African Fabrics Holdings B.V.

Annual Report for the year ended

31 December 2018

These financial statements have been adopted by the general meeting of shareholders on 19 December 2019

Contents

(x € million unless stated otherwise)

Executive Board's Report

General

The activities of African Fabrics Holdings B.V. (the Company) and its subsidiaries (all together African Fabrics Holdings or the Group) consist of the design, manufacture and sale of high quality, dyed and printed fabrics for (mainly) the Sub-Saharan African markets. African Fabrics Holdings markets four brands: Vlisco, Uniwax, GTP and Woodin.

The fabrics are produced in factories in The Netherlands, Ivory Coast and Ghana and are (in-)directly distributed to open market stores, shops in shopping malls and high street shops in West and Central Africa.

Marketing activities such as fashion shows, TV and radio campaigns, billboards and brand magazines are executed to support the sales of products.

Customers are distributors, wholesalers and retailers and some end-consumers buy directly on-line.

Key figures		*2018*	*2017*
Net turnover		231.9	228.3
EBITDA excluding extra-ordinary items		28.3	30.7
Extra-ordinary items		(2.6)	(2.3)
Impairment intangible assets and property, plant and equipment		(0.1)	(0.2)
Depreciation and amortisation		(13.8)	(12.9)
Operating result		11.8	15.3
Net result		(1.0)	0.2
Net cash flow from operating activities		17.8	25.8
Capital expenditure		(15.3)	(14.5)
Net cash flow		0.2	3.6
Total equity per ultimo		96.2	5.3
Borrowings per ultimo		57.4	142.5
Cash and cash equivalents per ultimo		21.3	21.2
Consolidated net debt per ultimo		36.1	121.3
Capital employed per ultimo		132.3	126.6
Extra-ordinary items consist of non-recurring:	*Note:*[1]		
Redundancy costs	*8*	(1.1)	(1.9)
Other operating expenses	*10*	(1.5)	(0.5)
Gain on disposal of property	*11*		0.1
Total		(2.6)	(2.3)

[1] to the consolidated financial statements 2018

Going concern

Turnover in 2018 increased slightly over 2017, but was nonetheless disappointing as, after a number of years of hope for a turn in the African economic cycle, consumer spending still shows no signs of picking up. Net sales for Vlisco and Woodin slightly decreased whereas Uniwax and GTP sales increased slightly. We managed further to decrease stocks of finished goods of Vlisco by maintaining production at a level of 16.9 million yards whilst selling 17.2 million yards. Inventories of raw materials and work in progress increased however, anticipating higher factory activity towards the end of the year. The manufacturing result in the Vlisco factory was adverse to budget. The leadership team was therefore changed at the beginning of 2019. Otherwise overall cost control remained well managed throughout the Group. There was some deliberate growth of costs in the commercial departments (creative, product and marketing) of the Vlisco brand. The Group EBITDA excluding extra-ordinary items decreased year on year by 2.4, which was a consequence of the factors mentioned above. In the year we invested 15.3 with the major focus on investments to upgrade the Uniwax factory in the Ivory Coast.

Throughout 2018 liquidity continued to be restricted but was managed within requirements. As has been the case for a number of years now, the Group shareholders and bankers have worked towards a change of control. This was not achieved in 2018 and it was therefore decided that a refinancing was appropriate. As the perspective on Sub Saharan Africa is not improving, the refinancing proved to be a slow process. Group debt was modest at 2 times EBITDA but the direction of environmental, social and governance (ESG) requirements in financial institutions is moving in the opposite direction to perception of African progress. A solution was reached whereby the shareholders, Actis, provided a new shareholder loan to repay one UK based bank, whilst our Dutch lender remained as the sole Senior Lender to the Group. There is, therefore, no change to overall liquidity but Group profitability has since increased and capital expenditure needs are past the peaks of recent years. There is no need for further impairment of fixed assets. The focus of management in 2019 and beyond is now moving from restructuring to organic growth and more investment in our brands and products and distribution channels. We are conscious of how much potential remain untapped. This process started with some new product development in 2018 and will now increase in pace and breadth. We are particularly pleased at the enormous progress made in the Vlisco factory by new management. Similar improvements will be effected in our Uniwax factory following recent, large items of capital expenditure. The year 2019 to date shows a significant improvement in our income statement and EBITDA excluding extra-ordinary items on a comparable basis shows a strong step forward.

To ensure that we have sufficient cash resources to support the needs of the current business and capital expenditures up until 2023:

- We concluded negotiations with our shareholder and our lenders in December 2017 to extend and modify our Banking facilities until September 2019
- In July 2019 our shareholders provided us with a new shareholder loan to repay Standard Chartered Bank. In September 2019 we successfully secured a new loan and credit facility with Rabobank as a senior lender until 2023 to replace the existing loans and credit facility. The new financing is in line with the group's operational cash flow, capital expenditure and debt service payments
- We have implemented measures to improve working capital, but as they will reach full effect early 2020 we have received a waiver from Rabobank for the Cash Flow Cover covenant Q3-2019 and Q4-2019
- We weekly prepare and evaluate a rolling 13-week cashflow forecast, which includes operational cash flow, capital expenditure and debt service payments
- We have prepared in accordance with loan covenants, a scenario analysis for the next two years to determine whether expected EBITDA level and EBITDA versus debt service remain within the covenants set.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

Business developments

EBITDA excluding extra-ordinary items fell (8%) on sales that were slightly ahead (1.6%). The markets showed no appreciable change for the better and so we were left to make internally generated gains to improve results. In 2018 we stuck to the plans we announced in last year's Report to increase spend on marketing. These costs were increased by 20% over the prior year. We recognise that investment in our brands, where we are market leaders, and in our creative capacity, where we are world leaders, is vital for the long-term success of the business. Unfortunately, spending for the future occurred when performance in the present stalled. The major setbacks were in our factories, both in Helmond (NL) and in the Ivory Coast.

In Helmond we suffered a loss in labour productivity as well as an increase in waste. The manufacturing result worsened by 3.4 whereas Group EBITDA excluding extra-ordinary items fell by 2.4. This situation in the Helmond factory has since been addressed.

In the Ivory Coast the issues were more of factory breakdowns in the early part of the year which prevented us from reaching our full sales potential. Capital expenditure in the Ivory Coast facility has continued and at 8.8 represented 58% of total spend. These investments in energy efficiency, pre-treatment capacity and new digital printing will drive growth in 2019.

Added value as a percentage of total operating income fell by 3.0 percentage point, not just because of Helmond performance, but also because product mix was adverse. We sold less Vlisco and Woodin, which are sold at higher prices in more profitable channels than Uniwax and GTP. In addition, stocks of finished goods fell by 1.2 and the destocking also impacted gross margin.

The main African currencies for the Group remained stable against the EUR in 2018:

- GHS (Ghana): in 2018 the cedi remained relatively stable against the euro with an exchange rate at about 5.4 cedi per euro. This resulted in a stabilisation on the Ghanaian economy and impacted the demand positively and ultimately sales.
- NGN (Nigeria): local customers in Nigeria largely trade based on the unofficial exchange rate for the Naira (NGN UR). The NGN UR is the indicator of the available translations rate for wholesalers buying and selling in Nigeria. In 2018 the difference between the NGN and NGN UR remained stable and the Naira strengthened slightly. This has a positive effect on consumer prices and wholesale activity.
- CDF (DR Congo): limited growth of the economy and political uncertainty were driving the depreciation of the CDF in 2018.

The Group is also indirectly exposed to the GBP. Some of the European wholesale traders are located in the United Kingdom (UK) and invoiced in EUR, which indirectly may impact pricing to their end customer. Devaluation of the GBP resulted in a reduction in net sales in 2018 at the largest UK customers. The USD strengthened in 2018, which began to have a negative effect in the second half year of 2018. Grey cloth prices and most prices of chemicals and dye stuffs are invoiced in USD.

<u>Vlisco Brand</u>

Both sales volumes and value fell year on year (by 4% and 1% respectively). Average prices increased by 3% despite adverse mix effects of region and product assortment. Our strategy remains to diversify our assortment and offer better fabrics at the luxury end of the market. Along with our improved quality of fabric and our constant design innovation, we will bundle services to facilitate garment design and tailoring.

The significant factor in 2018 was a deterioration in manufacturing performance. Unit costs per yard rose by 6% in the year. We have, as a consequence, carried out a restructuring of managerial responsibilities and improvements are already evident.

<u>Uniwax brand</u>

Uniwax increased sales value and volume by 6% even though factory bottlenecks restricted supply. These bottlenecks are being addressed with significant investment in plant and machinery.

Operating result rose by 2% and further improvement is expected with a number of initiatives to increase and satisfy demand. The new, digital printing line will be operative in 2019 and will provide more flexibility for customisation of the product offer.

<u>GTP brand</u>

GTP sales grew by 7% for a volume increase of 4%. The strategy to improve the gross margin through better product mix is slowly being seen in the results. Nonetheless, return on sales remains well below other brands and demonstrates the potential for further improvement.

Woodin brand

2018 was a disappointing year for Woodin. The brand remains profitable while sales were down from 20.2 to 19.9. Towards the end of the year we made changes to Creative management, consistent with our strategy to sell youthful product, designed and made in Africa, and retailed through our own retail outlets. We remain confident that the strategy is the right one but implementation needs to improve.

The year ended 31 December 2018 in figures

Turnover and results

The net turnover for the year was 231.9 (2017: 228.3) of which 199.7 (2017: 195.1) in Africa. Vlisco brand has the highest turnover (121.7 (2017: 123.2)), followed by Uniwax (55.1 (2017: 52.0)), GTP (35.2 (2017: 32.9)) and Woodin (19.9 (2017: 20.2)).

Changes in finished products and work in process amounts to negative 0.6 (2017: negative 6.7). Cost of raw materials and consumables increased by 10.1 from 75.0 in 2017 to 85.1 in 2018.

As a result added value decreased by 0.4 from 146.6 in 2017 to 146.2 in 2018. Added value as a % of operating income decreased from 66.1% in 2017 to 63.2% in 2018.

Personnel costs amounted to 66.8 (2017: 67.1). Depreciation of property, plant and equipment increased by 0.9 to 8.9 (2017: 8.0) mainly due to capital investments in Uniwax S.A. Impairments of property, plant and equipment amounted to 0.1 (2017: 0.2). Amortisation of intangible assets amounted to 4.9 (2017: 4.9). Other operating expenses amounted to 54.1 (2017: 51.9). Other operating income amounted to 0.4 (2017: 0.8).

Consequently, the operating result decreased by 3.5 from 15.3 in 2017 to 11.8 in 2018.

Financial income and expense increased by 2.5 from 8.7 in 2017 to 11.2 in 2018 mainly due to 2.0 accrued amendment fees in 2018 (2017: nil).

As a result group result before taxation decreased by 6.0 from 6.6 in 2017 to 0.6 in 2018.

Income tax was negative 1.6 (2017: negative 6.4) which includes recurring non-recoverable withholding tax on dividends and the impact of partly non-deductible interest expenses in the Netherlands.

As a result net group result of African Fabrics Holdings decreased by 1.2, from positive 0.2 in 2017 to negative 1.0 in 2018.

Cash flow

The operating cash flow was positive 17.8 and 8.0 below last year (2017: positive 25.8) mainly due to a negative change in working capital of 3.4 (2017: positive 2.3). The investment cash flow was negative 15.1 (2017: negative 14.2). The financing cash flow was negative 2.5 and 5.5 above last year (2017: negative 8.0) mainly resulting from the positive change in bank overdrafts 1.8 (2017: negative 1.9).

As a result net cash flow during the year was positive 0.2 (2017: positive 3.6).

Equity

Total equity at the end of the year increased with 90.9 to 96.2 (2017: 5.3) mainly as a result of the conversion of the shareholder loans into share premium of 94.6 at year-end. Total equity as a percentage of the balance sheet total was 47.7% (2017: 2.7%).

Investments

In order to facilitate further growth, African Fabrics Holdings is investing in both commercial areas as well as production locations. In the year ended December 2018 investments in production locations did include both of machinery and equipment for improving quality and increasing production volumes as well as replacing old equipment. Investments have also been made in IT-systems. Investment programs in production, commercial areas and IT-systems will continue next year.

Financing

In 2018 African Fabrics Holdings started an external debt refinancing project with assistance of a professional advisor in order to avoid that scheduled repayments as of 31 December 2018 cannot be met. Unfortunately this project could not be finished in 2018 for which a waiver has been received in December 2018. Otherwise during 2018 African Fabrics Holdings complied with all bank covenants. Recently the refinancing of external debt has been successfully completed. Reference is made to note 34 subsequent events of the consolidated financial statements.

In December 2018 the shareholder loans have been converted into share premium by the shareholders, which will substantially reduce interest charges in the income statement as of 2019.

Research and development

African Fabrics Holdings invests in new designs and product assortment as well as new production technologies to reduce the use of energy and other natural resources like water. The research and development is mainly operated in the Netherlands but implementation of new techniques is also planned in factories in Africa. Research and development expenses amounted to 5.5 (2017: 4.0).

Employees

We believe that our employees are the key asset for future success and the main source of competitive advantage. We value their competences and knowledge of design, production, marketing and retail and we are committed to their personal development. At the end of 2018 African Fabrics Holdings employs 2,135 (2017: 2,096) FTE of which 715 (2017: 723) in Ghana, 748 (2017: 704) in Ivory Coast and 516 (2017: 518) in the Netherlands.

Corporate Governance

African Fabrics Holdings is managed by the Executive Board and has installed a Supervisory Board on 20 December 2017, which was already installed in 2016 on the level of African Fabrics B.V., in accordance with the provisions of the mitigated large company regime, as laid down in Art. 2:268 – Art. 2:274 Dutch Civil Code (DCC).

As required by the Dutch Management and Supervision Act (Wet Bestuur en Toezicht), large private companies with limited liability such as African Fabrics Holdings B.V. must endeavour to find a balanced division of the seats on the Executive Board and the Supervisory Board. This implies that at least 30% of the seats must be held by either women or man. When considering candidates for positions on the Executive Committee, Executive Board and the Supervisory Board, African Fabrics Holdings complies with this act.

As per 1 January 2018 the composition of:

- the Executive Committee (thirteen people) was 46% women
- the Executive Board (two people) was 0% women, and
- the Supervisory Board (five people) was 40% women.

As per 31 December 2018 the composition of:

- the Executive Committee (twelve people) was 50% women
- the Executive Board (two people) was 0% women, and
- the Supervisory Board (five people) was 60% women

As per 31 December 2018, the composition of the Executive Committee and Supervisory Board meets the criteria for gender diversity in the Netherlands.

The composition of the Executive Board does not meet the criteria for gender diversity. In 2018 there were no vacancies in the Executive Board of African Fabrics Holdings. African Fabrics Holdings does not have a policy to explicitly strive for gender diversity in both executive and non-executive board positions. When filling board vacancies, the main consideration continues to be to select candidates based on all relevant aspects of the specific role, including experience. No candidates are excluded based on gender. However, African Fabrics Holdings continues to strive to increase the number of female candidates in selection procedures for vacant board positions.

Conflict of interest

In 2018, there have been no transactions between a member of the Executive Board and the Group constituting a conflict of interest within the meaning of Art. 2:239 part 6 DCC and/or the articles of association of African Fabrics Holdings B.V. and its subsidiaries.

Change in Board of Directors

On 19 November 2018 Mr. F.L. Sawyerr resigned as supervisory director A and was replaced as per the same date by Mrs. N.C. Kolbe.

Risk management and financial instruments

African Fabrics Holdings is exposed to risks that are an intrinsic part of doing business. African Fabrics Holdings strives for a balance between returns and risks, and continuously assesses where the identified risks also offer opportunities. The risk appetite of African Fabrics Holdings may be considered as moderate. African Fabrics Holdings distinguishes two levels of risk management: business risk management and operational risk management.

Business risk management

Managing business risks is a continuous process that is conducted by the Executive Board, group and local management. Risks are considered against the backdrop of the adopted strategy. The risk management process is designed to identify potential events that impact the business and the business results and to control risks to ensure that they remain within pre-defined margins. This system offers a reasonable degree of certainty that the business objectives will be realised.

The principal business risks are:

Strategic risks

African Fabrics Holdings operates in West Africa which not only presents opportunities, but also involves risks. One of these is the political and economic instability of the countries in which the operations are conducted. A sudden change of government, change in oil prices and other commodities or a lengthy political crisis can affect the economy of a country. This can hamper business activity and potentially have a medium to high impact on results and the financial position.

Amendments to laws and regulations

Laws evolve and change. By definition, this involves a risk for African Fabrics Holdings, as a predictable legal environment is an important factor when considering investment decisions. The applicable legal framework in The Netherlands is based on Dutch law and European directives and regulations, that are converted into national laws. Furthermore, African Fabrics Holdings is subject to the laws and regulations of the countries in Western Africa, in which it is active.

African Fabrics Holdings has implemented internal measures to comply with REACH regulations and has also met relevant REACH deadlines for the registration of certain chemicals by 31 May 2018. African Fabrics Holdings submitted requests for registration for twenty essential substances (mostly unique colours and ingredients), since its suppliers could not give comfort for the timely registration of these substances.

In total nineteen of these filings have been confirmed (as completed) by the European Chemicals Agency. For the outstanding filing, in respect of calciumdithonite, African Fabrics Holdings is currently phasing out the usage of this substance.

On 25 May 2018, the General Data Protection Regulation (Regulation (EU) 2016/679 ('GDPR')) entered into force, being applicable to entities which process personal data. The GDPR imposes stricter requirements than the preceding applicable privacy legislation. In response to GDPR:

- African Fabrics Holdings' external privacy policy (including for website visitors of Vlisco.com) has been updated. In addition, a privacy policy for employees has been approved and made available on the intranet and other measures have been taken to be compliant with the GDPR
- African Fabrics Holdings is in the process of updating the current ICT behavioural code, and
- Overall, African Fabrics Holdings ' GDPR readiness project is expected to be finalised shortly and formally incorporated into African Fabrics Holdings' governance structure.

Financial risk management

African Fabrics Holdings' activities expose it to a variety of financial risks: currency, interest, credit, liquidity and commodity risk. African Fabrics Holdings' financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on African Fabrics Holdings' financial condition and performance. African Fabrics Holdings may use derivative financial instruments to hedge certain risk exposures. None of the transactions are entered into for trading or speculative purposes.

Financial risk management is carried out by the central treasury department (Treasury). Treasury identifies, evaluates and hedges financial risks in close cooperation with the subsidiaries. The Executive Board provides written principles for financial risk management, containing policies covering specific areas such as currency and interest risk, use of derivative and non-derivative financial instruments, and the use of excess liquidity. The Executive Board reviews the execution of this policy periodically. Execution of this policy has been restricted by available facilities under the loan agreement.

a) Currency risk

African Fabrics Holdings operates internationally and is exposed directly and indirectly to currency risk arising from various currency exposures, primarily with respect to the US Dollar, the Nigerian Naira and the Ghanaian Cedi. The US Dollar is the main foreign currency for African Fabrics Holdings. The currency exposure with respect to the Nigerian Naira and the Ghanaian Cedi is mainly indirect which means that a strengthening of the Euro against these currencies might impact the ability or desire of customers to purchase our products. Currency risk arises from future commercial transactions, recognised assets and liabilities in foreign currencies and net investments in foreign operations.

Sales are predominantly denominated in Euros (or in a pegged currency, the West African Franc), and to some extent in US Dollar, Ghanaian Cedi and Nigerian Naira. The most important raw material is grey cloth, which is purchased mainly in US Dollar.

Based on forecasted cash flows in foreign currency it is decided, to what extent these anticipated cash flows should be hedged. It is African Fabrics Holdings policy to hedge the currency risk of material anticipated transaction exposures in each major currency for the subsequent twelve months, as far as practically possible. At year-end 2018 African Fabrics Holdings does not hold external currency derivatives.

b) *Interest rate risk*

African Fabrics Holdings interest rate risk arises from borrowings. Borrowings issued at floating rates expose African Fabrics Holdings to cash-flow interest-rate risk. African Fabrics Holdings regularly considers interest market information and developments and determine whether interest rate risk is remote or not. The policy is that only if the interest rate risk is not remote, 50% - 100% of the balance of interest-bearing liabilities held at financial institutions is maintained in fixed-rate instruments and thus to reduce the cashflow risk, as far as practically possible. African Fabrics Holdings has considered the interest rate risk as remote. At the end of the year African Fabrics Holdings has fixed 0% (2017: 0%) of the long-term borrowings from financial institutions.

c) *Credit risk*

African Fabrics Holdings has no significant concentrations of credit risk. The credit risk of trade receivables is limited as sales to customers are mainly paid for at delivery and/or in advance. The age of trade and other receivables is reviewed periodically at a local level. If applicable, nominal values are impaired taking into account expected lifetime from initial recognition of the receivables including forward looking information (macro-economic and political developments). African Fabrics Holdings has policies that limit the amount of credit exposure to any financial institution. In principle, bank balances and deposits are held by financial institutions with, for the country in question, strong credit ratings.

d) Liquidity risk and cashflow risk

Multi-year cashflow projections are used to determine whether the available credit facilities are sufficient to cover the expected credit requirement. On the basis of this analysis, if applicable, African Fabrics Holdings arranges timely that the expected credit requirement is adequately covered.

e) Commodity risk

African Fabrics Holdings is exposed to commodity risk as a result of changes in cotton prices as cotton is the main commodity in the production process of grey cloth. The availability of cotton is very much depending on meteorological conditions which increases the risk of large price fluctuations. Price increases of cotton are hedged by using cotton option contracts, as far as practically possible. At year-end 2018 African Fabrics Holdings does not hold cotton option contracts.

f) Law and regulation risk

In the Netherlands African Fabrics Holdings has received in 2018 up to 19.1 (2017: 20.0) cash payments from customers for the delivery of goods. The Group has implemented in the course of 2017 various controls to monitor and control relevant safeguards to comply with the Dutch Money Laundering and Terrorist Financing (Prevention) Act ("Wwft"). Awareness and controls in this regard have priority within the Group. The Group has actively approached the authorities in the Netherlands on anti-money-laundering issues in 2017 and is awaiting the outcome of that approach. In any case, it resulted in comfort regarding its current compliance status. Non-compliance with Wwft requirements can possibly lead to a material financial and reputational risk. In 2018 the Group has made a limited provision for the risk of non-compliance with Wwft requirements in the past on the basis of its contacts with the authorities.

g) Capital risk management

An important element of managing the capital structure risk is that African Fabrics Holdings closely monitors compliance with bank covenants. Quarterly covenant reports are prepared. In addition to the yearly budget, forecasts are submitted presenting a detailed projection of the income statement, the balance sheet and the cashflow statement. Forecasts are used to predict the cash flow and the cash position and as such to monitor anticipated covenant compliance, giving sufficient time to take whatever measures are necessary.

For the purpose of African Fabrics Holdings' capital management, capital includes issued capital, share premium and other equity reserves attributable to owners of African Fabrics Holdings B.V., shareholder loans and the interest-bearing liabilities to financial institutions.

African Fabrics Holdings strives for a capital structure that on the one hand guarantees the continuity of the Company and on the other optimises the cost of capital, taking into account the interests of shareholders and other stakeholders.

African Fabrics Holdings manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, African Fabrics Holdings may adjust the dividend payment to shareholders, issue new shares or take on or repay loans.

In order to achieve its overall objective, African Fabrics Holdings' capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. "Leverage" currently has the highest priority. Breaches in meeting financial covenants would permit the banks to immediately call outstanding balances.

The financial covenants for all quarters of 2018 have not been breached except for the mandatory repayment on 31 December 2018 for which a waiver has been received in-time.

Operational risk management

Operational risk management refers to the process of identifying and quantifying risks stemming from the operation of business functions at African Fabrics Holdings and of defining the required control measures. Control measures are actions, mitigating the possibility that a risk will materialise or limit the potential consequences. The principal operational risks are:

a) Environmental and reputational risks

African Fabrics Holdings is exposed to risks associated with incidents that have an adverse impact on the environment and that may give rise to potential remedy liabilities. Such incidents may also affect the reputation of the Group. African Fabrics Holdings has set up environmental management systems at all its critical business sites.

Potential risks and emergencies have been identified, the related financial impact calculated and appropriate control measures put in place. Each critical business site has trained staff and appropriate checks to ensure that no environmental damages occur.

b) Health and safety on the work floor

Safety is an overriding precondition for conducting all of African Fabrics Holdings activities. To minimise the risks relating to the health and safety of its employees, African Fabrics Holdings performs regular and structural risk analyses, in which the dangers on the work floor that present a risk to the health or safety of employees is assessed. These analyses are performed under the control of the central Safety Health Environment and Quality department. Risk analysis forms the cornerstone of African Fabrics Holdings' approach to prevent work-related accidents and injury or sickness.

c) Fraud / Corruption

African Fabrics Holdings uses a broad definition of fraud: intentional deception for the purpose of unlawful or illegal gain. To prevent fraud, instances of fraud must come to light and be reported to management who can take the required steps. African Fabrics Holdings encourages its employees to report any such instances to management, the local integrity contact and/or African Fabrics Holdings' integrity manager. Employees reporting a violation or a suspicion of a violation are protected from potential consequences in accordance with the integrity regulations (i.e. Code of Business Principles).

The Code of Business Principles is updated from time-to-time and signed for acknowledgement by management and their reports. A framework has been developed for the internal controls on financial processes.

Various procedures aimed at limiting fraud risks are used to verify whether:

- segregation of duties is in place where necessary
- authorisation and delegation schedules are followed
- payments are recorded and checked regularly
- stock takings are conducted regularly
- elementary aspects of IT security are used and critical data are protected.

African Fabrics Holdings also uses Supplier Codes of Conduct. These Supplier Codes of Conduct are used for all raw material suppliers, other than for sole traders and small businesses. The suppliers of raw materials to African Fabrics Holdings are asked to sign the Supplier Codes of Conduct unless such suppliers' own code of conduct materially conforms to the Supplier Codes of Conduct.

Despite above described measures taken African Fabrics Holdings has encountered an alleged fraud by the managing director and employees at Vlisco Congo SARL in 2019. Reference is made to note 34 subsequent events of the consolidated financial statements.

d) Availability of critical ICT systems

The importance of information management applies in particular to financial processes, marketing and sales, logistical processes and laws and regulations.

Appropriate measures are in place for the relevant business processes to avoid the risk of improper use of information and loss of data and to restore information systems in the event of an emergency, for example backup/ restoration procedures and fail-over/disaster-recovery procedures. Some of the ICT services are outsourced to external ICT service providers. Compliance with the contracted services and the related service levels is actively monitored by African Fabrics Holdings' central ICT department.

Outlook 2019

The further, strong progress we are making in 2019 has been slowed down towards the end of the year by some political and economic uncertainty and, not least, the closure of the Nigerian border. We hope that this will be short-lived. It nonetheless demonstrates the difficulty in foreseeing all outcomes on the continent. Political elections in 2020 may also impact consumer confidence. The Group continues its dialogue with Asian suppliers to move manufacturing to Africa. We are assessing the most propitious location to set up weaving and spinning. In any event, we continue to encourage the use of African cotton by our existing suppliers in Asia. We will also renew our efforts to improve manufacturing performance in all our factories. The investments in Uniwax are exciting for the future but were delayed in 2019 and have caused some teething problems. In 2019, in summary, we expect a modest growth in turnover, mainly from the Vlisco brand, and a significant growth in EBITDA, despite, for the second year, increased commercial expenditure. We are very clear that our brands need investment and we are looking forward to further developments. The Group's net result will show a sharp increase partly also as a result of the capitalisation at the end of 2018 of the outstanding shareholder loans. We will continue to be open to means of improving liquidity and realising shareholder value. In 2019 an internal audit discovered missing assets in DR Congo. The financial impact is reflected in 2018 and 2019 results. In addition to all of the above, we are creating plans to invest in our people for life-long learning and diversity. The number of employees has grown slightly in 2019. Research and development has continued at previous levels but we intend to increase our investments in textile innovation and sustainability.

Helmond, 19 December 2019

Executive Board

D.R. Suddens (CEO)
L. van Reeuwijk (CFO)

Supervisory Board's Report

The Supervisory Board of the Group has been installed at the level of African Fabrics Holdings B.V., in accordance with the provisions of the mitigated large company regime, as laid down in Art. 2:268 – Art: 2:274 DCC.

During the financial year 2018, the Supervisory Board has convened various meetings, either by means of conference calls (23 February, 16 March, 20 April, 18 May and 19 October) or physical meetings (29 June, 21 September and 14 December) in the presence of the Executive Board. During such meetings the Supervisory Board discussed, amongst other things, the following subjects: (i) Nigeria Project, (ii) market updates, (iii) financial results, (iv) cash updates, (v) organisation of the Vlisco Group and (vi) exit process. Outside these meetings also informal contacts have taken place on a regular basis between (members of) the Supervisory Board and (members of) the Executive Board.

During the financial year 2018, the Audit Committee of the Supervisory Board has convened two meetings, namely on 28 June 2018 (in the presence of the Independent Auditor) and on 13 December 2018.

On 19 November 2018, Mr. F.L. Sawyerr resigned as supervisory director A and was replaced as per the same date by Mrs. N.C. Kolbe. On 1 July 2019, Mrs. D.J. Hogewoning-Plantenga voluntarily resigned as supervisory director B of African Fabrics Holdings. The Supervisory Board is currently approaching candidates to fill the existing vacancy.

During the financial year 2018, there have been no transactions between a member of the Supervisory Board and the Group constituting a conflict of interest within the meaning of Art. 2:250 part 5 DCC and/or the articles of association of African Fabrics Holdings B.V. and its subsidiaries and/or the Rules Governing the Principles and Practices of the Supervisory Board of African Fabrics Holdings B.V.

Helmond, 19 December 2019

Supervisory Board

J.P. Nolan (chairman)
M.A. Belo-Osagie
D.J. Hogewoning-Plantenga (resigned)
N.C. Kolbe
H. Omezzine

Consolidated Financial Statements

(x € million unless stated otherwise)

Consolidated income statement

	Note:	2018	2017
Net turnover	7	231.9	228.3
Changes in finished products and work in progress		(0.6)	(6.7)
Total operating income		**231.3**	**221.6**
Cost of raw materials and consumables		(85.1)	(75.0)
Added value		**146.2**	**146.6**
Personnel costs	8	(66.8)	(67.1)
Depreciation of property, plant and equipment	14	(8.9)	(8.0)
Impairment of property, plant and equipment	14	(0.1)	(0.2)
Amortisation of intangible assets	15	(4.9)	(4.9)
Other operating expenses	10	(54.1)	(51.9)
Other operating income	11	0.4	0.8
Total operating expenses		**(134.4)**	**(131.3)**
Operating result		**11.8**	**15.3**
Financial income and expense	13	(11.2)	(8.7)
Result before taxation		**0.6**	**6.6**
Income tax	17	(1.6)	(6.4)
Net result		**(1.0)**	**0.2**
Attributable to			
Owners of African Fabrics Holdings B.V.		(3.0)	(1.8)
Non-controlling interests		2.0	2.0
		(1.0)	0.2

The notes on pages 22 to 84 form an integral part of the financial statements.

(x € million unless stated otherwise)

Consolidated statement of comprehensive income

	Note:	2018	2017
Net result		**(1.0)**	**0.2**
Other comprehensive income/(expense)			
Other comprehensive income/(expense) to be reclassified to profit and loss in subsequent periods			
Exchange rate differences on translation of foreign operations	22	(0.9)	(5.8)
Income tax			
Exchange rate differences on translation of foreign operations, net of tax		(0.9)	(5.8)
cash flow hedges			
Changes in value of derivative financial instruments	16		0.4
Income tax	17		(0.1)
Changes in value of derivative financial instruments, net of tax			0.3
Other comprehensive income/(expense), net of tax, to be reclassified to profit and loss in subsequent periods		**(0.9)**	**(5.5)**
Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods			
Recognised actuarial gains and losses	26	0.3	(0.1)
Income tax	17	(0.1)	
Recognised actuarial gains and losses, net of tax		0.2	(0.1)
Other comprehensive income/(expense), net of tax, not to be reclassified to profit and loss in subsequent periods		**0.2**	**(0.1)**
Total other comprehensive income/(expense) for the year, net of tax		**(0.7)**	**(5.6)**
Total comprehensive income/(expense) for the year, net of tax		**(1.7)**	**(5.4)**
Attributable to			
Owners of African Fabrics Holdings B.V.		(3.7)	(7.4)
Non-controlling interests		2.0	2.0
		(1.7)	(5.4)

The notes on pages 22 to 84 form an integral part of the financial statements.

(x € million unless stated otherwise)

Consolidated statement of financial position

	Note:	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Property, plant and equipment	*14*	58.1	53.9
Intangible assets	*15*	32.3	35.5
Deferred income-tax assets	*17*	3.4	3.1
Other non-current receivables	*18*	1.4	3.4
Total non-current assets		**95.2**	**95.9**
Current assets			
Inventories	*19*	64.9	64.0
Trade and other receivables	*20*	19.3	15.3
Income-tax assets	*17*	1.0	0.9
Cash and cash equivalents	*21*	21.3	21.2
Total current assets		**106.5**	**101.4**
Total assets		**201.7**	**197.3**

The notes on pages 22 to 84 form an integral part of the financial statements.

(x € million unless stated otherwise)

	Note:	31 Dec 2018	31 Dec 2017
Equity and liabilities			
Equity			
Issued share capital		0.0	0.0
Share premium		119.9	25.3
Hedging reserve		0.0	(0.0)
Currency translation reserve		(19.5)	(18.6)
Other legal reserve		0.6	0.6
Accumulated losses		(12.5)	(10.9)
Undistributed result		(3.0)	(1.8)
Capital and reserves attributable to owners of African Fabrics Holdings B.V.	22	**85.5**	**(5.4)**
Non-controlling interests	23	10.7	10.7
Total equity		**96.2**	**5.3**
Non-current liabilities			
Shareholder loans	24		81.3
Other interest-bearing liabilities	25		20.6
Employee benefit obligations	26	3.8	4.8
Deferred income-tax liabilities	17	2.8	5.0
Total non-current liabilities		**6.6**	**111.7**
Current liabilities			
Other interest-bearing liabilities	25	57.4	40.6
Trade and other payables	28	37.8	36.6
Income-tax liabilities	17	2.3	2.9
Other provisions	27	1.4	0.2
Total current liabilities		**98.9**	**80.3**
Total equity and liabilities		**201.7**	**197.3**

The notes on pages 22 to 84 form an integral part of the financial statements.

(x € million unless stated otherwise)

Consolidated statement of changes in equity

	Issued share capital	Share Premium	Hedging reserve	Currency translation reserve	Other legal reserve	Retained earnings/ (accumulated losses)	Undistributed result	Capital and reserves attributable to owners of the parent	Non-controlling interests	Total equity
Opening Balance at 1 January 2017	**0.0**	**25.3**	**(0.3)**	**(12.8)**	**0.8**	**1.1**	**(12.1)**	**2.0**	**10.6**	**12.6**
Changes in 2017										
Net result							(1.8)	(1.8)	2.0	0.2
Exchange rate differences				(5.8)				(5.8)		(5.8)
Changes in value of derivative			0.3					0.3		0.3
Recognised actuarial gains and losses						(0.1)		(0.1)		(0.1)
Other comprehensive income			0.3	(5.8)		(0.1)		(5.6)		(5.6)
Total comprehensive income/(expense)			**0.3**	**(5.8)**		**(0.1)**	**(1.8)**	**(7.4)**	**2.0**	**(5.4)**
Distribution of result previous year						(12.1)	12.1			
Dividends									(1.9)	(1.9)
Other changes					(0.2)	0.2				
Transactions with owners					(0.2)	(11.9)	12.1		(1.9)	(1.9)
Balance at 31 December 2017	**0.0**	**25.3**	**(0.0)**	**(18.6)**	**0.6**	**(10.9)**	**(1.8)**	**(5.4)**	**10.7**	**5.3**
Changes in 2018										
Net result							(3.0)	(3.0)	2.0	(1.0)
Exchange rate differences				(0.9)				(0.9)		(0.9)
Recognised actuarial gains and losses						0.2		0.2		0.2
Other comprehensive income			0.0	(0.9)		0.2		(0.7)		(0.7)
Total comprehensive income/(expense)			**0.0**	**(0.9)**		**0.2**	**(3.0)**	**(3.7)**	**2.0**	**(1.7)**
Distribution of result previous year						(1.8)	1.8			
Share premium contribution		94.6						94.6		94.6
Dividends									(2.0)	(2.0)
Other changes										
Transactions with owners						(1.8)	1.8	94.6	(2.0)	92.6
Balance at 31 December 2018	**0.0**	**119.9**	**0.0**	**(19.5)**	**0.6**	**(12.5)**	**(3.0)**	**85.5**	**10.7**	**96.2**

The notes on pages 22 to 84 form an integral part of the financial statements.

(x € million unless stated otherwise)

Consolidated statement of cash flows

	Note:	2018	2017
Operating activities			
Result before taxation		0.6	6.6
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and impairment of property, plant and equipment	*14*	9.0	8.2
Amortisation and impairment of intangible assets	*15*	4.9	4.9
Reversal result on disposal of property, plant and equipment	*11, 14*	(0.1)	(0.2)
Financial income and expense	*13*	11.2	8.7
Increase/(decrease) in provisions	*26, 27*	0.6	(0.1)
Working capital adjustments			
Decrease/(increase) in inventories		(1.4)	2.6
Decrease/(increase) in trade receivables		0.7	1.2
Increase/(decrease) in trade payables		1.9	1.5
Decrease/(increase) in trade working capital		1.2	5.3
Decrease/(increase) in other receivables and payables		(4.6)	(3.0)
Decrease/(increase) in working capital		(3.4)	2.3
Income tax paid		(5.0)	(4.6)
Net cash inflow from operating activities		**17.8**	**25.8**
Investing activities			
Purchase of property, plant and equipment	*14*	(13.5)	(13.6)
Purchase of intangible assets, other than by acquisition of subsidiaries	*15*	(1.8)	(0.9)
Proceeds from disposal of property, plant and equipment	*11, 14*	0.2	0.3
Net cash outflow from investing activities		**(15.1)**	**(14.2)**
Financing activities			
Increase of shareholder loans	*24*	7.8	7.2
Proceeds from other interest-bearing liabilities	*25*		2.0
Repayment of other interest-bearing liabilities	*25*	(7.8)	(10.5)
Change in bank overdrafts	*25*	1.8	(1.9)
Interest paid	*13*	(2.4)	(2.9)
Dividends paid by subsidiaries to third parties	*23*	(1.9)	(1.9)
Net cash outflow from financing activities		**(2.5)**	**(8.0)**
Net cash inflow		**0.2**	**3.6**
Exchange rate differences		(0.1)	(0.7)
Net increase/(decrease) in cash and cash equivalents		**0.1**	**2.9**
Cash and cash equivalents at 1 January		21.2	18.3
Cash and cash equivalents at 31 December		21.3	21.2
Net increase/(decrease) in cash and cash equivalents		**0.1**	**2.9**

The notes on pages 22 to 84 form an integral part of the financial statements.

Notes to the consolidated financial statements

1. *Corporate information*

African Fabrics Holdings B.V. (the Company), its subsidiary African Fabrics B.V. and the subsidiaries held by African Fabrics B.V. (all together African Fabrics Holdings or the Group) design, manufacture and sell high quality African fashion fabrics throughout the world. African Fabrics Holdings has 2,135 (2017: 2,096) employees (FTE) in 8 countries. The Company is a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid), domiciled and located in Helmond (Binnen Parallelweg 27, 5701 PH), the Netherlands and registered at the chamber of commerce under number 50631454. The Company has been incorporated by a notarial deed of incorporation in the Netherlands on 19 August 2010.

The Company is a 100% participation of African Fabrics Finco B.V. The ultimate parent of African Fabrics Finco B.V. is Actis 3 Asante LP. The principal activity of the Company is to act as a holding company.

The Company's financial year begins on the first day of January and ends on the last day of December. These consolidated financial statements have been prepared and authorised for issue by the Executive Board.

2. *Basis of preparation*

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with Book 2, paragraph 9 DCC. The consolidated financial statements have been prepared on the historical cost convention, with the exception of derivative financial instruments, which are carried at fair value and interest-bearing liabilities, which are carried at amortised cost.

In preparing the company financial statements, the facility under Art. 2:402 DCC of drafting a condensed income statement is used.

Going concern

Turnover in 2018 increased slightly over 2017, but was nonetheless disappointing as, after a number of years of hope for a turn in the African economic cycle, consumer spending still shows no signs of picking up. Net sales for Vlisco and Woodin slightly decreased whereas Uniwax and GTP sales increased slightly. We managed further to decrease stocks of finished goods of Vlisco by maintaining production at a level of 16.9 million yards whilst selling 17.2 million yards. Inventories of raw materials and work in progress increased however, anticipating higher factory activity towards the end of the year. The manufacturing result in the Vlisco factory was adverse to budget. The leadership team was therefore changed at the beginning of 2019. Otherwise overall cost control remained well managed throughout the Group. There was some deliberate growth of costs in the commercial departments (creative, product and marketing) of the Vlisco brand. The Group EBITDA excluding extra-ordinary items decreased year on year by 2.4, which was a consequence of the factors mentioned above. In the year we invested 15.3 with the major focus on investments to upgrade the Uniwax factory in the Ivory Coast.

Throughout 2018 liquidity continued to be restricted but was managed within requirements. As has been the case for a number of years now, the Group shareholders and bankers have worked towards a change of control. This was not achieved in 2018 and it was therefore decided that a refinancing was appropriate. As the perspective on Sub Saharan Africa is not improving, the refinancing proved to be a slow process. Group debt was modest at 2 times EBITDA but the direction of environmental, social and governance (ESG) requirements in financial institutions is moving in the opposite direction to perception of African progress. A solution was reached whereby the shareholders, Actis, provided a new shareholder loan to repay one UK based bank, whilst our Dutch lender remained as the sole Senior Lender to the Group.

There is, therefore, no change to overall liquidity but Group profitability has since increased and capital expenditure needs are past the peaks of recent years. There is no need for further impairment of fixed assets. The focus of management in 2019 and beyond is now moving from restructuring to organic growth and more investment in our brands and products and distribution channels. We are conscious of how much potential remain untapped. This process started with some new product development in 2018 and will now increase in pace and breadth. We are particularly pleased at the enormous progress made in the Vlisco factory by new management. Similar improvements will be effected in our Uniwax factory following recent, large items of capital expenditure. The year 2019 to date shows a significant improvement in our income statement and EBITDA excluding extra-ordinary items on a comparable basis shows a strong step forward.

To ensure that we have sufficient cash resources to support the needs of the current business and capital expenditures up until 2023:

- We concluded negotiations with our shareholder and our lenders in December 2017 to extend and modify our Banking facilities until September 2019
- In July 2019 our shareholders provided us with a new shareholder loan to repay Standard Chartered Bank. In September 2019 we successfully secured a new loan and credit facility with Rabobank as a senior lender until 2023 to replace the existing loans and credit facility. The new financing is in line with the group's operational cash flow, capital expenditure and debt service payments.
- We have implemented measures to improve working capital, but as they will reach full effect early 2020 we have received a waiver from Rabobank for the Cash Flow Cover covenant Q3-2019 and Q4-2019
- We weekly prepare and evaluate a rolling 13-week cashflow forecast, which includes operational cash flow, capital expenditure and debt service payments
- We have prepared in accordance with loan covenants, a scenario analysis for the next two years to determine whether expected EBITDA level and EBITDA versus debt service remain within the covenants set.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

3. *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when African Fabrics Holdings is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, African Fabrics Holdings controls an investee if and only if African Fabrics Holdings has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When African Fabrics Holdings has less than a majority of the voting or similar rights of an investee, African Fabrics Holdings considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- African Fabrics Holdings' voting rights and potential voting rights.

African Fabrics Holdings re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when African Fabrics Holdings obtains control over the subsidiary and ceases when African Fabrics Holdings loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date African Fabrics Holdings gains control until the date African Fabrics Holdings ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to owners of African Fabrics Holdings and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with African Fabrics Holdings accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of African Fabrics Holdings are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If African Fabrics Holdings loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. *Summary of significant accounting policies*

4.1 *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, African Fabrics Holdings elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When African Fabrics Holdings acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, African Fabrics Holdings re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

(x € million unless stated otherwise)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of African Fabrics Holdings' cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.2 Current versus non-current classification

African Fabrics Holdings presents assets and liabilities in its statement of financial position based on current/non-current classification. African Fabrics Holdings presents an asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

African Fabrics Holdings presents a liability as current when it is:

- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

4.3 Foreign currencies

i. Functional and presentation currency

African Fabrics Holdings' consolidated financial statements are presented in Euros, which is also the Company's functional currency. Each of African Fabrics Holdings' entities are measured using the currency of the primary economic environment in which the entity operates.

Reference is made to note 42 for details of the appropriate functional currencies of the consolidated subsidiaries. African Fabrics Holdings uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the income statement reflects the amount that arises from using this method.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the official exchange rates prevailing on the transaction date. Currency rates have been derived from Bloomberg/VWD except for Ghana and Nigeria where the Bank of Ghana respectively Bank of Nigeria rates have been applied following local statutory application.

The closing rates applied were as follows:		*31 Dec 2018*	*31 Dec 2017*
West African Franc	XOF	655.957	655.957
Ghanaian Cedi	GHS	5.5172	5.2759
Nigerian Naira	NGN	350.76	366.26
Congolese Franc	CDF	1864.22	1875.84

The impact of applying Bloomberg/VWD currency rates instead of Bank of Ghana respectively Bank of Nigeria currency rates on consolidated equity at balance sheet date is nil (2017:0.3).

Exchange rate gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies into the functional currency at the balance sheet date, are recognised in the income statement, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges. Exchange rate differences on long-term group loans with equity characteristics are recorded in equity (currency translation reserves).

iii. Currency translation foreign subsidiaries

The results and financial positions of all African Fabrics Holdings' subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expense for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of the transactions). All resulting exchange differences are recognised in equity (currency translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or closed, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

4.4 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, African Fabrics Holdings recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings — 20 to 33 years
- Plant and machinery — 10 to 15 years
- Other equipment — 3 to 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to African Fabrics Holdings substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognised as financial income and expense in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that African Fabrics Holdings will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

4.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually as at 31 December or more frequently if events or changes in circumstances indicate a potential impairment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Acquired intangible assets

Trademarks, customer relationships and design database have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, customer relationships and design database over their estimated useful lives.

The estimated useful lives are determined as follows:

- Customer relationships 10 years
- Design database 20 years
- Trademarks 20 years

Amortisation commences in the month in which the acquired company is included in the consolidation.

Software

Acquired software licenses are capitalised on the basis of the costs incurred to acquire the specific software and bring it to use. Costs that are directly associated with the production of identifiable and unique software products which are controlled by African Fabrics Holdings and will probably generate economic benefits for more than one year are recognised as intangible assets, including the borrowing costs attributable to non-current investment projects.

Capitalised software is amortised over its estimated useful life using the straight-line method. Amortisation commences at the date that the software has been taken into use. The useful life of software is estimated to be 3 or 5 years. Capitalised software is tested for impairment annually. Costs associated with maintaining software programs are recognised in the income statement.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when African Fabrics Holdings can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset, the ability to measure reliably the expenditure during development and the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Capitalised development costs are tested for impairment annually.

Other intangible assets

Other intangible assets consist of a registration project of dyestuffs and chemicals which are imported or produced by African Fabrics Holdings according the European regulation (REACH). Amortisation commences at the date that registration is legally obligatory and is calculated over its estimated useful life using the straight line method. The estimated useful life has been determined on 10 years. Other intangible assets are tested for impairment annually.

Impairment of non-financial assets

African Fabrics Holdings assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, African Fabrics Holdings estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

African Fabrics Holdings bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of African Fabrics Holdings' cash generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, African Fabrics Holdings estimates the asset's or cash generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

4.7 Financial instruments

i. Financial assets

Classification and initial recognition

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the African Fabrics Holdings' business model for managing the financial assets and the contractual terms of the cash flows. African Fabrics Holdings determines the classification of its financial assets at initial recognition.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held-for-trading, this will depend on whether African Fabrics Holdings has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

African Fabrics Holdings reclassifies all affected financial assets when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which African Fabrics Holdings commits to purchase or sell the asset.

African Fabrics Holdings' financial assets include cash and cash equivalents, trade and other receivables (including loans) and derivative financial instruments.

Measurement

At initial recognition, African Fabrics Holdings measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement - Debt instruments

Subsequent measurement of debt instruments depends on the African Fabrics Holdings' business model for managing the asset and the cashflow characteristics of the asset. There are three measurement categories into which African Fabrics Holdings classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement and recognised in other gains/(losses). Interest income from these financial assets is included in financial income using the effective interest rate method. Foreign exchange gains and losses are presented in financial income and expense and impairment results are presented as separate line item in the income statement.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the income statement and presented net in the period in which it arises.

Subsequent measurement - Equity instruments

African Fabrics Holdings subsequently measures all equity investments at fair value. Where the African Fabrics Holdings' management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as other income when African Fabrics Holdings's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- African Fabrics Holdings has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) African Fabrics Holdings has transferred substantially all the risks and rewards of the asset, or (b) African Fabrics Holdings has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When African Fabrics Holdings has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of African Fabrics Holdings' continuing involvement in the asset. In that case, African Fabrics Holdings also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that African Fabrics Holdings has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that African Fabrics Holdings could be required to repay.

Impairment of financial assets

From 1 January 2018, African Fabrics Holdings assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, African Fabrics Holdings applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5.4 for further details.

African Fabrics Holdings generally considers a financial asset in default when contractual payments are one month past due. However, in certain cases, the African Fabrics Holdings may also consider a financial asset to be in default when internal or external information indicates that the African Fabrics Holdings is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the African Fabrics Holdings. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial liabilities

Classification and initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. African Fabrics Holdings determines the classification of its financial liabilities at initial recognition.

African Fabrics Holdings' financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Measurement

All financial liabilities are recognised initially at fair value, in the case of loans and borrowings less directly attributable transaction costs.

Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised as financial income and expense in the income statement.

Subsequent measurement - Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in financial income and expense in the income statement.

Subsequent measurement - Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

iv. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions
- reference to the current fair value of another instrument that is substantially the same
- a discounted cashflow analysis or other valuation models.

African Fabrics Holdings uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- level 2: valuation techniques for which the lowest level input that is significant for the fair value measurement is directly or indirectly observable
- level 3: valuation techniques for which the lowest level input that is significant for the fair value measurement is unobservable.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are included in notes 5.9, 16 and 29.

4.8 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

African Fabrics Holdings has designated a US Dollar bank account as hedging instrument and may use derivative financial instruments, such as foreign exchange forward contracts, foreign currency option contracts, interest rate swaps and commodity options, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. African Fabrics Holdings designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cashflow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

African Fabrics Holdings' derivatives include only cashflow hedges.

At the inception of a hedge relationship, African Fabrics Holdings formally designates and documents the hedge relationship to which African Fabrics Holdings wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. For foreign currency option contracts, the time value of commodity options and the accrued interest element of interest rate swaps no hedge accounting is applied. The changes in fair value of the foreign currency option contacts, the time value of the cotton options and the accrued interest element of interest rate swaps are recognised in the income statement under financial income and expense over the duration of the contract, for the interest rate swaps at the same time as the interest expense on the hedged borrowings.

Until 31 December 2017, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

As of 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how African Fabrics Holdings will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that African Fabrics Holdings actually hedges and the quantity of the hedging instrument that African Fabrics Holdings actually uses to hedge that quantity of hedged item.

The fair values of all derivative financial instruments are disclosed in note 16. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cashflow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised directly in other comprehensive income in the cashflow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

With regard to the purchase of raw materials African Fabrics Holdings may use commodity options as hedges for its exposure to volatility in the cotton prices as well as foreign exchange forward contracts for its exposure to foreign currency risk in forecasted transactions and firm commitments. With regard to variable-rate borrowings African Fabrics Holdings may use variable-to-fixed interest rate swaps for its interest exposure on outstanding loan amounts.

When cotton option contracts are used to hedge forecast transactions, African Fabrics Holdings designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the cotton options are recognised in the cashflow hedge reserve within equity.

When foreign exchange forward contracts are used to hedge forecast transactions, African Fabrics Holdings designates the change in fair value of the forward contract as the hedging instrument. Gains or losses relating to the effective portion of the change of the forward contracts are recognised in the cashflow hedge reserve within equity.

When interest rate swaps are used to hedge variable-rate borrowings, African Fabrics Holdings excludes the accrued interest element from the designation as the hedging instrument. Gains or losses relating to the effective portion of the change of the interest rate swaps excluding the accrued interest element are recognised in the cashflow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects the income statement (i.e. at the time the underlying purchases are charged to the income statement as cost of raw materials and consumables and revenue is recognised)
- the gain or loss relating to the effective portion of the interest rate swaps hedging variable-rate borrowings excluding interest will never touch the income statement.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were previously recognised in other comprehensive income are immediately reclassified to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Current versus non-current classification

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than one year. Trading derivatives are classified as a current asset or liability.

4.9 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the first-in, first-out method. The cost of raw materials and consumables includes the purchase price, freight costs and import duties. The cost of work in progress and finished products comprises the cost of raw materials and consumables, direct personnel costs, other costs that are directly attributable to production and related production overheads, and exclude borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cashflow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits held at call with banks and other short-term deposits with a maturity of three months or less. Bank overdrafts are shown within current interest-bearing liabilities on the balance sheet.

4.11 Share capital

Ordinary shares are part of the issued share capital and reserves attributable to owners of African Fabrics Holdings B.V.

4.12 Provisions

General

Provisions are recognised when African Fabrics Holdings has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks inherent to the obligation.

When African Fabrics Holdings expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. African Fabrics Holdings has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as financial income and expense.

4.13 Employee benefits

Pension plans

African Fabrics Holdings operates various post-employment schemes, including both defined benefit and defined contribution pension plans. The plans are funded through payments to insurance companies or trustee administered funds, which are based on periodic actuarial calculations.

A defined contribution plan is a pension plan under which African Fabrics Holdings pays agreed upon contributions to an insurance company or pension fund. African Fabrics Holdings has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit pension plan is a pension plan that is not a defined contribution plan. Typically defined benefit pension plans define an amount of pension benefit that an employee will receive (from) on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets.

The cost of the defined benefit pension plan and the present value of the defined benefit pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The cost of providing benefits under the defined benefit pension plan is determined using the projected unit credit method. The current service cost of the defined benefit plan is recognised in the income statement in personnel costs and reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. This cost is included in personnel costs in the income statement.

Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings/(accumulated losses) through other comprehensive income in the period in which they occur, net of tax. Actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

For the purposes of defined-contribution plans, African Fabrics Holdings pays contributions to administered pension insurance plans. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in future payments is expected.

Other long-term employee benefits

African Fabrics Holdings operates various other long-term employee benefit plans. The cost of these other long-term employee benefit plans and the present value of the other long-term employee benefit obligations are accounted for similar to defined-benefit pension plans as described in the previous paragraph, except for actuarial gains and losses. Actuarial gains and losses of other long-term employee benefit plans are charged or credited to the income statement per plan in the financial year.

Profit-sharing and bonus plans

African Fabrics Holdings recognises a liability and an expense for bonuses and profit-sharing arising from contractual obligations and past practices that have created a constructive obligation as of the balance sheet date.

Share-based payments

Selected and eligible (former) senior managers of African Fabrics Holdings participate indirectly in the share capital of the Company's parent company African Fabrics Finco B.V. This management participation plan is classified as an equity-settled share-based payment arrangement.

The Company determines the fair value of the share-based payment awards at the grant date. The total amount to be expensed is determined by reference to the fair value of the awards granted. For this purpose, the Company analyses at each grant date whether the price paid by a manager is in line with the market price of the underlying shares indirectly acquired. Only if the purchase price paid is lower than the actual market value of the underlying shares, the investments result in a fair value to be reported as a share-based payment expense.

If applicable, the Company recognises an expense for the services received over the estimated service period with a corresponding increase in equity.

4.14 Taxes

Income tax

The income tax expense comprises current and deferred income tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where African Fabrics Holdings operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. The provisions established are based on the amount expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.15 Revenue recognition

The African Fabrics Holdings designs, manufactures and sells high quality, dyed and printed fabrics to customers. Customers are distributors, wholesalers and retailers and end-consumers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which African Fabrics Holdings expects to be entitled in exchange for those goods or services. African Fabrics Holdings has concluded that it is the principal in all of its revenue arrangements. Contracts with customers do not include any specific obligations other than for sales incentives as explained below.

Revenue from sale of goods is generally recognised at the point in time when control of the goods is transferred to the customer, which is usually on delivery of the goods. The majority of the revenues are paid at delivery and/or in advance. For other revenues a receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For some revenue the goods are highly customised to the customer's requirements and therefore do not have an alternative use. For those revenue, the criteria for over time revenue recognition are met. African Fabrics Holdings applies 'units delivered' to measure the progress toward completion which is at the same point in time as recognised for uncustomised goods. Given the limited manufacturing time, this output method best reflects the measure of progress of the sale of customised goods as performance obligation.

A contract liability is the obligation to transfer goods or services to a customer for which African Fabrics Holdings has received consideration from the customer. If a customer pays consideration before African Fabrics Holdings transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when African Fabrics Holdings performs under the contract.

In determining the transaction price for the sale of goods, African Fabrics Holdings considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, African Fabrics Holdings estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

African Fabrics Holdings operates various customer incentive programmes for wholesale and retail customers. This programmes are either retrospectively or on future sales. These customer incentive programmes give rise to variable consideration.

Incentives are offset against amounts payable by the customer. To estimate the variable consideration for the expected incentive, the African Fabrics Holdings applies the most likely amount method. African Fabrics Holdings then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected incentive to be paid. The validity of this assumption and the estimated amount of incentive to be paid are reassessed at each reporting date.

Financing components

African Fabrics Holdings does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, African Fabrics Holdings does not adjust any of the transaction prices for the time value of money.

4.16 Interest

Interest income and expense are recognised on a time proportion basis applying the effective interest method.

4.17 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When African Fabrics Holdings receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

4.18 Statement of cash flows

The statement of cash flows has been prepared based on the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences on cash and cash equivalents are shown separately in the statement of cash flows. The net cash flow relates to the change in cash and cash equivalents.

4.19 New and amended standards and interpretations

The Company has assessed the nature and impact of each of the following new standards, amendments and/or interpretations as listed below and concluded that none of these have a material impact on the financial position, performance and/ or disclosure of the consolidated financial statements:

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

African Fabrics Holdings applies IFRS 15 and IFRS 9 for the first time in its Financial Statements 2018 with effect from 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

African Fabrics Holdings has not early-adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, 'Revenue from Contracts with Customers', establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This standard replaces IAS 18 which covers contracts for goods and services, IAS 11 which covers construction contracts and IFRIC 13 which covers customer loyalty programmes for annual periods beginning on or after 1 January 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The adoption of IFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4.15. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated, which continues to be reported under IAS 39.

The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. African Fabrics Holdings did not apply any of the other available optional practical expedients. The effect of adopting IFRS 15 on the statements of financial position as per 1 January 2017 and 31 December 2017 and the income statement for 2017 is not material.

IFRS 9 - Financial instruments

IFRS 9 'Financial Instruments', published in July 2014, replaces the existing guidance in IAS 39 which covers financial instruments: recognition and measurement for annual periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4.7 and 4.8. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated, which continues to be reported under IAS 39.

The effect of adopting IFRS 9 as at 1 January 2018 on the statement of financial position was nil. IFRS 9 does have impact on the on the classification and measurement of financial instruments and the approach in determining impairment losses for financial assets. These changes are discussed below.

Classification and measurement

On 1 January 2018, the date of initial application of IFRS 9, management has assessed which business models apply to the financial instruments held by African Fabrics Holdings. The assessment whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at initial recognition.

The classification and measurement requirements of IFRS 9 did not have a significant impact to African Fabrics Holdings. All derivatives remain valued at fair value and all financial assets and liabilities are valued at amortised cost. As a result there are no changes in classification and measurement for African Fabrics Holdings 's financial assets and liabilities.

Impairment

The adoption of IFRS 9 has changed African Fabrics Holdings's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires African Fabrics Holdings to recognise an allowance for the expected credit loss on all debt instruments not held at fair value through profit or loss and contract assets. The implementation of the expected credit loss approach did not result in any additional impairments of African Fabrics Holdings's debt instruments.

Hedge accounting

African Fabrics Holdings's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges: the US Dollar bank account that has been designated as hedging instrument as at 31 December 2017 also qualifies as cashflow hedges under IFRS 9.

Hedge accounting applied prior to 1 January 2018 does not change following the adaption of IFRS 9 and may be summarised as follows:

- When cotton option contracts are used to hedge forecast transactions, African Fabrics Holdings designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the cotton options are recognised in the cashflow hedge reserve within equity.
- When foreign exchange forward contracts are used to hedge forecast transactions, African Fabrics Holdings designates the change in fair value of the forward contract as the hedging instrument. Gains or losses relating to the effective portion of the change of the forward contracts are recognised in the cashflow hedge reserve within equity.
- When the US Dollar bank account is used to hedge forecast transactions, African Fabrics Holdings designates this US Dollar bank account as the hedging instrument. Gains or losses relating to the effective portion of the foreign exchange results are recognised in the cashflow hedge reserve within equity.
- When interest rate swaps are used to hedge variable-rate borrowings, African Fabrics Holdings excludes the accrued interest element from the designation as the hedging instrument. Gains or losses relating to the effective portion of the change of the interest rate swaps excluding the accrued interest element are recognised in the cashflow hedge reserve within equity.

4.20 Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements.

None of these is expected to have impact on the consolidated financial statements of African Fabrics Holdings, except the following:

IFRS 16 - Leases

IFRS 16, 'Leases', was issued in January 2016 and replaces the existing guidance in IAS 17 which covers leases for annual periods beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. African Fabrics Holdings has reviewed all leasing arrangements over the last year in view of the new lease accounting rules in IFRS 16.

African Fabrics Holdings will apply the standard from its mandatory adoption date of 1 January 2019 applying the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption date adjusted for any prepaid or accrued lease expenses.

(x € million unless stated otherwise)

In applying IFRS 16 for the first time, African Fabrics Holdings has used the following general practical expedients permitted by the standard:

- the accounting for operating leases with a lease term of less than one year from the commencement date as short-term leases if those leases do not have a purchase option
- the accounting for operating leases of underlying assets with a value, when new, of EUR 5,000 or less as low-value leases.

In addition, African Fabrics Holdings has used the following transitional practical expedients in applying the standard for the first time:

- the use of a single discount rate to a portfolio of leases with the same characteristics
- right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease expenses relating to that lease recognised in the balance sheet as at 31 December 2018
- relying on previous assessment of whether a lease is onerous
- the accounting for operating leases with a remaining lease term of less than one year as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

African Fabrics Holdings will not apply the practical expedient to not to separate the non-lease components from the lease component. The non-lease components will be expensed in the income statement when incurred.

The relationship between the reported operating lease commitments over reasonably certain lease term per 31 December 2018 (note 33) and the expected lease liability and right-of-use assets per 1 January 2019 was as follows:

Total operating lease commitments over reasonably certain lease term as at 31 December 2018:	42.2
Adjustment for	
Short-term leases	(0.5)
Low-value leases	(0.1)
Subtotal	41.6
Discounting at an average incremental borrowing rate of 6.6%	(13.8)
Expected lease liabilities recognised as at 1 January 2019	27.8
Non-current	25.4
Current	2.4
Expected lease liabilities recognised as at 1 January 2019	27.8
Expected lease liabilities recognised as at 1 January 2019	27.8
Expected lease prepayments recognised as at 1 January 2019	0.1
Expected right-of-use assets recognised as at 1 January 2019	27.9
Land and buildings	27.5
Plant and machinery	0.2
Transportation	0.2
Expected right-of-use assets recognised as at 1 January 2019	27.9

As a result the net impact on retained earnings/(accumulated losses) as at 1 January 2019 was nil.

As per the date of these financial statements in 2019 EBITDA is expected to increase by approximately 4.4, as the operating lease expenses were included in EBITDA, but the depreciation of the right-of-use assets, interest and foreign exchange results on the lease liabilities are excluded from this measure.

The front-loaded lease expense is expected to decrease result before taxation in 2019 with 0.7, due to depreciation of 3.3 and interest expenses and foreign exchange results of 1.8 compared to 4.4 former operating lease expense.

Operating cash flows will increase and financing cash flows decrease in 2019 by approximately 4.6 as the repayments of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

African Fabrics Holdings's activities as a lessor are not material and hence management does not expect any significant impact on the financial statements. However, some additional disclosures may be required as of next year.

Other

The following other standards issued have not been adopted by the Group yet, as these are not effective on 1 January 2018:

- IFRIC 23 – Uncertainty over income tax treatment, effective 1 January 2019
- Amendments to IAS 19 – Plan Amendment, curtailment or settlement, effective 1 January 2019
- Amendments to IAS 28 – Long-term interests in associates and joint ventures, effective 1 January 2019
- Annual improvements 2015-2017 cycle , effective 1 January 2019.

African Fabrics Holdings expects that these amendments and interpretations will not have a material impact on the consolidated financial statements of the Group. African Fabrics Holdings plans to apply these standards as of the effective dates.

5 Financial risk management

5.1 Financial risk factors

African Fabrics Holdings' activities expose it to a variety of financial risks: currency, interest, credit, liquidity and commodity risk. African Fabrics Holdings' financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on African Fabrics Holdings' financial condition and performance. African Fabrics Holdings may use derivative financial instruments to hedge certain risk exposures. None of the transactions are entered into for trading or speculative purposes.

Financial risk management is carried out by the central treasury department (Treasury). Treasury identifies, evaluates and hedges financial risks in close cooperation with the subsidiaries. The Executive Board provides written principles for financial risk management, containing policies covering specific areas such as currency and interest risk, use of derivative and non-derivative financial instruments, and the use of excess liquidity. The Executive Board reviews the execution of this policy periodically. Execution of this policy has been restricted by available facilities under the loan agreement (compare note 25).

5.2 Currency risk

African Fabrics Holdings operates internationally and is exposed directly and indirectly to currency risk arising from various currency exposures, primarily with respect to the US Dollar, the Nigerian Naira and the Ghanaian Cedi. The US Dollar is the main foreign currency for African Fabrics Holdings. The currency exposure with respect to the Nigerian Naira and the Ghanaian Cedi is mainly indirect which means that a strengthening of the Euro against these currencies might impact the ability or desire of customers to purchase our products. Currency risk arises from future commercial transactions, recognised assets and liabilities in foreign currencies and net investments in foreign operations.

Sales are predominantly denominated in Euros (or in a pegged currency, the West African Franc), and to some extent in US Dollar, Ghanaian Cedi and Nigerian Naira. The most important raw material is grey cloth, which is purchased mainly in US Dollar.

Based on forecasted cash flows in foreign currency it is decided, to what extent these anticipated cash flows should be hedged. It is African Fabrics Holdings policy to hedge the currency risk of material anticipated transaction exposures in each major currency for the subsequent twelve months, as far as practically possible. At year-end 2018 African Fabrics Holdings does not hold external currency derivatives.

The sensitivity of profit and loss to changes in exchange rates mainly arises from USD financial instruments. All other things being equal, a 10 cent rise in the Euro/Dollar exchange rate would have had an impact on financial income and expense of 0.5 (2017: -0.5) as a result of currency conversion to EUR on the basis of the financial instruments at year-end. All other things being equal, a 10 cent decrease in the Euro/Dollar exchange rate would have had an impact on financial income and expense of -0.6 (2017: 0.6) as a result of currency conversion to EUR on the basis of the financial instruments at year-end.

All other things being equal, a 10 cent rise in the Euro/Dollar exchange rate would have had an impact on equity of nil (2017: nil) as a result of currency translations included in the hedging reserve on the basis of the applied cashflow hedges. All other things being equal, a 10 cent decrease in the Euro/Dollar exchange rate would have had a positive impact on equity of nil (2017: nil) as a result of currency translations included in the hedging reserve on the basis of the applied cashflow hedges.

The West African Franc (XOF) is considered not to have any exchange risk as a fixed parity to the Euro is guaranteed by the French Treasury.

5.3 *Interest rate risk*

African Fabrics Holdings interest rate risk arises from borrowings. Borrowings issued at floating rates expose African Fabrics Holdings to cash-flow interest-rate risk. African Fabrics Holdings regularly considers interest market information and developments and determine whether interest rate risk is remote or not. The policy is that only if the interest rate risk is not remote, 50% - 100% of the balance of interest-bearing liabilities held at financial institutions is maintained in fixed-rate instruments and thus to reduce the cashflow risk, as far as practically possible. African Fabrics Holdings has considered the interest rate risk as remote. At the end of the year African Fabrics Holdings has fixed 0% (2017: 0%) of the long-term borrowings from financial institutions.

As a result financial income and expense is sensitive to interest rates on variable-interest borrowings. All other things being equal, a 1% rise of 3-month Euribor would have had an impact on financial income and expense of -1.2 (2017: -0.9) as higher interest on variable-interest borrowings. All other things being equal, a 1% fall of 3-month Euribor would have had an impact on financial income and expense of 0.8 (2017: 0.7) as lower interest on variable-interest borrowings.

5.4 *Credit risk*

African Fabrics Holdings has no significant concentrations of credit risk. The credit risk of trade receivables is limited as sales to customers are mainly paid for at delivery and/or in advance. The age of trade and other receivables is reviewed periodically at a local level. If applicable, nominal values are impaired taking into account expected lifetime from initial recognition of the receivables including forward looking information (macro-economic and political developments). African Fabrics Holdings has policies that limit the amount of credit exposure to any financial institution. In principle, bank balances and deposits are held by financial institutions with, for the country in question, strong credit ratings.

(x € million unless stated otherwise)

The following tables summarise the maximum credit risk amounts and impairments included of the financial instruments' assets:

31 December 2018	*Nominal value*	*Impairment*	*Book value*
Trade receivables	8.3	(4.1)	4.2
Other receivables[1]	13.3	(0.4)	12.9
Cash and cash equivalents	21.3		21.3
Total	**42.9**	**(4.5)**	**38.4**

31 December 2017	*Nominal value*	*Impairment*	*Book value*
Trade receivables	8.6	(3.7)	4.9
Other receivables[1]	10.7	(0.4)	10.3
Cash and cash equivalents	21.2		21.2
Total	**40.5**	**(4.1)**	**36.4**

[1] Non-current and current, excluding income tax, prepayments and accrued expenses

The composition of the book value of the trade receivables was as follows:	*31 Dec 2018*	*31 Dec 2017*
Not past due	1.1	1.9
Less than 1 month past due	1.7	0.8
Between 1-3 months past due	0.5	0.3
More than 3 months past due	0.9	1.9
Total	**4.2**	**4.9**

The changes in impairment of trade receivables were as follows:	*2018*	*2017*
Opening balance at 1 January	**3.7**	**3.6**
Changes		
Additions charged to the income statement	0.4	0.2
Utilisation		(0.1)
Balance at 31 December	**4.1**	**3.7**

The composition of the book value of the other receivables was as follows:	*31 Dec 2018*	*31 Dec 2017*
Not past due	11.5	7.7
Less than 1 month past due	0.1	
Between 1-3 months past due	0.2	0.2
More than 3 months past due	1.1	2.4
Total	**12.9**	**10.3**

The changes in impairment of other receivables were as follows:	*2018*	*2017*
Opening balance at 1 January	**0.4**	**0.4**
Balance at 31 December	**0.4**	**0.4**

(x € million unless stated otherwise)

5.5 *Liquidity risk and cashflow risk*

Multi-year cashflow projections are used to determine whether the available credit facilities are sufficient to cover the expected credit requirement. On the basis of this analysis, if applicable, African Fabrics Holdings arranges timely that the expected credit requirement is adequately covered.

The following tables summarise the maturity profile of African Fabrics Holdings' financial liabilities based on contractual undiscounted payments (nominal amounts and interest):

31 December 2018	*< 6 months*	*6 to 12 months*	*1 to 2 years*	*Total*
Other interest-bearing liabilities	8.4	49.6		58.0
Trade and other payables	29.6			29.6
Total	**38.0**	**49.6**		**87.6**

31 December 2017	*< 6 months*	*6 to 12 months*	*1 to 2 years*	*Total*
Shareholder loans		5.4	85.8	91.2
Other interest-bearing liabilities	6.2	39.0	23.7	68.9
Trade and other payables	28.5			28.5
Total	**34.7**	**44.4**	**109.5**	**188.6**

5.6 *Commodity risk*

African Fabrics Holdings is exposed to commodity risk as a result of changes in cotton prices as cotton is the main commodity in the production process of grey cloth. The availability of cotton is very much depending on meteorological conditions which increases the risk of large price fluctuations. Price increases of cotton are hedged by using cotton option contracts, as far as practically possible. At year-end 2018 African Fabrics Holdings does not hold cotton option contracts.

5.7 *Law and regulation risk*

In the Netherlands African Fabrics Holdings has received in 2018 up to 19.1 (2017: 20.0) cash payments from customers for the delivery of goods. The Group has implemented in the course of 2017 various controls to monitor and control relevant safeguards to comply with the Dutch Money Laundering and Terrorist Financing (Prevention) Act ("Wwft"). Awareness and controls in this regard have priority within the Group. The Group has actively approached the authorities in the Netherlands on anti-money-laundering issues in 2017 and is awaiting the outcome of that approach. In any case, it resulted in comfort regarding its current compliance status. Non-compliance with Wwft requirements can possibly lead to a material financial and reputational risk. In 2018 the Group has made a limited provision for the risk of non-compliance with Wwft requirements in the past on the basis of its contacts with the authorities.

5.8 *Capital risk management*

An important element of managing the capital structure risk is that African Fabrics Holdings closely monitors compliance with bank covenants. Quarterly covenant reports are prepared. In addition to the yearly budget, forecasts are submitted presenting a detailed projection of the income statement, the balance sheet and the cashflow statement. Forecasts are used to predict the cashflow and the cash position and as such to monitor anticipated covenant compliance, giving sufficient time to take whatever measures are necessary.

(x € million unless stated otherwise)

For the purpose of African Fabrics Holdings' capital management, capital includes issued capital, share premium and all other equity reserves attributable to owners of African Fabrics Holdings B.V., shareholder loans and the interest-bearing liabilities to financial institutions.

African Fabrics Holdings strives for a capital structure that on the one hand guarantees the continuity of the Company and on the other optimises the cost of capital, taking into account the interests of shareholders and other stakeholders.

African Fabrics Holdings manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, African Fabrics Holdings may adjust the dividend payment to shareholders, issue new shares or take on or repay loans.

In order to achieve its overall objective, African Fabrics Holdings' capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. "Leverage" currently has the highest priority. Breaches in meeting financial covenants would permit the banks to immediately call outstanding balances. The financial covenants for all quarters of 2018 have not been breached except for the mandatory repayment on 31 December 2018 for which a waiver has been received in-time.

The calculation of the leverage ratio was as follows:	*31 Dec 2018*	*31 Dec 2017*
Other interest-bearing liabilities (book value)	57.4	61.2
Reversal capitalised financing costs	(1.5)	0.7
Other interest-bearing liabilities (nominal)	55.9	61.9
Less: cash in the Netherlands	(5.7)	(4.3)
Net debt	**50.2**	**57.6**
	2018	*2017*
EBITDA	25.7	28.4
Reversal extraordinary items	2.6	2.3
Exchange rate differences	(1.1)	(0.9)
Non-controlling interests	(2.0)	(2.0)
Bank EBITDA	**25.2**	**27.8**
Leverage (Net debt/ Bank EBITDA)	**1.99**	**2.07**
Required level	**< 3.00**	**< 3.00**

5.9 Fair value estimation of financial instruments

The fair value of financial instruments that are not traded on active markets (e.g. OTC derivative financial instruments) is determined by using valuation techniques. These techniques make maximum use of observable market data and are not founded on company-specific estimates. Financial instruments valued at fair value consist entirely of private derivative financial instruments for which no active market prices are available and therefore these derivative financial instruments are classified as Level 2 within the fair value hierarchy referred to in IFRS 7. The fair value of interest-rate swaps is calculated as the present value of estimated future cashflows based on observable yield curves. The fair value of currency instruments is determined using forward currency market rates and yield curves prevailing on the balance sheet date. The fair value of the commodity options is determined using calculation models based on prices and volatility of the commodity futures.

6 *Significant accounting judgements, estimates and assumptions*

The preparation of African Fabrics Holdings' consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. African Fabrics Holdings based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of African Fabrics Holdings. Such changes are reflected in the assumptions when they occur.

Impairment of intangible assets and property, plant and equipment

African Fabrics Holdings tests at least annually whether intangible assets and property, plant and equipment have suffered any impairment, in accordance with the accounting policies. The recoverable value of the cash-generating units is based on calculation of value in use. These calculations require the use of estimates.

Reference is made to note 15. In addition, African Fabrics Holdings tests intangible assets and property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Provision for restructuring

African Fabrics Holdings recognises a provision for restructuring. Restructuring provisions include estimates and assumed suppositions with regard to severance payments.

Provision for other long-term employee benefits

African Fabrics Holdings recognises a provision for other long-term employee benefits which includes jubilee and other long service bonuses. Provisions for other long-term employee benefits include estimates on inflation, salary increases, employee turnover and mortality.

Income tax

Significant estimates are required in determining the provision for income taxes for African Fabrics Holdings. For some transactions and risks it is uncertain, in the ordinary course of business, what the tax liability will be. If applicable, African Fabrics Holdings recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. African Fabrics Holdings establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates.

(x € million unless stated otherwise)

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. As African Fabrics Holdings assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, neither a provision nor a contingent liability has been recognised.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Other taxes

Estimates are required to determine the valuation of other tax receivables and related payment instruments. These estimates are annually reviewed.

7. Net turnover

The net turnover per region was realised as follows:	*2018*	*2017*
Africa	199.7	195.1
Europe	31.5	30.2
North and South America	0.4	2.7
Rest of the world	0.3	0.3
Total	**231.9**	**228.3**

The net turnover per brand was realised as follows:	*2018*	*2017*
Vlisco	121.7	123.2
Uniwax	55.1	52.0
GTP	35.2	32.9
Woodin	19.9	20.2
Total	**231.9**	**228.3**

All revenues are recognised at point-in-time.

The Group has not recognised any assets nor liabilities related to contracts with customers except for prepayments from customers and sales incentives as disclosed in note 28.

8. Personnel costs

The composition was as follows:	*2018*	*2017*
Wages and salaries	(46.0)	(46.3)
Social-security charges	(6.3)	(6.1)
Pension costs from defined-benefit plans	0.3	(1.0)
Pension costs from defined-contribution plans	(3.4)	(3.3)
Temporary personnel	(5.6)	(4.7)
Transport	(1.1)	(1.1)
Training	(0.4)	(0.4)
Medical costs	(0.8)	(0.8)
Canteen and catering	(1.1)	(1.2)
Other personnel costs	(2.4)	(2.2)
Total	**(66.8)**	**(67.1)**

Wages and salaries include 1.3 redundancy costs (2017: 2.0).

(x € million unless stated otherwise)

The average number of employees (FTE) was divided as follows:	*2018*	*2017*
Manufacturing	1,303	1,316
Operations	213	218
Shops retail	205	216
Marketing	87	86
Creative	55	46
Operational overheads	166	153
Corporate overheads	61	60
Other	26	24
Total	**2,116**	**2,119**

At the end of the year the number of employees (FTE) was divided as follows:	*31 Dec 2018*	*31 Dec 2017*
Netherlands	516	518
Ivory Coast	748	704
Ghana	715	723
Rest of Africa	156	151
Total	**2,135**	**2,096**

9. Remuneration of the members of the Executive Board and Supervisory Board

The composition was as follows:	*2018*	*2017*
Remuneration of the members of the Executive Board		
Fixed remuneration	(0.8)	(0.8)
Variable remuneration		(0.1)
Total	**(0.8)**	**(0.9)**
Remuneration of the members of the Supervisory Board		
Fixed remuneration	(0.2)	(0.1)
Total	**(0.2)**	**(0.1)**

Included as remuneration are salary, bonus, social security contributions, employer's pension contributions and other charges recognised in the income statement in 2018.

10. Other operating expenses

The composition was as follows:	*2018*	*2017*
Operational expense	(24.2)	(24.1)
Marketing expense	(6.7)	(5.6)
General expense	(23.2)	(22.2)
Total	**(54.1)**	**(51.9)**

Operational expense includes 12.9 (2017: 13.7) for utility expense, 4.8 (2017: 4.9) for maintenance and 2.6 (2017: 2.6) for appliances. General expense includes 5.5 (2017: 5.6) rent and operating lease, 3.3 (2017: 3.2) audit, tax and consultancy fees and 2.5 (2017: 2.7) in respect of travel and accommodation expense.

The audit fees included in the income statement and charged by PricewaterhouseCoopers were as follows:	*2018*	*2017*
Audit of the financial statements	(0.1)	
Other audit engagements		
Tax-related consultancy services	(0.1)	(0.1)
Other services	(0.1)	
Total	**(0.3)**	**(0.1)**

(x € million unless stated otherwise)

The fees included in this for PricewaterhouseCoopers Accountants N.V. in the Netherlands (independent auditor for the year 2018) amount to 0.1 (2017: nil). The fees charged by PricewaterhouseCoopers Accountants N.V. in the Netherlands for the audit of the financial statements 2018 in 2019 amount to 0.5. These costs will be included in the income statement for the year 2019.

The audit fees included in the income statement and charged by Govers Accountants / Adviseurs in the Netherlands (independent auditor for the year 2017) amount to 0.3 (2017: nil).

11. *Other operating income*

The composition was as follows:	*2018*	*2017*
Result on disposal of property, plant and equipment	0.1	0.2
Compensation for infringement of designs	0.3	0.6
Total	**0.4**	**0.8**

12. *Research and development expenses*

Research and development expenses amounted to 5.5 in 2018 (2017: 4.0).

13. *Financial income and expense*

	Cash		*Non-cash*		*Total*	
The composition was as follows:	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
Interest expense on shareholder loans			(5.5)	(4.4)	(5.5)	(4.4)
Interest expense on other interest-bearing liabilities	(2.3)	(3.1)		(0.1)	(2.3)	(3.2)
Other interest income	0.2	0.2			0.2	0.2
Exchange rate differences			(1.1)	(0.9)	(1.1)	(0.9)
Amortisation of capitalised financing expenses	(0.3)		(2.2)	(0.4)	(2.5)	(0.4)
Total	**(2.4)**	**(2.9)**	**(8.8)**	**(5.8)**	**(11.2)**	**(8.7)**

Exchange rate differences mainly relate to the Ghanaian Cedi, Nigerian Naira, Congolese Franc and U.S. Dollar against the Euro.

Amortisation capitalised financing expenses includes 2.0 (2017: nil) amendment fee.

(x € million unless stated otherwise)

14. *Property, plant and equipment*

The composition and changes were as follows:	*Land and buildings*	*Plant and machinery*	*Other equipment*	*Assets under construction*	*Total*
Opening balance at 1 January 2017					
Cost	12.8	70.0	15.6	5.1	103.5
Accumulated depreciation and impairment	(6.4)	(35.5)	(11.5)		(53.4)
Book value at 1 January 2017	**6.4**	**34.5**	**4.1**	**5.1**	**50.1**
Changes in 2017					
Additions	0.2	1.0	0.7	11.7	13.6
Depreciation	(0.9)	(5.9)	(1.2)		(8.0)
Impairment	(0.2)				(0.2)
Disposals	(0.1)				(0.1)
Exchange rate differences	(0.3)	(1.0)	(0.2)		(1.5)
Transfers within property, plant and equipment	0.2	5.5	0.2	(5.9)	
Total changes	**(1.1)**	**(0.4)**	**(0.5)**	**5.8**	**3.8**
Balance at 31 December 2017					
Cost	12.4	73.5	15.4	10.9	112.2
Accumulated depreciation and impairment	(7.1)	(39.4)	(11.8)		(58.3)
Book value at 31 December 2017	**5.3**	**34.1**	**3.6**	**10.9**	**53.9**
Changes in 2018					
Additions	0.4	0.3	0.6	12.2	13.5
Depreciation	(1.0)	(6.4)	(1.5)		(8.9)
Impairment	(0.1)				(0.1)
Disposals		(0.1)			(0.1)
Exchange rate differences		(0.2)			(0.2)
Transfers within property, plant and equipment	1.4	14.4	1.4	(17.2)	
Total changes	**0.7**	**8.0**	**0.5**	**(5.0)**	**4.2**
Balance at 31 December 2018					
Cost	14.1	88.0	17.4	5.9	125.4
Accumulated depreciation and impairment	(8.1)	(45.9)	(13.3)		(67.3)
Book value at 31 December 2018	**6.0**	**42.1**	**4.1**	**5.9**	**58.1**

Land is not depreciated. The average rate of depreciation on buildings is 3% to 5%, on most plant and machinery 7% to 10% and on other equipment 20% to 33%. Purchase of property, plant and equipment during the year includes nil (2017: nil) capitalised borrowing costs.

Assets under construction mainly relate to improvement, replacement and expansion of machinery and retail shops.

Property, plant and equipment with a book value of 23.5 (2017: 25.6) has been pledged for security. Reference is made to note 25.

(x € million unless stated otherwise)

15. *Intangible assets*

The composition and changes were as follows:	*Goodwill*	*Acquired intangible assets*	*Software*	*Software under develop-ment*	*Other intangible assets*	*Total*
Opening balance at 1 January 2017						
Cost	25.6	57.9	11.5	0.3	0.8	96.1
Accumulated amortisation and impairment	(25.6)	(23.0)	(8.0)			(56.6)
Book value at 1 January 2017		**34.9**	**3.5**	**0.3**	**0.8**	**39.5**
Changes in 2017						
Additions			0.1	0.4	0.4	0.9
Amortisation		(3.6)	(1.3)			(4.9)
Transfer within intangible assets			0.3	(0.3)		
Total changes		**(3.6)**	**(0.9)**	**0.1**	**0.4**	**(4.0)**
Balance at 31 December 2017						
Cost	25.6	58.0	11.6	0.4	1.2	96.8
Accumulated amortisation and impairment	(25.6)	(26.7)	(9.0)			(61.3)
Book value at 31 December 2017		**31.3**	**2.6**	**0.4**	**1.2**	**35.5**
Changes in 2018						
Additions			0.1	1.3	0.4	1.8
Amortisation		(3.6)	(1.2)		(0.1)	(4.9)
Exchange rate differences		(0.1)				(0.1)
Transfer within intangible assets			0.5	(0.5)		
Total changes		**(3.7)**	**(0.6)**	**0.8**	**0.3**	**(3.2)**
Balance at 31 December 2018						
Cost	25.6	58.0	12.2	1.2	1.6	98.6
Accumulated amortisation and impairment	(25.6)	(30.4)	(10.2)		(0.1)	(66.3)
Book value at 31 December 2018		**27.6**	**2.0**	**1.2**	**1.5**	**32.3**

Purchase of intangible assets during the year includes nil (2017: nil) capitalised borrowing costs.

Other intangible assets consist of a registration project of dyestuffs and chemicals which are imported or produced by African Fabrics Holdings according the European regulation (REACH). Amortisation has commenced at the registration deadline of 31 May 2018.

The rate of amortisation on acquired intangible assets is as follows: trademarks and design database 5% and customer relationships 10%. The rate of amortisation on software is 20% or 33%. The rate of amortisation of other intangible assets is 10%.

Intangible assets with a book value of 32.2 (2017: 35.4) have been pledged for security. Reference is made to note 25.

Impairment assessment of intangible assets and property, plant and equipment

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash-flow projections by management covering a three-year period up to 2021 that have been based on expectations of future results taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the future years. Cashflows beyond this period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The discount rates applied are after income tax and reflect specific risks relating to the relevant segments.

(x € million unless stated otherwise)

The calculated discounted cash-flows showed a surplus of 36.1 compared to the net value of the related assets (2017: surplus of 69.1). If the estimated operating result had been 10% lower than management's estimates at 31 December 2018, that would have led to a reduction of the surplus to 19.4 (2017: surplus of 49.2). If the estimated after-tax discount rate applied to calculate the present value of future cashflows had been one percentage point higher than management's estimates, that would have led to a reduction of the surplus to 23.0 (2017: surplus of 53.0). Management believes that any reasonably possible change in the key assumptions on which the Company's recoverable amount is based would not cause African Fabrics Holdings carrying amount to exceed its recoverable amount.

Key assumptions for value-in-use calculations were as follows:	*2018*	*2017*
Weighted average growth rate used to extrapolate cash flows after strategic plan period	1.5%	1.5%
Weighted average after-tax discount rate applied to the cash flow projections	13.7%	13.6%
Weighted average pre-tax discount rate applied to the cash flow projections	20.7%	17.6%

16. Derivative financial instruments

The fair value of derivative financial instruments was nil (2017: nil).

Due to restrictions by available facilities under the loan agreement no derivative financial instruments are outstanding at balance-sheet date.

Derivative financial instruments are used to limit commodity, interest and currency risks. Financial instruments are not used for speculative or trading purposes.

The price of grey cloth is highly related to the price of cotton. Commodity (call) options on cotton are used to limit the price risk of this raw material component of grey cloth.

The interest policy is intended to stabilise and limit financing expense. Interest rate swaps are used to fix the interest rate of floating-interest financing. All outstanding interest rate swaps matured in 2017. The average fixed interest on the interest rate swaps in 2017 was 0.9% excluding credit margin.

Currency instruments are used to limit the currency risks ensuing from operational activities in foreign currencies. The hedged certain and highly likely cashflows in foreign currencies are expected to occur on different dates during the course of the coming year.

The intention is that results from the reversal of the hedging reserve for currency instruments are included in the income statement at the same time as the hedged operational transaction. This is normally within the coming year.

As of 2017 a US Dollar bank account has been designated as hedging instrument for which hedge accounting has been applied.

(x € million unless stated otherwise)

17. Income tax

The major components of income tax in the income statement were as follows:	*2018*	*2017*
Current income tax		
Current income tax charge	(5.2)	(4.1)
Adjustments in respect of current income tax previous years	1.0	(0.7)
Total	(4.2)	(4.8)
Deferred tax		
Credited to or (charged) from income from deferred income-tax assets	0.4	(0.9)
Credited to or (charged) from income from deferred income-tax liabilities	2.2	(0.7)
Total	2.6	(1.6)
Income tax reported in the income statement	**(1.6)**	**(6.4)**

The deferred tax related to items credited/(charged) directly to other comprehensive income were as follows:	*2018*	*2017*
Changes in value of derivative financial instruments		(0.1)
Recognised actuarial gains and losses	(0.1)	
Income tax credited/(charged) directly to other comprehensive income	**(0.1)**	**(0.1)**

A reconciliation between the income tax calculated against the natural tax rate (weighted average of statutory rates in the countries in which African Fabrics Holdings operates, weighted on the basis of the result before taxation in each of the countries) and the income tax in the income statement was as follows:

	2018	*2017*
Result before taxation	0.6	6.6
Income tax at natural tax rate 39.1% (2017: 23.1%)	**(0.3)**	**(1.5)**
Changes		
Adjustments in respect to current income tax of previous years	1.0	(0.7)
Changes in tax rates applied for deferred income-tax	0.4	
Structural benefits	0.1	
Minimum tax payments	(0.1)	(0.2)
Unrecognised losses	(0.1)	(0.6)
Permanent differences:		
- withholding tax on royalties and costs mark-up	(0.2)	(0.2)
- withholding tax on interest	(0.1)	(0.1)
- withholding tax on dividends	(0.8)	(0.9)
- non deductable costs	(0.5)	(0.7)
- non deductable interest	(1.0)	(1.4)
Others		(0.1)
Income tax at effective income tax rate of 252.1% (2017: 97.5%)	**(1.6)**	**(6.4)**

The natural tax rate is the weighted average of statutory rates applied in the countries in which African Fabrics Holdings operates, weighted on the basis of the result before income tax in each of these countries. The statutory rates applied of the countries in which African Fabrics Holdings operates have not changed in 2018.

Income tax was presented in the balance sheet as follows:	*31 Dec 2018*	*31 Dec 2017*
Income-tax assets	1.0	0.9
Income-tax liabilities	(2.3)	(2.9)
Net income-tax assets/(liabilities)	**(1.3)**	**(2.0)**

(x € million unless stated otherwise)

Income-tax assets and liabilities are expected to be recovered or settled within one year.

Deferred income-tax was presented in the balance sheet as follows:	*31 Dec 2018*	*31 Dec 2017*
Deferred income-tax assets	3.4	3.1
Deferred income-tax liabilities	(2.8)	(5.0)
Net deferred income-tax assets/(liabilities)	**0.6**	**(1.9)**

Deferred income-tax assets and liabilities are mostly non-current.

The composition and changes of deferred income-tax assets were as follows:	*Valuation of loss carry-forwards*	*Temporary valuation differences*	*Total*
Opening balance at 1 January 2017	**1.6**	**2.4**	**4.0**
Changes in 2017			
Credited to or (charged) from income	(0.7)	(0.2)	(0.9)
Balance at 31 December 2017	**0.9**	**2.2**	**3.1**
Changes in 2018			
Credited to or (charged) from income	(0.2)	0.6	0.4
Recognised in other comprehensive income		(0.1)	(0.1)
Balance at 31 December 2018	**0.7**	**2.7**	**3.4**

Loss carry-forwards relate to Ghana and Niger. The utilisation of these deferred income-tax assets is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences and the entities have suffered a loss in either the current or preceding year in the tax jurisdiction to which these deferred tax assets relate.

African Fabrics Holdings has concluded that the deferred income-tax assets will be recoverable using the estimated future taxable income based on approved business plans and budgets for the subsidiaries to which the assets relate.

The composition and changes of deferred income-tax assets from temporary valuation differences were as follows:	*Property, plant and equipment*	*Inventories*	*Employee benefits*	*Other*	*Total*
Opening balance at 1 January 2017	**(0.1)**	**1.8**	**0.5**	**0.2**	**2.4**
Changes in 2017					
Credited to or (charged) from income	(0.1)	(0.3)	0.1	0.1	(0.2)
Balance at 31 December 2017	**(0.2)**	**1.5**	**0.6**	**0.3**	**2.2**
Changes in 2018					
Credited to or (charged) from income		(0.2)	0.4	0.4	0.6
Recognised in other comprehensive income			(0.1)		(0.1)
Balance at 31 December 2018	**(0.2)**	**1.3**	**0.9**	**0.7**	**2.7**

(x € million unless stated otherwise)

The composition and changes of deferred income-tax liabilities were as follows:	*Valuation of loss carry-forwards*	*Temporary valuation differences*	*Unremitted earnings*	*Total*
Opening balance at 1 January 2017	**(10.4)**	**14.0**	**0.6**	**4.2**
Changes in 2017				
Charged from or (credited) to income	1.3	(0.9)	0.3	0.7
Recognised in other comprehensive income		0.1		0.1
Balance at 31 December 2017	**(9.1)**	**13.2**	**0.9**	**5.0**
Changes in 2018				
Charged from or (credited) to income	0.5	(2.7)		(2.2)
Balance at 31 December 2018	**(8.6)**	**10.5**	**0.9**	**2.8**

Loss carry-forwards relate to the fiscal unity in the Netherlands. African Fabrics Holdings has concluded that these loss carry-forwards will be recoverable using the estimated future taxable income based on approved business plans and budgets for the fiscal unity in the Netherlands.

Unremitted earnings relates to withholding tax on profits and reserves of subsidiaries of which African Fabrics Holdings has determined that dividends will be distributed in the foreseeable future.

The composition and changes of deferred income-tax liabilities from temporary valuation differences were as follows:	*Property, plant and equipment*	*Acquired intangible assets*	*Inventories*	*Employee benefits*	*Other*	*Total*
Opening balance at 1 January 2017	**3.1**	**8.7**	**3.0**	**0.1**	**(0.9)**	**14.0**
Changes in 2017						
Charged from or (credited) to income	(0.8)	(0.9)		(0.1)	0.9	(0.9)
Recognised in other comprehensive income					0.1	0.1
Balance at 31 December 2017	**2.3**	**7.8**	**3.0**		**0.1**	**13.2**
Changes in 2018						
Charged from or (credited) to income	(0.5)	(1.9)	(0.2)		(0.1)	(2.7)
Balance at 31 December 2018	**1.8**	**5.9**	**2.8**			**10.5**

African Fabrics Holdings operates in an international environment and different fiscal jurisdictions. If required, African Fabrics Holdings has provided for a probable cash outflow related to specific tax risks.

African Fabrics Holdings has unrecognised tax loss carry forwards amounting to 9.0 (2017: 8.7). These losses may not be used to offset taxable income elsewhere in African Fabrics Holdings. For an amount of 7.4 (2017: 7.4) these losses relate to DR Congo that has a history of losses and insufficient expected future taxable income based on approved business plans and budgets. These losses can be carried forward indefinitely and have no expiry date. If African Fabrics Holdings was able to recognise all unrecognised loss carry-forwards, profit would increase by 3.1 (2017: 3.0).

18. Other non-current receivables

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Loans to key management employees	0.2	0.2
Loans to other employees	0.4	0.4
Related parties		2.1
Other receivables	0.8	0.7
Total	**1.4**	**3.4**

(x € million unless stated otherwise)

Loans to key management employees relate to their indirect participation in shares of the Company. Interest of 6% (2017: 6%) is charged, no repayment schedule has been agreed.

Loans to other employees relate to African employees on which no interest is charged. Repayments of loans are withheld on salary payments within a term between 1 and 5 years.

The change in loans to key management employees was as follows:	*Key management employees (including directors)*	*Of which directors*
Opening balance at 1 January 2017	0.3	
Changes in 2017		
Repayments	(0.1)	
Balance at 31 December 2017	**0.2**	
Balance at 31 December 2018	**0.2**	

Information about the aging and impairment of other receivables is included in note 5.4 credit risk.

Other non-current receivables with a book value of 0.9 (2017: 3.1) have been pledged for security. Reference is made to note 25.

19. Inventories

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Raw materials, consumables and spareparts	21.1	19.2
Work in progress	5.5	5.2
Finished products and goods for resale	38.3	39.6
Total	**64.9**	**64.0**

The change in impairment of inventories was as follows:	*2018*	*2017*
Opening balance at 1 January	**5.8**	**9.5**
Changes		
Additions charged to the income statement	2.7	0.1
Utilisation	(3.0)	(3.3)
Exchange rate differences		(0.5)
Balance at 31 December	**5.5**	**5.8**

Inventories with a book value of 20.2 (2017: 19.0) have been pledged for security. Reference is made to note 25.

20. Trade and other receivables

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Trade receivables	4.2	4.9
Related parties	6.9	2.6
Loans to employees	0.3	0.6
Guarantee deposits paid	1.1	1.2
Value added tax	2.9	2.3
Other receivables	0.3	0.2
Prepaid rent	0.9	0.9
Prepayments to suppliers	0.9	0.9
Prepaid expenses and accrued income	1.8	1.7
Total	**19.3**	**15.3**

(x € million unless stated otherwise)

Information about the aging and impairment of trade and other receivables is included in note 5.4 credit risk.

Trade and other receivables with a book value of 9.3 (2017: 6.3) have been pledged for security. Reference is made to note 25.

21. *Cash and cash equivalents*

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Cash	3.3	3.0
Secured cheques from customers	2.3	2.8
Banks	15.7	15.4
Total	**21.3**	**21.2**

Bank balances held in the Netherlands totalling 4.9 (2017: 4.2) are held by financial institutions with a Standard & Poor's rating of Single A or higher. Secured cheques from customers in Africa totalling 2.3 (2017: 2.8) are secured by banks with strong credit ratings in their respective country. Bank balances held in Africa totalling 10.8 (2017: 11.2) are held by banks with strong credit ratings in their respective country.

Cash and cash equivalents with a book value of 5.7 (2017: 4.3) have been pledged for security. Reference is made to note 25.

22. *Issued capital and reserves attributable to owners of African Fabrics Holdings B.V.*

On page 20 the consolidated statement of changes in equity is disclosed.

The total authorised share capital on 31 December 2018 consists of 90,000 ordinary shares with a par value of € 1.00 per share.

The issued capital consists of:	*31 Dec 2018*	*31 Dec 2017*
Ordinary share capital	0.0	0.0
Total	**0.0**	**0.0**

Issued share capital amounts to € 18,000.00. All issued shares (18,000) are fully paid.

The entire share premium reserve is designated as paid-up capital for tax purposes.

African Fabrics Holdings has a hedging reserve in place for changes in the value of financial instruments that qualify as cashflow hedges less deferred taxation.

The hedging reserve will affect the income statement within one year for nil (2017: nil). The changes in the value of the hedging reserve consist of nil (2017: nil) changes from the change in value of interest rate swaps. This includes nil (2017: nil) ineffectiveness from the hedging reserve. The fair value changes of derivative financial instruments in the income statement were 1.8 positive (2017: 0.9 positive).

Results of derivative financial instruments have been reported in the income statement as follows:	*2018*	*2017*
Cost of raw materials and consumables	1.8	1.0
Financial income and expense		(0.1)
Total	**1.8**	**0.9**

Cost of raw materials and consumables include results of currency instruments and intrinsic value results of commodity options. Financial income and expense include results of interest rate swaps and time-value results of commodity options.

(x € million unless stated otherwise)

African Fabrics Holdings has in place a legal reserve for currency translation differences on foreign activities processed in equity.

The other legal reserve consists of the statutory reserve for non-distributable profits from subsidiaries.

23. *Non-controlling interests*

The following table summarises the information to each of the African Fabrics Holdings' subsidiaries that has material non-controlling interests, before any intra-group eliminations, as of 31 December 2018:

2018	*Uniwax S.A.*	*Vlisco African Company Togo S.A.*	*Total*
Non-controlling interest ownerschip percentage ultimo	27.7%	33.0%	
Weighted directly and indirectly held percentage in share capital	27.9%	33.0%	
Non-current assets	25.7	0.3	
Current assets	26.8	9.0	
Non-current liabilities	(1.0)	(0.4)	
Current liabilities	(17.1)	(5.0)	
Total equity	**34.4**	**3.9**	
Attributable to			
Owners of African Fabrics Holdings B.V.	25.0	2.6	
Non-controlling interests	9.4	1.3	10.7
Net turnover	58.0	29.7	
Net result	6.6	0.8	
Total comprehensive income	**6.6**	**0.8**	
Attributable to non-controlling interests	1.8	0.2	2.0
Dividends paid to non-controlling interests	1.7	0.2	1.9
Net cash inflow/(outflow) from operating activities	14.6	0.5	15.1
Net cash inflow/(outflow) from investing activities	(8.8)	(0.1)	(8.9)
Net cash inflow/(outflow) from financing activities	(6.6)	(0.8)	(7.4)
Net cash inflow/(outflow)	**(0.8)**	**(0.4)**	**(1.2)**

The following table summarises the information to each of the African Fabrics Holdings' subsidiaries that has material non-controlling interests, before any intra-group eliminations, as of 31 December 2017:

2017	*Uniwax S.A.*	*Vlisco African Company Togo S.A.*	*Total*
Non-controlling interest ownerschip percentage ultimo	27.7%	33.0%	
Weighted directly and indirectly held percentage in share capital	27.9%	33.0%	
Non-current assets	19.0	0.3	
Current assets	29.1	9.5	
Non-current liabilities	(2.0)	(0.3)	
Current liabilities	(12.2)	(5.6)	
Total equity	**33.9**	**3.9**	
Attributable to			
Owners of African Fabrics Holdings B.V.	24.5	2.6	
Non-controlling interests	9.4	1.3	10.7

(x € million unless stated otherwise)

2017	Uniwax S.A.	Visco African Company Togo S.A.	Total
Net turnover	55.9	31.8	
Net result	6.3	0.8	
Total comprehensive income	**6.3**	**0.8**	
Attributable to non-controlling interests	1.7	0.3	2.0
Dividends paid to non-controlling interests	1.7	0.2	1.9
Net cash inflow/(outflow) from operating activities	11.0	2.7	13.7
Net cash inflow/(outflow) from investing activities	(9.2)		(9.2)
Net cash inflow/(outflow) from financing activities	(6.9)	(0.6)	(7.5)
Net cash inflow/(outflow)	**(5.1)**	**2.1**	**(3.0)**

The proportion of voting rights equals ownership percentage.

24. *Shareholder loans*

The changes were as follows:	2018	2017
Opening balance at 1 January	**81.3**	**69.7**
Changes		
Additions	7.8	7.2
Capitalised interest	5.5	4.4
Conversion into share premium	(94.6)	
Balance at 31 December		**81.3**

The shareholder loans have been provided by African Fabrics Finco B.V., which holds 100% of the shares of the Company. The interest rate was 3-months Euribor plus a margin of 6.5% (2017: 6.5%). The average interest rate on these loans was 6.8% (2017: 6.2%). The shareholder loans have been converted into share premium at year-end 2018.

25. *Other interest-bearing liabilities*

The composition was as follows:	Average interest rate 2018	Average interest rate 2017	Term < 1 year	Total 2018	Total 2017
Financial institutions (nominal)	3.5%	3.5%	48.9	48.9	56.7
Capitalised financing costs			1.5	1.5	(0.7)
Financial institutions (book value)			**50.4**	**50.4**	**56.0**
Bank overdrafts	3.5%	2.8%	7.0	7.0	5.2
Financial institutions			**57.4**	**57.4**	**61.2**
Non-current					20.6
Current			57.4	57.4	40.6
Total			**57.4**	**57.4**	**61.2**

(x € million unless stated otherwise)

The changes were as follows:	*Financial institutions*	*Bank overdrafts*	*Total*
Opening balance at 1 January 2017	**64.1**	**7.1**	**71.2**
Changes in 2017			
Additions	2.0		2.0
Repayment of loans	(10.5)		(10.5)
Change in revolving credit facilities		(1.9)	(1.9)
Change in capitalised financing costs	0.4		0.4
Balance at 31 December 2017	**56.0**	**5.2**	**61.2**
Changes in 2018			
Repayment of loans	(7.8)		(7.8)
Change in revolving credit facilities		1.8	1.8
Change in capitalised financing costs	2.2		2.2
Balance at 31 December 2018	**50.4**	**7.0**	**57.4**

In 2012 a facility of 95.0 with Rabobank and Standard Chartered Bank was agreed of which a term loan of 70.0 was drawn which has been amended and restated at various times. On 31 December 2017 the facility has been amended and extended again from December 2018 until September 2019 with a repayment schedule of 1.4 in March 2018 and 1.4 in June 2018 as well as very high repayment obligations as of 31 December 2018: 10.5 on 31 December 2018 and 3.5 every month in 2019 until maturity.

African Fabrics Holdings has not been able to refinance the debt before 31 December 2018 nor to comply to the repayment obligations as of 31 December 2018 but has organised in-time subsequent waivers to postpone the repayment obligations until refinancing of the debt in 2019 which is explained in detail in note 34 subsequent events.

During the year 2018 2.0 (2017: nil) amendment fee has been accrued for that will further accrue with 1.0 to 3.0 in the first half-year of 2019 and shall be due upon the sale of the business, refinancing or full repayment of the debt.

With effect from 1 October 2018 the interest margin has increased from currently 3.0% (with applicable margin grid) to 5.0% fixed.

Apart from the term loan of 31.4 (2017: 34.2) a 30.0 (2017: 35.0 until 31 December 2017) overdraft facility has been available that has been used for short-term loans of 17.5 (2017: 22.5) and the cash pool facility for the Dutch subsidiaries.

As part of the extension of the facility the shareholder has agreed to increase the shareholder loans with 7.8 in 2018 of which 5.0 in February, 1.4 in May and 1.4 in June (2017: 7.2 in December 2017).

The following subsidiaries are a party to the loan agreement and in that respect have provided security: African Fabrics Holdings B.V., African Fabrics B.V., Vlisco B.V., Vlisco Netherlands B.V., Suplica B.V., John Walkden et Cie S.A., Niger Afrique S.A., Premium African Textiles Company Limited, Nedertex S.A, Frageci S.A., C.F.C.I. S.A. and Uniwax S.A.

The shares of subsidiaries and intercompany receivables African Fabrics Holdings have been pledged besides the book value of the following assets:

	31 Dec 2018	*31 Dec 2017*
Property, plant and equipment	23.5	25.6
Intangible assets	32.2	35.4
Other non-current receivables	0.9	3.1
Inventories	20.2	19.0
Trade and other receivables	9.3	6.3
Cash and cash equivalents	5.7	4.3
Total	**91.8**	**93.7**

(x € million unless stated otherwise)

The remaining assets must be pledged upon request, if possible at reasonable cost.

The Company did not breach the quarterly covenants in 2018. The financial covenants in 2018 and subsequently are as follows:

- The "Debt Service Cover" (EBITDA/Debt Service) must not be less than 1.50
- The "Leverage" (Total Net Debt/EBITDA) must not exceed 3.00
- The "Guarantors Coverage" (EBITDA Guarantors/EBITDA of the Group) must not be less than 70%.

The financial covenants were as follows:	*31 Dec 2018*	*31 Dec 2017*
Debt Service Cover	> = 1.50	> = 1.50
Leverage	< = 3.00	< = 3.00
Guarantors Coverage	> 70%	> 70%
Capital Expenditure	N.A.	< = 10.0

The realisation of the financial covenants were as follows:	*31 Dec 2018*	*31 Dec 2017*
Debt Service Cover	5.10	2.42
Leverage	1.99	2.07
Guarantors Coverage	88%	85%
Capital Expenditure	N.A.	8.2

The interest rate has been based until 1 October 2018 on 3-months Euribor (floored at 0%) plus a margin which depends on the Leverage and ranges between 2.00% and 5.00%. The interest is floating. The actual margin has been 3.0% until 30 September 2018 and 5.0% as of 1 October 2018.

The cost related to the issue of debt in 2012 is amortised over the term of the loan agreement. In 2018 an amount of 2.5 (2017: 0.4) has been charged as financial expense of which 2.0 (2017: nil) amendment fee.

The (use of) bank overdraft facilities may be specified as follows:

Bank overdraft facilities as of 31 December 2018	*Netherlands*	*Africa*	*Total*
Drawn	24.9		24.9
Undrawn	5.1	9.0	14.1
Total	**30.0**	**9.0**	**39.0**

Bank overdraft facilities as of 31 December 2017	*Netherlands*	*Africa*	*Total*
Drawn	28.1		28.1
Undrawn	1.9	9.0	10.9
Total	**30.0**	**9.0**	**39.0**

The bank overdraft facilities in the Netherlands and in Africa mature within 1 year. All borrowing facilities have been committed.

26. Employee benefit obligations

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Balance sheet obligations for		
Defined-benefit pension plans (a)	2.4	3.6
Other long-term employee benefits (b)	1.4	1.2
Total	**3.8**	**4.8**

(x € million unless stated otherwise)

Income statement charge for	*2018*	*2017*
Defined-benefit pension plans (a)	0.6	(0.7)
Other long-term employee benefits (b)	(0.3)	(0.3)
Total	**0.3**	**(1.0)**

a. Defined-benefit pension plans

The amounts recognised in the balance sheet were determined as follows:	*31 Dec 2018*	*31 Dec 2017*
Present value of unfunded pension obligations	2.4	3.6
Total	**2.4**	**3.6**

The changes in the present value of the unfunded pension obligation were as follows:	*2018*	*2017*
Opening balance at 1 January	**3.6**	**3.4**
Changes		
Service cost	(0.9)	0.3
Interest cost	0.3	0.4
Recognised actuarial gains and losses to other comprehensive income	(0.3)	0.1
Exchange rate differences		(0.2)
Payments	(0.3)	(0.4)
Balance at 31 December	**2.4**	**3.6**

Present value of unfunded pension obligations for	*31 Dec 2018*	*31 Dec 2017*
Ivory Coast	0.9	2.0
Ghana	1.4	1.5
Other	0.1	0.1
Total	**2.4**	**3.6**

Income statement charge for	*2018*	*2017*
Ivory Coast	1.0	(0.2)
Ghana	(0.4)	(0.4)
Other		(0.1)
Total	**0.6**	**(0.7)**

The service cost and income statement charge of Ivory Coast have been impacted by a curtailment release of 1.1 (2017: nil).

Ivory Coast

Employees in Ivory Coast participate in an unfunded defined benefit post-employment plan. Employees accrue a lump sum payment on retirement based on 30% to 40% of their monthly salary depending on and increasing with years of service. Actuarial valuation has been performed at the end of 2018 and 2017. Applicable mortality tables have been used.

The expected payments for the financial year 2019 amount to 0.1 (2018: 1.2).

The principal annual actuarial assumptions used were, on average, as follows:	*2018*	*2017*
Discount rate	6.0%	6.0%
Discount rate balance sheet at year-end	6.0%	6.0%
Rate of salary increase	2.0%	2.0%
Staff turnover	3.3%	3.4%

(x € million unless stated otherwise)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:	*Change in assumption*	*31 Dec 2018*	*31 Dec 2017*
Discount rate balance sheet at year-end	+1%	-6.8%	-3.0%
Discount rate balance sheet at year-end	-1%	+7.6%	+3.4%
Rate of salary increase	+1%	+7.7%	+3.5%
Rate of salary increase	-1%	-6.9%	-3.1%
Staff turnover	+1%	-7.4%	-3.3%
Staff turnover	-1%	+8.3%	+3.7%

The increase of sensitivity percentages in 2018 is resulting from adjustments in de dates of birth and employment that have been processed in 2018 for many employees in combination with a large staff turnover in 2018.

Ghana

All employees in Ghana participate in an unfunded defined benefit mandatory statutory pension plan. The total contribution is based on 18.5% of the salary sum. The employer contributes 13%, and employees contribute 5.5% of their annual salary. The plan consists of two tiers. Tier 1: this is a defined benefit pension plan in nature, where 13.5% of the contribution is paid to the national trust fund. The pension benefit is based on the years of contribution of the employee. Tier 2: this provides a lump sum payment on retirement, which is financed with the remaining 5% contribution. Actuarial valuation has been performed at the end of 2018 and 2017. Applicable mortality tables have been used.

The expected payments for the financial year 2019 amount to 0.4 (2018: 0.2).

The principal annual actuarial assumptions used were, on average, as follows:	*2018*	*2017*
Discount rate	19.0%	20.0%
Discount rate balance sheet at year-end	19.0%	20.0%
Rate of salary increase	12.5%	16.0%
Staff turnover	10.0%	10.0%

The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:	*Change in assumption*	*31 Dec 2018*	*31 Dec 2017*
Discount rate balance sheet at year-end	+1%	-5.7%	-6.6%
Discount rate balance sheet at year-end	-1%	+7.2%	+8.4%
Rate of salary increase	+1%	+7.4%	+8.4%
Rate of salary increase	-1%	-6.0%	-6.7%
Staff turnover	+1%	N.A.	N.A.
Staff turnover	-1%	N.A.	N.A.

b. *Other long-term employee benefits*

The changes in the obligation recognised in the balance sheet were as follows:	*2018*	*2017*
Opening balance at 1 January	**1.2**	**1.2**
Changes		
Service cost	0.2	0.2
Interest cost	0.1	0.1
Exchange rate differences		(0.1)
Payments	(0.1)	(0.2)
Balance at 31 December	**1.4**	**1.2**

(x € million unless stated otherwise)

The composition was as follows:	31 Dec 2018	31 Dec 2017
Netherlands	0.4	0.3
Ivory Coast	0.1	0.1
Ghana	0.2	0.2
Benin	0.3	0.2
Niger	0.1	0.1
Togo	0.3	0.3
Total	**1.4**	**1.2**

This relates to long-service allowances in the Netherlands and in Africa.

The principal annual actuarial assumptions used were, on average, as follows:	2018	2017
Discount rate	6.9%	7.4%
Discount rate balance sheet at year-end	6.9%	7.4%
Rate of salary increase	5.0%	5.9%
Staff turnover	5.6%	5.4%

c. *Defined contribution plans*

The charges to the income statement were as follows:	2018	2017
Netherlands	(3.0)	(3.0)
Other	(0.4)	(0.3)
Total	**(3.4)**	**(3.3)**

All employees in the Netherlands participate in the mandatory defined benefit pension plan of the industry-wide pension fund for the fashion, interior fittings, carpet and textile industry (Bpf MITT). The pension plan is an average pay pension plan with an annual accrual rate of 1.6% of the pensionable base and a retirement age of 68.

Surviving relatives' pension is 70% of the attainable retirement pension and an additional 30% in case the participant deceases before the retirement date. The annual contribution is equal to 24% of the pensionable base, of which 16% is paid by the employer. Indexation of the accrued benefits of the employees and (deferred) pensioners is conditional and based on the financial situation of the pension fund. This plan is accounted for as a defined contribution plan.

27. *Other provisions*

The composition and changes were as follows:	2018	2017
Opening balance at 1 January	**0.2**	**0.8**
Changes		
Additions charged to the income statement	1.8	2.0
Payments	(0.6)	(2.5)
Exchange rate differences		(0.1)
Balance at 31 December	**1.4**	**0.2**

The other provisions mainly relate to severance payments and restructuring and are payable within 1 year.

(x € million unless stated otherwise)

28. *Trade and other payables*

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Trade payables	19.1	17.2
Related parties	0.2	0.2
Taxes, other than income tax	4.4	4.2
Social security and pensions	1.7	1.7
Wages and salaries	3.9	5.0
Dividends payable to third parties	0.3	0.2
Contract liabilities - prepayments from customers	2.6	1.7
Contract liabilities - sales incentives	0.4	0.4
Interest payable	0.4	0.3
Energy payable	0.6	0.8
Other accrued expenses	4.2	4.9
Total	**37.8**	**36.6**

Trade and other payables are non-interest-bearing. Wages and salaries relates to holiday allowance, holiday rights and profit sharing bonus. Interest on term loan is paid at the last day of each quarter. Interest on overdrafts is paid after quarter-end. Trade and other payables have a term of less than one year.

29. *Supplementary disclosure on financial instruments*

The composition of the book value per category as per 31 December 2018 was as follows:		*Category IFRS 9*[1]	*Amortised cost*	*Valued at fair value through OCI or P&L*	*Total book value*	*Total fair value*
Assets	*Note:*					
Trade receivables	*20*	*a*	4.2		4.2	4.2
Other receivables[2]	*20*	*a*	12.9		12.9	12.9
Cash and cash equivalents	*21*	*a*	21.3		21.3	21.3
Total			**38.4**		**38.4**	**38.4**
Liabilities						
Other interest-bearing liabilities	*25*	*b*	57.4		57.4	57.4
Trade payables	*28*	*b*	19.1		19.1	19.1
Other payables[3]	*28*	*b*	10.5		10.5	10.5
Total			**87.0**		**87.0**	**87.0**

The composition of the book value per category as per 31 December 2017 was as follows:		*Category IFRS 9*[1]	*Amortised cost*	*Valued at fair value through OCI or P&L*	*Total book value*	*Total fair value*
Assets	*Note:*					
Trade receivables	*20*	*a*	4.9		4.9	4.9
Other receivables[2]	*20*	*a*	10.3		10.3	10.3
Cash and cash equivalents	*21*	*a*	21.2		21.2	21.2
Total			**36.4**		**36.4**	**36.4**

(x € million unless stated otherwise)

The composition of the book value per category as per 31 December 2017 was as follows:		Category IFRS 9[1]	Amortised cost	Valued at fair value through OCI or P&L	Total book value	Total fair value
Liabilities						
Shareholder loans	24	b	81.3		81.3	81.3
Other interest-bearing liabilities	25	b	61.2		61.2	61.2
Trade payables	28	b	17.2		17.2	17.2
Other payables[3]	28	b	11.3		11.3	11.3
Total			**171.0**		**171.0**	**171.0**

[1] Legend categories:
a Loans and receivables
b Financial obligations valued at amortised cost
[2] Non-current and current, excluding income tax, prepayments and accrued expenses
[3] Excluding income tax and accrued expenses

Management assessed that the carrying amounts are considered a reasonable approximation of fair value.

Due to restrictions by available facilities under the loan agreement no derivative financial instruments are outstanding at balance-sheet date.

Information about the aging and impairment of trade and other receivables is included in note 5.4 credit risk. There are no indications that the payment obligation for the non-impaired receivables will not be met.

The composition of the book value per currency as per 31 December 2018 was as follows:	Euro	West African Franc	Ghanaian Cedi	US Dollar	Other Currencies	Total
Assets						
Trade receivables	0.9	2.2	0.8	0.3		4.2
Other receivables[1]	8.8	2.8	0.3	0.4	0.6	12.9
Cash and cash equivalents	6.0	12.1	2.5	0.4	0.3	21.3
Total	**15.7**	**17.1**	**3.6**	**1.1**	**0.9**	**38.4**
Liabilities						
Other interest-bearing liabilities	58.1			(0.7)		57.4
Trade payables	8.9	1.9	0.3	7.5	0.5	19.1
Other payables[2]	7.3	2.2	0.9		0.1	10.5
Total	**74.3**	**4.1**	**1.2**	**6.8**	**0.6**	**87.0**

The composition of the book value per currency as per 31 December 2017 was as follows:	Euro	West African Franc	Ghanaian Cedi	US Dollar	Other Currencies	Total
Assets						
Trade receivables	2.0	1.7	0.6	0.6		4.9
Other receivables[1]	6.7	2.6	0.3	0.5	0.2	10.3
Cash and cash equivalents	4.4	12.5	3.7	0.3	0.3	21.2
Total	**13.1**	**16.8**	**4.6**	**1.4**	**0.5**	**36.4**

(x € million unless stated otherwise)

The composition of the book value per currency as per 31 December 2017 was as follows:	Euro	West African Franc	Ghanaian Cedi	US Dollar	Other Currencies	Total
Liabilities						
Shareholder loans	81.3					81.3
Other interest-bearing liabilities	67.8			(6.6)		61.2
Trade payables	11.4	4.0	0.1	1.4	0.3	17.2
Other payables[2]	8.5	1.9	0.9			11.3
Total	**169.0**	**5.9**	**1.0**	**(5.2)**	**0.3**	**171.0**

[1] Non-current and current, excluding income tax, prepayments and accrued expenses
[2] Excluding income tax and accrued expenses

	31 Dec 2018			31 Dec 2017		
Offsetting in the balance sheet was as follows:	Gross amounts	Set-off	Net amounts	Gross amounts	Set-off	Net amounts
Assets						
Trade receivables	4.2		4.2	4.9		4.9
Other receivables[1]	12.9		12.9	10.3		10.3
Cash and cash equivalents	21.4	(0.1)	21.3	67.1	(45.9)	21.2
Total	**38.5**	**(0.1)**	**38.4**	**82.3**	**(45.9)**	**36.4**
Liabilities						
Shareholder loans				81.3		81.3
Other interest-bearing liabilities	57.5	(0.1)	57.4	107.1	(45.9)	61.2
Trade payables	19.1		19.1	17.2		17.2
Other payables[2]	10.5		10.5	11.3		11.3
Total	**87.1**	**(0.1)**	**87.0**	**216.9**	**(45.9)**	**171.0**

[1] Non-current and current, excluding income tax, prepayments and accrued expenses
[2] Excluding income tax and accrued expenses

In the Netherlands most bank balances have been included into a multi-currency notional cashpool with a bank overdraft facility of 12.5 (2017: 12.5 until 31 December 2017 to 7.5). This cashpool is presented as a net liability in the balance sheet because both African Fabrics Holdings and the bank both have the enforceable legal right to offset the individual cash pool balances and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. In addition, the cash may not be withdrawn nor used for liquidity purposes as long as the bank balance liabilities within this cashpool are outstanding. The impact of this set off at 31 December 2018 has been very limited as a result of zero-balancing transactions that have been initiated just before the balance sheet date. Also upon maturity of the cashpool, African Fabrics Holdings and the bank will settle the cashpool on a net basis.

30. *Net debt reconciliation*

The composition of net debt was as follows:	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	21.3	21.2
Borrowings at variable interest rates	(57.4)	(142.5)
Total	**(36.1)**	**(121.3)**

(x € million unless stated otherwise)

The changes were as follows:	Liabilities from financing activities *Borrowings*	Other assets *Cash and cash equivalents*	*Total*
Opening balance at 1 January 2017	**(140.9)**	**18.3**	**(122.6)**
Changes in 2017			
Cash flows	3.2	3.6	6.8
Payment-in-kind interest (non-cash)	(4.4)		(4.4)
Amortisation of capitalised financing expenses (non-cash)	(0.4)		(0.4)
Exchange rate differences		(0.7)	(0.7)
Balance at 31 December 2017	**(142.5)**	**21.2**	**(121.3)**
Changes in 2018			
Cash flows	(1.8)	0.2	(1.6)
Financing expenses paid (cash)	0.3		0.3
Payment-in-kind interest (non-cash)	(5.5)		(5.5)
Conversion into share premium (non-cash)	94.6		94.6
Amortisation of capitalised financing expenses (non-cash)	(2.5)		(2.5)
Exchange rate differences		(0.1)	(0.1)
Balance at 31 December 2018	**(57.4)**	**21.3**	**(36.1)**

31. Related party disclosures

As per 1 January 2018, key management includes the Executive Board (2), other members of the Executive Committee (11, 2017: 11) and the Supervisory Board (5) of the Company.

Key management compensation was as follows:	*2018*	*2017*
Short-term employee benefits	3.6	3.1
Post-employment benefits including contributions to defined contribution plans	0.3	0.3
Total	**3.9**	**3.4**

Stichting Administratiekantoor African Fabrics holds 9.9% of the shares in African Fabrics Finco B.V., who holds 100% of the shares of the Company. One of the Board members of the Company is also Board member of Stichting Administratiekantoor African Fabrics. This function is unremunerated.

Selected and eligible (former) senior managers of African Fabrics Holdings hold depository receipts of ordinary shares African Fabrics Finco B.V. under the management equity plan. Reference is made to note 32.

Loans have been granted to key management employees for an amount of 0.2 (2017: 0.2), reference is made to note 18.

African Fabrics Finco B.V. has issued a loan to the Company in 2010 which has been converted into share premium at the end of 2018 for the closing balance of 94.6. In 2018 the loan has increased with 7.8 (2017: 7.2). The interest charged to this loan has been 5.5 (2017: 4.4). Reference is made to note 24.

African Fabrics Holdings has a receivable on its shareholder African Fabrics Finco B.V. of 6.8 (2017: 1.8) within the same fiscal unity which is not interest-bearing. The receivable is not secured.

The ultimate parent has charged African Fabrics Holdings a monitoring fee of 0.3 (2017: 0.3).

(x € million unless stated otherwise)

32. *Share-based payments*

Selected and eligible (former) senior managers of African Fabrics Holdings participate indirectly in the share capital of the Company's parent company African Fabrics Finco B.V. under the management participation plan operated by African Fabrics Finco B.V.'s parent company African Fabrics Netherlands Holding B.V. These investments are made via the purchase of depository receipts, where each depository receipt represents the economic ownership of an ordinary share in African Fabrics Finco B.V.

A participant voluntary leaving African Fabrics Holdings prior to the occurrence of an exit event may be obliged to transfer all depository receipts held to a party designated African Fabrics Netherlands Holding B.V. When repurchases occur, these are initiated and settled by African Fabrics Netherlands Holding B.V. Since the Company and its subsidiaries do not have an obligation to repurchase the depository receipts from a participant, the management participation plan is classified as an equity-settled share-based payment arrangement.

The purchase price paid by managers when acquiring depository receipts and the selling price received by managers when disposing depository receipts have been based upon a valuation of African Fabrics Finco B.V. ordinary shares. As the price paid and/or received by the managers has been determined based upon valuation of underlying shares, management considers that the amounts paid and/or received by the managers represent the fair value of the underlying equity instruments at the time.

The changes of the number of outstanding depository receipts of ordinary shares African Fabrics Finco B.V. were as follows:	*Ordinary shares A*	*Ordinary shares B*	*Total*
Balance at 1 January 2017		**584,699**	**584,699**
Changes in 2017			
Additions	350,878	88,058	438,936
Disposals		(272,737)	(272,737)
Balance at 31 December 2017	**350,878**	**400,020**	**750,898**
Changes in 2018			
Disposals		(16,934)	(16,934)
Balance at 31 December 2018	**350,878**	**383,086**	**733,964**
As a percentage of the number of total issued shares	*4.0%*	*4.3%*	*8.3%*

Given that the participants paid the estimated fair market value of the underlying shares in African Fabrics Finco B.V., the grant date fair value of the share-based payment awards is nil. As a result, the management equity plan does not have an impact on African Fabrics Holdings results or its financial position.

33. *Commitments and contingencies*

Non-cancellable operating leases of assets

The calculated minimum lease payments are based upon the yearly rent at balance-sheet date multiplied with the contractual remaining lease term without taking into account extension options and indexing, if applicable, in the future.

African Fabrics Holdings leases its main real estate in Helmond, the Netherlands under an operating lease agreement that cannot be terminated prematurely. The lease contract matures in 2025 and shall continue afterwards with two consecutive terms of five years unless terminated by African Fabrics Holdings taking into account a notice period of at least 2.5 years. This agreement does not include a purchase option.

(x € million unless stated otherwise)

The rent is reviewed annually on the basis of the alteration of the monthly price index of the Consumer Price Index (CPI), all households (series 2000=100), published by the Central Bureau of Statistics (CBS) in the Netherlands, except for the situation that this review would lead to a decrease of the rent. This lease agreement does not include restrictions with regard to dividends, additional debt and further leasing.

The other real estate leases relate to offices, retail shops and (ware-)houses in the Netherlands and Africa with different maturity dates. No material renewal terms apply to the other real estate lease contracts.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:	Main real estate Helmond		Other real estate		Total	
	31 Dec 2018	*31 Dec 2017*	*31 Dec 2018*	*31 Dec 2017*	*31 Dec 2018*	*31 Dec 2017*
Within 1 year	2.3	2.2	2.1	1.7	4.4	3.9
Between 1 and 5 years	9.0	3.7	2.1	2.6	11.1	6.3
Longer than 5 years	3.8		0.1	0.1	3.9	0.1
Total	**15.1**	**5.9**	**4.3**	**4.4**	**19.4**	**10.3**

Other lease and rental contracts the future aggregate minimum lease payments under non-cancellable operating leases were as follows:	*31 Dec 2018*	*31 Dec 2017*
Within 1 year	0.2	0.2
Between 1 and 5 years	0.1	0.2
Total	**0.3**	**0.4**
Total non-cancellable operating lease commitments	**19.7**	**10.7**
Periods covered by options to extend or terminate (if reasonably certain)	22.5	
Total operating lease commitments over reasonably certain lease term	**42.2**	

Other commitments and contingencies

The future aggregate minimum payments for contracts with multi-year payment obligations under non-cancellable contracts were as follows:	*31 Dec 2018*	*31 Dec 2017*
Within 1 year	1.6	0.9
Between 1 and 5 years	5.5	0.4
Total	**7.1**	**1.3**

This includes 7.0 (2017: 0.8) for real estate management and facility services in the Netherlands (facility services as of 2018).

African Fabrics Holdings has purchase obligations for grey cloth for an amount of 15.6 (2017: 9.6) which mature within 3 months, for fixed assets an amount of 1.2 (2017: 2.9) and for intangible assets an amount of 0.7 (2017: 1.5). On behalf of African Fabrics Holdings bank guarantees have been issued to tax authorities and suppliers for an amount of 0.3 (2017: 0.3). On behalf of African Fabrics Holdings a guarantee has been issued to a bank to support supplier credit for an amount of 0.2 (2017: 0.1).

When considered necessary, adequate provisions for claims and disputes have been accounted for in the consolidated statement of financial position.

The main subsidiaries are a party to the loan agreement and in that respect have provided security. The shares of the main subsidiaries and assets have been pledged, reference is made to note 25.

The Dutch African Fabrics Holdings entities are part of a fiscal unity for income tax and VAT which is headed by African Fabrics Finco B.V. (parent of the Company and not a member of African Fabrics Holdings group itself). Based on the general conditions for a fiscal unity, all companies being a member of the fiscal unity are liable for the tax payable by the fiscal unity as a whole.

Vlisco B.V. has confirmed to Tex Styles Ghana Limited its intention not to demand payment of outstanding financial positions towards certain of its affiliated group companies which have arisen before the financial year ending on 31 December 2018, to the extent the financial position of the company does not allow payment of such positions. This intention has been confirmed for a period of at least 12 months from the date on which the financial statements of Tex Styles Ghana Limited for the year ended 31 December 2018 have been approved by its Board of Directors, being 22 May 2019.

34. Subsequent events

Refinancing of bank debt

African Fabrics Holdings has received in 2019 subsequent waivers to postpone the repayment obligations until refinancing of the debt in 2019 as follows:

- On 15 July 2019 a new shareholder loan of 29.8 has been provided by African Fabrics Finco B.V. that has been used to repay the Standard Chartered Bank part of the outstanding bank debt of 29.7. Interest is accumulated on the loan at every quarter closing date. The interest rate is 6.5% per annum. The loan is subordinated to the bank debt of Rabobank and must be repaid in-full in case of receipt of a permitted distribution in an amount sufficient to make the payment, the occurrence of an insolvency event in respect of the borrower, the occurrence of a change of control or 15 July 2024 at the latest.
- On 17 September 2019, which was the termination date of the former senior-facilities agreement, the outstanding Rabobank part of the bank debt of 29.7 and of the amendment fee of 1.5 has been refinanced with a new senior-facilities agreement of 32.2 and consists of a term-loan of 22.2 and an ancillary facility agreement of 10.0 that is allocated to the cash pool facility for the Dutch subsidiaries. The interest rate is 3-months Euribor (floored at 0%) plus a margin of 4.5% per annum for the term loan and 4.7% for the ancillary facility. The commitment fee for the unused amount of the ancillary facility is 1.65%. The termination date is 30 June 2022. The term-loan must be repaid as follows: 1.5 on 31 December 2019, 2.0 on 30 June 2020, 2.5 on 30 September 2020 and 31 December 2020, 3.0 on 30 June 2021, 30 September 2021 and 31 December 2021 and 4.7 on 30 June 2022.

  The following subsidiaries are a party to the loan agreement and in that respect have provided security: African Fabrics Holdings B.V., African Fabrics B.V., Vlisco B.V., Vlisco Netherlands B.V. and Suplica B.V. as original guarantors and Uniwax S.A., C.F.C.I. S.A. and Frageci S.A. as additional guarantors. The shares of the Dutch subsidiaries of African Fabrics Holdings, the shares of Uniwax S.A., CFCI S.A. and Frageci S.A., all intercompany receivables of African Fabrics Holdings as well as Dutch inventories, trade receivables, other receivables, bank balances, insurance claims, domain names and registered intellectual property have been pledged for security. African Fabrics Holdings may use up to 7.5 of available local credit facilities in Ivory Coast and Ghana.

  Unfulfilled conditions subsequent may be summarised as follows:

  - Payment of the 1.5 arrangement fee to Standard Chartered Bank must have been arranged in form and substance satisfactorily as well as Standard Chartered Bank must become a subordinated creditor as soon as possible but in any event no later than 1 January 2021
  - The Minister of Finance in the Ivory Coast must approve the guarantee under the terms of the Finance Documents provided by Uniwax S.A., C.F.C.I. S.A. and Frageci S.A. ultimately on 29 February 2020.

- To the extent required by applicable law, in form and substance satisfactory to it, on or before each anniversary of the date of its initial board resolution, a copy of a resolution of the board of directors of Uniwax S.A., C.F.C.I. S.A. and Frageci S.A. approving the terms of the guarantee provided under the Finance Documents to which it is a party, including without limitation the maximum amount of the guarantee.

The financial covenants of the new senior-facilities agreement as follows:

- The "Cash Flow Cover" (Cash Flow/Debt Service) must not be less than 1.2 as of Q1-2020
- The "EBITDA" must not be less than 25.0.

The financial covenants must be calculated on 31 March, 30 June, 30 September and 31 December on a moving year basis.

The cost related to the refinancing bank debt in 2019 is estimated around EUR 2 million and amortised over the term of the senior-facilities agreement.

Alleged fraud at Vlisco Congo SARL

African Fabrics Holdings has encountered an alleged fraud by the managing director and employees at Vlisco Congo SARL in 2019. The scope and nature of the losses has led to the immediate dismissal for gross misconduct of the managing director and other employees involved. Next to our internal audit, a forensic investigation has been performed by an external prestigious forensic expert, but at time of writing the final conclusions are not available. All costs related to the missing assets have been included in our 2018 and 2019 financial results. Losses that classify within our fraud insurance will be recoverable with a minimum threshold of 0.5. For the moment, despite local rumour, the ensuing civil and criminal procedures are sub judice. In essence, however, the dismissed managing director is suing our subsidiary Vlisco Congo SARL for wrongful dismissal at the civil court which includes a claim of USD 5.0 million. Vlisco Congo SARL has undertaken criminal proceedings. Based on legal opinion we have not valued the claim of USD 5.0 million as we consider the risk to be remote, furthermore we are insured for claims that classify within our employment practices liability (EPL) insurance up to an amount of 2.5. We have also not valued the criminal case we have filed, nor have we valued a recovery of the losses incurred up to the threshold mentioned.

In the meantime we have strengthened our control procedures within the subsidiary and brought in experienced management from other parts of the Group whilst we seek permanent replacements for the staff who have departed.

In general and as a matter of course, we will implement changes in our internal audit process across all our subsidiaries.

Company Financial Statements

(x € million unless stated otherwise)

Company balance sheet (before appropriation of result)

	Note:	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Financial assets	*36*	87.1	76.9
Total non-current assets		**87.1**	**76.9**
Current assets			
Trade and other receivables	*37*	2.8	0.8
Total current assets		**2.8**	**0.8**
Total assets		**89.9**	**77.7**

(x € million unless stated otherwise)

	Note:	31 Dec 2018	31 Dec 2017
Equity and liabilities			
Shareholders' equity			
Issued share capital		0.0	0.0
Share premium		119.9	25.3
Hedging reserve		0.0	(0.0)
Currency translation reserve		(19.5)	(18.6)
Other legal reserve		0.6	0.6
Accumulated losses		(12.5)	(10.9)
Undistributed result		(3.0)	(1.8)
Total shareholders' equity	22	**85.5**	**(5.4)**
Non-current liabilities			
Shareholder loans	38		81.3
Total non-current liabilities			**81.3**
Current liabilities			
Trade and other payables	39	4.4	1.8
Total current liabilities		**4.4**	**1.8**
Total equity and liabilities		89.9	77.7

Company profit and loss account

	Note:	2018	2017
Result from participating interests after taxation	36	(2.5)	(1.5)
Other income and expense after taxation		(0.5)	(0.3)
Result after taxation		**(3.0)**	**(1.8)**

Notes to the company financial statements

35. Summary of significant accounting policies

35.1 General

The company financial statements are prepared in accordance with the statutory provisions of Book 2, paragraph 9 DCC. In preparing the company financial statements, use is made of the facility under Art. 2:362 part 8 DCC for applying the same accounting policies for valuation and the calculation of result (including the policies for the presentation of financial instruments as equity or debt) as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of International Financial Reporting Standards as adopted by the European Union (IFRS) as explained in the notes to the consolidated financial statements.

The Company presents a condensed income statement, using the facility under Art. 2:402 DCC.

35.2 Accounting policies

The accounting policies for the company financial statements are the same as those for the consolidated financial statements. Unless otherwise stated, please refer to the accounting policies specified in the consolidated financial statements. For the notes to the issued capital and reserves, the remuneration of the members of the Executive Board reference is made to the notes to the consolidated financial statements.

35.3 Financial assets

Subsidiaries

Subsidiaries are recognised at net asset value on an individual basis. The net asset value is established by valuing assets, provisions and liabilities and calculating the result in accordance with the accounting policies applied in the consolidated financial statements.

(x € million unless stated otherwise)

36. *Financial assets*

The composition and changes were as follows:	*Subsidiaries*	*Loans to subsidiaries*	*Deferred income-tax assets*	*Total financial assets*
Opening balance at 1 January 2017	**2.6**	**69.7**	**0.1**	**72.4**
Changes in 2017				
Share in result	(1.5)			(1.5)
Exchange rate differences	(5.8)			(5.8)
Changes in value of derivative financial instruments	0.3			0.3
Recognised actuarial gains and losses	(0.1)			(0.1)
Additions		7.2		7.2
Capitalised interest		4.4		4.4
Balance at 31 December 2017	**(4.5)**	**81.3**	**0.1**	**76.9**
Changes in 2018				
Share in result	(2.5)			(2.5)
Exchange rate differences	(0.9)			(0.9)
Recognised actuarial gains and losses	0.2			0.2
Share premium contribution	94.6			94.6
Additions		7.8		7.8
Conversion into share premium		(94.6)		(94.6)
Capitalised interest		5.5		5.5
Credited to the income statement			0.1	0.1
Balance at 31 December 2018	**86.9**		**0.2**	**87.1**

Loans to subsidiaries solely consisted of loans to African Fabrics B.V., of whom the Company holds 100% of the shares. The interest rate of this loan was 3-months Euribor plus a margin of 6.5% (2017: 6.5%). The average interest rate on these loans was 6.8% (2017: 6.2%). These loans have been converted into share premium at year-end 2018.

37. *Trade and other receivables*

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Related parties	2.8	0.7
Subsidiaries		0.1
Total	**2.8**	**0.8**

38. *Shareholder loans*

Reference is made to note 24 of the consolidated financial statements.

39. *Trade and other payables*

The composition was as follows:	*31 Dec 2018*	*31 Dec 2017*
Trade payables	0.5	0.4
Related parties		0.1
Subsidiaries	3.7	1.1
Accrued expenses	0.2	0.2
Total trade and other payables	**4.4**	**1.8**

(x € million unless stated otherwise)

40. Employees

The number of employees at 31 December 2018 was nil (31 December 2017: nil).

41. Remuneration of the members of the Executive Board and Supervisory Board

Reference is made to note 9 of the consolidated financial statements.

42. Participating interests

The list of participating interests of the Company as of 31 December 2018 in accordance with Art. 2:379 DCC was as follows (all consolidated subsidiaries, 100% unless stated otherwise):

Name	*Principal activities*	*Place*	*Country of incorporation*	*Functional currency*	*Ownership interest*[1] *2018*	*2017*
African Fabrics B.V.	Holding	Helmond	Netherlands	EUR	100.0%	100.0%
Vlisco B.V.	Holding	Helmond	Netherlands	EUR	100.0%	100.0%
Vlisco Netherlands B.V.	Production	Helmond	Netherlands	EUR	100.0%	100.0%
Suplica B.V.	Services	Helmond	Netherlands	EUR	100.0%	100.0%
Borma Chemical Products Trading Company B.V.	Services	Helmond	Netherlands	EUR	100.0%	100.0%
Frageci S.A.	Holding	Abidjan	Ivory Coast	XOF	99.8%	99.8%
CFCI S.A.	Trading	Abidjan	Ivory Coast	XOF	99.6%	99.6%
Uniwax S.A.	Production	Abidjan	Ivory Coast	XOF	72.1%	72.1%
Nedertex S.A.	Holding	Abidjan	Ivory Coast	XOF	100.0%	100.0%
Tex Styles Ghana Ltd.	Production	Tema	Ghana	GHS	99.6%	99.6%
Premium African Textiles Ltd.	Trading	Tema	Ghana	GHS	100.0%	100.0%
John Walkden et Cie S.A.	Trading	Cotonou	Benin	XOF	100.0%	100.0%
Niger Afrique S.A.	Trading	Niamey	Niger	XOF	100.0%	100.0%
Vlisco African Company Togo S.A.	Trading	Lomé	Togo	XOF	67.0%	67.0%
Vlisco Nigeria Ltd.	Trading	Lagos	Nigeria	NGN	100.0%	100.0%
Vlisco Congo SARL	Trading	Kinshasa	DR Congo	CDF	100.0%	100.0%

[1] Weighted directly and indirectly held percentage in share capital

Only African Fabrics B.V. is a direct participating interest of African Fabrics Holdings.

African Fabrics Finco B.V. is holding 100% of the shares of the Company.

43. Commitments and contingencies

For the Dutch subsidiaries, declarations of assumption of liability have been issued as referred to in Art 2:403 DCC. Under the terms of credit agreements, the Company is severally liable for subsidiaries' debts to financial institutions. The Company is part of a fiscal unity for income tax and VAT which is headed by African Fabrics Finco B.V. which holds 100% of the shares of the Company. Based on the general conditions for a fiscal unity, all companies being a member of the fiscal unity, are liable for the tax payables of the fiscal unity as a whole.

44. Proposed appropriation of result

It is proposed to deduct the 2018 net result attributable to owners of African Fabrics Holdings B.V. of negative 3.0 (2017: negative 1.8) from the accumulated losses.

Helmond, 19 December 2019

Supervisory Board

J.P. Nolan (chairman)
M.A. Belo-Osagie
D.J. Hogewoning-Plantenga (resigned)
N.C. Kolbe
H. Omezzine

Executive Board

D.R. Suddens (CEO)
L. van Reeuwijk (CFO)

Other information

Statutory profit distribution

According to Article 29.1 of the articles of association of African Fabrics Holdings B.V., the general meeting is authorised to allocate the profits as determined pursuant to the adoption of the annual accounts and to resolve to make distributions.

Independent auditor's report

To: the general meeting and the supervisory board of African Fabrics Holdings B.V.

Report on the financial statements 2018

Our opinion

In our opinion, the financial statements of African Fabrics Holdings B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited
We have audited the accompanying financial statements 2018 of African Fabrics Holdings B.V., Helmond. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:
- the consolidated statement of financial position and company balance sheet as at 31 December 2018;
- the following statements for 2018: the consolidated income statement and company profit and loss account, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence
We are independent of African Fabrics Holdings B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of matter – alleged fraud at Vlisco Congo SARL

We draw attention to the subsequent event notes on page 75 of the financial statements which describes that the entity in DR Congo of the Company was impacted by an alleged fraud by the local managing director and employees. The dismissed managing director is suing the subsidiary Vlisco Congo SARL for wrongful dismissal at civil court. Vlisco Congo SARL has undertaken criminal proceedings and based on legal opinion, the claim has not been valued. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the executive board's report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Eindhoven, 19 December 2019
PricewaterhouseCoopers Accountants N.V.

J.J.T. van Kessel RA

Appendix to our auditor's report on the financial statements 2018 of African Fabrics Holdings B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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