EMBODIMENT OF STRENGTH

ANNUAL REPORT 2021/22

hela

HELA APPAREL HOLDINGS PLC

This report can be accessed online at *www.helaclothing.com*

EMBODIMENT OF STRENGTH

Hela has forged its strength on the foundations of social capital; our priority is to strive for excellence in every aspect of operations while engendering the values of Equality, Inclusivity and Climate Stability.

We aspire to build positive relationships through all the engagements we undertake, thereby building a better organisation and supporting thriving communities.

In this, our first Annual Report since listing on the Colombo Stock Exchange, we report a performance that is emblematic of our spirit and resilience, and rooted in our steadfast value proposition. Our collective will to collaborate and to find the right balance within our diversity drives us towards purposeful progress. Who we are, defines how we have embraced the challenges, changes and opportunities that have come our way, and how we have emerged from this year of complexity as an embodiment of corporate strength.

hela

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ABOUT THE REPORT

This is the first Annual Report of Hela Apparel Holdings PLC (Hela), published after the Company was listed on the Colombo Stock Exchange in February 2022. Annual Reports prepared in previous years, including the most recent Report for FY 2020/21 have been reserved only for private circulation among shareholders, and hence not made available publicly.

SCOPE AND BOUNDARY

This Annual Report has been prepared for the period 01 April 2021 to 31 March 2022, to coincide with Hela's annual financial reporting cycle. For the purpose of reporting, all Group subsidiaries and equity-accounted investees have been considered. The Report captures Hela's core business activities as an apparel supply chain solution provider, and its operations in Sri Lanka, Kenya, Ethiopia and Egypt. Material events subsequent to this reporting period, up to the sign off date by the Board of Directors on 15 August 2022, have been included in this Report, ensuring a more relevant and up to date Report.

REPORT CONTENT

The content in this Annual Report has been structured for the purpose of informing stakeholders - including shareholders, suppliers, employees and the wider community about Hela's performance in FY 2021/22, along with insights into the Group's risk management, governance and sustainability frameworks. It also includes information on its prospects and plans for the future.

In an effort to bring greater clarity on the content presented in the Report, Hela has ensured the Financial Statements contained herein have been prepared in accordance with the Sri Lanka Accounting Standards and in compliance with the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange. The Corporate Governance report is in accordance with the Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

FORWARD LOOKING STATEMENTS

This Report may contain what are deemed to be "forward-looking statements" that are based on the beliefs of the management, as well as assumptions made based on the information currently available. These forward-looking statements include, without limitation, information pertaining to Hela's business prospects including strategies, plans, objectives and goals, future developments, trends and conditions in the industry and geographical markets in which the Group operates. It should be noted that such forward-looking statements are, by their nature, subject to significant risks and uncertainties and as such, actual results and performance of the Group may differ materially from those implied by such statements due to many factors. Readers are therefore cautioned not to place undue reliance on such statements as Hela does not undertake any obligation to update any revisions to these statements publicly after the date of this Report.

ASSURANCE

The content included in this Annual Report has been approved by the respective business heads and reviewed by the Group CEO and the Audit Committee prior to submission to the Board of Directors for approval.

An independent review of the Company's and Group's Financial Statements has been carried out by Hela's external auditors, Messrs PricewaterhouseCoopers. Their Report is on page 90.

BOARD RESPONSIBILITY

The Board of Directors of Hela acknowledges its responsibility for ensuring the completeness, accuracy and integrity of this Report. The Board confirms that it collectively reviewed the contents of the Report in conjunction with the assurance Reports obtained from our various internal and external assurance providers, including assessments on risk and internal controls.

On this basis, the Board remains satisfied that the Annual Report for FY 2021/22 provides an accurate assessment of the Group's performance for the financial year ended 31 March 2022.

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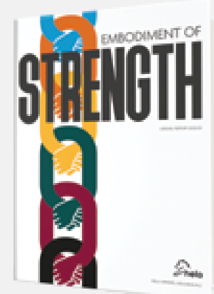

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FEEDBACK

Hela encourages its stakeholders to provide feedback regarding this Report and contribute their suggestions towards improving the quality and content of future Annual Reports. All such comments and feedback should be directed to:

Email: investors@helaclothing.com

ABOUT HELA

HELA APPAREL HOLDINGS PLC, FOUNDED AND HEADQUARTERED IN SRI LANKA, IS A SOCIAL CAPITAL-FOCUSED COMPANY BUILT ON THE PRINCIPLES OF INCLUSIVITY, EQUALITY, AND CLIMATE STABILITY.

With over three decades of industry experience, the Group provides sustainable and ethical apparel supply chain solutions to some of the world's leading brands across the Intimate wear, Active wear and Kids wear product categories.

Hela's customer-focused approach and forward-thinking strategy have helped the Company to successfully cement itself as an integral part of its customers' supply chains.

Today, Hela is one of the fastest-growing apparel manufacturers in the industry and was a pioneer in the development of the apparel sector in Africa. The Company has a global presence with 11 directly-operated manufacturing facilities across Sri Lanka, Kenya, Ethiopia, and Egypt, as well as design centres in Sri Lanka, the US, UK, and France. It also provides stable employment opportunities to approximately 20,000 people, the majority of whom are women below the age of 35 years.

Sustainable, ethical and innovative apparel manufacturing is at the core of Hela's operations. The organisation has ventured into and invested in multiple environmental and social sustainability-driven initiatives. As a result of its commitment towards responsible manufacturing, the organisation was endorsed as a signatory to the UN Global Compact in 2021 and was awarded the ISO 14064-1:2018 certification for quantification and reporting of greenhouse gas emissions across the Group.

KEY PRINCIPLES ALIGNED WITH HELA'S FOCUS ON SOCIAL CAPITAL

EQUALITY

Hela believes in equal access to resources and opportunities for all, regardless of socio-economic background. We believe in creating an environment that focuses on developing skills and strengths among all our employees and **will continue to work towards bridging the gaps in equality.**

INCLUSIVITY

As an organisation that employs approximately **20,000 people across seven countries**, Hela embraces diversity. We believe that a diverse workforce is a strength and that each individual, despite their differences, adds value to who we are as an organisation.

CLIMATE STABILITY

The adverse effects of global climate change are immense and the world has already witnessed its repercussions. As an ethical and sustainable apparel manufacturer, we consider it our responsibility to ensure that **our operations have minimum negative impact on the planet**.

MISSION

Our mission is to assist retailers in developing responsibly-manufactured hero products through supply chain solutions that allow them to maintain optimum inventory at the most competitive retail price.

PURPOSE

To provide solutions to the stakeholders we serve through the principles of our focused social capital criteria centred on Equality, Inclusivity and Climate Stability.

OUR VALUES

- Quality First
- Innovation
- Respect All Stakeholders
- Continuous Improvement
- Persistence
- System & Process Driven

STRATEGIC PILLARS

01 Customer Centric Focus

02 Cost Leadership

03 Supply Chain Agility & Integrity

04 Long-Lasting Relationships

HISTORY

2015

Sri Lanka

New leadership enter with a vision to build the next global apparel supply chain giant, expanding on a strong manufacturing base in Sri Lanka

2016

Kenya

Establishment of operations in Kenya with 250 team members

2017

Ethiopia

First manufacturing facility in Ethiopia commences operations with 150 team members

2019

Significant Growth

Hela becomes the leading apparel manufacturer in East Africa, accounting for approximately 20% of Kenya's total apparel exports and employing over 5,000 people in the region

2021

Technical Capability

Acquisition of second manufacturing facility in Ethiopia and first focused on bras, the most technical product in the Intimate Wear category

2022

Egypt

Establishment of first manufacturing facility in Egypt

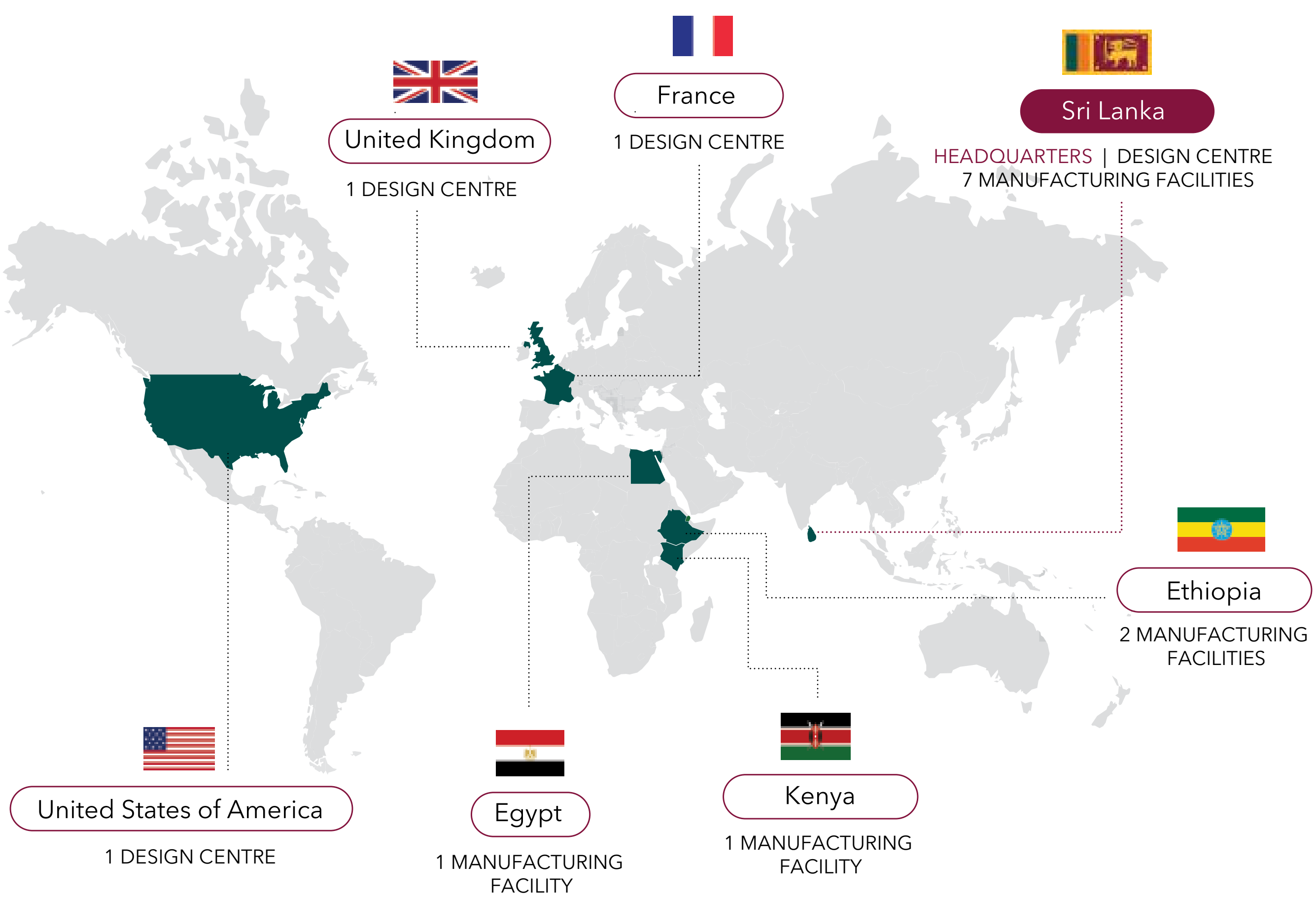
IPO

Successful completion of public listing on the Colombo Stock Exchange

OUR GLOBAL PRESENCE

With 11 directly-operated manufacturing facilities across four countries and a workforce of approximately 20,000 across the globe, Hela leads the industry in ethical and sustainable apparel supply chain solutions.

11	04	04	20,000
Directly Operated Manufacturing Facilities	Design Centres	Manufacturing Countries of Origin	Employees



ABOUT HELA

OUR STRATEGIC SOURCING SOLUTIONS

	SRI LANKA	KENYA	ETHIOPIA	EGYPT
Duty Free Destinations	EU | UK	EU | UK | US	EU | UK | JAPAN	EU | UK | US
Estimated Lead Time	EU - 17 days US - 20 - 21 days	EU - 26 - 28 days US - 30 days	EU - 21 days US - 25 days	EU - 7 - 8 days US - 15 days
Competitive Advantage	Agility & technical expertise	Skilled & committed workforce	Cost advantages to target niche markets	Proximity to key customer markets

OUR PRODUCT CATEGORIES

KIDS WEAR

- Kids Fashion
- Kids Sleepwear
- Schoolwear

INTIMATE WEAR

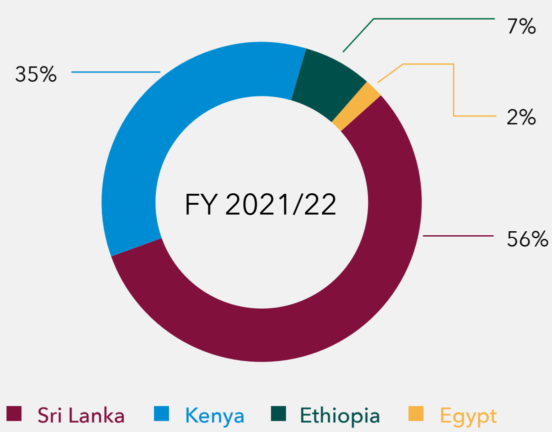
- Sleepwear
- Mens Underwear
- Bras & Panties
- Lingerie

ACTIVE WEAR

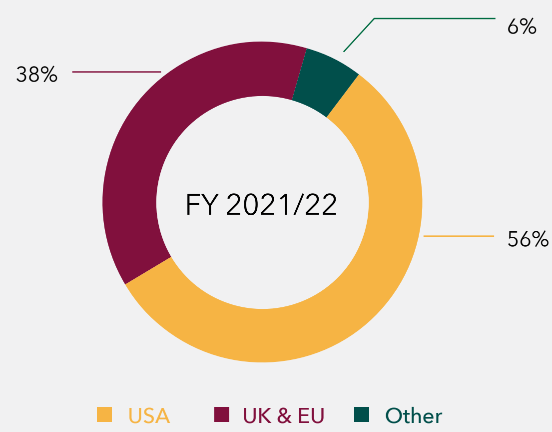
- Performance Wear
- Athleisure

OUR CUSTOMER BASE

REVENUE BY COUNTRY OF MANUFACTURE



REVENUE BY SHIPPING DESTINATION



PERFORMANCE HIGHLIGHTS

FINANCIAL PERFORMANCE

REVENUE
Rs. 56,180 Mn
Rs. 32,155 Mn

GROSS PROFIT
Rs. 8,812 Mn
Rs. 6,065 Mn

OPERATING PROFIT
Rs. 2,493 Mn
Rs. 1,960 Mn

PROFIT AFTER TAX
Rs. 816 Mn
Rs. 872 Mn

GROSS PROFIT MARGIN
15.7%
18.9%

OPERATING PROFIT MARGIN
4.4%
6.1%

PROFIT AFTER TAX MARGIN
1.5%
2.7%

FINANCIAL POSITION

TOTAL ASSETS
Rs. 53,993 Mn
Rs. 26,674 Mn

TOTAL EQUITY
Rs. 13,130 Mn
Rs. 3,970 Mn

TOTAL LIABILITIES
Rs. 40,862 Mn
Rs. 22,704 Mn

NET DEBT
Rs. 23,803 Mn
Rs. 13,887 Mn

CURRENT RATIO
0.9 Times
0.8 Times

DEBT/ EQUITY
2.2 Times
4.0 Times

**All figures in black small font indicate values for the last financial year.*

SHAREHOLDER INFORMATION

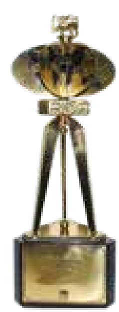
MARKET CAPITALISATION	CLOSING MARKET PRICE	BASIC EARNINGS PER SHARE
Rs. 16,810 Mn	Rs. 12.9	Rs. 0.76

NO. OF SHARES IN ISSUE
1,303,117,944

RETURN ON EQUITY	PRICE EARNINGS RATIO
9.9%	17.2 Times

AWARDS AND RECOGNITIONS

Sustainability Award
Tesco Non-Food Partner Conference 2021



Best Exporter Award (Apparel Sector – Medium Category)
Sri Lanka Presidential Export Awards 2021

Merit and Runner-up Awards (Overall Performance)
National Business Excellence Awards 2021

Collaboration Award
Tesco Non-Food Partner Conference 2021

Workforce Enablement Silver Award
FITIS Digital Excellence Awards 2021

Most Sustainable Factory
George at ASDA - Global Sustainability Conference 2021

KEY HIGHLIGHTS FOR THE YEAR

2021
APRIL

Acquisition of Hela's second manufacturing facility in Ethiopia and first focused on bras

2021
MAY

5 million litres of clean drinking water distributed amongst employees in Kenya through the "*Hela Freshi*" initiative

2021
JULY

Hela with attune Consulting kick-off SAP S/4HANA implementation across the Group

2021
NOVEMBER

Hela wins Best Exporter Award (Apparel Sector - Medium Category) at Sri Lanka's Presidential Export Awards 2021

2022
MARCH

Launch of flagship employee-empowerment initiative *"Hela Diriliya"*

2022
FEBRUARY

Hela successfully concludes its landmark listing on the Colombo Stock Exchange

Hela officially commences operations at its latest manufacturing facility in Egypt.

LANDMARK

YEAR OF GROWTH AND CONSOLIDATION

EXECUTIVE REVIEWS

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with great pleasure that I present the Annual Report of Hela Apparel Holdings PLC (Hela) for the financial year ended 31 March 2022, the first since our landmark listing on the Colombo Stock Exchange. Despite the challenging global and local operating environment, FY 2021/22 was a milestone year of growth and consolidation for Hela and one that I believe places the Company in a strong position for the next phase of its journey.

THE HELA JOURNEY

Building on the world-class reputation and skill base of the Sri Lankan apparel manufacturing sector, Hela has always sought to do things differently. The Company was one of the first major Sri Lankan apparel manufacturers to enter Africa, establishing its initial manufacturing facility in Kenya in 2016. It has since grown its direct manufacturing footprint in the region to three countries and over 10,000 employees, with the most recent addition of Egypt successfully established during FY 2021/22. This has firmly established Hela as a leader in Africa's apparel revolution and the preferred supplier for global apparel brands as they increasingly consider diversifying their sourcing from Asia.

The Company's global presence, together with its strong base in Sri Lanka, also underscores Hela's focus on catering to the diverse needs of global apparel brands. This is reflective of a conscious strategy to continuously provide innovative supply chain solutions, which cement our role as an integral part of our customers' supply chains. Demonstrating our success in setting ourselves apart from our competitors in this respect, I'm pleased to say that we were awarded Tesco's Collaboration Award during the year. This was in addition to multiple customer awards recognising Hela's ongoing efforts to improve the sustainability of both our operations and products, as well as the receipt of Sri Lanka's Best Exporter Award (Apparel – Medium Category) for the first time in the Company's history and two further awards at the National Business Excellence Awards.

The success of these long-term strategies was also reflected in our financial results for the year. Revenue grew by an exceptional 74.7%, to reach a record Rs. 56.2 Bn. While external cost pressures – most notably from pandemic-related disruptions, as well as increases in global commodity and freight prices – weighed on margins, profit attributable to equity holders of the parent also increased in FY 2021/22 to Rs. 819.7 Mn, compared to Rs. 766.8 Mn in the previous financial year.

A NEW CHAPTER

The Company's listing on the Colombo Stock Exchange in February 2022 further reflects the determination to chart a different course by opening our journey to a wider range of stakeholders. Hela has long had a diverse shareholder base and was one of the first major apparel companies in Sri Lanka to establish an Employee Share Ownership Plan. Our Initial Public Offering (IPO) was therefore a natural evolution and we were truly humbled by the positive response from the public – with the offering receiving over 23,000 applications and being oversubscribed by 5.4 times within hours of opening.

"FY 2021/22 WAS A MILESTONE YEAR OF GROWTH AND CONSOLIDATION FOR HELA AND ONE THAT I BELIEVE PLACES THE COMPANY IN A STRONG POSITION FOR THE NEXT PHASE OF ITS JOURNEY"

The completion of the listing also marks the beginning of an important new chapter for the Company and has established a strong base for the next phase of growth. In particular, the allocation of the majority of the IPO funds towards debt settlement has significantly strengthened the Company's Balance Sheet – reducing the Debt-to-Equity ratio to 2.2 as of 31 March 2022, compared to 4.0 at the close of the previous financial year. This leaves Hela well placed to explore further global expansion while remaining resilient to the challenges to come. Indeed, the financial strength of the Company was validated by Fitch Ratings who assigned Hela an initial National Long-Term Rating of AA(lka), with a stable outlook, in March 2022.

A number of other initiatives launched during the year were also focused on strengthening the foundations of the Company to prepare it for future growth; most notably, the introduction of the SAP S/4 HANA Fashion Enterprise Resource Planning (ERP) system, which was initiated in July 2021. This will bring substantial benefits as the Company grows, ensuring consistency and integration across all digital systems, generating additional insights for decision making and strengthening cyber security.

SOCIAL CAPITAL FOCUS

The formal establishment of Hela's social capital purpose during the past year has also renewed our focus on our wider stakeholder community. The introduction of the *Hela Diriliya* initiative was a particular moment of pride for the Board. This programme seeks to create an empowering culture of entrepreneurship among our employees, by providing training and support in starting and running a small business. With 140 employees in Sri Lanka already actively participating, we look forward to seeing this grow as the initiative is rolled out across our global footprint.

As the Board of Directors, we are also keenly aware of the additional responsibilities we now hold towards our much expanded shareholder base – no less an important part of our social capital focus. Given the Company's diverse ownership prior to the IPO, many of the formal requirements of a listed Company have been well established within Hela for a number of years, including the representation of Independent Directors on the Board and an Independent Audit Committee. This was further strengthened prior to the IPO with the formal establishment of Remuneration, Nomination, and Related Party Transactions Review Committees.

We will continue to strengthen these bodies over the coming year and seek opportunities to further establish robust internal control frameworks, with the intention of strengthening Company-wide compliance and reporting practices.

A STRONG FOUNDATION

With these strong foundations in place, I believe Hela is well positioned to face the challenges ahead and continue on its successful journey. As global inflationary pressures rise, the exceptional consumer demand conditions in our key export markets in the US and Europe look set to soften. As a result, the current financial year is unlikely to see a repeat of the unprecedented revenue growth recorded in FY 2021/22. But with Hela's relentless focus on strategic customer partnerships and the full fruition of the expansion to Egypt, revenue growth is expected to continue, while a renewed focus on margin improvement is expected to boost profitability.

APPRECIATIONS

Before I conclude, I would like to take this opportunity to thank my colleagues on the Board of Directors for their guidance and assistance during the past year, which has been a great strength to me throughout Hela's journey. I also wish to express my appreciation to the management and all Hela employees around the world for their remarkable dedication and commitment towards the Company, many are now shareholders, which I hope will inspire them to remain invested in Hela's future progress. My thanks also go to all other stakeholders, including banks, creditors and suppliers for their continued assistance and support.

And finally, I would like to extend the warmest of welcomes to our new public shareholders. While thanking you for the confidence and trust placed in Hela, on behalf of the Board, I wish to reiterate that we will remain fully committed to not just delivering, but exceeding your expectations in the years ahead.

A. R. Rasiah
Chairman & Non-Executive Director

15 August 2022

GROUP CEO'S REVIEW

The past year has been a remarkable one for Hela, as we grew the business to new highs, added new manufacturing capabilities and customers, and expanded our footprint to Egypt, not to mention our successful transition from a private Company to a publicly listed entity via our landmark IPO on the Colombo Stock Exchange.

However, it was not a year without challenges; from the lingering impact of the COVID-19 pandemic, which continued to severely disrupt global supply chains, to the early stages of Sri Lanka's economic crisis, we were tested on all fronts. Our team once again showed their characteristic resilience in tackling these challenges and I have no doubt that this strength will drive us towards new heights in the coming financial year.

EXCEPTIONAL GROWTH

Hela saw exceptional growth in revenue during the year, with revenue rising by 74.7% to a record Rs. 56.2 Bn. This partly reflected the very strong levels of consumer demand across our key markets in Europe and North America, which was fuelled by pent-up demand arising from the initial economic shock triggered by the pandemic. This was further boosted by the unprecedented stimulus policies implemented by governments in these markets, as well as the reallocation of spending from activities such as travel that remained significantly restricted during FY 2021/22.

That said, Hela's strategic customer engagement and expansion initiatives also played a central role in the revenue growth seen during the year. The acquisition of our first manufacturing facility focused on bras – a joint venture with the established Indonesian intimate wear manufacturer, PT Sumber Bintang Rejeki – was a significant milestone. This has extended our capabilities to the full suite of intimate wear products, including the most technically complex, in line with our strategy of continuously moving up the value chain. In the kids wear category, significant strides were made in the implementation of direct licensing models that allow us to provide character-branded designs directly to customers without the involvement of third parties. Meanwhile, the strategic decision to place a greater focus on the active wear product category enabled the addition of multiple fast-growing sports brands to our customer portfolio.

The diversification of our manufacturing footprint across Africa proved a further attraction for both new and existing customers. In particular, our entry into Egypt in the latter part of the year now enables Hela to offer a true speed solution to its customers. Shipping times of as little as three days to Europe and twelve days to North America, as well as the established network of local textile suppliers, mean that we are now able to address the increasingly pressing requirement for apparel brands to more proactively manage inventory. Strong customer interest in Egypt has already validated this strategy, and it is expected to be an important driver of business growth as it becomes fully operational during the current financial year.

“ THE DIVERSIFICATION OF OUR MANUFACTURING FOOTPRINT ACROSS AFRICA PROVED A FURTHER ATTRACTION FOR BOTH NEW AND EXISTING CUSTOMERS ”

CHALLENGING OPERATING ENVIRONMENT

Against the backdrop of exceptional revenue growth, an extremely challenging operating environment weighed on profitability. With the initial expenses in support of the Company’s strategic expansion initiatives also contributing to a higher cost base, operating margins narrowed to 4.4% in FY 2021/22, compared to 6.1% in the previous year. In addition, the significant depreciation of the Sri Lankan Rupee in the final weeks of the year caused a large deferred tax impact to be recorded for the Group and, as such, profits attributable to equity holders of the parent increased by a modest 6.9% to Rs. 819.7 Mn.

Disruptions due to sporadic COVID-19 lockdowns were the primary concern during the early months of the year, particularly in Sri Lanka. While local authorities made accommodations to ensure the apparel sector could continue to operate uninterrupted and proactive steps were taken to minimise transmission within our manufacturing facilities, occasional outbreaks occurred and absenteeism rates were elevated. Hela also took the conscious decision to prioritise the welfare of its employees, providing private quarantine facilities to all affected employees at its own expense, regardless of designation. The impact of the pandemic across our African manufacturing footprint was less severe, but the Company nonetheless proactively pursued the direct procurement of COVID-19 vaccines to ensure free access for all employees. Combined with the rapid rollout of free vaccines by healthcare authorities in Sri Lanka, this ensured that direct operational disruptions from the pandemic rapidly reduced in the second half of the year.

The broader impact of the pandemic on global supply chains and commodity prices, however, was no less diminished and even escalated in some respects. Freight costs, in particular, surged to repeated highs, while shipments were routinely delayed due to backlogs at major global ports, causing a knock on impact on our operations. Prices of cotton – our most important input – also rose across the year to reach a decade high. One positive effect of these disruptions, though, has been an intensified focus on localising our supply chain, most notably in Africa. This enabled us to increase the proportion of our raw material sourced from the region to 30% of the total requirement of our African facilities, and ongoing initiatives should see this increase to 50% in the current year.

The escalation of the civil war in Ethiopia caused its own range of challenges. While our manufacturing facilities were never at risk from the unrest, the subsequent suspension of Ethiopia’s eligibility for US tariff exemptions under the African Growth and Opportunity Act (AGOA) dented customer confidence. That said, movements toward peace talks are now underway and Ethiopia remains a competitive manufacturing location due to its attractive cost structure and tariff free access to a vast array of other markets in Europe and Asia. A temporary labour dispute at our Kenyan manufacturing facility in February 2022 also disrupted operations and, while quickly resolved, caused a significant knock-on impact on shipments in the final weeks of the year.

IMPROVED DIGITAL INFRASTRUCTURE

To strengthen the Company’s resilience in the face of the increasingly uncertain and volatile global environment, improving Hela’s digital infrastructure was a key focus of the year. This motivated the establishment of an ambitious digital transformation strategy, of which the centrepiece is the SAP S/4 HANA Fashion ERP system. Implementation began in July 2021 and aims to rationalise the multiple existing systems used across the Company by creating an integrated ‘Digital Core’, which will streamline operational processes, generate additional business insights in real time, and ensure the resilience of our digital systems. This will be readily extendable to accommodate future developments, such as integration with customer and supplier systems. As the dedicated project team roll-out the system solution as scheduled during the current year, I believe this investment will revolutionise the way we manage our operations and serve as a strong basis for our future global expansions.

We also launched an HR 360 programme aiming to connect our employees with our HR systems through internet-based solutions. Building on the Microimage MiHCM platform, this will ensure seamless integration of HR processes and generate actionable insights for our management teams. In recognition of our work on this cutting edge deployment of digital solutions, Hela was awarded the Silver Award for Workforce Enablement at the Digital Excellence Awards held by the Federation of Information Technology Industry Sri Lanka in November 2021.

SOCIAL CAPITAL FOCUS

While sustainability and employee empowerment have long been a key part of Hela's ethos, we revisited our purpose as a Company in FY 2021/22 and in doing so redefined Hela's focus around social capital, centred on three thematic commitments - Inclusivity, Equality and Climate Stability. We believe this brings greater clarity to our work and creates a more meaningful link between our corporate social responsibility initiatives and core business.

It was on this basis that we envisioned *Hela Diriliya*, an economic empowerment initiative designed to inspire entrepreneurship among our workforce. Launched in 2021, the programme aims to develop entrepreneurs by providing training and other resources to commercialise their business ideas. In addition, the *Hela Diridaruwo* scholarship programme was launched during the year. A partnership with Tesco and Berendina Development Services, this programme provides financial support towards the education of the children of our employees up to undergraduate level, thereby empowering them to reach their full academic potential.

In a similar vein, we expanded the implementation of the Personal Advancement and Career Enhancement (P.A.C.E.) initiative – a globally-recognised life skills training programme designed for female apparel workers. A total of 145 team members in Sri Lanka graduated from the programme during the year and Hela became the first apparel manufacturer to rollout the programme in Ethiopia, with 116 employees certified in the first batch. With over 50 certified P.A.C.E. trainers now within the organisation, we are well on the way to our goal of 5,000 P.A.C.E. graduates across our global footprint by 2024.

Our focus on ensuring our contribution to climate stability remains anchored to Hela's carbon footprint management strategy. Marking an important step in this regard, we commissioned an independent third party expert to conduct an ISO-certified greenhouse gas verification study to determine Hela's overall emissions profile. With FY 2020/21 established as our baseline, we are well placed to develop a more comprehensive emissions reduction strategy, building on our existing investments in renewable energy. In further affirmation of our commitment to sustainability, Hela became an official signatory to the UN Global Compact in December 2021 and I reaffirm our commitment to its guiding principles as we continuously strive to be a more sustainable and inclusive Company.

These efforts were also recognised by our customers with both Tesco and Asda awarding the Company their benchmark sustainability awards in FY 2021/22.

OUTLOOK AND PROSPECTS

As we move into an ever more uncertain global environment in the current financial year, I remain confident that the strong foundations established in FY 2021/22 will support us in navigating the challenges ahead and ultimately drive the business forward.

The surge in inflation across our major markets and the associated policy response from global central banks will inevitably lead to a softening in the exceptional levels of consumer demand, though the timing and extent of this is unclear. But with our expansion initiatives and new customer relationships coming to full fruition, our growth trajectory should continue – albeit at a more modest pace. A cooling of the global economy may also lead to a partial reduction in the external pressures from exceptionally high freight and commodity prices, which will be supportive of improvements in profit margins.

The mixed outlook for consumer demand is further complicated by a no less challenging operating environment. The extent of Sri Lanka's economic crisis was already evident in the final months of FY 2021/22 and conditions have since deteriorated significantly. As an exporter with the entirety of our revenue denominated in US Dollars, we have been able to continue our local operations largely unaffected, albeit in a very challenging

“ I REMAIN CONFIDENT THAT THE STRONG FOUNDATIONS ESTABLISHED IN FY 2021/22 WILL SUPPORT US IN NAVIGATING THE CHALLENGES AHEAD ”

environment. Policymakers’ early decision to permit direct purchasing of fuel in foreign currency has been a particularly important factor in ensuring this. However, constrained foreign currency liquidity within the Sri Lankan banking system is causing some disruption, and we are proactively seeking to diversify our financing sources to mitigate this. Political stability is also essential to safeguard the reputation of the wider Sri Lankan apparel industry and the large amount of foreign exchange it generates. We look towards our elected representatives to ensure this while carrying out the difficult economic reforms that are needed.

Sri Lanka’s challenges are also not unique. As a result of tightening global financial conditions and the commodity-price shock triggered by the conflict in Ukraine, we are seeing similar economic pressures arising across our African footprint, though not yet to the same extent. We are therefore proactively working towards insulating the business from further shocks across our operating countries as part of our broader risk management strategy.

Within this context, the management’s focus for the coming year will be on navigating through these operational challenges, while consolidating our larger revenue base and implementing a comprehensive margin improvement strategy. This will be focused around operational excellence while continuing to provide innovative supply chain solutions to our customers. Nonetheless, we will continue to prudently seek further opportunities for expansion. The decision in May 2022 to divert the remainder of the IPO proceeds towards immediate debt settlement was proactively taken to avoid the impact of further depreciation in the Sri Lankan Rupee, vis-à-vis our foreign currency denominated investment requirements and borrowings. However, we remain committed to the IPO objectives, including the implementation of our new ERP system, which continues as planned, as well as an investment in our supply chain at the appropriate juncture. We also intend to explore further ways in which we can meet the ever pressing demand for additional sourcing locations closer to customer markets.

APPRECIATIONS

The past year has once again demonstrated the power of teamwork and I would like to take this opportunity to personally thank each and every member of the Hela team, including our senior leadership, for their hard work and resilience. I also wish to express my sincere gratitude to the Chairman and my colleagues on the Board for their stewardship of the Company throughout our journey so far.

Finally, I wish to thank our new public shareholders for the trust and confidence they have placed in Hela. At the same time, let me take this opportunity to welcome you to the Hela journey and I hope you will continue to be part of our future as we move onwards and upwards towards ever more ambitious goals.

Dilanka Jinadasa

Group CEO & Executive Director

15 August 2022

BOARD OF DIRECTORS

A. R. RASIAH

CHAIRMAN & NON-EXECUTIVE DIRECTOR

A. R. Rasiah's career spans over 40 years in the corporate sector, both locally and overseas. He has had the distinction of being a part of leading Sri Lankan and international corporates, including as Finance Director and Acting Managing Director of Nestle Lanka PLC, as well as Chairman of Atlas Axillia (Pvt) Limited. He has also held Executive and Non-Executive Directorships on the Boards of several public and private companies in Sri Lanka. Rasiah is the immediate past Chairman of the Sri Lanka Institute of Directors and a former President of the Benevolent Society of the Institute of Chartered Accountants of Sri Lanka.

DILANKA JINADASA

GROUP CEO & EXECUTIVE DIRECTOR

Dilanka is the Group Chief Executive Officer of Hela and was a part of the leadership team that drove the Company to become one of the most progressive apparel manufacturers in Sri Lanka. He was formerly the Managing Director of Foundation Garments (Pvt) Limited, which was acquired by Hela in 2016, and was a Non-Executive Director of Panasian Power PLC until 2021, where he played a key role in growing its renewable energy portfolio.

DR. ALASTAIR ALDERTON

NON-EXECUTIVE DIRECTOR

Alastair is the Chief Executive Officer of Rianta Capital, a London and Zurich-based multi-asset investment advisory firm, where he is responsible for managing a dynamic investment portfolio with a strong footprint in consumer-facing businesses and direct-to-consumer retail. He also provides his strategic insights on various board mandates, including Australian fashion retail company Forever New and luxury knitwear brand Chinti and Parker. In addition, Alastair is a Solicitor of the Senior Courts of England and Wales with a decade of transaction and advisory experience at Clifford Chance and holds a PhD in History from the University of Cambridge.

GAYAN GUNAWARDANA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Gayan serves as an Independent Non-Executive Director and Chair of the Audit Committee of Hela Apparel Holdings PLC. With over 12 years of experience in Finance, Strategic Planning, Audit and Corporate Governance, Gayan was the former Chief Financial Officer at Panasian Power PLC. He is also a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a BSc (Hons) from the University of Warwick in Engineering and Business Studies.

AROSHI NANAYAKKARA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Aroshi serves as an Independent Non-Executive Director of Sampath Bank PLC and Asian Hotels and Properties PLC. She is a corporate personality with over 25 years of experience in Risk Management, Strategic Planning, Management Consulting, Business Strategy and HR. Aroshi was the former Chief Risk Officer of the Brandix Group and the CEO of Brandix Hangers (Pvt) Limited. Aroshi is a graduate of the Massachusetts Institute of Technology (MIT) and the London School of Economics and Political Science (LSE). She is also a CGMA, and ACMA holder from the Chartered Institute of Management Accountants, UK.

TRISHA PERIES

INDEPENDENT NON-EXECUTIVE DIRECTOR

Trisha currently serves as the Head of Research at CAL, a full-service Investment Bank in Sri Lanka. With a decade of industry experience, she plays a pivotal role in providing macroeconomic views and advising on portfolio decisions for some of Sri Lanka's largest corporations and investment funds. Trisha is a CFA charter holder and was the former head of Economic Research at Frontier Research (Pvt) Ltd. She is also a member of the Board of Trustees of the CEPA Development Fund.

PATRICK SCHLEIFFER

NON-EXECUTIVE DIRECTOR

Patrick serves as a Senior Investment Manager at Rianta Capital, a London and Zurich-based Investment advisory firm with a strong footprint in the global fashion industry. During his tenure at the firm, he has closed several cross-border transactions across Europe, Asia and North America, predominantly in the consumer discretionary space. Prior to joining Rianta Capital, Patrick worked for the Swiss Investment Fund for Emerging Markets, focusing on investments in the Healthcare, Education and Renewable Energy sectors in India and Sub-Saharan Africa. Patrick holds a Master's Degree in Management from the University of Lausanne, Switzerland, and is a CFA charter holder.

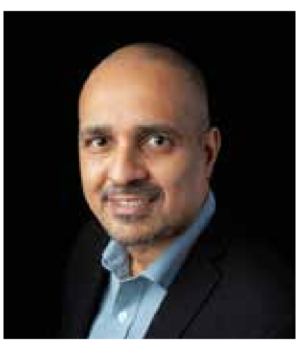
GROUP MANAGEMENT COMMITTEE

SANATH AMARATUNGA
CHIEF EXECUTIVE OFFICER - HELA KIDSWEAR

VIRAJ FERNANDO
CHIEF EXECUTIVE OFFICER - HELA KINETIX

SHAMEEN PEIRIS
CHIEF EXECUTIVE OFFICER - HELA INTIMATES

RUWANTHI FERNANDO
GROUP CHIEF INFORMATION AND PROCESS OFFICER



MOIZ REHMANJEE
GROUP CHIEF FINANCIAL OFFICER

NADEESHA WIJESINGHA
GROUP CHIEF PEOPLE OFFICER
Resigned w.e.f. June 2022

SACHITH BALAGE
GENERAL MANAGER – GROUP SOURCING & SUPPLY CHAIN

SUSTAINING
THE UNITY OF POSITIVE RELATIONSHIPS

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

Global demand for apparel products continued to stage an impressive recovery in FY 2021/22, particularly in major markets in Europe and North America where COVID-19 vaccines were rapidly rolled out in the early months of the year and extraordinary economic stimulus measures continued. However, the supply chain disruptions caused by the pandemic worsened as they struggled to accommodate the rebound in demand, amidst continued waves of infections around the world.

This section provides an overview of developments in the global apparel market during FY 2021/22, focusing on Hela's key markets (the US, UK and Eurozone), as well as the operating conditions in the countries where its directly-operated manufacturing facilities are located (Sri Lanka, Egypt, Ethiopia and Kenya). Economic indicators referenced are for the calendar year unless otherwise indicated.

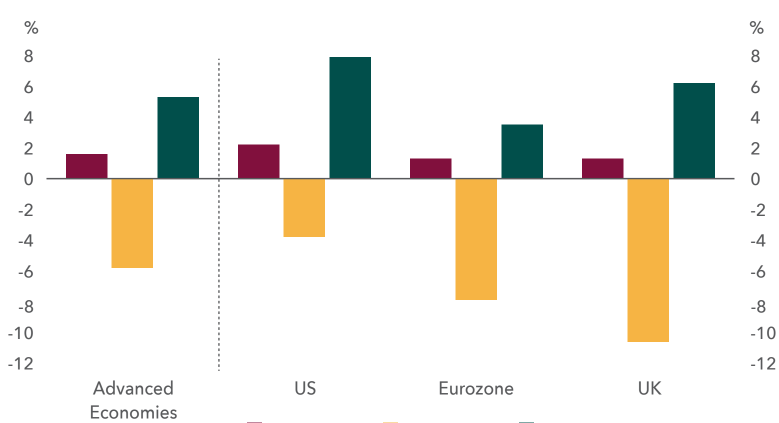
GLOBAL APPAREL MARKET

DEMAND ENVIRONMENT

Following a sharp contraction in economic activity as a result of the initial negative economic shock triggered by the pandemic and the associated lockdowns, major advanced economies recovered strongly in 2021 with aggregate real GDP growing by 5.2%. This was partly driven by a strong rebound in household consumption, which grew by more than 5% in real terms in both the UK and US, and by 3.5% among Eurozone countries. Despite a steady rise in inflation during the year, pent up demand from the early stages of the pandemic helped to fuel spending as consumers became more confident of their economic circumstances.

Major advanced economies also maintained their extraordinary fiscal stimulus policies for much of FY 2021/22, which further boosted household spending.

REAL HOUSEHOLD CONSUMPTION GROWTH

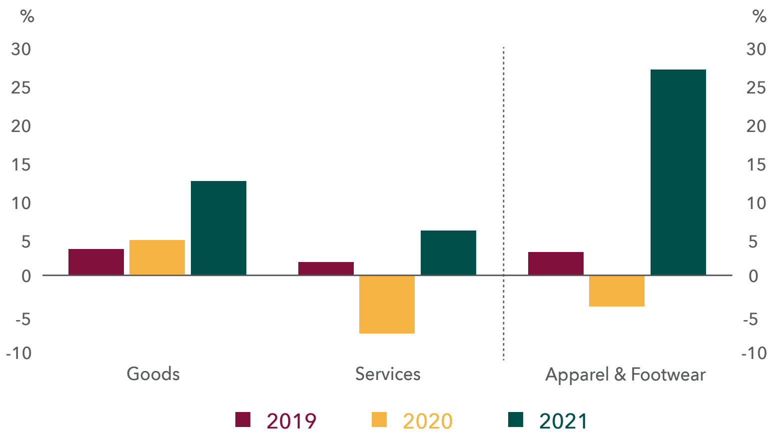


Source: IMF World Economic Outlook, April 2022

The overall fiscal support deployed across the pandemic is estimated to have exceeded 25% of 2019 GDP in the US, while it was over 10% in the UK and Germany[1], illustrating the unprecedented scale of the stimulus.

A shift in the composition of consumer spending towards goods was also an important feature of the strong growth recorded during the year. As many activities such as eating out and travelling remained heavily restricted, consumers diverted a larger portion of their spending towards goods, including apparel products. For example, in the US, while spending on services rose by 5.8% in real term during 2021, spending on goods rose by 12.2% and by an unprecedented 26.7% on apparel and footwear.

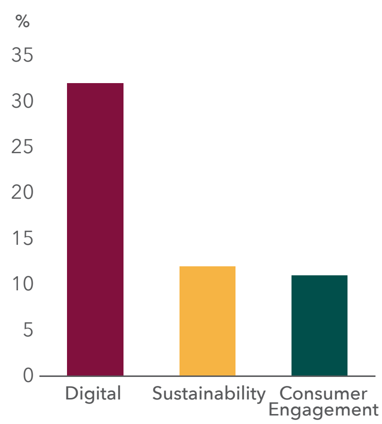
US REAL HOUSEHOLD CONSUMPTION GROWTH BY ITEM



Source: US Bureau of Economic Analysis

The increase in spending on apparel continued to be skewed in favour of more casual products, such as athleisure. Work from Home arrangements remained common in many countries, and even where employees were encouraged to return to the office, some companies loosened dress codes to help entice them back. This reflects the continuation of the 'casualisation' trend, which has been underway for a number of years and accelerated during the pandemic.

BIGGEST OPPORTUNITIES FOR THE FASHION INDUSTRY (% OF SURVEYED INDUSTRY EXECUTIVES)



Source: McKinsey, The State of Fashion Report 2022

IMPACT ON HELA

Hela benefitted from the strong growth in consumer spending on apparel products during 2021, as major brands increased their order volumes. In addition, the product categories that Hela focuses on, including intimate and sports wear, benefitted from the ongoing trend towards casual clothing.

The shift towards digital sales channels also continued to be an important trend during the year, with 32% of fashion industry executives surveyed by McKinsey in 2021 citing it as the biggest opportunity in the sector. The need for innovative consumer engagement strategies and meeting consumers' ever increasing expectations on sustainability were also identified as similarly important themes.

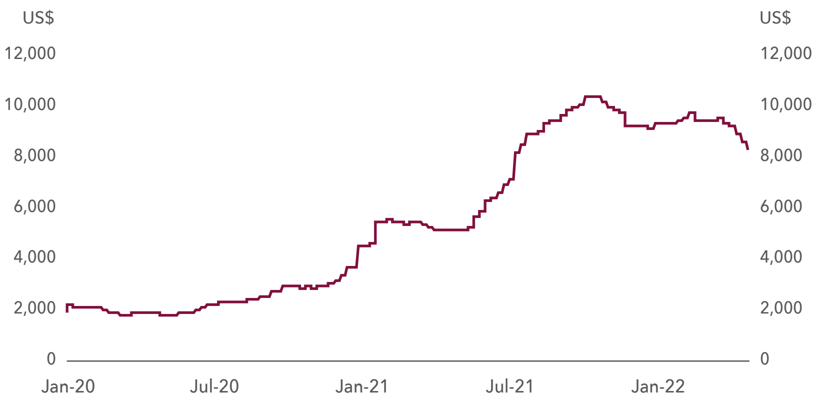
SUPPLY ENVIRONMENT

The strong growth in consumer demand during FY 2021/22 placed significant strains on global supply chains still severely buffeted by the effects of the pandemic. Many countries continued to sporadically implement strict lockdowns to reduce infection rates, most notably in China, often requiring factories (including those in the textile and apparel sector) to close for extended periods. Mobility restrictions also caused severe disruptions to global ports, creating knock-on disruptions to shipping around the world and resulting in delays or cancellations.

[1] *Moody's Analytics (February 2022), Global Fiscal Policy in the Pandemic*

OPERATING ENVIRONMENT

COMPOSITE FREIGHT RATES (COST PER 40FT. CONTAINER)



Source: World Container Index, Drewry Supply Chain Advisors

Prices of global freight surged as a result of the mismatch in demand and supply of shipping capacity. Container prices on major global routes increased by 113.0% between April and September 2021 – in addition to the 219.4% increase recorded in the previous financial year – before easing to some degree in the final months of FY 2021/22.

Strong demand conditions also contributed to a sharp increase in global commodity prices. Most notably for the apparel and textile sector, oil and cotton prices rose by 69.8% and 49.6%, respectively, during FY 2021/22.

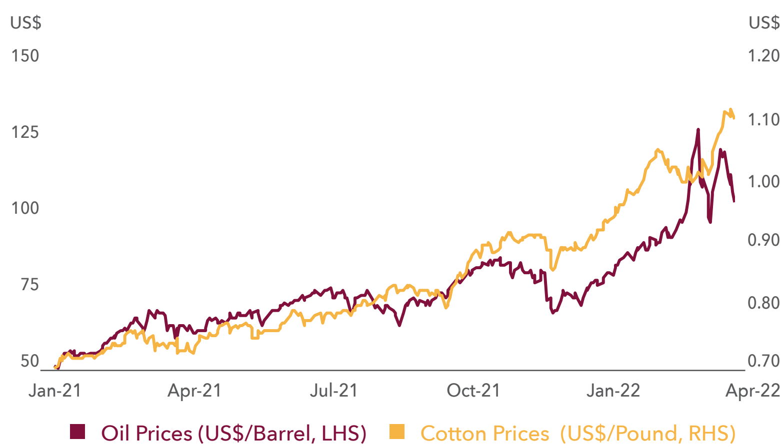
Aside from the strength of demand, prices were boosted by external supply shocks, such as Russia's invasion of Ukraine in early 2022. In the case of cotton, increased global restrictions on the use of fibres from China's Xinjiang Province, which accounts for an estimated 20% of global cotton supply[2], were also a major driver of the rise in prices as they tightened supply conditions.

In January 2021, the US Federal Government banned the import of cotton fibres from the Xinjiang Province, as well as apparel and textile products containing these fibres, in response to concerns regarding the alleged use of forced labour in the supply chain. The restrictions were further tightened by the signing of the Uyghur Forced Labour Prevention Act into US law in December 2021. Other major markets also indicated they were considering similar restrictions and many apparel brands responded by requiring manufacturers to ensure their products do not contain any fibres from the region.

Given rising costs in China and the wider tensions around trade policy, apparel brands have also responded by accelerating the shift away from China in their product sourcing. Indeed, over 80% of US fashion companies survey in the early months of 2022 indicated that they were planning to reduce their sourcing from China over the next two years[3].

This will benefit other major apparel sourcing destinations in Asia and elsewhere. The challenges created by the supply chain disruptions and the surge in freight prices have also led to a particular focus on 'nearshoring', with a significant share of companies planning to increase their sourcing from regions such as Central America over the coming years. This drive for

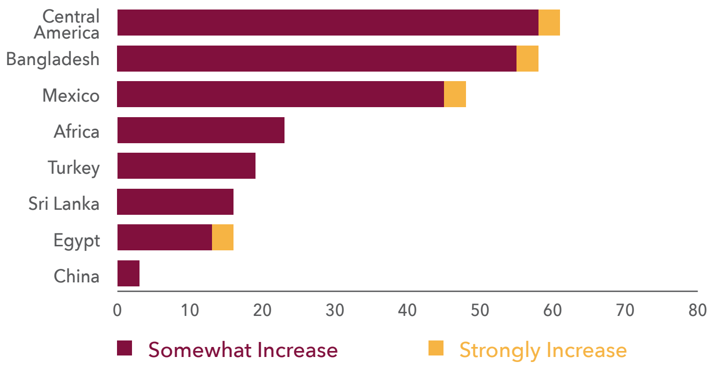
GLOBAL OIL & COTTON PRICES



Source: Bloomberg

[2] *Center for Strategic and International Studies (July 2020), Addressing Forced Labour in the Xinjiang Uyghur Autonomous Region*
[3] *United States Fashion Industry Association, 2022 Fashion Industry Benchmarking Study*

WHERE APPAREL SOURCING VALUE WILL INCREASE IN THE NEXT TWO YEARS (% OF RESPONSES FROM US FASHION COMPANIES)



Note: Central America refers to the countries covered by the Dominican Republic-Central America Free Trade Agreement; Africa refers to countries covered by the African Growth & Opportunity Act

Source: United States Fashion Industry Association, 2022 Fashion Industry Benchmarking Study

close-to-market solutions is extending to textile producers, with many brands seeking to ensure the resilience of their entire supply chains.

IMPACT ON HELA

Hela was significantly impacted by the disruptions to global supply chains, which delayed deliveries of crucial raw material and required the air freighting of some finished goods to meet delivery deadlines. In addition, the significant increase in the costs of maritime freight and cotton weighed on the Company's profit margins during the year.

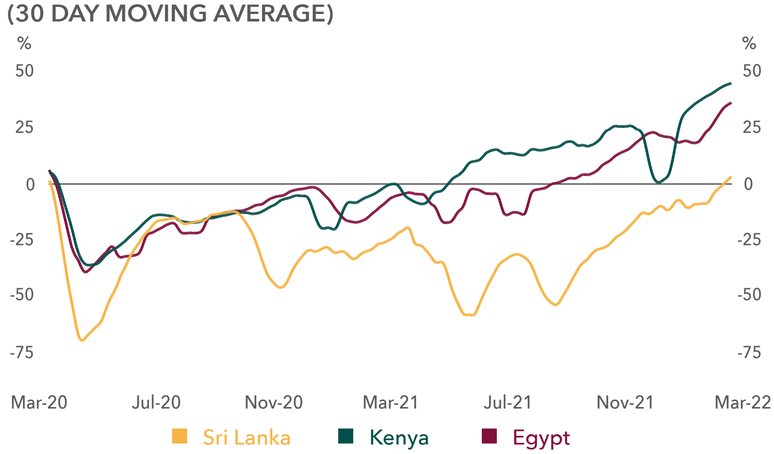
Nonetheless, Hela is well-placed to benefit from the shift in apparel sourcing out of China in the medium term. The addition of Egypt to the Company's footprint in FY 2021/22 also enables it to offer a nearshoring option for apparel brands, particularly those in Europe.

OPERATING COUNTRY ENVIRONMENT

The operating environment in Hela's manufacturing countries also presented a number of challenges during FY 2021/22. Disruptions from the pandemic and the associated restrictions on mobility were the primary concern during the early months of the year.

Sri Lanka, in particular, took a relatively stringent policy stance during the year under review by continuing to impose strict restrictions on mobility as new waves of infections emerged. In contrast, mobility restrictions were much reduced across Hela's African footprint compared to the preceding year. Nonetheless, local authorities in Sri Lanka ensured that essential services and export industries (including apparel manufacturing) were able to continue operations during periods of restricted mobility, albeit with additional safety protocols. In addition, the roll out of COVID-19 vaccinations proceeded relatively quickly in Sri Lanka and, as a result, by the end of March 2022, 78% of Sri Lanka's population was at least partially vaccinated. In Egypt, Ethiopia and Kenya, the comparable

CHANGE IN WORKPLACE VISITS FROM JANAURY 2020 (30 DAY MOVING AVERAGE)



Note: Comparable data for Ethiopia is unavailable

Source: Google COVID-19 Community Mobility Reports

OPERATING ENVIRONMENT

figures stood at 41%, 20%, and 17%, respectively[4]. Levels of mobility in all operating countries had also fully recovered to above their pre-pandemic levels by the end of FY 2021/22.

Another major development during the year was the escalation of the civil war in Ethiopia. While anti-government forces made significant advances during the early months of the year, they were successfully repelled and a ceasefire was declared in December 2021. Movements towards a peace process are expected to follow. Nonetheless, as a result of concerns regarding restrictions on humanitarian supplies entering the affected region, the US suspended Ethiopia's eligibility for tariff- free access to the US market under the African Growth and Opportunity Act from 01 January 2022.

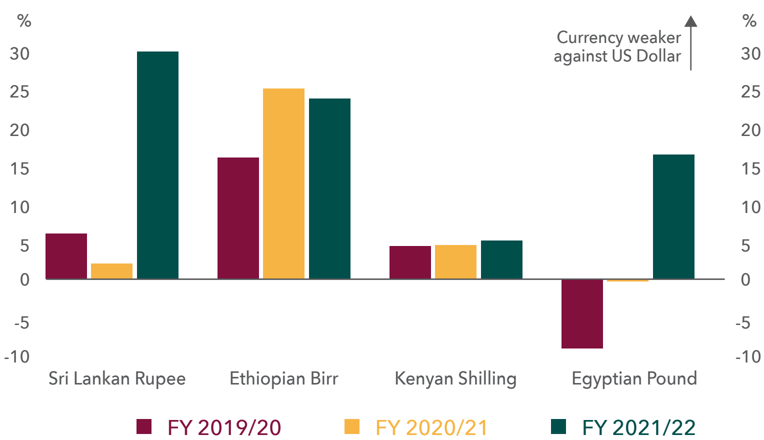
Significant economic pressures across Hela's operating countries also became apparent in the latter months of FY 2021/22, most notably in Sri Lanka. As a result of external economic shocks, including the impact of the pandemic and the rise in global commodity prices, as well as government policy decisions, there was a sharp depreciation in the Sri Lankan Rupee in the final weeks of the Financial Year. Shortages of essential goods and power cuts also became more common. Similar economic pressures and currency depreciations were experienced across Hela's African footprint, though not to the same extent. In addition, rates of inflation began to rise in all operating countries during the final months of the year as a result of the depreciations in their currencies and rise in global commodity prices.

IMPACT ON HELA

Hela's manufacturing facilities were able to continue operating largely uninterrupted throughout periods of increased mobility restrictions in FY 2021/22, and the Company's decision to proactively procure COVID-19 vaccines for all employees significantly reduced disruptions in the second half of the year. The conflict in Ethiopia also did not have a significant impact on the Group's operations as its manufacturing facilities are located approximately 1,000 kilometres south of the affected areas. Nonetheless, the Company retained extensive contingency plans to ensure the safety of its employees and operations.

Finally, the economic crisis in Sri Lanka did not have a significant impact on Hela's operations during FY 2021/22. In addition, the decision by local authorities in April 2022 to permit exporters to purchase fuel directly in US Dollars, has helped to ensure the continuity of operations in subsequent months.

EXCHANGE RATE MOVEMENTS VS. US DOLLAR



Source: Bloomberg

[4]*Data compiled by Our World in Data*

“ A SLOWING OF THE GLOBAL ECONOMY MAY ALSO HELP TO REDUCE THE PRESSURE ON GLOBAL SUPPLY CHAINS AND CONTRIBUTE TO A REDUCTION IN COMMODITY PRICES ”

OUTLOOK

The outlook for the global apparel market dimmed in the early months of FY 2022/23, as rates of inflation across major advanced economies rose to 40-year highs amidst the rise in global commodity prices and continued supply chain disruptions. This is expected to reduce consumer spending growth from its exceptionally strong levels in FY 2021/22, though rates of consumption growth have remained relatively resilient in the first half of the current year and the extent of the downturn remains uncertain. A slowing of the global economy may also help to reduce the pressure on global supply chains and contribute to a reduction in commodity prices. Nonetheless, the ongoing conflict in Ukraine and increased tensions between the US and China present downside risks.

Meanwhile, economic pressures have significantly increased in Hela's operating countries, with the economic crisis in Sri Lanka proving especially severe. The Sri Lankan Rupee has depreciated substantially further in the early months of the FY 2022/23 and the rate of inflation has exceeded 50%. As a result, interest rates have increased significantly, both for local currency and US dollar borrowing. Shortages of essential goods, including fuel, and constraints on US dollar liquidity have also worsened, though policy accommodations for exporters have ensured the uninterrupted continuation of their operations. Similar pressures have also increased across Hela's African manufacturing footprint, though they remain significantly less severe than those experienced in Sri Lanka and all are seeking funding support from the International Monetary Fund as an additional measure.

FINANCIAL REVIEW

Production floor at Hela's manufacturing facility in Kenya

Hela recorded exceptional revenue growth in FY 2021/22, with significant improvements in the strength of its Balance Sheet. However, the extremely challenging operating environment had a significant impact on profit margins and extended working capital cycles. This section provides further details on the Group's financial performance during the year and its financial position as of 31 March 2022.

The consolidated financial statements of the Group and the numbers referenced in this section are presented in Sri Lankan Rupees. As the functional currency of the Group is US Dollars, the financial statements are initially prepared in this currency and translated into Sri Lankan Rupees based on the Sri Lankan Accounting Standards. Further details on foreign currency translations can be found in Note 21 (c) to the Consolidated Financial Statements on page 150.

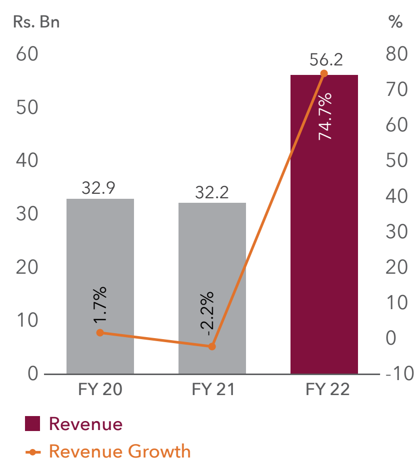
FINANCIAL PERFORMANCE

REVENUE

The Group recorded consolidated revenue of Rs. 56.2 Bn in FY 2021/22, an exceptional 74.7% increase over the previous year. This partly reflected the continuation of the very strong recovery in consumer demand from the initial negative shock triggered by the COVID-19 pandemic, as well Hela's effective customer engagement strategies and expansion initiatives.

Strong revenue growth was reflected across all of Hela's key markets in Europe and North America. Revenue from shipments to the US increased by 78.1% to Rs. 31.6 Bn, while shipments to the UK and European Union increased by 87.0% to Rs. 21.3 Bn. Exports to other markets also recorded a marginal increase of 8.9% to Rs. 3.3 Bn. The expansion of Hela's global footprint in Africa, including the acquisition of a second factory in Ethiopia and the establishment of operations in Egypt, was also an important contributor to revenue growth during the year under review.

REVENUE & GROWTH



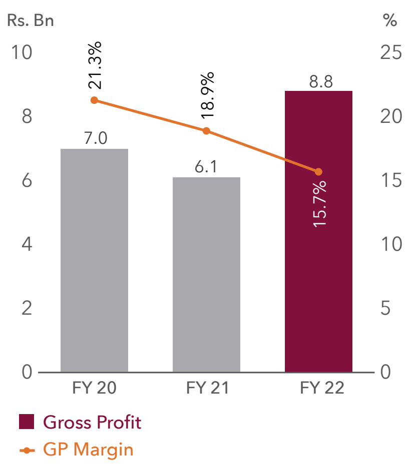
GROSS PROFIT & OPERATING PROFIT

Driven by the strong growth in revenue, consolidated gross profit rose by 45.3% in FY 2021/22 to Rs. 8.8 Bn. However, this reflected a decline in gross margins by 320bps, to 15.7%, as a result of significant external cost pressures – most notably the substantial and persistent increases in global commodity prices and freight charges.

"THE GROUP RECORDED CONSOLIDATED REVENUE OF RS. 56.2 BN IN FY 2021/22, AN EXCEPTIONAL 74.7% INCREASE OVER THE PREVIOUS YEAR"

Similarly, while operating profit posted annual growth of 27.2% to reach LKR 2.5 Bn in FY 2021/22, the operating margin narrowed by 170 bps to 4.4%. This was underpinned by the reduction in gross margins, as well as escalations in administration and distribution costs, which rose by 37.3% and 132.7% respectively.

GROSS PROFIT & MARGIN



Setting aside the increase in operational costs to support the substantial rise in revenue and the initial setup costs related to the Group's expansion initiatives in Africa, administrative expenses were also increased by Rs. 0.3 Bn in costs directly related to the COVID-19 pandemic. In particular, Hela made the proactive decision to support the welfare of its people by covering the cost of private quarantine facilities for all employees, regardless of designation, and directly procured vaccinations for staff across its African manufacturing facilities where vaccine rollouts were slower. In addition, the severe disruptions to global supply chains during the year were an important driver of the escalation in distribution cost, as it disrupted raw material deliveries, causing a knock-on impact on operations and contributing to unplanned air freight costs to ensure delivery timelines were met.

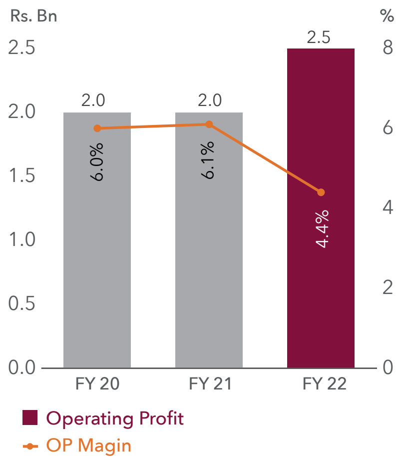
Other one-off factors also contributed to the pressure on profit margins during the year. In particular, a temporary labour dispute at Hela's manufacturing facility in Kenya led to an unplanned closure for a limited period that had a significant impact on shipments in

EXTRACT FROM THE STATEMENT OF PROFIT OR LOSS

LKR '000	FY 2021/22	FY 2020/21	% Change
Revenue from contracts with customers	56,179,623	32,155,092	74.7
Gross profit	8,811,809	6,065,467	45.3
Distribution expenses	(1,450,910)	(623,425)	132.7
Administrative expenses	(5,230,583)	(3,810,548)	37.3
Other income	93,286	262,844	(64.5)
Other gains / (losses) - net	401,679	82,449	387.2
Operating profit / (loss)	2,492,563	1,960,024	27.2
Finance income	46,515	10,174	357.2
Finance costs	(1,382,780)	(1,058,098)	30.7
Finance (costs) / income - net	(1,336,265)	(1,047,924)	27.5
Share of loss of equity accounted investee, net of tax	(91,516)	-	(100)
Profit / (loss) before income tax	1,064,782	912,100	16.7
Income tax expense	(248,471)	(40,564)	512.5
Profit / (loss) for the year	816,311	871,536	(6.3)
Profit / (loss) is attributable to:			
Equity holders of the Parent	819,690	766,846	6.9
Non-controlling interests	(3,379)	104,690	(103.2)

FINANCIAL REVIEW

OPERATING PROFIT & MARGIN



the final weeks of FY 2021/22. The consultancy and brokerage fees in relation to the Company's IPO also contributed to the higher cost base.

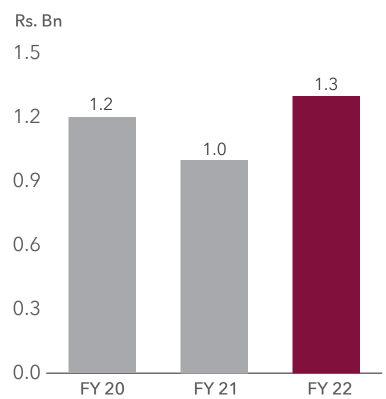
The significant depreciation in the Sri Lankan Rupee in the final weeks of FY 2021/22 allowed the recognition of exchange gains against the Group's local currency denominated expenses and borrowings. However, this was offset to a large extent by the exchange loss recorded as a result of the remaining IPO proceeds held by the Group at the end of the financial year.

FINANCE EXPENSE

Net finance expenses of the Group increased by 27.5% to Rs. 1.3 Bn in FY 2021/22, primarily as a result of the increased working capital financing requirement to support the substantial increase in revenue. The Group's working capital cycle was also extended during the year due to the disruptions to global supply chains, which led to longer delivery times for raw materials and the requirement to hold additional inventory to mitigate the impact of unexpected shipping delays.

The interest cover of the Group also remained constant at 1.8 times, indicating a similar growth in finance expense and operating profit compared to the previous year.

NET FINANCE EXPENSE



TAXATION

Group income tax expenses increased by 512.5% to Rs. 248.5 Mn during the year under review, compared to Rs. 40.6 Mn in the previous year. This primarily comprised of a current tax charge of Rs. 43.1 Mn and a deferred tax charge of Rs. 222.0 Mn.

The large deferred tax charge was mainly due to the depreciation of the Sri Lankan Rupee in the final weeks of FY 2021/22. In particular, the value of certain deferred tax assets and liabilities held by the Group are denominated in Sri Lanka Rupees and the net US dollar liabilities therefore increased as a result of the depreciation, necessitating the recognition of a substantial deferred tax impact.

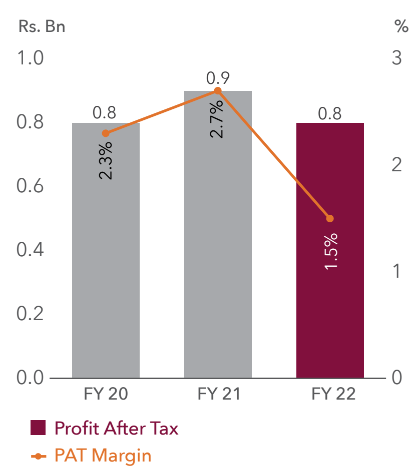
Setting aside the deferred tax provision, the income tax expenses of the Group were largely stable in FY 2021/22 compared to the previous year with the Group's effective income tax rate at 4.35% compared to 5.37% recorded in the previous year.

PROFIT AFTER TAX & PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The Group recorded a consolidated Profit After Taxation (PAT) of Rs. 816.3 Mn in FY 2021/22. Despite the increase in operating profit, this reflected a decrease of 6.3% compared to the previous year as a result of the increase in finance expenses and taxation.

Conversely, PAT attributable to equity holders of the parent increased by 6.9% to Rs. 819.7 Mn in the year under review. This was the result of a Rs. 3.4 Mn loss attributed to non-controlling interests in the Group's subsidiary in Ethiopia.

PROFIT AFTER TAX & MARGIN

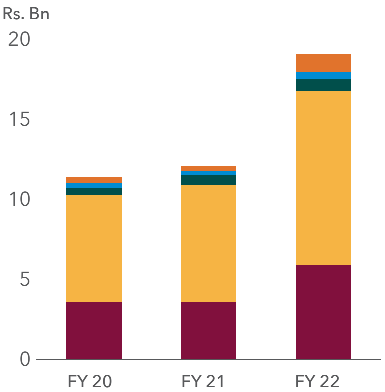


FINANCIAL POSITION

GROUP ASSETS

As of 31 March 2022, the Group's total asset base stood at Rs. 54.0 Bn and reflected an increase of Rs. 27.3 Bn compared to the previous year. Non-current assets rose by Rs. 7.1 Bn as a result of additional machinery and equipment investments in Africa, as well an increase in intangible assets related to productivity-enhancing automation investments and the initial implementation of Hela's new enterprise resource planning system. In addition, Rs. 0.3 Bn was recorded in relation to new investments in joint ventures in Ethiopia and Kenya.

NON-CURRENT ASSETS



The primary driver of the increase in the asset base was a Rs. 20.2 Bn rise in current assets. This is attributable to the doubling of the Group's trade receivables and inventories, to support the similar scale in revenue growth and taking into account the depreciation in the Sri Lankan Rupee.

EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION

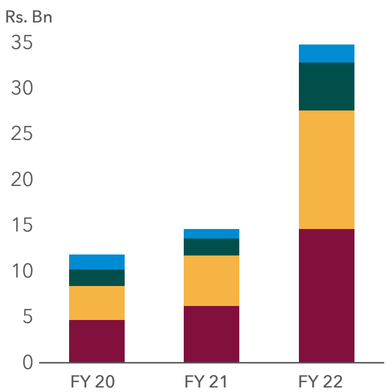
LKR '000	FY 2021/22	FY 2020/21
ASSETS		
Non-current assets		
Property, plant and equipment	5,927,969	3,560,886
Investment property	450,000	340,796
Right-of-use assets	740,821	562,667
Intangible assets	10,914,668	7,271,435
Capital work-in-progress	626,633	42,339
Investments in equity accounted investees	320,407	-
Deferred tax assets	182,650	304,947
Total non-current assets	19,163,480	12,083,291
Current assets		
Inventories	12,970,239	5,453,106
Trade receivables	11,927,722	5,288,324
Other receivables	2,656,861	911,737
Other assets	2,018,930	1,034,840
Cash and cash equivalents	5,244,151	1,896,513
Total current assets	34,829,368	14,590,815
Total assets	53,992,848	26,674,106
EQUITY AND LIABILITIES		
Stated capital	5,696,037	1,723,899
Retained earnings / (accumulated losses)	2,315,666	1,313,835
Other reserves	141,032	86,065
Exchange equalisation reserve	4,827,165	505,769
Capital and reserves attributable equity holders of the parent	12,979,900	3,629,568
Non-controlling interests	150,522	340,114
Total equity	13,130,422	3,969,682
Non-current liabilities		
Borrowings	2,574,365	2,063,220
Deferred tax liabilities	575,488	372,059
Lease liabilities	350,258	548,511
Employee benefit obligations	426,417	436,905
Total non-current liabilities	3,926,528	3,420,695
Current liabilities		
Trade and other payables	10,774,815	6,110,300
Lease liabilities	433,857	73,889
Borrowings	25,688,921	13,097,864
Total current liabilities	36,935,898	19,283,729
Total liabilities	40,862,426	22,704,424
Total equity and liabilities	53,992,848	26,674,106

FINANCIAL REVIEW

"THE SUCCESSFUL COMPLETION OF THE COMPANY'S LISTING ALSO SIGNIFICANTLY STRENGTHENED THE GROUP'S EQUITY POSITION"

The extension of the Group's working capital cycle was also a contributing factor, as the severe disruption to global supply chains increased lead times. In addition, cash held by the Group increased by Rs. 3.3 Bn as a result of the remaining IPO funds held by the Group at the reporting date.

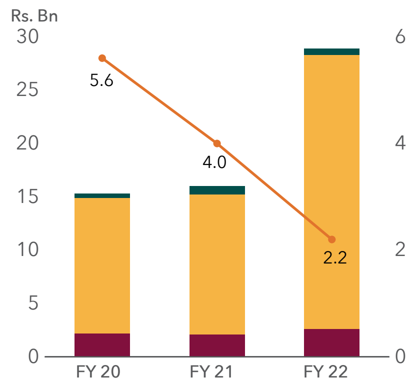
CURRENT ASSETS



GROUP DEBT & CAPITAL STRUCTURE

Group debt, including lease liabilities, stood at Rs. 29 Bn at the close of FY 2021/22 and reflected an increase of Rs. 13.3 Bn compared to the previous year, that was almost entirely driven by a rise in current borrowings. This is attributable to the increased working capital financing requirement to support the sharp increase in revenue and extended working capital cycle, as well the impact of the depreciation of the Sri Lankan Rupee vis-à-vis the Group's predominately US Dollar-denominated debt portfolio. Non-current borrowing

TOTAL DEBT & DEBT-TO-EQUITY RATIO



GROUP RATIOS

	FY 2021/22	FY 2020/21
Debt to Equity (Times)	2.2	4.0
Current Ratio (Times)	0.9	0.8
Return on Equity	9.9%	25.0%
Revenue Growth	74.7%	-2.2%
Gross Profit Margin	15.7%	18.9%
Operating Profit Margin	4.4%	6.1%
Net Profit Margin	1.5%	2.7%

rose only marginally during the year, as additional long-term borrowing to fund expansions project was largely offset by the reclassification of some existing term loans to current borrowing and the settlements completed using the proceeds from the Company's IPO.

Total current liabilities recorded a 91.5% increase due to a rise in the current portion of interest bearing loans and borrowings by Rs.12.6 Bn, and trade and other payables by Rs. 4.7 Bn.

The successful completion of the Company's listing also significantly strengthened the Group's equity position, which rose to Rs. 13.1 Bn compared to Rs. 4.0 Bn in the previous year. As a result, the Group's Debt-to-Equity ratio reduced to 2.2 as of 31 March 2022, compared to 4.0 at the close of the previous financial year.

This leaves the Group in a stronger position to explore future global expansion, while remaining resilient in the midst of an ever more challenging operating environment. Hela's resilient financial position was also externally validated by Fitch Ratings during the year with the assignment of an initial National Rating of 'AA(lka)', with a stable outlook.

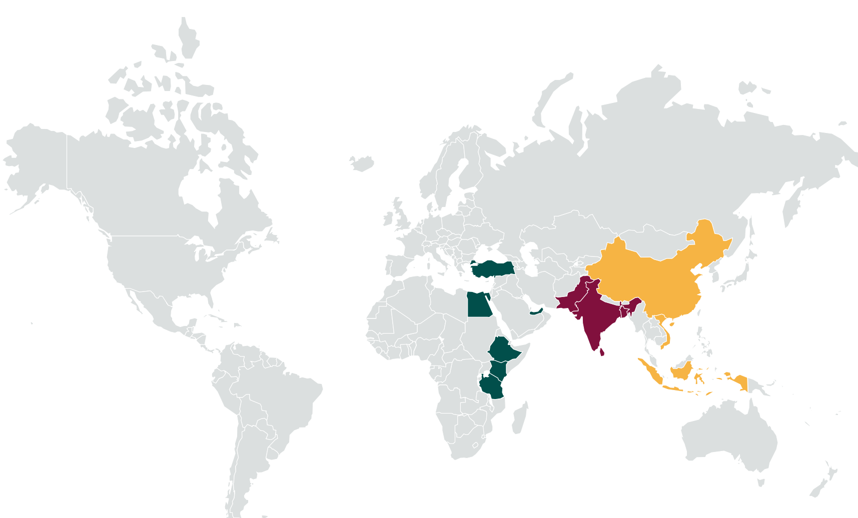
MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLY CHAIN MANAGEMENT

Given the scope and scale of Hela's business as a global apparel manufacturer, its supply chain plays a crucial role in the ongoing success of the business. The largest component of Hela's supply chain comprises of suppliers who provide routine items such as fabrics, trims and packaging for the manufacture and supply of core apparel products. Such suppliers account for more than 80% of Hela's average annual procurement spend and, as such, are considered strategic suppliers for the Group.

The remaining 20% of the Group's procurement spend is accounted for by suppliers and service providers who provide ancillary products and services required for day-to-day operations, such as embroidery, printing and washing.

HELA GROUP'S SOURCING MARKETS (% OF TOTAL PROCUREMENT)



INDIAN SUB CONTINENT - 70% | FAR EAST - 10% | AFRICA - 20%

MANAGEMENT APPROACH

Hela's supply chain management approach is based on the principle of shared value, whereby the Company strives to build long term relationships with strategic suppliers for the purpose of facilitating mutual growth.

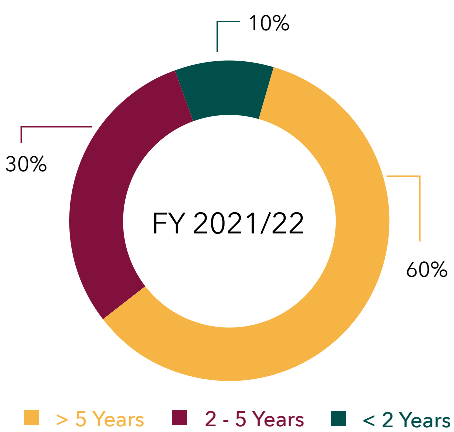
A formal supply chain management programme is in place to support efforts to identify the right supply chain partners and build sustainable long-term partnerships with those that are an appropriate strategic fit.

SUPPLIER OPERATIONS PROCESS AND BEST PRACTICES

Hela follows a strategic and a comprehensive process for supplier operations, which allows the Company to select strategic supplier partners and build long term sustainable partnerships. The high-level process for supplier operations is outlined below.

"AFRICAN REGIONAL SOURCING ACCOUNTS FOR ONE THIRD OF THE TOTAL PROCUREMENT SPEND OF THE GROUP'S AFRICAN OPERATIONS"

SUPPLIER RELATIONSHIP STATUS



As the first step, the Company has adopted a comprehensive evaluation process that involves stringent vetting of supplier capabilities and credentials. The capability evaluation component covers such areas as quality, on-time delivery, innovation capability, certifications, upstream and downstream capacity, and transparency of information flow.

Suppliers are formally on-boarded following their agreement to Hela's Supplier Code of Conduct, which is designed to ensure shared principles and values. In particular, all suppliers must share the Group's commitment to complying with the legal and regulatory requirements of its customers.

In line with Hela's customer-first strategy, the sourcing team keeps track of supplier performance on an ongoing basis using a supplier scorecard to monitor quality, delivery, information sharing and other KPIs. The sourcing team also maintains continuous and ongoing communication with suppliers and engages in frequent vendor visits in order to secure supplier commitment towards Hela's supply chain goals.

Routine supplier audits are carried out by Hela's compliance teams, which includes announced and unannounced on-site inspections of production facilities, to ensure and monitor compliance with the set standards. Non-conformities found through these audits are discussed with suppliers, with Hela providing guidance and support to assist them in taking necessary corrective actions.

The increased focus on ethical cotton sourcing by the Group's customers has prompted Hela to implement specific actions to reinforce its commitment to this objective. The Hela Group Policy on Cotton Fibre Sourcing was launched in 2022, outlining Hela's stance on cotton fibre sourcing. The policy further acknowledges Hela's commitment to ongoing due diligence to maintain the traceability of its supply chain.

To support these efforts, the Company has implemented the FibreTrace technology to create a platform for greater transparency and visibility from farm to factory. Hela has also adopted the US Cotton Protocol to standardise its methodology for the assessment of sustainably grown cotton. This ensures the Group's contribution to the protection and preservation of the planet, and drives supplier's alignment to standards, such as the Better Cotton Initiative. This aims to make global cotton production better for the people who work in the supply chain, as well the environment it grows in, and therefore ensure a sustainable future for the industry.

SUPPLIER OPERATIONS PROCESS

SUPPLY CHAIN MANAGEMENT

KEY FOCUS AREAS FOR THE YEAR

CUSTOMER FIRST STRATEGY

Unlocking potential to cater to requirements across brands and regions

SOURCING STRATEGY

Sourcing strategy to diversify suppliers, minimise risk exposure and ensure compliance

AUDIT & CERTIFICATION

Strengthening visibility of quality assurance and raw materials throughout the value chain to extend verifiability

TRANSPARENCY

Transparency across the value chain through collection of verifiable custody documentation

Further widening Hela's focus on ethical sourcing, the Company is encouraging its suppliers to voluntarily adopt benchmarks such as the Oekotex 100, Organic Content Standard, Global Organic Textile Standard and the Global Recycle Standard in order to confirm their commitment to ethical business.

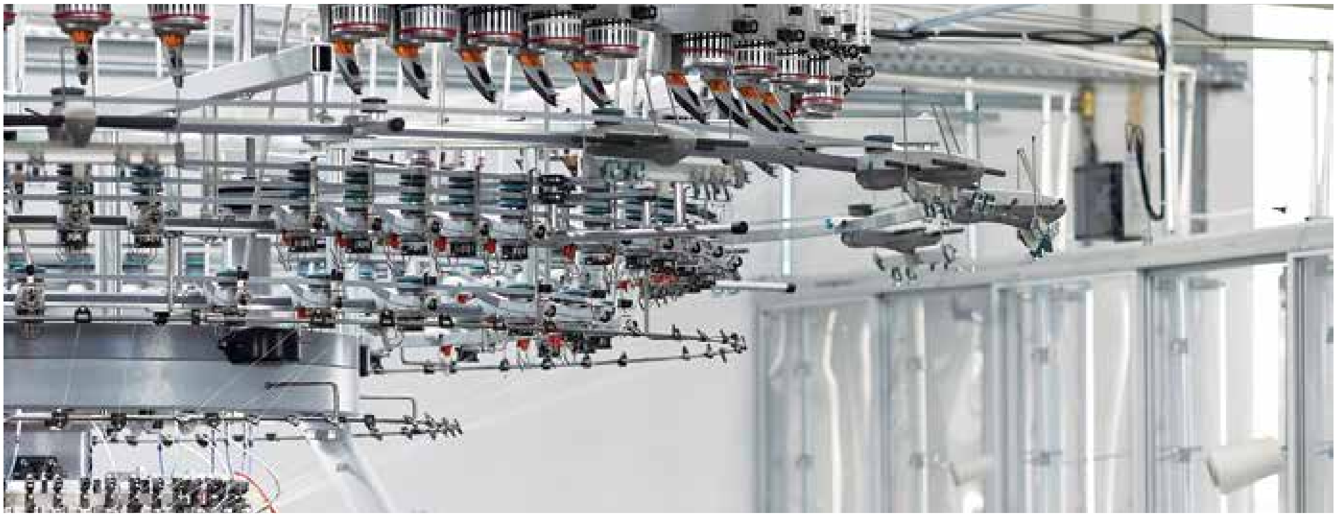
REGIONALISING SUPPLY CHAINS

In tandem with the rapid expansion of Hela's global footprint in recent years, the Company has increasingly pivoted towards regionalising its supply chain by seeking out suppliers with significant location advantages in terms of proximity to Hela's manufacturing facilities. The main aim of the supply chain regionalisation strategy is to bring suppliers closer to the needlepoint thereby reducing lead times and ensuring on time delivery of raw materials for production. Hela's regionalisation strategy also reflects its desire to capitalise on the advantages of local sourcing as much as possible.

For example, the Group's decision to establish operations in Egypt was partly influenced by its well established apparel-specific, supply chain networks. In-country supply chains that are not encumbered by cross-border logistics delays allow faster access to raw materials, in turn enabling Hela to cut customer delivery lead times. These are significant advantages that have prompted Hela to focus on systematically increasing the share of procurement from the African region to support the Group's operations within the region.

COVID-19 related global supply chain disruptions also motivated Hela to focus more aggressively on supply chain regionalisation in FY 2021/22. The Group sought to expand its supply chain partnerships by entering into long term contractual agreements with several trims and packaging suppliers in the African region. In this way, Hela has made significant progress in creating a strong ecosystem to support supply chain continuity for the Group's African operations.

African regional sourcing now accounts for one third of the total procurement spend of the Group's African operations, indicating the success of Hela's regionalisation strategy.



The Seacell fibre production process - Image Source: https://www.itjvtexteis.com/en

Underpinned by its Africa-centric supply chain regionalisation strategy, Hela is targeting to increase regional sourcing from Africa to 50% by 2023.

Regional sourcing from the Indian Sub-Continent continues to underpin the Group's operations in Sri Lanka, accounting for over 90% of local procurement spend.

SUPPLIER DEVELOPMENT

Supplier development goes hand in hand with Hela's supply chain management approach. It is a part of Hela's endeavour to build long term sustainable supply chain relationships and to create opportunities for strategic suppliers to integrate more deeply with the Group's strategy. On this basis, the Company has supported several of its Sri Lankan suppliers to gain exposure to international markets. Through Hela's Africa-centric supply chain regionalisation strategy in particular, the Company has succeeded in providing opportunities for several trims partners from Sri Lanka to set up in close proximity to its African manufacturing facilities. As part of the same effort, Hela is also working to support African communities, specifically through the creation of viable opportunities for community-based micro and small scale entrepreneurs to either directly or indirectly support Hela's supply chain.

Working in collaboration with its network of supplier partners has also enabled Hela to pivot towards greater innovation, which has proven to be a key success factor in tapping into niche customer markets. These partnerships have resulted in some notable innovations, including;

SeaCell: Hela's SeaCell smart fibre range leverages the power of seaweed, and sustainably harvested seaweed vitamins, minerals and amino acids. The range consists of single jersey and french terry fabrics, which have antioxidative and free radical removal properties.

Nature Tech: Consists of super soft, ultra-stretch french terry fabrics made with Lenzing Modal. Cellulosic (plant-based) fibres are harvested from both natural forests and sustainably managed plantations. Owing to the fibre's sleek cross-section, modal fibres enhance the soft touch of the fabric even after repeated washing. Measurements and hand evaluations of softness show that these modal fibres feel twice as soft as cotton.

Tea Hues: Natural and sustainable tea hues has a closed loop natural dye process, which reduces its carbon footprint and the potential hazards to consumers and the environment. The natural dyes are developed using water released during the manufacture of iced tea.

EMPLOYEE DEVELOPMENT

A training session in Sri Lanka held under the Hela Diriliya Initiative

Hela employed 19,430 people across its international footprint at the close of FY 2021/22. The strength, passion and dedication of this global workforce is the foundation on which the Group's success is built, and employee development is therefore a key focus of the organisation. This section provides an overview of Hela's employee recruitment, engagement and training strategy.

Location	HELA GROUP EMPLOYEES AS OF 31 MARCH 2022			
	Employee Category			Total Employee Count
	Team Members & Staff	Executives	Senior Management	
Sri Lanka	8,158	812	59	9,029
Kenya	4,717	117	3	4,837
Ethiopia	3,840	80	-	3,920
Egypt	1,591	51	2	1,644
Total	18,306	1,060	64	19,430

MANAGEMENT APPROACH

Hela's approach to people development is based on the belief that people play a defining role in the Group's current and future success. As such, the management is committed to creating a working environment where people understand their roles and have a clear sense of belonging, which inspires them to work towards this Group's objectives.

Creating such an environment is not without its challenges, particularly given that Hela operates in one of the world's fastest evolving and most competitive industries - the global apparel industry. The Group's response to such challenges is articulated through a well-defined people development framework, and which aims to give its employees a unique value proposition that will allow them to grow by aligning their career journeys in tandem with Hela's growth ambitions.

HR GOVERNANCE

All people development activities at Hela are centralised under the Group's HR function. Headed by the Chief People Officer, the HR function operates as a shared service providing oversight for HR-related matters across the Group.

Based on the principle of "One Hela - One HR", the Group HR function serves as the main custodian for ensuring regulatory compliances. It also leads the formulation and implementation of Group HR policies that aim to embed global best practices at all levels.

The HR leadership team acts as the vital link in providing support and guidance to the HR business partners, who directly support operations, on policy implementation and people development matters, as well as in alignment with the "One Hela - One HR" theme.

“ IN THE YEAR UNDER REVIEW, HELA FURTHER STRENGTHENED ITS HR GOVERNANCE FRAMEWORK THROUGH THE ROLLOUT OF THE FIRST PHASE OF THE HR 360 DIGITAL TRANSFORMATION PROJECT ”

In the year under review, Hela further strengthened its HR Governance framework through the rollout of the first phase of the HR 360 digital transformation project, a fully automated Human Resources Information System (HRIS). Once completed, this will enable all people development activities to be managed digitally.

HR POLICIES AND BEST PRACTICES

HR policies and best practices are a vital component of Hela's overall approach to people development. As a global apparel manufacturer, the Group's operations are governed by the various labour laws applicable in the jurisdictions where its manufacturing facilities are located. Hela remains fully committed to complying with all applicable labour laws, without exception.

In this regard, Hela's HR leadership team keeps abreast of all developments in labour regulations, as well as global best practices, and often solicits legal advice for greater clarity regarding interpretation. The HR leadership team also undertakes to formally convey new developments to the wider organisation by arranging for regular training and awareness sessions.

HELA GROUP'S HR POLICY FRAMEWORK

- Recruitment and Selection
- Remuneration and Benefits
- Welfare and Benefits
- Training and Development
- Non Harassment and Abuse
- Non-Discrimination
- Policy on Types of Employment
- Group Foreign Travel Policy
- Code of Conduct
- Worker Representation
- Worker Communication
- Grievance Handling Policy
- Superannuation Benefits Policy
- Prevention of Human Trafficking Policy
- No Forced Labour Policy
- Exit Procedure
- Dress Code
- Disciplinary Management
- Conflict Management
- Child Labour Remediation and Minimum Age Policy
- Attendance and Leave Policy
- Anti Bribery and Fraud Policy
- Policy on Trainees and Interns
- Prevention of Sexual Harassment

EMPLOYEE DEVELOPMENT

“ HELA’S HR LEADERSHIP TEAM KEEPS ABREAST OF ALL DEVELOPMENTS IN LABOUR REGULATIONS AS WELL AS GLOBAL BEST PRACTICES ”

LABOUR REGULATIONS APPLICABLE TO HELA GROUP

Sri Lanka
Factories Ordinance No. 45 of 1942
Shop and Office Employees Act of No. 19 of 1954
National Minimum Wage of Workers Act No. 16 of 2021
Employees’ Provident Fund, No.15 of 1958
Employees’ Trust Fund, No. 46 Of 1980
Payment of Gratuity Act, No. 12 of 1983
Wages Boards Ordinance, No.27 of 1941
Occupational Safety and Health Act No. 38 of 2009
Maternity Benefits Ordinance, No.32 of 1939
Employment of women, young person and children, No. 47 of 1956
National Minimum Wage of Workers Act, No. 3 of 2016
Minimum Retirement Age of Workers Act, No. 28 of 2021
Industrial Disputes Act, No. 43 of 1950
Budgetary Relief Allowance of Workers Act, No. 4 of 2016
Budgetary Relief Allowance of Workers Act (No.1), No. 8 of 1978
Budgetary Relief Allowance of Workers Act (No.2), No. 18 of 1978
Budgetary Relief Allowance of Workers Act (No.2), No. 18 of 1978
Workmen's compensation, Nos: 31 of 1957
Employee’s Councils, No. 32 of 1979

Ethiopia
Ethiopian Labour Proclamation Law 1156/2019
No. 4 Tax and Social Security

Kenya
Employment Act of 2007
Labour Relations Act of 2007
Occupational Safety And Health Act of 2007
National Hospital Insurance Fund Act
National Social Security Fund Act
Work Injury Benefits Act of 2007

Egypt
National Wage Council Law No. 57 of 2021
Social Insurance Law No. 148 of 2019
Labour Law No. 12 of 2003

The Hela Group has fully complied with all applicable labour laws and regulations and hence did not face any incidents of non-compliance in FY 2021/22.

MANPOWER PLANNING

The Group's efforts to ensure an optimal workforce begins with the manpower plan. A rolling manpower plan is prepared for a three year time frame and updated annually by all business heads with the assistance of the HR leadership team.

The rapid expansion of the business in recent years has prompted a 360 degree view of the Group's people requirements. This has resulted in several other key considerations influencing the manpower planning process, such as skill specificity and workforce agility.

Upon being approved by the Group CEO, the manpower plan is then escalated to the budgeting stage.

RECRUITMENT AND SELECTION

The manpower plan is used as the basis for all recruitments for a given year. As dictated by the Hela Recruitment Policy, the Group strives to recruit individuals who are the best fit for the role, purpose driven, innovative and professional, and can align with Hela's unique work ethic.

The Group is an equal opportunity employer and supports fair and equitable recruitment of candidates. All vacancies are open equally to external candidates and existing employees who wish to apply. Eligible internal staff are given the freedom to apply for vacancies in the same category or higher categories of employment.

Given Hela's multi-country presence, the Group is also committed to increasing local representation in Senior Management roles within our manufacturing facilities.

Hela further ensures equal opportunities for all employees by embracing the tenets of inclusivity and diversity. Selection decisions are made without prejudice and based solely on the individual's competence and capability to effectively contribute toward business requirements. Canvassing and influencing of any form are not entertained and will automatically disqualify the candidate. The Hela Group was not subject to any incidents of discrimination in the year under review.

In line with Hela's stance against child labour, the Group ensures that all new recruits are of the minimum allowable age in compliance with the regulations applicable in the various jurisdictions in which the Group operates. A strict policy against forced or compulsory labour is also in place across the Group. Towards this end, the external certifications provided by Worldwide Responsible Accredited Production (WRAP) and the Sedex Members Ethical Trade Audit (SMETA) further confirms that Hela's operations do not include child labour and forced or compulsory labour conditions.

EMPLOYEE MOVEMENT - FY 2021/22

		Sri Lanka	Ethiopia	Kenya	Egypt	Total
Total New Recruits		8,083	1,720	1,949	1,129	12,881
Gender Distribution of New Recruits	Female	5,552	1,374	1,486	701	9,113
	Male	2,531	346	463	428	3,768
Age Distribution of New Recruits	< 30 years	5,953	1,688	1,311	695	9,647
	30 to 50 years	2,092	32	626	426	3,176
	> 50 years	38	-	12	8	58
Employee Resignations		6,297	626	1,064	513	8,500
Gender Distribution of Resignations	Female	4,376	537	689	317	5,919
	Male	1,921	89	375	196	2,581
Age Distribution of Resignations	< 30 years	4,365	620	535	229	5,749
	30 to 50 years	1,810	6	524	257	2,597
	> 50 years	122	-	5	27	154

EMPLOYEE DEVELOPMENT

“HELA’S REMUNERATION AND BENEFITS POLICY UNDERPINS THE GROUP’S EFFORTS TO ENSURE ALL EMPLOYEES RECEIVE FAIR AND EQUITABLE REMUNERATION”

All new recruits to the workforce are placed on probation for a period of 3 months during which time their performance is assessed on a continuous and ongoing basis by the respective line manager. Executive level employees are subject to a six month probationary period, whereafter their performance is reviewed by the respective head of department and recommended for confirmation based on performance outcomes.

REMUNERATION AND BENEFITS

Hela’s Remuneration and Benefits Policy underpins the Group’s efforts to ensure all employees receive fair and equitable remuneration in recognition of their contribution. Given the complexity of its employee base, the Group has a multi-layered salary structure, but nevertheless ensures that a strict 1:1 ratio is maintained between the basic salary paid to men and women performing similar roles in the same employee category at all locations.

The Group’s workforce (100% of factory floor employees) in Sri Lanka are subject to the National Minimum Wage of Workers Act No. 16 of 2021. It should be noted, however, that the salary scales offered by Hela to its factory floor employees are significantly higher than these minimum wage requirements.

This reflects the Group’s desire to compensate employees not only to fulfil regulatory obligations, but to honour their contribution.

Executive and management level employees in all countries are remunerated on par with the industry standards of that region. A regional salary survey conducted annually supports Hela's efforts to update salary structures to ensure competitiveness.

As part of the commitment to fair and equitable remuneration, Hela continues to meet all statutory obligations on behalf of all its employees. All employees also have the opportunity to work towards pay increases based on their ability to achieve performance objectives. In addition, all Hela employees, regardless of their category, are entitled to the following standard benefits;

- Distress Loans
- Welfare Fund Loans
- Medical Insurance Facilities
- Workman’s Compensation
- Special Loan Facilities

P.A.C.E. graduates in Ethiopia with Hela's management team

PERFORMANCE EVALUATION

The performance evaluation process forms a fundamental part of the Group's efforts to support employee development and promote career growth. At present, the performance of the workforce is assessed on-the-job, by respective line supervisors and reviewed by the head of department to determine gradings and performance-based incentives.

Meanwhile, the performance of executive level employees is reviewed by the respective head of department and submitted to the HR Department, along with recommendations for increments and promotions.

Performance evaluations also provide an opportunity to determine training needs, and allow employees to discuss and plan their individual career development.

In the year under review, the groundwork for the new HR 360 HRIS, was put in place in order to begin the roll out of a new Performance Management System in time for the 2022/23 performance review cycle. As per the new system, employee performance will be evaluated against set goals through a system generated bi-annual performance appraisal process. The new system will thus create a systematic framework for evaluating the performance of executive category employees, while also enabling real time performance tracking to promote a performance driven culture and improve the link between rewards and performance.

TRAINING AND DEVELOPMENT

Training and development is a critical component of Hela's overall people development approach. The Group aims to create an environment for continuous learning through on-the-job training,further supported by the P.A.C.E. (Personal Advancement and Career Enhancement) programme, which is explained in greater detail under the Community Empowerment section on page 51 of this Report.

Training interventions for executive level employees are undertaken based on the annual training plan, which is formulated from a training needs assessment carried out by heads of departments. Assessments are carried out at the point of recruitment, at the end of probation and during the annual performance evaluation and succession planning sessions. Typical training activities are categorised as; technical competency with special emphasis on up-skilling and re-skilling; and soft skills development. Once established, training needs are then assimilated into a training budget to ensure adequate resources are allocated. All training activities are facilitated by the Group HR function.

TRAINING AND DEVELOPMENT - FY 2021/22

	Team Members & Staff	Executives	Senior Management	Total
Training Programmes	247	115	19	381
Total Training Hours	39,496	8,463	696	47,730
Training Hours (Female)	36,058	4,274	214	40,956
Training Hours (Male)	2,381	3,741	410	6,774

An employee development session conducted at Hela's manufacturing facility in Egypt

EMPLOYEE DEVELOPMENT

EMPLOYEE RELATIONS

As the Group's operations are highly labour dependent, the organisation has always prioritised efforts to build and maintain strong relationships with employees. Reinforcing the belief in employees right to freedom of association, Hela has established Employee Councils (EC) at all its factories. ECs consist of representatives from all departments, with female participation in EC membership strongly encouraged.

EC meetings are held monthly, thus ensuring a routine mechanism to strengthen employee participation on matters of mutual interest.

In addition, a separate Grievance Process is in place, should employees wish to formally escalate any grievances for which suitable solutions were not received through the EC meetings or via the Employee Relations Officer.

A total of 190 complaints were received through the Grievance Process in the year under review, with all being satisfactorily resolved by the end of the financial year.

WORK-LIFE BALANCE

Ensuring employees benefit from a healthy work-life balance is an important part of Hela's people development approach. In this regard, the Group focuses on holistically safeguarding employee well-being through targeted initiatives for mental, physical, emotional and economic health.

A training session for team members under the Hela Diriliya Initiative

COMPLIANCE AND OCCUPATIONAL HEALTH & SAFETY

As part of its social capital focus, Hela has a well-established commitment to social compliance and occupational health and safety. This ensures the welfare of the Group's employees is protected and that Hela continues to maintain positive relationships with the communities in which it operates.

This section provides an overview of the Group's approach to social compliance and employee health and safety. Further details on Hela's compliance with applicable labour regulations and best practices are contained in the Employee Development section.

MANAGEMENT APPROACH

Responsibility for ensuring adherence with the relevant social compliance standards is vested with the Group's compliance and brand protection team. This team acts as a central shared service for the operational business heads on matters related to social compliance. Each operational business unit also has a dedicated compliance team, who ensure consistent implementation of all relevant social compliance and health and safety standards at each of the Group's manufacturing facilities.

To ensure continuous improvement, the Group's compliance and brand protection team regularly monitor revisions to social compliance standard and global health and safety best practices. In addition, the team provides regular training and awareness sessions to employees at all levels on these areas.

COMPLIANCE SYSTEMS

The following compliance systems are in use across the Group:

Compliance Management System (CMS): The CMS is a 360-degree online platform that governs compliance performance at each of the Group's manufacturing facilities. The system provides broad insights to easily monitor adherence to compliance standards across the Group in real time.

Internal Social Compliance Audit Mechanism: This system was developed by Hela as an evaluation tool and contains comprehensive coverage of all relevant compliance criteria. Evaluations are carried out twice a year and the system assists the compliance team in identifying issues and ensures they are effectively addressed.

Social Compliance Documentation Management System: The documentation management platform is an online database that provides the compliance team with access to a wide range of documents and information related to the relevant social compliance and health and safety standards. Users can also edit, collaborate and share information with other members of the team using the platform.

COMPLIANCE AND OCCUPATIONAL HEALTH & SAFETY

MAJOR COMPLIANCE CERTIFICATIONS

Hela adheres to the following major compliance certifications:

Worldwide Responsible Accredited Production (WRAP) – Hela's adherence to ethical business practices and ensuring the well-being of all stakeholders is externally validated through WRAP certifications for each of its manufacturing facilities. A number of the Group's facilities have been awarded a platinum rating, the highest available, indicating its success in adhering to these standards.

Sedex Members Ethical Trade Audit (SMETA) – This certification recognises the Group's ethical businesses practices, including treatment of employees, implementation of health and safety standards, and the contribution it makes to wider society, as well as its impact on the environment. All of the Group's Sri Lankan facilities have fully adopted these principles.

Social & Labour Convergence Program (SLCP) – The Converged Assessment Framework provided by SLCP supports the Group in continuously improving working conditions for its employees, while also streamlining the auditing of its adherence to labour standards.

Customs-Trade Partnership Against Terrorism (C-TPAT) - By adhering to the principles of C-TPAT, Hela demonstrates its commitment to ensuring supply chain security, identifying weak points and putting in place specific security measures. Depending on the customer requirements some of Hela's facilities are also certified under the Supplier Compliance Audit Network (SCAN) and Global Security Verification (GSV) programmes.

OCCUPATIONAL HEALTH AND SAFETY

As a responsible manufacturer, Hela is committed to providing a safe working environment for its employees. Towards this end, the Group adheres to the high workplace safety expectations of its global customers and has implemented a Group-wide Employee Health and Safety (EHS) policy and allied procedures, to safeguard all employees, as well as any third parties, at Group locations in Sri Lanka, Ethiopia, Kenya and Egypt.

The responsibility for operationalising the framework on a day-to-day basis, rests with the Compliance Point Person (CPP) at each location, who is supported by the Group's compliance and brand protection team. The duties of the CPP include maintaining the occupation health and safety standards at their location, performing daily walk-through safety checks, and conducting safety training. Separate firefighting and first aid teams have also been appointed at each location, under the purview of the respective CPP.

The CPP is the head of the EHS Committee at their respective location. The committee shares the responsibility for health and safety, and is comprised of employees from all departments who are accountable for identifying and reporting safety concerns within their respective departments. The EHS committee meets once every month to discuss these matters.

Meanwhile the CPP is required to conduct monthly safety audits and perform a bi-annual risk assessment to observe potential safety risks. The results are reported to the relevant business heads and further reviewed by the Group's Audit Committee. In addition, the Group's compliance and brand protection team also conducts random compliance-related audits and circulates their findings to Hela's senior management. Annual customer audits, as well as the WRAP and SMETA verification protocols, provide additional assurance regarding the efficacy of the Group's EHS implementation.

As per Hela's EHS policy, all incidents, including those which do not result in any injury or illness are investigated immediately after occurrence. Incident investigations are carried out by the relevant head of department and the on-site nurse, assisted by the CPP and EHS Committee. Investigations are carried out in adherence to the detailed investigation procedure provided in the EHS policy. Incidents are then documented and graded based on severity.

POTENTIAL SAFETY RISKS IN HELA'S MANUFACTURING FACILITIES	
Identified Risk Activity	**Safety Measures Adopted**
Use of cutting machines	› Provision of steel gloves › Operator awareness training › Installation of automatic cutters in some locations › Installation of fences for band knives and blade guards
Lifting heavy weights	› Provision of pallet trucks and forklifts › Ergonomics trainings › Provision of safety shoes
Moving parts in sewing machines	› Installation of machine guards › Daily safety inspections, › Operator & mechanic awareness training › Standard operating procedures
Electrical hazards	› Safety trainings for electricians › Daily safety inspections › Insulated tools › Annual electrical installation & thermography test › Standard operating procedures
Working at height	› Awareness training › Provision of safety harnesses & helmets › Ladder inspections › Work permit system
Fire	› Installation of fire detection equipment, including alarm systems › Hot work permit system › Annual thermography tests › Trained firefighting team and routine fire drills › Provision of portable fire extinguishers › Power shut downs during extended closures › Fire clearance certifications

COMPLIANCE AND OCCUPATIONAL HEALTH & SAFETY

HELA GROUP INJURY RECORD			
	FY 2021/22	FY 2020/21	FY 2019/20
No. of fatalities	0	0	0
No. of reportable injuries	7	12	20
No. of minor injuries	545	499	576
No. of incidents of ill health	11,523	12,753	10,125
Lost days due to ill health	3,618	4,353	152
Main causes for ill health	Fever, Cold, Headache, COVID-19	Cold, Fever, COVID-19	Cold, Fever

SAFETY TRAINING RECORD		
	Key Topics (Target Employee Group Indicated in Brackets)	Total no. of training hours
FY 2019/20	Fire Training (All Employees) First Aid Training (First-aid Team)	25,184
FY 2020/21	Ergonomics (All Employees) PPE (Maintenance, Chemical Handlers, Janitors)	24,041
FY 2021/22	Blood-Borne Pathogens (Tag Gun Operators) Machine Safety (All Machine Operators) Electrical Safety and Lockout Tagout (Electricians and Mechanics) Maintenance Safety (Engineering Team)	27,968

COMMUNITY EMPOWERMENT

First batch of P.A.C.E. graduates from Hela Ethiopia

As a social capital-focused Company, Hela's purpose is deeply interconnected with the lives of its employees and their families, as well as the communities in which the Group operates. Despite the challenges caused by the COVID-19 pandemic and the early stages of the economic crisis in Sri Lanka, Hela continued its efforts during FY 2021/22 focused on three major social capital initiatives: P.A.C.E., *Hela Diriliya* and *Hela Diridaruwo*.

MANAGEMENT APPROACH

Stemming from the Group's social capital strategy launched in 2021, a dedicated social capital team was established with the specific aim of developing programmes to uplift the lives of employees. The main aim is to empower the Group's diverse workforce through high-impact projects that augment their skills, enhance their financial well-being, and improve their quality of life, while paving the way for broader socio-economic progress. These efforts will translate back to Hela in terms of a highly motivated and engaged workforce that will continue to remain invested in the Company's success.

P.A.C.E. (PERSONAL ADVANCEMENT AND CAREER ENHANCEMENT) PROGRAMME

P.A.C.E. is an evidence-based comprehensive learning programme that offers training in professional and life skills development, such as communication, problem solving, hygiene, health, legal and financial literacy. The P.A.C.E. programme modules are designed to inculcate essential life skills that participants can take into their personal and professional lives.

Improving employee skills in this manner is intended to empower them to take greater control of their lives in a way that will benefit their careers in the long term.

It is also hoped that acquiring such skills will ensure greater inclusivity and equality among employees, thus paving the way for individuals to grow and thrive both in their personal and professional lives.

With the support of PVH Corp. (the parent company of major brands, including Calvin Klein and Tommy Hilfiger), Hela introduced P.A.C.E. to its Sri Lankan manufacturing facilities in 2019. This was subsequently extended to the Group's operations in Ethiopia in 2021, making Hela the first apparel manufacturer to introduce the programme in the country.

Execution of the programme was supported by a cross functional team of over 50 P.A.C.E. certified trainers. All trainers are subjected to an initial Train-the-Trainer programme along with regular refresher courses to ensure they remain updated on all required course material.

On average, training activities under the P.A.C.E. programme are completed within a three-month period. To be certified as a P.A.C.E. graduate, participants are required

COMMUNITY EMPOWERMENT

“ HELA INTENDS TO EXTEND THE IMPLEMENTATION OF THE P.A.C.E. PROGRAMME TO EGYPT AND KENYA IN FY 2022/23 ”

to achieve standard pre and post test scores, and maintain a minimum 70% attendance throughout the duration of the training. Participants are also given the opportunity to provide post-training feedback on their experience and outcomes.

Pandemic related restrictions proved to be a major challenge in conducting P.A.C.E. trainings during FY 2021/22. Nevertheless, the Group persevered with its efforts to ensure the continuity of the programme, with all necessary COVID-19 safety protocols in place. On this basis, the P.A.C.E. programme was implemented at four manufacturing facilities in Sri Lanka as well as in Ethiopia. This resulted in over 270 P.A.C.E. graduates being certified at formal graduation ceremonies during the year.

The social capital team routinely conducts business outcome tracking, covering both qualitative and quantitative assessments of individual and team performances for each P.A.C.E. batch to ensure that the expected benefits are delivered. There has been an overwhelming response from team members as well as from Hela's customers towards the P.A.C.E. programme. In fact Hela’s social capital team was invited to share their experiences with three other external vendors of PVH Corp.

P.A.C.E. PROGRAMME - BUSINESS OUTCOME TRACKER

P.A.C.E.
Personal Advancement & Career Enhancement

Category of Improvement	Measurement Mechanism	Improvement Among Example P.A.C.E. Batch Compared to Other Employees
ABSENTEEISM	Total number of days of unauthorised leave taken during the measurement period.	-0.4%
RESIGNATION	Number of P.A.C.E. women who resigned during the measurement period	-1.5%
PRODUCTIVITY	› Percentage of assigned tasks completed on or ahead of schedule › Decreases in error rates › Increases in output	+4.6%
PROMOTION	Number of P.A.C.E. participants from the batch that received a promotion during the measurement period	+1.3%

Hela intends to extend the implementation of the P.A.C.E. programme to Egypt and Kenya in FY 2022/23, with the long-term goal of over 5,000 P.A.C.E. graduates across the organisation by 2024. To facilitate these ambitious plans, the Group will focus on further developing the internal trainer pool across Sri Lanka, Ethiopia, Egypt and Kenya.

Furthermore, Hela is exploring the possibility of developing a mechanism to integrate the P.A.C.E. programme with the Group's training and development, and succession planning processes.

HELA DIRILIYA

Hela Diriliya was envisaged within the Group's social capital ethos. The primary goal of this initiative is to provide training, support and a wider ecosystem that enables employees to unlock and develop their potential as entrepreneurs. The programme seeks to foster an entrepreneurial culture by providing participants with the knowledge and skills to develop a business, commercialise their chosen products and maintain their finances. These initiatives are intended to enable them to uplift themselves, their family members and eventually the community at large.

The programme is currently structured across four product pillars - Apparel, Agriculture, Food and Household Items, and not only focuses on supporting the employees who have already established their own businesses, but also encourages

Images from the Hela Diriliya, Diriya Pola Initiative

WHAT IS HELA DIRILIYA?

A social capital initiative focused on inculcating an entrepreneurial culture among all Hela employees.

WHY HELA DIRILIYA?

- To provide strength, courage, and possibilities for Hela employees to become entrepreneurs
- To change the perception of apparel workers and position them as the heroes of their communities.
- To flatten the communication structure between the senior management and the Group's employees

COMMUNITY EMPOWERMENT

other team members to become entrepreneurs.

Technical training, financial literacy and marketing sessions conducted under the programme are designed to help potential entrepreneurs sharpen their business skills. Training sessions are open to all the team members and not necessarily restricted to *Hela Diriliya* members to ensure the widest possible benefit.

Technical training is facilitated through a combination of resources, such as the internal trainer pool for apparel related aspects and industry experts for other areas. Hela is currently in the process of building an internal trainer pool for other areas to strengthen its ability to offer guidance in financial and marketing spheres as well. This year, the “Apparel Squad” was launched with the intention of supporting apparel entrepreneurs.

An idea and knowledge sharing culture is a key aspect of the *Hela Diriliya* programme. Coffee sessions held under the stewardship of the social capital team provide an opportunity for Diriliya members to seek additional support and build closer working relationships with the Group's senior management.

The *Hela Diriliya* initiative has been implemented across all manufacturing facilities in Sri Lanka, with over 140 entrepreneurs developed to date.

Apart from these capacity building segments, the *Hela Diriliya* scheme focuses on creating a platform for entrepreneurs to monetise their business ventures by offering internal

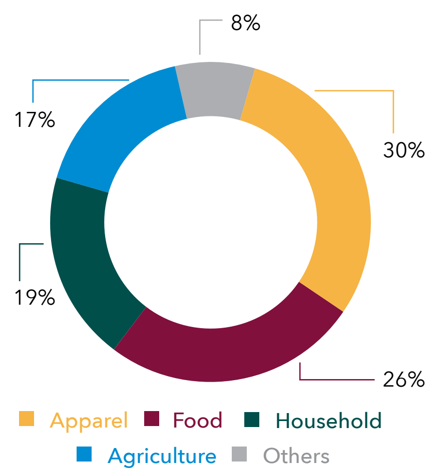
Hela Group CEO with the Diriliya Entrepreneurs at the Diriya Pola event

market opportunities. For example, the monthly *Hela Diriliya,* Diriya Pola is a marketplace arranged at each manufacturing facility for entrepreneurs to sell their products. More recently, *Hela Diriliya* members have been offered further marketing support through special emails and social media campaigns organised by Hela’s social capital team. Participants are also being encouraged to develop products for which there is a ready demand from Group employees.

Hela also intends to continue providing the necessary resources to Diriliya members in order to enable them to further progress in their entrepreneurial journey. In this regard, Hela has begun developing external opportunities to support participants to gain visibility for their products on national and international platforms in the coming years. As a first step, the Group is working on establishing a collaboration with the Academy of Design (AOD), a leading design training institute in Sri Lanka.

Hela aims to develop 500 *Diriliya* entrepreneurs across all manufacturing facilities in Sri Lanka by April 2023, and expand the initiative across Hela's global footprint thereafter.

DIRILIYA ENTREPRENEUR PRODUCT BREAKDOWN



The launch of Hela Diridaruwo with representatives from Tesco and Berendina

HELA DIRIDARUWO

Hela Diridaruwo, which was launched in late FY 2021/22, is a social capital initiative focused on developing the children of Hela employees, by identifying their unique capabilities and unlocking their true potential.

It is designed to provide educational support for employees' children in the Ordinary Level, Advanced Level and Undergraduate categories. The programme also aims to give students global standard exposure in the areas of English and Information Technology, to ensure that they gain practical skills for their future career development.

This programme, was co-founded by Tesco and Hela, and is managed by Berendina Development Services.

ENVIRONMENTAL STEWARDSHIP

Hela's manufacturing facility at Mawathagama, Sri Lanka

Hela has been practicing environmental stewardship for many years, with concern for the environment deeply embedded in the Group's operations. This section provides an overview of Hela's environmental management and impact reduction strategies. As a signatory of the UN Global Compact, the applicable Sustainable Development Goals have been highlighted at the start of relevant sections.

MANAGEMENT APPROACH

The Hela Group's approach towards environmental stewardship begins first and foremost with environmental compliance. All of Hela's production facilities operate in full compliance with all regulatory requirements applicable in their respective jurisdictions.

ENVIRONMENTAL REGULATIONS APPLICABLE TO THE HELA GROUP

Sri Lanka
National Environmental Act (Amendment) No. 53 of 2000
Regulations by the Central Environmental Authority
BOI Environmental Norms

Kenya
Environmental Management and Coordination (Amendment) Act, 2015
The Environmental (Impact Assessment and Audit) Regulations, 2003 (revised 2012)

Ethiopia
Proclamation No.197/2000 - Ethiopian Water Resources Management Proclamation
Proclamation No.300/2002 - Environmental Pollution Control Proclamation
Proclamation No.299/2002 - Environmental Impact Assessment Proclamation

Egypt
Law No: 4 of 1994 – Issuance of Law in the Matter of Environment
Environment protection law 4/1994 Amended by Law 9/2009
Nature Protection Law 102/1983
Law 48 for the year 1982 regarding the Protection of the Nile and Waterways from Pollution
Law 202 for 2020 Promulgating the Waste Management Regulation Law

The Hela Group continues to comply in full with all above laws. As such there was zero non-compliance in the year under review.

"A FULLY INTEGRATED EMS DRIVES HELA'S EFFORTS TO SYSTEMATICALLY IMPLEMENT, MONITOR AND CONTINUOUSLY IMPROVE THE GROUP'S PERFORMANCE"

Hela's commitment to environmental stewardship is further underpinned by the mandatory environmental compliance requirements stipulated as part of the contractual obligations established by the Group's customers.

However, having always understood the value of going beyond compliance Hela has adopted a more holistic approach by seeking to benchmark its operations against the following global best practices for environmental management;

- UN Global compact
- ISO 14064-1:2018 - GHG Emissions Reporting
- Science-Based Target initiative (SBTi)
- Sustainable Development Goals (SDGs)
- Climate Emergency Task Force (CETF) and Climate Ambition Accelerator (CAA) Programmes
- HIGG Facility Environmental Module (FEM)
- Global Organic Textile Standard (GOTS)
- Global Recycle Standard (GRS)
- Organic Content Standard (OCS)
- Better Cotton Initiative (BCI)
- Life Cycle Assessment (LCA)

ENVIRONMENTAL MONITORING OF HELA MANUFACTURING FACILITIES

All Hela factories have a valid Environment Protection License (EPL) and continue to meet the requirements provided in the EPL, at any given time. Factories which are not located within export processing zones have a wastewater treatment plant on site.

All factories perform wastewater tests as per customer and regulatory requirements. In addition, as a policy, Hela does not send waste to landfill sites.

Air emissions of generators and boilers as well as boundary noise levels are measured at least once a year with corrective actions taken when necessary. Moreover, every Hela factory has achieved a HIGG score higher than the annual average industry benchmark.

The table below indicates Hela's verified HIGG FEM (vFEM) score for the years 2019 and 2020. The verification process for 2021 is ongoing.

AVERAGE HIGG SCORE OF HELA GROUP MANUFACTURING FACILITIES

	EMS	Energy	Water	Waste	Waste water	Air	Chemical
2019 (vFEM)	89.6	92.5	94.8	72.0	96.9	81.5	58.5
2020 (vFEM)	94.4	100.0	92.0	95.0	100.0	59.7	55.2

ENVIRONMENTAL MANAGEMENT SYSTEM

A fully integrated Environmental Management System (EMS) drives Hela's efforts to systematically implement, monitor and continuously improve the Group's environmental performance. In this regard, Hela's EMS sets out detailed environmental protocols accompanied by specific targets for each environmental pillar.

Monitoring is facilitated through an "Eco-Tracker", where all environmental data, such as energy usage, water consumption, waste generation, and solar power generation, is independently incorporated for each manufacturing facility. Information captured through the "Eco-Tracker" performance dashboards are routinely made available to the management and serve as an important tool to drive continuous improvement.

Regular staff training is another important aspect that supports the effective execution of the EMS.

ENVIRONMENTAL STEWARDSHIP

ENERGY

As an apparel manufacturer, Hela uses various types of energy sources for its operations. However, electricity used to power production machinery and equipment of the Group's manufacturing facilities is the predominant source of energy. While the electricity requirements are obtained mainly from the national grid, the Company began investing in solar energy generation in 2017 in order to reduce its dependence on this source. Currently rooftop solar systems have been commissioned at four Sri Lankan production facilities.

HELA GROUP ENERGY MIX (FY 2021/22)

Energy source	Percentage of Total	GJ
Electricity - Grid	77%	73,446
Solar	10%	9,695
Diesel	8%	7,194
Biomass	5%	5,208
Total	100%	95,543

Electricity consumption is stringently monitored, through sub meters installed in each part of the Group's manufacturing facilities to quantify the utilisation of each section. Moreover, Hela's "Eco-Tracker" system enables an analysis of energy consumption from various energy sources. It also provides consumption data across various different metrics, including consumption per day, and at peak and off-peak hours.

Given that Hela's manufacturing facilities contain heavy equipment, such as generators, compressors, and boilers, the Company believes continuous and ongoing maintenance is crucial to ensuring such equipment operate at optimal conditions. All equipment is maintained in accordance with the Original Equipment Manufacturer recommended standards. Accordingly, such heavy equipment is serviced every three months, while adequate stocks of spare parts are maintained to facilitate routine replacements and extend its useful life. Equipment such as sewing machines are serviced twice a month to ensure proper operation, avoid malfunctions, and improve efficiency. As part of Hela's energy saving drive, the Company also undertakes machine modifications.

In addition, Hela's maintenance team examines electrical panels on a weekly basis to check for dust, debris, or loose connections that can cause panels to overheat due to tripped circuit breakers or frayed wires. Since 2017, Hela has installed capacitor banks in all of its manufacturing facilities, which has led to considerable energy savings through load balancing and load scheduling. All manufacturing facilities use water-cooling systems instead of high energy consuming air conditioners. These cooling systems are also routinely maintained in order to maintain their efficiency. As a further energy-saving initiative, an innovative preheating method has been applied to boilers.

Each factory has a sustainability and engineering team who assist in implementing energy saving initiatives, and undertake to conduct training and raise awareness among employees. To further reduce electricity consumption, Hela has replaced ordinary standard compact fluorescent lamps with LED lighting systems, and almost 95% of the lighting at Hela manufacturing facilities are now powered by LEDs. Where possible, the Group also aims to maximise the use of natural light and has made a conscious effort to incorporate these principles into its building designs.

Every Hela plant is subject to an energy accounting process, including a thermography test, as part of their annual compliance requirements. In the year under review, Hela commissioned an independent third-party audit at Hela's Thihariya manufacturing facility. This was done with the intention of identifying the efficiency of electrical safety systems as well as to determine potential energy saving opportunities at the plant. Similar third party audits are intended to be conducted at the Group's other manufacturing facilities in the forthcoming year.

HELA GROUP SOLAR POWER GENERATION (2021)			
Manufacturing Facility	Solar Generation (kwh)	Total Electricity Consumption from Grid (kwh)	Share of Solar in Total Electricity Consumption
Mawathagama	884,598	1,258,426	70 %
Palapathwala	816,330	1,064,433	77 %
Uhumeeya	564,792	789,510	84 %
Narammala	332,375	788,992	42 %

Hela has set an ambitious target of reducing the Group's energy consumption to 1 kWh per Standard Production Hour by 2025.

WATER AND WASTEWATER MANAGEMENT

At present, Hela does not use water for any of its manufacturing processes, with water only used for employees' utility and sanitation needs. Hela's water requirements are drawn primarily from municipal sources as well as on-site deep tube wells. Group-wide water consumption is measured and documented in a consistent manner, while annual water analysis is carried out to highlight areas for improvement. Based on these findings, the Company continues to invest in water-efficient equipment and focuses on raising awareness among employees regarding water saving and management.

HELA GROUP WATER CONSUMPTION & WASTEWATER TREATMENT (M^3)		
	FY 2021/22	FY 2020/21
Water from Municipal Sources	119,558	121,632
Groundwater	12,677	7,738.5
Total Water Consumption	132,235	129,370.5
Total Wastewater Treatment	88,261	68,634.47

Hela is working towards reducing its per person water consumption to 25 litres per day by 2025

As per the FY 2021/22 data, water consumption was approximately 711 litres per person.

The main effluents of Hela are the discharge wastewater generated from washrooms and canteen operations. All such wastewater is treated at on-site wastewater treatment plants which comply with the EPLs issued to each manufacturing facility. Wastewater quality is measured at least once every three months, or more frequently if required by the customer or by the EPL. Treated water is reused only for gardening purposes.

Meanwhile, as a socially responsible entity, Hela has undertaken to improve access to clean drinking water for its employees and the wider community in the African region through the launch of the *Hela Freshi* initiative in Kenya in 2017. Since then, Hela has also started monitoring drinking water quality in accordance with appropriate national standards in the African Countries in which the Group operates. In FY 2021/22, the *Hela Freshi* initiative was extended to Hela's operations in Ethiopia.

WASTE

Hela has a complex waste profile as a result of the different types of waste generated from various manufacturing processes. For this reason, Hela's EMS has established a highly streamlined waste management programme to ensure each waste component is properly accounted for and disposed of responsibly. All waste is first segregated according to the guidelines set out

ENVIRONMENTAL STEWARDSHIP

under the Hela EMS, with waste data recorded on the "Eco-Tracker". In this regard, the Hela EMS sets out clear guidelines for the evaluation of waste collection partners to ensure the Group only engages with licensed waste handlers.

The 3R principles - reduce, recycle, and reuse - take precedence in Hela's waste disposal activities. Given that almost 99% of the waste generated by the Group falls into the non-hazardous category, Hela pursues recycling, reusing and reducing as much as possible and practical. The Company also focuses on reducing the use of single-use plastic items and increasing recycling and composting.

Furthermore, Hela has increased automation and digitisation to improve process efficiency and thereby reduce the quantity of waste generated, especially in fabric cutting operation. In addition, the Group reuses thread cones and polybags to reduce the volume of waste generated in day-to-day operations. In this way the Company is aiming to eliminate the majority of waste sent to landfills. As part of this effort, Hela has also taken some tentative steps towards exploring new opportunities for waste circularity.

HELA GROUP WASTE GENERATION SOURCES

Process	Generated waste type
Raw material purchasing	Polythene
Fabric Cutting	Fabric
Sawing	Fabric, Yarn, Tread Cone
Packing	Cardboard, Polythene
Other (Maintenance, Office works, Cleaning)	Paper, Polythene, Food, Cardboard, Metal,E waste, Chemical Containers

HELA GROUP WASTE GENERATION (KG)

Waste Category	FY 2021/22
Hazardous Waste	4,516
Non-hazardous Waste	2,496,602

AIR EMISSIONS

The majority of emissions in a manufacturing organisation come from the burning of fossil fuels and other process operations. Hela monitors stack emissions and air quality in accordance with regulatory guidelines and maintains the greatest possible indoor air quality at all times.

As part of the continuous improvement programme in FY 2021/22, Group-wide ventilation systems were revamped with new ventilation systems installed for all manufacturing facilities in Sri Lanka, Kenya and Ethiopia. These ultra-modern ventilation systems allow indoor temperatures to be controlled with

HELA GROUP EMISSION PARAMETERS

Parameter	Generators		Boilers	
	High	Low	High	Low
O_2 %	12.4	11.2	12.2	2.6
CO_2%	7.7	7.2	7.9	7.2
CO (mg/m³N, Dry, O_2 % ref)	750	203	693	225
Stack Temperature (°C)	210	152	160	133
Primary Air Temperature(°C)	36.9	30.0	34.8	31.0
NO_x (mg/m³N, Dry, O_2 % ref)	183	15	35	13
SO_2 (mg/m³N, Dry, O_2 % ref)	25	3	21	4
Particulate Matter (mg/m³N, Dry, O_2 % ref)	36.1	10.2	22.2	2.2

“THE HELA GROUP TOOK A MAJOR LEAP IN ITS EMISSION MONITORING PROGRAMME, BY SUCCESSFULLY COMPLETING AN ISO 14064-1:2018 BASED GHG VERIFICATION STUDY”

the use of ventilation and shading, while at the same time removing airborne contaminants from indoor sources, thus lowering the number of pollutants and enhancing the ambient air quality on the factory floor.

In FY 2021/22, the Hela Group took a major leap in its emission monitoring programme, by successfully completing an ISO 14064-1:2018 based Greenhouse Gas (GHG) verification study covering the Group's operations in Sri Lanka, Kenya and Ethiopia. The Report boundary was extended to the Group's direct and indirect emissions to cover Scope 1, Scope 2 and Scope 3 GHG emissions associated with the operation in all three countries. The baseline year for the study was 2020/2021 and the emissions calculation process for FY 2021/22 was in progress at the conclusion of the financial year.

HELA GROUP EMISSIONS FY 2020/21	Tonnes of CO_2 e
Direct Emissions	763.7
Energy Indirect Emissions	4,152.0
Other Indirect Emissions	18,381.7
Biogenic Emissions	1,894.0
Total Emissions	23,297.4

Solar panels installed at the Hela's manufacturing facility in Mawathagama, Sri Lanka

Going forward, Hela also expects to align with the Science-Based Target initiatives (SBTi) to reduce GHG emissions and support the global aim to reach net zero by 2050.

ENVIRONMENTAL STEWARDSHIP

CHEMICALS

The nature of Hela's manufacturing operations is such that chemicals are used only for the maintenance and cleaning of the Group's manufacturing facilities. Despite such limited use, Hela is committed to reducing the negative impact of these chemicals on the environment, while ensuring safe handling at all times. The Company has implemented a comprehensive Chemical Management Plan that sets out end-to-end procedures for chemical management, including purchasing, labelling and storage, handling, and use, as well as detailed spill control procedures. The plan also includes specific procedures to support chemical assessments, data on personal protective equipment, chemical storage methods, and training on chemical use and disposal practices. As specified in the Chemical Management Plan, the Company maintains a detailed chemical inventory in adherence with applicable regulatory standards.

Regular training on safe handling of chemicals is conducted in every production facility for all employees who handle chemicals. Furthermore, internal audits are conducted to ensure compliance with the Chemical Management Plan.

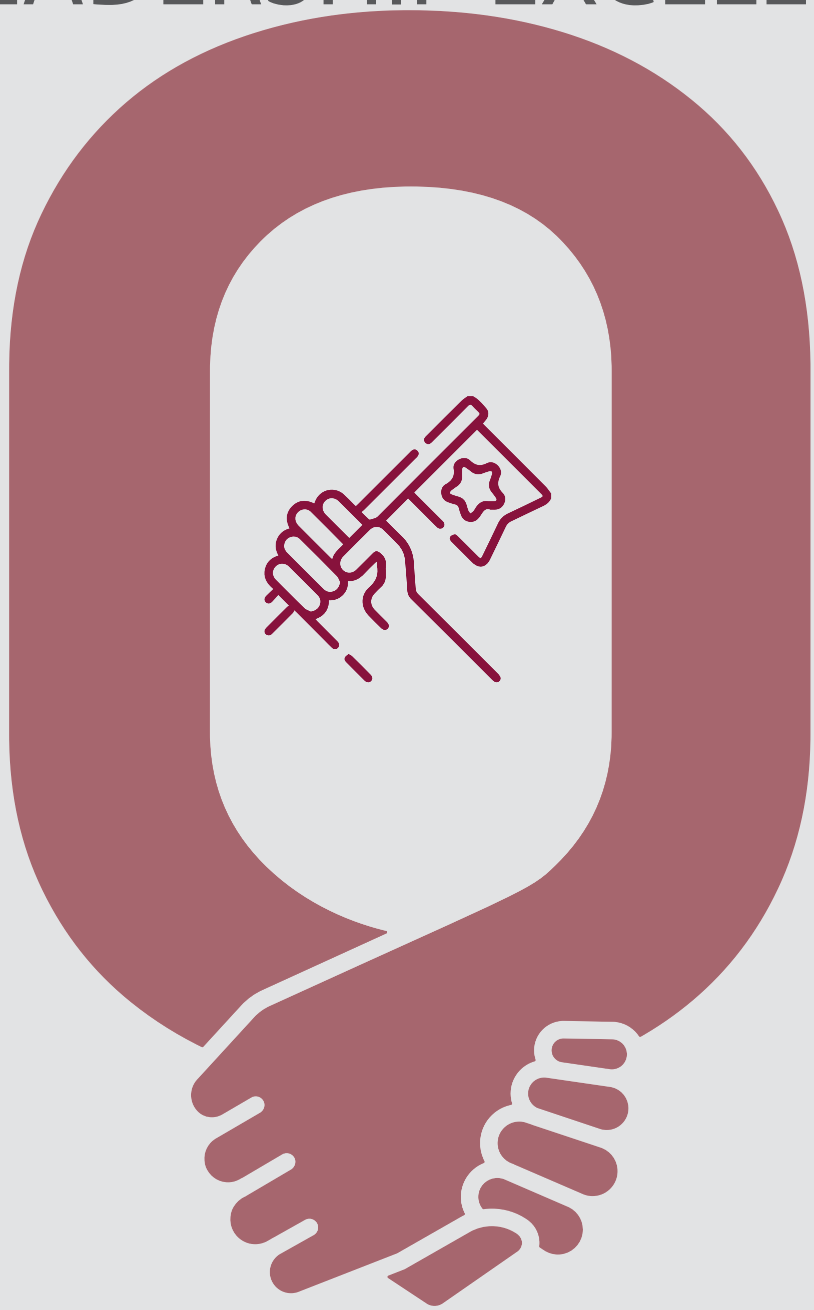
More recently, the Group has been phasing out the use of hazardous chemicals and instead moved to using biological-based cleaning chemicals with significantly lower toxicity levels.

ENVIRONMENTAL PROJECTS

Hela's commitment to the environment extends beyond managing its internal operational impact, and the Group also undertakes projects that contribute towards the wider preservation of nature. In this regard, many of the Group's initiatives are aimed at preserving natural ecosystems including endemic fauna, flora and animal species. In Sri Lanka, the Group has distributed over 10,000 plants such as mango, jack fruit, and prickly custard apple in an effort to inspire local communities and Hela employees to conserve the environment. Moreover, Hela has been focused on improving the production of food crops by conducting competitions to motivate employees to engage in home gardening.

Images from the Hela plant distribution programme, encouraging team members and their families to plant more trees

EMBODIMENTS
OF LEADERSHIP EXCELLENCE



GOVERNANCE AND STEWARDSHIP

CORPORATE GOVERNANCE REPORT

“HELA'S APPROACH TO CORPORATE GOVERNANCE AIMS TO PROMOTE STRATEGIC DECISION MAKING THAT ALIGNS ITS OBJECTIVES WITH THE INTERESTS OF STAKEHOLDERS”

Corporate governance is defined as responsible and transparent corporate management, which builds long-term value for a Company's stakeholders.

At Hela, good corporate governance not only forms the basis for the Group’s continuing success; it is also an important pre-requisite for strengthening trust in the Hela brand purpose.

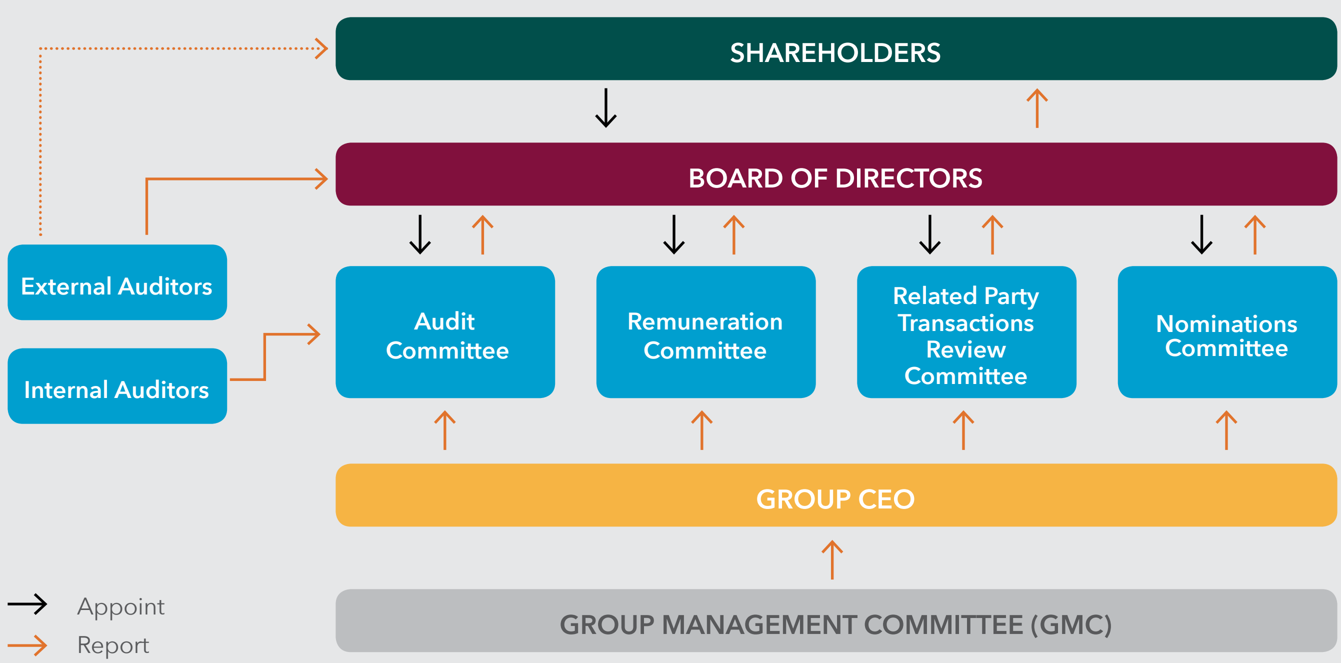
HELA’S APPROACH TO CORPORATE GOVERNANCE

Hela’s approach to Corporate Governance aims to promote strategic decision making in a way that aligns its objectives with the interests of stakeholders and the expectations of the wider communities in which the Group operates.

The Hela Group is committed to managing its business in line with the highest standards of ethics and integrity based on the principles of fairness, accountability, responsibility and transparency. These values are put into practice each day through the Group's Corporate Governance Framework, which provides a mechanism for prudent management and oversight of every aspect of the business to adequately protect the Group’s interests as well as those of its stakeholders.

Given its fundamental role as a key business enabler, the Group's Corporate Governance Framework is subject to ongoing review, assessment and improvement by the Board of Directors.

HELA GROUP'S CORPORATE GOVERNANCE FRAMEWORK



REGULATORY REQUIREMENTS

- Companies Act No. 7 of 2007
- Listing Rules of Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act, No.19 of 2021, including Directives and Circulars
- Other applicable economic, social and environmental laws and regulations in Sri Lanka, Kenya, Ethiopia and Egypt
- Shop and Office Employees Act, No. 19 of 1954 (Regulation of Employment and Remuneration)
- Exchange Control Act No. 22 of 2017
- BOI Regulations

INTERNAL FRAMEWORKS

- Hela Group Vision, Mission and Values
- Articles of Association
- Terms of Reference of Board Committees
- Code of Conduct for Employees
- Board-approved policy frameworks for governance, risk and operational areas

VOLUNTARY CODES AND BEST PRACTICES

- Requirements of environmental and social certifications
- Other voluntary best practices

THE BOARD OF DIRECTORS

The Hela Board bears the ultimate responsibility for the management and administration of the Group. The work of the Board is governed by Hela's Articles of Association, the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.

The Board as the highest governance body in the organisation, sets Hela's vision, mission and values, establishes the necessary management ecosystems and sets the tone for the appropriate cultural and ethical principles, to enable the Group to operate effectively in order to fulfil its strategic purpose.

The Board provides strategic direction to the management by setting out clear long-term strategies and objectives, reviewing and assessing risks, establishing business and financial plans, reviewing and approving financial statements, approving acquisitions and divestments, and deciding on major investments and significant changes to the Group and its operations.

The Board is the ultimate authority responsible for overseeing effective dialogue between the Group, its shareholders and other stakeholders, ensuring that their views are understood and appropriately addressed through the Group's strategy.

The Board is also the ultimate authority responsible for ensuring the Group complies with regulatory requirements applicable to all areas of the business, and for promoting the voluntary adoption of good governance principles as well as economic, social and environmental best practices.

BOARD DIVERSITY

Hela is governed by a strong and well-balanced Board. All members on the current Hela Board possess the necessary knowledge and skills to complement the Group's business, as well as to provide assurance in safeguarding stakeholder interests.

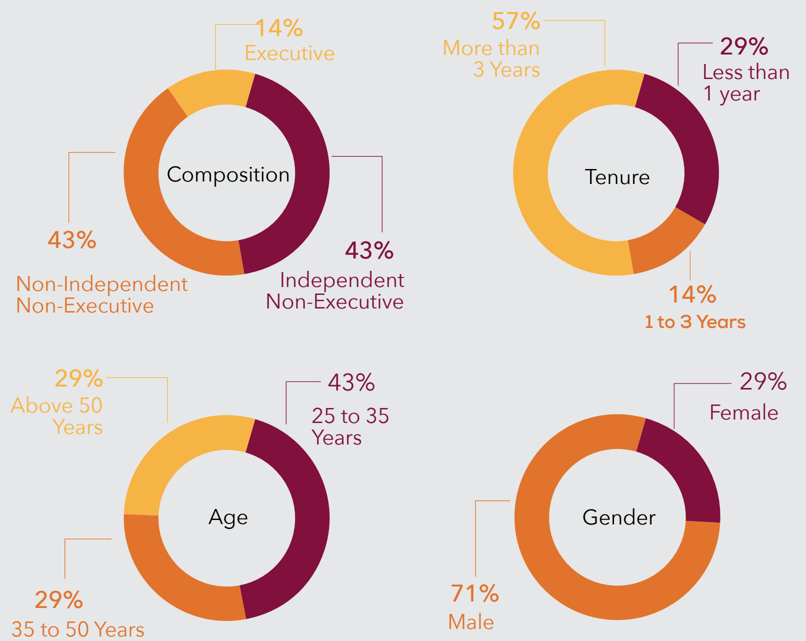
The effectiveness of decision making at the Board level is further enhanced through a combination of Executive, Non-Executive and Independent Non-Executive Directors, who bring a mix of business skills, experience and diverse perspectives.

An Interests Register of directors is maintained by the Company Secretaries based on the signed and dated declarations of each Non-Executive Director on his / her independence or non-independence.

Complete Board Profiles are available on page 20 of the Report.

Based on declarations submitted by the Non-Executive Directors, the Board has determined that three (03) Non-Executive Directors, namely Mr. G P Gunawardana, Ms. A Nanayakkara and Ms. T S Peries are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

BOARD DIVERSITY INDICATOR



BOARD MEETINGS

The Board meets every month with additional meetings held as and when required.

A formal meeting agenda forms the basis of each Board meeting. The Chairman and the Company Secretaries are responsible for developing the Board agenda, while the Company Secretaries are also responsible for ensuring all information, including the agenda for the next board meeting is circulated to Directors at least seven days prior to the meeting date. All Directors are required to attend scheduled Board meetings without exception. Board meeting attendance details are provided along with Committee attendance details under the Board Committee section of this Report.

DIVISION OF RESPONSIBILITY BETWEEN THE CHAIRMAN AND GROUP CEO

There is a clear division of responsibility between the Chairman of the Board and Hela's Group CEO.

Hela's Chairman functions in a non-executive capacity and is primarily responsible for ensuring Board meetings are held regularly and for leading the Board in the discussion of all Board matters. The Chairman ensures the Board as a whole functions effectively by promoting open and constructive debate and effective contributions from individual Directors, with sufficient time allocated to key issues. In this manner, the Chairman ensures that the Board sets appropriate medium-term objectives and makes strategic decisions in a timely fashion.

The Chairman is also tasked with developing an effective working relationship with the Group CEO and facilitating constructive relations between executive and non-executive Directors.

The Chairman oversees the induction of all new Directors, ensuring they have the opportunity to continually refresh their skills and knowledge. It is also the Chairman's responsibility to regularly assess the quality and composition of the Group Board and develop a suitable succession planning framework to support Board appointments.

The Group CEO operates subject to the limits of authority established by the Board and leads the Corporate Management Team in providing clear leadership and oversight to ensure the day-to-day operations of the Group are conducted in a responsible and ethical manner. The duties and responsibilities of the CEO include;

- Execution of business strategies and initiatives adopted by the Board
- Monitoring of operating budgets adopted by the Board
- Implementation of adequate systems of risk management and internal control to ensure the Group is managed in line with the Board approved strategy and budgets
- Compliance with relevant statutory requirements, rules and regulations

- Ensuring appropriate stakeholder engagement mechanisms are in place to support regular and ongoing dialogue with key stakeholders

BOARD COMMITTEES

To help discharge its responsibilities, the Board has appointed several Committees. These are the Audit Committee, the Remuneration Committee, the Nominations Committee and the Related Party Transactions Review Committee - each Chaired by a Board member. The composition of each committee complies with the Listing Rules of the Colombo Stock Exchange. The majority of the committees operate as per the formal Terms of Reference approved by the Board. More details on committees are provided in the respective committee Reports from pages 72 to 79.

The Audit and Related Party Transactions Review Committee meetings are intended to be held once a quarter and the Remuneration Committee meets once a year or as required. The Nominations Committee meets as and when required.

The Board and Committee meeting attendance for FY 2021/22 are shown in the table below.

Name of Director	Designation	Board	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee	Nominations Committee
Mr. A R Rasiah	Chairman / NED	C - 12/12	N/A	N/A	N/A	C - -
Mr. P L D Jinadasa	Group CEO / ED	12/12	N/A	N/A	N/A	N/A
Mr. G P Gunawardana	INED	10/12	C - 6/6	N/A	1/1	N/A
Ms. A Nanayakkara	INED	9/12	6/6	-	C - 1/1	N/A
Ms. T Peries	INED	12/12	4/6	C - -	N/A	-
Dr. A J Alderton*	NED	3/12	0/6	-	0/1	-
Mr. P Schleiffer*	NED	11/12	6/6	N/A	N/A	-
Mr. S Khan**	Alternate NED to Dr. A J Alderton	10/12	4/6	-	1/1	-
Mr. K A D Wijesinghe***	NED	1/12	N/A	N/A	N/A	N/A
Total number of meetings held		12	6	No meetings held	1	No meetings held

*C - Chair Person, *Appointed w.e.f 07.05.2021, **Appointed w.e.f 25.06.2021, ***Ceased w.e.f. 07.05.2021*

INED - Independent Non- Executive Director
NED - Non- Executive Director
ED - Executive Director

Due to the impact of the COVID-19 pandemic and disruptions as a result of the economic crisis in Sri Lanka, most meetings were held virtually with all Directors connecting via digital technology. Board Meeting proceedings are carried out via the digital platform BoardPAC and the Company Secretaries upload all documents to be reviewed at the Board meeting to the platform seven calendar days prior to the meeting. All approvals related to Board Papers and Proposals are also carried out via BoardPAC.

Immediately following each Board and Committee Meeting, the action points arising from Board and Committee deliberations are forwarded to the Management to initiate necessary action. Action points are communicated with agreed timelines for implementation and completion. At each Board meeting, an update on the action points of the previous meeting is reported to the Board by the Company Secretaries. All proceedings of the meetings are minuted and uploaded to BoardPAC.

COMPLIANCE

The Board is accountable for the Group's compliance with applicable laws, rules, codes and standards. In this regard, the Board provides oversight to ensure all applicable compliance requirements are fulfilled and promotes the early adoption of new regulations.

STATEMENT OF COMPLIANCE PERTAINING TO COMPANIES ACT NO. 7 OF 2007

Mandatory Provisions – Fully Compliant

Rule	Requirement	Complied	Reference within Report	Page
168 (1) (a)	The nature of the business together with any change thereof	Yes	About Hela	4
168 (1) (b)	Signed Financial Statements of the Group and the Company	Yes	Financial Reports	89
168 (1) (c)	Auditors' Report on Financial Statements	Yes	Independent Auditor's Report	90
168 (1) (d)	Accounting policies and any changes therein	Yes	Note 21 to the Financial Statements	148
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors on the Affairs of the Company	78
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Note 17(c) to the Financial Statements	144
168 (1) (g)	Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the Affairs of the Company	78
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Annual Report of the Board of Directors on the Affairs of the Company	78
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Note 3(c) to the Financial Statements	104
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee	72
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors on the Affairs of the Company	78

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURES

Mandatory Provisions – Fully Compliant

Rule	Requirement	Complied	Reference within Report	Page
(i)	Names of persons who were Directors of the entity	Yes	Annual Report of the Board of Directors	78
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Hela Annual Report of the Board of Directors	4 78
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held	Yes	Investor Information	170
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes	Investor Information	170
(v)	A statement of each Director's holding in shares of the entity at the beginning and end of each financial year	Yes	Investor Information	170
(vi)	Information pertaining to material foreseeable risk factors of the entity	Yes	Enterprise Risk Management	85
(vii)	Details of material issues pertaining to employees and industrial relations of the entity	Yes	Employee Development	40
(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Yes	Note 6 to the Financial Statements	109
(ix)	Number of shares representing the entity's stated capital	Yes	Note 7(a) to the Financial Statements Annual Report of the Board of Directors on the Affairs of the Company	127 78
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Investor Information	170
(xi)	Financial ratios and market price information	Yes	Five Years Financial Summary - Group Investor information	167 170
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 6 to the Financial Statements	109
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Investor Information	170
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Investor Information	170
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Report	64
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower	N/A	Report to the Related Party Transactions Review Committee	76

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE

Mandatory Provisions – Fully Compliant

Rule	Subject	Requirement	Complied	Reference within Report	Page
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	Corporate Governance Report	64
7.10.2(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent	Yes	Corporate Governance Report	64
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	Corporate Governance Report	64
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report	Yes	Corporate Governance Report	64
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	N/A	Not Applicable	N/A
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board of Directors	20
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Board of Directors Corporate Governance Report	20 64
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Corporate Governance	64
7.10.5	Remuneration Committee (RC)	A listed Company shall have a Remuneration Committee	Yes	Report of the Remuneration Committee	74
7.10.5(a)	Composition of Remuneration Committee	a) RC shall comprise of NEDs, a majority of whom will be independent. b) One NED shall be appointed as Chairman of the committee by the Board of Directors	Yes	Report of the Remuneration Committee	74
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	Report of the Remuneration Committee	74

Rule	Subject	Requirement	Complied	Reference within Report	Page
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	a) Names of Directors comprising the RC b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report	Yes	Report of the Remuneration Committee Note 17(c) to the Financial Statements	74 144
7.10.6	Audit Committee	The Company shall have an Audit Committee	Yes	Report of the Audit Committee	72
7.10.6(a)	Composition of Audit Committee	a) Shall comprise of Non-Executive Directors, a majority of whom are independent b) Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings c) The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Yes	Report of the Audit Committee Board of Directors	72 20
7.10.6(b)	Audit Committee Functions	Should be as outlined in the Section 7.10 of the Listing Rules	Yes	Report of the Audit Committee	72
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Yes	Report of the Audit Committee	72

STATEMENT OF COMPLIANCE UNDER SECTION 9.3.2 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON RELATED PARTY TRANSACTIONS

Mandatory Provisions – Fully Compliant

Rule	Subject	Requirement	Complied	Reference within Report	Page
9.3.2	Related Party Transactions Review Committee	a) Details pertaining to Non-Recurrent Related Party Transactions b) Details pertaining to Recurrent Related Party Transactions c) Report of the Related Party Transactions Review Committee d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Report of the Related Party Transactions Review Committee Note 17 to the Financial Statements	76 144

REPORT OF THE AUDIT COMMITTEE

The Group Audit Committee (the Committee) was formally appointed by the Board of Directors on 25 June 2021. The activities and operation of the Audit Committee is governed by the Audit Committee Terms of Reference which is approved by the Board. The Terms of Reference defines the purpose, objectives, responsibility and protocols, composition and frequency of meetings. It also spells out the independence of the Internal Audit Function and the audit process.

PURPOSE/OBJECTIVES OF THE COMMITTEE

The members of the Audit Committee are appointed by the Board of Directors with the following objectives:

- to assist the Board in its oversight of the integrity of the Financial Statements of the Company
- to assess the adequacy of the Risk Management Framework of the Company and identify and manage key risks
- to assess the independence and the performance of the Company's external and internal audit functions, and review compliance of the Company with legal and regulatory requirements

The role and responsibilities of the Audit Committee continues to evolve to keep pace with emerging trends in the business environment and ensure the Committee's obligations are discharged with due care.

COMPOSITION OF THE COMMITTEE AND MEETING ATTENDANCE

The Company Secretaries function as the Secretary to the Audit Committee and the profiles of the members are found on page 20 of the Annual Report.

The Audit Committee met six times during the year and the attendance of committee members is given in the table below. The Chairman, Group Chief Executive Officer and Group Chief Financial Officer were invited to attend the meetings. The external auditors and internal audit teams also attended certain meetings by invitation.

Members	Attendance
Mr. G P Gunawardana (Chairman)	6/6
Ms. A Nanayakkara	6/6
Ms. T Peries	4/6
Dr. A J Alderton*	0/6
Mr. P Schleiffer*	6/6
Mr. S Khan**	4/6

/ Independent Non-Executive Director

Non-Executive Director

** Appointed w.e.f. 07/05/2021, ** Alternate Director for Dr. A J Alderton appointed w.e.f. 25/06/2021*

KEY RESPONSIBILITIES OF THE COMMITTEE

- **RISK MANAGEMENT AND INTERNAL CONTROLS**
  - The Audit Committee facilitates and monitors the Enterprise Risk Management process, the formulation of a Risk Based Audit Plan and its implementation
  - The Audit Committee also ensures the adequacy and the effectiveness of the internal control environment and the risk management system as well as, monitoring of compliance with the standards, laws and the performance and performance of the internal audit function of the organisation
- **INTERNAL AUDITS AND EXTERNAL AUDITS**
  - The Audit Committee reviewed the internal audit findings and the implementation of agreed remedial measures to improve the control environment. In fulfilling its duties, the Audit Committee evaluated the independence and the performance of Internal and External Auditors. The Audit Committee maintained free and open communication with the Internal audit team, and the senior management of the Company
  - Audit committee meeting papers, including agenda, minutes and related Reports and documents were circulated

to the committee members in advance of meetings. The Audit Committee reviewed the compliance status of the organisation in relation to the applicable laws, regulations and standards through formal, written confirmations received from the senior management of the Company on a quarterly basis

- The Audit Committee meets the external auditors each year to review the Management Letter and External Audit Report on the Financial Statements. This year, the meeting took place on 25 July 2022

TRANSACTIONS DURING THE YEAR

INDEPENDENCE AND RE-APPOINTMENT OF EXTERNAL AUDITORS

- The Committee has reviewed the independence and objectivity of the independent external auditors, Messrs PricewaterhouseCoopers, Chartered Accountants. The Audit Committee has also met with the external auditors to discuss their independence and review their audit plan, as well as their observations on the Company. In addition, the Committee has reviewed any non-audit services provided by the external auditors to evaluate their independence and objectivity
- The Committee also confirmed with Messrs PricewaterhouseCoopers that component auditors have confirmed their independence with the Group
- A partner rotation of the auditors takes place at periodic intervals and the last rotation took place in the FY 2020/21
- Based on these discussions and reviews, the Committee considers Messrs PriceWaterhouse Coopers independent
- The Audit Committee having evaluated the performance, effectiveness and independence of the external auditors, recommended to the Board the reappointment of Messrs PriceWaterhouse Coopers, Chartered Accountants as the auditors of the Company for the current year, subject to approval of the shareholders at the forthcoming Annual General Meeting

FINANCIAL REPORTING

- The Audit Committee reviewed the financial reporting system adopted by the group in the preparation of its interim and annual financial statements to ensure that an accurate and effective financial reporting process is in place, consistent with accounting policies, in compliance with the Sri Lanka Financial Reporting Standards. The Committee also reviewed the disclosures, the appropriateness of the accounting policies adopted, major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007, applicable Sri Lanka Accounting Standards and requirements of other regulatory bodies as applicable for the Group, and suggested recommendations in line with those requirements. The Committee reviewed and discussed the interim and annual financial statements of the Company with management and the external auditors prior to publication

COMPLIANCE

- The Audit Committee reviewed the regulatory and compliance statements including statutory tax compliance statements submitted by the management in order to monitor conformance with regulatory and legal requirements

CONCLUSION

The Audit Committee is satisfied that the internal controls and risk management processes in place to assess and manage risks are adequate. It is of the view that the internal controls and procedures in place provide a reasonable assurance that the assets of the Company are safeguarded, and the Financial Statements of the Company are compiled using reliable information. The Audit Committee has observed that based on the compliance reporting, the Company has complied with all relevant laws, rules and regulations of the country, international laws and codes of conduct; and standards of conduct required by regulatory authorities, professional bodies and trade associations during the period under review.

Gayan Gunawardana
Chairperson of the Audit Committee

15 August 2022

REPORT OF THE REMUNERATION COMMITTEE

The Group Remuneration Committee was formally appointed by the Board of Directors in June 2021 and the activities and operation of the Remuneration Committee is governed by the Remuneration Committee Terms of Reference which is approved by the Board. The terms of reference defines the purpose, objectives, composition, responsibilities and frequency of meetings of the Committee.

PURPOSE/OBJECTIVES OF THE COMMITTEE

The key objective of the Remuneration Committee is to ensure that the Company follows appropriate human resources management processes and remuneration policies to attract, develop and retain employees with professional, managerial and operational expertise who can contribute to achieving the objectives of the Company.

COMPOSITION OF THE COMMITTEE AND MEETING ATTENDANCE

The profiles of the members are found on page 20 of the Annual Report and the composition of the Committee is in compliance with the Listing Rules of the Colombo Stock Exchange.

The Company Secretaries function as the Secretary to the Committee and the Group Chief Executive Officer the Chief People Officer as well as other required executive staff, attended meetings by invitation to assist in the Committee's deliberations.

Members	Attendance
Ms. A Nanayakkara (Chairperson)	1/1
Dr. A J Alderton*	0/1
Mr. G P Gunawardana	1/1
Mr. S Khan**	1/1

/ Independent Non-Executive Director

Non-Executive Director

** Appointed w.e.f. 07/05/2021, ** Alternate Director for Dr. A J Alderton appointed w.e.f. 25/06/2021*

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role and functions of the Committee are defined by the Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on corporate governance and the Code of Best Practices on Corporate Governance issued in 2017 by the Institute of Chartered Accountants of Sri Lanka.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Formulating remuneration policies (salaries, allowances and other financial payments) of the Board of Directors, Group Chief Executive Officer (Group CEO), Executive Directors and Key Management Personnel of the Company and submitting same for the approval of the Board
- Identifying goals and targets for the Directors, Group CEO and Key Management Personnel and submitting these for the approval of the Board
- Periodically evaluating the performance of Group CEO and Key Management Personnel against pre-determined targets and goals and submitting the findings to the Board with any recommendations for revision of remuneration, benefits and other performance based incentives
- Annually reviewing the human resource strategy of the Company including key HR objectives, plans, policies, and workforce requirements in line with the short and medium term strategic objectives of the Company, and monitoring implementation
- Reviewing and recommending to the Board annual salary revisions and bonuses of staff and other categories of workers
- Advising the Key Management Personnel, heading the Human Resource Department of the Company with regard to areas related to the Human Resource function

- Assessing and recommending to the Board of Directors the promotions of Key Management Personnel
- Reviewing and reporting to the Board on the succession and transition plan of Key Management Personnel including development, talent retention and career development plans
- Recommending to the Board such amendments to its scope as may be required to achieve better corporate governance objectives
- Periodically reviewing the Terms of Reference of the Committee and ensuring that it reflects the HR best practices of the industry
- Assessing the performance of the Committee as per the Terms of Reference

ACTIVITIES IN 2021/22

The Committee discharged its responsibilities in compliance with its Terms of Reference with the following areas being given special attention:

- **REMUNERATION POLICY OF HELA GROUP**

The remuneration policy was designed to attract, motivate and retain a highly qualified and competent workforce to achieve the strategic objectives of the Company and to reward performance accordingly, in line with the industry norms ensuring competitiveness of the Company within the industry while maintaining internal parity.

- **PERFORMANCE APPRAISAL, REMUNERATION AND BENEFITS FOR EMPLOYEES**

A new Performance Management System encompassing Key Performance Indicators, measurable goals and regular performance review with supervisor feedback is being put in place to ensure that the Company and its employees thrive within a more performance driven culture. The Company will cascade the new system to all executive levels in the year to come which will ensure a comprehensive performance management cycle by year 2023/24 where the rewards and recognition are based on the performance achieved by the team as well as each individual.

In addition, the Committee reviewed and made necessary revisions to the following areas:

- Remuneration and salary structures were reviewed in order to ascertain changes required.
- The Group structure was reviewed periodically by the Board of Directors in order to bring about changes that enhanced operational efficiency and enhanced control.
- The Committee reviewed the capacity building initiatives of the Group including training and development plans of Key Management Personnel.

DIRECTORS' EMOLUMENTS

Directors Emoluments are disclosed in Note 17(c) to the Financial Statements for the year ended 31 March 2022 found on page 144 of the Annual Report.

CONCLUSION

The Committee will continue to assist the Board of Directors by strengthening and introducing policies, practices and systems in the development of the Company's human capital and providing opportunities to employees to enhance and acquire new skills and knowledge within the Group for their career development.

Aroshi Nanayakkara
Chairperson of the Remuneration Committee

15 August 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions (RPT) Review Committee was formally appointed by the Board of Directors in June 2021 and the Committee is governed by the Terms of Reference, approved by the Board of Directors.

PURPOSE/OBJECTIVES OF THE COMMITTEE

The objective of the Committee is to exercise, oversight of all Related Party Transactions of (the Company) /and its subsidiary companies on behalf of the Board, and to ensure compliance with respect to the Code of Best Practice on Related Party Transactions (RPT), issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

The Committee meets on a quarterly basis to review all applicable and proposed related party transactions prior to entering into or completion of the transactions, through discussions with the Senior Management. In addition to the above, the Committee also reviews previously approved related party transactions entered into by the Group, in situations where a material change to the transaction has been proposed.

COMPOSITION OF THE COMMITTEE AND MEETING ATTENDANCE

The Committee's composition complies with the requirements of Section 9.2.2 of the Listing Rules of the CSE. The Committee is chaired by an Independent Non-Executive Director and the members of the Committee possess a wealth of knowledge and experience.

The Company Secretaries function as the Secretary to the Committee. The profiles of the members are found on page 20 of the Annual Report.

There were no meetings held during the FY 2021/22 and Company expects to be in compliance from FY 2022/23 by holding regular meetings.

Members	Attendance
Ms. T Peries (Chairperson)	No meetings held
Ms. A Nanayakkara	
Dr. A J Alderton*	
Mr. S Khan**	

/ Independent Non-Executive Director

Non-Executive Director

** Appointed w.e.f. 07/05/2021, ** Alternate Director for Dr. A J Alderton appointed w.e.f. 25/06/2021*

KEY POLICIES AND PROCEDURES ADOPTED

- The members of the Board of the Company and its subsidiaries are construed as the Key Management Personnel. Annual declarations from all Key Management Personnel setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.
- Disclosures are obtained from all Group companies of any proposed Related Party Transactions and all disclosures are tabled at each Related Party Transactions Review Committee Meeting.

KEY RESPONSIBILITIES OF THE COMMITTEE

- Ensure that the interest of the shareholders as a whole are considered when entering into Related Party Transactions providing independent review, approval and oversight of Related Party Transactions.
- Review the Committee's Terms of Reference at least annually and recommend amendments as and when determined to be appropriate by the Committee.
- Ensure that the Committee has, or has access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, the Committee should obtain appropriate professional and expert advice from an appropriately qualified person.
- Perform such other functions as assigned by applicable laws and regulations, or by the Board.

TRANSACTIONS DURING THE YEAR

Details of related party transactions entered into by the Company during the reporting period are disclosed in Note 17 to the Financial Statements. The aggregate value of non-recurrent related party transactions did not exceed 10% of the equity or 5% of the total assets of the Company during the year. Therefore, a requirement to make a disclosure in terms of Section 9.3.2(a) of the Listing Rules of the CSE did not arise.

CONCLUSION

The Committee will continue to assist the Board of Directors by reviewing all Related Party Transactions and ensuring that they are:

- In compliance with Section 9 of the Listing Rules of the CSE
- Shareholder interests are safeguarded
- Related Party Transactions are fair and transparent, and on commercial terms

Trisha Sandrine Peries
Chairperson of the Related Party Transactions Review Committee

15 August 2022

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

1. GENERAL

The Directors of Hela Apparel Holdings PLC have pleasure in presenting their first Annual Report following the listing of the Company's shares on the CSE, together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2022.

Hela Apparel Holdings PLC was incorporated under the Companies Act No. 07 of 2007 of Sri Lanka on 11 October 2018, converted to a Limited Company on 7 September 2021 and listed on the Colombo Stock Exchange on 7 February 2022 with Company Registration No. PQ 00205151.

2. PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The principal activities of the Company are the provision of consultancy and support services to Group Companies. The companies within the Group and its business activities are described in the Group Companies and Directorate section under the Supplementary Information section of the Annual Report. There were no significant changes to the principal activities of the Company or its subsidiaries during the year.

This Report together with the Financial Statements, reflect the state of affairs of the Company.

3. FINANCIAL STATEMENTS OF THE COMPANY AND GROUP

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board are given on pages 89 to 160.

4. AUDITORS' REPORT

The Group's External Auditors, Messrs. PricewaterhouseCoopers, performed the audit on the Financial Statements for the year ended 31 March 2022. The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 90 to 93 as required by Section 168 (1) (c) of the Companies Act No. 7 of 2007.

5. ACCOUNTING POLICIES

A summary of the significant Accounting Policies adopted in the preparation of the Financial Statements is given from pages 148 to 160 of the Annual Report as required by Section 168 (1) (d) of the Companies Act No. 7 of 2007. There have been no changes in the accounting policies adopted by the Group during the year under review. The Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

6. RESULTS AND DIVIDENDS

6.1. REVENUE

The Total Revenue of the Group for the year ended 31 March 2022 was Rs. 56,179,622,305 (FY 2020/21 – Rs. 32,155,092,492). An analysis of the income is given in Note 02 to the Financial Statements on page 103 of this Annual Report.

6.2. PROFIT AND APPROPRIATIONS

The Profit Before Tax of the Group for the year ended 31 March 2022 was Rs. 1,064,782,002 (FY 2020/21 - Rs. 912,099,274) and the Profit After Tax for the year ended 31 March 2022 was Rs. 816,310,537 (FY 2020/21 - Rs. 871,535,711). Whilst the Group profit attributable to equity holders of the parent was Rs. 819,689,845 (FY 2020/21 - Rs. 766,845,546).

The details of Profit relating to the Group are given on page 94 of the Annual Report.

6.3. DIVIDENDS

The Directors do not recommend a dividend for the year under review.

7. DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below:

Name of Director	Designation
Mr. A R Rasiah	Chairman/Non Executive Director
Mr. P L D Jinadasa	Group CEO/Executive Director
Mr. G P Gunawardana	Independent Non Executive Director
Ms. A Nanayakkara	Independent Non Executive Director
Ms. T Peries	Independent Non Executive Director
Dr. A J Alderton*	Non Executive Director
Mr. P Schleiffer**	Non Executive Director
Mr. S Khan***	Alternate Director to Dr. Alderton

**Appointed w.e.f 07.05.2021 | **Appointed w.e.f 07.05.2021 | ***Appointed w.e.f 25.06.2021*

7.1. RECOMMENDATION FOR RE-ELECTION/ RE-APPOINTMENT

The Directors have recommended the re-appointment of Mr. A R Rasiah who is over 70 years of age as a Director of the Company; and accordingly, a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act with regard to the said re-appointment.

7.2. DIRECTORS OF SUBSIDIARY & JOINT VENTURE COMPANIES:

Company Name	Board Members
Hela Clothing (Private) Limited	Mr. A R Rasiah Mr. P L D Jinadasa Ms. A Nanayakkara Mr. G P Gunawardana Mr. W M S R Peiris Mr. M R Rehmanjee Mr. R S P Amarathunga
Foundation Garments (Private) Limited	Mr. A R Rasiah Mr. P L D Jinadasa Ms. A Nanayakkara Mr. G P Gunawardana Mr. W M S R Peiris Mr. M R Rehmanjee
F D N Sourcing (Private) Limited	Mr. A R Rasiah Mr. P L D Jinadasa Ms. A Nanayakkara Mr. G P Gunawardana Mr. W M S R Peiris
Foundation Bennett (Private) Limited	Mr. A R Rasiah Mr. P L D Jinadasa Mr. G P Gunawardana
Aplha Textiles (Private) Limited	Mr. A R Rasiah Mr. P L D Jinadasa Mr. G P Gunawardana

Company Name	Board Members
Jinadasa Bennett (Private) Limited	Mr. A R Rasiah Mr. P L D Jinadasa Mr. G P Gunawardana
Hela Investment Holdings Limited	Mr. A R Rasiah Mr. P L D Jinadasa Mr. G P Gunawardana Mr. W M S R Peiris Ms. D B F Shahnaz Mr. A Sultunti
Hela USA Inc.	Mr. A R Rasiah Mr. P L D Jinadasa Mr. G P Gunawardana Mr. W M S R Peiris
Hela Intimates EPZ Limited	Mr. P L D Jinadasa Mr. W M S R Peiris
Hela Indochine Apparel PLC	This company type in Ethiopia does not require a governing board
Hela Clothing Egypt S.A.E	Mr. P L D Jinadasa Mr. R S P Amarathunga Ms. R M F A Torky Mr. K D V L Koralearachchi Mr. D D M Arachchi

7.2. DIRECTORS OF SUBSIDIARY & JOINT VENTURE COMPANIES (CONTD.)

Company Name	Board Members
Sumbiri Intimate Apparel PLC	This company type in Ethiopia does not require a governing board.

Company Name	Board Members
Safeguard Workwear EPZ Limited	Mr. P L D Jinadasa Mr. W M S R Peiris Mr. G S M A Gulam Mr. K M H Dostmohamed

7.3. DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 17 (c) to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities of directors referred to herein.

7.4 INTERESTS REGISTER

The Company has maintained an Interest Register as per the Companies Act No. 7 of 2007 and all the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested. They have also disclosed their interest in other companies so as to ensure that they refrain from voting on a matter in which they have an interest.

7.5. DIRECTORS' REMUNERATION

The Directors' total remuneration is disclosed under Key Management Personnel compensation in Note 17 (c) to the Financial Statements on page 144.

7.6. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for preparing and presenting the Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 7 of 2007.

7.7. DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31 March 2022 are shown in the table below.

	Shareholding as at 31.03.2022	Shareholding as at 31.03.2021*
Mr. A R Rasiah	4,273,743	80
Mr. P L D Jinadasa	135,932,066	1,093,900
Ms. A Nanayakkara	619,100	-
Mr. G P Gunawardana	-	-
Ms. T Peries	57,400	-
Mr. Patrick Schleiffer	-	-
Dr. A J Alderton	-	-

**The share capital of the company was restructured on 02 September 2021. As such, the shareholding of the Company's directors on 31 March 2022 and 31 March 2021 are not directly comparable.*

8. AUDITORS

Messrs. PricewaterhouseCoopers, Chartered Accountants served as the Auditors during the year under review and also provided audit related services and permitted non-audit/ consultancy services.

Based on the declaration provided by Messrs. PricewaterhouseCoopers, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditors) or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the Reporting Date.

A total amount of Rs. 22,381,147 is payable by the Company to the Auditors for the year under review comprising Rs. 20,994,606 as audit fees and Rs. 1,386,541 for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 25 July 2022 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Details of payments to Auditors of subsidiary companies on account of audit fees and for permitted non audit services are set out in Note 3 (c) to the Financial Statements on page 104.

9. STATED CAPITAL

The Stated Capital of the Company as at 31 March 2022 was Rs. 5,696,037,118/- represented by 1,303,117,944 Ordinary Shares.

The Stated Capital of the Company as at 31 March 2021 was Rs. 1,723,898,790/- represented by 10,000,431 Shares.

Pursuant to the share capital reorganisation on 02 September 2021, multiple classes of issued shares (A1, A2, A3, A4 Preference Shares and B and C ordinary shares) were converted into Ordinary Voting shares.

10. SHAREHOLDERS

There were 16,445 shareholders registered as at 31 March 2022 out of which 15,982 were individuals and 463 were institutions.

10.1 MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 170 to 172 under the Investor Information section of Annual Report.

10.2 ISSUE OF SHARES - ESOP

The details of the grants/vesting of Employee Share Ownership Plan (ESOP) is given under Investor Information section found on page 172 of the Annual Report.

10.3 STATUS OF COMPLIANCE TO MINIMUM PUBLIC HOLDING REQUIREMENT OF THE LISTING RULES

The number of ordinary shares held by the Public as at 31 March 2022 was 20.13% of the Issued Capital of the Company. The minimum public holding requirement as at 31 March 2022 as per section 7.14.1 of the Listing Rules is as follows:

	Float Adjusted Market Capitalisation - (LKR)	Public Holding (%)	No of Shareholders
Minimum Public Holding as at 31 March 2022	3,383,897,583	20.13	16,421

The Company complies with the Minimum Public Holding required of the Main Board as per Option 3 of Section 7.14.1 (a) of the CSE Listing Rules.

11 EMPLOYMENT POLICY

Group employment policies are based on recruiting the best people, providing them with training to enhance their skills, as well as recognising the innate skills and competencies of each individual, while offering equal career opportunities regardless of gender, race or religion and retaining them within the Group as long as possible. Health and safety of the employees has always received priority in the Group HR agenda.

As at 31 March 2022, 19,430 persons were in employment (14,769 persons as at 31 March 2021).

12 RESERVES

The reserves of the Company with the movements during the year are given in Note 7 to the Financial Statements on page 127

13 LAND HOLDINGS

The Company's land holdings referred to in Note 6 (a) to the Financial Statements comprise the following:

- Information on extents and locations of revalued freehold land and buildings of Group.
- Details on revaluation of freehold land and buildings.
- Valuation techniques used in measuring the land and buildings and significant unobservable inputs used.
- Carrying amounts that would have been recognised if land and buildings were stated at cost.

14 PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Note 6(a) to the Financial Statements on page 110.

15 INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31 March 2022 are given in Note 6 (c) to the Financial Statements on pages 117 to 119.

16 DONATIONS

The Company and the Group has not made monetary donations during the year under review.

17 RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Group, in managing the risks are detailed in the section on Risk Management on page 85.

18 STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

19 CONTINGENT LIABILITIES

Except as disclosed in Note 14 to the Financial Statements on page 143, there were no material Contingent Liabilities as at the Reporting date.

20 EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 16 to the Financial Statements on page 144, there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

21 CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The Corporate Governance Statement on page 64 explains the measures adopted by the Company during the year.

22 BOARD SUB-COMMITTEES

An Audit Committee, Remuneration Committee, Nominations Committee and a Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees is as follows.

AUDIT COMMITTEE

Mr. G P Gunawardena - Chairman
Dr. A J Alderton
Mr. P Schleiffer
Ms. A Nanayakkara
Ms. T Peries

REMUNERATION COMMITTEE

Ms. A Nanayakkara - Chairperson
Dr. A J Alderton
Mr. G P Gunawardena

NOMINATIONS COMMITTEE

Mr. A R Rasiah - Chairman
Ms. T Peries
Dr. A J Alderton
Mr. P Schleiffer

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Ms. T Peries - Chairperson
Dr. A J Alderton
Ms. A Nanayakkara

The Board of Directors formed a Related Party Transaction Review Committee to assist the Board in reviewing all related party transactions in accordance with the requirement of Section 9 of the Listing Rules of the CSE. The Directors declare that during the year under review there were no related party transactions which required the shareholder approval or non-recurrent related party transactions which required immediate disclosure in accordance with Section of the Listing Rules of the CSE.

23 GOING CONCERN

The financial statements are prepared and presented on going concern principles. After making adequate enquiries from management, the Directors are satisfied that the Group has adequate resources to continue its operations in the foreseeable future.

24 CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility programmes, details of which are set out on page 40 of this Report.

25 ANNUAL GENERAL MEETING

The Notice of the first Annual General Meeting following the listing of the Company appears on page 178.

This Annual Report is signed for and on behalf of the Board of Directors by

A. R. Rasiah
Chairman

P. L. D. Jinadasa
Group CEO/Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

15 August 2022

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board
Hela Apparel Holdings PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

15 August 2022

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is the process of identifying, assessing, managing and monitoring potential risks that can hinder the trajectory towards the Group's strategic objectives. ERM has assisted the Group to identify and implement controls based on identified risks and supports the achievement of its objectives in a volatile global environment.

ERM utilises the Group's objectives, agreed for the Financial Year, as its inputs to develop the Group's Risk Management Strategy and Risk Appetite. These serve as guiding principles to ensure that all major internal and external risks are identified, assessed, managed and monitored in a way that supports the Group to meet its strategic objectives and fulfil stakeholder deliverables.

The identified risks are recorded in a risk registry and evaluated. In the evaluation process the team accounts for its monetary and non-monetary impact, likelihood of occurrence , as well as the current controls in place to mitigate any risks. The ERM team assigns an impact and a likelihood level based on which an overall risk level is calculated. The risk level will serve in risk ranking and as an indicator to identify the suitable course of action to effectively manage and prioritise risks within the tolerance limits established by the Board.

The execution of risk mitigation plans will be monitored and reviewed regularly with corrective actions implemented as determined appropriate, resulting in the respective impact and likelihood levels being reduced to reflect a residual risk level. Regular risk identification is carried out to ensure that new events in the external and internal environments are accounted for.

LIKELIHOOD			
High	Moderate	High	High
Moderate	Low	Moderate	High
Low	Low	Low	Moderate
	Low	Moderate	High
	IMPACT		

HELA GROUP'S RISK MANAGEMENT FRAMEWORK				
Identifying the Objectives for the Financial Year	Identification of Risks	Analyse and Evaluate Risks	Treatment of Risks	Monitoring
Risk Assessment Mechanism			Risk Control Mechanism	
Identifying the set objectives for the financial year for each functional area	Identify risk events by monitoring changes in the operating environment, based on internal and external factors	Analysing the events based on likelihood of occurrence and severity of impact, and assigning of a risk assessment level	Development of a risk mitigation plan based on risk assessment	Review of implemented risk mitigation plans and adjustment for any weaknesses identified

“HELA'S BOARD OF DIRECTORS AND AUDIT COMMITTEE SERVE AS THE APEX BODIES RESPONSIBLE FOR EFFECTIVE RISK MANAGEMENT AND HAVE IMPLEMENTED THREE-LINES OF DEFENSE”

Hela's Board of Directors and Audit Committee serve as the apex bodies responsible for effective risk management and have implemented three-lines of defense to establish a control environment, as well as to segregate risk controls across the Group. Operational teams act as the first line of defense, where respective risks are identified and mitigated through the implementation of reviews, factory controls and standard operating procedures. The Group Management Committee acts as the second line of defense and conducts quarterly reviews on each area. Appropriate actions are implemented for weaknesses identified in these reviews. The internal audit team and external auditors will form the third line of defense in which independent assurance of efficacy and adequacy of the control environment will be provided. Weaknesses identified during these audits will be highlighted at the quarterly Audit Committee meetings along with remedial actions suggested. Agreed remedial actions will be implemented by the process owners thereon.

Furthermore, the Board of Directors sets the tone for ERM via policies and procedures that promote the appropriate risk culture, while business heads are held accountable for ensuring these policies, procedures and standards are implemented and adhered to, without exception. Continuous training and other capacity building initiatives are also a key component that reinforces the risk awareness culture at all levels of the Group.

Three Lines of Defense			
Board of Directors			External Auditors and Regulators
First Line of Defense	Second Line of Defense	Third Line of Defense	
Operational Teams & Functional Heads	Group Management Committee	Board Audit Committee	
Responsible for identifying emerging risks and implementing risk controls for their respective areas	Responsible for conducting quarterly risk reviews and developing appropriate risk controls for key identified risks	Responsible for independent assurance of the efficacy and adequacy of the risk controls in place and for recommending appropriate improvements	

Following the established ERM process, the below risks were identified along with their likelihood of occurrence and impact to Hela.

HELA GROUP - RISK MANAGEMENT UPDATE FOR FY 2021/22				
Risk Category	Identified Risk Event	Impact on Hela	Risk Assessment	Risk Treatment and Monitoring
Corporate Risk	Performance and Reputation Risk	Failing to achieve corporate objectives and as a result failing to deliver stakeholder expectations	Low	› Customer focussed strategies › Focus on innovation › Strong corporate governance and review structure
	Competitor / Industry Risk	Threat of margins and market share erosions and shifts in customer buying behaviour	Moderate	› Collaborative supplier & customer partnerships › Africa focussed geographical footprint › New customer focussed product lines
	Regulatory Compliance Risk	Possible penalties due to non-compliance and loss of goodwill due to failing to meet regulatory requirements	Low	› Established compliance and legal teams, and continuous monitoring of regulatory and legal requirements
	Investment Risk	Risk of investment and expansion project failures resulting in loss of capital, loss of reputation and not reaping expected returns on investments	Moderate	› Cautious decision making after thorough investment evaulations › Continous project evaluations and prompt actions on identified issues › Sustained capacity fulfilment and demand management
Operational Risk	Political instability and economic uncertainty in operating countries	Inability to sustain continuous demand and possible changes in business regulations	High	› Global manufacturing footprint leading to flexibility › Strong and resilient customer base and long term customer relationships › Sustained capacity fulfillment and demand management › Board oversight on all major investment decisions

ENTERPRISE RISK MANAGEMENT

HELA GROUP - RISK MANAGEMENT UPDATE FOR FY 2021/22				
Risk Category	Identified Risk Event	Impact on Hela	Risk Assessment	Risk Treatment and Monitoring
Operational Risk Contd.	Raw material price volatility and supply chain disruptions	Margin erosion due to increases in raw material prices and freight charges Possible disruptions to continuous operations due to raw material unavailability	Moderate	› Supply chain regionalisation › Africa focussed manufacturing strategy › Implementation of yarn booking models › Supplier collaborations
	Global energy crisis	Impacts on customer deliveries and continuous operations	Moderate	› Investing in alternative energy sources and energy efficient machinery › Process improvements › Implementing fuel storage mechanisms
	Possible violations of environmental regulations and compliance regulations	Possible penalties and reputational risks leading to loss of customer and market share.	Low	› Established compliance and brand protection teams › Conducting monthly audits and bi-annual master audits covering all aspects of environmental, legal, supply chain, HR and brand protection › Introduction of traceable materials and origin testing
	Risk of IT system failures	Risk of IT systems being unable to support continuous operations due to system failures or possible cyber attacks	Low	› Cloud first strategy - investments in cloud-based solutions for applications, systems & for disaster recovery sites › Development of cyber security strategies and enterprise backup solutions
	HR and Industrial relations risk	Barriers for continuous operations, work culture distortions and margin erosions due to pandemic related employee focussed expenses	Low	› Sound performance appraisal and remuneration strategies. › Provision of flexible working conditions › Execution of people empowerment campaigns › Compliance to health and safety protocols and provision of healthcare benefits

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FINANCIAL REPORTS

INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Hela Apparel Holdings PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the financial statements of Hela Apparel Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2022;
- the statement of profit or loss and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

INDEPENDENCE

We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners **D T S H Mudalige FCA, C S Manoharan FCA, Ms S Perera ACA, Ms S Hadgie FCA, N R Gunasekera FCA**
T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA

The Group:

Key audit matter	How our audit addressed the Key audit matter
REVENUE RECOGNITION	
(Refer accounting policy in note 2 to the financial statements) Revenue is the key driver of business performance and the Group's revenue of LKR 56.2Bn includes export revenue amounting to LKR 55.3Bn. Revenue is recognised at the point in time when the Group satisfies its performance obligation at delivery or handover of goods to a customer or customer's nominated freight forwarder. We considered there to be an increased risk of misstatement of revenue in the financial statements related to transactions occurring close to the year end, as transactions, especially those relating to export revenue, could be recorded in the incorrect financial period due to timing differences arising between the invoicing and delivery or handover of goods to nominated freight forwarders.	Our audit approach included controls testing and substantive procedures performed as follows: a) evaluated the design and tested the operating effectiveness of key controls related to the timely recording of revenue transactions; b) selected a risk-based sample of invoices raised around the financial year end and agreed to underlying evidence to support that revenue has been recognised in the correct reporting period; c) examined material non-standard journal entries and other adjustments posted to revenue at year end and at the beginning of the subsequent period; and d) assessed the adequacy of related disclosures on revenue in the financial statements with reference to the disclosure requirements given in SLFRS 15.
CARRYING VALUE OF GOODWILL	
(Refer accounting policy in note 6 (b) and note 21 (p) to the financial statements) The Group has goodwill amounting to LKR 10.9 Bn as at 31 March 2022. As per the Sri Lanka Accounting Standards, the Group is required to annually test for impairment of the Cash Generating Units (CGUs) to which goodwill recorded in the financial statements had been allocated. This annual impairment test was significant to our audit due to following reasons: • the total of goodwill balances allocated to the CGUs of the Group as at 31 March 2022 is material to the financial statements; • impairment testing is based on cash flow forecasts and earnings projections of the related CGUs prepared based on management judgement and assumptions which are affected by expected future market or economic conditions; and	Our procedures included checking inputs used in the impairment testing and the reasonableness of the assumptions used in determining the recoverable value and are given below: a) assessed the key assumptions, including pre-tax discount rate, terminal growth rate, and revenue growth rate by benchmarking against publicly available market data; b) checked the appropriateness of the selection of the impairment testing method, with the support of our valuation experts; c) checked the mathematical accuracy of the impairment testing and agreed relevant data to the approved management projections; d) assessed the reliability of management's forecasts and projections by comparing actual performance against previous forecasts and projections; e) discussed with relevant senior management the extent to which their assessment of uncertainty had been incorporated to cash flow projections; and f) re-performed the sensitivity analysis performed by management by stress-testing the discount rate, terminal growth rate, EBITDA margin, revenue growth rate; and g) assessed the adequacy of related disclosures on goodwill in the financial statements with reference to the disclosure requirements given in LKAS 36.

Key audit matter	How our audit addressed the Key audit matter
NET REALISABLE VALUE OF INVENTORY (Refer accounting policy in note 21 (j) to the financial statements) The Group held LKR13 Bn of inventories comprising raw materials, work-in-progress and finished goods valued at the lower of cost and net realisable value. We focused on this area due to the following reasons; • Inventory represents a significant balance of the Group's total assets; • management use judgement to estimate the write down required for slow moving and obsolete inventory based on the inventory residence period (aging) and the expected net realisable values of such inventory at the statement of financial position date.	Our audit approach included a combination of testing controls related to the inventory process and substantive audit procedures which covered the following; a) obtained an understanding of the design, implementation and tested the operating effectiveness of key controls relating to inventory valuation and identification of slow-moving and obsolete inventory requiring provision; b) for a sample of inventory items, the cost was agreed to supporting documentation to check the purchase cost and other costs necessary to bring the inventory to the warehouse had been recorded completely and accurately; c) attended the inventory verifications performed by management and tested a sample of items in order to check existence and identify any damaged, obsolete inventory; d) checked the accuracy of the inventory residence periods in the aging reports by agreeing a sample of inventory items to movement records such as goods received notes and issue/delivery notes; e) assessed the estimated selling price of the finished goods by verifying with the final sales invoice; and f) assessed the adequacy of related disclosures on inventory in the financial statements with reference to the disclosure requirements given in LKAS 2.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report – 2021/22 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's / Group'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 separate / consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as it appears from our examination, proper accounting records have been kept by the Company.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [2857]

COLOMBO

15 August 2022

STATEMENT OF PROFIT OR LOSS

(All amounts in Sri Lankan Rupees Thousands)

	Notes	Group Year ended 31 March 2022	Group Year ended 31 March 2021	Company Year ended 31 March 2022	Company Year ended 31 March 2021
Revenue from contracts with customers	2	56,179,623	32,155,092	-	-
Cost of sales		(47,367,814)	(26,089,625)	-	-
Gross profit		8,811,809	6,065,467	-	-
Distribution expenses		(1,450,910)	(623,425)	-	-
Administrative expenses		(5,230,583)	(3,810,548)	(59,420)	(4,359)
Net impairment loss on financial assets	10(b)	(132,718)	(16,763)	-	-
Other income	3(a)	93,286	262,844	-	-
Other gains / (losses) - net	3(b)	401,679	82,449	(1,386,314)	(421)
Operating profit / (loss)		2,492,563	1,960,024	(1,445,734)	(4,780)
Finance income	3(e)	46,515	10,174	32,584	118
Finance costs	3(e)	(1,382,780)	(1,058,098)	(44)	(2)
Finance (costs) / income - net		(1,336,265)	(1,047,924)	32,540	116
Share of loss of equity accounted investee, net of tax	13(e)	(91,516)	-	-	-
Profit / (loss) before income tax		1,064,782	912,100	(1,413,194)	(4,664)
Income tax expense	4(a)	(248,471)	(40,564)	(7,820)	(28)
Profit / (loss) for the year		816,311	871,536	(1,421,014)	(4,692)
Profit / (loss) is attributable to:					
Equity holders of the parent		819,690	766,846	(1,421,014)	(4,692)
Non-controlling interests		(3,379)	104,690	-	-
Profit / (loss) for the year		816,311	871,536	(1,421,014)	(4,692)
Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the parent					
Basic earnings / (loss) per share	18(a)	0.76	0.76	(1.32)	(0.00)
Diluted earnings / (loss) per share	18(d)	0.75	0.75	(1.30)	(0.00)

The accounting policies and notes on pages 101 to 160 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Sri Lankan Rupees Thousands)

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2022	2021	2022	2021
Profit / (loss) for the year		**816,311**	871,536	**(1,421,014)**	(4,692)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences		**4,321,396**	307,969	**2,344,386**	168,630
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Gain on revaluation of land and buildings	6(a)	**28,050**	11,414	**-**	-
Deferred income tax impact relating to revaluation	6(g)(ii)	**(5,808)**	(1,872)	**-**	-
Remeasurements of post-employment benefit obligations	6(i)	**63,537**	(40,448)	**-**	-
Deferred income tax impact relating to remeasurements of post-employment benefit obligations	6(g)(ii)	**(7,485)**	4,512	**-**	-
Other comprehensive income for the year, net of tax		**4,399,690**	281,575	**2,344,386**	168,630
Total comprehensive income for the year		**5,216,001**	1,153,111	**923,372**	163,938

The accounting policies and notes on pages 101 to 160 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts in Sri Lankan Rupees Thousands)

		Group		Company	
		As at 31 March		As at 31 March	
	Notes	2022	2021	2022	2021
ASSETS					
Non-current assets					
Property, plant and equipment	6(a)	5,927,969	3,560,886	-	-
Investment property	6(c)	450,000	340,796	-	-
Right-of-use assets	6(f)	740,821	562,667	-	-
Intangible assets	6(b)	10,914,668	7,271,435	-	916
Capital work-in-progress	6(d)	626,633	42,339	-	-
Investment in subsidiaries	13(a)	-	-	1,904,031	1,236,266
Investments in equity accounted investees	13(e)	320,407	-	-	-
Deferred tax assets	6(g)	182,650	304,947	-	-
Other receivables	5(b)	332	221	-	-
Total non-current assets		19,163,480	12,083,291	1,904,031	1,237,182
Current assets					
Inventories	6(h)	12,970,239	5,453,106	-	-
Trade receivables	5(a)	11,927,722	5,288,324	-	-
Other receivables	5(b)	2,656,861	911,737	3,928,174	737,872
Other assets	6(e)	2,018,930	1,034,840	-	-
Income tax receivables		11,465	6,295	-	-
Cash and cash equivalents	5(c)	5,244,151	1,896,513	1,115,481	2,174
Total current assets		34,829,368	14,590,815	5,043,655	740,046
Total assets		53,992,848	26,674,106	6,947,686	1,977,228
EQUITY					
Stated capital	7(a)	5,696,037	1,723,899	5,696,040	1,723,899
Retained earnings / (accumulated losses)	7(c)	2,315,666	1,313,835	(1,453,618)	(32,604)
Other reserves	7(b)	141,032	86,065	114,947	82,222
Exchange equalisation reserve	7(d)	4,827,165	505,769	2,545,308	200,922
Capital and reserves attributable to the equity holders of the parent		12,979,900	3,629,568	6,902,677	1,974,439
Non-controlling interests	13(c)	150,522	340,114	-	-
Total equity		13,130,422	3,969,682	6,902,677	1,974,439
LIABILITIES					
Non-current liabilities					
Borrowings	5(e)	2,574,365	2,063,220	-	-
Deferred tax liabilities	6(g)	575,488	372,059	-	-
Lease liabilities	6(f)	350,258	548,511	-	-
Employee benefit obligations	6(i)	426,417	436,905	-	-
Total non-current liabilities		3,926,528	3,420,695	-	-

	Notes	Group		Company	
		As at 31 March		As at 31 March	
		2022	2021	2022	2021
Current liabilities					
Trade and other payables	5(d)	10,774,815	6,110,300	33,800	2,288
Lease liabilities	6(f)	433,857	73,889	-	-
Income tax liabilities		38,305	1,676	11,207	-
Borrowings	5(e)	25,688,921	13,097,864	2	501
Total current liabilities		36,935,898	19,283,729	45,009	2,789
Total liabilities		40,862,426	22,704,424	45,009	2,789
Total equity and liabilities		53,992,848	26,674,106	6,947,686	1,977,228
Net assets per share attributable to the equity holders of the parent		9.96	362.96	5.30	197.44

The accounting policies and notes on pages 101 to 160 are an integral part of these financial statements.

I certify that these financial statements have been prepared and presented in compliance with the requirements of the Companies Act, No. 07 of 2007.

M. H. A. Rehmanjee
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board by,

P. L. D. Jinadasa
Director

G. P. Gunawardana
Director

15 August 2022

Colombo

STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lankan Rupees Thousands)

Group	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Stated capital	Retained earnings	Other reserves	Exchange equalisation reserve	Total		
Balance as at 1 April 2020	1,723,896	582,925	(1,024)	197,800	2,503,597	230,749	2,734,346
Profit for the year	-	766,846	-	-	766,846	104,690	871,536
Other comprehensive income	-	(35,936)	4,867	307,969	276,900	4,675	281,575
Total comprehensive income / (loss) for the year	-	730,910	4,867	307,969	1,043,746	109,365	1,153,111
Employee Share Ownership Plan (ESOP) - value of employee services	-	-	82,222	-	82,222	-	82,222
Issue of shares to employees under the ESOP	3	-	-	-	3	-	3
Balance as at 31 March 2021	1,723,899	1,313,835	86,065	505,769	3,629,568	340,114	3,969,682
Balance as at 1 April 2021	1,723,899	1,313,835	86,065	505,769	3,629,568	340,114	3,969,682
Profit for the year	-	819,690	-	-	819,690	(3,379)	816,311
Other comprehensive income	-	56,052	22,242	4,321,396	4,399,690	-	4,399,690
Total comprehensive income / (loss) for the year	-	875,742	22,242	4,321,396	5,219,380	(3,379)	5,216,001
NCI on business combination	-	126,089	-	-	126,089	(186,213)	(60,124)
Issue of shares to employees under the ESOP - value of employee services	-	-	32,725	-	32,725	-	32,725
Issue of ordinary shares,net of transaction costs	3,972,138	-	-	-	3,972,138	-	3,972,138
Balance as at 31 March 2022	5,696,037	2,315,666	141,032	4,827,165	12,979,900	150,522	13,130,422

The accounting policies and notes on pages 101 to 160 are an integral part of these financial statements.

Company	Stated capital	Accumulated losses	Share based payments	Exchange equalisation reserve	Total
Balance as at 1 April 2020	1,723,896	(27,912)	-	32,292	1,728,276
Loss for the year	-	(4,692)	-	-	(4,692)
Other comprehensive income	-	-	-	168,630	168,630
Total comprehensive income / (loss) for the year	-	(4,692)	-	168,630	163,938
Employee Share Ownership Plan (ESOP) - value of employee services	-	-	82,222	-	82,222
Issue of shares to employees under the ESOP	3	-	-	-	3
Balance as at 31 March 2021	1,723,899	(32,604)	82,222	200,922	1,974,439
Balance as at 1 April 2021	1,723,899	(32,604)	82,222	200,922	1,974,439
Loss for the year	-	(1,421,014)	-	-	(1,421,014)
Other comprehensive income	-	-	-	2,344,389	2,344,389
Total comprehensive income / (loss) for the year	-	(1,421,014)	-	2,344,389	923,375
Issue of shares to employees under the ESOP - value of employee services	-	-	32,725	-	32,725
Issue of ordinary shares, net of transaction costs	3,972,138	-	-	-	3,972,138
Balance as at 31 March 2022	5,696,037	(1,453,618)	114,947	2,545,311	6,902,677

The accounting policies and notes on pages 101 to 160 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts in Sri Lankan Rupees Thousands)

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2022	2021	2022	2021
Cash flows from operating activities					
Cash (used in) / generated from operations	8(a)	(2,827,976)	2,653,518	(3,391,128)	30,333
Retirement benefit obligations paid	6(i)	(47,574)	(38,889)	-	-
Income tax paid		(24,244)	(128,616)	(30)	-
Interest paid		(1,467,462)	(552,329)	(44)	(2)
Net cash (outflow) / inflow from operating activities		(4,367,256)	1,933,684	(3,391,202)	30,331
Cash flows from investing activities					
Purchase of property, plant and equipment	6(a)	(1,011,710)	(324,382)	-	-
Purchase of intangible assets	6(b)	(14,129)	(3,394)	-	-
Purchase of investment properties	6(c)	-	(189)	-	-
Additions to capital work-in-progress	6(d)	(646,519)	(20,976)	-	-
Proceeds from sales of property, plant and equipment		1,471	37,113	-	-
Proceeds from sales of intangible assets		225	1,202	-	-
Interest received	3(e)	46,515	10,174	32,584	118
Acquisition of non controlling interest	13(d)	(60,124)	-	-	-
Investments made in subsidiaries		(311,622)	-	-	-
Net cash (outflow) / inflow from investing activities		(1,995,893)	(300,452)	32,584	118
Cash flows from financing activities					
Proceeds from borrowings		56,523,569	36,116,861	-	-
Net proceeds from share issue		4,135,229	-	4,135,230	-
Principal elements of lease payments		(234,799)	(262,138)	-	-
Repayment of borrowings		(52,784,116)	(37,112,004)	-	-
Net cash inflow / (outflow) from financing activities		7,639,883	(1,257,281)	4,135,230	-
Net increase in cash and cash equivalents		1,276,734	375,951	776,612	30,449
Cash and cash equivalents at the beginning of the year		1,801,305	1,281,472	1,673	9,816
Currency translation difference		1,945,093	143,882	337,194	(38,592)
Cash and cash equivalents at the end of the year	5(c)	5,023,132	1,801,305	1,115,479	1,673

The accounting policies and notes on pages 101 to 160 are an integral part of these financial statements.

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

1 OPERATING SEGMENTS

(i) DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES

The Group's internal organisation and management is structured based on segments which are determined based on the Group's geographical spread of operations which are similar in nature and process and where the risks and returns are similar. The operating segments represent the business structure. The geographical analysis of turnover and profits is based on location of customers and assets respectively. The group has now organised its business units into two reportable operating segments based on their geographical spread as follows:

(ii) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Sri Lankan Region		African Region		Consolidated	
	2022	2021	2022	2021	2022	2021
Revenue	47,378,556	28,762,215	8,801,067	3,392,877	56,179,623	32,155,092
Gross profit	6,670,287	4,208,091	2,141,522	1,857,376	8,811,809	6,065,467
Operating expenses	(5,015,579)	(3,567,635)	(1,798,632)	(883,101)	(6,814,211)	(4,450,736)
Operating profit / (loss)	2,079,785	622,310	412,778	1,337,714	2,492,563	1,960,024
Net finance cost	(1,143,874)	(876,776)	(192,391)	(171,148)	(1,336,265)	(1,047,924)
Profit before taxation	885,253	(254,466)	179,529	1,166,566	1,064,782	912,100
Income tax charge / (credit)	(251,386)	(40,721)	2,915	157	(248,471)	(40,564)
Profit / (loss) for the year	633,867	(295,187)	182,444	1,166,723	816,311	871,536

(iii) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Sri Lankan Region		African Region		Consolidated	
	2022	2021	2022	2021	2022	2021
ASSETS						
Non-current assets	17,695,943	11,007,988	1,467,537	1,075,303	19,163,480	12,083,291
Current assets	24,685,001	10,593,845	10,144,367	3,996,970	34,829,368	14,590,815
Total assets	42,380,944	21,601,833	11,611,904	5,072,273	53,992,848	26,674,106
LIABILITIES						
Non-current liabilities	3,225,647	2,791,370	700,881	629,325	3,926,528	3,420,695
Current liabilities	22,481,278	12,490,514	14,454,620	6,793,215	36,935,898	19,283,729
Total liabilities	25,706,925	15,281,884	15,155,501	7,422,540	40,862,426	22,704,424

2 REVENUE FROM CONTRACT WITH CUSTOMERS

	Group		Company	
	2022	2021	2022	2021
Export revenue	55,324,166	31,164,586	-	-
Local revenue	234,314	353,407	-	-
Sub-contracting revenue	621,143	637,099	-	-
	56,179,623	32,155,092	-	-

(i) REVENUE RECOGNITION

Export revenue

The Group manufactures and exports a range of apparel. Revenue is recognised at the point in time when the Group satisfies a performance obligation by transferring promised products to the customer. A product is transferred when the customer obtains control of that product, based on the agreement. The Group determines the transaction price which it expects to be entitled to in return for providing the promised obligation to the customer based on the committed contractual amounts, net of sales taxes and discounts. Payment of the transaction price is due within the credit period as per the terms mentioned in the agreement.

Local revenue

The Group sells a range of waste items including rejected garments and materials in the local market. Revenue is recognised at the point in time the control is passed to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

Sub-contracting revenue

The Group provides subcontractor services to customers based on the agreements. Revenue is recognised when the respective performance obligations in the contracts are completed and the payments remain probable. Payment of the transaction price is due within the credit period as per terms mentioned in the agreement.

3 OTHER INCOME AND EXPENSE ITEMS

(a) OTHER INCOME

	Group		Company	
	2022	2021	2022	2021
Rent income	-	354	-	-
Other income	93,286	262,490	-	-
	93,286	262,844	-	-

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

3 OTHER INCOME AND EXPENSE ITEMS (CONTD.)

(b) OTHER GAINS / (LOSSES)

	Group		Company	
	2022	2021	2022	2021
Net foreign exchange gains / (losses)	444,679	84,737	(1,386,314)	(421)
Net gains / (losses) on disposal of property, plant and equipment	226	(953)	-	-
(Loss) / gain on the fair valuation of investment property	(43,226)	14,318	-	-
Gain on lease modification	-	7,719	-	-
Impairment loss of fixed assets	-	(23,372)	-	-
	401,679	82,449	(1,386,314)	(421)

(c) BREAKDOWN OF EXPENSES BY NATURE

		Group		Company	
	Notes	2022	2021	2022	2021
Raw materials and consumables used		32,332,503	16,015,085	-	-
Depreciation of property, plant and equipment	6(a)	507,220	563,395	-	-
Amortisation of right of use assets	6(f)	304,299	236,739	-	-
Amortisation of intangible assets	6(b)	14,805	115,574	961	864
Professional charges		133,363	24,027	43,178	1,798
Directors' remuneration and emoluments		273,820	185,474	-	-
Staff costs	3(d)	9,407,473	5,945,307	-	-
Auditors' remuneration					
- Audit fees		16,690	12,561	3,828	696
- Non-audit fees		5,692	508	-	-
Repairs and maintenance expenditure		198,172	92,785	-	-
Insurance fees		136,677	31,914	2,375	975
Sub-contract / service charges		3,195,943	3,736,029	-	-
Travelling and advertising expenses		269,399	366,092	8,981	-
Rent expenses		332,915	161,023	-	-
Bank charges		136,145	27,747	57	26
Import charges		2,170,449	643,654	-	-
Export charges		969,676	265,126	-	-
Provision for inventory impairment		102,929	139,109	-	-
Other expenses		3,541,137	1,961,449	40	-
Total cost of sales, distribution expenses and administrative expenses		54,049,307	30,523,598	59,420	4,359

(d) STAFF COSTS

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
Wages, salaries and bonus		8,518,662	5,199,048	-	-
Defined contribution plans		585,750	431,991	-	-
Defined benefit obligations	6(i)	109,475	96,192	-	-
Share based payment expenses		32,725	82,222	-	-
Other staff related costs		160,861	135,854	-	-
		9,407,473	5,945,307	-	-
No of employees of the Group		19,430	14,769	-	-

(e) FINANCE INCOME AND COSTS

	Group 2022	Group 2021	Company 2022	Company 2021
Finance income				
- Interest income	46,515	10,174	32,584	118
Finance income	46,515	10,174	32,584	118
Finance costs				
- Bank overdraft interest	(35,070)	(15,790)	(44)	(2)
- Bank loan interest	(410,213)	(420,218)	-	-
- Bill discounting charges	(364,381)	(175,228)	-	-
- Finance lease interest	(63,323)	(85,682)	-	-
- TR loan interest	(485,467)	20,822	-	-
- Other bank charges	(24,326)	(382,002)	-	-
Finance costs	(1,382,780)	(1,058,098)	(44)	(2)
Finance (costs) / income - net	(1,336,265)	(1,047,924)	32,540	116

Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

4 INCOME TAX EXPENSE

(a) INCOME TAX

	Notes	Group		Company	
		2022	2021	2022	2021
Current tax on profit / (loss) for the year		43,069	57,131	7,820	28
Deferred tax charged / (reversed) during the year	6(g)	222,045	(19,212)	-	-
Adjustments for tax of prior periods		(3,351)	5	-	-
Income tax expense		261,763	37,924	7,820	28
Income tax expense					
- to profit or loss		248,471	40,564	7,820	28
- to other comprehensive income	6(g)	13,293	(2,640)	-	-
Income tax expense		261,764	37,924	7,820	28

(b) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	Group		Company	
	2022	2021	2022	2021
Profit / (loss) before tax	1,064,782	912,100	(1,413,194)	(4,664)
Tax effect of :				
Income not subject to tax	(1,698,894)	(54,761)	-	-
Income subject to tax	3,015	20,203	-	-
Expenses not deductible for tax purpose	2,875,882	239,166	1,446,635	4,781
Expenses deductible for tax purpose	(1,533,499)	(587,940)	(858)	-
Set-off against losses	(429,128)	(161,204)	-	-
Taxable income	282,158	367,564	32,583	117
Tax computed on taxable income				
Tax at the rate of 14%	34,509	48,492	-	-
Tax at the rate of 24%	8,560	8,639	7,820	28
Current tax on taxable profit for the year	43,069	57,131	7,820	28
Adjustments for tax of prior periods	(3,351)	5	-	-
Deferred tax expense / (release) for the year	222,045	(19,212)	-	-
Tax expense for the year	261,763	37,924	7,820	28

5 FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's and the Company's financial instruments, including:

- an overview of all financial instruments held by the Group and the Company
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

	Notes	Financial assets at amortised cost			
		Group		Company	
		2022	2021	2022	2021
Financial assets					
Trade receivables	5(a)	11,927,722	5,288,324	-	-
Other receivables	5(b)	2,657,193	911,958	3,928,174	737,872
Cash and cash equivalents	5(c)	5,244,151	1,896,513	1,115,481	2,174
		19,829,066	8,096,795	5,043,655	740,046

	Notes	Financial Liabilities at amortised cost			
		Group		Company	
		2022	2021	2022	2021
Financial liabilities					
Trade and other payables	5(d)	10,774,815	6,110,300	33,800	2,288
Lease liabilities	6(f)	784,115	622,400	-	-
Borrowings	5(e)	28,263,286	15,161,084	2	501
		39,822,216	21,893,784	33,802	2,789

(a) TRADE RECEIVABLES

	Notes	Group		Company	
		2022	2021	2022	2021
Trade receivables		12,220,902	5,640,482	-	-
Provision for impairment	10(b)	(293,180)	(352,158)	-	-
		11,927,722	5,288,324	-	-

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 45 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 10(b) and 21(h) respectively.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

5 FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) TRADE RECEIVABLES (CONTD.)

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 10(b).

(b) OTHER RECEIVABLES

Other receivables include the following:

		Group		Company	
	Notes	2022	2021	2022	2021
Receivables from related parties	17(d)	-	-	2,849,682	19,932
Other receivables		2,924,200	1,091,092	1,078,492	717,940
Provision for impairment	10(b)	(267,007)	(179,134)	-	-
		2,657,193	911,958	3,928,174	737,872
Non-current portion		332	221	-	-
Current portion		2,656,861	911,737	3,928,174	737,872
Total other receivables		2,657,193	911,958	3,928,174	737,872

(c) CASH AND CASH EQUIVALENTS

Cash at bank consists of current accounts and savings accounts balances held in Foreign Currency Banking Units (FCBU) and local banks. See note 21(g) for the Group's other accounting policies on cash and cash equivalents.

	Group		Company	
	2022	2021	2022	2021
Cash at bank and in hand	2,777,196	1,303,373	16,497	1,562
Deposits at call	1,368,593	593,140	622	612
Money market accounts	1,098,362	-	1,098,362	-
	5,244,151	1,896,513	1,115,481	2,174

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

		Group		Company	
	Notes	2022	2021	2022	2021
Cash and cash equivalents		5,244,151	1,896,513	1,115,481	2,174
Bank overdraft	5(e)	(221,019)	(95,208)	(2)	(501)
Cash and cash equivalents at end of the year		5,023,132	1,801,305	1,115,479	1,673

(d) TRADE AND OTHER PAYABLES

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
Trade payables		5,697,985	3,302,304	-	-
Payable to related parties	17(d)	-	-	1,540	1,025
Accrued expenses		2,044,818	869,315	8,346	-
Other payables		3,032,012	1,938,681	23,914	1,263
		10,774,815	6,110,300	33,800	2,288

Trade payables are unsecured and are usually paid within 60 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

(e) BORROWINGS

	Group 2022	Group 2021	Company 2022	Company 2021
Non-current				
Bank borrowings	2,574,365	2,063,220	-	-
	2,574,365	2,063,220	-	-
Current				
Bank borrowings	25,467,902	13,002,656	-	-
Bank overdraft	221,019	95,208	2	501
	25,688,921	13,097,864	2	501
Total borrowings	28,263,286	15,161,084	2	501

(i) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(ii) Risk exposures

Details of the Company's and the Group's exposure to risks arising from current and non-current borrowings are set out in note 10 (a).

6 NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 6(a))
  - investment properties (note 6(c))
  - other assets (note 6(e))
  - deferred income tax assets (note 6(g))
  - retirement benefit obligations (note 6(i))
  - intangible assets (note 6(b))
  - capital work-in-progress (note 6(d))
  - leases (note 6(f))
  - inventories (note 6(h))
- accounting policies (Note 21)
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (Note 9)

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Building	Leasehold building	Plant and machinery	Motor vehicles
As at 31 March 2020					
Cost or fair value	303,420	1,386,281	199,194	2,558,445	16,897
Accumulated depreciation	-	(241,776)	(60,521)	(1,205,068)	(14,940)
Exchange equalisation reserve	-	-	-	-	-
Net book amount	303,420	1,144,505	138,673	1,353,377	1,957
Year ended 31 March 2021					
Opening net book amount	303,420	1,144,505	138,673	1,353,377	1,957
Additions	8,000	36,382	6,337	151,562	-
Transfer from work-in-progress	-	28,420	-	-	-
Reclassification	-	37,367	-	(19,912)	-
Write off	-	-	-	-	-
Revaluation surplus	5,099	6,315	-	-	-
Disposals	-	-	-	(91,883)	(1,465)
Depreciation on disposals	-	-	-	56,382	-
Depreciation charge for the year	-	(73,323)	-	(310,336)	(558)
Exchange equalisation reserve	24,439	92,906	13,542	97,921	66
Closing net book amount	340,958	1,272,572	158,552	1,237,111	-
As at 31 March 2021					
Cost or fair value	340,958	1,587,671	219,073	2,696,133	15,498
Accumulated depreciation	-	(315,099)	(60,521)	(1,459,022)	(15,498)
Net book amount	340,958	1,272,572	158,552	1,237,111	-
Year ended 31 March 2022					
Opening net book amount	340,958	1,272,572	158,552	1,237,111	-
Additions	-	40,284	202,694	515,964	-
Transfer from work-in-progress	-	2,901	23,265	204,006	-
Reclassification	-	(165,390)	249,979	(84,589)	-
Revaluation surplus	5,000	23,050	-	-	-
Disposals	-	-	-	(6,791)	-
Depreciation on disposals	-	-	-	3,107	-
Depreciation charge for the year	-	(56,292)	(58,294)	(233,350)	-
Exchange equalisation reserve	57,926	571,372	54,288	649,812	-
Closing net book amount	403,884	1,688,497	630,484	2,285,270	-
As at 31 March 2022					
Cost or fair value	403,884	2,059,888	749,299	3,974,535	15,498
Accumulated depreciation	-	(371,391)	(118,815)	(1,689,265)	(15,498)
Net book amount	403,884	1,688,497	630,484	2,285,270	-

Property, plant and equipment include fully depreciated assets still in use with a cost of LKR 2,936,314,849 as at 31 March 2022 (2021 - LKR 1,665,747,808).

Property, plant and equipment worth of LKR 1,006,538,052 has been pledged as securities by the Group.

	Office equipment	Factory equipment	Air conditioning equipment	Electrical installations	Containers	Furniture and fittings	Computer hardware and communication equipment	Total
	339,553	422,738	70,774	536,575	1,481	390,244	259,160	6,484,762
	(172,091)	(356,606)	(63,086)	(318,511)	(1,481)	(268,124)	(232,302)	(2,934,506)
	-	-	-	-	-	-	-	-
	167,462	66,132	7,688	218,064	-	122,120	26,858	3,550,256
	167,462	66,132	7,688	218,064	-	122,120	26,858	3,550,256
	1,613	12,879	2,563	32,125	-	23,239	9,900	284,600
	28,442	-	-	5,482	-	-	-	62,344
	(57,255)	-	-	25,126	-	14,674	-	-
	(18,753)	-	-	(325)	-	13	-	(19,065)
	-	-	-	-	-	-	-	11,414
	(432)	-	(1,041)	(528)	-	(344)	(119)	(95,812)
	425	-	744	128	-	37	31	57,747
	(45,324)	(40,686)	(3,478)	(50,775)	-	(27,119)	(11,796)	(563,395)
	10,245	4,635	658	20,970	-	6,948	468	272,798
	86,423	42,960	7,134	250,267	-	139,568	25,342	3,560,887
	303,412	440,253	72,954	619,396	1,481	434,774	269,409	7,001,012
	(216,990)	(397,292)	(65,821)	(369,129)	(1,481)	(295,206)	(244,067)	(3,440,126)
	86,422	42,961	7,133	250,267	-	139,568	25,342	3,560,886
	86,422	42,961	7,133	250,267	-	139,568	25,342	3,560,886
	23,092	69,635	3,255	54,694	-	57,367	44,725	1,011,710
	-	-	-	46,008	-	25,569	2,715	304,464
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	28,050
	(1,153)	(145)	-	(13,511)	-	-	-	(21,600)
	1,046	145	-	11,843	-	-	-	16,141
	(18,734)	(29,677)	(3,628)	(47,598)	-	(28,529)	(31,118)	(507,220)
	(10,880)	9,579	2,011	105,073	-	52,714	43,643	1,535,538
	79,793	92,498	8,771	406,776	-	246,689	85,307	5,927,969
	314,471	519,322	78,220	811,660	1,481	570,424	360,492	9,859,174
	(234,678)	(426,824)	(69,449)	(404,884)	(1,481)	(323,735)	(275,185)	(3,931,205)
	79,793	92,498	8,771	406,776	-	246,689	85,307	5,927,969

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Information on revalued freehold land and buildings of the Group – extent and locations

Location	Ownership	Land/ Building	No of buildings	Extent	Basis Used	Value (LKR '000)
Uhumeeya	Jointly owned by Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited	Building	12	54,219 sq.ft	Replacement Cost	246,300
Uhumeeya		Land	-	3A-0R-23.50P	Market Value	115,700
Palapathwala	Hela Clothing (Private) Limited	Building	8	94,786 sq.ft	Replacement Cost	550,000
Palapathwala		Land	-	2A-2R-00.00P	Market Value	288,000
Melsiripura	Foundation Garments (Private) Limited	Building	12	37,350 sq.ft	Replacement Cost	311,000
Melsiripura		Land	-	2A-3R-24P	Market Value	139,000

(i) Revaluation of freehold land and buildings

The valuation of the land and buildings located at Uhumeeya, which is jointly owned by Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited (subsidiaries of the Group) and Palapathwala, which is owned by Hela Clothing (Private) Limited (a subsidiary of the Group) was performed by an independent valuer (W.D.P. Rupananda - Chartered Valuation Surveyor) to determine the fair value of lands and buildings as at 31 March 2022. The effective date of revaluation was 31 March 2022.

Land and buildings are recognised at fair value based on periodic, but at least every 3-5 years, valuations by the external independent valuer, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

(ii) Significant unobservable inputs and relationships to fair value

The following table shows that valuation techniques used in measuring the land and buildings as well as significant unobservable inputs used.

Location of property	Method of valuation	Extent	Range of estimates for unobservable inputs	Total revalued amounts (LKR '000)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Uhumeeya	Land Market Approach (price per perch of land)	3A-0R-23.50P	LKR 230,000 per perch	115,700	Price per perch of land	if price per perch increase / (decrease)
	Building DRC value (replacement cost)	54,219 Sq.ft	LKR 7,124 per Sq. ft less depreciation of 36%	246,300	Replacement cost per square foot	if price per square foot increase / (decrease)
					Depreciation rate	if depreciation rate per square foot (increase) / decrease
Palapathwala	Land Market Approach (price per perch of land)	2A-2R-00.00P	LKR 720,000 per perch	288,000	Price per perch of land	if price per perch increase / (decrease)
	Building DRC value (replacement cost)	94,786 Sq. ft	LKR 8,503 per Sq. ft less depreciation of 32%	550,000	Replacement cost per square foot	if price per square foot increase / (decrease)
					Depreciation rate	if depreciation rate per square foot (increase) / decrease

Measurement of fair value of land has been categorised as level 3 of the fair value heirarchy based on the inputs to the valuation techniques used. Refer note 6(c)(iv) for details of valuation techniques used to determine fair values.

(iii) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2022	2021
Freehold land		
Net book amount	288,108	288,108
Buildings		
Cost	17,430	17,430
Accumulated depreciation	(6,710)	(6,101)
Net book amount	10,720	11,329

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(b) INTANGIBLE ASSETS

	Group			Company	
	Goodwill	Computer Software	Total	Computer Software	Total
As at 31 March 2020					
Cost	6,621,289	358,323	6,979,612	2,472	2,472
Accumulated amortisation	-	(249,860)	(249,860)	(824)	(824)
Exchange equalisation reserve	-	1,195	1,195	24	24
Net book amount	6,621,289	109,658	6,730,947	1,672	1,672
Year ended 31 March 2021					
Opening net book amount	6,621,289	109,658	6,730,947	1,672	1,672
Additions	-	8,901	8,901	-	-
Transfer from PPE	-	19,065	19,065	-	-
Transfers from PPE - Amortisation	-	(5,502)	(5,502)	-	-
Amortisation charge	-	(115,574)	(115,574)	(864)	(864)
Exchange equalisation reserve	628,691	4,907	633,598	108	108
Closing net book amount	7,249,980	21,455	7,271,435	916	916
As at 31 March 2021					
Cost	6,621,289	137,624	6,758,913	2,472	2,472
Accumulated amortisation	-	(121,076)	(121,076)	(1,688)	(1,688)
Exchange equalisation reserve	628,691	4,907	633,598	132	132
Net book amount	7,249,980	21,455	7,271,435	916	916
Year ended 31 March 2022					
Opening net book amount	7,249,980	21,455	7,271,435	916	916
Additions	-	14,129	14,129	-	-
Disposals	-	(322)	(322)	-	-
Amortisation charge	-	(14,805)	(14,805)	(961)	(961)
Exchange equalisation reserve	3,641,016	3,215	3,644,231	45	45
Closing net book amount	10,890,996	23,672	10,914,668	-	-
As at 31 March 2022					
Cost	7,249,980	35,262	7,285,242	2,472	2,472
Accumulated amortisation	-	(14,805)	(14,805)	(2,649)	(2,649)
Exchange equalisation reserve	3,641,016	3,215	3,644,231	177	177
Net book amount	10,890,996	23,672	10,914,668	-	-

Amortisation is wholly included in administrative expenses.

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. The Group amortises the computer software using the straight line method over a period of three (3) years.

See note 21(p) for the other accounting policies relevant to intangible assets.

(ii) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its Cash-Generating Units (CGUs).

The following subsidiaries, being the lowest level of assets for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered for the impairment test.

	2022	2021
Hela Clothing (Private) Limited	2,255,139	1,501,214
Foundation Garments (Private) Limited	5,648,807	3,760,329
Hela Intimates EPZ Limited	2,982,201	1,985,208
Foundation Bennett (Private) Limited	4,849	3,229
	10,890,996	7,249,980

The recoverable amounts of Hela Clothing (Private) Limited, Foundation Garments (Private) Limited, Hela Intimates EPZ Limited and Foundation Bennett (Private) Limited are determined based on the Value In Use ('VIU') calculations.

Based on the impairment test performed, no provision for impairment of goodwill was recognised during the year ended 31 March 2022, since the recoverable amounts exceeded the carrying values.

The Group applies the following method for VIU calculations.

(a) Discounted Cash Flow (DCF) method

The VIU of Hela Clothing (Private) Limited, Foundation Garments (Private) Limited, Hela Intimates EPZ Limited and Foundation Bennett (Private) Limited is calculated by applying DCF model using cash flow projections based on the forecasts and projections approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

In the DCF model, the Free Cash Flows (FCF) have been discounted by pre-tax discount rate.

These forecasts and projections reflect management expectations of revenue growth, operating costs and margins for each CGU based on past experience and future plans and strategies.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(b) INTANGIBLE ASSETS (CONTD.)

The following assumptions are applied in the VIU computation.

DCF method

- EBITDA Margin

Projected EBITDA margin is determined based on the future revenue growth potentials of the CGUs.

- Free Cash Flow (FCF)

FCF projections are based on EBITDA and working capital projections.

- Pre-tax discount rate

The Group's long term Weighted Average Cost of Capital (WACC) is representative of discount rate and is used as the pre-tax discount rate to discount cash flow projections.

- Terminal growth rate

Terminal growth reflects the management expectations on the sales growth potential for the foreseeable future.

Fort the significant CGUs, given below are the variables used for the impairment test for 31 March 2022 under DCF method;

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Hela Intimates EPZ Limited	
	2022	2021	2022	2021	2022	2021
EBITDA margin	8.00%	7.40%	10.00%	8.60%	8.00%	4.00%
Pre-tax discount rate	13.31%	6.06%	13.31%	6.06%	13.31%	6.06%
Terminal growth rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

- Impact of possible changes in key assumptions

The Group's review includes an impact assessment of change in key assumptions. Sensitivity analysis shows that no impairment is required for the carrying value of the goodwill including where realistic variances are applied to key assumptions. The recoverable amounts would equal its carrying amount if the key assumptions were to change as follows:

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Hela Intimates EPZ Limited	
	From	To	From	To	From	To
EBITDA margin	8.00%	5.43%	10.00%	7.64%	8.00%	7.65%
Pre-tax discount rate	13.31%	17.00%	13.31%	23.60%	13.31%	18.79%
Terminal growth rate	1.00%	N/A	1.00%	N/A	1.00%	N/A

(c) INVESTMENT PROPERTY

	Group		Company	
	2022	2021	2022	2021
As at 1 April	340,796	301,790	-	-
Disposals	-	(1,202)	-	-
Additions	-	189	-	-
Net (loss) / gain on fair valuation	(43,226)	14,318	-	-
Exchange equalisation reserve	152,430	25,701	-	-
As at 31 March	450,000	340,796	-	-

See note 21(o) for the Group's other accounting policies for investment property.

(i) Amounts recognised in profit or loss in relation to investment property.

		Group		Company	
	Notes	2022	2021	2022	2021
Rental income	3(a)	-	354	-	-
Direct operating expenses on property that generated rental income		-	11,699	-	-
Direct operating expenses on property that did not generate rental income		311	387	-	-

(ii) Measuring investment property at fair value

Investment properties, principally lands and buildings located at Melsiripura in the district of Kurunegala are held for long-term capital appreciation purpose and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit and loss as part of other gains or losses.

Investment property was fair valued by an independent valuer, Mr. W.D.P. Rupananda as at 31 March 2022. Mr. W.D.P Rupananda is a fellow member of the institute of valuers of Sri Lanka. The market value approach was used to carry out the fair valuation of the investment property as at the reporting date.

In determining the fair value, the current conditions of the buildings, future usability and estimates of market prices for similar properties with appropriate adjustments for size and location has been considered.

The Group obtains independent valuations for its investment property on annual basis.

At the end of each reporting period, the management update their assessment of the fair value, taking into account the most recent independent valuations.

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(iii) Significant unobservable inputs and relationships to fair value

The following table shows the valuation techniques used in measuring the land and buildings as well as significant unobservable inputs used.

Location of property	Method of valuation	Extent	Range of estimates for unobservable inputs	Total revalued amounts (LKR '000)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Melsiripura	Land Market Approach (Price per perch of land)	2A-3R-24P	LKR 300,000 per perch	139,000	Price per perch of land	if price per perch increase / (decrease)
	Building DRC value (Replacement cost)	37,350 Sq. Ft.	LKR 12,650 per sqft less depreciation of 34%	311,000	replacement cost per square foot	if price per square foot increase / (decrease)
					Depreciation rate	if depreciation rate decrease / (increase)

Measurement of fair value of land has been categorised as level 3 of the fair value heirarchy based on the inputs to the valuation techniques used. Refer note 6(c)(iv) for details of valuation techniques used to determine fair values.

(iv) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

As at 31 March 2022	Note	Level 1	Level 2	Level 3	Total
Property, plant and equipment					
- freehold land	6(a)	-	-	403,884	403,884
- building	6(a)	-	-	1,688,497	1,688,497
Investment Property	6(c)	-	-	450,000	450,000
Total non-financial assets		-	-	2,542,381	2,542,381

As at 31 March 2021	Note	Level 1	Level 2	Level 3	Total
Property, plant and equipment					
- freehold land	6(a)	-	-	432,798	432,798
- building	6(a)	-	-	1,991,063	1,991,063
Investment Property	6(c)	-	-	340,796	340,796
Total non-financial assets		-	-	2,764,657	2,764,657

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(d) CAPITAL WORK-IN-PROGRESS

	Group		Company	
	2022	2021	2022	2021
As at 1 April	42,339	78,488	-	-
Additions [see note d(i)]	646,519	20,976	-	-
Transferred to property, plant and equipment	(212,451)	(62,344)	-	-
Exchange equalisation reserve	150,226	5,219	-	-
As at 31 March	626,633	42,339	-	-

(i) The significant increase in the capital work-in-progress additions during the year was due to the cost incurred to SAP implementation, which was amounting to LKR 389,814,022.

(e) OTHER ASSETS

	Group		Company	
	2022	2021	2022	2021
Prepayments	724,767	807,674	-	-
Advances	1,294,163	227,166	-	-
	2,018,930	1,034,840	-	-

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(f) LEASES

This note provides information for leases where the Group and the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Group	Land & building
As at 1 April 2020	
Cost	1,020,893
Accumulated depreciation	(260,136)
Net book amount	760,757
Year ended 31 March 2021	
Opening net book amount	760,757
Additions	-
Depreciation charge	(236,739)
Exchange equalisation reserve	38,649
Closing net book amount	562,667
As at 31 March 2021	
Cost	1,020,893
Accumulated depreciation	(496,875)
Exchange equalisation reserve	38,649
Net book amount	562,667
Year ended 31 March 2022	
Opening net book amount	562,667
Additions	331,669
Depreciation charge	(304,299)
Exchange equalisation reserve	150,784
Closing net book amount	740,821
As at 31 March 2022	
Cost	1,352,562
Accumulated depreciation	(801,174)
Exchange equalisation reserve	189,433
Net book amount	740,821

	Group		Company	
	2022	2021	2022	2021
Lease liabilities				
Current	433,857	73,889	-	-
Non-current	350,258	548,511	-	-
	784,115	622,400	-	-

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Group		Company	
	2022	2021	2022	2021
Amortisation charge of right-of-use assets				
Land and building	304,299	236,739	-	-
Interest expense (included in finance cost)	63,323	85,682	-	-
	367,622	322,421	-	-

The total cash outflow for leases in 2022 was LKR 234,799,215 (2021: LKR 262,137,919).

(iii) The Group's leasing activities and how these are accounted for;

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual leases would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs,

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payment associated with short term leases of equipment, vehicles and other low-value assets are recognised on a straight line basis as an expense in profit or loss.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(g) DEFERRED TAX ASSETS / (LIABILITIES)

Deferred taxes are calculated on all temporary differences under the liability method using the applicable enacted or substantially enacted tax rates as at the statement of financial position date.

(i) The analysis of deferred tax assets and liabilities is as follows:

	Group		Company	
	2022	2021	2022	2021
Deferred tax assets*	182,650	304,947	-	-
Deferred tax liabilities*	(575,488)	(372,059)	-	-
Deferred tax liabilities - net	(392,838)	(67,112)	-	-

* Offsetting deferred tax assets and liabilities

Deferred income 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(ii) The movement in the deferred tax assets and liability is shown below:

	Group		Company	
	2022	2021	2022	2021
Deferred tax liabilities				
As at 1 April	(372,059)	(364,581)	-	-
Income statement (charged) / credited	(28,953)	35,192	-	-
Other comprehensive income	(5,808)	(1,872)	-	-
Exchange equalisation reserve	(168,668)	(40,798)	-	-
As at 31 March	(575,488)	(372,059)	-	-

	Group		Company	
	2022	2021	2022	2021
Deferred tax assets				
As at 1 April	304,947	276,186	-	-
Income statement (charged) / credited	(179,799)	(18,620)	-	-
Other comprehensive income	(7,485)	4,512	-	-
Exchange equalisation reserve	64,987	42,869	-	-
As at 31 March	182,650	304,947	-	-
Deferred tax liabilities - net	(392,838)	(67,112)	-	-

Deferred tax movement - item wise

	2022				
	Deferred tax @ 14%	Deferred tax @ 24%	Grand Total	Profit or loss	OCI**
Deferred tax liabilities					
Property, plant and equipment	(486,027)	(59,019)	(545,046)	(30,467)	(4,608)
Deferred tax effect on land valuation	(34,698)	6,027	(28,671)	1,386	(1,200)
Right of use asset and lease creditor	(1,771)	-	(1,771)	128	-
Total deferred tax liabilities	(522,496)	(52,992)	(575,488)	(28,953)	(5,808)
Deferred tax assets					
Tax losses	111,571	2,881	114,452	(104,953)	-
Carried forward finance cost	18,400	-	18,400	(63,085)	-
Retirement benefit obligations	49,798	-	49,798	(11,761)	(7,485)
Total deferred tax assets	179,769	2,881	182,650	(179,799)	(7,485)
Deferred tax liabilities - net	(342,727)	(50,111)	(392,838)	(208,752)	(13,293)

	2021				
	Deferred tax @ 14%	Deferred tax @ 24%	Grand Total	Profit or loss	OCI**
Deferred tax liabilities					
Property, plant and equipment	(292,166)	(50,569)	(342,735)	38,534	(648)
Deferred tax effect on land valuation	(32,142)	3,874	(28,268)	(2,199)	(1,224)
Right of use asset and lease creditor	(1,056)	-	(1,056)	(1,143)	-
Total deferred tax liabilities	(325,364)	(46,695)	(372,059)	35,192	(1,872)
Deferred tax assets					
Tax losses	173,230	4,210	177,440	16,036	-
Carried forward finance cost	75,997	-	75,997	(38,042)	-
Retirement benefit obligations	51,510	-	51,510	3,386	4,512
Total deferred tax assets	300,737	4,210	304,947	(18,620)	4,512
Deferred tax liabilities - net	(24,627)	(42,485)	(67,112)	16,572	2,640

** - Other comprehensive income

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(h) INVENTORIES

	Group		Company	
	2022	2021	2022	2021
Raw materials	3,362,056	2,128,070	-	-
Work-in-progress	7,230,065	2,743,174	-	-
Finished goods	1,550,791	498,507	-	-
Goods in transit	1,012,325	596,533	-	-
(-) Provision for inventories	(184,998)	(513,178)	-	-
	12,970,239	5,453,106	-	-

See note 21(j) for the Group's other accounting policies for inventories.

Inventories are stated after a provision for slow moving inventories. The total movement of the provision is as follows:

(i) Provision for inventories

	Group		Company	
	2022	2021	2022	2021
Balance as at 01 April	(513,178)	(158,860)	-	-
Provision reversal / (made) during the year	328,180	(354,318)	-	-
Balance as at 31 March	(184,998)	(513,178)	-	-

(I) EMPLOYEE BENEFIT OBLIGATIONS

	Group	
	2022	2021
Defined benefit plan	426,417	436,905
	426,417	436,905

The amounts recognised in the statement of financial position and the net movements in the defined benefit obligation over the year are as follows:

	Group	
	2022	2021
At beginning of the year	436,905	327,324
Current service cost	83,107	68,871
Interest expense	26,368	27,321
Actuarial (gains) / losses in other comprehensive income		
- Experience losses/(gains)	32,603	5,186
- (Gains)/losses from change in demographic assumptions	(5,114)	(1,869)
- Losses from change in financial assumptions	(91,026)	37,131
Benefits paid	(47,574)	(38,889)
Exchange difference	(9,051)	11,830
Transfers/ disposal of subsidiary	199	-
At end of year	426,417	436,905

The amounts recognised in the statement of profit or loss are as follows:

	Group	
	2022	2021
Current service cost	83,107	68,871
Interest expense	26,368	27,321
	109,475	96,192

The gratuity liability of the Group is based on an actuarial valuation carried out by Messrs Willis Towers Watson India (Private) Limited, whose principal place of the business is located at 130, Level 1 - Tower B, The Millenia, 1&2 Murphy Road, Ulsoor, Bengaluru - 560 008, India.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(I) EMPLOYEE BENEFIT OBLIGATIONS (CONTD.)

The significant actuarial assumptions were as follows:

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Foundation Sourcing (Private) Limited	
	2022	2021	2022	2021	2022	2021
Discount Rate	14.30%	6.10%	14.30%	6.50%	14.60%	7.80%
Salary escalation rate	10.00%	8.00%	10.00%	8.00%	10.00%	8.00%
Staff turn over rate						
- Executive	14.00%	22.00%	20.00%	13.00%	14.00%	16.00%
- Staff and workers	36.00%	35.00%	43.00%	32.00%	21.00%	0.00%
- GM / Managers	12.00%	21.00%	15.00%	10.00%	14.00%	7.00%
- Directors	1.00%	6.00%	1.00%	10.00%	1.00%	2.00%

The sensitivity of the overall retirement benefit obligation to changes in the principal assumption is:

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Foundation Sourcing (Private) Limited	
	2022	2021	2022	2021	2022	2021
Effect on Defined benefit obligations due to						
a change in the discount rate plus 1%	(4,767)	(5,041)	(5,311)	(7,749)	(2,753)	(4,997)
a change in the discount rate minus 1%	5,095	539	5,764	8,511	2,981	5,695
a change in the salary escalation rate plus 1%	5,285	5,269	5,980	8,339	3,097	5,638
a change in the salary escalation rate minus 1%	(5,020)	(5,026)	(5,591)	(7,741)	(2,901)	(5,040)
a change in the Staff turnover rate plus 1%	345	(900)	526	(1,440)	313	(456)
a change in the Staff turnover rate minus 1%	397	935	(616)	1,509	(360)	470

The weighted average duration of the defined benefit obligation is as follows:

	Group	
	2022	2021
Hela Clothing (Private) Limited	3.6 years	3.0 years
Foundation Garments (Private) Limited	3.6 years	4.0 years
Foundation Sourcing (Private) Limited	5.1 years	8.0 years

The un-discounted maturity profile of the denied benefit obligation is as follows:

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Foundation Sourcing (Private) Limited	
	2022	2021	2022	2021	2022	2021
Less than a year	49,338	46,931	65,197	37,633	14,481	5,217
Between 1 - 2 years	44,925	43,593	56,247	40,326	14,418	7,082
Between 2 - 5 years	142,447	110,839	139,505	124,294	61,444	32,143
Over 5 years	184,684	122,190	191,780	191,895	144,349	111,923
	421,394	323,553	452,729	394,148	234,692	156,365

7 EQUITY

(a) STATED CAPITAL

	Company			
	Number of shares	Number of shares	Value (LKR '000)	Value (LKR '000)
	2022	2021	2022	2021
A1 Preference shares	-	3,200,000	-	544,203
A2 Preference shares	-	2,500,000	-	425,477
A3 Preference shares	-	700,000	-	119,176
A4 Preference shares	-	3,600,000	-	635,040
B Ordinary shares	-	171	-	0
C Ordinary shares	-	260	-	3
Ordinary shares	1,303,117,944	-	5,696,037	-
	1,303,117,944	10,000,431	5,696,037	1,723,899

All issued shares are fully paid.

(i) Movement in ordinary shares:

	Number of shares	Value (LKR '000)
Balance as at 1 April 2021	10,000,171	1,723,896
Share issuances under the ESOP	260	3
Balance as at 31 March 2021	10,000,431	1,723,899
Balance as at 1 April 2021	10,000,431	1,723,899
Share issue (prior to share capital restructure)	395	2
Cancellation of existing shares due to share capital restructure	(10,000,826)	(1,723,901)
Share capital restructure	1,005,409,973	1,723,901
Share issue	297,707,971	4,006,636
Transaction costs	-	(34,500)
Balance as at 31 March 2022	1,303,117,944	5,696,037

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

7 EQUITY (CONTD.)

(b) OTHER RESERVES

The following table shows a breakdown of 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Group			Company	
	Revaluation reserve	Share based payment reserve	Total	Share based payment reserve	Total
Balance as at 1 April 2020	(1,024)	-	(1,024)	-	-
Gain on revaluation of land and building, net of tax	4,867	-	4,867	-	-
Employee share options	-	82,222	82,222	82,222	82,222
Balance as at 31 March 2021	3,843	82,222	86,065	82,222	82,222
Balance as at 1 April 2021	3,843	82,222	86,065	82,222	82,222
Gain on revaluation of land and building, net of tax	22,242	-	22,242	-	-
Employee share options	-	32,725	32,725	32,725	32,725
Balance as at 31 March 2022	26,085	114,947	141,032	114,947	114,947

Nature and purpose of other reserves

(i) Revaluation reserve

The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 21(n) for details.

(ii) Share-based payment reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

The establishment of the Hela Apparel Holdings Employee Share Ownership Plan (ESOP) was approved by the Company's Board of Directors in July 2020. The ESOP is in intended to provide key employees with a stake in the Company's future success and provide an additional incentive for employee retention. Options were granted to an employee by the Board of Directors and become available to them based on an individual vesting schedule of up to three years. Participation in the plan is at the Board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

In light of the reorganisation of the Company's share capital in September 2021, the C Ordinary Shares underlying the ESOP were reclassified as Ordinary Voting Shares and the number of shares increased based on the same conversion ratio adopted for issued C Ordinary Shares. In addition, the terms of the ESOP were revised to ensure compliance with the Listing Rules of the Colombo Stock Exchange, including the removal of the excercise price.

Set out below are summaries of options granted under the plan:

	2022		2021	
	Exercise price in LKR per share	Number of shares	Exercise price in LKR per share	Number of shares
As at 1 April	10	400	-	-
Granted during the year	-	-	10	660
Exercised during the year [Note 7(a)(i)] (prior to share capital restructure)	10	(133)	10	(260)
Share capital restructure	-	14,263,349	-	-
No of unvested shares granted as at 31 March (following share capital restructure)		14,263,616		400

Details of the shares underlying the Employee Share Scheme as of 31st March 2022 are as follows;

Date of Grant	Employee Category	Shares Granted (A+B+C)	Status of Granted Shares as of 31 March 2022			Remaining shares alotted to Scheme that may be granted by the Board of Directors at a future date
			Vested & Issued (A)	To be Vested & Issued on 1 August 2022 (B)	To be Vested & Issued on 1 August 2023 (C)	
1-Aug-20	Senior Executives and Directors	35,258,375	20,994,759	6,837,989	7,425,627	18,163,411

Note: *The Employee Share Grant Scheme was originally established as Share Option Scheme, and was converted by a special resolution of the shareholders passed on 7 September 2021. Further details of the scheme and the conversion can be found in Section 5 of the Prospectus for the Initial Public Offering of the company, published on 28 December 2021. In addition to the 35,258,375 shares granted on 1 August 2020, 18,163,411 shares remain alloted to the scheme and may be granted at a future date by the Board of Directors.*

Fair value of share options granted

The assessed fair value at grant date of share options granted during the year ended 31 March 2021 was LKR 131,463,822. The fair value at grant date was determined by the independent valuer, CT CSLA using the Binomial Option Valuation Model that takes into account the exercise price, exercise period, the impact of dilution (where material), the equity value at the grant date and, the risk-free interest rate for the term of the option, the volatilities of the peer companies. A equity transaction executed on 31 July 2020 was used in determining the equity value of the Company as at 01 August 2020, the grant date.

Following inputs were used for the options valuation model in determining the grant date fair value of the share options granted during the year ended 31 March 2022.

(a) exercise price: LKR 10

(b) grant date: 1 August 2020

(c) expiry date: 31 July 2025

(d) risk-free interest rate: 1.97%

(e) expected price volatility of the Company's shares: 36.92%*

**Expected volatility is based on a three year average of the daily share price movement of peer companies, weighted based on market capitalisation.*

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

7 EQUITY (CONTD.)

(c) RETAINED EARNINGS / (ACCUMULATED LOSSES)

Movement in retained earnings / (accumulated losses) were as follows:

	Group		Company	
	2022	2021	2022	2021
Opening balance as at 1 April	1,313,835	582,925	(32,604)	(27,912)
Net profit / (loss) for the year	819,690	766,846	(1,421,014)	(4,692)
Items of other comprehensive income recognised directly in retained earnings / (accumulated losses)				
- Remeasurement of post employment benefit obligations - gratuity	63,537	(40,448)	-	-
- Deferred taxation impact from remeasurements of post employment benefit obligations - gratuity	(7,485)	4,512	-	-
Items recognised directly in retained earnings				
- Gain on acquisition on non controlling interest on business combination	126,089	-	-	-
Closing balance as at 31 March	2,315,666	1,313,835	(1,453,618)	(32,604)

(d) EXCHANGE EQUALISATION RESERVE

The Company has adopted provisions of Sri Lanka Accounting Standard (LKAS 21), The Effects of Changes in Foreign Exchange Rates, in converting financial statements from functional currency (USD) to presentation currency (LKR). The basis of translation is stated in Note 21(c)(iii) to the accounting policies. The analysis of the exchange equalisation reserve arising from such translation is as follows:

	Group		Company	
	2022	2021	2022	2021
Stated capital	3,118,788	199,008	3,118,788	199,008
Other reserves	74,593	5,035	62,768	4,861
Non -controlling interests	148,664	47,110	-	-
Currency equalisation reserve	454,961	191,727	-	-
Retained earnings / (accumulated losses)	1,030,159	62,889	(636,248)	(2,946)
As at end of year	4,827,165	505,769	2,545,308	200,923

The movement on the exchange equalisation reserve is as follows:

	Group		Company	
	2022	2021	2022	2021
Balance as at 1 April	505,769	197,800	200,923	32,292
Amount recognised in other comprehensive income				
Stated capital	2,919,780	166,747	2,919,780	166,698
Other reserves	69,558	5,050	57,907	4,861
Non -controlling interests	101,554	30,000	-	-
Currency equalisation reserve	263,234	10,707	-	-
Retained earnings / (accumulated losses)	967,270	95,465	(633,302)	(2,928)
	4,321,396	307,969	2,344,385	200,923
Balance as at 31 March	4,827,165	505,769	2,545,308	200,923

8 CASH FLOW INFORMATION

(a) CASH GENERATED FROM / (USED IN) OPERATIONS

Reconciliation of profit / (loss) before tax to cash generated from operations:

	Notes	Group		Company	
		2022	2021	2022	2021
Profit / (loss) before income tax		1,064,782	912,100	(1,413,194)	(4,664)
Adjustments for:					
Depreciation of property, plant and equipment	6(a)	507,220	563,395	-	-
Amortisation of right of use assets	6(f)	304,299	236,739	-	-
Amortisation of intangible assets	6(b)	14,805	115,574	961	864
Provision for retirement benefit obligations	6(i)	109,475	96,192	-	-
Gain / (loss) on sale of property, plant and equipment	3(b)	(226)	953	-	-
(Loss) / gain on the fair valuation of investment property	6(c)	43,226	(14,318)	-	-
Net interest expenses / (income)	3(e)	1,336,265	1,047,924	(32,539)	(117)
Provision for impairment of debtors		132,718	16,763	-	-
Issue of shares under employee share option plan		-	-	-	3
Share based payment expenses		32,725	82,222	-	15,731
Share of loss of equity accounted investee, net of tax		91,516	-	-	-
Exchange difference		61,588	49,259	-	-
Changes in working capital					
increase in inventories		(3,334,387)	(1,329,487)	-	-
(increase) / decrease in trade and other receivables		(4,305,550)	(440,828)	(1,967,571)	19,931
increase / (decrease) in trade and other payables		1,113,568	1,317,030	21,215	(1,415)
Cash (used in) / generated from operations		(2,827,976)	2,653,518	(3,391,128)	30,333

9 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 1 to 8 together with information about the basis of calculation for each affected line item in the financial statements.

(a) SIGNIFICANT ESTIMATES AND JUDGEMENTS

The areas involving significant estimates or judgements are:

- Classification of financial assets and liabilities (Note 5)
- Impairment assessment of goodwill (Note 6(b)(ii))
- Useful lives of property, plant and equipment and intangible assets (Note 21(n))
- Fair value of investment properties (Note 6(c)(iii))
- Estimation of fair values of land and buildings and investment property (Note 6(a))
- Estimation of defined benefit obligation (Note 6(i))
- Estimation uncertainties and judgements made in relation to lease accounting (Note 6(f)(iii))
- Estimation of the current tax expense and deferred tax (Note 4(a))
- Estimation of the fair value of contingent liabilities (Note 14)
- Impairment of financial assets (Note 10(b))

(b) CONTINGENT LIABILITIES

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel (lawyers) on matters related to litigation and other experts both within and outside the Company with respect to the matters in the ordinary course of business.

(c) PROVISIONS

The Group and the Company recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company's current best estimate.

10 FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

- Market Risk
- Credit Risk
- Liquidity Risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Group's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

(a) MARKET RISK

(i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri Lanka Rupee (LKR) against the US Dollar (USD). The Group's functional currency is USD in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Foreign currencies are used to settle purchases of machinery and equipment suppliers, raw materials and certain other expenses.

The Group's financial statements which are presented in Sri Lanka rupees are affected by foreign exchange fluctuations through both translation risk and transaction risk. However, the changes in foreign currency exchange rates may materially affect the Group's materials purchased since most of the purchases are done in USD.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in US Dollar currency units and Birr, was as follows:

	2022	
	USD	Birr
Trade receivables	11,924,211	3,510
Trade payables	6,286,512	10,024
Bank loan (including bank overdraft)	28,263,286	-
	46,474,009	13,534

	2021	
	USD	Birr
Trade receivables	5,260,755	-
Fixed deposits	115,036	17,377
Trade payables	3,086,592	660
Bank loan (including bank overdraft)	15,161,084	-
	23,623,467	18,037

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

10 FINANCIAL RISK MANAGEMENT (CONTD.)

(a) MARKET RISK (CONTD.)

Amounts recognised in profit or loss

During the year, net foreign exchange gain / (loss) of LKR 444,679,136 (2021- LKR 84,736,509) were recognised in profit or loss.

Sensitivity

The table below shows the Group's sensitivity to reasonable possible change in exchange rate of LKR against USD, while all other variables are held constant. In this table, financial instruments are only considered sensitive to foreign exchange rates where they are not in the functional currency of the entity that holds them. The movement in exchange rate is not deemed to have a material effect on equity.

	Impact on post tax profit	
	2022	2021
LKR/USD exchange rate – appreciation by 54% (2021 : 1%)	(3,040,839)	(217,350)
LKR/USD exchange rate – depreciation by 54% (2021 : 1%)	3,040,839	217,350

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's debt obligations with floating interest rates.

Proper working capital management is done to ensure that borrowing needs and investment opportunities are foreseen. Market interest rates are monitored closely to ensure borrowings and investments are at the best rate for the Group.

Sensitivity

The table below shows the Group's sensitivity to reasonable possible change in interest rate of LKR and USD borrowings while all other variables are held constant.

	2022			
	LKR interest rate		USD interest rate	
	Decrease by 5%	Increase by 5%	Decrease by 5%	Increase by 5%
Group Impact on post tax profit	2,700	(2,700)	17,811	(17,811)

(b) CREDIT RISK

Credit risk arises from cash and cash equivalents, with banks and financial institutions, including outstanding receivables.

(i) Credit quality

The Group place cash and cash equivalents with a number of creditworthy financial institutions. The credit ratings of the investments are monitored for credit deterioration. The credit quality of cash and cash equivalents held with the banks and the financial institutions are assessed by reference to external credit ratings;

	2022	2021
Fitch Ratings:		
AAA(lka)	28,466	33,713
AA+ (lka)	2,276	1,142,256
AA- (lka)	2,784,496	395,594
A+ (lka)	635,994	8,686
A- (lka)	563,274	106,955
A (lka)	12,508	1,054
BB+ (lka)	102,010	159,323
BBB-(lka)	957,517	47,265
No rating	157,610	1,667
	5,244,151	1,896,513

Credit exposures to customers, including outstanding receivables are managed through individual risk limits, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

(ii) Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 March 2022 or 1 April 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

10 FINANCIAL RISK MANAGEMENT (CONTD.)

(b) CREDIT RISK (CONTD.)

On that basis, the loss allowance charge for the year ended 31 March 2022 and 31 March 2021 was determined as follows for trade receivables:

	2022	2021
Age Category		
0 - 60 days	11,726,360	4,956,307
61-120 days	410,975	114,312
121-180 days	13,378	276,348
181-240 days	4,002	1,261
More than 241 days	66,187	292,254
Gross carrying value of trade receivables	12,220,902	5,640,482
Allowance for expected credit losses	(293,180)	(352,158)
Net trade receivables after the allowances for expected credit losses	11,927,722	5,288,324

Group

	Trade receivables	
	2022	2021
Charged / (reversed) to the statement of profit or loss	1,773	89,851

The closing loss allowances for trade receivables as at 31 March reconcile to the opening loss allowances as follows:

	Trade receivables	
	2022	2021
As at 1 April	(352,158)	(408,531)
Decrease in loss allowance recognised in profit or loss during the year	1,773	89,851
Receivables written off during the year as uncollectible	162,790	-
Exchange equalisation reserve	(105,585)	(33,478)
At 31 March	(293,180)	(352,158)

(b) Other receivables

The Company made specific provision for unrecoverable / uncollectable other receivable balance. The loss allowance charge for the year ended 31 March 2022 and 1 April 2021 was determined as follows for other receivables:

Group

	Other receivables	
	2022	2021
(Charged) / reversed to the statement of profit or loss	(134,491)	(106,614)

The closing loss allowances for other receivables as at 31 March 2022 reconcile to the opening loss allowances as follows:

	Other receivables	
	2022	2021
As at 1 April	(179,134)	(64,737)
(Increase) / decrease in loss allowance recognised in profit or loss during the year	(134,491)	(106,614)
Receivables written off during the year as uncollectible	140,841	-
Exchange equalisation reserve	(94,223)	(7,783)
As at 31 March	(267,007)	(179,134)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

10 FINANCIAL RISK MANAGEMENT (CONTD.)

(C) LIQUIDITY RISK

Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

(i) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 month	Between 6 month and 12 month	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
31 March 2022						
Borrowings	24,801,265	752,989	1,418,395	1,253,251	37,386	28,263,286
Trade and other payables	5,370,127	6,003,240	-	-	-	11,373,367
Lease liability	153,136	280,721	350,258	-	-	784,115
	30,324,528	7,036,950	1,768,653	1,253,251	37,386	40,420,768

Contractual maturities of financial liabilities	Less than 6 month	Between 6 month and 12 month	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
31 March 2021						
Borrowings	11,872,225	600,703	1,652,243	1,035,913	-	15,161,084
Trade and other payables	5,031,853	1,078,447	-	-	-	6,110,300
Lease liability	166,290	342,562	34,308	51,462	27,778	622,400
	17,070,368	2,021,712	1,686,551	1,087,375	27,778	21,893,784

11 CAPITAL MANAGEMENT

(a) RISK MANAGEMENT

The Group's objectives when managing capital are to ;

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following:

Net debt as per total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

divided by

Total 'equity' (as shown in the statement of financial position).

The credit rating was unchanged and the gearing ratios at 31 March 2022 and 31 March 2021 were as follows:

	Notes	2022	2021
Total borrowings	4 (e)	29,047,401	15,783,484
Less: Cash and cash equivalents	4 (c)	(5,244,151)	(1,896,513)
Net debt		23,803,250	13,886,971
Total equity		12,979,900	3,629,568
Net debt to equity ratio		1.83	3.83

12 BUSINESS COMBINATIONS

(a) SUMMARY OF CHANGES TO THE GROUP STRUCTURE

During the current financial year, following changes taken place in the Group structure.

- Hela Clothing (Private) Limited (direct subsidiary) disposed its ownership in Hela Investment Holdings Limited (Formerly known as Hela Kenya Limited) to Foundation Garments (Private) Limited (indirect subsidiary) for a consideration of LKR 2,268,548,186 on 25 May 2021.
- Foundation Garments (Private) Limited (indirect subsidiary) became the sole shareholder, holding 100% of the share capital of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited with the acquisition of 49% balance stake from John Stuart Bennett Manufacturing Limited.
- Hela Kenya Limited (indirect subsidiary), changed its name to Hela Investment Holdings Limited with effect from 19 May 2021.
- Hela Investment Holdings Limited (formerly known as Hela Kenya Limited), acquired 49,832 shares of Sumbiri Intimates Apparels (Private) Limited, a company incorporated and domiciled in Ethiopia for a consideration of LKR 250,701,234 as at 31 December 2021.
- Hela Investment Holdings Limited (formerly known as Hela Kenya Limited), acquired 2,480 shares (99% of stake) of Hela Clothing Egypt SAE, a company incorporated and domiciled in Egypt for a consideration of LKR 3,214,270 on 02 November 2021.

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

13 INTERESTS IN OTHER ENTITIES

(a) COMPANY OWNED SUBSIDIARIES

The Group's principal subsidiary at 31 March 2022 are set out below. Unless otherwise stated, it has share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

	Place of business / Country of incorporation	Ownership	Investment 2022	Investment 2021
Hela Clothing (Private) Limited	Sri Lanka	100%	1,904,031	1,236,266
			1,904,031	1,236,266

(b) FELLOW SUBSIDIARIES

The Company is the ultimate parent to below entities which are subsidiaries of Hela Clothing (Private) Limited and Foundation Garments (Private) Limited.

Name of entity	Place of business / country of incorporation	Immediate parent	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
			2022	2021	2022	2021
Hela USA Inc.	USA	Hela Clothing (Private) Limited	100%	100%	0%	0%
Hela Indochine Apparel Private Limited Company	Ethiopia		51%	51%	49%	49%
Alpha Textile (Private) Limited	Sri Lanka		100%	100%	0%	0%
Foundation Garments (Private) Limited	Sri Lanka		100%	100%	0%	0%
F D N Sourcing (Private) Limited	Sri Lanka	Foundation Garments (Private) Limited	100%	100%	0%	0%
Hela Investment Holdings Limited	Mauritius		100%	100%	0%	0%
Hela Intimates EPZ Limited	Kenya		100%	100%	0%	0%
Jinadasa Bennett (Private) Limited	Sri Lanka		100%	51%	0%	49%
Foundation Bennett (Private) Limited	Sri Lanka		100%	51%	0%	49%
Hela Clothing Egypt SAE	Egypt		99%	0%	1%	0%

(c) NON-CONTROLLING INTERESTS (NCI)

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Statement of Profit or Loss and Other Comprehensive Income and as a component of equity in the Statement of Financial Position, separately from equity attributable equity holders of the parent. The following table summarises the information relating to Hela Indochine Apparel Private Limited Company that has material non-controlling interest, before any intra-group eliminations.

Summarised statement of financial position	Hela Indochine Apparel Private Limited Company	
31 March	2022	2021
Current assets	434,010	271,889
Current liabilities	(413,812)	(195,506)
Net current assets	20,198	76,383
Non-current assets	301,364	190,851
Non-current liabilities	-	-
Net non-current assets	301,364	190,851
Net assets	321,562	267,234
Accumulated NCI	290,657	148,336

Summarised statement of comprehensive income	Hela Indochine Apparel Private Limited Company	
31 March	2022	2021
Revenue	1,213,151	970,877
Profit / (loss) for the year	(4,191)	223,817
Other comprehensive income	-	-
Total comprehensive income	(4,191)	223,817
Profit / (loss) allocated to NCI	(2,054)	104,379

(d) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 20 May 2021, the group acquired the balance 49% of the issued shares of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited for USD 300,000. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in Jinadasa Bennett (Pvt) Ltd and Foundation Bennett (Pvt) Ltd was USD 928,802. The group recognised a decrease in non-controlling interests of USD 928,802 and an increase in equity attributable to owners of the parent of USD 628,802. The effect on the equity attributable to the owners of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited during the year is summarised as follows:

	Note	20 May 2021
Carrying amount of non-controlling interests acquired		(186,213)
Consideration paid to non-controlling interests		60,124
Excess of consideration paid recognised in the transactions	7(c)	126,089

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

13 INTERESTS IN OTHER ENTITIES (CONTD.)

(e) INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

The movement of investment in equity accounted investee are as follows;

	2022
Balance as at 1 April	-
Acquired during the year	315,091
Share of loss of equity accounted investee, net of tax	(91,516)
Exchange equalisation reserve	96,832
Balance as at 31 March	320,407

Nature of investment in joint ventures;

Name of entity	Place of business /country of incorporation	Ownership interest held by the Group
Sumbiri Intimate Apparel Private Limited Company	Ethiopia	27%
Safeguard Workwear EPZ Limited	Kenya	50%

Hela Investment Holdings Limited, an indirect subsidiary of the Group, has acquired 27% shareholding of Sumbiri Intimate Apparel Private Limited Company ("the JV company") as at 31 March 2022. Foundation Garments (Private) Limited (Indirect Subsidiary) jointly operates and manages the JV company with the other shareholders. According to the joint venture agreement, Hela Investment Holdings Limited is to increase the investment in share capital of the JV company up to 50%. Sumbiri Intimate Apparel (Private) Limited is identified as a joint venture investment based on the joint control clauses in the JV agreement.

Hela Apparel Holdings PLC holds 50% shareholding of Safeguard Workwear EPZ Limited ("the JV company") as at 31 March 2022. The Group jointly operates and manages the JV company with the other shareholders. According to the joint venture agreement, Safeguard Workwear EPZ Limited is identified as a joint venture investment based on the joint control clauses in the JV agreement.

Summarised financial information of joint venture entities.

Summarised statement of financial position	2022	
31 March	Sumbiri Intimate Apparel Private Limited Company	Safeguard Workwear EPZ Limited
Current assets	279,683	15,873
Current liabilities	334,896	230,175
Net current assets	(55,213)	(214,302)
Non-current assets	617,555	70,558
Non-current liabilities	317,089	-
Net non-current assets	300,466	70,558
Net assets	245,253	(143,744)

Summarised statement of comprehensive income	2022	
31 March	Sumbiri Intimate Apparel Private Limited Company	Safeguard Workwear EPZ Limited
Revenue	778,270	7,364
Profit / (loss) for the year / period	(166,736)	(100,494)
Other comprehensive income	-	-
Total comprehensive income	(166,736)	(100,494)
Profit / (loss) allocated to Hela Apparal Holdings PLC	(41,269)	(50,247)

14 CONTINGENT LIABILITIES

The following are the corporate guarantees as of statement of financial position date.

Liability Due by	Guarantee or contingent liability taken on behalf of	Financial Institution	Nature of the liability	Amount ('000)
Hela Clothing (Private) Limited	Hela Investment Holdings	Bank of Ceylon	Corporate Guarantee -USD	10,000
	Foundation Garment (Private) Limited		Corporate Guarantee -USD	14,000
	Foundation Garment (Private) Limited	DFCC Bank PLC	Corporate Guarantee -USD	13,920
	Foundation Garment (Private) Limited	Peoples Bank PLC	Corporate Guarantee -USD	5,000
Hela Apparel Holdings PLC	Foundation Garment (Private) Limited	Bank of Ceylon	Corporate Guarantee -USD	2,300
	Foundation Garment (Private) Limited	DFCC Bank PLC	Corporate Guarantee -USD	3,000
	Foundation Garment (Private) Limited	National Development Bank PLC	Corporate Guarantee -USD	9,800
	Hela Clothing (Private) Limited		Corporate Guarantee -USD	4,200
	Foundation Garment (Private) Limited	Peoples Bank PLC	Corporate Guarantee -LKR	300,000
Foundation Garment (Private) Limited	Hela Investment Holdings Limited	National Development Bank PLC	Corporate Guarantee -USD	1,000
	Hela Clothing (Private) Limited	Commercial Bank of Ceylon PLC	Corporate Guarantee -USD	4,800
	Foundation Garment (Private) Limited		Corporate Guarantee -USD	1,000

15 COMMITMENTS

The following letter of credits are outstanding as of statement of financial position date.

	Group		Company	
Financial institution	2022	2021	2022	2021
National Development Bank PLC	-	26,726	-	-
Standard Chartered Bank PLC	-	-	-	-
Hatton National Bank PLC	-	96,038	-	-
Union Bank PLC	-	-	-	-
Bank of Ceylon	737	-	-	-
	737	122,764	-	-

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

16 EVENTS AFTER THE REPORTING PERIOD

(a) 6,837,989 ordinary voting shares underlying the existing grant from the Employee Share Ownership Plan (ESOP) were vested and issued to the grantees on 1st August 2022.

(b) The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of both the COVID-19 pandemic and the prevailing economic conditions in Sri Lanka on the Group and the appropriateness of the use of the going concern basis.

To counter the effects of both events, the Group has evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios relating to expected revenue streams, cost management, and the ability to defer non-essential capital expenditure. The Group's current reserves and financing facilities are sufficient to ensure the continuation of the business and the management believes that additional cost savings and cash conservation measures where needed will secure the Group's ability to continue as a going concern.

The Management has also assessed any specific impacts arising from the prevailing economic conditions in Sri Lanka on the operations and financial position of the business. Since the Group earns its revenues in US dollars from production and export of apparel to markets in the US and Europe and has a significant portion of its manufacturing operations located outside of Sri Lanka, it is the management's view that the Group is not significantly exposed to the prevailing economic conditions in Sri Lanka in a manner that would impact its ability to continue as a going concern.

Furthermore, the Management is not aware of any other material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

17 RELATED PARTY TRANSACTIONS

(a) PARENT ENTITIES

The Company is the ultimate parent of the Group.

(b) SUBSIDIARIES

Interests in subsidiaries are set out in note 13(a).

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2022	2021	2022	2021
Short-term employee benefits	273,820	185,474	-	-
	273,820	185,474	-	-

In addition to the above, 148,683,163 Ordinary shares were issued eligible Key Management Personnel (KMP).

(d) OUTSTANDING BALANCES ARISING FROM NON TRADING ACTIVITIES

(i) Receivables from related parties

		Group		Company	
	Relationship	2022	2021	2022	2021
Foundation Sourcing (Private) Limited	Subsidiary	-	-	147	151
Hela Clothing (Private) Limited	Subsidiary	-	-	1,617,649	4,593
Foundation Garments (Private) Limited	Subsidiary	-	-	1,231,886	15,188
		-	-	2,849,682	19,932

(ii) Payables to related parties

		Group		Company	
	Relationship	2022	2021	2022	2021
Hela Intimates EPZ Limited	Subsidiary	-	-	1,540	1,025
		-	-	1,540	1,025

18 EARNINGS / (LOSS) PER SHARE

(a) BASIC EARNINGS / (LOSS) PER SHARE

	Group		Company	
	2022	2021	2022	2021
Basic earnings / (loss) per share attributable to equity holders of the parent	0.76	0.76	(1.32)	(0.00)

(b) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS / (LOSS) PER SHARE

	Group		Company	
	2022	2021	2022	2021
Profit / (loss) attributable to equity of holders of the parent	819,690	766,846	(1,421,014)	(4,692)

(c) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Group		Company	
	2022	2021	2022	2021
Weighted average number of the ordinary shares used as the denominator	1,079,836,966	1,005,409,578	1,079,836,966	1,005,409,578

(d) DILUTED EARNINGS / (LOSS) PER SHARE

	Group		Company	
	2022	2021	2022	2021
Total diluted earnings / (loss) per share attributable to equity holders of the parent	0.75	0.75	(1.30)	(0.00)

(All amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

18 EARNINGS / (LOSS) PER SHARE (CONTD.)

(e) RECONCILIATIONS OF EARNINGS / (LOSS) USED IN CALCULATING DILUTED EARNINGS / (LOSS) PER SHARE

	Group		Company	
	2022	2021	2022	2021
Profit / (loss) attributable to equity of holders of the parent	819,690	766,846	(1,421,014)	(4,692)

(f) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	Group		Company	
	2022	2021	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,079,836,966	1,005,409,578	1,079,836,966	1,005,409,578
Adjustments for calculation of diluted earnings per share: Share options	14,263,616	21,368,720	14,263,616	21,368,720
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,094,100,582	1,026,778,298	1,094,100,582	1,026,778,298

19 GENERAL INFORMATION

Hela Apparel Holdings PLC is engaged in providing consultancy and support services to group companies. The Group is engaged in the manufacture of apparel for export market and in providing front-end services to foreign customers. The Company is a public limited liability company incorporated on 11 October 2018 and listed on the Colombo Stock Exchange on 7 February 2022. It is domiciled in Sri Lanka and bears the registration number PQ00205151 under the Companies Act No.07 of 2007. The address of the registered office and the principal place of the business is, No 35 Balapokuna Road, Colombo 06, Sri Lanka.

Name of the entity	Place of business	Principal activities
Hela Clothing (Private) Limited	Sri Lanka	Manufacturing garments for export market
Foundation Garments (Private) Limited	Sri Lanka	Manufacturing garments for export market
F D N Sourcing (Private) Limited	Sri Lanka	Engaged in employment and trading services
Hela Intimates EPZ Limited	Kenya	Manufacturing garments for export market
Alpha Textile (Private) Limited	Sri Lanka	Dormant company
Jinadasa Bennett (Private) Limited	Sri Lanka	Dormant company
Foundation Bennett (Private) Limited	Sri Lanka	Dormant company
Hela Investment Holdings (Private) Limited	Kenya	Engaged in employment and trading services and to act as an investment holding company
Hela USA Inc.	USA	Design and marketing office for inter-companies
Hela Indochine Apparel Private Limited Company	Ethiopia	Engaged in manufacturing of apparel including sports wear
Hela Clothing Egypt SAE	Egypt	Manufacturing garments for export market

20 GOING CONCERN

In determining the basis of preparing the financial statements for the year ended 31 March 2022 based on available information, Management has assessed the existing and anticipated effects of COVID-19 pandemic on the Group and the Company and the appropriateness of the use of the going concern basis. For the year ended 31 March 2022, the Group had made a profit of LKR 816,310,537 (2021 – LKR 871,535,711) and as at the statement of financial position date, the retained earnings of the Group amounted to LKR 2,315,666,225 (2021 – LKR 13,130,422,000) and its total assets exceeded its total liabilities by LKR 13,237,551,283 (2021 – LKR 3,969,683,814). Therefore, the Group has adequate resources to continue in operational existence for the foreseeable future and continues to adopt the going concern basis in preparing and presenting these financial statements. To counter the COVID-19 effects, the Group has evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected revenue streams, cost management, the ability to defer non-essential capital expenditure. The reserves and potential sources of financing facilities are strong enough to ensure the operational business to continue as least impacted. The Group believes that these cost savings, as well as its cash conservation measures will secure the Group's and the Company's ability to continue as a going concern. The Company is an investment holding company and therefore closely connected with the performance of its subsidiary and sub-subsidiaries. From the Company's perspective, after making enquiries and analysing the performance of the Group, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

21 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Hela Apparel Holdings PLC and its subsidiaries.

(a) BASIS OF PREPARATION

(i) Compliance with Sri Lanka Accounting Standards (SLFRSs)

The consolidated financial statements of the Group and the seperate financial statements of the Company and have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRSs"), Sri Lanka Accounting Standards ("LKASs"), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's and the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in note 9 to the financial statements.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Investment property – measured at fair value
- Defined benefit obligation plans - acturially valued and recognised at present value
- Land and building measured at fair value

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018–2020, and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.
- Covid-19-Related Rent Concessions beyond 30 June 2021.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. The following standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- Amendments to SLFRS 3: Reference to the Conceptual Framework.
- Amendments to LKAS 16 : Property, Plant & Equipment - Proceeds before Intended Use.
- Amendments to LKAS 37 : Onerous Contracts - Cost of Fulfilling a Contract.

(b) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group [refer to note (ii)].

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(i) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Hela Apparel Holdings PLC.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(ii) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the,

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR) which is the Group and Company's presentation currency. The functional currency of the Group and the Company is US Dollars (USD) as it is the currency of the primary economic environment in which the entities of the Group operate. The USD was determined to be the functional currency because;

- It is the currency that mainly influences sales prices for goods and services which are denominated and settled in USD
- It is the currency that mainly influences material costs of providing goods and services, the currency in which such costs are denominated and settled in USD.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains / (losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Translation from functional currency to presentation currency

Transactions and balances measured in US Dollars are translated to Sri Lanka rupees based on the Sri Lanka Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates", as follows:

(a) Assets and Liabilities presented including comparatives are translated at the closing rate existed at the date of each statement of financial position presented.

(b) Income and expense items for all periods presented (i.e. including comparatives) are translated at an annual average exchange rate applicable for respective years.

(c) Share capital is translated at the exchange rate existing at the date of transaction.

(d) All resulting exchange differences are recognised in equity under exchange equalisation reserves.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) REVENUE RECOGNITION

The accounting policies for the Group's revenue from contracts with customers are explained in note 2.

(e) INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(f) LEASES

The Group's leasing policy is described in note 6(f)

(g) CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 5(a) for further information about the Group's accounting for trade receivables and note 10(b) for a description of the Group's impairment policies.

(i) SEGMENT REPORTING

The Group's segment reporting policy is described in note 1(i).

(j) INVENTORIES

(i) Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials but excludes borrowing costs and are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts and are assigned. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Provision for slow moving inventory

A provision for slow moving inventories is recognised based on the best estimates available to management on their future usability. As Management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements.

(k) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(l) INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. This assessment is referred to as the Solely Payment of Principle and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group 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 finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: 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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments are established.

Changes in the fair value of financial assets at FVPL are recognised in other gains / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 10(b) for further details.

(m) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(n) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes and are expected to be used during more than one year.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Land and buildings are shown at fair value based on a valuation performed by an external independent professional valuer. Where land and buildings are revalued, the entire class of such asset is revalued. Revaluations are made with sufficient regularity to ensure that their carrying value do not differ materially from their fair value at the date of the balance sheet.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	As per agreement
Buildings	30 years
Leasehold improvements	10 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Computer hardware	5 years
Tools and molds	5 years
Factory and sports equipment	5 years
Electrical equipment and installations	10 years
Computer software	3 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

When revalued assets are derecognised the amount included in revaluation reserve are transferred to retained earnings.

(o) INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted for using accounting policy for property, plant and equipment.

(p) INTANGIBLE ASSETS

(i) Goodwill

Goodwill is measured as described in note 6(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it

- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iv) Amortisation methods and periods

Refer to note 6(b) for details about amortisation method and periods used by the Group for intangible assets.

(v) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(q) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(t) PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Defined benefit plan - gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No.12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary.

A defined benefit plan is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised past service cost. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the yield rates of government 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 liability.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, 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 immediately in Statement of Profit or Loss.

Gains and losses on remeasurement and changes in assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The assumptions based on which the results of the valuation was determined, are included in note 6(i) to the financial statements.

(iii) Defined contribution plan

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(iv) Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) EARNINGS / (LOSS) PER SHARE

(i) Basic earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing:

- the profit / (loss) attributable to the equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 7(a)).

(ii) Diluted earnings / (loss) per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

STRONG VALUES
SUPERIOR STRUCTURES

SUPPLEMENTARY INFORMATION

STATEMENT OF PROFIT OR LOSS

(All amounts in US Dollar Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2022	2021	2022	2021
Revenue from contracts with customers	269,269	171,101	-	-
Cost of sales	(227,034)	(138,826)	-	-
Gross profit	42,235	32,275	-	-
Distribution expenses	(6,954)	(3,317)	-	-
Administrative expenses	(25,070)	(20,278)	(285)	(23)
Net impairment loss on financial assets	(636)	(89)	-	-
Other income	447	1,399	-	-
Other gains / (losses) - net	1,925	550	(6,645)	(3)
Operating profit / (loss)	11,947	10,540	(6,930)	(26)
Finance income	223	54	156	1
Finance costs	(6,628)	(5,740)	-	-
Finance (costs) / income - net	(6,405)	(5,686)	156	1
Share of loss of equity accounted investee, net of tax	(439)	-	-	-
Profit / (loss) before income tax	5,103	4,854	(6,774)	(25)
Income tax expense	(1,191)	(216)	(37)	-
Profit / (loss) for the year	3,912	4,638	(6,811)	(25)
Profit / (loss) is attributable to:				
Equity holders of the parent	3,928	4,081	(6,811)	(25)
Non-controlling interests	(16)	557	-	-
Profit / (loss) for the year	3,912	4,638	(6,811)	(25)
Earnings / (loss)per share for profit / (loss) attributable to the equity holders of the Company				
Basic earnings / (loss) per share	0.00	0.00	(0.01)	(0.00)
Diluted earnings / (loss) per share	0.00	0.00	(0.01)	(0.00)

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in US Dollar Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2022	2021	2022	2021
Profit / (loss) for the year	3,912	4,638	(6,811)	(25)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	5	(33)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-
Gain on revaluation of land and buildings	134	61	-	-
Deferred income tax impact relating to revaluation	(28)	(10)	-	-
Re-measurements of post-employment benefit obligations	305	(215)	-	-
Deferred income tax impact relating to re-measurements of post-employment benefit obligations	(36)	24	-	-
Other comprehensive income for the year, net of tax	380	(173)	-	-
Total comprehensive income for the year	4,292	4,465	(6,811)	(25)

STATEMENT OF FINANCIAL POSITION

(All amounts in US Dollar Thousands)

	Group		Company	
	As at 31 March		As at 31 March	
	2022	2021	2022	2021
ASSETS				
Non-current assets				
Property, plant and equipment	19,826	17,890	-	-
Investment property	1,505	1,712	-	-
Right-of-use assets	2,478	2,827	-	-
Intangible assets	36,504	36,533	-	5
Capital work-in-progress	2,096	213	-	-
Investment in subsidiaries	-	-	6,368	6,211
Investments in equity accounted investees	1,072	-	-	-
Deferred tax assets	611	1,532	-	-
Other receivables	1	1	-	-
Total non-current assets	64,093	60,708	6,368	6,216
Current assets				
Inventories	43,379	27,397	-	-
Trade receivables	39,892	26,569	-	-
Other receivables	8,886	4,581	13,138	3,707
Other assets	6,752	5,199	-	-
Income tax receivables	38	32	-	-
Cash and cash equivalents	17,539	9,528	3,731	11
Total current assets	116,486	73,306	16,869	3,718
Total assets	180,579	134,014	23,237	9,934
EQUITY				
Stated capital	29,481	9,661	29,481	9,661
Retained earnings / (accumulated losses)	11,743	6,917	(6,990)	(179)
Other reserves	721	458	594	438
Exchange equalisation reserve	969	963	-	-
Capital and reserves attributable to the equity holders of the parent	42,914	17,999	23,085	9,920
Non-controlling interests	1,001	1,945	-	-
Total equity	43,915	19,944	23,085	9,920
LIABILITIES				
Non-current liabilities				
Borrowings	8,610	10,366	-	-
Deferred tax liabilities	1,925	1,869	-	-
Lease liabilities	1,172	2,756	-	-
Employee benefit obligations	1,426	2,195	-	-
Total non-current liabilities	13,133	17,186	-	-

	Group		Company	
	As at 31 March		As at 31 March	
	2022	2021	2022	2021
Current liabilities				
Trade and other payables	36,036	30,699	114	11
Lease liabilities	1,451	371	-	-
Income tax liabilities	128	8	38	-
Borrowings	85,916	65,806	-	3
Total current liabilities	123,531	96,884	152	14
Total liabilities	136,664	114,070	152	14
Total equity and liabilities	180,579	134,014	23,237	9,934
Net assets per share attributable to equity holders of the parent	0.03	1.80	0.02	0.99

STATEMENT OF CASH FLOWS

(All amounts in US Dollar Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2022	2021	2022	2021
Cash flows from operating activities				
Cash (used in) / generated from operations	(13,554)	14,120	(16,254)	(47)
Retirement benefit obligations paid	(228)	(207)	-	-
Income tax paid	(116)	(684)	-	-
Interest paid	(7,034)	(2,939)	-	-
Net cash (outflow) / inflow from operating activities	(20,932)	10,290	(16,254)	(47)
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,384)	(1,726)	-	-
Purchase of intangible assets	(47)	(18)	-	-
Purchase of investment properties	-	(1)	-	-
Additions to capital work-in-progress	(3,099)	(112)	-	-
Proceeds from sales of property, plant and equipment	8	197	-	-
Proceeds from sales of intangible assets	1	6	-	-
Interest received	223	54	156	1
Acquisition of non controlling interest	(300)	-	-	-
Invesments made in subsidiaries	(1,494)	-	-	-
Net cash (outflow) / inflow from investing activities	(8,092)	(1,600)	156	1
Cash flows from financing activities				
Proceeds from borrowings	270,917	192,183	-	-
Net proceeds form share issue	19,820	-	19,820	-
Principal elements of lease payments	(964)	(1,395)	-	-
Repayment of borrowings	(252,994)	(197,478)	-	-
Net cash inflow / (outflow) from financing activities	36,779	(6,690)	19,820	-
Net increase/ (decrease) in cash and cash equivalents	7,755	2,000	3,722	(46)
Cash and cash equivalents at beginning of year	9,050	7,050	8	54
Currency translation difference	(5)	-	-	-
Cash and cash equivalents at end of year	16,800	9,050	3,730	8

FIVE YEARS FINANCIAL SUMMARY - GROUP

(All amounts in Sri Lankan Rupees Thousands)

	Hela Apparel Holdings PLC				Hela Clothing (Private) Limited	
Year ended 31 March	2022	2021	2020	*2019	**2019	2018
Income statement						
Group Revenue	56,179,623	32,155,092	32,874,321	16,155,221	32,310,442	24,135,055
Gross profit	8,811,809	6,065,467	6,996,160	2,653,580	5,307,160	3,522,940
Operating profit / (loss)	2,492,563	1,960,024	1,987,836	466,874	934,550	(887,591)
Profit / (loss) before taxation	1,064,782	912,100	819,329	(85,347)	(182,215)	(1,503,547)
Income tax expense	248,471	40,564	51,849	113,289	226,579	86,534
Profit / (loss) after taxation	816,311	871,536	767,480	(198,636)	(408,794)	(1,590,081)
Profit / (loss) attributable to the equity holders of the parent	819,690	766,846	804,589	(192,255)	(396,032)	(1,539,556)
Statement of financial position						
Assets						
Non-current assets						
Property, plant and equipment	5,927,969	3,560,886	3,550,254	3,755,196	3,755,196	3,384,467
Right-of-use assets	740,821	562,667	372,593	-	-	-
Deferred tax assets	182,650	304,947	289,035	-	-	-
Other non current assets	12,312,040	7,654,791	7,111,426	7,022,501	5,666,400	3,472,377
Total non-current assets	19,163,480	12,083,291	11,323,307	10,777,697	9,421,596	6,856,844
Current assets	34,829,368	14,590,815	11,744,407	9,795,398	9,788,205	9,844,096
Total assets	53,992,848	26,674,106	23,067,714	20,573,095	19,209,801	16,700,940
Equity						
Capital and reserves						
Stated capital	5,696,037	1,723,899	1,723,897	1,039,659	1,215,852	1,215,852
Advance against share capital	-	-	-	-	911,540	-
Other reserves	141,032	86,065	(1,024)	-	613,352	607,662
Retained earnings / (accumulated losses)	2,315,666	1,313,835	582,925	(192,255)	(3,277,376)	(2,884,307)
Exchange equalisation reserve	4,827,165	505,769	197,800	677	52,577	187,235
Non-controlling interest	150,522	340,114	230,749	201,070	184,375	78,443
Total equity	13,130,422	3,969,682	2,734,347	1,049,151	(299,680)	(795,114)
Non-current liabilities						
Borrowings	2,574,365	2,063,220	2,240,388	3,234,995	3,234,995	1,899,339
Deferred tax liabilities	575,488	372,059	377,431	167,331	167,331	78,678
Lease liabilities	350,258	548,511	103,702	-	-	-
Other payables	-	-	-	-	-	154,870
Employee benefit obligations	426,417	436,905	327,324	246,255	246,255	206,655
Total non-current liabilities	3,926,528	3,420,695	3,048,844	3,648,580	3,648,580	2,339,542
Current liabilities	36,935,898	19,283,729	17,284,524	15,875,365	15,860,901	15,156,512
Total liabilites	40,862,426	22,704,424	20,333,368	19,523,945	19,509,481	17,496,054
Total equity and liabilities	53,992,848	26,674,106	23,067,714	20,573,095	19,209,801	16,700,940

FIVE YEARS FINANCIAL SUMMARY - GROUP

(All amounts in Sri Lankan Rupees Thousands)

	Hela Apparel Holdings PLC				Hela Clothing (Private) Limited	
	2022	2021	2020	*2019	**2019	2018
Ratios and Statistics						
Annual growth in turnover	74.7%	-2.2%	1.7%	-	33.9%	31.2%
Gross profit margin	15.7%	18.9%	21.3%	16.4%	16.4%	14.6%
Net profit margin	1.5%	2.7%	2.3%	-1.2%	-1.3%	-6.6%
Gearing ratio (Times)	2.2	4.0	5.6	-	-48.9	-17.6
Return on equity (ROE)	***9.9%	25.0%	79.7%	-	58.3%	649.4%

**Hela Apparel Holding PLC was incorporated on 11 October 2018 and acquired 100% of the shares in Hela Clothing (Private) Limited on 19th November 2018. As such, Group figures for Hela Apparel Holdings PLC in FY 2018/19 reflect a partial view of the of the financial performance during this year. (Approximately 05 months')*

***Hela Clothing (Private) Limited's consolidated financial performance presented for the year 31 March 2019 is a full year consolidated financial statement.*

**** Hela Apparel Holding PLCwas listed on the Colombo Stock Exchange in February 2022, with an equity raise of Rs. 4.1Bn.*

IPO PROCEEDS UTILISATION

As of the date of this Annual Report and in terms of Section 8.1 (b) of the Listing Rules of the Colombo Stock Exchange, the entirety of the Company's IPO Proceeds have been utilised in line with the objectives stated in its Prospectus dated 28 December 2021 and the subsequent corporate disclosure dated 27 May 2022.

As outlined in this disclosure, in order to avoid the impact of a further depreciation in the Sri Lankan Rupee on the remaining funds allocated to the stated IPO objectives relative to the Company's US Dollar-denominated investment requirements and borrowings, the Company diverted the remaining funds of LKR 2.0 billion towards investments in its subsidiaries for the purpose of settling additional debt under Objective 1.2.3. This includes Sri Lankan Rupee-denominated debt and US Dollar-denominated debt, which was settled by using the funds to finance local operating expenses and diverting a portion of US dollar export proceeds to debt settlement.

However, as also stated in the disclosure, the Company remains committed to all the objectives set out in the Prospectus and will provide further disclosures to the market as appropriate. Supported by its strengthened balance sheet, the required funding for these objectives will be obtained via additional term loans or available cash balances as determined appropriate by the Company.

Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilisation as per Prospectus	Amount allocated upon the receipt of proceeds in LKR (A)	As a % of Total proceeds	Utilised funds as of the Annual Report Date in LKR (B)	% of utilised against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1.2.1	Fabric Mill Investment	999,761,063	2Q FY23	999,761,063	25%	-	0%	Fully utilised as of the Annual Report date.
1.2.2	Funding the Implementation of a New Enterprise Resource Planning (ERP) System	596,266,801	2Q FY23	596,266,801	15%	95,291,245	16%	
1.2.3	Investment into Subsidiaries of the Group	2,410,607,106	4Q FY22 – 3Q FY23	2,410,607,106	60%	3,911,343,725	162%	
Total		4,006,634,970	-	4,006,634,970	100%	4,006,634,970	100%	

INVESTOR INFORMATION

1. DISTRIBUTION OF SHAREHOLDERS

As at 31 March 2022	Resident			Non-Resident			Total		
Shareholdings	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 to 1000 Shares	2,802	1,533,040	0.11	0	0	0	2,802	1,533,040	0.11
1001 to 10,000 Shares	12,446	39,686,900	3.05	16	69,250	0.01	12,462	39,756,150	3.06
10,001 to 100,000 Shares	946	27,936,526	2.14	4	106,000	0.01	950	28,042,526	2.15
100,001 to 1000,000 Shares	176	52,616,402	4.04	1	149,000	0.01	177	52,765,402	4.05
Over 1,000,000 Shares	50	513,859,824	39.43	4	667,161,002	51.20	54	1,181,020,826	90.63
Total	16,420	635,632,692	48.77	25	667,485,252	51.23	16,445	1,303,117,944	100.00

2. CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	15,982	326,773,635
Institutional	463	976,344,309
	16,445	1,303,117,944

3. PUBLIC SHAREHOLDING

Public Holding as at 31 March	2022
Issued Share Capital (No. of Shares)	1,303,117,944
Public Holding as a % of Issued Share Capital	20.13%
Total Number of Shareholders	16,445
Number of Shareholders representing the Public Holding	16,421

Minimum Public Holding Requirement as per Listing Rules 7.14.1

	Float Adjusted Market Capitalisation - (LKR)	Public Holding (%)	No of Shareholders
Public Holding as at 31 March 2022	3,383,897,583	20.13	16,421

The Company complies with the Minimum Public Holding required of the Main Board as per Option 3 of Section 7.14.1 (a) of the CSE Listing Rules

4. SHARE TRADING INFORMATION

Public Holding as at 31 March	2022
Market Value of Shares	
- Closing Price on 31 March (LKR)	12.90
- Highest Price	22.00
- Lowest Price	12.50
- Market Capitalisation on 31 March (LKR 000')	16,810,221
Share Trading	
- No of Transactions during the year	33,646
- No of Shares Traded during the year	115,641,164
- Value of Shares Traded during the year (LKR 000')	2,051,977

5. SHAREHOLDER INFORMATION

A. TOP 20 MAJOR SHAREHOLDERS

List of 20 Major Shareholders as at 31 March 2022		2022	
		No. of Shares	%
1	Lesing Hela Limited	614,256,956	47.14
2	Tars Investments Lanka (Pvt) Ltd.	235,638,162	18.08
3	Mr. P.L.D. Jinadasa	135,932,066	10.43
4	Mr. D.E.H. Mcvey	30,598,973	2.35
5	Citibank Newyork S/A Norges Bank Account 2	20,971,740	1.61
6	Mr. H.H. Abdulhusein	18,438,517	1.41
7	Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam	15,902,456	1.22
8	Union Assurance PLC - Universal Life Fund	6,748,748	0.52
9	Akbar Brothers (Pvt) Ltd. A/C No. 1	6,000,000	0.46
10	Janashakthi Insurance PLC - Shareholders	5,333,334	0.41
11	Mr W.M.S.R. Peiris	5,255,743	0.40
12	Mr. R.S.P. Amaratunga	4,907,961	0.38
13	Deutsche Bank AG as Trustee To Capital Alliance Quantitative Equity Fund	4,715,000	0.36
14	Mr. D.M. Beruwalage	4,361,600	0.33
15	Mr. A.R. Rasiah	4,273,743	0.33
16	DFCC Bank PLC/J N Lanka Holdings Company (Pvt) Ltd.	3,766,600	0.29
17	Magna Wealth (Pvt) Ltd.	3,372,100	0.26
18	Deutsche Bank AG - National Equity Fund	3,063,000	0.24
19	Union Assurance PLC - Traditional Life Participating Fund	2,969,882	0.23
20	Bank of Ceylon A/C Ceybank Unit Trust	2,945,200	0.23
		1,129,451,781	86.68

B. DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2022

	2022 No. of Shares
Directors' Direct Shareholding	
Mr. P.L.D. Jinadasa (Group CEO)	135,932,066
Mr. A.R. Rasiah (Chairman)	4,273,743
Ms. T.S. Peries	57,400
Ms. A. Nanayakkara	619,100
Mr. G.P. Gunawardana	-
Dr. A. Alderton	-
Mr. P. Schleiffer	-
Mr. S. Khan (Alternate Director)	-
	140,882,309

6. EMPLOYEE SHARE OWNERSHIP PLAN AS AT 31 MARCH 2022*

Date of Grant	Employee Category	Shares Granted (A+B+C)	Status of Granted Shares as of 31 March 2022			Remaining shares alotted to Scheme that may be granted by the Board of Directors at a future date
			Vested & Issued (A)	To be Vested & Issued on 1 August 2022 (B)	To be Vested & Issued on 1 August 2023 (C)	
1-Aug-20	Senior Executives and Directors	35,258,375	20,994,759	6,837,989	7,425,627	18,163,411

Note: The Employee Share Ownership Plan was originally established as an Share Option Scheme, and was converted by a special resolution of the shareholders passed on 7 September 2021. Further details of the scheme and the conversion can be found in Section 5 of the Prospectus for the Initial Public Offering of the Company, published on 28th December 2021. In addition to the 35,258,375 shares granted on 1 August 2020, 18,163,411 shares remain alloted to the scheme and may be granted at a future date by the Board of Directors.

UN GLOBAL COMPACT - COMMUNICATION ON PROGRESS

The Ten Principles of the UN Global Compact		Relevant Section in the Report
Human Rights		
Principle 1	Business should support and respect the protection of internationally proclaimed human rights.	Employee development, Environmental Stewardship, Corporate Governance Report
Principle 2	Business should make sure that they are not complicit in human rights abuses.	Employee Development, Environmental Stewardship, Corporate Governance Report
Labour		
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Employee Development
Principle 4	Business should support the elimination of all forms of forced and compulsory labour.	Employee Development
Principle 5	Business should support the effective abolition of child labour.	Employee Development
Principle 6	Business should support the elimination of discrimination in respect of employment and occupation.	Employee Development
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	Environmental Stewardship
Principle 8	Business should undertake initiatives to promote greater environmental responsibility.	Environmental Stewardship
Principle 9	Business should encourage the development and diffusion of environmentally friendly technologies.	Environmental Stewardship
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Employee Development

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

Section	UN SDG
Management Discussion and Analysis - Employee Development	SDG 1: No Poverty
	SDG 3: Good Health And Well-Being
	SDG 5: Gender Equality
	SDG 8: Decent Work And Economic Growth
	SDG 16: Peach,Justice And Strong Institutions
Stewardship - Corporate Governance Report	SDG 5: Gender Equality
Management Discussion and Analysis - Environmental Stewardship	SDG 6: Clean Water And Sanitation
	SDG 7: Affordable And Clean Energy
	SDG 12: Responsible Consumption And Production
	SDG 13: Climate Action
	SDG 15: Life On Land
Occupational Health and Safety	SDG 3: Good Health And Well-Being
	SDG 8: Decent Work And Economic Growth
Financial Review	SDG 17: Partnerships For The Goals

GROUP COMPANIES AND DIRECTORATE

Name /Principle Place of Business	Country of Incorporation	Relationship	Effective Holding FY 22	Effective Holding FY 21	Principal Activity	Board Members
Hela Clothing (Pvt) Limited	Sri Lanka	Direct Subsidiary	100%	100%	Manufacture of garments for export market	A R Rasiah P L D Jinadasa A Nanayakkara G P Gunawardana W M S R Peiris M H A Rehmanjee R S P Amarathunga
Foundation Garments (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Manufacture of garments for export market	A R Rasiah P L D Jinadasa A Nanayakkara G P Gunawardana W M S R Peiris M H A Rehmanjee
F D N Sourcing (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Providing front end services to foreign clients	A R Rasiah P L D Jinadasa A Nanayakkara G P Gunawardana W M S R Peiris
Foundation Bennett (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	51%	Dormant Company	A R Rasiah P L D Jinadasa G P Gunawardana
Aplha Textiles (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Dormant Company	A R Rasiah P L D Jinadasa G P Gunawardana
Jinadasa Bennett (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	51%	Renting investment property to other Group Companies for manufacturing purposes	A R Rasiah P L D Jinadasa G P Gunawardana
Hela Investment Holdings Limited	Mauritius	Indirect Subsidiary	100%	100%	Providing trading and other support services to Group Companies, and to act as investment holding company.	A R Rasiah P L D Jinadasa G P Gunawardana W M S R Peiris D B F Shahnaz A Sultunti
Hela USA Inc.	USA	Indirect Subsidiary	100%	100%	Design and marketing office.	A R Rasiah P L D Jinadasa G P Gunawardana W M S R Peiris
Hela Intimates EPZ Limited	Kenya	Indirect Subsidiary	100%	100%	Manufacture of garments for export market.	P L D Jinadasa W M S R Peiris
Safeguard Workwear EPZ Limited	Kenya	Joint Venture	50%	50%	Manufacture of garments for export market.	P L D Jinadasa W M S R Peiris G S M A Gulam K M H Dostmohamed

GROUP COMPANIES AND DIRECTORATE

Name /Principle Place of Business	Country of Incorporation	Relationship	Effective Holding		Principal Activity	Board Members
			FY 22	FY 21		
Hela Indochine Apparel PLC	Ethiopia	Indirect Subsidiary	51%	51%	Manufacture of garments for export market	This company type in Ethiopia does not require a governing board.
Sumbiri Intimate Apparel PLC	Ethiopia	Joint Venture	27%	0%	Manufacture of garments for export market	This company type in Ethiopia does not require a governing board.
Hela Clothing Egypt S.A.E	Egypt	Subsidiary	99%	0%	Manufacture of garments for export market	P L D Jinadasa R S P Amarathunga R M F A Torky K D V L Koralearachchi D D M Arachchi

GLOSSARY

CAPITAL EMPLOYED
Total Shareholders' funds plus debt and non-controlling interests

CURRENT RATIO
Current assets divided by current liabilities

DEBT TO EQUITY RATIO
Interest bearing borrowings including lease liabilities as a percentage of shareholders' funds and non-controlling interests

DEFERRED TAXATION
Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised

EARNINGS PER SHARE (BASIC)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period

EFFECTIVE RATE OF TAXATION
Tax expense divided by profit before tax

INTEREST COVER
Consolidated profit before interest and tax over interest expense

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of the period

NET ASSETS
Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end

NET DEBT
Total debt minus cash and short-term deposits

NET PROFIT MARGIN
Profit after tax divided by total revenue

OPERATING PROFIT MARGIN
Operating Profit divided by total revenue

PRICE EARNINGS RATIO
Market price per share over diluted earnings per share

RETURN ON ASSETS
Profit after tax as a percentage of average total assets

RETURN ON CAPITAL EMPLOYED (ROCE)
Operating Profit as a percentage of average capital employed

RETURN ON EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds

TOTAL DEBT
Long and short-term loans, including overdrafts and lease liabilities

WORKING CAPITAL
Current assets minus current liabilities

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Hela Apparel Holdings PLC will be held as a virtual meeting on 07 September 2022 at 3.30pm, centred from the Registered Office of the Company at No. 35, Balapokuna Road, Colombo 06 for the following purposes:

1. ORDINARY BUSINESS

1.1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31 March 2022 and the Report of the Auditors thereon.

1.2 To pass the ordinary resolution set out below to re-appoint Mr. A R Rasiah who is over 70 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Mr. A R Rasiah who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007 up to the next Annual General Meeting of the Company."

1.3 To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.

1.4 To authorise the Directors to determine donations for the year ending 31 March 2023 and up to the date of the next Annual General Meeting.

2. SPECIAL BUSINESS

2.1 CHANGE OF THE USE OF IPO PROCEEDS

Reference is made to the Item 1.2 (Objectives of the Issue) of the Prospectus of the Initial Public Offering (IPO) of the Company dated 28 December 2021, and the subsequent corporate disclosure to the Colombo Stock Exchange dated 27 May 2022, wherein it listed out the change of use of IPO proceeds in order to strengthen the Company's balance sheet by optimising the funds arising from the IPO, whilst remaining committed to the objectives listed in the Prospectus.

With reference to Objective 1.2.1 – Fabric Mill Investment, the Company is facing delays in finalising the target investment due to the prevailing economic environment in Sri Lanka. Furthermore, in line with the expected utilisation timeline, the Company plans to complete the Productivity-Enhancing Capital Expenditure mentioned under Objective 1.2.3 after the commencement of the second quarter of FY 2022/23, provided economic conditions are favourable at this time. Finally, while Objective 1.2.2 – Funding the Implementation of a New Enterprise Resource Planning (ERP) System is underway, a portion of the required payments are linked to the United States Dollar and are therefore subject to further depreciation in the Rupee.

In order to avoid the impact of further depreciation in the currency on the remaining funds allocated to these objectives relative to the Company's US Dollar-denominated investment requirements and borrowings, it therefore immediately diverted them to equity investments into its subsidiaries for the purpose of settling additional debt under Objective 1.2.3. This includes Sri Lankan Rupee-denominated debt and US Dollar-denominated debt, which was settled by using the funds to finance local operating expenses and diverting a portion of US dollar export proceeds to debt settlement.

To give effect to the above deviation, the following ratification is proposed to be considered and if thought fit to pass as an Ordinary Resolution.

"The shareholders having noted the recommendation of the Directors, due to the steep depreciation of the exchange rate , HEREBY RATIFY the change of use of IPO proceeds in order to avoid the impact of further depreciation in the currency on the remaining funds allocated to the Company's US Dollar-denominated investment requirements and borrowings, is therefore immediately diverted to equity investments into its subsidiaries for the purpose of settling additional debt under Objective 1.2.3 and is in the is in the best interest of the Company and all its shareholders be hereby ratified."

By Order of the Board,
HELA APPAREL HOLDINGS PLC

P W CORPORATE SECRETARIAL (PVT) LTD
DIRECTOR / SECRETARIES

15 August 2022

At Colombo

NOTES:

1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be deposited at the Office of the Company, No. 35, Balapokuna Road, Colombo 06 or emailed to hela_agm@helaclothing.com by 3.30 pm on 06 September 2022.

FORM OF PROXY

HELA APPAREL HOLDINGS PLC

*I/We .... holder of

NIC No .... of .... being a

*Shareholder / Shareholders of Hela Apparel Holdings PLC, do hereby appoint ....

holder of NIC No. .... of .... or failing him/her

Mr. A R Rasiah	or failing him
Mr. P L D Jinadasa	or failing him
Mr. Gayan Gunawardana	or failing him
Ms. A Nanayakkara	or failing her
Ms. T Peries	or failing her
Mr. Patrick Schleiffer	or failing him
Dr. A J Alderton	or failing him
(Alternate Director - Mr. Shesan Khan)	

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the First Annual General Meeting of the Company to be held on 07 September 2022 at 3.30pm as a virtual AGM centred from the Registered Office of the Company at No. 35, Balapokuna Road, Colombo 06 and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	**ORDINARY BUSINESS**		
1.1	To pass the ordinary resolution set out in the Notice of Meeting under item 1.2 for the re-appointment of Mr. A R Rasiah.	☐	☐
1.2	To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.	☐	☐
1.3	To authorise the Directors to determine donations for the year ending 31 March 2023 and up to the date of the next Annual General Meeting.	☐	☐
2.	**SPECIAL BUSINESS**		
2.1	To pass the ordinary resolution set out in the Notice of Meeting under item 2.1 ratifying the change of use of the Initial Public Offering proceeds.	☐	☐

Signed this .... day of .... Two Thousand and Twenty Two

....

Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. THE PROXY SHALL

(a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

(b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy should be deposited at the Company, No. 35, Balapokuna Road, Colombo 06 or emailed to hela_agm@helaclothing.com by 3.30 pm on 06 September 2022.

CORPORATE INFORMATION

NAME OF COMPANY
Hela Apparel Holdings PLC

LEGAL FORM
Public limited liability company
incorporated under the Companies act No. 7 of 2007

DATE OF INCORPORATION
11 October 2018

COMPANY REGISTRATION NUMBER
PQ00205151

ACCOUNTING PERIOD END
31 March 2022

PRINCIPAL ACTIVITY OF THE COMPANY
Providing consultancy and support services to group companies.

REGISTERED OFFICE
35, Balapokuna Road,
Colombo 06, Sri Lanka

WEBSITE
www.helaclothing.com

MAJOR SHAREHOLDERS
Lesing Hela Limited
Tars Investment Lanka (Private) Limited
P L D Jinadasa

SECRETARIES
P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road,
Colombo 08, Sri Lanka

AUDITORS
PricewaterhouseCoopers
100, Braybrooke Place,
Colombo 02, Sri Lanka

COMPANY REGISTRARS
SSP Corporate Services (Pvt) Ltd
101, Inner Flower Road,
Colombo 03, Sri Lanka

BANKERS
Absa Bank Kenya PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
Commercial Bank of Ethiopia
DFCC Bank PLC
Equity Bank Kenya Limited
Hatton National Bank PLC
National Bank of Egypt
National Development Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Standard Chartered Bank PLC
Qatar National Bank

PRINCIPAL ACTIVITIES OF THE GROUP
Manufacture of apparel for export markets and provision of front-end services to foreign customers

DIRECTORS
A R Rasiah
P L D Jinadasa
G P Gunawardana
A Nanayakkara
T S Peries
P Schleiffer
A J Alderton
S R Khan (Alternate to A J Alderton)

AUDIT COMMITTEE
G P Gunawardana
A Nanayakkara
T S Peries
P Schleiffer
A J Alderton

REMUNERATION COMMITTEE
A Nanayakkara
A J Alderton
G P Gunawardana

RELATED PARTY TRANSACTION REVIEW COMMITTEE
T S Peries
A J Alderton
A Nanayakkara

NOMINATION COMMITTEE
A R Rasiah
A J Alderton
P Schleiffer
T S Peries

DIRECT SUBSIDIARY
Hela Clothing (Private) Limited

INDIRECT SUBSIDIARIES
Foundation Garments (Private) Limited
F D N Sourcing (Private) Limited
Jinadasa Bennett (Private) Limited
Foundation Bennett (Private) Limited
Alpha Textile (Private) Limited
Hela Investment Holdings Limited
Hela Indochine Apparel Private Limited Company
Hela Intimates EPZ Limited
Hela USA, Inc.
Hela Clothing Egypt SAE

JOINT VENTURES
Sumbiri Intimate Apparel Private Limited Company
Safeguard Workwear EPZ Limited

Designed & produced by
emagewise

hela

35 Balapokuna Road, Colombo 6, Sri Lanka
www.helaclothing.com