109	9 326
2.	Short-term bank loans and overdrafts	71 639	23 739
C. I.	**Accruals and deferred income**	**20 467**	**467**
C. I. 1.	Accruals	467	467
2.	Deferred income	20 000	0

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Company name: MILETA a.s.
Identification number: 45534403
Legal form: joint stock company
Primary business: production and sales of textile products
Date of preparation of the financial statements: 15 November 2013

INCOME STATEMENT

(in thousand Czech crowns)

Reference	DESCRIPTION	Accounting period	
		Reported 6 months ended 30 September 2013	Previous 12 months ended 31 March 2013
a.	b.	1	2
I.	Sales of goods	15 701	41 678
A.	Cost of goods sold	12 345	36 535
+	Gross profit	3 356	5 143
II.	Sales of production	256 131	452 232
II. 1.	Sales of own products and services	237 050	450 168
2.	Change in inventory of finished goods and work in progress	18 627	1 280
3.	Own work capitalised	454	784
B.	Cost of sales	174 538	311 043
1.	Raw materials and consumables	131 031	243 270
2.	Services	43 507	67 773
+	**Added value**	**84 949**	**146 332**
C.	Staff costs	65 517	124 261
C. 1.	Wages and salaries	47 849	91 677
2.	Emoluments of board members	1 194	1 626
3.	Social security and health insurance costs	16 004	30 070
4.	Other social costs	470	888
D.	Taxes and charges	519	1 250
E.	Depreciation of fixed assets	9 875	27 450
III.	Sale of fixed assets and raw materials	426	9 478
III. 1.	Sale of fixed assets	0	8 935
2.	Sale of raw materials	426	543
F.	Net book value of fixed assets and raw materials sold	178	859
F. 1.	Net book value of fixed assets sold	0	685
2.	Net book value of raw materials sold	178	174
G.	Increase / (decrease) in operating provisions	1 197	-4 217
IV.	Other operating income	816	4 116
H.	Other operating charges	3 201	4 931
*	**Operating result**	**5 704**	**5 392**
X.	Interest income	37	34
N.	Interest expense	4 162	7 929
XI.	Other financial income	2 741	13 482
O.	Other financial expense	3 223	22 797
*	**Financial result**	**-4 607**	**-17 210**
Q.	Tax on profit or loss on ordinary activities	-8 718	0
1.	- deferred	-8 718	0
**	**Profit or loss on ordinary activities after taxation**	**9 815**	**-11 818**
XIII.	Extraordinary income	52 928	125 000
R.	Extraordinary charges	13 210	91 075
*	Profit / (loss) on extraordinary items after taxation	39 718	33 925
***	**Net profit / (loss) for the financial period**	**49 533**	**22 107**
****	**Net profit / (loss) before taxation**	**40 815**	**22 107**

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Notes to the interim financial statements
MILETA a.s.
6 months ended 30 September 2013

Accounting period 01 April 2013 – 30 September 2013

Hořice, 15 November 2013

Content

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 Peninsula Towers, Peninsula Corporate 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 Peninsula Towers, Peninsula Corporate 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 78, 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.

Exim Bank

Bank existing under the laws of the Republic of India, namely under The Export-Import Bank of India Act, 1981 (28/1981) as time to time amended, having its registered seat at Center One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005, Republic of India. Refer to *www.eximbankindia.com.*

Fire incident (conflagration)

Substantial conflagration in the Hořice plant reported on 22 December 2012, 6am. For details of the impact over the company in the reported period refer to the section 13 – Fire incident dated 22 December 2012.

Grabal Alok UK Ltd.

with its registered office at Tureck House, Drayton Road, B90 4NG Shirley, Solihull, Great Britain, a company duly established on July 4, 2001 and existing under the corporate law of the United Kindom of Great Britain and Norther Ireland, registered in the Registrar of Companies for England and Wales kept by Companies House under the Company No. 04246489.

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 licence 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.raiffeisenbank.cz*.

SFR – SOCIETE FINANCIERE ROBICHON S.A.

The company having its registered office in Luxembourg, L-1371, Val Sainte Croix 223, established on 11 December 2001.

Year 2013 ("2013")

The accounting period, i.e. the period from 01 April 2013 to 30 September 2013

Year 2012 ("2012")

The comparative period, i.e. the period from 01 April 2012 to 31 March 2013

Introduction and declaration of the Chairman

MILETA a.s. is a manufacturing company of woven fabrics made of fine yarn, cotton and mixture, for the garment making industry. The Company is fully vertically integrated operation of fine cotton fabrics production, from dyeing to the final fabric finishing, taking place before despatching to customers.

MILETA a.s. is a member of ALOK INDUSTRIES group and takes also part in distribution of other group members’ products.

The interim 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, accunting and comparative periods (last amendment 413/2011 Coll.).

The interim financial statements were prepared as intermediate and all and any management estimates were made to give true and fair view over Conpany’s business with, having in mind the effect of 6 month period only.

The interim financial statements were prepared on 11 November 2013. The interim financial statements have been prepared under assumption of indefinite existence of the Company and full recovery of the extent of its operations affected adversely by the massive conflagration in its major plant in Hořice, no, even partial, business discontinuation assumptions and accounting policies were taken into consideration.

The post balance sheet events (after the date of 30 September 2013) are described in part 13 with the main focus on further development in the area of post-conflagration business recovery and continuation and processing of the insurance claim from the insurer.

The assets valuation takes into consideration the significant fluctuation of purchase prices of cotton yarn on global markets. The interim financial statements have been prepared with respect to the fact of uninterrupted and unlimited continuation in the business; under the going concern principle.

In reaction to the situation on the global foreign currency markets, these notes contain in the Section 14 - Commentary on the currency risk exposure and policies imputed to manage the foreign currency risk.

Otakar Petráček
CEO, Chairman of the Board of Directors
Hořice v Podkrkonoší, 15 November 2013

Part I. - Information about the Company

1. General information

1.1. Actual extract from the Commercial register

Company Name:	MILETA a.s. („the Company“)
Registered office:	Husova 734, 508 01 Hořice
Legal form:	joint-stock company
Commercial Register:	Regional court of justice in Hradec Králové, Section B, insert 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 Commercial Code
Board of directors:	
Chairman:	Otakar Petráček
Vice-chairman:	Gopinath S. Kamath
Supervisory Board:	
Chairman:	Jan Šelder
Member:	Milan Žabokrtský
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 thousand.) paid – 100%

1.2. Shares form and depository

Company shares are de-materialised, recorded in the Central register of securities held by the Central Securities Depository (*www.cdcp.cz*).

1.3. Changes in the Commercial register during the accounting period

ALOK INDUSTRIES INTERNATIONAL LTD. decided on 27 August 2013 to remove both, the Board of Directors and the Supervisory Board. On the same day ALOK INDUSTRIES INTERNATIONAL LTD. made a decision on voting the Board of Directors and the Supervisory Board. Both decisions were made in the form of the notarised record. For the Board of Directors and Supervisory Board composition as of 30 September 2013 refer to the Section 1.1. of these Notes.

ALOK INDUSTRIES INTERNATIONAL LTD. decided on decrease in the number of the Board of Directors members to two (2).

Third member of the Supervisory Board will be appointed in due course as this place is reserved to the ALOK INDUSTRIES INTERNATIONAL LTD. shareholder.

Board of Directors – 1 April 2013 – 27 August 2013

Chairman:	Otakar Petráček
Vice-chairman:	Gopinath S. Kamath
Member:	Dinesh Mall

Supervisory Board – 1 April 2013 – 27 August 2013

Supervisory Board:

Chairman:	Jan Šelder
Member:	Chandra Kumar Bubna
Member:	Milan Žabokrtský

1.4. Change in the group structure, no change in the Ultimate beneficial owner

Effective of February 7, 2013 Alok Indistries Limited decided to transfer 100% of ALOK INDUSTRIES INTERNATIONAL LTD. to its India based sub-holding, Alok Infrastructure Private Limited with no impact to tax or legal position to the Company.

1.5. VAT registration

The Company is registered for VAT in the Czech Republic only.

1.6. Other significant registrations obtained outside the Czech Republic

The Company fulfilled all registration requirements related to the employment law in Italy.

2. Organizational chart of the Company and number of employees

2.1. Organisational chart of the Company

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

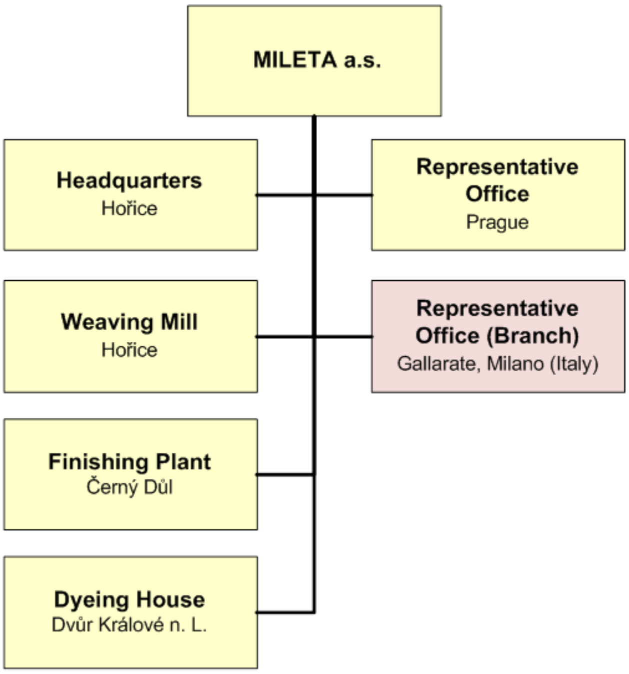

Table 1 – Organizational chart of the Company

2.2. 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. Full time equivalent and real number of employees in the whole accounting period in accordance with the Italian labour code was two (2).

The Branch represents the Company and negotiates 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, incl. 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.

2.3. Average number of employees and staff costs

Average number of employees	2013 09	2012
Actual, year end	375	366
Full time equivalent	375	366
Out of which: management (CEO, heads of divisions, plant directors)	9	10
Total staff costs in CZK ths.:		
Wages and salaries	47 849	91 677
Out of which: management	5 894	11 392
Remuneration of members of statutory and supervisory bodies	1 194	1 626
Social security and health insurance costs	16 004	30 070
Out of which: management	1 619	3 066
Other social costs	470	888

Table 2 – Labour costs, average no. of employees

2.4. Other remuneration to the shareholders, members of the statutory and supervisory bodies and management

Shareholders

No remuneration was paid to Company's shareholders in the current or preceding period.

Due to cumulative losses neither ordinary dividend nor extraordinary dividend was paid by the Company.

Any non-ordinary course of business payments to its shareholders were made strictly in adherence to the loan contracts by and between the Company and its shareholder - ALOK INDUSTRIES INTERNATIONAL LTD. Intragroup loans are described in detail in the Section 10.2. – 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 during the current and preceding period.

The members of statutory and supervisory bodies were provided certain services related to the completion of their duties, especially accommodation, under the condition that their activities required longer-term stay on the territory of the Czech Republic and they were not residents of the Czech Republic from the substantial life interest point of view.

Starting of February 2013 Chairman and Vice Chairman of the Board of Directors, being the part of the operations management, 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.

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

CZK ths	2013 09	2012
Members of statutory and supervisory bodies - accommodation and other services	184	432
Members of statutory and supervisory bodies - cars operating lease full service costs	585	170

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

No compensation other than connected with their Commercial Code and Labour Code relationships related duties 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.

Management

The Company's management includes CEO, CFO, CSO's, technical directors and other divisional – plant managers. Starting of January 2013 several managers as defined in the Car Policy, 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.

Neither compensation nor extraordinary benefits were paid to the members of management in the current or preceding period, appart from their Labour Code related reslationships. All and any payments and benefits in kind to the management members were properly reported and taxed, adhering to the legislation requirements.

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.

2.5. Audit company and audit fees paid and payable

The Company met the conditions set forth by the Act on accounting No 563/2001 and Act on Auditors No 93/2009 and their later amendments for compulsory statutory audit in the current and preceding periods.

The Annual General meeting of the Company appointed PricewaterhouseCoopers Audit, s.r.o. as a statutory auditor in December 2012 for two (2) consecutive accounting periods.

Other services provided by the auditor in the Year 2012 can be quantified as loan staff (temporary coverage of Finance Controller position) and agreed upon procedures – review of post fire stocktake procedure. Both services were provided by the current auditor and their full costs are disclosed below. Proper division of staff duties were performed and adhered.

No other services than stipulated above and the statutory audit were provided by the statutory auditor to the Company in the current period.

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

CZK ths	2013 09	2012
Statutory audit fee	250	220
Technical support - staff loan	0	318
Agreed upon procedures- post fire incident stocktake procedure review	0	100

Table 4 – Audit fees and services provided by the auditor

Part II. – Applied accounting policies and methodology

3. Accounting policies, general accounting principles and valuation methods used

3.1. Compliance of the interim financial statements with the respective accounting and financial reporting framework

The interim financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Czech Republic - Act on Accounting No. 563/1991 Coll., ("Act on Accounting"), which is further defined by Decree No. 500/2002 Coll., and their later amendments.

The balance sheet date, i.e. 30 September 2013, is the decisive date for application of the valid legal framework. Any changes in financial reporting methods that occurred before the date of the preparation of the interim financial statements as stipulated above are reflected only if they significantly affected the method of the presentation of the interim financial statements' content or the retrospective application of such changes were explicitly required by the law.

3.2. Functional currency

The Company uses the Czech crown (CZK) as its functional currency. 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.

3.3. Accounting period

The Company changed its accounting period from the calendar year to the financial year as at 1 April 2008. The change was made in accordance with provisions of Article 3 (3) of Act on accounting No. 563/1991 Coll, as effective as on the date on which a written notice of the change of accounting period was submitted to the Tax Office in Hořice. Starting 1 April 2008, the new accounting period of the Company is financial year running from 1 April to 31 March.

The Company uses "2013" and "2012" year-titles in the notes to the interim financial statements in order to simplify the presentation of financial information. The year 2013 hence refers to the accounting period from 1 April 2013 until 30 September 2013. Similarly, the year 2012 hence refers to the preceding accounting period, i.e. from 1 April 2012 until 31 March 2013.

3.4. Accounting principles

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic as of the balance sheet date. Accounting records and transactions are kept in CZK.

The financial data presented in the interim financial statements and notes to the interim financial statements have been rounded to thousands of Czech crowns (CZK ths.) unless it was explicitly stated otherwise.

The interim financial statements have been prepared under the going concern principle and therefore no specific valuation tasks and other adjustments have been made which would be required otherwise.

The interim financial statements have been prepared under the historical cost convention. No substantial revaluation has been made except for the regular, annual inventory revaluation.

The interim 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 respected if practical and if the legal requirements are met.

The Company was a registered VAT payer and accounted for VAT during the entire accounting period.

3.5. Valuation techniques

Purchased inventories

The Company follows the method A for raw material and goods for resale inventories in accordance with the Act 563/1991 Coll. The purchased inventories are stated at the lower of cost and net realisable amount. Indirect acquisition costs are kept on a separate analytical account.

The first-in-first-out (FIFO) method is used for all disposals (i.e. recquisition to production or sale). The indirect acquisition costs are released proportionally to consumption with each disposal.

Inventories generated from own production, finished goods

Finished goods are accounted for under method A in accordance with the Act 563/1991 Coll.

Finished goods are stated at the lower of production cost and estimated net realisable amount. The company is using standard costing method. Given the long production cycle the production costs include direct production costs and manufacturing overheads. S,G&A (admin) overheads - administration, selling and distribution expenses - are not included in the valuation of finished goods.

Work in progress

Work in progress is stated 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.

Valuation of securities and ownership interests

Ownership interests are recorded at cost less a provision for diminution in value. Short-term securities, bills of exchange and cheques are recorded at their nominal value.

Valuation of assets in their replacement costs acquired during the accounting period

The replacement cost was not generally used for valuation of any assets in 2013, 2012 and 2011 save the fact of use for the burned out inventory replacement. In this matter principle was only used to determine Company's costs associated with replacement of the burnt out inventory.

Assets and liabilities accounted for at fair value

The Company has no assets or liabilities that would require revaluation to their fair value.

3.6. Cost classification for the purpose of valuation of inventories generated by own production

For the purpose of valuation of finished goods the Company classifies costs related to the acquisition of material and costs included in the price of finished goods in their production costs.

Definition of indirect acquisition costs

- Indirect costs charged by the supplier
- Freight
- Third party inspection costs
- Commissions paid for purchases
- Customs duty and other related charges
- Freight insurance

Definition of costs included in the price of own products

- Direct material A, B, C incl. scrap
- Cost of external subcontractors (outsourced services costs)
- Direct labour costs (i.e. direct wages + social security and health insurance contributions)
- Production overheads

3.7. 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 in 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 inventory cards but its evidence is kept in the inventory card of the respective hardware.

Additional clients' licenses to server-software (CAL) are capitalized and amortised on separate inventory cards if the total price of purchased licenses relating to one server 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 inventory card should be created.

All intangible assets with their useful life longer than one year and the unit cost of less than CZK 60 ths. (the 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 is zero, the amortisation is ceased in the month of disposal. Detailed information regarding the amortisation methods used are provided in Section 3.11.

Intangible fixed assets are amortised applying the straight-line method. The expected useful life of intangible fixed assets in years is as follows:

Expected useful life (in years)	2013 09	2012
Software	3-4	3-4

Table 5 – Depreciation period - software

A provision for the impairment is created when the carrying value of an asset is greater than its estimated recoverable amount.

The technical improvements of intangible assets exceeding CZK 40 ths. per accounting period are capitalised and subsequently amortised.

3.8. 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 40 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. The interest expenses from the external sources of financing incurred in the accounting period of acquisition 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 asset 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:

Expected useful life (in years)	2013 09	2012
Buildings, halls and constructions	20-40	20-40
Machinery and equipment	3-10	3-10
Vehicles	3-5	3-5
Fixtures and fittings	3	3
Stamping dies, screens	3-5	3-5

Table 6 – Depreciation period of tangible fixed assets

The Company generally applies similar depreciation rates as set out by the Income Tax Code No. 586/1992 Coll., as ammended later, recalculated to monthly depreciation rates as described in Section 3.11. If the expected useful life determined by a technical manager significantly differs from depreciation rates set by the Act No. 586/1992 Coll., the depreciation rate proposed by technical manager is applied.

A provision for impairment is established when the carrying value of tangible asset is greater than its estimated recoverable amount.

The repairs and maintenance expenditures are expensed as incurred. The technical improvements and extensions of tangible fixed assets exceeding CZK 40 ths. per accounting period are capitalised.

3.9. Low-value tangible and intangible assets

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

Low-value assets include mainly items which do not create a functional unit. In respect of low-value intangible assets the classification of assets is determined among others by EULA which specifies if respective asset is not a component of other tangible asset.

3.10. Capitalisation of fixed assets

The fixed assets are capitalized solely based on technical and operating documentation. It ensures correct classification of fixed assets and reflection of reality in the accounting records.

Fixed assets are classified based on the evaluation of the responsible technical manager.

For the purpose of tax and accounting depreciation and amortization of fixed assets the Company splits tangible and intangible fixed assets and low-value assets into classes in accordance with Income tax Code No. 586/1992 Coll.

All intangible fixed assets are classified into the asset class no. 1.

If the depreciation or amortization rates are subsequently changed or the asset classification is amended by the law the Company does not change the accounting rates of respective assets.

3.11. Depreciation of fixed assets

The Company depreciates its fixed assets on a montly basis, starting one (1) month after the capitalisation of the assets (put into use).

In case of delayed capitalisation of an asset the Company adjusts the accounting records by an extraordinary depreciation charge which equals to the difference between actual amount charged to the Income statement and amount which should have been charged.

Monthly fixed assets depreciation charge is calculated for individual items (objects) and the following formulas are applied:

Fixed assets depreciated for tax purposes – accelerated method

$$\text{monthly depreciation} = \frac{\text{purchase cost}}{\text{depreciation period in months}}$$

Fixed assets depreciated for tax purposes – straight line method

$$\text{monthly depreciation} = \text{purchase cost} * \frac{\text{annual depreciation rate in subsequent years}}{100 * 12}$$

The period over which a fixed asset will be depreciated may be reduced based on the recommendation made by a technical manager in case that the actual expected useful life is significantly shorter in comparison to the expected useful life of such an asset according to the Act No. 586/1992 Coll., and its later amendments (the expected useful life per the Income tax code is calculated by converting the rates prescribed into depreciation period).

Low-value fixed assets

Low-value tangible and intangible fixed assets are amortised over two (2) consecutive accounting periods.

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 responsible technical manager.

Depreciation suspension

The Company does not allow suspension in the accounting depreciation of its assets.

3.12. Cash and cash equivalents

The cash items (cash in hand and cash at banks) are stated at their nominal value. The cash items denominated in foreign currencies have been properly translated using the exchange rate published by the Czech National Bank as at the balance sheet date.

Cheques are treated and translated as cash, analysed for presented and unpresented cheques. All cheques in the evidence are in their face value and are neither void nor rejected by the bank.

3.13. 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 is created up to the amount of 10 % of the share capital in accordance with the Commercial Code. This legal reserve fund may be used to settle accumulated losses only.

3.14. 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 that will be paid within one year after the balance sheet date are classified as short-term loans and borrowings.

The interest is expensed in the Income statement under the accrual principle irrespective of the payment due date.

In case of expected breach of covenants resulting into the risk of immediate repayment of the loan the loan is classified fully as short term.

3.15. 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 interim financial statements.

3.16. 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 in hand denominated in foreign currency has been translated using the fixed exchange rate published by the Czech National Bank on the first day of the respective accounting period.

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.

3.17. Corporate Income tax

The income tax expense reported in the Income statement for the accounting period comprised corporate income tax expense and deferred tax expense/credit.

The current period corporate income tax charge has been calculated based on the profit before tax for the accounting period adjusted for permanent and temporary differences using the valid tax rate.

The deferred tax has been 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 was calculated at the corporate income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised. Deferred tax asset is recognised only if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

3.18. 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.

3.19. Hedging interest rate risk and foreign currency risk and hedge accounting

The Company does not 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.

3.20. 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. 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, save the situation when the purchase price is zero.

3.21. Assets impairment policies

The Company creates provisions for impairment of inventory of raw materials, finished goods, work in progress, goods for resale, fixed assets and receivables in line with the prudence principle to record these assets in their fair value.

Provisions for inventory of raw materials, finished goods and goods for resale

The provision is created at 50 % of the inventory unit carrying value for:

- Slow moving inventory, items that are more than one (1) year without movement
- Scrap for sale
- Short yardages

Provisions for work in progress

The provision is created at 50 % of the dyed yarn stock value as at 30 September that is more than one (1) year without 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.

Receivables with a nominal value not exceeding CZK 200 ths. are provided for based on their ageing analysis – for receivables past due of:

- > 12 month — 100% provision is created by increasing the tax allowable provision
- 6-12 month — 30% provision is created by increasing the tax allowable provision
- 3-6 month — 20% provision is created by increasing the tax allowable provision

Bad debt 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.

Bad debt provision for receivables due after 31 December 1994

The general approach of the Company is to minimize the bad debt risk of individual receivables. The Bad debt provision is created in line with the aging analysis (time lap from the due date to the balance sheet date). The bad debt provision is created from the lower of unpaid nominal value of the receivables or acquisition cost of the respective receivables.

3.22. Revaluation of inventories

In case that the purchase costs of raw material rise significantly it may be necessary to adjust the valuation of finished goods (FG) to reflect their real value.

The resulting revaluation difference is released to the Income statement based on the turnover period of these inventories:

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

$$\text{The revaluation difference deferred} = \frac{\text{revaluation difference}}{\text{turnover period in months}} * \text{no. of months}$$

3.23. Year-on-Year changes in the reporting pattern as reflected in the interim financial statements, valuation policies changes and preceding year financial statements restatement

There were no significant year-on-year changes in the valuation, depreciation and accounting policies in the year then ended 30 September 2013 compared to the preceding accounting period.

Part III. – Additional information

on the Balance Sheet

4.1. Tangible fixed assets

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.

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 period can be analyzed as follows in the Table 7 - Overview of movable fixed assets, CZK ths. below.

Substantial change in the level of M&E is caused by the accounting for the replacement of damaged/ partially damaged assets during the conflagration incident dated 22 December 2012.

Change in vehicles is caused by the complete sale of the own fleet and its replacement by the operating lease.

Group	2013 09			2012		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Machinery and equipment	302 077	223 806	78 271	301 053	216 105	84 948
Vehicles	1 758	1 579	179	1 758	1 517	241
Fixtures and fittings	0	0	0	0	0	0
Low-value tangible fixed assets	18 933	18 711	222	18 717	18 456	261
Fixed assets – Branch Gallarate	0	0	0	0	0	0
Total	322 768	244 096	78 672	321 528	236 078	85 450

Table 7 – Overview of movable fixed assets

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.

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.

Group	2013 09 Cost	Acc'd dep'n	NBV	2012 Cost	Acc'd dep'n	NBV
Buildings, halls and constructions	129 519	96 822	32 697	129 507	95 281	34 226
Land	4 137	x	4 137	4 137	x	4 137
Total	133 656	96 822	36 834	133 644	95 281	38 363

Table 8 – Overview of immovable fixed assets

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.

Substantial change in the level of buildings is caused by the accounting for the partially damaged weaving plant building during the conflagration incident dated 22 December 2012.

The tangible immovable assets are either leased (e.g. as apartments, family houses, hostel), or held for sale. As at the balance sheet date there were 2 properties classified as held for sale - 'former central office' and the sawmill in Černý Důl.

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.

Tangible movable fixed assets under the lease or rent

The Company did not have any capital (finance) leases for the financing of assets acquisition in the current accounting period.

The only tangible movable fixed assets under company control were personal cars and light utility van, where operating lease contract is in force. Leases are concluded for a definite period of time and mileage with aim to minimize TCO of each particular vehicle. TCO is calculated on the basis of full service lease.

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

Lease cost as stated below include full running costs.

To date	Date of signing agreement	Number of cars	Amounts paid and payable from existing contracts	Paid	Amounts payable from the existing contracts	
					Within 1 year	More than 1 year
30.9.2013	2.10.2012	16	11 409	2 073	2 863	6 473
31.3.2013	2.10.2012	15	11 409	659	2 845	7 905

Table 9 – Rent of movables

Tangible immovable fixed assets under the lease or rent

The Company did not use financial lease of any of its tangible immovable assets in the current or comparative accounting period to acquire the assets.

In the comparative period the Company leased, as lessee, and under complex operating lease a yarn dyeing plant in Dvůr Králové. The lease agreement covered both -the premises and equipment. It was not possible to split the rent charges for the equipment and for the premises.

The leasing contract for a yarn dyeing plant in Dvůr Králové ended on 1 September 2011, the date of the acquisition of the plant by the Company. The purchased asets were capitalised into individual asset classes.

The Company used leased office premises in Černý Most - Prague and in Milano – Gallarate, Italy and appartments for members of the statutory body. The Company did not use any other tangible immovable assets.

	2013 09	2012
Černý Most	106	251
Gallarate	133	253
Appartment for member of statutory body	211	480
Total	450	984

Table 10 – Rent of immovables

State subsidies and grants from European Union funds

The Company was granted a subsidy of CZK 1,989 ths. from the European structural funds - Cohesion Fund in the accounting period. This subsidy is tied to the investment project ‘boiler plant – dyeing house in Dvůr Králové‘. This project will be finalised by 31 March 2014 and the boiler house will be put into operation.

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.

Low-value assets (with unit price between CZK 4 – 40 ths.) were posted to the respective analytical accounts and depreciated in line with depreciation policies. This approach was consistent for both periods, 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.

4.2. Intangible fixed assets

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

Software accounting policies as described in Section 4.7 were strictly adhered to. The Company follows OEM principles (inseparability of hardware and software) and EULA. All OEM software is accounted for as a part of the respective hardware.

Royalties relate to the rights of use in respect of use of adjoining plots. Cost of this right consists of costs associated with market value of free of charge rights received.

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

Group	2013 09			2012		
	Cost	Acc'd dep'n	NBV	Cost	Acc'd dep'n	NBV
Software	13 959	13 830	129	13 950	13 815	135
Software low-value intangible assets	1 001	1 001	0	1 001	1 001	0
Royalties	108	98	10	108	98	10
Total	15 068	14 929	139	15 059	14 914	145

Table 11 – Intangible fixed assets

Intangible fixed assets leased

The Company did not use any leased intangible assets in the current or preceding accounting period.

Intangible assets not reflected on the balance sheet

The Company does not use any intangible assets that are not 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. Both trademarks are valid until 13 May 2016.

These intangible assets are neither valued nor presented on the balance sheet due to the fact that they were acquired internally.

This situation remained unchanged in the current and preceding accounting period.

Further, the Company uses trademarks ERBA, ERBA BLU, ERBA ELITE and ERBA COMPACT owned by its parent company. As the trademarks are owned by ALOK INDUSTRIES INTERNATIONAL LTD. they are not presented in the balance sheet of the Company.

4.3. Additions and disposals of fixed assets – balances

The Company re-invests proceeds from the sale of fixed assets into renewal of equipment to secure its future operations. There were no substantial capital expenditures over the accounting period as the Company was in process of re-definition of source of finance with impact to its business case. On the basis of this mid-term task the Company plans to make capital expenditures amounting to several EUR millions in the period of 2013-2015.

Furthermore Companys' operations were significantly hit by the conflagration, where nearly all warping and sizing sections were lost, as well as approx. 30 per cent of the inventory. This situation lead to re-distribution of operating capital towards losses recovery and business continuation, rather than new capital expenditures.

Approximatelly 50 per cent of the warping capacity was replaced by the second hand machines, sizing machine and remainder of the warping will be replaced after completion of the production hall replacement.

Group	2013 09				2012			
	Year end balance		Opening balance		Year end balance		Opening balance	
	Cost	NBV	Cost	NBV	Cost	NBV	Cost	NBV
Total intangible fixed assets	15 068	139	15 059	145	15 059	145	15 191	201
Buildings, halls and constructions	129 519	32 697	129 507	34 226	129 507	34 226	166 452	51 605
Land	4 137	4 137	4 137	4 137	4 137	4 137	4 258	4 258
Total immovables	133 656	36 834	133 644	38 363	133 644	38 363	170 710	55 863
Machinery, plant and equipment	302 077	78 271	301 053	84 948	301 053	84 948	336 288	115 455
Vehicles	1 758	179	1 758	241	1 758	241	15 936	1 083
Fixtures and fittings	0	0	0	0	0	0	0	0
Low-value tangible fixed assets	17 693	0	17 492	0	17 492	0	21 840	0
Low-value tangible fixed assets - depreciated	1 240	222	1 225	261	1 225	261	1 467	327
Movable assets – Branch Gallarate	0	0	0	0	0	0	0	0
Total movable assets	322 768	78 672	321 528	85 450	321 528	85 450	375 531	116 865
Total	471 492	115 645	470 231	123 958	470 231	123 958	561 432	172 929

Table 12 – Overview of tangible and intangible fixed assets

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

Three disposal titles can be identified in the accounting period; assets disposed off as to their wear and tear, business non-core assets and assets damaged by the conflagration.

All disposals of fixed assets were made by sales at a price equal to or higher than their net book value. The Company did not realise any losses arising from the sale of fixed assets, save damages incurred by conflagration and sales of compressor and one personal car, where it was impractical to keep the assets as to their condition and level of maintenance costs.

Accounting loss incurred in conjunction with the conflagration and disposal of affected assets was compensated in full by the insurance cover.

As of the Balance Sheet date and date of compilation of this report no risk of underinsurance or cover exclusion has not been indicated by the insurer. For particular details of the conflagration incident refer to the Sections 12.5. – Extraordinary and 13. - Fire incident dated 22 December 2012

Group	2013 09 Additions (purchase, own production)	Adj'ments (dep'n, provisions)	Disposals (disposal, liquidation, sale)	2012 Additions (purchase, own production)	Adj'ments (dep'n, provisions)	Disposals (disposal, liquidation, sale)
Software	9	15	0	154	220	0
Low-value intangible fixed assets	0	0	0	19	19	0
Royalties	0	0	0	108	98	0
Total intangible fixed assets	9	15	0	281	337	0
Buildings, halls and constructions	12	1 541	0	561	4 684	13 256
Land	0	0		0	0	121
Total immovables	12	1 541	0	561	4 684	13 377
Machinery and equipment	1 023	7 700	0	1 836	21 301	11 042
Vehicles	0	62	0	0	385	457
Fixtures and fittings	0	0	0	0	0	0
Low-value tangible fixed assets	276	276	0	717	717	0
Low-value tangible fixed assets-depreciated	15	54	0	67	111	22
Movable fixed assets – Branch Gallarate	0	0	0	0	0	0
Total movable fixed assets	1 314	8 092	0	2 620	22 514	11 521
Total	1 335	9 648	0	3 462	27 535	24 898

Table 13 – Additions and disposals of fixed assets, CZK ths

Note

Table 13 as shown above does not reflect change in assets under construction balance for both, tangible and intangible asset classes. Advance payments for assets under construction have not been reported as well.

4.5. Analysis of sales of immovable assets

The Company sold unused immovable fixed assets in the current accounting period with the aim to improve the efficient use of resources – to avoid maintenance costs of assets not generating economic benefits to the Company.

2013 09					
Contract date	Registered on	Subject of sale	Buyer	Net book value	Sales price
No sales during during year 2013					

Table 14 – Analysis of sales of immovable assets - 2013 09

2012					
Contract date	Registered on	Subject of sale	Buyer	Net book value	Sales price
20.4.12	30.4.12	building 134 on b.p. 67/1	SC-control s.r.o.	0	3,849
		building 133 on b.p. 67/3		0	
		structure 67/4		5	
		structure 67/2		0	
		building plot no. 67/1		3	751
		building plot no. 67/3		14	
		building plot no. 67/4		3	
		building plot no. 67/2		0	
		plot of land no. 68/1		10	
		plot of land no. 68/2		16	
		plot of land no. 69/1		2	
		plot of land no. 69/2		1	
		plot of no. 69/3		1	
		plot of land no. 64/2		2	
		plot of land no. 1019/4		1	
		plot of land no. 1019/5		0	
		plot of land no. 1019/9		0	
2.4.12	21.5.12	plot of land no. 281/27	Městys Černý Důl	38	2
				0	
19.12.12	19.12.12	building 114 on b.p. 266		4	403
			Farský Karel a Jana		12
			Nechanický Jaroslav a Helena		403
					12
21.3.13	22.3.13	building 233 on b.p. 298	Mikšovský Pavel a Michaela	41	1,733
				25	187

Table 15 – Analysis of sales of immovable assets - 2012

4.6. Analysis of sales of movable assets

During the current accounting period the Company sold unused movable fixed assets and replaced them by the new ones. New cars were acquired as operating leases, no Balance Sheet record to be applied.

2013 09 Buyer	Subject of sale	Net book value	Sales price
No sales during year 2013			

Table 16 – Analysis of sales of movable assets – 2013-09

2012 Buyer	Subject of sale	Net book value	Sales price
ŘÍHA GROUP, spol.s r.o.	2 pieces of compressor	64	60
VADIM s.r.o.	JCH 92-12 Volkswagen Transporter	0	40
EXPERT CAR s.r.o.	JCI 14-20 VW CARAVELLE	0	44
Miroslav Peterka	JCH 17-72 Škoda Felicia Van Plus	0	1
DELMOS s.r.o.	JCI 69-81 Škoda Octavia	0	21
Anton Pilčík	JCH 60-74 Škoda Felicia Van Plus	0	19
FINIŠ Pardubice s.r.o.	JCI 69-85 Škoda Octavia Combi	0	40
EXPERT CAR s.r.o.	JCE 77-11 Škoda Octavia	0	30
JELÍNEK HOLDING s.r.o.	1H6 5663 Škoda Octavia	0	72
AUTA NEJ s.r.o.	3H2 5614 Škoda Octavia Combi	0	139
AAA AUTO, s.r.o.	3H2 5613 Škoda Fabia Combi	0	122
Jan Petrák -Euronic	3H2 5418 Škoda Octavia Combi	0	132
Pent Stav s.r.o.	3H6 1410 Mertcedes Benz R320	457	239
JELÍNEK HOLDING s.r.o.	3H0 1118 Mertcedes Benz A	0	141
Holmes Executive Search, s.r.o.	TUL 32-73 Mertcedes Benz ML	0	106
Jan Fink	1H6 6335 Volkswagen Golf	0	59
Zdeněk Jiřička	JCI 22-80 Škoda Octavia Combi	0	52
Zdeněk Jiřička	JCH 57-07 Peugeot Boxer	0	17
Ing. Josef Vydra	1H6 6082 Volkswagen Golf	0	53
Helena Kramulová	3H2 5545 Škoda Octavia Combi	0	112
Ondřej Kramule	1H9 4460 Škoda Superb	0	84

Table 17 – Analysis of sales of movable assets – 2012

4.7. Fixed assets under construction

The fixed assets under constructions as at the balance sheet date amounted to CZK 27,384 ths.

All capital expenditures, except for sewerage junction, were stopped due to the conflagration incident and will be completed after weaving hall re-construction.

The major tangible fixed assets, being under construction for more than 12 month, under construction (synthetic account 042) can be analysed as follows:

Project no.	Description	plant	Amount	Reason for FAICC status
7000/07	Sewerage junction č.p.195,196		4	The municipality has not started the construction of the sewerage distribution system. The investment will be applied after the initialization of this investment.
7004/09	Loading platform - north	9	1,363	Finished. The geodetic measurement and the official report to the cadastre office was finished, but due to the fire it needs to be refreshed.
7016/10	Reconstruction of old facility	2	30	Feasibility study, postponed to future period due to high investment demandments and the need for the “wider consideration” of the final solution.
7018/2	SOHLER equipment	2	85	Machinery and construction is available in the warehouse in order to be installed with the new looms. We do not have enough space for their instalation now, postponed.

Table 18a – Analysis of fixed assets in the course of construction – 2013-09

Project no.	Description	plant	Amount	Reason for FAICC status
7000/07	Sewerage junction č.p.195,196		4	The municipality has not started the construction of the sewerage distribution system. The investment will be applied after the initialization of this investment.
7004/09	Loading platform - north	9	1,363	Finished. The geodetic measurement and the official report to the cadastre office was finished, but due to the fire it needs to be refreshed.
7016/10	Reconstruction of old facility	2	30	Feasibility study, postponed to future period due to high investment demandments and the need for the “wider consideration” of the final solution.
7018/2	SOHLER equipment	2	85	Machinery and construction is available in the warehouse in order to be installed with the new looms. We do not have enough space for their instalation now, postponed.

Table 18b – Analysis of fixed assets in the course of construction – 2012

4.8. Company’s assets with significantly higher market value compared to the net book value

Except for the assets held for sale, no expert valuation of the company’s asset was made in the current or preceding accounting period.

4.9. Pledges and other similar rights to Company´s assets

Substantial change in pledged assets was made in February 2013 in connection with financing re-structure, see Sections 10.1.2 - Credit facility from Raiffeisenbank and 4.1. - .

All current pledges are registered in the land cadastre.

Lender	Date of pledge	Registrar	Identification
Raiffeisenbank	25.2.2013	Cadastral office Hradec Kralove region, office Jičín	r.n. V-648/2013-604

Table 19a – Pledges and other rights to Company`s assets – 2012 and 2013

4.10. Fixed assets under encumbrances and easements

The Company owned the following assets under encumbrances and easements in the current accounting period:

Right of use	Land identification	Area	Identification
Right to establish the road	198/5	Hořice v Podkrkonoší	Z-4450/2003-604
Right to establish the road	798/6	Hořice v Podkrkonoší	Z-4450/2003-604
Right to establish the road	798/7	Hořice v Podkrkonoší	Z-4450/2003-604
Right to establish the road	798/8	Hořice v Podkrkonoší	Z-4450/2003-604
Right of use to water supply facitity	281/4	Černý Důl	Z-8245/2006-610
Right to enter	226, 292, 1417/18, 1845	Dolní Branná	Z-260035/1999-610
Right to establish distribution system	874/8	Děčín	V-3070/2012-610

Table 20a – Encumbrances and easements - 2013-09

No encumbrances and easements were of such a nature that would lead to the pervasive limitation in use or restriction in the disposal, no impairment is applied.

Right of use	Land identification	Area	Identification
Right to establish the road	198/5	Hořice v Podkrkonoší	Z-4450/2003-604
Right to establish the road	798/6	Hořice v Podkrkonoší	Z-4450/2003-604
Right to establish the road	798/7	Hořice v Podkrkonoší	Z-4450/2003-604
Right to establish the road	798/8	Hořice v Podkrkonoší	Z-4450/2003-604
Right of use to water supply facitity	281/4	Černý Důl	Z-8245/2006-610
Right to enter	226, 292, 1417/18, 1845	Dolní Branná	Z-260035/1999-610
Right to establish distribution system	874/8	Děčín	V-3070/2012-610

Table 20b – Encumbrances and easements - 2012

5.1. Categories of inventories

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

- Raw Material
- Work-in-progress
- Semi-finished goods
- Finished goods
- Goods for resale

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

The net amount of Company's inventories was CZK 233,958 ths. as at 30 Septemberh 2013. The year-on-year decrease in inventory value was caused mainly by the implementation of new methods in warehouse inventory management. Slower replacement of inventories accounts for lower Work in progress and Goods for resale.

In the accounting period no substantial impact on the inventory valuation arising from the cotton prices can be noted.

	2013 09			2012		
	Gross	Provision	Net	Gross	Provision	Net
Yarn	43 396	996	42 400	32 341	1 324	31 017
Other material	12 091	873	11 218	12 532	1 077	11 455
Total material	55 487	1 869	53 618	44 873	2 401	42 472
Work-in-progress	63 770	270	63 500	58 852	0	58 852
Finished goods	107 868	3 816	104 052	95 442	3 217	92 225
Goods for resale	12 761	2	12 759	6 591	5	6 586
Prepayments for inventory	29	0	29	634	0	634
Total	239 915	5 957	233 958	206 392	5 623	200 769

Table 21 – Structure of inventories

5.2. Provisions for inventories

A provision for inventories is created for slow moving inventory based on the analysis of turnover as described in the Part II.

Further, a provision is created for obsolete inventories, damaged inventories or for other inventories with limited demand.

Structure of provisions for inventories is shown in Table 21 – Structure of inventories.

5.3. Revaluation of own products

The Company revalued finished goods inventory as at 1 January 2013 to its net realizable value derived from the price of cotton yarn on global markets. The revaluation of inventory was made due to partial correlation between the final product price and spot cotton prices and cotton yarn prices on the global markets. Total level of revaluation as of 1 January 2013 can be quantified as CZK 6,506 ths.

The revaluation difference increased the value of finished goods inventory in the amount of CZK 6,506 ths in the current accounting period.

This transaction is recorded in the row no. II.2. Change in inventory of finished goods and work in progress in the Income statement.

In the preceding period the Company revalued raw material inventories (purchased cotton yarn) by the total amount of CZK 9,545 ths. as at 1 January 2012.

The inventory revaluations were made in order to ensure the true and fair view of the interim financial statements and minimize the impact of the volatility of the commodity prices to them.

No inventory revaluation has been or has to be made as of 30 September 2013.

5.4. Inventory stock-count results

The Company performed the inventory stock-count as at 1 November 2013 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.

Inventory stock-count results	Description	Difference 31 July 2013	Difference 30 September 2013
Raw Material	Shortage below the limit	-1 291	-560
	Damage (caused by fire)	0	0
Work-in-progress	Surplus	0	0
	Shortage below the limit	89	25
Semi-finished goods	Surplus	0	0
	Damage (caused by fire)	0	0
Finished goods	Surplus	4	0
	Recalculation diference	0	0
	Damage	-9	0
	Shortage below the limit	-1	0
Merchandise	Damage (caused by fire)	-3	-1
Total result of inventory stock-count:		-1 211	-536

Table 22a – Inventory stock-count results – 2013

Inventory stock-count results as of 01 January 2013	Description	Difference
Raw Material	Shortage below the limit	-1,006
	Damage (caused by fire)	-10,736
Work-in-progress	Surplus	96
	Damage (caused by fire)	-27,091
	Shortage below the limit	-13
Semi-finished goods	Surplus	109
	Damage (caused by fire)	-17
Finished goods	Recalculation difference	-10
	Damage (caused by fire)	-7,031
	Shortage below the limit	-1
Merchandise	Damage (caused by fire)	-16,420
Total result of inventory stock-count:		-62,120
	Damages (caused by fire)	*-61,295*
	Net of shortages and surpluses	*-812*

Table 22b – Inventory stock-count results – 2012

6. Receivables

6.1. Trade receivables

The Company does not use any form of factoring of receivables. All receivables recorded in balance sheet are genuine trade receivables of the Company.

As at 30 September 2013 there is one (1) valid contract signed by the Company relating to factoring services. No services based on this contract were provided yet.

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 revenues structure.

The Company is continuously scoring the credit of its customers. Taking into consideration the current situation on European markets, the Company focuses on mitigation of credit risks by the implementation of internal controls at the moment of sale and application of methodology KYC within the sales team.

Short-term receivables include short-term advance payments to suppliers.

	2013 09	2012
Trade receivables – total	148 031	143 509
Out of which : overdue receivables	73 812	75 977
Out of which: overdue receivables – more than 180 days	41 955	41 362

Table 23 – Trade receivables

6.2. Short-term intercompany receivables

The intercompany receivables arise exclusively from the business transactions between the following related parties. All intercompany receivables were settled before the balance sheet date.

	2013 09	2012
ALOK INDUSTRIES LIMITED LTD (IND)	678	14

Table 24 – Intercompany receivables

6.3. Tax receivables

The Company has VAT tax receivable in the amount 2.259 ths. CZK.

The Company does not have any tax liability related to the Corporate income tax in the current accounting period.

No receivables connected with deferred taxation are to be noted.

6.4. Receivables pledged as collateral

As at 30 September 2013 the Company did not have any receivables pledged as collateral. The Company does not use its receivables as a pledge for operational or other financing purposes.

6.5. Long-term receivables

The Company had the long-term advances in amount of CZK 121 ths as 30 September 2013 (CZK 91 ths in the preceding period).

7. Financial assets

7.1. Analysis of short-term financial assets

The short-term financial assets include petty cash, cash in banks 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.

Analysis of financial assets	2013 09	2012
Cash on hand	1 409	2 893
Cash derivatives	4	33
Bank accounts	111 294	1 638
Cash in Transit (non-cashed cheques)	2 327	2 713
Total	115 034	7 277

Table 25 – Analysis of short-term financial assets,

7.2. Cash in bank and petty cash

The Company had bank accounts with seven (7) 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 history or even the loss of customers.

7.3. 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 30 September 2013. The resulting income of CZK 404 ths was reflected as an increase of the year-end balance due to the foreign currency translation.

7.4. Received cheques and bills of exchange

As at 30 September 2013 the Company presented but not encashed cheques in the total value of CZK 2,327 ths. of it CZK 1,678 ths. represented unpresented cheques. The company also reported as at 30 September 2013 bills of exchange in total value 3,777ths CZK .These instruments were accounted for as cash received.

7.5. Long-term financial assets

The Company does not have any financial investment in the current period, nor did have any in preceding period. The Company did not make any financial investment in the current or preceding period which impact should have been disclosed.

8. Prepayments and accrued income

8.1. Prepaid expenses

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

8.2. Deferred revenue

The Company recognised as deferred revenue CZK 20 mil of the total settlement from the insurance claim in relation to the conflagration incident dated 22 December 2012.

9. Equity

9.1. Share capital

ALOK INDUSTRIES INTERNATIONAL LTD is the Company's sole shareholder. No changes during the accounting period have been made.

Structure of share capital	As at 30 September 2013			As at 31 March 2013		
	Share capital	No. of shares	Share (%)	Share capital	No. of shares	Share (%)
ALOK INDUSTRIES INTERNATIONAL LTD. *(shares with nominal value of CZK 196, fully paid)*	231 310	1 180 152	100	231 310	1 180 152	100

Table 26 – Analysis of share capital

9.2. Changes in equity

Profit recognized in the current accounting period is expected to be used to cover the accumulated losses.

	Share capital	Reserve funds	Capital funds	Retained earnings	Profit/loss of accounting period	Total equity
As at 31 March 2012	231 310	31 236	1 728	-2 621	-48 898	212 755
Profit/ (loss) distribution	0	0	107	-48 898	48 898	107
Net profit/(loss) for the current period	0	0	0	0	22 107	22 107
Rounding	0	0	0	1	0	1
As at 31 March 2013	231 310	31 236	1 835	-51 518	22 107	234 970
Profit/ (loss) distribution	0	1 105	0	0	-22 107	-21 002
Net profit/(loss) for the current period	0	0	0	21 002	49 533	70 535
Rounding	0	0	0	0	0	0
As at 30 September 2013	231 310	32 341	1 835	-30 516	49 533	284 503

Table 27 – Changes in equity

Profit/ Loss appropriation

The profit of the preceding period was appropriated based on the decision of the sole shareholder from 27 August 2013 as follows:

Distribution of profit from previous years	2012
Profit earned to be distributed	22 107
Cover of accumulated losses of previous periods	-21 002
Contribution to the legal reserve fund	-1 105

Table 28 – Distribution of profit from preceding accounting period

9.3. Reserves

There was no reserve funds created in the current or preceding accounting period except for the statutory reserve fund. The only exception to this is a reserve fund for unpaid salaries created in accordance to the Italian law in the Gallarate branch.

Distribution of profit from previous years	2013 09	2012
Profit for distribution	504	504

Table 29 – Creation of reserves

10. Loans and other borrowings

10.1. Bank loans

Company made a significant step forward in order to unlock its growth potential – Board of Directors decided and management of ALOK INDUSTRIES approved its mid term plan of higher independence in financing the operations.

The ultimate plan was to replace fully its participation on EXIM Bank export financing under Grabal Alok UK Ltd. management.

In February 2013 Company signed documentation with Raiffeisenbank on the framework credit facility up to EUR 5 million. This facility is structured in overlaping baskets and maximum capacity of all baskets (facility mix enabling maximum capacity) was set to the above stipulated amount.

	2013 09	2012
Long-term part (row no. 115)	3 109	9 326
Short-term part (row no. 116)	71 639	23 739
Total loan unpaid	74 748	33 065

Table 30 – Bank loans

10.1.1. Credit facility from LBBW

Principal

The company took through an intermediary ALOK INDUSTRIES LIMITED in 2009 a loan from Landes Bank Baden-Würtenberg A.G. with a strictly stipulated use of proceeds - investment in machinery - weaving looms Picanol.

The loan is denominated in EUR.

The facility repayments are done semi-annually by fixed payments amounting to EUR 211 ths (the last payment is due in October 2013), the principal is being repaid together with interest.

The loan is guaranteed by ALOK INDUSTRIES LIMITED (corporate guarantee) up to the amount of unpaid principal and interests.

The company is making regular and timely payments (as of 30 April and 31 October) and has adhered to all loan covenants. The Company strictly refrains from any actions which could be considered as “events of default”. No change in this area to be reported as of the date of completion of these interim financial statements - after duly and timely paid instalment as at 30 April 2013.

Interests

Accrued unpaid interest has been properly disclosed on row no. 103 of the balance sheet in the amount of CZK 38 ths. The interest was duly paid on the due date (31 October 2013).

10.1.2. Credit facility from Raiffeisenbank

Principal

The Company acquired a framework credit facility from Raiffeisenbank in February 2013. Total facility is stipulated by the contracts up to EUR 5 million in the structure determined by the contracts.

Capital expenditures re-financing loan was used to re-finance SOCIETE FINANCIERE ROBICHON S.A. (SFR) loan, refer to the Section 4.1. - Other borrowings. Main purpose of this step was re-structure of pledges to enable the Company higher efficiency and flexibility of their use in the future.

The Company strictly adheres to all and any mandatory duties and strictly refrains from any actions which could be considered as “events of default”.

As of 30 September 2013 the Company has drawn

- capital expenditures re-financing loan of EUR 604 ths.
- overdraft of CZK 13,518 ths.
- L/C financing line of CZK 40,255 ths.

The facility as a whole is secured by the pledge of certain real estate property (refer to the Section 4.9. - Pledges and other similar rights to Company´s assets), Letter of Comfort from Alok Industries Limited and Bills of Exchange.

10.2. Intercompany borrowings

Principal

As at 30 September 2013 the structure of loans from ALOK INDUSTRIES INTERNATIONAL LTD. was as follows.

Borrowings	Drawing date	Unpaid as at 30 September 2013	Currency
ALOK Consolidated	1.1.2013	6 700 000	EUR

Table 31a – Intercompany borrowings in foreign currency - 2013-09

Borrowings	Drawing date	Unpaid as at 31 March 2013	Currency
ALOK Consolidated	1.1.2013	6 700 000	EUR

Table 31b – Intercompany borrowings in foreign currency – 2012

	2013 09	2012
Long-term part (row no. 093)	149 777	162 130
Short-term part (row no. 104)	22 497	10 294
Total loans unpaid	172 274	172 424

Table 32 – Intercompany borrowings

The total amount of installments which are due in more than five years from the balance sheet date (31 March 2013): CZK 48,382 ths.

Interests

The Company has unpaid interest from the parent company loans.

	2013 09	2012
Unpaid interests arising from intercompany borrowings (row no. 104)	3 164	0

Table 33 – Unpaid interests from intercompany borrowings

11. Payables, anticipated payables, contingencies

11.1. General information

During the accounting period the Company settled its liabilities towards the state authorities, Social security office (ČSSZ), and health insurance companies, as well as paid salaries to its employees.

Starting December 2012 payroll term (January 2013) Company does not pay social insurance contributions. This situation has been discussed with the respective Social security office and instalment schedule has been agreed, starting July 2013.

No change in this area to be reported as of the date of completion of these interim financial statements. The liabilities towards the state authorities are recorded in Other payables. As a matter of fact the Company is not in delay with payments as it has concluded instalment schedules, starting July 2013.

11.2. Trade payables

The Company continuously decreases the amount of overdue payables outside Alok Industries.

Documentary Letters of Credit in combination with 6 month import loan is used as raw material purchases financing, refer to the section 10.1.2. Credit facility from Raiffeisenbank

There are no liabilities secured by the assets of the Company as collateral or any other similar pledge apart from above mentioned collaterals to loans and borrowings.

Aged payables as at 30 September 2013	Trade payables	Other payables	Total
Not due	31 264	56 942	88 206
- out of which: intercompany payables	335	0	335
Overdue	13 324	0	13 324
- Out of which: intercompany payables	5 668	0	5 668
Total as at 30 September 2013	44 588	56 942	101 530

Table 34 – Aging of payables as at 30 Septemer 2013

Aged payables as at 31 March 2013	**Trade payables**	**Other payables**	**Total**
Notdue	39,633	75,765	115,398
- out of which: intercompany payables	2,131	0	2,131
Overdue	43,464	0	43,464
- Out of which: intercompany payables	35,330	0	35,330
Total as at 31 March 2013	**83,097**	**75,765**	**158,862**

Table 35 – Aging of payables as at 31 March 2013

11.3. Other payables

Other payables consist of tax liabilities of the Company, liabilities to the social security office - ČSSZ, health insurance companies and unpaid wages and salaries. It also includes anticipated payables and accrued expenses which are, by the definition, not yet due.

Liabilities to the state, ČSSZ and health insurance companies are as follows:

Payables to state authorities	Social security	Health insurance	Tax payables
Not due	9 543	1 097	986
Total as at 30 Septembert 2013	9 543	1 097	986
Not due	7 797	1 088	256
Total as at 31 March 2013	7 797	1 088	256

Table 36 – Other payables

11.4. Commitments and contingencies

The Company did not have any commitments or contingencies as at the balance sheet date and the date of preparation of the interim financial statements that were either not recognized in the balance sheet or disclosed in the notes to the interim financial statements.

11.5. Contingencies from litigations

The Company did not have any liabilities or contingent liabilities arising from active or passive law suits.

None of the passive litigations was conducted against the Company's assets.

11.6. Contingencies from the state authorites examinations and administrative proceedings

The Company did not have any administrative proceedings underway as at the balance sheet date and the date of preparation of the interim financial statements, which could potentially result in a liability which was not recognized in the balance sheet.

11.7. Financial derivatives, accounting for financial derivatives instruments

Even though the Company has an open position towards the currency volatility risk, no financial derivatives or any other derivative products were used. The Company's policy regarding the risks is disclosed in part 14.

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

12. Additional information on the Profit & loss statement

12.1. Revenues from sales of products and services

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

	2013 09		2012	
	Domestic	Export	Domestic	Export
Revenues from sales of goods for resale	6 098	9 603	15 890	25 788
Revenues from sales of finished goods	10 568	208 992	25 465	391 530
Revenues from job processing	14 983	1 333	26 745	1 819
Revenues from sales of services	1 174	0	2 472	2 137
Total	32 823	219 928	70 572	421 274

Table 37 – Revenues from sales of products and services

12.2. Employees analysis and structure of personal expenses

No. of employees	2013 09	2012
Weighted average no. of managers	9	10
Weighted average no. of employees - other than managers	366	357
Total	375	367

Table 38 – Analysis of employees

The Company's management includes directors and other senior staff members directly reporting to them if they are employees of the Company.

Personal expenses overview:

Structure of personal expenses 2013 09	Management	Others	Total
Labour costs	5 894	41 955	47 849
Social and health insurance	1 619	14 385	16 004
Other social costs	48	422	470
Total	7 561	56 762	64 323

Table 39 – Structure of personal expenses – 2013-09

Structure of personal expenses 2012	Management	Others	Total
Labour costs	11,392	80,285	91,677
Social and health insurance	3,066	27,004	30,070
Other social costs	91	797	888
Total	14,549	108,086	122,635

Table 40 – Structure of personal expenses – 2012

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. Its employees were transferred to the detached facilities, where Company has a rented technology for warping and sizing.

12.3. Remuneration and benefits of Board of directors and Supervisory Board

During the whole current and preceding accounting periods the Company had working Board of Directors and the Supervisory Board. The members of the Board of Directors and the Supervisory Board were entitled to remuneration and benefits based on the decision of General Meeting and respective contracts of mandate.

Personal expenses analysis 2013 09	Board of directors	Supervisory board	Total
Wages and salaries	1 050	144	1 194
Social and health insurance	198	49	247
Other social costs	0	0	0
Total	1 248	193	1 441

Table 41 – Analysis of the personal costs of the Board of directors and the Supervisory Board - 2013-09

Personal expenses analysis 2012	Board of directors	Supervisory board	Total
Wages and salaries	1 338	288	1 626
Social and health insurance	160	98	258
Other social costs	0	0	0
Total	1 498	386	1 884

Table 42 – Analysis of the personal costs of the Board of directors and the Supervisory Board - 2012

No loans, borrowings, guarantees or non-monetary remuneration were provided to the statutory body in the current or preceding accounting period.

12.4. 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 in USD (75-85% of total purchases and 50% of inputs) and 87% of revenues are invoiced in EUR.

The Company manages the foreign currency risk by natural hedges as stated in part 14.

	2013 09	2012
Foreign exchange gains	2 741	12 480
Foreign exchange losses	-2 354	-20 852
Net amount	387	-8 372

Table 43 – Foreign exchange gains and losses

12.5. Extraordinary costs and income

The Company had extraordinary costs and income associated with the conflagration as described in the Section 13. - Fire incident dated 22 December 2012.

12.5.1. Extraordinary costs

Extraordinary costs represent

- book value of burnt out inventory
- NBV of damaged assets
- costs associated with plant recovery
- outsourcing of warping and sizing section

Extraordinary costs do not include costs associated with higher purchasing price of yarn acquired to replace burnt out inventory, foreign exchange differences and conversion costs.

Furthermore extraordinary costs do not include conversion costs to bring grey yarn to the point of WIP it has burnt out.

12.5.2. Extraordinary income

Extraordinary income represents accrued income for insurance cover connected with recovery works made up to date.

12.6. Interest expense

The Company recognises interest expense on the accrual principle basis. As at 30 September 2013 the interest expense relating to year 2012 was included in costs of 2012 irrespective of actual cash outflow.

12.7. EU subsidies

The company applied for one subsidy from the European Regional Development Fund. The project concerns the implementation of a heat source in the company in Dvůr Králové. This susidy has been already accepted but not paid yet. The required amount of the subsidy is CZK 1.9 million.

12.8. Corporate Income tax

As a result of the losses brought forward the Company had no corporate income tax or deferred tax liability in the current or preceding accounting period. The deferred tax is analysed in Section 12.9. - Deferred tax

12.9. Deferred tax

The Company has recognized the deferred tax asset in the amount of CZK 8,718 ths in the interim financial statemets.

The Company has a significant amount of tax losses carried forward that will be partially utilized in the upcoming periods and it is probable that a sufficient future taxable profit against which the calculated deferred tax asset can be offset will appear in the timeframe given.

	2013 09	Tax rate
Difference between accounting and tax net book value of fixed assets	-10 228	19%
Unpaid social security and health insurance as of 31 October 2013	6 553	19%
Tax losses carried forward	23 825	19%
Provisions	25 733	19%
Total deferred tax base	45 883	19%
Deferred tax asset	8 718	

Table 44 – Deferred tax

Part of the carried forward tax loss in the amount of CZK 9,755 thousand is expected to expire as at 31 March 2014. Therefore it was not included in the deferred tax asset calculation.

Part V. – Additional information about the Company

13. Fire incident dated 22 December 2012

13.1. Fire incident description

Fire incident of the conflagration size happened on 22 December 2012 approx. 6am. Cotton yarn was inflamed by the technical malfunction (shortcut) in the electric installation. The fire spread out very fast and despite the fact of maximum professional performance and addiction of fire brigades 47 per cent of the Hořice plant was affected by the fire.

13.2. Extent of the damage

The Company lost immeditelly 47 per cent of the space of the production and storage hall in Hořice. Consequently Company lost whole warping and sizing section machines and equipment, manipulation WIP storage (dyed yarn), grey yarn ready for warping, WIP at warping section (warps for weaving), nearly all goods for merchandise and some of own products.

The Company lost nearly all dyed yarn stock and goods for merchandise and approx. 40 per cent of grey yarn stock.

13.3. Recovery

On 7 January 2013 the Company re-started production (looms) in the saved part of the bulding. Consequently started outsourcing of warping and sizing with its competitors to ensure availability of warps for the production - weaving section. Within 4-5 weeks time the Company increased its production to the maximum capacity, but approx. CZK 70-80 mil. of sales were lost.

13.4. Insurance cover

The plant itself, machinery and equipment were insured to enable restoration to the original status. The Company does not have any insurance against lost profits as there were no two (2) consecutive years of profits for the past 10 years.

The ultimate settlement contract with the insurer was concluded for CZK 197 mil. This amount corresponds with Company‘s needs for the full recovery of all its assets damaged during the conflagration.

14. Other significant information on the Company affairs

14.1. Related party transactions

The following related party balances were outstanding as at:

Receivables and payables from/to related parties	30 September 2013	31 March 2013
Receivables		
Trade receivables	678	14
Other receivables	0	0
Total receivables	678	14
Payables		
Trade payables	6 003	37 461
Borrowings	172 424	172 424
Unpaid interest from borrowings	3 164	0
Total payables	181 591	209 885

Table 45 – Related party transactions – receivables and payables

Intercompany revenues and costs	30 September 2013	31 March 2013
Revenues		
Revenues from sales of goods and services	680	1 205
Total revenues	680	1 205
Costs		
Purchases of material and goods	17 436	104 610
Interest costs from borrowings	3 164	5 842
Total costs	20 600	110 452

Tabulka 46 – Related party transactions – revenues and costs, CZK ths

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 interim 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
- Grabal Alok UK Ltd.

14.2. 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 omition would lead to misstatements or incompleteness of the accounting records.

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.

15. Subsequent events

No events have occurred subsequent to the year-end that would have a material impact on the interim financial statements as at 30 September 2013 except for the events listed below.

16. Risk management and risk factors

16.1. Liquidity

The Company manages its liquidity position by the pairing of its in and out flows with two major objectives; to lower the volume of overdue liabilities and ensure the smooth and uninterrupted running of the Company's operations.

In order to improve its liquidity position the Company decided to cease trading with certain customers with a lower payment discipline mainly from the South Europe. This enabled the Company to improve its approach and credit scoring procedures towards suppliers and consequently to negotiate with them better contract terms.

The Company is fully aware of its current liquidity position which is closely monitored and managed properly to increase its cash cushion.

The Company is further improving the collectibility of receivables and considers to reinforce its bad debt insurance policy.

Furthermore the Company received overdraft of CZK 15 million from Raiffeisenbank to equal out cash flow fluctuations.

The liquidity risk is considered as low to medium with positive outlook towards rather low.

16.2. 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 signifiant burden in comparison to possible and probable increase in interest rates. All concluded non banking loan contracts have fixed interest rate and a revision is allowed only under „extraordinary adverse market conditions“.

Bank loan contracts are EUR denominated and risk of substantial EURIBOR growth can be seen as rather improbable.

The interest rate risk is considered as low and is mitigated by continous monitoring of financial markets with strategy to fix interest rate in case of adverse development.

16.3. Exchange rate risk

The exchange rate risk is the most significant for the Company due to its open foreign currency position, resulting from the fact that more than 87% of total revenues are billed in EUR, the purchases of raw material are made in USD and wages and salaries and the majority of services is paid in CZK. The Company is continously calculating its exposure.

The Company concluded so called “natural hedge“ from the year 2011 by contracting purchases of utilities in EUR. The Company also implemented so called “waterfall system“ for payment processing and identification of avoidable loss making foreign exchange transactions due to conversion costs.

The Company initiated negotiation with cotton yarn suppliers and considers purchases of the raw material in EUR.

The foreign exchange risk is considered as medium to low and is under control fully. The Company monitors this risk and modifies its treasury, pricing and trading policies if needed.

16.4. Risk of price fluctuations of raw material on commodity markets

The Company purchases raw material well in advance in USD, mainly from India. Price of cotton yarn is derived from the worldwide prices of cotton as a commodity. The Company considers to change the proportion of concluded long term vs spot purchase contracts in Europe and also to diversify its purchasing mix on the geographic side. The Company is also considering to enter into synthetic (structured) commodity forwards. In 2013 the Company decided not to do so as for the relative price stability.

This risk is considered as medium to moderate. Due to the recent turbulences on the commodity markets the Company was temporarily unable to address the risk. Currently the Company is exploring possible mitigation steps through internal processes.

Otakar Petráček
CEO, Chairman of the Board of Directors
Hořice v Podkrkonoší, 11 November 2013

Part VI. – Cash flow statement

17. Cash flow statement

			Description	Accounting period	Accounting period
a			b	2013 09	2012
			Net profit on ordinary activities before tax	1 097	-11 818
A.	1.		Adjustments for non-cash movements	13 828	46 884
A.	1.	1.	Depreciation of fixed assets	9 372	51 212
A.	1.	2.	Change in provisions	331	-4 081
A.	1.	3.	(Profit)/loss from disposal of fixed assets	0	-8 250
A.	1.	4.	Dividend [profit distribution] income	0	-
A.	1.	5.	Net interest expense/(income)	4 125	7 895
A.	1.	6.	Other non-cash movements	0	108
A	*		Net operating cash flow before taxation, changes in working capital and extraordinary items	14 925	35 066
A.	2.		Working capital changes	44 816	-100 549
A.	2.	1.	Change in receivables and prepayments and accrued income	118 270	-60 906
A.	2.	2.	Change in short-term payables and accruals and deferred income	-40 798	-30 847
A.	2.	3.	Change in inventories	-32 656	-8 796
A.	2.	4.	Change in short-term investments	0	-
A	**		Net operating cash flow before taxation and extraordinary items	59 741	-65 483
A.	3.		Interest paid	-422	-1 911
A.	4.		Interest received	37	34
A.	5.		Income tax on ordinary activities paid	0	-
A.	6.		Cash movements relating to extraordinary profit/(loss)	39 718	40 000
A.	7.		Dividends received	0	-
A	***		Net operating cash flow	99 074	-27 360
B.	1.		Acquisition of fixed assets	-20 647	-16 507
B.	2.		Proceeds from the sale of fixed assets	0	8 935
B.	3.		Loans to related parties	0	-
B	***		Net cash flow from investing activities	-20 647	-7 572
C.	1.		Change in long- and short-term liabilities	29 330	37 711
C.	2.		Changes in equity	0	-
C.	2.	1.	Cash inflow from the increase of share capital	0	-
C.	2.	2.	Equity distribution paid to shareholders	0	-
C.	2.	3.	Other cash contributions to equity received from shareholders	0	-
C.	2.	4.	Redemption of accumulated loss by shareholders	0	-
C.	2.	5.	Direct payments from reserves	0	-
C.	2.	6.	Dividends paid	0	-
C	***		Net cashflow from financing activities	29 330	37 711
			Net increase / (decrease) in cash and cash equivalents	107 757	2 779
			Cash and cash equivalents in the beginning of the period	7 277	4 498
			Cash and cash equivalents at the end of the period	115 034	7 277

18. Method used for cash-flow statement preparation

Cash

Cash in hand incl. stamps and vouchers (group of accounts No 21), cash in bank incuding bank overdrafts (group of accounts No 22) and cash in transit (account No 261).

Cash equivalents

Short term investments – account No 251 and 253.

Cash and cash equivalents are disclosed in the Balance sheet.

Net operating cashflow

Net operating cashflow has been prepared using the indirect method, i.e. adjustments were made for the non-cash transactions, changes in the working capital and income and expenses form financing and investing activities.

Restriction of compensation

All cash flows are disclosed in non-compensated form. Trade receivables from operations are recognised by rows no. 039 and 048 of the Balance sheet.

Operating cashflow payables

Operating cashflow payables are on rows 102, 116 and 117 of the Balance sheet.

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 14.1.

Otakar Petráček
CEO, Chairman of the Board of Directors
Hořice v Podkrkonoší, 15November 2013