EVER EVOLVING

Hela Apparel Holdings PLC
Annual Report 2023/24

EVER EVOLVING

In the fast-paced and ever-changing apparel industry, seamless collaboration across the apparel value chain is crucial for sustained success. The recent acquisition of Focus Brands represents a pivotal moment for the Hela Group, significantly enhancing its capabilities in the areas of marketing and brand management. This strategic move created the Group's brand licensing division, marking a significant evolution in its operational model and progressing the company to an advantageous position within the industry.

By integrating the value of these new assets and expertise, Hela is embarking on a transformative journey that amplifies its ability to create synergies across its Private Label Manufacturing Division and Brand Licensing Division. This transformation is not just about scaling operations but about enhancing the way Hela collaborates with global brands through strengthened capabilities in brand partnerships and licensing opportunities.

By effectively synchronising operations and fostering strong collaborations, Hela is set to unlock significant growth opportunities and drive innovation within the industry.

As the industry continues to evolve, Hela is prepared to leverage its expanded capabilities and enhanced synergies to provide unparalleled value. This readiness positions the company to adapt swiftly to market changes, harnessing its potential to not only keep pace with industry trends but also to set new standards of excellence and innovation.

Evolving with the times, we are ready to harness our potential.

hela

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ABOUT THIS REPORT

This is our second Annual Integrated Report which presents a balanced and comprehensive view of the value created for our stakeholders during the financial year ended 31 March 2024. The Report provides an assessment of our operating landscape, governance practices, risk management, and our proactive response to the evolving market dynamics.

SCOPE AND BOUNDARY

The Report covers the operations of Hela Apparel Holdings PLC (hereinafter referred to as "the Company") and its subsidiaries and equity-accounted investees (hereinafter referred to as "the Hela Group") for the period from 1 April 2023 to 31 March 2024.

It provides a comprehensive overview of the Hela Group's performance, encompassing both financial and non-financial information essential for stakeholder evaluation. It also highlights the Group's core business – delivering sustainable, ethical, and innovative apparel solutions – and showcases its global reach across Sri Lanka, Kenya, Egypt, Ethiopia, and beyond. The Group adopts an annual reporting cycle and there have been no major restatements of financial or non-financial information unless otherwise stated.

The Hela Group acquired 100% shareholding of Focus Brands Limited on 24 January 2024. The non-financial information related to the acquired company will be included in next year's report as the integration process is still in its early stages. The financial statements include two months of financial data of the acquired company.

MATERIALITY

The report provides information on material themes that have a significant impact on the Group's ability to generate value in the short, medium, and long term. Please refer to the Determining Material Issues section on page 36 for further details on the practices for determining materiality.

REPORTING FRAMEWORKS

During the year under review, the following key changes were observed in both regulatory and voluntary reporting standards:

- Launch of IFRS Sustainability Standards by the International Sustainability Standards Board in June 2023
- Issue of new Corporate Governance Rules by the Colombo Stock Exchange w.e.f. October 2023
- Launch of Code of Best Practice on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka in December 2023

This report reflects our commitment to enhanced transparency and reporting standards. We have incorporated several reporting requirements outlined in IFRS S1 and S2. In addition, we have complied with various aspects of the revised Corporate Governance Rules, with further details provided on pages 122 to 141 of this report.

Reporting Improvements

- Initial implementation of IFRS S1 and S2 standards.

Combined Assurance

The Group applies a combined assurance model in its reporting. The contents of this Report has been reviewed and approved by the relevant business heads, the Group CEO, and the Audit & Risk Committee before seeking the approval of the Board of Directors. The financial statements have been independently audited by Deloitte Partners. Please refer to pages 169 to 173 for the report of the auditors.

PDF Format

A concise Integrated Annual Report in print form

This report is available in printed form and online at https://www.helaclothing.com/

Financial Reporting

- Sri Lanka Financial Reporting Standards
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Companies Act No 7 of 2007

Sustainability Reporting

- IGRI standards issued by the Global Reporting Initiative
- Communicating Sustainability Recommendations for Listed Companies issued by the Colombo Stock Exchange
- United Nations Global Compact (UNGC)
- Gender Parity Reporting Framework of the Institute of Chartered Accountants of Sri Lanka

Narrative Reporting

- Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- Guidelines for Presentation of Annual Reports 2022 issued by the Institute of Chartered Accountants of Sri Lanka

Corporate Governance

- Continuing Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding the Hela Group's future performance and prospects. These statements reflect current judgments and expectations, however, various emerging risks, uncertainties, and factors beyond the Group's control could significantly impact actual results. We do not assume any obligation to publicly update or revise these forward-looking statements in response to changing circumstances.

THE CAPITALS

Financial Capital

Natural Capital

Human and Social Capital

Manufactured Capital

Relationship Capital

Intellectual Capital

STAKEHOLDERS

Customers

Employees

Suppliers

Government / Regulators

Community

Shareholders, Joint Venture Partners and Providers of Capital

CONNECTIVITY OF INFORMATION

The connectivity of information has been improved by the use of the icons for the capitals and stakeholders throughout the Report.

FEEDBACK & ENQUIRIES

We welcome your comments, suggestions and queries on this Report; please direct your feedback to : investors@helaclothing.com

ACKNOWLEDGEMENT

The Board of Directors of Hela Apparel Holdings PLC acknowledges its responsibility for ensuring the integrity of this Report. We hereby confirm that the 2023/24 Annual Report fairly represents the Group's integrated performance and addresses all relevant material matters that have a bearing on our ability to create value over the short, medium and long term. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. The report was unanimously approved by the Board on 29 August 2024 and is signed on its behalf by;

Group CEO

Group Chief Financial Officer

ABOUT US

MISSION

Our mission is to help retailers create responsibly manufactured hero products by offering robust supply chain and brand management 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 equity, inclusivity, and climate stability

VALUES

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

STRATEGIC PILLARS

- Customer-centric Focus
- Cost Leadership
- Supply Chain Agility & Integrity
- Building Long-lasting Relationships

With the establishment of its Brand Licensing Division in 2024, Hela is now strategically positioned to leverage the synergies between its manufacturing and licensing divisions to offer more versatile and comprehensive end-to-end solutions encompassing sourcing, design, manufacturing, marketing, brand management and distribution, elevating the Group's position within the global fashion industry.

Hela Apparel Holdings PLC, headquartered in Sri Lanka, is a socially responsible fashion conglomerate founded on the pillars of inclusivity, equity, and climate stability. The organisation operates a Private Label Manufacturing Division based in Sri Lanka and a successful Brand Licensing Division based in the UK. Drawing upon over thirty years of expertise, Hela leads the fashion industry in sustainable and ethical working environments. With the establishment of its Brand Licensing Division in 2024, Hela is now strategically positioned to leverage the synergies between its manufacturing and licensing divisions to offer more versatile and comprehensive end-to-end solutions encompassing sourcing, design, manufacturing, marketing, brand management and distribution, elevating the Group's position within the global fashion industry.

Hela is also a pioneer in the development of the apparel manufacturing sector in Africa. The Company operates 10 manufacturing facilities globally, located in Sri Lanka, Kenya, Ethiopia, and Egypt, in addition to its network of design centres, product showrooms and warehouses, across the UK, Europe and the US. The Company boasts a multitalented and diverse workforce of over 14,000 across its global footprint.

Customer-centric, sustainable, ethical and innovative apparel solutions for the global fashion industry are at the core of Hela's vision. Over the years the organisation has invested in multiple environmental and social sustainability-driven initiatives, creating opportunities and building communities across Sri Lanka and Africa. As a result of its commitment toward responsible manufacturing, the organisation was endorsed as a signatory to the UN Global Compact in 2021.

KEY PRINCIPLES ALIGNED WITH HELA'S FOCUS ON SOCIAL CAPITAL

ABOUT US

HISTORY

2015

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

2016

Establishment of Hela's first international manufacturing facility in Kenya with 250 team members

2017

First manufacturing facility in Ethiopia commences operations with 150 members

2018

New shareholders enter, providing additional investment and strategic guidance

2021

Implementation of SAP S/4HANA Fashion ERP System commences

2022

Successful completion of public listing on the Colombo Stock Exchange

2022

Establishment of Hela's manufacturing facility in Egypt

2024

Brand Licensing Division established through the acquisition of Focus Brands Limited

THE HELA GROUP AT A GLANCE

Following the acquisition of Focus Brands in January 2024, the Hela Group is now structured as two distinct business divisions: the Private Label Manufacturing Division and Brand Licensing Division. While the two divisions will operate independently, the Group intends to leverage the synergies between them to deliver innovative and comprehensive solutions to its global customers.

hela

PRIVATE LABEL MANUFACTURING DIVISION

BRAND LICENSING DIVISON

11
Licensed and Owned Brands

25+
Private Label Brand Partners

10
Directly-Operated Manufacturing Facilities

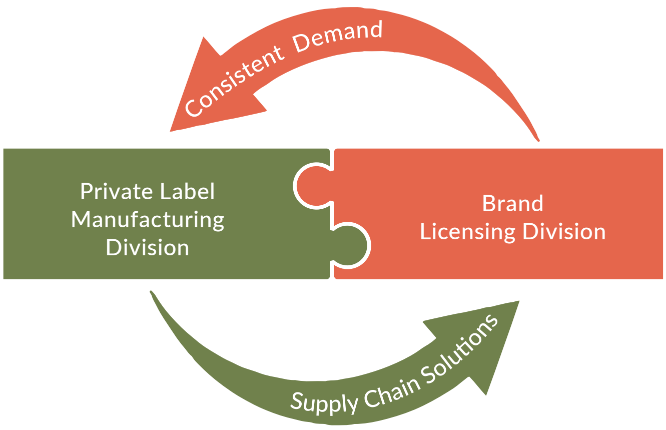
9
Design Centres & Showrooms in Key Markets

14,000+
Employees across 9 Countries of Operation

ABOUT US

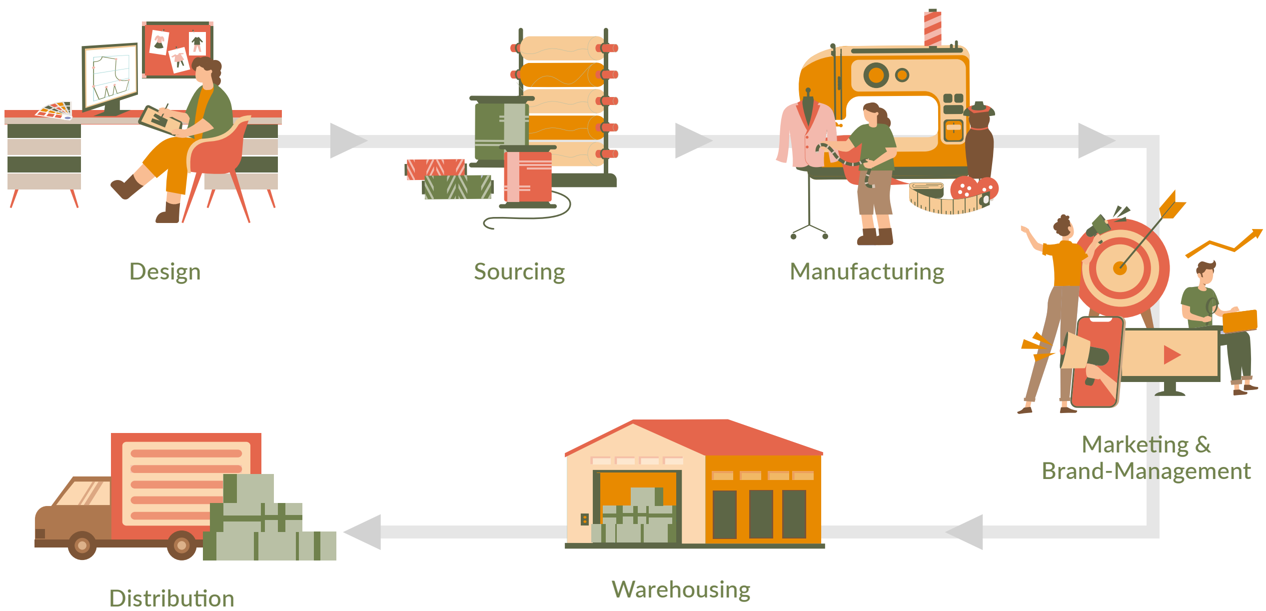
LEVERAGING SYNERGIES FOR HIGHER RETURNS

The complementary strengths of the Private Label Manufacturing and Brand Licensing Divisions will enable the Hela Group to build synergies across the global fashion value chain.



HELA GROUP CAPABILITIES

Based on the strengths of its two business divisions, the Hela Group is uniquely placed to offer comprehensive solutions to the fashion industry. It's dynamic workforce of over 14,000 talented professionals, provide expertise in design, sourcing, manufacturing, marketing and distribution. We proudly partner with some of the world's most renowned fashion brands and retailers, to offer innovative supply chain and brand management solutions.



GLOBAL PRESENCE

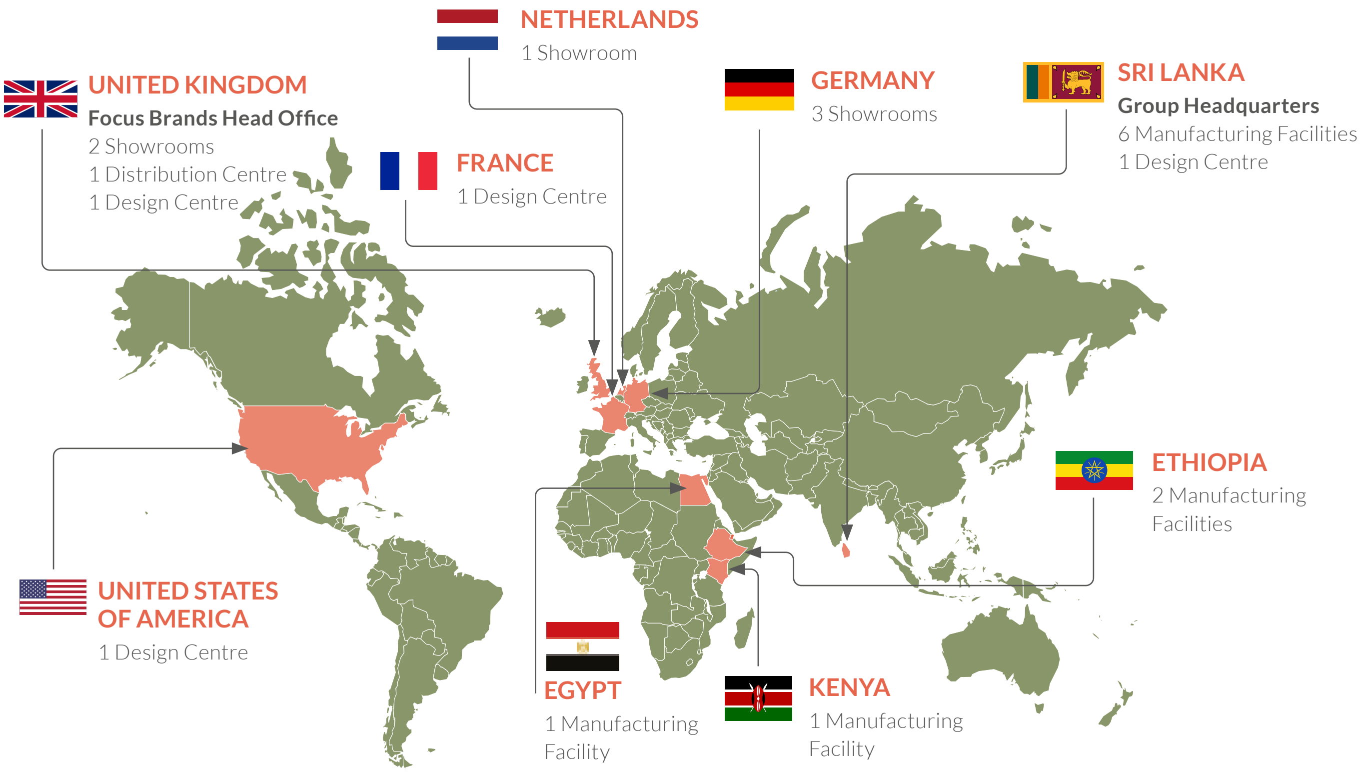
Hela's global presence spans 09 countries across Asia, Africa, Europe and North America. The Company operates 10 manufacturing facilities, 04 design centres, and 06 product showrooms. Supported by a diverse workforce of over 14,000 employees, Hela is truly a global organisation.

10 Manufacturing Facilities

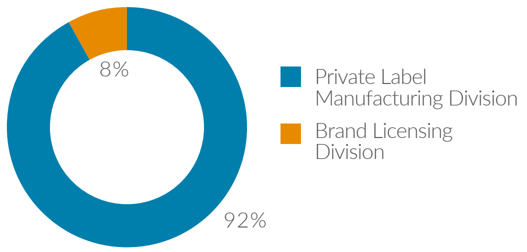
04 Design Centres

06 Showrooms

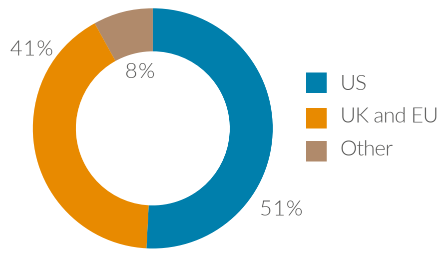
01 Distribution Centre



Revenue by Division FY 2023/24



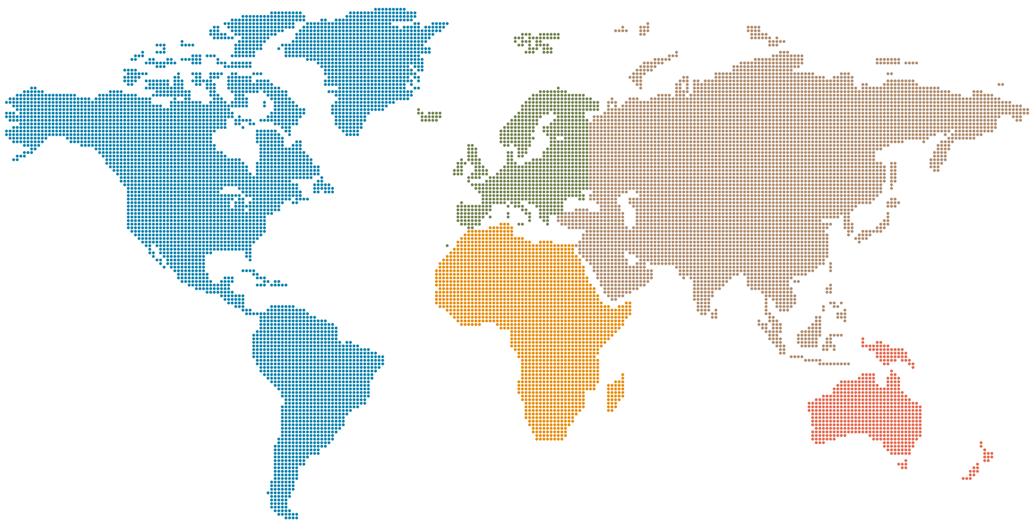
Revenue by Shipping Destination FY 2023/24



ABOUT US

PRIVATE LABEL MANUFACTURING DIVISION (PLMD)

The Hela Group's Private Label Manufacturing Division provides comprehensive apparel supply chain solutions across various business models and product categories. We are committed to being a vital partner for our private label brands, offering end-to-end services. Throughout our journey, we've been privileged to collaborate with some of the world's most esteemed brands.



PRIVATE LABEL BRAND PARTNERS

Calvin Klein · TOMMY HILFIGER · warner's · TORRID SIZES 10 TO 30

NIKE · CASTORE · PAIR OF THIEVES · DUNNES STORES · DIM DIM BRANDS INTERNATIONAL · JOCKEY

ellesse · ASDA · TESCO · VICTORIA'S SECRET · Dickies · NAUTICA

HUGO BOSS · Sainsbury's · Tommy John

PRODUCT CATEGORIES

Intimate Wear

Kids Wear

Active Wear

GLOBAL MANUFACTURING STRENGTH

SRI LANKA
4.3 MN STANDARD HOURS PER YEAR
7,500 EMPLOYEES

KENYA
1.9 MN STANDARD HOURS PER YEAR
2,500 EMPLOYEES

ETHIOPIA
1.0 MN STANDARD HOURS PER YEAR
2,400 EMPLOYEES

EGYPT
1 .0 MN STANDARD HOURS PER YEAR
2,000 EMPLOYEES

ATTRACTIVE DUTY CONCESSIONS AND LEAD TIMES

	Sri Lanka	Kenya	Ethiopia	Egypt
Duty	EU | UK - 0% US - 8% - 32%	EU | UK - 0% US - 0%	EU | UK - 0% US - 8% - 32%	EU | UK - 0% US - 0%
Lead Time	EU - 17 days US - 20 - 21 days	EU - 26-28 days US - 25 days	EU - 21 days US - 25 days	EU - 7-8 days US - 15 days
Competitive Advantage	Agility & technical expertise	Skilled workforce	Cost advantages to target niche markets	Close to key markets

ABOUT US

BRAND LICENSING DIVISION (BLD)

The Hela Group's Brand Licensing Division, established in January 2024 through the acquisition of Focus Brands Limited in the UK, boasts expertise spanning design, sourcing, brand management, marketing and distribution. Managing some of Europe's and the UK's premier brands, it stands poised to unlock significant growth opportunities for the Group.

LICENSED BRANDS

ellesse

Founded in 1959 by Italian tailor Leonardo Servadio, ellesse stands as one of Europe's most coveted heritage sportswear brands, endorsed by renowned global tennis stars such as Alfie Hewett OBE, UK's current No.1 professional in both singles and doubles in wheelchair tennis and renowned artists Jade Thirlwall and Anne-Marie.

NAUTICA

Inspired by a sailor's life on deck, Nautica is an iconic American lifestyle brand with over 70 product categories, which includes clothing and accessories for both men and women made available in 65 countries around the world.

NAUTICA COMPETITION

Launched in 1983, Nautica Competition embodies a fusion of heritage and innovation, seamlessly blending timeless designs with contemporary streetwear. Characterised by bold colours and strong lines, the brand aims to introduce the enduring spirit of Nautica to a new generation.

REEBOK

Reebok is a globally renowned brand in fitness, sports, and performance wear, celebrated for its extensive heritage across a diverse spectrum of active pursuits. As part of the Authentic Brands Group, the world's largest sports and entertainment licensing company, Reebok continues to lead with innovation and excellence.

FARAH

With a rich history spanning over 100 years since its inception in 1920 as a workwear brand, Farah is celebrated for its well-crafted, durable footwear. A trendsetter in the 1990s indie music scene, Farah continues to innovate, crafting shoes that celebrate the unique individuality of every man.

PATRICK

Founded in 1892, Patrick stands as a heritage brand renowned for its premium footwear and apparel. With a storied legacy of football endorsements featuring icons like Kevin Keegan and Michel Platini, Patrick is proudly inspired by the passion of football terraces.

OWNED BRANDS

London
PETER WERTH
N.1

PETER WERTH

Established in Islington, North London in 1975, Peter Werth draws inspiration from the crisp, formal style movements of the 1970s to fashion contemporary clothing, footwear, and accessories for the modern gentleman of today.

FENCHURCH

Founded in 1999 by a collective of skating enthusiasts, Fenchurch specialises in designing contemporary everyday wear infused with an urban flair, maintaining its distinctive character and personality. The brand has garnered acclaim among professional skaters and BMXers.

fenchurch

HENLEYS PROJECT DLX

HENLEYS

Established in 1996 in Manchester's Northern Quarter, Henleys brings together a collection of distinctive streetwear designs that reflect the dynamic urban lifestyle of today's youth. This ready-to-wear brand effortlessly blends comfort with contemporary fashion, remaining a beloved choice for over two decades.

YOGI

Established in the 1990s, Yogi products blend ergonomic design with sustainable construction methods, embodying a clean and minimal aesthetic. The brand is known for its recessed negative heel design. Reintroduced in 2017 through its Heritage collection, Yogi is famously worn by celebrities Liam & Noel Gallagher, Johnny Marr, and Paul Weller.

CERTIFIED

CERTIFIED

Founded in London's east end in 2016, Certified specialises in authentic streetwear with rugged character through meticulous detailing, crafted design, body fit, trend silhouettes, and quality fabrication. Inspired by Japanese streetwear and the 90's grunge scene, Certified offers relaxed urban apparel that reflects individuality.

ABOUT US

MILESTONES

July 2023

GEAR (Gender Equality And Returns) program's graduation ceremony celebrated and honoured all Hela trainees who completed their training program in partnership with Better Work (a collaboration between IFC and ILO)

TESCO

August 2023

Hela was awarded the TESCO Empowerment Award for providing the customer with a complete speed solution from concept to delivery with a competitive cost advantage in just 07 weeks

October 2023

Launch of Interlock Africa, Hela's landmark regionalisation initiative to create a comprehensive apparel supply chain from fibre to finished garment in Africa

INTERLOCK AFRICA
Fostering Regional Growth

November 2023

Hela was awarded Best Exporter - Apparel (Medium Category) and Best Exporter in Product Diversification at the 25th Presidential Export Awards 2022/23

January 2024

Completed the landmark acquisition of UK-based apparel brand licensing house Focus Brands

hela | FOCUS BRANDS

May 2024

Announcement of strategic partnership with Tesco to introduce Peter Werth and Fenchurch fashion brands to the retailer's stores across the UK

AWARDS AND RECOGNITIONS

MERIT AWARD FOR CONNECTED PARTNER ECOSYSTEMS
FITIS Awards 2023

SILVER AWARD FOR CONNECTED PRODUCT/ SERVICE
FITIS Awards 2023

BRONZE AWARD FOR DIGITAL WORKSPACE INITIATIVES
FITIS Awards 2023

DARE TO DREAM AWARDS 2023 INDUSTRY 4.0 AWARD
SAP and John Keells IT

AWARD FOR IMPACT STORIES AND ROI
South Asian PVH P.A.C.E. Workshop 2023

EMPOWERMENT AWARD
Tesco Supplier Conference 2023

PRESIDENTIAL EXPORT AWARDS 2022/23
Best Exporter in Product Diversification

PRESIDENTIAL EXPORT AWARDS 2022/23
Best Exporter - Apparel (Medium Category)

TESCO AWARD FOR COMMUNITIES
Tesco Indian Sub-Content Supplier Conference 2024

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

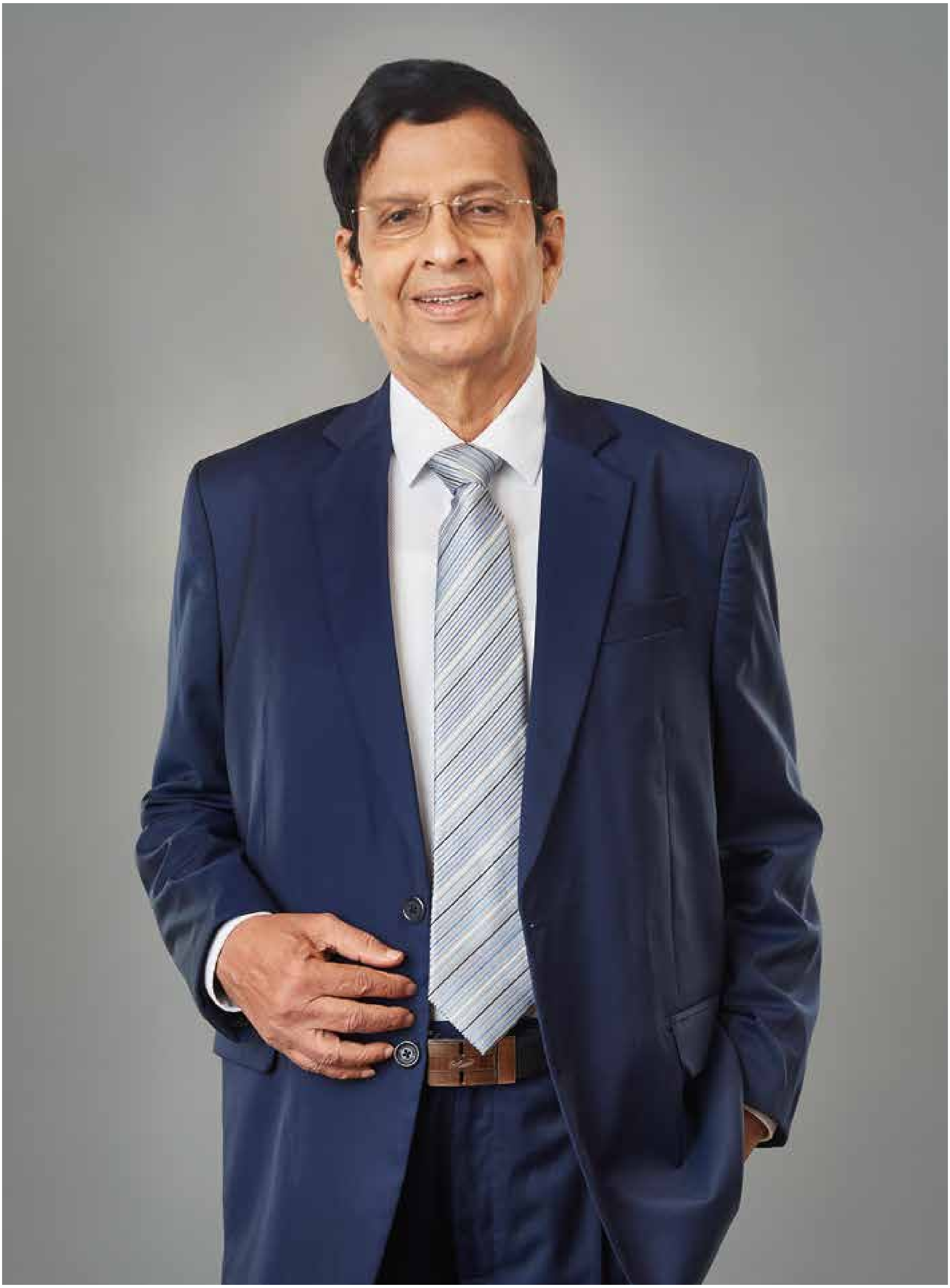
For the year ended 31st March	Unit	2023/24	2022/23
Financial Performance for the year ended 31st March			
Revenue	Rs. Mn	70,289	95,303
Gross Profit	Rs. Mn	6,170	11,586
Gross Profit Margin	%	8.8	12.2
Earnings Before Interest Tax and Depreciation	Rs. Mn	3,667	2,509
Operating Profit	Rs. Mn	1,718	630
Profit / (Loss) Before Taxation	Rs. Mn	(2,332)	(3,425)
Profit / Loss) After Taxation	Rs. Mn	(349)	(3,332)
Financial Position and Stability as at 31st March			
Total Assets	Rs. Mn	64,745	55,698
Total Liabilities	Rs. Mn	54,470	44,240
Total Equity	Rs. Mn	10,274	11,458
Net Working Capital	Rs. Mn	7,732	9,646
Net Debt	Rs. Mn	23,576	23,270
Net Debt to EBITDA	Times	6.4	9.3
Gearing Ratio	Times	3.1	2.4
Current Ratio	Times	0.8	0.8
Investor Information as at 31st March			
Market price per share	Rs.	6.1	8.0
Market capitalisation	Rs. Mn	8,036	10,480
No. of shares in issue	Number	1,317,381,560	1,309,955,933

SOCIAL HIGHLIGHTS

For the year ended 31st March	2023/24	2022/23
Number of employees	14,349	17,759
Investment in training	Rs. 7.8 Mn	Rs 12.2 Mn
Employees trained (Number)	1,805	7,946
Revenue per employee	Rs. 4.9 Mn	Rs 5.4 Mn
Salaries and wages	Rs. 13,041 Mn	Rs. 8,534 Mn
Incidents of child labour	Nil	Nil
Incidents of forced labour	Nil	Nil
No. of persons impacted by social development initiatives	Over 6,290	Over 11,000
Significant fines for violation of laws/regulations	Nil	Nil

ENVIRONMENTAL HIGHLIGHTS

For the year ended 31st March	2023/24	2022/23
Average Higg FEM score	80%	90%
Energy consumption (GJ)	73,377	86,880
Renewable energy (%)	39%	39%
Water withdrawal (Mega litres)	195,203	190,926
Water quality – incidents of non-compliance with standards	Nil	Nil
Water recycled through effluent treatment plant (m^3)	8,262	9,655
Waste generated	2,596	2,880
Direct GHG emissions (CO_2e)- Scope 1	925	1,119
Indirect GHG emissions (CO_2e)- Scope 2	4,759	5,630
Other indirect GHG emissions (CO_2e)- Scope 3	20,831	22,945



CHAIRMAN'S MESSAGE

Dear Shareholders,

It is my pleasure to present the Annual Report of Hela Apparel Holdings PLC (hereafter referred to as the Hela Group) for the financial year ended 31 March 2024.

This report reflects a year of significant evolution for the organisation guided by our vision to build a resilient, vertically integrated and sustainable solution provider for the global fashion industry. I'm confident that the significant steps taken during the year to transform the Hela Group into a global fashion conglomerate will position us to thrive in the increasingly volatile global environment.

EVER EVOLVING

Constant evolution is a hallmark of the global fashion industry and one that the Hela Group seeks to embody. From rapidly changing consumer tastes and increasing demands for sustainable products, to ensuring resilient and cost-effective supply chains amid geopolitical volatilities, standing still is not an option. The extremely challenging operating environment during the year demonstrated the need for continued evolution once again as reduced demand impacted apparel industry stakeholders globally.

In response, the Hela Group launched a comprehensive transformation strategy under the theme Project 180°, to realign the business to the uncertain demand environment whilst continuing to explore new opportunities for value creation. The initiative focused on four major pillars: (i) Cost & Capacity Rationalisation; (ii) Operational Excellence; (iii) Incomparable Product & Services; and (iv) Strategic Investments.

> The most significant aspect of the Hela Group's evolution during the year was the establishment of the Brand Licensing Division (BLD) through the landmark acquisition of Focus Brands in January 2024.

Realigning the Group's cost and capacity base necessitated difficult decisions, but it has ultimately placed the business on a more sustainable and agile footing. 99% of the identified cost savings under Project 180° were achieved by 31 March 2024, and the organisation is now well aligned with the improving demand outlook. Our operations also now stand on the solid foundation of a world-class Digital Core based on the SAP S/4HANA ERP system, which became fully operational across the Group during the year.

In addition, we have made significant progress in diversifying our customer and product base. A number of high-value customers were onboarded during the year, including major global brands such as Nike and Hugo Boss. The Group also continued to expand into new product areas, particularly teamwear across a range of sports. In recognition of our progress in these areas, we were honoured to receive the Presidential Export Award for Best Exporter in Product Diversification during the year, as well as Best Exporter in the Apparel Medium Category.

LANDMARK ACQUISITION

The most significant aspect of the Hela Group's evolution during the year was the establishment of the Brand Licensing Division (BLD) through the landmark acquisition of Focus Brands in January 2024. This UK-based brand licensing and management company has a well-established track record of building a world-class portfolio of sports and lifestyle fashion brands through its design, marketing, sourcing and distribution services. We warmly welcome its talented employee base of over 180 located across the UK and Europe to the Hela Group, significantly enriching us an organisation.

This acquisition also marks a significant milestone for the industry, representing the first time a Sri Lankan apparel manufacturer has acquired a brand management company in one of its key markets. What's more, it propels us further towards our vision of becoming a fully vertically integrated service provider for the global fashion industry and allows us to secure a greater portion of the value chain by moving closer to the end-consumer.

While Focus Brands will operate as a separate division within the Group, with the existing manufacturing business now referred to as the Private Label Manufacturing Division (PLMD), leveraging the synergies between the two divisions will be a key focus. The PLMD, with its strong manufacturing capabilities, extensive knowledge of the textile supply chain, and strategic brand relationships, offers agile and sustainable supply chain solutions. BLD, on the other hand, excels in design and product development, earning respect from global brand owners. Its established relationships with major European retailers, supported by in-region warehousing, further enhances its strengths. This complementary combination positions the Hela Group for significant additional value creation by ensuring it is a central player within the global fashion industry.

CHAIRMAN'S MESSAGE

As the only listed apparel company on the Colombo Stock Exchange (CSE), Hela Apparel Holdings PLC remain a standardbearer in the industry for corporate governance, transparency, accountability and responsible business practices.

NAVIGATING VOLATILITY

Nonetheless, as the repositioning of the business was completed toward the end of the financial year, it had a limited impact on the Hela Group's financial performance. As such, this was heavily impacted by the challenging operating environment.

Revenue declined by 26.2%, compared to the previous year, to Rs. 70.3 Bn, reflecting the weakness in consumer conditions in the Group's key markets. This created significant capacity underutilisation during the early part of the year, which weighed heavily on profit margins. The appreciation of the Sri Lankan Rupee against the US Dollar, increases in global freight prices, and elevated interest rates were further headwinds to profit margins.

As a result, the Group recorded a post-tax loss of Rs. 349 Mn, and both the Board and management are focused on ensuring a near-term return to profitability. That said, this result represented a significant improvement compared to the loss recorded in the previous year, demonstrating the positive impact of the strategic actions taken to realign the business. The Group's balance sheet also remained robust and closed the year with a reasonable Net-Debt-to-Equity ratio of 2.3, as well as a cash balance of Rs. 8.3 Bn.

PRIORITISING OUR PURPOSE

Amidst the challenging operating environment, I'm heartened by Hela's continued prioritisation of its social capital purpose, focusing on inclusivity, equity and climate stability. In particular, we continue to play our part in the fashion industry's transition to Net Zero. Accordingly, we have set the ambitious target of reducing our greenhouse gas emissions by 42% by 2030, from our baseline emissions quantification in the 2021/22 financial year. This will guide the development of our sustainability strategy in the coming years.

We also continued to expand our innovative employee empowerment initiatives, focusing on career development and economic resilience. I'm particularly proud of the impressive progress of Hela's home-grown Diriliya and Diridaruwo initiatives, which continued to grow during the 2023/24 financial year, benefiting thousands of our employees and their families. The organisation has received support and commendations from numerous global stakeholders for these efforts, and received Tesco's Award for Communities during the year in recognition of our trailblazing impact.

STRENGTHENING GOVERNANCE AND RISK MANAGEMENT

As the only listed apparel company on the Colombo Stock Exchange (CSE), Hela Apparel Holdings PLC remain a standard-bearer in the industry for corporate governance, transparency, accountability and responsible business practices. We have ensured compliance with the relevant provisions of the revised corporate governance standards under Section 9 of the CSE Listing Rules as of 31 March 2024. In addition, we are pleased to report that we adhere to most provisions of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, as detailed on pages 139 to 141.

We have also significantly strengthened our risk management framework, by further enhancing our commitment to responsible and ethical business practices. This remains a key focus in the context of the ever-volatile global environment.

LOOKING TO THE FUTURE

Looking towards the 2024/25 financial year, we anticipate a significant improvement in our financial performance that will deliver increased value to our stakeholders. The significant efforts undertaken over the past year to reposition the Group and bolster its resilience are set to drive an improvement in profitability. This will be further supported by the improving demand environment, building on the PLMD's newly diversified customer base.

The consolidation of Focus Brands into the Hela Group's accounts for a full reporting period, is also expected to add significantly to both the top and bottom line. What's more, this is only the beginning of the value that we expect to realise from this strategic acquisition. Recent milestones, such as the signing of a new licensing agreement for Reebok outerwear in the UK and Europe are set to deliver additional upside.

ACKNOWLEDGMENTS

In closing, I wish to express my gratitude to the entire Hela team, ably led by our Group Chief Executive Officer Dilanka Jinadasa, for their unwavering commitment and dedication during this challenging year. Their hard work and resilience have been instrumental in navigating these challenging times and positioning us for future success.

I also extend my sincere thanks to our valued customers, suppliers, financiers, bankers, and all other stakeholders for their continued support and partnership. Their trust and collaboration are essential to our ongoing success. I am particularly appreciative of the efforts of my colleagues on the Board of Directors, who have contributed their invaluable expertise and guidance, ensuring that we faithfully discharge our collective duties.

Finally, I thank our shareholders for their continued confidence in the Hela Group. We are committed to creating long-term value for all our stakeholders, and we look forward to a bright future as we evolve to become a leading global fashion conglomerate.

A. R. Rasiah
Chairman

29 August 2024

GROUP CEO'S REVIEW

Moments of great challenge often foster the boldest decisions that define our futures, and this is what I believe FY 2023/24 represents for Hela. While our financial performance was far from our desired result, we successfully realigned our business, diversified our customer base, and took our first bold step towards forward integration. This sets the foundation for a significantly improved financial performance in the coming year, and, I believe, will redefine Hela's position as a global fashion conglomerate of the future.

A YEAR OF CHALLENGE

FY 2023/24 was among the toughest operating environments we've experienced as an industry. Following the pandemic-era boom in consumer demand that saw our top line grow by almost 60% in US Dollar terms during FY 2021/22, a correction was always likely. But few expected the depth and duration of the drop in demand that began in the second half of FY 2022/23.

The fashion sector experienced a particularly severe downturn as consumers shifted their spending towards services, reflecting a realignment of wallet share from the pandemic-era boom in goods purchases. The pressure on household incomes from elevated inflation and interest rates also drove consumers to become more discerning in their fashion purchases, leading to

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a significant variation in the performance of major brands. A number of established global brands stumbled as they struggled to evolve with the changing environment, while some emerging brands continued to grow strongly. This contributed to heightened volatility within the industry, with an increase in management changes and M&A activity.

As a result of this complex operating environment, we saw a significant drop in our order book, with the US Dollar revenue of our manufacturing division declining by 24.8% compared to FY 2022/23. This was further accentuated by the appreciation of the Sri Lankan rupee during the year and, as a result, revenue of this division in our reporting currency recorded a 32.2% decrease.

REALIGNING OUR BUSINESS

The volatility in demand conditions required a bold response, which we delivered in the form of our Project 180° transformation strategy to transition the organisation to a more agile and resilient footing. The first and most immediate aspect of this strategy was to realign our cost and capacity base to the reduced levels of global demand. This required difficult decisions that saw our employee base reduce in size by approximately 20% during the year, most notably through the transition of our Kenyan manufacturing facility from a double shift to a single shift operation. We also made significant asks of all functions to reevaluate every expenditure and strive for a leaner organisation. This is never an easy process and I'm grateful for the support from my colleagues across the Group that ensured we delivered 99% of the committed cost reductions by 31 March 2024.

The second pillar of Project 180° focused on operational excellence to ensure we maintained the highest levels of productivity and efficiency. The full implementation of the SAP S/4HANA ERP system across the Group early in the year was a crucial foundation for this, providing a solid basis for data-driven and agile decision making. Our focus on operational performance also supported a significant reduction in distribution costs during the year as a result of a 72% decline in unplanned air freight expenses compared to the previous year.

Complementing these efforts to realign our operations, we also renewed our focus on providing incomparable products and services to our customers as the third pillar of Project 180°. This has long been a core strength of the Hela Group, and we continued to push the industry's boundaries to offer new and innovative supply chain solutions. Most notably, we received Tesco's Empowerment Award for our efforts in providing a complete solution from design to delivery in just seven weeks (compared to the industry-standard lead time of 14 weeks or more), which enabled Tesco to take advantage of an in-season trend that it otherwise would have missed.

The strength of our customer engagement approach and value proposition was further demonstrated by the numerous new customers we onboarded during the year. This included major global brands, such as Nike and Hugo Boss, that present a huge opportunity for further growth as we build strategic partnerships

GROUP CEO'S REVIEW

The most important step we took during the year was to redefine our future as a global fashion conglomerate focused on forward integration.

with these organisations. Having such renowned brands in our customer portfolio also reconfirms the world-class nature of our manufacturing facilities and is the culmination of years of work by teams across the Group.

In addition, we have added a number of fast-growing emerging brands, such as Pair of Thieves and Tommy John that have further diversified our customer base. This is supported by the continued development of strategic relationships with existing customers such as Victoria's Secret and Castore. In particular, we now produce teamwear for over 30 major sports teams with Castore, covering everything from football to Formula 1. This represents a significant success in our efforts to diversify our product base by growing our sportswear business.

REDEFINING OUR FUTURE

The most important step we took during the year was to redefine our future as a global fashion conglomerate focused on forward integration. This was motivated by the understanding that the only way to build a truly resilient organisation that is less susceptible to future shifts in the demand environment is to move closer to the end consumer, by extending our service offering to brand licensing and management. This offers the opportunity to build both greater demand security and higher blended profit margins.

Understanding that brand management requires a different set of expertise than our existing manufacturing-focused business, we sought to achieve this evolution through the acquisition of an existing company operating in the space. A comprehensive search and evaluation process culminated in the successful acquisition of Focus Brands, which had already been a customer of the Group, from the major global retailer JD Sports in January 2024.

This is a truly transformative milestone for Hela that opens the door to numerous new opportunities for value creation. Focus Brands has a strong heritage of building successful sportswear brands, with exclusive license agreements for major brands such as ellesse and Nautica. It also holds the intellectual property for a number of emerging lifestyle fashion brands that have huge potential to resonate with consumers. What's more, the acquisition adds Focus Brands' extensive infrastructure to the Hela Group, encompassing a network of offices and showrooms across the UK and Europe, as well as a state-of-the-art distribution centre in the UK. Most importantly, the Focus Brands' team of over 180 brings a wealth of expertise in design, sourcing, marketing, and distribution.

Following the acquisition, Focus Brands forms the foundation of Hela's new Brand Licensing Division, which will operate largely independently of our existing business (now referred to as the Private Label Manufacturing Division). Nonetheless, leveraging the synergies between the two divisions will be key to realising the full potential of this investment and is something we've already begun to proactively pursue. Most notably, just a few months after the acquisition we struck a strategic partnership with Tesco to sell two labels whose intellectual property is owned by Focus Brands – Peter Werth and Fenchurch – in the retailer's network of stores in the UK. This is another landmark first for a Sri Lankan apparel company and enables the Hela Group to offer a comprehensive solution from manufacturing through to distribution, as well as the opportunity for Tesco to generate additional customer engagement by introducing two new brands to its clothing range.

POISED FOR RECOVERY

The benefits of this realignment and transformation of the Group will only be fully felt in the coming financial year. As such, our financial performance during FY 2023/24 was heavily impacted by the exceptionally challenging operating environment.

The decline in revenue led to significant capacity underutilisation during the early months of the years, which weighed heavily on gross profit margins. Margin pressure was intensified by the appreciation of the rupee, which increased local currency operating costs vis-à-vis our dollar-denominated export earnings. The rise in global freight prices in the final months of the year as a result of the disruption to maritime shipping in the Red Sea was a further headwind. As a result, gross margins contracted by 340 basis points to 8.8% during the year.

The proactive steps taken under Project 180° and a one-off valuation gain arising from the acquisition of Focus Brands provided support to operating profits, which increased to Rs. 1.7 Bn. Nonetheless, in the context of globally high interest rates, the Group's finance costs remained elevated and contributed to a post-tax loss of Rs. 349 Mn. We remain focused on driving a sustainable return to profitability and are confident that the significant steps taken during FY 2023/24 will support us in achieving this.

SOCIAL CAPITAL PURPOSE

Despite the challenging global environment, we continued to play a proactive role in the fashion industry's transition to a more sustainable and impactful future. This stands as a testament to our commitment to our social capital purpose focused on equity, inclusivity and climate stability. I also take this opportunity to reaffirm our commitment to the UN Global Compact, and its guiding principles as we continuously strive to be a sustainable and inclusive organisation.

In addition to setting ambitious reduction targets for our greenhouse gas emissions, we continued our journey to develop regionalised and sustainable textile supply chains. We formally launched our flagship supply chain regionalisation initiative, Interlock Africa, during the year. This seeks to develop a comprehensive apparel supply chain in Africa, from fibre to finished garments through hands-on technical and financial support. I'm particularly grateful to Norfund who have helped us to deploy significant financial support to key strategic suppliers in the region through their long-term financing agreement with Hela. As a result of these efforts, 31% of the raw material requirement of our African manufacturing facilities were sourced from within the region in FY 2023/24 and we look forward to this increasing further.

EMPOWERING PEOPLE AND COMMUNITIES

Adding to this, we further expanded the reach of our employee and community empowerment initiatives across our global footprint. Our homegrown Diriliya initiative, which seeks to build an entrepreneurial culture and support economic resilience among our employees, now has almost 1,000 participants and was successfully launched in Ethiopia during the year. What's more, the Diridaruwo scholarship scheme has provided financial support for the education of over 800 students, with the generous financial support of Tesco, as well as administrative coordination by Beredina. In addition, we maintained our leadership role in the implementation of the P.A.C.E. (Personal Advancement Career Enhancement) initiative, the industry-leading life skills training program through which we have produced more than 4,000 graduates since its introduction to Hela in 2020.

This is only a snapshot of the numerous initiatives we undertook, which are highlighted in the Human and Social Capital section of this report, and we look forward to continuing to enhance these efforts in the coming year.

OUTLOOK

Looking ahead to FY 2024/25, we anticipate a significant improvement in the Group's financial performance. This will first and foremost be driven by the recovery in the Private Label Manufacturing Division as a result the significant steps taken through Project 180° to realign our core business to the prevailing global environment. It is also expected to be supported by improving demand conditions in our key markets, which are showing clear signs of recovery. The consolidation of Focus Brands for a full reporting period is expected to provide a further boost to both revenue and profitability.

Nonetheless, the evolution of the Hela Group is far from complete, and we are continuing to explore additional measures to ensure a resilient positioning in an ever more volatile global environment. This includes the Brand Licensing Division where we are implementing a comprehensive restructuring strategy to reinvigorate the brand portfolio, including through high-profile additions such as the recently announced Reebok outerwear license for the UK and Europe. This will be complemented by an optimised cost base, with further upside potential arising from the synergies between the divisions.

ACKNOWLEDGEMENTS

On behalf of Hela's management team, I extend my sincere gratitude to our Board of Directors for their invaluable guidance and support during a challenging year. Their expertise and insights have been instrumental in navigating these turbulent times. I am also deeply appreciative of the unwavering commitment and resilience demonstrated by the entire Hela team. Their dedication and hard work are truly commendable.

Finally, I express my heartfelt thanks to our valued community of stakeholders, including our customers, suppliers, and financiers, for their continued partnership and support. Your unwavering confidence in Hela, especially in a challenging year, is deeply appreciated. We look forward to strengthening these partnerships and achieving even greater collaboration in the year ahead. I close by thanking our shareholders for their continued trust and confidence in Hela during this year of transformation. We remain committed to delivering greater value to our stakeholders as we work towards creating a sustainable future for our company.

Dilanka Jinadasa
Group CEO

29 August 2024

BOARD OF DIRECTORS

Mr. A.R. Rasiah
Chairman & Independent Non-Executive Director

Mr. A. R. Rasiah possesses over 40 years of experience in finance and commerce. He was a former Chairman of the Sri Lanka Institute of Directors as well as Atlas Axillia (Pvt) Ltd. Beginning his career at Ernst & Young, Mr. Rasiah held directorial positions at Nestle Lanka and acted as Managing Director on numerous occasions until his retirement from the Group. He has also held senior director roles at Nations Trust Bank PLC and Ceylon Cold Stores PLC. His previous roles include Finance Controller at Almulla Group of Companies in Kuwait and Group Accountant at Mercantile Group of Companies. Mr. Rasiah is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a finalist of the Chartered Institute of Management Accountants (UK). He holds a Bachelor of Science Degree from the University of Ceylon.

Currently, Mr. Rasiah serves as Chairman of several subsidiaries of Hela Apparel Holdings PLC and acts as an Alternate Director to the Chairman of Gestetner of Ceylon PLC. He also serves on the Boards of Fintek Managed Solutions (Pvt) Ltd, Clindata Lanka (Pvt) Ltd and EB Creasy & Company PLC. A dedicated sportsman, Mr. Rasiah represented Sri Lanka in Table Tennis. Since assuming leadership at Hela Apparel Holdings PLC in 2018, Mr. Rasiah's extensive executive experience across various companies and sectors enriches Board decisions. His expertise is highly valued by the Board for promoting robust standards of corporate governance.

Dr. Alastair Alderton
Co-Chairman & Non-Executive Director

Alastair has two decades of experience as a transactional lawyer, investment advisor and manager. He currently serves as the Chief Executive Officer of Rianta Capital Limited, an investment advisory firm and fund manager operating out of London and Zurich. In this role, Alastair oversees a global, diverse, and dynamic investment portfolio in private equity, with a significant presence in leading consumer-facing businesses. He provides strategic insights on various board mandates, including prominent companies such as the Australian-based international fashion retail company Forever New and the luxury knitwear brand Chinti & Parker.

In addition to his role as a Non-Executive Director on multiple boards, Alastair participates on advisory boards and investor committees of various private equity funds. He 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. Appointed to the Board of Hela in 2021 and serving as Co-Chairman, Alastair's extensive executive experience across a range of companies and sectors brings a broad perspective to Board discussions. Alastair was appointed as Chairman of Focus Brands Limited this year.

Mr. Dilanka Jinadasa
Group CEO & Executive Director

Dilanka was appointed as the Group Chief Executive Officer and Executive Director of Hela Apparel Holdings PLC in 2018, having previously served as the Managing Director of Foundation Garments (Pvt) Ltd. He also served as a Non-Executive Director of Pan Asia Power PLC between 2017 and 2021, where he played a pivotal role in expanding its renewable energy portfolio. Dilanka earned his Bachelor's degree in Industrial Economics from the University of Nottingham (UK).

Dilanka was part of the leadership team at Hela that transformed the business into one of the most progressive apparel manufacturers in Sri Lanka. During his executive leadership, Hela has also expanded its service offering to brand management and licensing through the acquisition of Focus Brands Limited in 2024, a market leader in design, sourcing, distribution and promotion for sports fashion and lifestyle brands, based in the United Kingdom.

Mr. Shlomo Doron
Non-Executive Director

Shlomo is a distinguished figure in the international apparel industry, possessing extensive experience in leadership roles across various facets of the business, including supply chain management, purchasing, marketing, customer relationship management, product development, and sustainability. He has successfully driven significant improvements in operational efficiencies and profitability in multiple companies. Previously, he served as Chief Operating Officer and Deputy Chief Executive Officer of Delta Galil Industries, Chief Operating Officer of DIM/DB Apparel, and Chief Executive Officer of Intimate Apparel at Courtauld Textiles. Additionally, he provided consultancy services to Brandix Apparel until 2019. He has been a consultant to the Hela Group since 2020 and was appointed to the Board in the year 2022. His vast experience and expertise in the industry bring substantial strength to Board discussions in formulating business strategies at Hela.

Mr. Gayan Gunawardana
Independent
Non-Executive Director

As an Independent Non-Executive Director appointed to the Board of Hela in 2019, Gayan plays a crucial role in overseeing the company's financial strategies. He currently serves as the Chair of the Audit & Risk Committee and the Related Party Transactions Review Committee. Gayan initially joined Hela in 2016 as the Manager of Strategic Planning and Corporate Finance and subsequently served as the Chief Financial Officer of Panasian Power PLC from 2019 to 2022. With over a decade of audit and financial experience, Gayan brings significant expertise to Board discussions on financial planning and risk management. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a Bachelor's degree in Engineering and Business Studies from the University of Warwick. Currently, Gayan is involved in green technology initiatives in the United Kingdom.

Mr. Shesan Khan
Non-Executive Director

Shesan possesses an extensive background in finance and banking, complemented by a proven record in deal execution and value creation, along with Board and committee-level experience at both public and private institutions. He is presently affiliated with Rianta Capital Limited as a Senior Investment Manager, where he co-manages the Private Equity portfolio with a significant focus on consumer-facing businesses across diverse geographies. During his tenure at Rianta, Shesan has successfully concluded cross-border transactions in Australia, Germany, India, Spain, Sri Lanka and the United States. Additionally, he serves on the Supervisory Board of Silk Road Bank AD Skopje.

Prior to his engagement with Rianta, Shesan was employed by Deloitte Switzerland, a renowned international consulting and accounting firm, where he specialised in financial due diligence services for industry conglomerates and financial institutions. He holds a Bachelor's degree in Banking and Finance from the University of Applied Sciences and Arts Northwestern Switzerland, as well as a Master's degree in Management from the University of Fribourg. In 2021, Shesan was appointed to the Board of Hela, where his financial acumen contributes significantly to Board discussions.

BOARD OF DIRECTORS

Ms. Trisha Peries
Independent Non-Executive Director

Trisha serves as the Head of Research at CAL, a leading investment bank in Sri Lanka that provides integrated investment and capital market solutions to a diverse clientele. Prior to her tenure at CAL, Trisha held the position of Head of Economic Research at Frontier Research (Pvt) Ltd. With a decade of industry experience, she significantly contributes to offering macroeconomic perspectives and advising on portfolio decisions for some of Sri Lanka's largest corporations and investment funds. A CFA charter holder and an Associate member of the Chartered Institute of Management Accountants (UK), Trisha brings valuable strategic insights to Board discussions. She is also a member of the Board of Trustees of the CEPA Development Fund. Appointed to the Board of Hela in 2020, Trisha chairs the Remuneration Committee.

Mr. Patrick Schleiffer
Non-Executive Director

Patrick Schleiffer joined the Board of Hela in 2021 as a Non-Executive Director. He currently works at Rianta Capital Limited, where he oversees an international portfolio of private equity investments, mostly in the FMCG sector. With his entrepreneurial mindset, he actively promotes successful and sustainable businesses. Patrick brings over a decade of experience in consulting, IT project management, and private equity, having managed cross-border transactions across diverse geographies, including Asia, Europe, and North America.

Before joining Rianta Capital, Patrick worked for the Swiss Investment Fund for Emerging Markets (SIFEM), where he focused on education, healthcare, and renewable energy investments in India and Sub-Saharan Africa. He is widely recognised for his pragmatic and hands-on approach, adding significant international experience and perspective to the Board, complemented by his expertise in private equity and corporate strategy. Patrick also serves as a Non-Executive Director on the Board of Focus Brands Limited, a subsidiary of Hela.

DIVISIONAL LEADERSHIP

Viraj Fernando
Chief Executive Officer – Private Label Manufacturing Division

Viraj is a seasoned professional with nearly 25 years of experience in the apparel industry. An alumnus of the University of Colombo, he holds a Bachelor's degree in Commerce & Finance and an MBA in Marketing.

Beginning his career in the apparel sector in 2000 with MAS Holdings, Viraj played a crucial role in the introduction of Dim Branded Apparel (DIMB) to the Sri Lankan market. His journey continued at Brandix, where he was instrumental in establishing the PVH business in Sri Lanka and significantly contributed to the development of the G4/ISM model for PVH.

Since joining Hela in 2017, Viraj has been pivotal in launching the company's activewear division, KinetiX. Under his leadership, Hela KinetiX has carved out a niche in team wear for some of the world's leading sports teams. In 2024, Viraj assumed the role of CEO for Hela's Private Label Manufacturing Division, where he now oversees the Group's intimate wear, activewear, and kids wear clusters.

Ray Evans
Chief Executive Officer – Brand Licensing Division

Ray is an award-winning industry professional renowned for his expertise in driving sustainable and profitable growth within the UK and European sports industry. With a strong focus on brand building and licensing, Ray has a distinguished track record of collaborating with the Boards of venture capital and private equity-backed start-ups and scale-ups in the sports apparel sector.

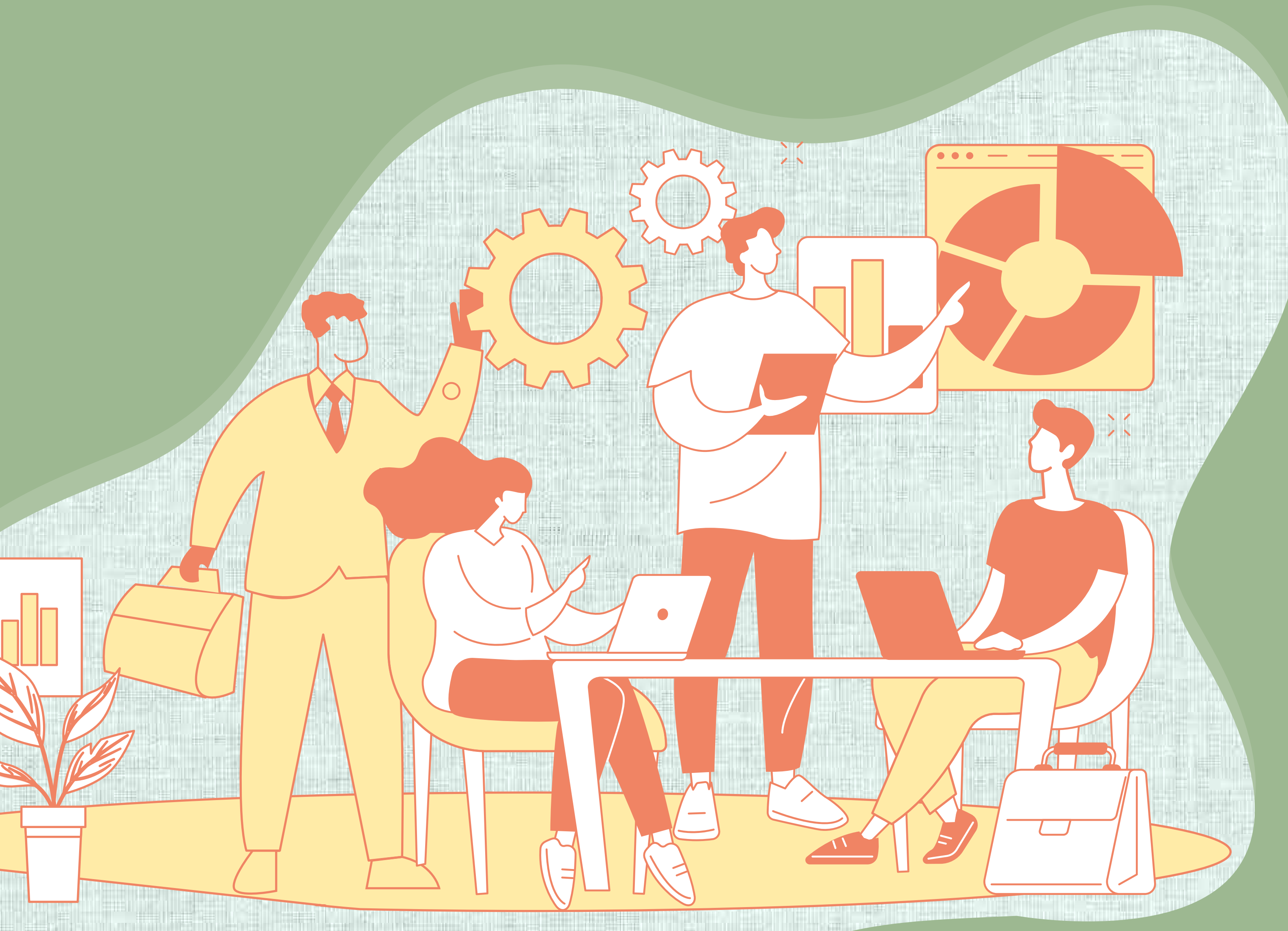
He excels in developing and executing innovative growth strategies, securing high-profile licensing agreements, and acquiring prominent sports organisations across the EU and UK. His unique blend of creative vision and analytical acumen enables him to build and enhance influential brands, ensuring they thrive in a competitive marketplace. His leadership is characterised by a commitment to innovation, growth, and long-term success.

One of the key highlights in Ray's extensive career was the establishment of the first Sports E-Commerce business Kitbag.com in late 1999. Under his leadership, Kitbag evolved from a start-up to generating £65 million in annual revenues by 2012. During this period, the company secured long-term licensing agreements with prominent entities such as Manchester United, Barcelona, Chelsea, Real Madrid, F1, Wimbledon, UEFA, RFU, Open Golf, and the Ryder Cup Golf. Kitbag earned several industry awards between 2005 and 2010 and is now operated under the ownership of Fanatics USA.


JUKI

EVER ADVANCING

GROUP STRATEGY



OUR BUSINESS MODEL

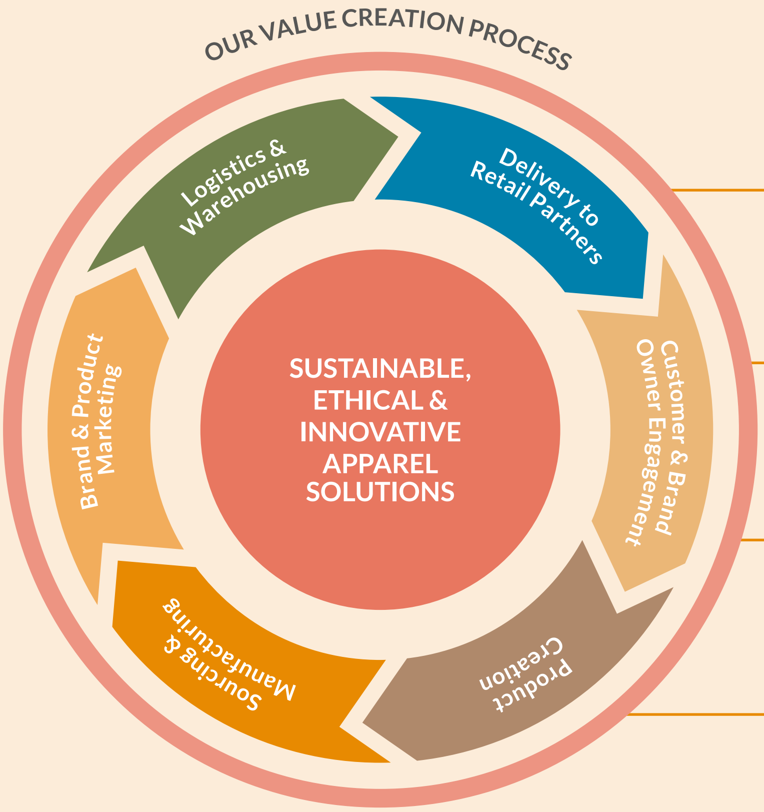
OUR INPUTS

Financial Capital (Refer to pages 58 to 65)	• Shareholders Funds: Rs. 10 Bn • Net Debt: Rs. 24 Bn
Human and Social Capital (Refer to pages 78 to 95)	• Empowered team of 14,349 employees • USD 60,000 investment in training and development • Employee benefits • Competitive remuneration • Employee skills and competencies
Manufactured Capital (Refer to pages 96 to 101)	• Property, plant and equipment • State-of-the-art manufacturing facilities • Digital infrastructure • Capex: Rs. 901 Mn
Intellectual Capital (Refer to pages 112 to 120)	• Systems and processes • Brand value • Awards and accolades • Best practices • Robust systems • Innovative design capabilities • Tacit knowledge
Relationship Capital (Refer to pages 102 to 111)	• Diverse portfolio of customers across a range of distribution channels, market segments and geographies • Strategic partnerships with world class suppliers
Natural Capital (Refer to pages 66 to 77)	• Capex: Rs. 596 Mn • Water consumption 195,203 M^3 • Responsible sourcing of natural resources

VALUE CREATION

SOCIAL SUSTAINABILITY

Inclusivity | Equity



OUR STRATEGIC PRIORITIES

- Shareholder Value Creation
- Execution Excellence
- Build a compelling & competitive position
- Build agility and flexibility in a VUCA world

CORPORATE GOVERNANCE
(PAGES 122 TO 141)

IMPACTS FROM THE OPERATING ENVIRONMENT
(PAGES 53 TO 56)

OUR OUTPUTS	OUR STAKEHOLDERS
• Rs. 70 Bn Revenue • Rs. 349 Mn Loss After Tax • Rs. 65 Bn Total assets	**Shareholders, Joint Venture Partners and Providers of Capital** • Improved financial outlook
• 161,000 total training hours • Rs. 14 Bn salaries and benefits • 69% female employees • Rs. 4.9 Mn revenue per employee	**Employees** • 25% increase in training hours per employee, YoY
• Rs. 6.8 Bn PPE • + 65Mn garments produced	**Suppliers** • Sustainability-centric raw material innovations
• New certifications • Rs. 8 Bn Market Capitalisation	**Government / Regulators** • Ethics and transparency • Compliances
• Customer awards • Supply chain regionalisation	**Customers** • Speedy solutions to customers • Cost advantages
• Zero landfill • Average HIGG FEM score of 80% across all facilities	**Community** • Reduced Environmental Impact

ENVIRONMENTAL SUSTAINABILITY

Climate Stability

OUR VALUE DRIVERS

- Social and Environmental Compliance
- Strategic Relationships with clients
- World-Class Innovation and Design
- Culture of Speed and Agility

A Purpose-driven; social capital-focused organisation

Unmatched value to customers

RISK MANAGEMENT
(PAGES 142 TO 154)

DETERMINING MATERIAL ISSUES

DEFINING MATERIAL ISSUES

Material issues are critical to the Hela Group in shaping business strategy and creating value over the short, medium, and long term. These issues are identified through a rigorous annual assessment process.

OUR MATERIALITY DETERMINING PROCESS

Identify

- Both current and potential environmental, social, governance, and economic impacts relevant to our Group's business are identified.

Prioritise

- Each issue is scored based on its impact and significance to the Group and our stakeholders, resulting in a consolidated score establishing its relative importance.
- These issues are then plotted on a materiality matrix.

Integration

- Material topics are subsequently integrated into the business strategy by aligning them with the Group's strategic priorities.

Continuous Assessment

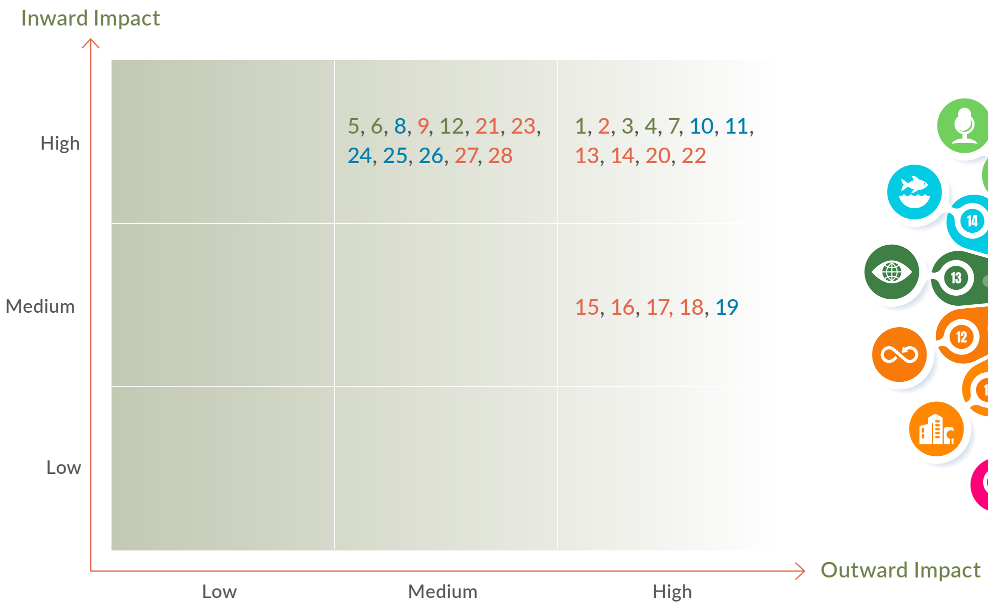
- The identified material topics are continuously assessed throughout the year to ensure the business strategy remains relevant.

OUR MATERIAL TOPICS

Segment		Material Topic	Relevant GRI	Category	Relevant SDGs
Compliance	1	Environmental compliance	307	Environmental	SDG 12 - Responsible Consumption & Production SDG 16 - Peace, Justice & Strong Institutions
	2	Social compliance	Non-GRI	Social	
Energy & GHG Emissions	3	Energy	302	Environmental	SDG 7 - Affordable and Clean Energy
	4	Emissions	305	Environmental	SDG 13 - Climate Action
Materials and Waste	5	Waste	306	Environmental	SDG 12 – Responsible Consumption & Production
	6	Materials	301	Environmental	
Sustainable Supply Chains	7	Supplier environmental assessment	308	Environmental	SDG 12 - Responsible Consumption & Production
	8	Supplier social assessment	414	Social	
	9	Procurement practices	204	Economic	
Economic Performance	10	Taxation	207	Economic	SDG 9 - Industry, Innovation & Infrastructure
	11	Economic performance	201	Economic	
Water Stewardship	12	Water & effluents	303	Environmental	SDG 6 - Clean Water & Sanitation SDG 12 - Responsible Consumption & Production

Segment	Material Topic	Relevant GRI	Category	Relevant SDGs
Fair & Ethical Labour Practices	13 Child labour	408	Social	SDG 5 - Gender Equality
	14 Forced or compulsory labour	409	Social	SDG 8 - Decent Work & Economic Growth
	15 Non-discrimination	406	Social	SDG 16 - Peace, Justice & Strong Institutions
	16 Freedom of association and collective bargaining	407	Social	
	17 Human rights assessment	412	Social	
	18 Diversity and equal opportunity	405	Social	
	19 Anti-corruption	205	Economic	
Customer Satisfaction	20 Customer health and safety	416	Social	SDG 3 - Good Health & Well-being
	21 Marketing and labelling	417	Social	SDG 9 - Industry, Innovation & Infrastructure
Employee Engagement & Development	22 Labour/management relations	402	Social	SDG 1 - No Poverty SDG 8 - Decent Work and Economic Growth
	23 Training and education	404	Social	
Competitiveness	24 Manufacturing capabilities	Non-GRI		SDG 8 - Decent Work & Economic Growth
	25 Operational efficiency	Non-GRI		SDG 9 - Industry, Innovation & Infrastructure
	26 Product quality	Non-GRI		SDG 12 - Responsible Consumption & Production
Sustainable Community Development	27 Local communities	413	Social	SDG 4 - Quality Education SDG 5 - Gender Equality SDG 6 - Clean Water & Sanitation SDG 10 - Reduced Inequalities
Occupational Health & Safety	28 Occupational health and safety	403	Social	SDG 3 - Good Health & Well-being

MATERIALITY MATRIX



Blue = Economic Green = Environmental Red = Social

UN SUSTAINABLE DEVELOPMENT GOALS

STRATEGY AND RESOURCE ALLOCATION

WE ARE EVER EVOLVING

Our vision is to become a fully vertically integrated and sustainable solution provider for the fashion industry. We have transformed from a pure-play manufacturer to a global supply chain and brand management solution provider. The acquisition of Focus Brands Limited in January 2024 as the foundation of our new Brand Licensing Division represents a major strategic investment to ensure our long-term competitive position in a rapidly evolving global fashion industry.

This investment also enables us to extend our position in the value chain to brand licensing and ownership, expanding our services beyond apparel manufacturing to include brand management, marketing and distribution, thereby bringing us closer to our end customers and capturing greater value for our stakeholders.

Moreover, the acquisition creates significant synergies with our existing manufacturing business, supported by Focus Brands' experienced team of over 200 professionals with a proven track record of successfully growing major fashion brands. We will leverage Focus Brands' renowned design, product development, marketing, and distribution capabilities to further elevate our offerings to our existing customers across the industry. Additionally, we now have access to Focus Brands' six product showrooms located in London, Manchester, Berlin, Munich, Düsseldorf, and Amsterdam, as well as a network of warehousing facilities in the UK and Europe. This enhanced physical infrastructure will also support Hela to provide a range of services to its existing customers.

STRATEGIC BENEFITS OF FOCUS BRANDS ACQUISITION

Forward Integration	Movement closer to the end consumer, providing higher blended profit margins
World-Class Capabilities	Access to Focus Brands' market-leading design, product development and promotion skills
Improved Demand Security	Source of demand for our existing manufacturing business (for suitable product categories)

This strategic evolution has been guided by the Hela Group's six strategic priorities, which ensure a focus on our long-term strategic vision and the interests of a broad range of stakeholders. While the outlook for the current financial year suggests an improving external environment, we will continue to be led by these strategic priorities to ensure a resilient position in an increasingly volatile global environment.

Strategic Priorities	Strategic Actions	Resource Allocation	Highlights Of 2023/24
SHAREHOLDER VALUE CREATION	• Establish the Brand Licensing Division (BLD), post-acquisition of Focus Brands, UK • Develop and grow new product categories, and explore new markets • Improve margins by optimising operational efficiency, capacity utilisation, and effective working capital management • Diversify funding sources to support and achieve strategic objectives • Cost optimisation, to ensure the Group's breakeven rate is aligned with the current level of demand	• **Relationship Capital** Leveraging Focus Brands to create synergies and expand our services beyond apparel manufacturing • **Human & Social Capital** Workforce of approximately 14,350 including marketing, design and technical employees • **Manufactured Capital** + 65 Mn garments produced • **Financial Capital** Implementation of Project 180 ° to realign cost and capacity base with reduced demand levels	• USD 8.2 Mn in cost savings for Private Label Manufacturing Division (PLMD) achieved by Project 180° • Significant customer diversification for PLMD • Successful acquisition of Focus Brands Limited **Major new customers onboarded during FY 2023/24** PAIR OF THIEVES NIKE Tommy John HUGO BOSS Refer to Relationship Capital on pages 102 to 111

RELATED MATERIAL THEMES

- Economic performance
- Manufacturing capabilities
- Operational efficiency

FUTURE FOCUS

The addition of Focus Brands is expected to provide a significant positive contribution to the financial performance of the Hela Group from the current financial year. This will be supported by a recovery in the performance of the PLMD, as a result of improved demand and a restructured cost base.

Short Term	• Maximising positive financial contribution from Focus Brands • Capitalising on the improving demand environment for PLMD • Assess cost base of both PLMD and BLD to ensure improved profitability and resilience
Medium & Long Term	• Driving profitable growth for both PLMD and BLD • Pursuing further customer, brand, market, and product diversification • Maximising the synergies between the PLMD and BLD

STRATEGY AND RESOURCE ALLOCATION

Strategic Priorities	Strategic Actions	Resource Allocation	Highlights Of 2023/24
EXECUTION EXCELLENCE	• Implementation of Digital Core Project underpinned by SAP S/4HANA has enabled: ◦ Standardisation and centralisation across the Group ◦ Rapid and data-driven decision making ◦ Realisation of cost efficiencies • Focus on operational and cost efficiencies through process automation, re-engineering, and digitisation • Investments in production capabilities • Investments in employee training and development, and upskilling.	• **Manufactured Capital** Optimised manufacturing capacity • **Human & Social Capital** Training provided on SAP S/4HANA • **Intellectual Capital** Systems, standards and processes	• Provided rapid solutions to customers, ensuring that the right products are available at the right time. • Provided solutions and value-driven products at unmatched prices by optimising the value stream

RELATED MATERIAL THEMES

- Training and education
- Operational efficiency
- Manufacturing capabilities

FUTURE FOCUS

The Hela Group will remain focused on driving improved operational efficiency and agile supply chain solutions for both the PLMD and BLD.

Short Term	• Improving efficiency across the Group's manufacturing facilities • Ensuring unplanned operational costs are minimised • Increasing collaboration between PLMD and BLD to offer more agile and innovative supply chain solutions
Medium & Long Term	• Exploring further integration between PLMD and BLD to maximise efficiencies across the value chain • Pursing integration of Hela digital systems with strategic customers and suppliers to maximise speed to market • Considering additional automation initiatives, leveraging the power of Artificial Intelligence

Strategic Priorities	Strategic Actions	Resource Allocation	Highlights Of 2023/24

BUILD A COMPELLING & COMPETITIVE POSITION.	• Enhance and streamline manufacturing operations across multiple countries to provide customers with reduced lead times and cost advantages.
	• Build a strategically robust supply chain:
	  • Nurture strong and strategic supplier relationships
	  • Enhance supply chain regionalisation by building partnerships with key suppliers within African and South Asian regions
	  • Collaborate with suppliers for innovative, sustainable fabrics
	  • Promote sustainability-centric raw material innovations
	  • Optimise inventory management through SAP S/4HANA
	• Leverage respective capabilities of PLMD and BLD to provide new solutions to each division's customers
		• **Relationship Capital**
		A strong and competitive value proposition for customers
		• **Financial Capital**
		Investments in supply chain development and BLD
		• **Human & Social Capital**
		161,000 hours of training in design and technical engineering
		• **Manufactured Capital**
		Created hubs that governs and controls raw material quality while assisting with the development process
			• Achieved 31% supply chain regionalisation within Africa and 24% year-on-year growth.
			• Collaboration with Norfund to support supplier development in East Africa
			• Partnership with Tesco to distribute Peter Werth and Fenchurch brands

RELATED MATERIAL THEMES

- Supplier environmental assessment
- Supplier social assessment
- Training and education
- Manufacturing capabilities

FUTURE FOCUS

The Hela Group's will continue to evolve its strategic value proposition, while also leveraging the combined synergies of the PLMD and BLD.

Short Term	• Further investments in existing manufacturing facilities to strengthen value offering • Continue to pursue regionalisation strategy by partnering with strategic suppliers • Explore immediate collaboration between PLMD and BLD to offer new solution to their respective customers
Medium & Long Term	• Consider strategic expansion of manufacturing footprint • Explore investments in the new production capabilities • Develop collaboration models between PLMD and BLD to offer to the Group's customers

STRATEGY AND RESOURCE ALLOCATION

Strategic Priorities	Strategic Actions	Resource Allocation	Highlights Of 2023/24
UNMATCHED VALUE TO CUSTOMERS	• Achieve preferred vendor status with key customers, by focusing on the following areas: ◦ Lead time and supply chain agility ◦ Design and skill capability ◦ Cost efficiency ◦ Partnerships and solutions • Deepen strategic partnerships with customers. ◦ Diversify customer base and expand product categories into new areas ◦ Deliver innovative and sustainable product solutions ◦ Offer fashion-forward, bespoke design services ◦ Capitalise on cross-selling opportunities between BLD and PLMD customers	• **Intellectual Capital** Dedicated design and technical teams • **Human Capital** A team of approx. 14,350 employees	• Garnered multiple customer awards • 10 + New customers • Provide customers with speed models from Africa and South Asia • Supported two fabric mills in achieving accreditation to supply top brands in the apparel industry

RELATED MATERIAL THEMES

- Manufacturing capabilities
- Product quality
- Marketing and labelling

FUTURE FOCUS

The Hela Group's immediate focus will be to deepen the new customer relationships that have been established over the past year, while seeking new avenues to provide improved value to its customers.

Short Term	• Grow new customers relationship to increase their contribution to revenue • Work closely with supply chain partners to offer more agile and cost-effective product solutions • Introduce BLD to PLMD customers seeking additional penetration into the European market
Medium & Long Term	• Explore collaborations between PLMD and BLD design team to provide additional design capabilities to their customers • Seek long-term partnerships with strategic customers • Consider deeper partnerships with key suppliers

Strategic Priorities	Strategic Actions	Resource Allocation	Highlights Of 2023/24

A PURPOSE DRIVEN; SOCIAL CAPITAL FOCUSED ORGANISATION	• Establish a performance driven culture:
	  ◦ Continuous investment in skills enhancement, training, and development
	  ◦ Safeguard human rights
	• Empower and uplift the livelihoods of employees through extensive benefits and upskilling opportunities
	• Environment sustainability
	  ◦ Develop a Group sustainability strategy
	  ◦ Implement governance structure and roll out framework
	  ◦ Reduce carbon footprint and align with Science-Based Targets initiative
	• Ensure social and environmental compliance
		• **Finance Capital**
		Rs 14.5 Bn staff costs
		• **Human Capital**
		161,000 hours of training for employees
		• **Intellectual Capital**
		Enhanced brand value due to social capital projects
		• **Natural Capital**
		Reduce, reuse, and recycle initiatives to drive internal sustainability targets
			• 39% renewable energy mix
			• 10% of fabric used was based on recycled materials
			• ISO 14064-1:2018 certification for GHG emissions management and reporting for third consecutive year

RELATED MATERIAL THEMES

- Energy
- Emissions
- Water and effluents
- Child labour
- Fair & ethical labour practices
- Social compliance
- Environmental compliance
- Local communities

FUTURE FOCUS

The Hela Group's Social Capital focus will continue to guide its strategic objectives, with further development of its employee empowerment and sustainability strategies.

Short Term	• Finalise Group sustainability strategy • Continue to expand employee upskilling initiatives • Strengthen employee performance management system
Medium & Long Term	• Achieve a 42% reduction in emissions by 2030 and become net zero by 2050 • Increase number of entry-level factory employees moving into executive and above roles • Net zero product solutions

STRATEGY AND RESOURCE ALLOCATION

Strategic Priorities	Strategic Actions	Resource Allocation	Highlights Of 2023/24
BUILD AGILITY AND FLEXIBILITY IN A VUCA WORLD	• Strengthen risk and compliance function: ◦ Established a Risk and Compliance Committee (RCC) ◦ Revitalised our Enterprise Risk Management (ERM) policy ◦ Established a clearer scope, context, and criteria for risk assessment ◦ Leveraged advanced analytics and industry benchmarking for risk analysis ◦ Developed a comprehensive risk response toolkit and improved monitoring • Strengthen our digital footprint by implementing SAP S/4HANA across the Group ◦ Enhanced integrity and transparency ◦ Additional data analytics and business insights for informed decision-making ◦ Strengthened cybersecurity • Robust governance framework ◦ Active Board Subcommittees. ◦ Policy review and update. ◦ Reviewed SOPs and governance structure	• **Finance Capital** Additional investment in strengthening risk function. • **Manufactured Capital** Significant investment in implementing SAP S/4HANA. • **Intellectual Capital** Training provided on SAP S/4HANA.	• Introduced a dedicated Business Continuity Management (BCM) and Crisis Management (CM) secretariats within our Group Risk & Control function. • Implemented SAP S/4HANA across the Group. • Partnered with some of Sri Lanka's leading experts in Business Continuity Management and Crisis Management, bringing world-class expertise and best practices to our risk management efforts

RELATED MATERIAL THEMES

- Social compliance
- Environmental compliance
- Anti-corruption

FUTURE FOCUS

The Hela Group will continue to strengthen it risk and governance frameworks to ensure a resilient positioning in an increasingly volatile global environment.

Short Term	• Ensure compliance with revised corporate governance rules of the Colombo Stock Exchange • Further investment in digital infrastructure to ensure resilient systems • Strengthening of risk and compliance function
Medium & Long Term	• Build a strong risk monitoring and control culture • Collaborations with customers and suppliers on digital integration

OUR SOCIO-ECONOMIC IMPACT

Our extensive geographical footprint across multiple countries enables the Hela Group to make a significant positive impact on the communities that we operate in, through our contribution to export earnings, tax payments, employment generation, community upliftment, and environmental conservation.

SUPPORTING EMPLOYMENT & LIVELIHOODS

We provide inclusive employment opportunities to over 14,000+ people across our global operations, with a particular focus on young women. Over 69% of our workforce are female and the average employee age is 32. Preference is also given to recruiting employees from the surrounding communities where possible, thereby promoting community relationships.

14,349
Total number of employees

Rs. 14,437 Mn
Employee payments

161,000
Hours of Training

POSITIVE ECONOMIC CONTRIBUTIONS

Our global footprint and focus on international markets allow us to contribute to the export earnings and tax revenues of the countries that we operate in. This supports their fiscal policy and economic growth, ensuring we are making a positive contribution to the development of their wider national economies.

Rs. 212 Mn
Payments to Government

Rs. 68 Bn
Export earnings

Rs. 34 Mn
Social capital expenses

DRIVING SUPPLY CHAIN DEVELOPMENT

We have a strong focus on supporting the development of local supply chains in our operating regions of South Asia and Africa. By prioritising local procurement, we have successfully implemented a supply chain regionalisation strategy that has resulted in a significant increase in the share of our procurement from these regions. This ensures that a greater share of the economic benefits of our operations are felt locally and builds additional capacity for the future of the apparel industry in these regions.

31 %
Africa-for-Africa sourcing

90 %
Ethical Sourcing

76
New suppliers onboarded

PROMOTING ENVIRONMENTAL SUSTAINABILITY

Our 'Only One Earth' sustainability strategy guides our efforts to become a truly sustainable apparel company, encompassing environmental, social, and economic considerations. We source ethically, ensure fair working conditions for our employees and those of our suppliers, support local communities through skills development and job creation, and contribute to sustainable and equitable economic growth.

ISO 14064-1:2018
Certification for GHG emissions reporting

39 %
Renewable Energy Mix

13 %
Use of recycled raw materials in production

POSITIVE ECONOMIC CONTRIBUTIONS

Given the demographics of our workforce, we believe it is our responsibility to provide additional support and training opportunities to support their professional development and economic resilience. With the majority of our workforce being female, we are also well placed to have a significant impact on gender equality in the communities in which we operate.

+ 6,290
Beneficiaries of our empowerment programme

365
No. of new entrepreneurs developed in FY 2023/24

+ 45
No. of skill development programmes conducted

STAKEHOLDER ENGAGEMENT

We aim to create shared value by considering what is meaningful and valuable to our stakeholders. Engaging with stakeholders is a shared responsibility across the organisation, with both formal and informal feedback playing a key role in enhancing the value-creation process.

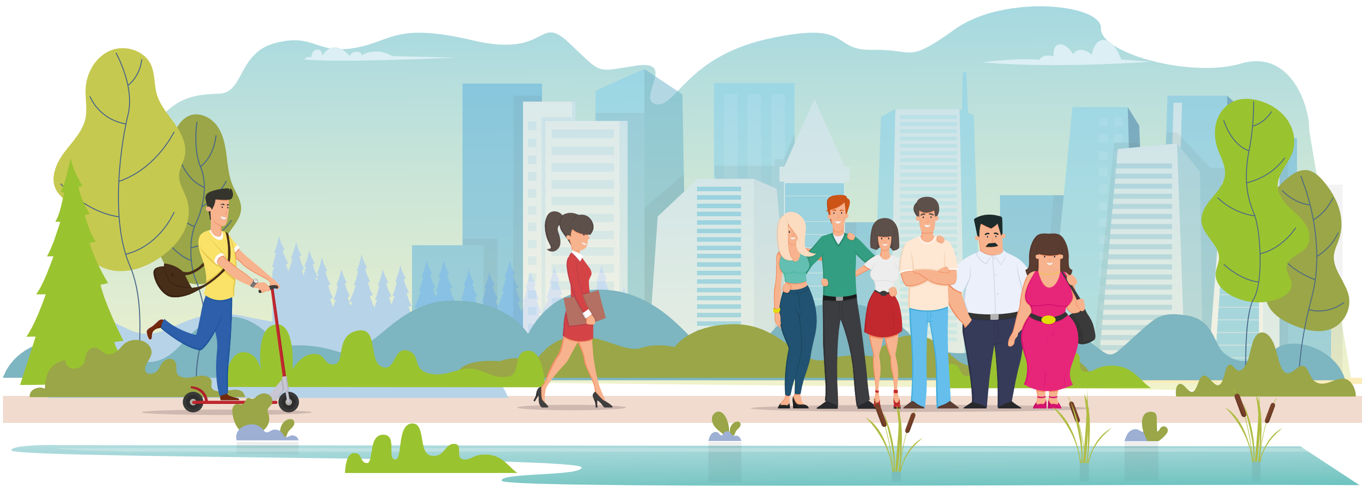
Stakeholder	Importance	Engagement channel
EMPLOYEES	Maintaining strong relationships with our employees is critical to our business's success. Therefore, we strive to continuously enhance the employee value proposition, strengthen engagement, and improve productivity	• Comprehensive internal communications using multiple platforms • Open door policy and established grievance mechanism • Rewards and recognition programme • Regular meetings with unions and employee councils
CUSTOMERS	Our customers are the foundation of our Group's success. We focus on building long-term relationships by consistently exceeding their expectations through exceptional service and continuous improvement of their experience	• Regular engagement by key account managers and Hela leadership • Visits to customer offices • Trade exhibitions & fairs • Periodic performance reviews
SHAREHOLDERS, JOINT VENTURE PARTNERS AND PROVIDERS OF CAPITAL	As key contributors to the resources supporting our strategic objectives, consistent and clear communication about the Group's outlook and strategy facilitates informed decision-making and manages expectations	• Quarterly online forum for shareholders and other stakeholders • Press releases • Annual Report and Quarterly Financial Statements • Annual General Meeting • CSE market announcements
SUPPLIERS	Our suppliers are vital partners and an extension of our business. Therefore, their conduct must align with our expectations and values	• Regular engagement with the Hela supply chain team and leadership • Supplier onboarding process • Strategic collaborations • Supplier code of conduct
COMMUNITY	Long-term business continuity depends on the relationships we build with the communities and societies in which we operate, as well as our contributions to their upliftment	• Social capital and community development initiatives • Grievance mechanisms
GOVERNMENT/ REGULATORS	Building and maintaining a relationship of transparency and trust with governments and regulators in all operating countries is crucial for business continuity. This ensures compliance with relevant regulations and our concerns are considered in the policy formulation process	• Engagement at industry forums and corporate engagement platforms • Written communications • Face-to-face interactions

Key concerns raised	Our response	Outcomes	Relevant report
• Physical and mental well-being • Attractive reward schemes • Opportunities for skill development and career progression • Safe and conducive work environment	• Strategic emphasis on health, safety and employee well-being • Social capital programmes, including P.A.C.E., Hela Diriliya, and GEAR • Ongoing engagement with trade unions and employee councils • Investments in training and development	• Improved understanding of Company policies, performance, and management decisions • Inclusivity in decision making • Employee retention and productivity improvements	HUMAN AND SOCIAL CAPITAL
• Product designs and developments • High service levels • Effective inventory management • Environmental and social standards • Sustainable and traceable supply chains • Price competitiveness	• Focus on product innovation and design • Development of innovative inventory models • Continuous compliance with quality, health and safety, social, and environmental standards	• Customers view Hela as a strategic and reliable partner • Increased awareness of the Group's commitment to Social Capital	RELATIONSHIP CAPITAL
• Implications of macroeconomic and industry trends • Financial performance • Future growth prospects • Environment & social impact • Governance • Share price and liquidity	• Customer engagement strategy • Focus on preserving balance sheet strength and liquidity • Proactive cost control measures • Effective strategy implementation • Proactive risk management practices	• Strengthened two-way dialogue between the Hela Group and investors, ensuring clear understanding of performance, outlook, and long-term strategy	FINANCIAL CAPITAL
• Competency development and capacity building • Fair pricing mechanisms • Ethical business conduct • Timely payments • Social and environment compliance	• Communication of expected social and environmental practices • Supplier development programmes • Increased visibility of future demand	• Social and environmental compliance throughout the supply chain • Strong relationships with suppliers	RELATIONSHIP CAPITAL
• Employment • Livelihoods • Empowering youth and women • Water conservation • Waste management • Sponsorships	• Community employment generation • Minimising adverse environmental impacts • Community empowerment • Corporate philanthropy	• Increased awareness of the Hela Group's sustainability commitments • Increased trust in the Hela Group	HUMAN AND SOCIAL CAPITAL NATURAL CAPITAL
• Generation of export income • Tax payments • Compliance with relevant regulations • Generation of socio-economic benefits	• Compliance with all government regulations and guidelines • Timely payment of taxes • Generation of export income • Responsiveness to enquiries	• Alignment of interests and understanding with policymakers in all operating countries • An opportunity to share the Hela Group's commitment, policies and procedures towards sustainable operations	FINANCIAL CAPITAL

INTEGRATING SUSTAINABILITY

Our Approach to Sustainability

We are committed to creating a positive socio-economic impact and addressing the pressing environmental and societal challenges within the communities we serve. By employing a holistic strategy towards ESG performance, our overarching goal is to uphold the highest standards of verified social and environmental integrity, ensuring public transparency and legal accountability at every level of our operations.



We are committed to being a responsible manufacturer by integrating Environmental, Social, and Governance (ESG) principles throughout our organisation. Sustainability is embedded in our purpose, and we are in the process of developing a comprehensive ESG strategy.

Our Board of Directors adopts a systematic approach to strategy formulation, focusing on identifying and managing the Group's ESG impacts and addressing the material interests of key stakeholders. Guided by our purpose, the Group's actions are driven by inclusivity, equity, and climate stability principles, as outlined in our social capital criteria.

UN GLOBAL COMPACT

Underscoring our commitment to ethical and responsible manufacturing, we became a signatory to the UN Global Compact in 2021. Highlights on pages 261 to 262 provide a summary of how we have met our fundamental responsibilities in the areas of human rights, labour, environmental protection, and anti-corruption.

Group-wide initiatives across our operating countries focus on community empowerment and environmental stewardship. These initiatives are highlighted on the following pages.

MANAGING OUR IMPACTS

We are in the process of formulating a comprehensive ESG strategy to manage our impacts and support the global transition to a low-carbon economy. The following diagram highlights the Group's strategic sustainability priorities, which will form the basis of this strategy and their connection to the UN Sustainable Development Goals.

HELA GROUP'S STRATEGIC SUSTAINABILITY PRIORITIES

Responsible Sourcing	Safety & Security	Justice, Diversity, Equity & Inclusion	Employee Relations & Development
Sustainable Community Development	Social Compliance	Stakeholder Influence	Technology & Innovation
Sustainable Culture	Biodiversity & Wildlife	Process Improvements	Circularity
Water	Zero Waste & Environmental Literacy	Sustainable Data Management	Net Zero

COMMUNITY EMPOWERMENT

Our Group employs over 14,000 people globally, focusing on the socioeconomic development of our workforce and the communities we serve, particularly underrepresented groups such as young women in Sri Lanka and Africa. As an inclusive employer, we are committed to empowering our employees through comprehensive benefits and extensive upskilling opportunities. We have been recognised by our customers and major international organisations for our impactful work with vulnerable communities. We embrace our significant responsibility and opportunity to create positive socioeconomic impacts that lead to meaningful change.

Regularly Recognised and Rewarded

Our successful implementation of a range of social and community programs has consistently earned Hela recognition and accolades from our stakeholders. We have been invited to participate in global panel discussions to share our knowledge and received the Tesco Award for Communities in June 2024.

INTEGRATING SUSTAINABILITY

We implement a range of employee empowerment initiatives to support career development and economic resilience, which are outlined below.

P.A.C.E. (Personal Advancement and Career Enhancement)	Hela Diriliya	HELA Diridaruwo	GEAR (Gender Equality And Returns)
Overview			
Provides foundational life skills training to team members, particularly females	A programme to build an entrepreneurial culture among our employees and strengthen their economic resilience	A scholarship scheme to support the educational ambitions of employees' children	A technical training programme aimed at increasing the numbers of females in management positions
Highlights			
• 100+ P.A.C.E. trainers across Hela's manufacturing facilities in Sri Lanka, Ethiopia, and Egypt • 4,179 employees have successfully completed the program • In 2024, the P.A.C.E. initiative was transitioned into RISE (Reimaging Industry to Support Equality). RISE seeks to support collaborative industry action across the apparel value chain to advance gender equality. Hela has certified two employees as training specialists for RISE.	• Over 15,000 training hours allocated for Diriliya entrepreneurs • Over 150 factory market days conducted • Nearly 1,000 entrepreneurs and potential entrepreneurs have benefited from the programme, with some achieving impressive results, including an annual income exceeding Rs.3 Mn per employee.	• 800+ beneficiaries of monthly scholarship payments in Sri Lanka • English & IT training for 350+ scholars • Further opportunities for skill and knowledge development for 200+ scholars • Career guidance sessions with Berendina • Employment opportunities offered to 30 scholars	• Program launched in Sri Lanka during 2023 • Offered technical and soft skills training opportunities • Over 50% of the first batch of 43 trainees from Hela's manufacturing facilities were subsequently promoted

STOP	BSR HER Finance	Gender and Entrepreneurship Together (GET Ahead)
Overview		
Prevention of Sexual Harassment in the Workplace in Ethiopia.	Expanding financial inclusion of low-income workers.	A tailored programme empowering women entrepreneurs to build and sustain their businesses.
Highlights		
• Program launched in August 2023 • Conducted prevention of sexual harassment training for 190+ participants • Appointed a prevention of sexual harassment committee in Ethiopia • Conducted middle manager training for 20+ participants	• Trainings held for 40 participants from Hela's manufacturing facility in Egypt • Conducted baseline and end-line assessments to confirm impact	• Developed by the International Labour Organisation (ILO), the program's curriculum goes beyond business strategy, providing women entrepreneurs with the tools and knowledge to structure their businesses and lives for greater success • Facilitated the delivery of ILO-certified Youth Entrepreneurship training for 20 Hela employees in Sri Lanka

Ethiopia	Egypt	Sri Lanka
P.A.C.E., Diriliya & STOP	P.A.C.E & BSR HER Finance	P.A.C.E, GEAR, Hela Diriliya, Hela Diridaruwo
1,400 +	**250+**	**4,500+**
Persons impacted since implementation of the programmes	Persons impacted since implementation of the programmes	Persons impacted since the commencement of the programmes

ENVIRONMENTAL STEWARDSHIP

Our commitment to a carbon-neutral future for the fashion industry is driven by our "Only One Earth" sustainability strategy. We have four major environmental sustainability focus areas:

Sustainable Manufacturing	Climate Action	Waste Management	Regenerative Nature
Installation of biomass boilers in two manufacturing facilities in FY 2023/24 enabled an annual reduction of **94 tons** of CO_2 eq GHG emissions	Group's energy consumption reduced by **15.5%** in FY 2023/24	Completed energy literacy programmes for **8,000+** employees	Water consumption in all manufacturing facilities is closely monitored using a common **'Eco Tracker'** system
Total waste generated reduced by **9.9%** in FY 2023/24	**39%** of the Group's energy requirements was generated through renewable sources in FY 2023/24	**13%** of raw materials purchased are from recycled and sustainable materials	Committed to Science-Based Targets Initiative (SBTi) to reduce GHG scope 1 & 2 emissions by **42%** by 2030

SUPPORTING THE DEVELOPMENT OF RECYCLED COTTON AND INNOVATIONS IN SUSTAINABLE TEXTILES

We are at the forefront of driving sustainable apparel manufacturing. We are committed to being a catalyst for positive change and aligning our efforts to deliver relevant and impactful solutions. Our key initiatives include:

Circular Solutions: We support the development of recycled cotton yarns made from fabric waste and used clothing, promoting a circular economy in the textile industry.

Reclaimed Polyester: We contribute to the development of polyester fabric made from recycled PET bottles, reducing plastic waste and promoting resource efficiency.

Plant-based Fibres: We develop biodegradable fabrics from plant-based fibres such as wood and seaweed, adopting methods that save both energy and resources.

Tea Dye Colours: We explore natural tea and mineral based pigments as an alternative to chemical dyes, addressing significant water pollution issues caused by conventional dyeing processes.

Reclaimed Textile Dye: We support the development of blended dyes using Recycrom dye, a sustainable dye range created from pre and post-consumer textile waste, further reducing the environmental impact of the dyeing process.

Recycled Material: We use recycled materials, such as cotton and synthetic yarns made from post-consumer waste, in addition to recycled packaging.

Converting Waste: We use recycled oil-based auxiliaries and mineral dyes in the dyeing processes,

To support the environmental sustainability efforts, we have numerous manufacturing, product sustainability, and environmental compliance certifications. Refer to Compliance and Product Certifications on page 117.

OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100 | GRS | OCS | GOTS

ECONOMIC VALUED-ADDED STATEMENT

VALUE GENERATION ONLY CONSIDERING NOPAT* (RS. MN)

Direct Economic Value Generated

Rs. 79,979
Direct Economic Value Generated

Rs. 70,289	Rs. 9,621	Rs. 112	Rs. (43)
Revenue	Local sales and gain from currency translation	Finance income	Share of results of equity accounted investees

Economic Value Distributed

Rs. 78,461
Economic Value Distributed

Rs. 34	Rs. 4,289	Rs. 212	Rs. 14,437	Rs. 59,489
Social capital expenses	Payments to the providers of funds	Payments to government	Employees wages	Operating Costs

Economic Value Retained

Rs. 1,406
Economic Value Retained

Rs. 908	Rs. 1,084	Rs. (237)	Rs. (349)
Depreciation	Amortisation	Unrecoverable credit loss - Reversed charge	Loss attributable to equity investees and NCI

**Net Operating Profit After Tax, all figures indicated above are in LKR' Mn*

OPERATING ENVIRONMENT

The global fashion industry experienced an exceptionally challenging operating environment during FY 2023/24. Demand conditions weakened further as consumers remained under pressure, impacting stakeholders across the apparel supply chain. Geopolitical volatility also created significant disruptions, most notably to global shipping. Nonetheless, there were signs of a stabilisation in economic conditions towards the end of the year that augurs well for the coming financial year.

This section provides an overview of developments in the global apparel market during FY 2023/24, focusing on Hela's key markets (the US, UK and Eurozone), as well as the operating countries where its manufacturing facilities are located ((Sri Lanka, Kenya, Ethiopia and Egypt). Economic indicators referenced are for the calendar year unless otherwise stated.

GLOBAL FASHION INDUSTRY

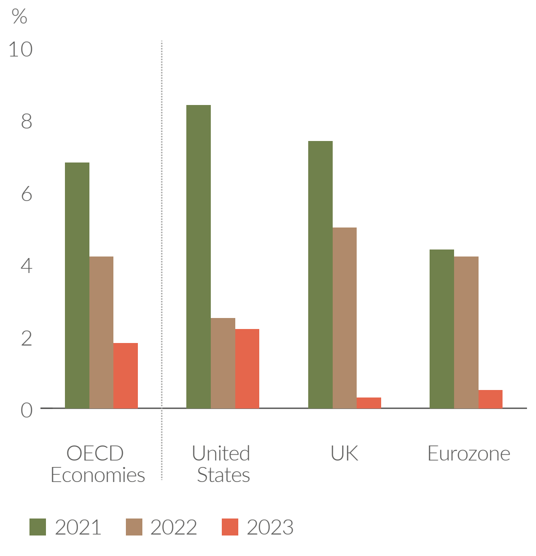
Demand Environment

The post-pandemic slowdown in economic growth across major advanced economies that began in 2022 intensified during the year. GDP growth among OECD economies slowed to 1.6% in 2023, compared to 2.9% in 2022 and 6.0% in 2021.

This was partly driven by a further downturn in household consumption growth, which declined to less than 2.0% among OECD economies. Particularly dramatic slowdowns in consumer spending were recorded in the UK and Eurozone.

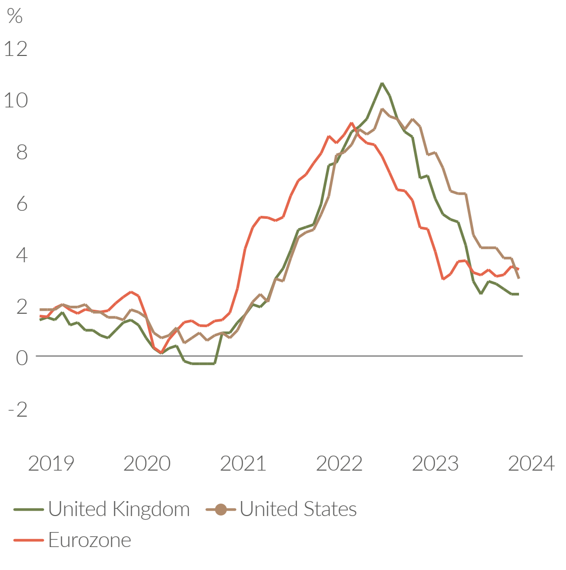
While inflation gradually declined across major economies during the year, it remained elevated compared to recent historical averages. What's more, to control the risk of high inflation expectations becoming embedded, major global central banks continued to hike their policy interest rates. As a result, by the close of the FY 2023/24, policy rates stood at the highest levels since immediately prior to the 2008/09 Global Financial Crisis. This contributed to a significant squeeze on consumer incomes that was a major contributing factor to the slowdown in consumption growth.

Real Household Consumption Gowth



Source: OECD

Consumer Price Inflation

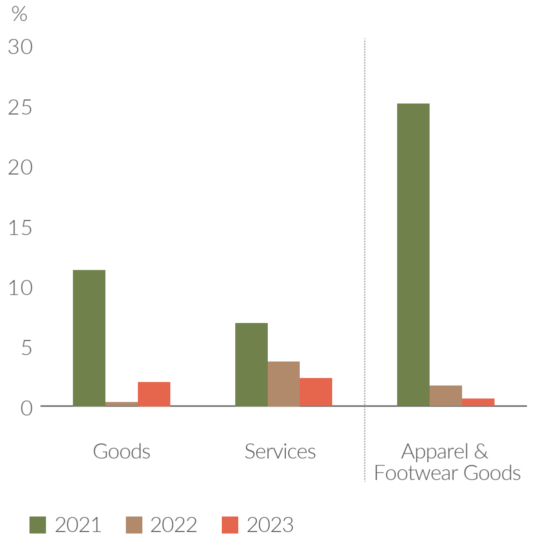


Source: OECD

OPERATING ENVIRONMENT

What's more, spending on fashion products was particularly severely impacted by the downturn. For example, while US consumer spending growth remained relatively robust during 2023 and overall goods purchase increased by 2.0% in real terms, spending on apparel and footwear products grew by just 0.6%. This represents a significant slowdown from a growth rate of over 25% recorded in 2021 and is the slowest rate of expansion recorded since 2012 (excluding the impact of the pandemic during 2020). This partly reflects the continued shift in consumer spending patterns towards services, which is unwinding the pandemic-era increase in spending on goods that benefited the fashion industry.

US Real Household Consumption Growth by Item



Source: US Bureau of Economic Analysis

In this context, a number of major fashion brands saw material declines in their performance and effective inventory management became a key focus area. This also contributed to an increase in strategic shifts among major brands, as well as increased M&A activity, as they sought to realign to the evolving environment. Nonetheless, it is notable that a number of emerging brands continued to perform strongly, demonstrating that consumers remain willing to spend on the brands and products that effectively resonate. Sportswear in particular remained a growth category, with technical outdoor wear been an area of notably rapid growth.

IMPACT ON HELA

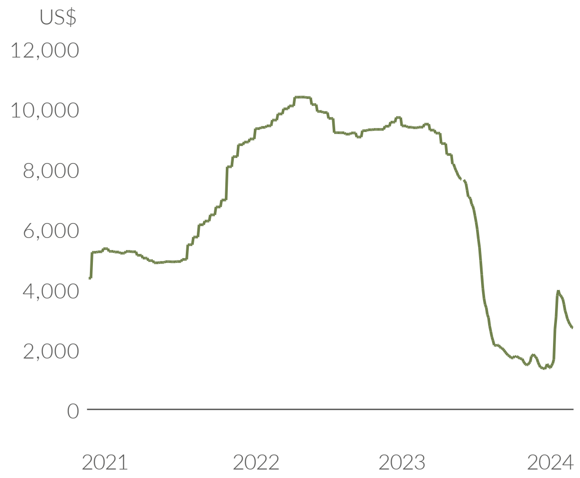
The weakness in consumer demand conditions for apparel products impacted Hela's order book significantly during the year, contributing to a marked drop in revenue. That said, the Group's diversifying customer and product base partially mitigated this, and is expected to further reduce the impact of demand volatility in the coming years.

Supply Environment

The weakening in global economic conditions during 2023 further eased pressure on global supply chains. Nonetheless, the increasing incidence of extreme weather events and geopolitical volatility remained key concerns.

Most notably, the conflict in the Middle East that arose during the second half of the year led to significant disruptions to global shipping. As a result, most major shipping lines suspended sailing through the Red Sea during the final months of the year. This contributed to a spike in global maritime freight prices and increased operational disruptions. Shipping lead times were also extended due to the need to divert ships around the Cape of Good Hope as an alternative route between Asia and Europe.

Composite Freight Rates (US$ per 40ft. Container)



Source: World Container Index, Drewry Supply Chain Advisors

While global commodity prices demonstrated some volatility during the year, particularly around major climatic and geopolitical events, they remained well below their post-pandemic peak. Most notably for the apparel and textile sector, global oil and cotton prices remained largely unchanged during FY 2023/24.

Global Oil & Cotton Prices

Sources: US Energy Information Administration; Macrotrends

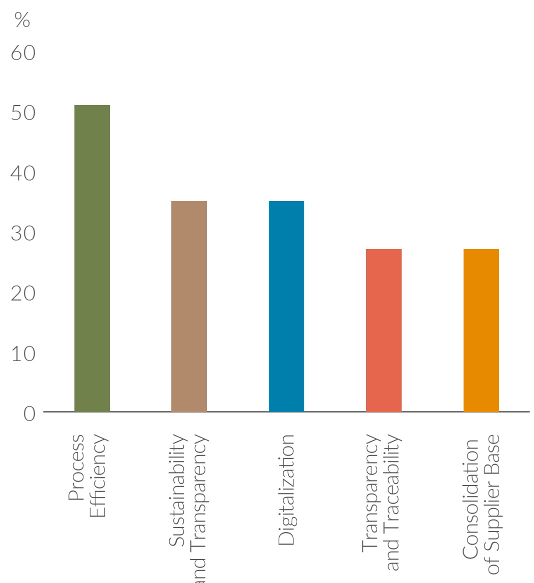
Geopolitical shifts remained a key focus for the global fashion industry during the year. In particular, tensions between China (which remains the largest global exporter of apparel products) and major Western economies continued to increase. In particular, the US maintained its significant additional tariffs on imports of Chinese goods and continued to explore increasing these further.

In response, major apparel brands are pursuing reductions in their reliance on sourcing from China. Similar to previous years, nearly 80% of respondents to the US Fashion Industry Association's annual survey of industry executives indicated that their company plans to reduce their purchases from China over the next two years[1]. Other countries in Asia are set to be among the chief beneficiaries of this ongoing shift in sourcing patterns. Nearshoring to regions such as North Africa and Central America should also receive a boost, though the shift in sourcing is proceeding gradually.

This is reflective of the other pressing sourcing priorities for the apparel sector during the year, most notably pricing and profitability in light of the challenging demand environment. Apparel industry procurement officers surveyed by McKinsey during the year listing process efficiency as their top concern.

In addition, sustainability and supply chain transparency remained a major focus area. This reflects both increasing consumer demands for sustainable products, as well as significant developments in the regulatory environment. Most notably the European Union's Strategy for Sustainable and Circular Textiles was passed during the year and as many as 16 pieces of related legislation are under discussion, with the first coming into effect in 2024. These cover a wide range of areas from reporting the environmental impact of each product sold to ensuring comprehensive transparency across the supply chain, all of which will require close collaborations between fashion brands and stakeholders across the supply chain. Similar measures are under consideration in other major economies, including the US and UK.

Top Sourcing Considerations for Apparel Sector



Sources: McKinsey Apparel CPO Survey 2023

IMPACT ON HELA

The disruption to maritime shipping via the Red Sea during the final months of the year had a notable impact on shipments to and from Hela's manufacturing facilities in Egypt and Ethiopia. Nonetheless, existing contingency plans and long-term pricing agreements with major shipping lines were able to partially mitigate this. In addition, the Hela Group's diverse multi-country footprint across South Asia and Africa, as well as its strong focus on sustainability, make it well positioned to address the major sourcing concerns of global fashion brands.

[1] United Sates Fashion Industry Association, 2024 Fashion Industry Benchmarking Study

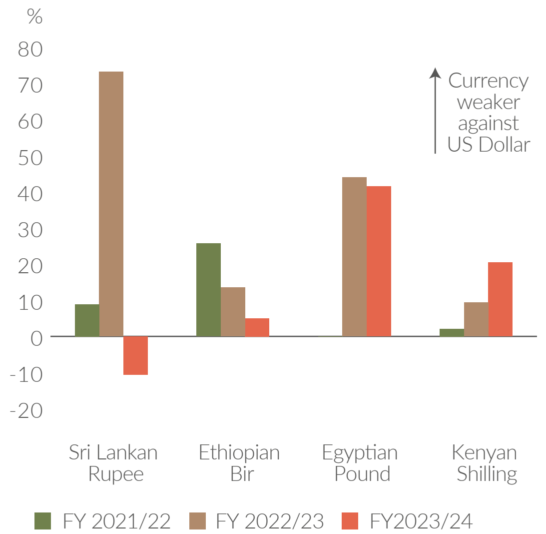
OPERATING ENVIRONMENT

Operating Country Environment

Economic conditions across Hela's operating countries exhibited an increased level of stability during FY 2023/24 compared to the preceding years. That said, significant policy shifts as a result of economic reform programs continued to influence operations.

Sri Lanka demonstrated a gradual recovery in 2023 from the severe economic crisis it experienced during 2022. The economic stabilisation program agreed with the IMF in early 2023 guided a return to economic growth, though it also encompassed significant tax revenue generation measures that weighed on domestic demand. Inflation returned to single-digit levels, from a peak of over 50%, and the government made substantial progress towards restructuring its external debt. In this context, the Sri Lankan rupee experienced a marked appreciation against the US dollar and averaged 10.6% higher during FY 2023/24 compared to the previous year. Kenya demonstrated a similar economic stabilisation, with an ongoing funding agreement with the IMF also guiding policy steps to improve macroeconomic and fiscal stability.

Annual Average Exchange Rate Movements vs. US Dollar



Source: IMF

Elsewhere, Egypt continued to face significant economic pressures from persistent macroeconomic imbalances. This was further worsened during 2023 by external shocks, such as the disruption to shipping via the Red Sea and Suez Canal. As a result, the Egyptian Pound continued to experience significant downward pressure, with depreciations of over 40% against the US Dollar in both FY 2022/23 and 2023/24. The Egyptian government also announced an increased IMF lending program during the year, accompanied by significant economic reforms and a liberalised exchange rate. Ethiopia is on a similar reform path and announced a significant IMF-backed reform program in July 2024, which was accompanied by a significant devaluation of the Ethiopian Birr.

IMPACT ON HELA

The relative stability in economic conditions across Hela's operating countries supported a reduction in operational disruptions. That said, the currency fluctuations and major economic reform measures undertaken had a material impact on the Group's cost base relative to its US Dollar-denominated revenue.

OUTLOOK

Following the prolonged downturn, demand conditions for apparel products in major advanced economies began to show signs of recovery in the final months of FY 2023/24. This has continued into the current financial year, supported by significantly lower rates of inflation. In addition, major central banks have indicated the beginning of interest rate-cutting cycles that will further ease the pressure on consumers and support demand conditions.

That said, there remains a number of risks on the horizon. Global maritime freight prices have continued to increase in the early months of FY 2024/25 and may have a knock-on impact on inflation if the current levels are maintained for a prolonged period. A number of major elections in key economies are scheduled for the year and could also contribute to significant economic policy shifts that may influence the outlook. This includes Presidential elections in Sri Lanka that will determine the next steps in its economic reform process. More generally, the global geopolitical environment remains fractious with the conflicts in Ukraine and the Middle East continuing without a clear path to resolution. In this context, the outlook for the year ahead is relatively benign, but is likely to be heavily influenced by global geopolitical developments.

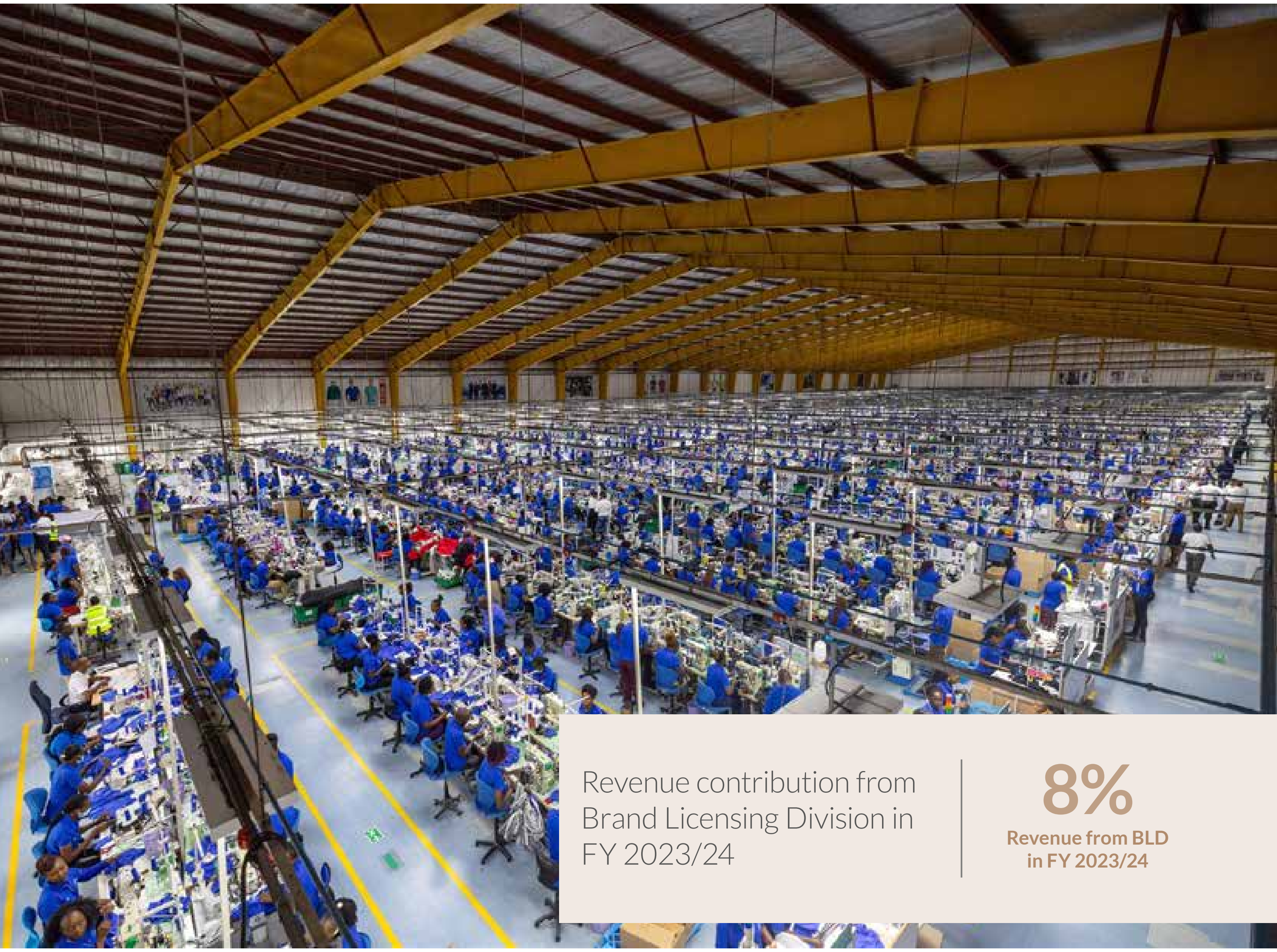
EVER PURPOSEFUL

CAPITALS REPORT

CAPITALS REPORT

FINANCIAL CAPITAL

A challenging operating environment contributed to an erosion of Hela's Financial Capital during FY 2023/24 and the Group recorded a post-tax loss of Rs. 349 Mn. Nonetheless, this was a significant reduction compared to the loss recorded in the previous year and the business is poised for a further improvement in performance during FY 2025/26. The strategic acquisition of Focus Brands is also expected to contribute positively to the Group's top and bottom line in the coming year.



Revenue contribution from Brand Licensing Division in FY 2023/24

8%

Revenue from BLD in FY 2023/24

Production Floor at Hela's Manufacturing Facility in Kenya.

STRATEGIC PRIORITIES

- Expanding along the value chain
- Enhancing cost efficiencies
- Optimising working capital management
- Prudent debt management
- Making strategic investments
- Increasing returns for shareholders

Relevant UN SDG's

FINANCIAL CAPITAL INPUTS

- Revenue: Rs. 70.3 Bn
- Shareholder's equity: Rs. 10.3 Bn
- Total borrowings: Rs. 31.9 Bn
- Net working capital: Rs. -9.1 Bn

STRATEGIC ACTIONS

- Enhancing the business model
- Cost and capacity rationalisation
- Driving operational excellence
- Diversifying customer base and product categories
- Strategic investments
- Working capital management

OUTPUTS

- Rs. 1.2 Bn increase in intangible assets
- Total assets increased by 16.2% to Rs. 64.7 Bn
- Total borrowings increased by 17.3% to Rs. 31.9 Bn
- Post tax loss of Rs. 349 Mn

OUTCOMES

- Forward integration into brand licensing and management
- Net debt to equity of 2.3
- Improved cost efficiencies
- A more resilient business model

CAPITALS REPORT

FINANCIAL CAPITAL

MANAGEMENT APPROACH

- The Hela Group's Financial Capital is managed to enhance the value created for its shareholders in the short, medium and long term, while also recognising the need to create value for other stakeholders to enhance the overall resilience of the Group's business model
- The Group acknowledges that there can be trade-offs between Financial Capital and other Capitals to meet its strategic goals. In FY 2023/24, the Group faced a particularly challenging operating environment as a result of reduced consumer demand for apparel products in its key operating markets. The Project 180⁰ initiative was launched in response to realign the Group's cost and capacity base to the reduced levels of demand and improve its overall resilience.
- The Hela Group manages borrowings prudently, and working capital is optimised to manage the associated credit, market and liquidity risks.
- As a responsible corporate, the Group ensures that all legal requirements, such as employee social security and taxes, are paid on time and other regulatory obligations are adhered to.
- The consolidated financial statements of the Group and figures in this section are presented in Sri Lankan Rupees, unless stated otherwise. The Group's functional currency is US Dollars. As such, the financial statements are first prepared in US Dollars and then translated into Sri Lankan Rupees according to Sri Lankan Accounting Standards (LKAS). For more information on foreign currency translations, refer to Note 2 (d) of the Consolidated Financial Statements on page 184.

FINANCIAL PERFORMANCE

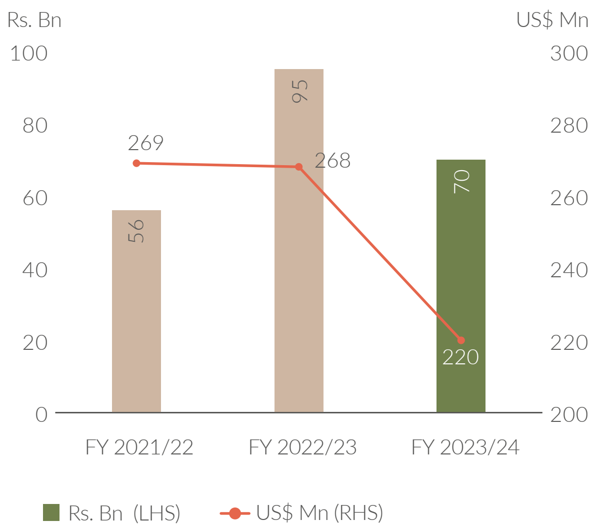
Revenue

The Hela Group recorded consolidated revenue of Rs. 70.3 Bn in FY 2023/24, reflecting a 26.2% decrease from the previous year. This decline was primarily attributed to a significant weakening in consumer demand conditions in its key export markets, which impacted fashion industry stakeholders globally. In US Dollar terms, Group revenue decreased by 18.1% from US$268.5 Mn in FY 2022/23 to US$219.8 Mn in FY 2023/24.

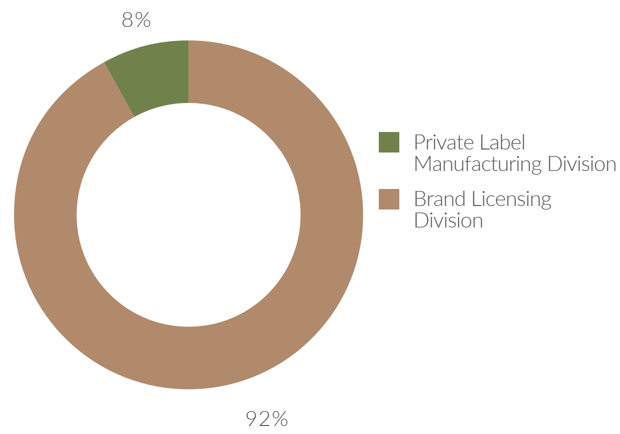
Nonetheless, it is notable that the Group's revenue showed signs of stabilisation in the fourth quarter of FY 2023/24. This partly reflected improving demand conditions among the key customers of its manufacturing division. The Private Label Manufacturing Division reported a 11.8% increase in revenue between the third and fourth quarter, which was the first material increase for six quarters, indicating a stabilisation in the demand outlook.

The acquisition of Focus Brand during the fourth quarter of FY 2023/24 also boosted revenue in the final months in the year. The financial accounts of this established UK-based company, which serves as the foundation for Hela's new Brand Licensing Division, were consolidated into the Group's accounts from the point of acquisitions in January 2024 and contributed 8% of total revenue for FY 2023/24. This contribution is expected to increase significantly during the coming financial year as the revenue for a complete reporting period is consolidated into the Group's results.

Revenue



Revenue by Division (FY 2023/24, % of Total)



Gross Profit and Operating Profit

The Group's gross profit declined by 46.7% to Rs. 6.2 Bn in FY 2023/24. This partly reflected the impact of the decrease in revenue, though the gross profit margin also contracted by 340 basis points to 8.8% during the year. The drop in sales during the early part of FY 2023/24 created significant underutilised manufacturing capacity, which weighed heavily on gross margins. In response, the Group took steps to move its capacity base to a more agile and flexible footing in line with the reduced level of demand, though the positive impact on profit margins is expected to be mainly felt during the coming financial year.

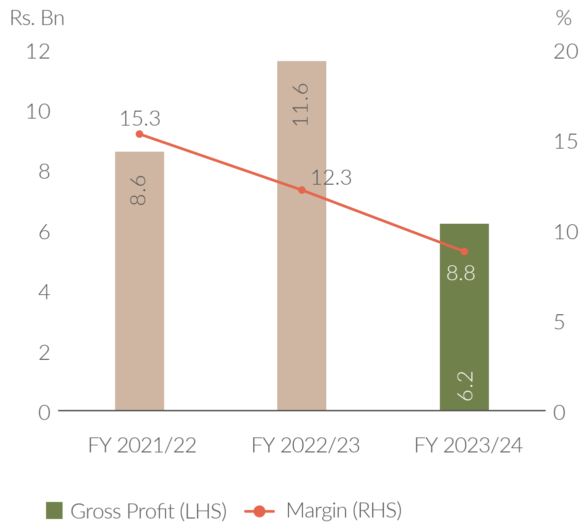
The appreciation of the Sri Lankan Rupee against the US Dollar during FY 2023/24 also impacted profit margins. This reflects the fact that a significant portion of the Group's operating costs are denominated in rupees, while its revenues are almost entirely US Dollar denominated. In addition, the increase in global freight prices during the final months of the year as a result of disruption to maritime shipping via the Red Sea were a further headwind to profit margins.

Despite the drop in gross profit, the Group's operating profit increased by 172.5% to Rs. 1.7 Bn in FY 2023/24. This reflected a 170-basis points improvement in the operating profit margin to 2.4% and is partly attributable to a one-off valuation gain arising from the acquisition of Focus Brands in the final quarter of the year.

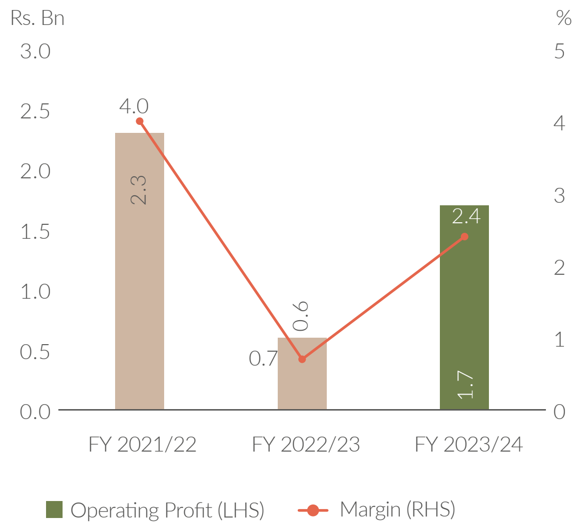
Setting these factors aside, operating profit remained below expectations in FY 2023/24 as a result of the drop in revenue and gross margins. Administrative expenses also increased due to the appreciation of the rupee and one-off restructuring costs incurred as a result of the capacity reductions measures undertaken. In addition, one-off transaction and restructuring costs of Rs. 590 Mn related to the acquisition of Focus Brands were also recorded during the year.

That said, distribution costs reduced significantly during FY 2023/24 as a result of the Group's increased focus on operational excellence, which contributed to a 72% reduction in unplanned air freight expenses compared to the previous year.

Gross Profit and Margin



Operating Profit and Margin



CAPITALS REPORT

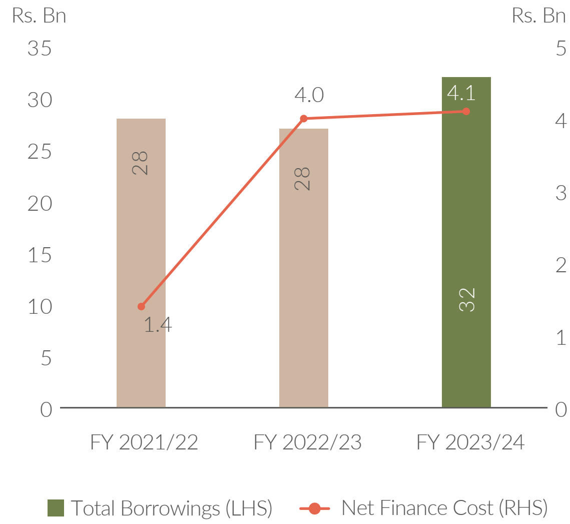
FINANCIAL CAPITAL

Finance Expenses

Net finance expenses of the Hela Group remained elevated during FY 2023/24 at Rs. 4.1 Bn. This reflected a marginal 2.6% increase on the previous year and was more than double the value recorded in FY 2021/22. This was primarily due to the continuation of high global interest rates as major central banks retained the tight monetary policy stances that they adopted in FY 2022/23 to control inflation risks.

An increase in the Group's total borrowings (which are primarily denominated in US Dollars) during FY 2023/24 to Rs. 31.9 Bn also contributed to the increase in net finance expenses. This partly reflected an increase in non-current borrowings as a result of the strategic long-term financing agreements entered with Norfund and Aavishkaar Capital during the year.

Net Finance Cost



Taxation

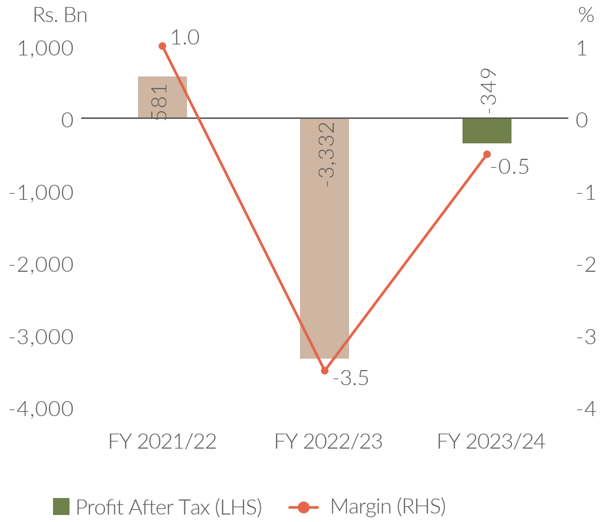
Group income tax expenses recorded a positive value of Rs. 2.0 Bn in FY 2023/24, compared to a positive value of Rs. 92 Mn in FY 2022/23. This was the result of a further increase in deferred tax assets during the year, arising from the significant pre-tax loss of Rs. 2.3 Bn.

Profit After Tax & Profit Attributable to Equity Holders

Despite the significant drop in revenue, and as a result of the improvement in operating profit margins, the Hela Group recorded a reduced post-tax loss of Rs. 349 Mn in FY 2023/24. This compares to a Rs. 3.3 Bn post-tax loss in FY 2022/23 and reflects a 300-basis point improvement in the net profit margin.

Profit attributable to equity holders recorded a similar movement, with a reduced loss of Rs. 373 Mn in FY 2023/24. The additional loss was the result of a Rs. 24 Mn profit attributed to non-controlling interests in the Group's subsidiaries in Ethiopia and Egypt.

Profit After Tax and Margin



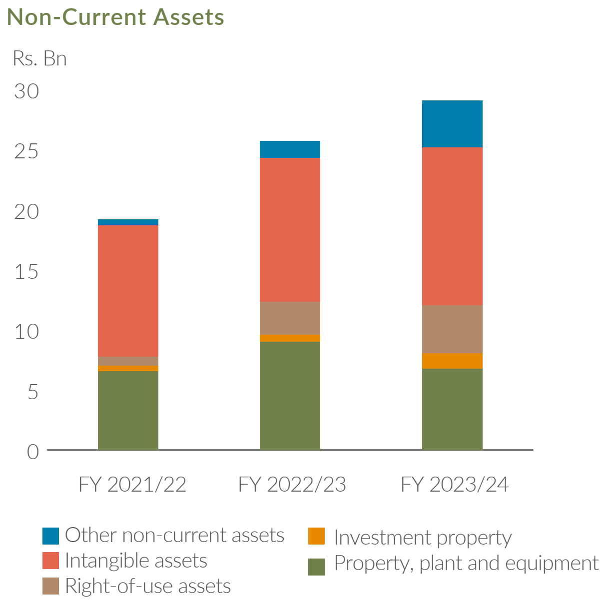
EXTRACT FROM THE STATEMENT OF PROFIT AND LOSS

LKR 000's	FY 2023/24	FY 2022/23	% Change
Revenue from Contracts from Customers	70,288,945	95,302,705	(26%)
Cost of Sales	(64,119,066)	(83,716,438)	(23%)
Gross Profit	6,169,879	11,586,267	(47%)
Other Operating Costs	(4,451,900)	(10,955,819)	(59%)
Operating Profit	1,717,979	630,448	173%
Net Finance Costs	(4,006,769)	(3,986,048)	1%
Share of Loss of Equity Accounted Investee, Net of Tax	(42,734)	(69,315)	(38%)
Profit Before Tax	(2,331,524)	(3,424,915)	(32%)
Income Tax Expense	1,982,628	92,467	2044%
Profit After Tax	(348,896)	(3,332,448)	(90%)

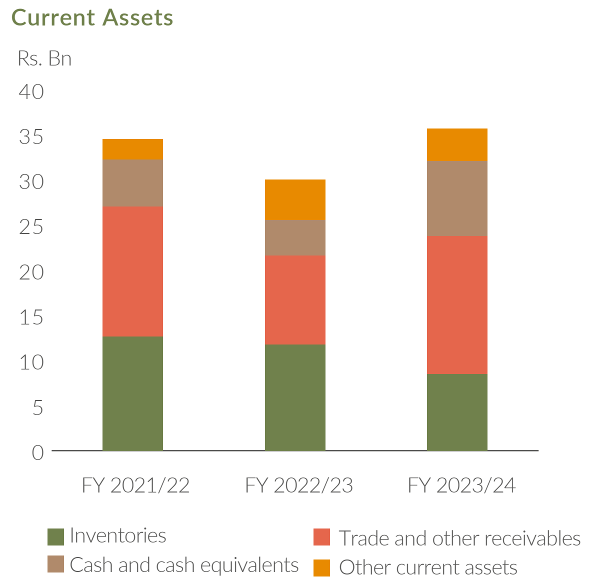
FINANCIAL POSITION

Group Assets

The Hela Group's total asset base stood at Rs. 64.7 Bn as of 31 March 2024, which represented a Rs. 9.0 Bn increase from the previous year. Non-current assets rose by Rs. 3.4 Bn, driven by an increase in right-of-use and deferred tax assets. Intangible assets also increased by Rs. 1.2 Bn as a result of the acquisition of Focus Brands, which included intellectual property related to its owned brands. In addition, the Group's investment in the SAP S/4HANA Fashion ERP system was transferred from capital work in progress, which is a component of property, plant and equipment, to intangible assets as a result of its full implementation across the Group. This contributed to the Rs. 2.2 Bn decrease in the value of property plant and equipment during the year.



Current assets increased by Rs. 5.6 Bn during FY 2023/24. This was primarily due to an increase in trade and other receivables, as well as cash and cash equivalents, which reflected the consolidation of the current assets of Focus Brands into the Group's accounts. These increases offset a Rs. 3.3 Bn decline in inventories, which is partly a result of the decrease in the Group's sales during the year.



CAPITALS REPORT

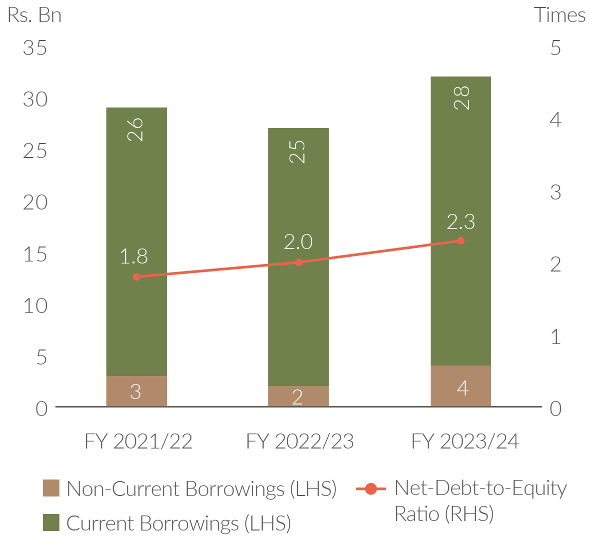
FINANCIAL CAPITAL

Group Debt and Capital Structure

The Group's total liabilities rose by 23.1% during the year to Rs. 54.5 Bn as of 31 March 2024. This was partly due to the consolidation of Focus Brands into the Group's accounts, which contributed to a significant increase in trade and other payables, as well as lease liabilities.

Total borrowings also rose as mentioned above, and contributed to an increase in the Group's Net-Debt-to-Equity Ratio to 2.3 as of 31 March 2024. This compared to a ratio of 2.0 at the close of the previous financial year.

Total Debt and Net-Debt-to-Equity Ratio



A significant improvement in the Hela Group's financial performance is expected during FY 2024/25

WAY FORWARD

A significant improvement in the Hela Group's financial performance is expected during FY FY 2024/25. Demand conditions in its key market have stabilised and are showing signs of improvement, which is expected to support a recovery in revenue for the Private Label Manufacturing Division. In addition, the significant steps undertaken during FY 2023/24 to realign the Group's cost and capacity base are anticipated to support a substantial improvement in profit margins. Furthermore, the consolidation of Focus Brands for a full reporting period is also expected to make a significant contribution to Group's top and bottom line.

EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION

LKR 000's	FY 2023/24	FY 2022/23	% Change
Non- Current Assets	29,076,502	25,677,932	13.2%
Current Assets	35,668,148	30,019,983	18.8%
Total Assets	64,744,650	55,697,915	16.2%
Non- Current Liabilities	9,668,638	6,088,353	58.8%
Current Liabilities	44,801,750	38,151,161	17.4%
Total Liabilities	54,470,388	44,239,514	23.1%
Total Equity	10,274,262	11,458,400	-10.3%
Total Liabilities and Equity	64,744,650	55,697,914	16.2%

GROUP RATIOS

LKR 000's	FY 2023/24	FY 2022/23
Debt to Equity (Times)	3.1	2.4
Current Ratio (Times)	0.8	0.8
Revenue Growth	-26.2%	69.6%
Gross Profit Margin	8.8%	12.2%
Operating Profit Margin	2.4%	0.7%
Net Profit Margin	-0.5%	-3.5%

CAPITALS REPORT

NATURAL CAPITAL

With supply chains spanning the globe and demand for sustainable fashion products increasing, Natural Capital is a key focus area for the Hela Group. Accordingly, it has a comprehensive environmental sustainability strategy organised around the principles of sustainable production and responsible business which is aligned with seven Sustainable Development Goals.

Hela Group's renewable energy mix during FY 2023/24

39%
Renewable Energy Mix

Solar Panels at the Hela Mawathagama Manufacturing Facility

STRATEGIC PRIORITIES

- Optimising energy use
- Enhancing circular economy practices in production
- Promoting responsible waste management
- Managing greenhouse gas emissions
- Minimising water consumption
- Promoting environmental sustainability

Relevant UN SDG's

NATURAL CAPITAL INPUTS

- 39% renewable energy mix in 2023/24
- Ethical sourcing of fabrics and other inputs
- Sustainability and environmental literacy programs

STRATEGIC ACTIONS

- Promoting responsible waste management
- Managing greenhouse gas emissions
- Minimising water consumption
- Promoting environmental sustainability
- HIGG FEM verified with 80% + average score

OUTPUTS

- + 65 Mn pieces of garments produced
- 8,262 m3 water recycled through effluent treatment
- Completed 10 product Life Cycle Assessments (LCA)
- Optimising energy use to reduce energy consumption
- Enhancing circular economy practices in production

OUTCOMES

- Energy consumption of 13,503 GJ saved
- 100% solid waste diverted from landfill
- Over 90% of the Group's raw materials (by value) were ethically sourced
- 8,000 beneficiaries of environmental literacy programmes

CAPITALS REPORT

NATURAL CAPITAL

MANAGEMENT APPROACH

- The Hela Group benchmarks its operations against global best practices for environmental management. The Group is also guided by mandatory environmental compliance requirements stipulated as part of the contractual obligations established by its customers.
- Hela's sustainability agenda is led by the Group's Sustainability Team. The Group CEO receives regular updates from the Head of Sustainability, who also briefs the Board on the Group's "Only One Earth" sustainability strategy. Moreover, sustainability champions have been appointed at every manufacturing facility to drive key initiatives.
- A comprehensive and uniform approach to recording, monitoring, and optimising the use of natural resources, as well as managing environmental impacts, is made possible by the Group's fully integrated Environmental Management System (EMS). Specific performance indicators have been integrated into the system for each pillar, driving concerted efforts towards enhancing resource efficiency.
- The Group monitors environment-related matters through an internally developed Eco-Tracker, where all environmental data, such as energy usage, water consumption and waste generation are captured for each manufacturing facility. A report comprising critical comments is sent to the Audit & Risk Committee on a need basis and the findings are presented to the Board by the Head of Sustainability. Performance dashboards are made routinely available to the management to carry out regular reviews, serving as a tool to support continuous improvement.

Global Best Practices	Regulatory Framework Applicable to the Group
• UN Global Compact • ISO 14064-1:2018 – GHG Emissions Reporting • Science Based Targets Initiative (SBTi) • Sustainable Development Goals (SDGs) • Climate Emergency Task Force (CETF) and Climate Ambition Accelerator (CAA) Programs • HIGG Facility Environment Module (FEM) • Global Organic Textile Standard (GOTS) • Global Recycle Standard (GRS) • Organic Content Standard (OCS) • Better Cotton Initiative (BCI) • Life Cycle Assessment (LCA)	**Sri Lanka** • National Environmental Act (Amendment) No. 53 of 2000 • Regulations by the Central Environmental Authority • Board of Investment (BOI) Environmental Norms • The Water Resources Board Act No. 29 of 1964 **Kenya** • Environment 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 No. 300/2002 - Environmental Pollution Control • Proclamation No. 299/2002 - Environmental Impact Assessment **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

NURTURING NATURAL CAPITAL IN FY 2023/24

Environmental Compliance

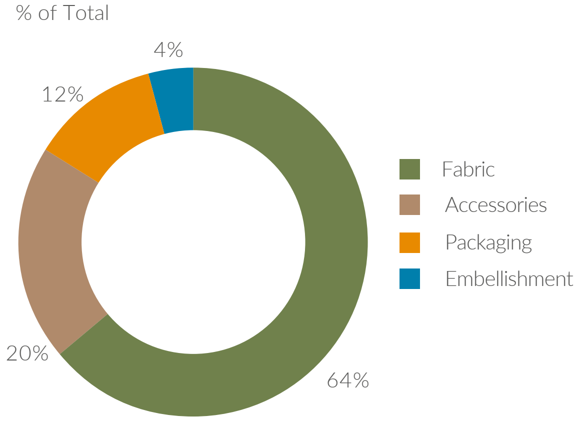
At each of its manufacturing facilities, the Hela Group ensure full compliance with all environmental laws, regulations, and standards. As a manufacturing organisation, all its factories have obtained valid Environmental Protection Licenses (EPLs) or equivalents. Compliance monitoring and internal audits are conducted annually to ensure continuous adherence to the relevant standards.

There were no cases of non-compliance with environmental standards during FY 2023/24

Material Consumption

The Group's operations use a range raw materials that are crucial for its garment manufacturing processes, including fabric, accessories, packaging and embellishments. The sourcing of these items is impacted by a range of environmental and societal challenges. These include natural disasters and climate change, as well as geopolitical and social factors. The Hela Group is mindful of these issues and focuses on the following areas to ensure sustainable material consumption.

Material Consumption By Type (FY 2023/24)



1. **Enhancing efficiency of raw material usage and reducing waste**

The primary raw materials utilised in the Group's manufacturing operations include fabrics, accessories, packing and embellishments. Rigorous procurement guidelines are implemented to guarantee ethical and sustainable procurement of all raw materials. Raw material procurement is also closely monitored to prevent over ordering, and wastage is tracked as a key performance indicator with common targets for all manufacturing facilities.

2. **Building agile and regionalised supply chains**

Supplier rationalisation efforts have resulted in securing competitive pricing, enhancing service reliability, and reducing transaction costs throughout the supply chain. Initiatives aimed at supply chain regionalisation have also been successful in reducing lead times, while significantly reducing the distance travelled by key raw material.

3. **Minimising the social and environmental impact of materials used**

Efforts are focused towards minimising the social and environmental impact associated with the materials used throughout the Hela Group's operations. Approximately 13% of the total raw materials purchased in FY 2023/24 consisted of recycled and sustainable materials.

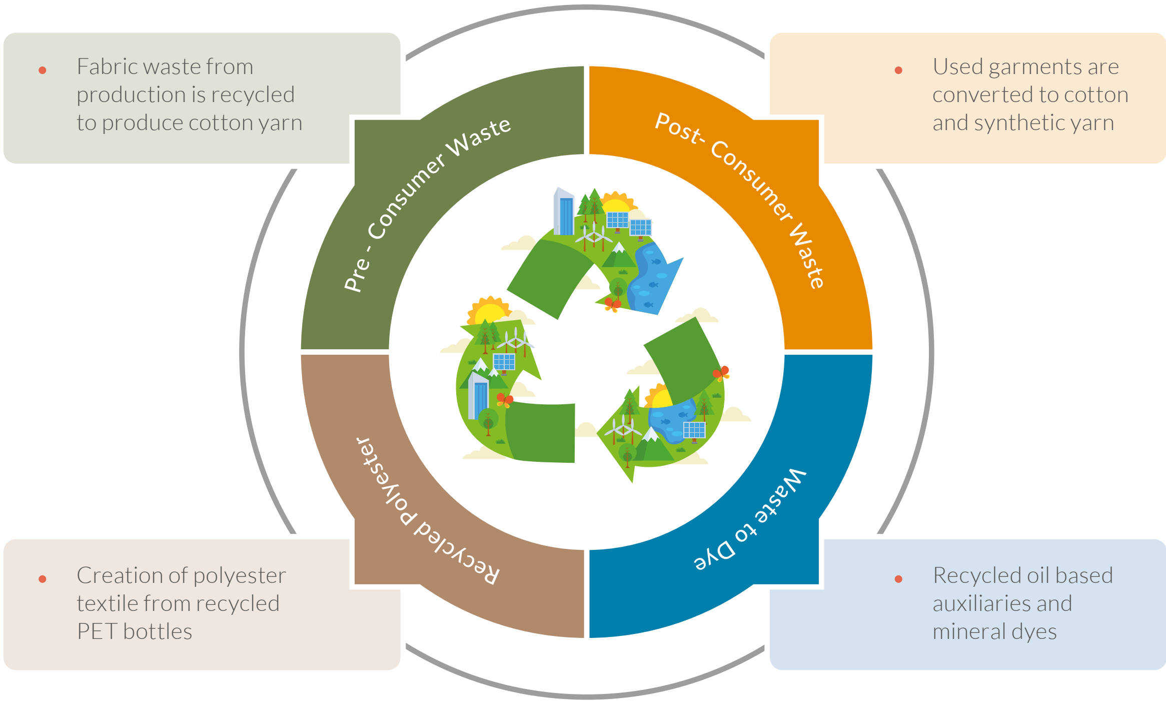
4. **Regenerative Cotton and Circular Materials**

Cotton-based fabrics are among the Group's main raw materials, and it seeks to promote organic and regenerative options to its customers. These help to promote soil health and biodiversity. The Group also promotes the use of recycled materials, such as cotton and synthetic yarns made from post-consumer waste, as well recycled packaging. This proactive approach has positioned the Group as a leading advocate for sustainability in the apparel industry.

CAPITALS REPORT

NATURAL CAPITAL

CIRCULARITY FOCUS AREAS



5. Responsible Management of Chemicals

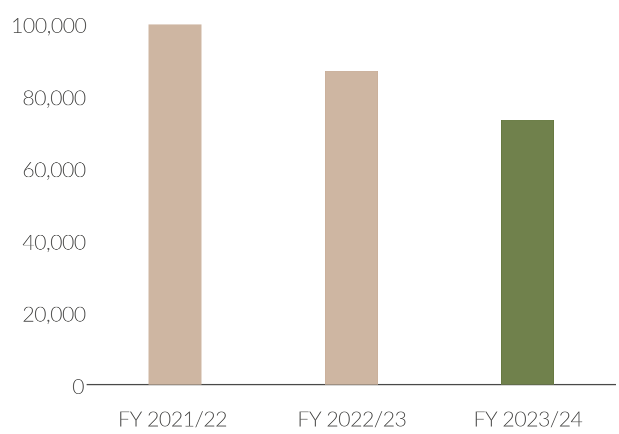
Chemicals are utilised in the upkeep of the Group's industrial facilities as well as for some embellishment operations, such as printing. The Group has a thorough chemical management plan that outlines the protocols for handling, labelling, and storing chemicals, as well as their purchase. The strategy also includes information on chemical storage techniques, training on chemical use and disposal processes, and particular procedures to support chemical evaluations. The Group is working towards reducing the use of hazardous chemicals in favour of cleaning agents based on biological chemicals, which have lower toxicity levels. Hela was the first vendor buddy of the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation and plans to monitor supplier compliance with ZDHC standards.

ENERGY MANAGEMENT

To meet its energy needs, the Hela Group uses a variety of energy sources, such as biomass, diesel, solar power and national electricity grids. A comprehensive energy management strategy includes the use of renewable energy, energy efficiency initiatives, monitoring systems, and encouraging an energy conscious workforce. The Group's Eco Tracker system monitors energy consumption at each manufacturing site by providing insights such as daily energy use, peak and off-peak energy consumption metrics.

Target: The Hela Group has set an ambitious target of reducing the Group's energy consumption to 1 kWh per standard production hour by 2025

Energy Consumption (GJ)



Total energy consumption reduced by **15.5%** between FY 2022/23 and FY 2023/24

Hela Group Energy Consumption (GJ)			
Energy type	**FY 2021/22**	**FY 2022/23**	**FY 2023/24**
Non-renewable energy			
Purchased Electricity from National Grid	45,238	46,385	42,144
Diesel	11,318	16,630	9,453
LPG	1,910	1,208	1,195
Renewable energy			
Biomass	41,308	22,657	20,585
Total	99,775	86,881	73,377

*Electricity generated through solar power is sold to the Electricity Board and not used for internal consumption.

MANAGEMENT OF RENEWABLE ENERGY

The Group has made significant investments in renewable energy sources since 2017, including solar power and biomass. It is now able to generate 3.17 MW of electricity from rooftop solar panels installed at five of its Sri Lankan manufacturing facilities. In addition, three manufacturing facilities in Sri Lanka have switched from diesel to biomass boilers, in keeping with the Group's aspirations to expand the use renewable energy in its operations.

39% of the Group's energy requirements in FY 2023/24 was generated from renewable sources (solar & biomass)

EFFICIENT CONSUMPTION OF ENERGY

Each manufacturing facility has a sustainability and engineering team that assists in implementing energy efficiency initiatives and conducts training and awareness campaigns to encourage employees to save energy. The Group's energy efficiency initiatives include the following:

- Stringent monitoring of electricity consumption through sub meters installed at the Group's manufacturing facilities
- Regular maintenance of machinery at all plants
- Replacing fluorescent lamps with LED lighting systems.
- Installing capacity banks, which have resulted in significant energy savings through load balancing and load scheduling
- Using water cooling systems instead of air conditioners
- Maximising the use of natural light
- Innovative pre-heating methods applied to boilers
- Conducting annual energy audits, including thermography testing
- Solar panel installation at key locations
- Replacement of diesel boilers with biomass alternatives
- Electric buggy for internal transportation

An internally designed electric lorry, which was designed, built, tested and run for internal good transportation, is used in Hela's Thihariya and Ukuwela manufacturing facilities. This allows the plant to reduce fuel consumption, greenhouse gas emissions, and eliminate the need for rented vehicles.

CAPITALS REPORT

NATURAL CAPITAL

- Conducting energy literacy programs for employees

14 training sessions were held during the year, focusing on the fundamentals of sustainability, climate change, and the Group's sustainability strategy.

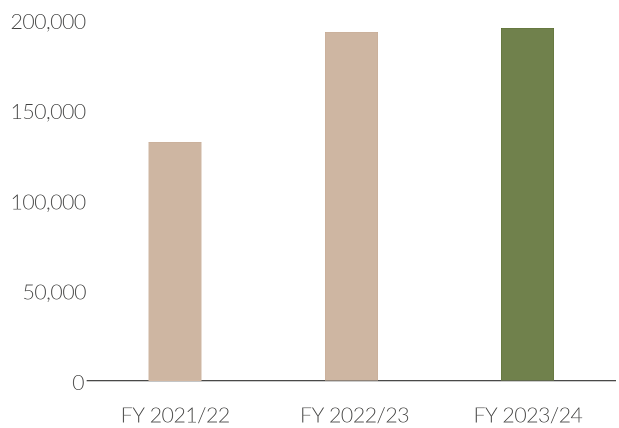
WATER AND EFFLUENTS

The Hela Group manages its water resources through a systematic approach focused on conservation and efficient use. Water consumption is monitored across all manufacturing facilities, with the majority being obtained from municipal and ground water supplies. The Group's manufacturing operations have a low water intensity, and water is primarily used for staff utilities and sanitation.

Target: Hela Group aims to reduce water consumption to **25** litres per person per day by 2025

Before being recycled for alternative uses such as gardening, the effluents from washrooms and canteens are treated by onsite wastewater treatment plants in accordance with rigorous standards set forth by both customers and local regulations. Water quality is checked bi-monthly, with no incidents of non-compliance reported during FY 2023/24.

Water Consumption (m^3)



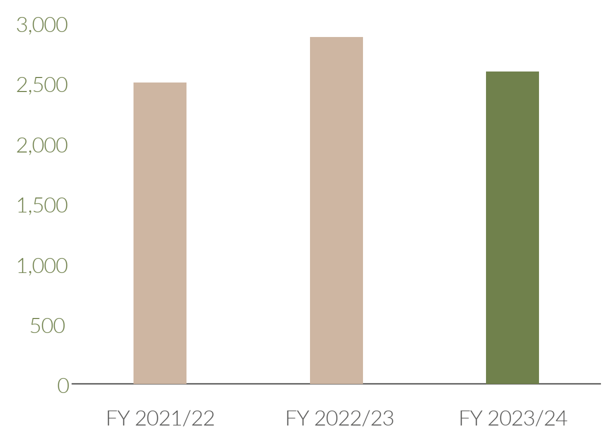
Total consumption has increased by **1.2%** between FY 2022/23 and FY 2023/24

The Group initiated a Water Championship Program during the year, intended to foster a culture responsible water use across its manufacturing facilities in Sri Lanka, Kenya, Ethiopia and Egypt, and these facilities were ranked based on an established criterion. This included cost savings, rate of reduction of water consumption, availability of main and sub meters. Based on the results, one of the Group's manufacturing facilities in Ethiopia was named the winner of the Water Championship Program.

RESPONSIBLE MANAGEMENT OF WASTE

The Hela Group has a diversified waste profile, ranging from fabric waste to food waste. Approximately 99% of the solid waste generated from its manufacturing operations is considered non-hazardous and the Group's EMS systematically segregates waste for appropriate disposal. Adherence to industry best practices and standards is closely monitored.

Solid Waste Generation (Metric Tonne)

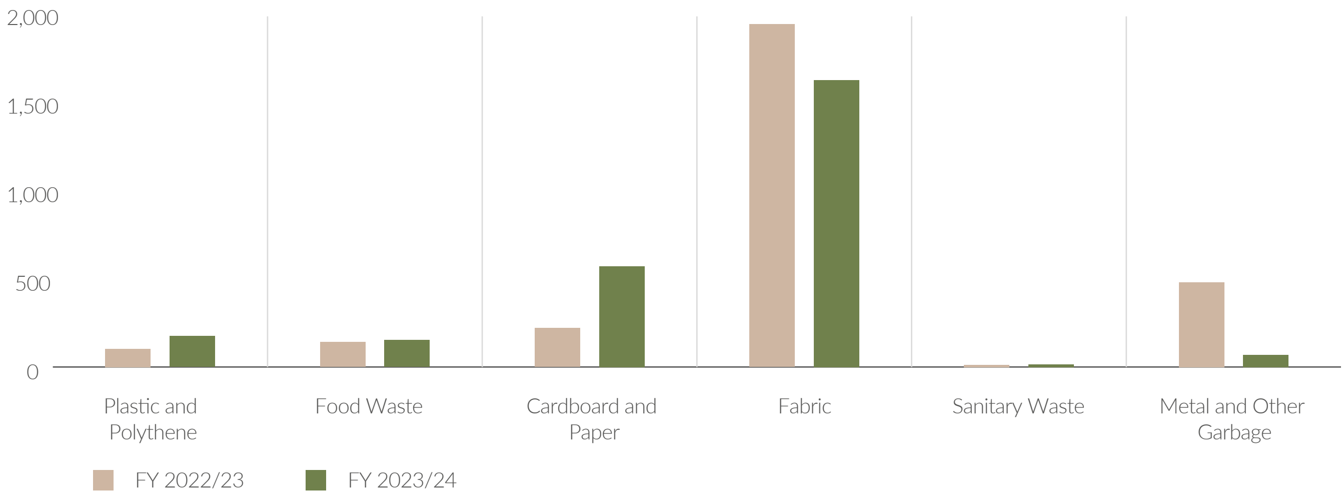


Waste generation reduced by **9.9%** between FY 2022/23 and FY 2023/24

CAPITALS REPORT

NATURAL CAPITAL

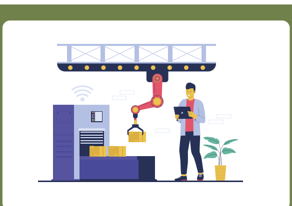
Solid Waste Generation by Type (Metric Tonne)



All waste disposal is entrusted solely to licensed handlers who adhere to the Group EMS guidelines. Sanitary waste and food waste is collected by third-party contractors according to contractual agreements, whilst branded fabric waste cuttings are sent for incineration in line with customer brand protection guidelines.

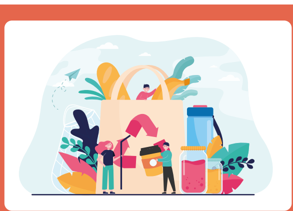
With a focus on responsible waste management, the Group actively encourages waste reduction, recycling, and reuse programs to minimise waste sent to landfill.

WASTE REDUCTION INITIATIVES



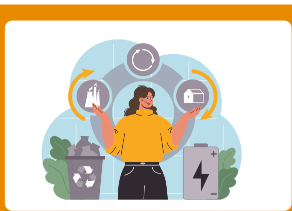
Automation and digitisation

- Reduced waste has been made possible through the increased efficiency brought about by automation and digitisation of the fabric cutting process



Recycling

- Waste collected for recycling includes fabric, non-contaminated recyclable plastic, polythene, paper and cardboard waste



Converting non recylable waste into energy

- Contaminated non-recyclable plastic, polythene and paper waste is directed to waste conversion power plants, where appropriate.

Re-using waste

- Re-using empty thread cones and other waste products

EMISSIONS MANAGEMENT

The Hela Group is conscious of its contribution to global greenhouse gas (GHG) emissions and has directed its effort towards reducing its carbon footprint in a sustainable manner. Accordingly, the Group has obtained the ISO 14064-1:2018 certification for quantification and reporting of its GHG emissions for three consecutive years, including FY 2023/24.

GHG emissions are calculated annually, with comprehensive assessments conducted, covering Scope 1,2, and 3 emissions.

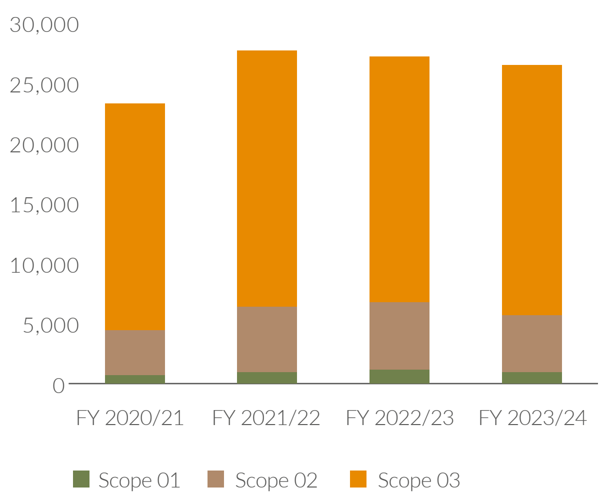
These assessments are verified by independent third-party consultants to ensure the accuracy of the emissions data. Currently no emission offsets are utilised to achieve emission targets.

Since becoming a member of the Science Based Targets initiatives (SBTi), the Group has established short term and long-term targets for its GHG emissions. These targets have been designed with the intention of reducing GHG emissions and supporting the worldwide effort to reach net zero by 2050.

Hela Group's Emissions Reduction Targets

Overall Near Term Target	**42%** GHG emission reduction by 2030 from baseline in FY 2021/22
Scope 1 and 2	**42%** GHG emission reduction from electricity and diesel consumption
Scope 3	**25%** reduction from upstream, downstream transportation, business travel and raw material

Group GHG Emission (CO_2e)



EMISSION REDUCTION INITIATIVES

01 Monitoring emissions, air quality, and noise levels in compliance with regulatory guidelines

02 Installation of solar panels to generate renewable energy

03 Revamping ventilation systems for all manufacturing facilities in Sri Lanka, Kenya and Ethiopia

04 Ensuring corrective action is taken if emissions and noise levels of generators and boilers exceed the regulatory guidelines

CAPITALS REPORT

NATURAL CAPITAL

BIODIVERSITY PRESERVATION

The Hela Group continues to conduct and fund a variety of biodiversity conservation projects as part of its unwavering commitment to environmental protection. Supported by the Hela Nature Club, initiatives are aimed at preserving the natural ecosystem including endemic flora, fauna, and animal species. The Group is also a member of the Field Ornithology Group of Sri Lanka (FOGSL) and a patron member of Biodiversity Sri Lanka (BSL).

BIODIVERSITY INITIATIVES

Pitawalapathana Invasive Species Removal Project

Invasive species cause a considerable impact on the environment, including loss of biodiversity, and harm to forestry and agriculture. Recognising this, the Hela Nature Club launched an initiative to manage invasive plant species in Pitawalapathana.

Beach Clean Up

Guided by the Hela Nature Club, this project aimed to reduce marine pollution, protect biodiversity, and create a healthier ecosystem. This project spans a 2 km beach stretch and has resulted in the collection and segregation of 250 kg of waste into recyclable and non-recyclable categories

Book Donation Program

A book donation program was initiated in conjunction with the Pitawalapathana invasive plant removal project, with the support of the Hela Nature Club. Accordingly, school essentials which are worth Rs. 1.5 million were distributed among local school children

WAY FORWARD

The Hela Group is committed to conducting its business in a way that is consistent with its GHG emissions reduction targets and global best practices for environmental management. The focus over the coming year will be on continuing to mitigate the environmental impact of its operations, while also supporting the global fashion industry's transition to a net zero and circular future.

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

The Hela Group is committed to enhancing socioeconomic development in its operating countries by empowering both its employees and communities through comprehensive support and engagement initiatives. We have combined Human and Social Capital as our employees are drawn from the local communities we operate in and investing in their upliftment is a key focus.

The Group is a strong advocate for diversity and works hard to create an inclusive workplace for all

69%
Female Representation

Hela Diridaruwo Scholarship Holders at a Career Guidance Session

STRATEGIC PRIORITIES

- Providing employment opportunities
- Ensuring a safe, productive, and conducive work environment
- Fostering awareness of roles and goals among employees
- Implementing fair performance assessment, reward, and recognition systems
- Enabling individuals to realise their true potential.

Relevant UN SDG's

HUMAN CAPITAL INPUTS

- A team of approx. 14,350 employees
- Investments in training and development
- Adherence to WRAP and SEDEX certification criteria
- Investment of $135,000 in social development programs such as Diriliya, Diridaruwo, P.A.C.E, STOP and BSR Her

STRATEGIC ACTIONS

- Nurture a performance driven culture
- Continuous training and skill development
- Establish pathways for career progression
- Comprehensive protocols to guarantee occupational health and safety,
- Enhancing employee well-being

OUTPUTS

- Value distributed to employees Rs. 14.4 Mn
- 161,000 hours of training and development per employee in FY 2023/24
- Revenue per employee of Rs. 4.9 Mn

OUTCOMES

- Satisfied employees
- Zero incidents of forced labour and child labour
- Female representation of 69%

CAPITALS REPORT

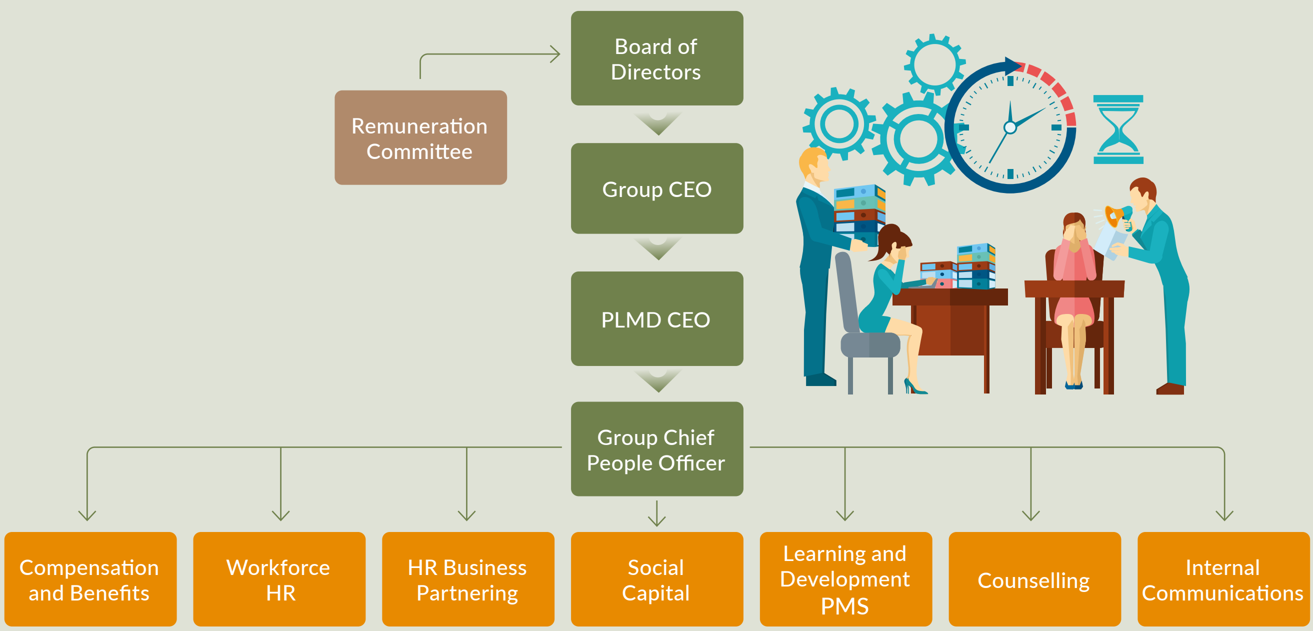
HUMAN AND SOCIAL CAPITAL

A dedicated Group Human Resources (HR) department oversees all employee related activities for the Hela Group, guided by the principle of "One Hela, One HR."

MANAGEMENT APPROACH

The Board of Directors exercises oversight over Human & Social Capital and is assisted in this regard by the Remuneration Committee. A comprehensive policy framework has been put in place to guide the Group CEO and Corporate Management. A dedicated Group Human Resources (HR) department oversees all employee related activities for the Hela Group, guided by the principle of "One Hela, One HR." Under the supervision of the Group Chief People Officer, the HR function operates as a shared service, managing HR related concerns across all locations.

HELA GROUP'S HR GOVERNANCE STRUCTURE



HELA GROUP'S HR POLICY FRAMEWORK

HR Policies Applicable to the Group

- Recruitment and Selection
- Remuneration and Benefits
- Welfare and Benefits
- Kenya Compensation & Benefits Policy
- Training and Development
- Non-Harassment and Abuse
- Non-Discrimination
- Group Foreign Travel Policy
- Code of Conduct
- Worker Representation
- Worker Communication
- Grievance Handling Policy
- Superannuation Benefits 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
- Prevention of Sexual Harassment
- Attendance Leave
- Group Foreign Travel Policy Amendment
- Non-Discriminatory Policy
- Policy on Types of Employment
- Prevention of Human Trafficking Policy
- Policy on Trainees and Interns

Regulatory Framework Applicable to the Group

SRI LANKA

- Factory Ordinance No. 45 of 1942
- Shop and Office Employees Act of No. 19 of 1954
- National Minimum Wafe of Workers Act No. 16 of 2021
- Employees' Provident Fund Act No. 15 of 1958
- Employees' Trust Fund Act 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 Act 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, Act (No.2), No. 18 of 1978
- Workmen's Compensation No. 31 of 1957
- Employees' Councils Act No. 32 of 1979

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 Inquiry Benefits Act of 2007

ETHIOPIA

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

EGYPT

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

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

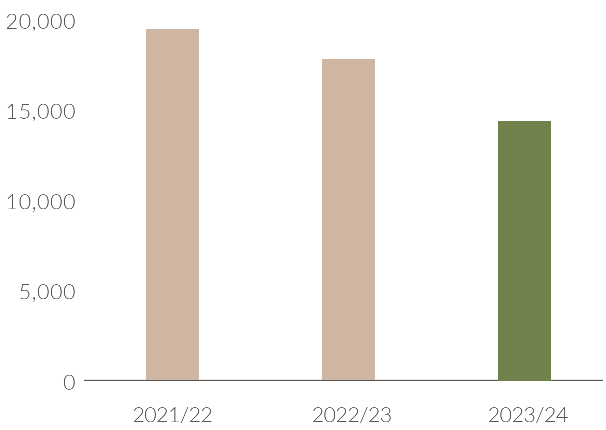
PROVIDING EMPLOYMENT OPPORTUNITIES

Job creation

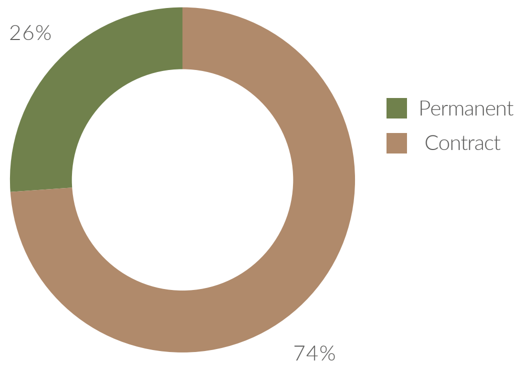
The Hela Group has a diverse team of approximately 14,350 employees who drive its operations across its global footprint. Our manufacturing facilities are located in developing and emerging economies where employment opportunities are particularly critical for the countries socioeconomic progress, lifting many people out of poverty. Employees are engaged on either a permanent or fixed term basis, and must adhere to the Group's Code of Conduct.. The Group also has a strict policy prohibiting forced, compulsory, or child labour.

The employee base was reduced during the year as a result of the downturn in demand in our key markets, which necessitated a reduction in manufacturing capacity to ensure the Group's sustainable financial position. Employee reductions took place via non-replacement of voluntarily departing employees and specific employee reduction initiatives, where all relevant legal and regulatory obligations were strictly adhered to.

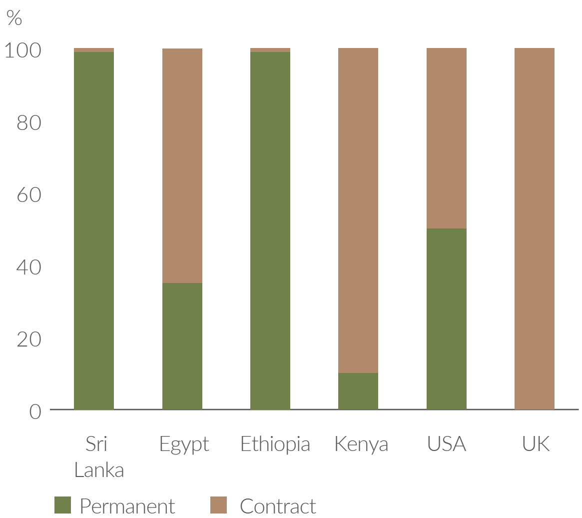
Number of Employees



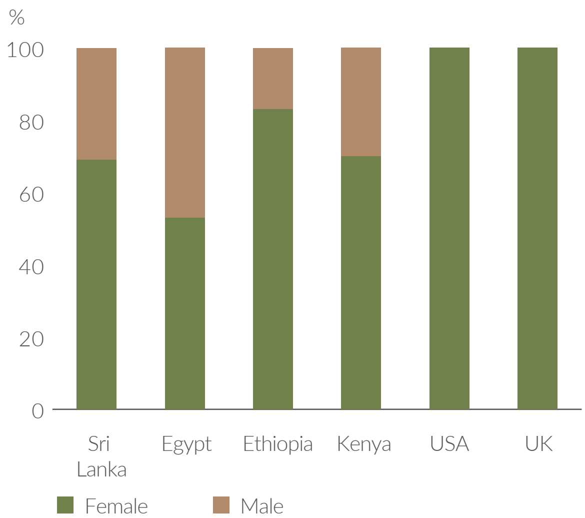
Employees by Contract Type in FY 2023/24



Employees by Contract Type & Country (FY 2023/24)



Employees by Gender & Country (FY 2023/24)



Recruitment

During the year, the Hela Group recruited 6,921 employees who were carefully assessed during their probationary period before being considered for permanent positions (where applicable). This evaluation process enables managers to determine if new employees are a good fit while also helping them understand the company culture and work environment.

The hiring procedure of the Hela Group is structured to attract qualified candidates by emphasising diversity, inclusivity, and equal opportunity. In order to enhance community ties and encourage regional economic empowerment, preference is given to local community members.

The Group offers a robust onboarding process to accommodate new hires, which includes system awareness training, presentations on social capital initiatives, brand protection, sustainability, payroll, insurance, Group IT policies, and familiarisation tour of the premises. The recruitment approach helps instil trust and empowers employees to quickly understand their roles and integrate into their teams. Open communication and transparency within the organisation enhances employee loyalty, encouraging staff to engage in discussions and contribute to key decisions.

The hiring procedure of the Hela Group is structured to attract qualified candidates by emphasising diversity, inclusivity, and equal opportunity

Retention

While there was an overall reduction in the Group's employee base during the year to align with reduced levels of demand, retention of the remaining employees continued to be a key focus during FY 2023/24. Significant efforts were made to retain as many jobs as possible to support both employee well-being and the expected business requirements.

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

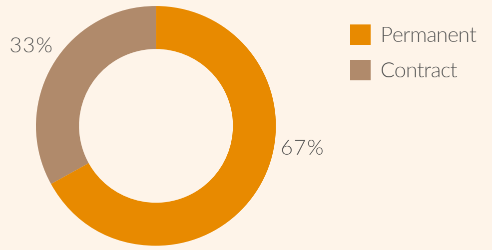
EMPLOYEE RECRUITMENT AND TURNOVER IN FY 2023/24

TOTAL EMPLOYEES 14,349

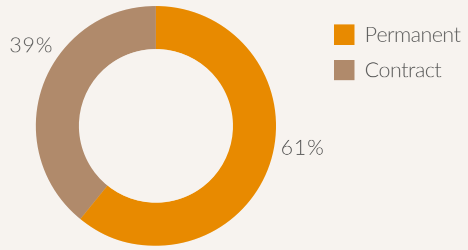
RECRUITMENT 6,921

TURNOVER 10,274

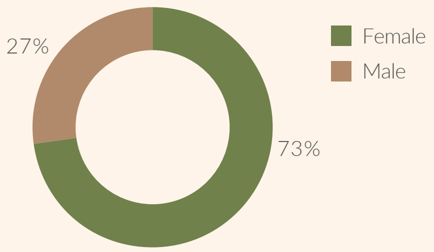
Recruitment by Contract Type



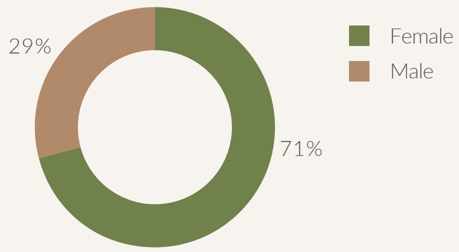
Turnover by Contract Type



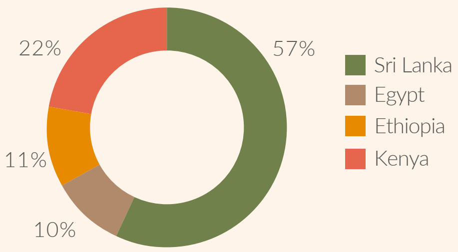
Recruitment by Gender



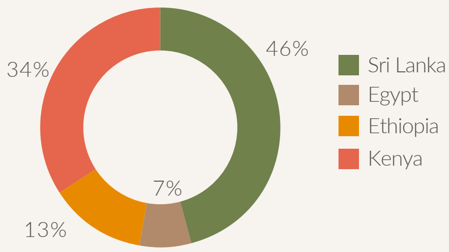
Turnover by Gender



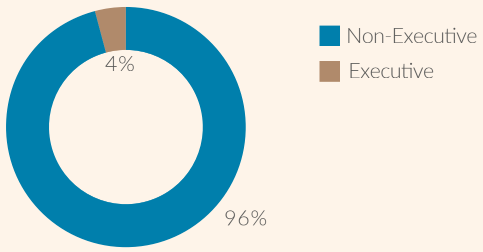
Recruitment by Country



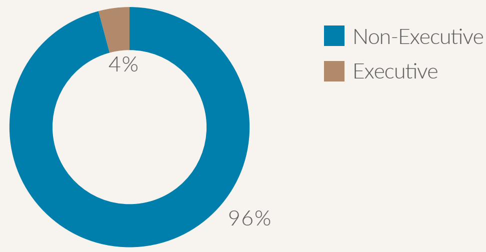
Turnover by Country



Recruitment by Employee Category



Turnover by Employee Category



ENSURING A SAFE, PRODUCTIVE AND CONDUCIVE WORK ENVIRONMENT

Employee Engagement

The Hela Group employs various formal and informal strategies to enhance employee engagement. These programs aim to improve staff morale by addressing mental, physical, emotional, and financial well-being. A selection of employee engagement activities undertaken during the year are shown below.

Celebrating World Sustainability Day

A session about creating a winning mindset with Kasturi Chellaraja Wilson

A discussion on the importance of mental health and well-being

P.A.C.E. training session at Hela Egypt

Hela Training of Trainers

An inspiring session with the International Labour Organisation (ILO)

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

Occupational Health and Safety

Hela ensures a safe and supportive work environment for all employees with strict adherence to safety protocols. The Group follows strict Employee Health and Safety (EHS) practices that are in line with local and regional laws, as well as WRAP and SEDEX certifications and additional customer requirements.

The Group's EHS system is structured around the following focus areas:

1. Emergency Preparedness and Equipment
2. Certificates & Licenses
3. Personal Protective Equipment
4. Equipment and Machine Safety
5. Electrical Safety
6. Personnel Safety
7. Chemical Management
8. Maintenance Safety
9. Storage Tanks (Above Ground & Below Ground)
10. Risk Assessment
11. Training & Awareness
12. Contractor EHS Management
13. Factory Conditions
14. EHS Committees
15. Water & Sanitation Programs
16. Kitchen & Canteen Management
17. Medical Room Handling
18. Traffic & Vehicle Management
19. Dormitories

A centralised compliance team oversees social compliance across the Hela Group's operations, complemented by dedicated Compliance Point Persons (CPPs) based at each manufacturing facility. These CPPs oversee EHS Committees at each location, which are made up of departmental representatives and convene monthly. The EHS committees are responsible for recognising and resolving safety-related issues, as well as communicating with all employees to ensure potential hazards are efficiently identified. Thorough training on occupational health and safety is conducted across the Group's locations, and encompasses a wide range of issues, including bloodborne infections, working at heights, ergonomics, machine maintenance, electrical safety, and fire safety.

Occupational Health & Safety Record

Year	Number of reported injuries	Number of worker related ill health	Main causes of ill health	Work related fatalities
FY 2023/24	1	898	Needle pricks and trimmer cuts	0
FY 2022/23	11	13,097	Pains, allergies and infections	0
FY 2021/22	7	11,523	Fever, cold, headaches and COVID-19	0

Counselling Sessions and Promoting Mental Health

The Group prioritises employee mental well-being by providing counselling services, which offer comprehensive support aimed at fostering mental health across the organisation. The Open-Door Policy ensures employees can easily connect with experienced counsellors for personalised one-on-one sessions, addressing individual needs. Specialised training programs are conducted to raise mental health awareness and equip staff with effective coping strategies.

A General Health Questionnaire (GHQ), which was initially implemented at the Hela Narammala manufacturing facility, is now expected to be rolled out to all locations during FY 2024/25 in order to comprehensively assess employees' physical and mental well-being. This validated tool screens for common mental health issues such as anxiety, depression, social dysfunction, and overall psychological distress.

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

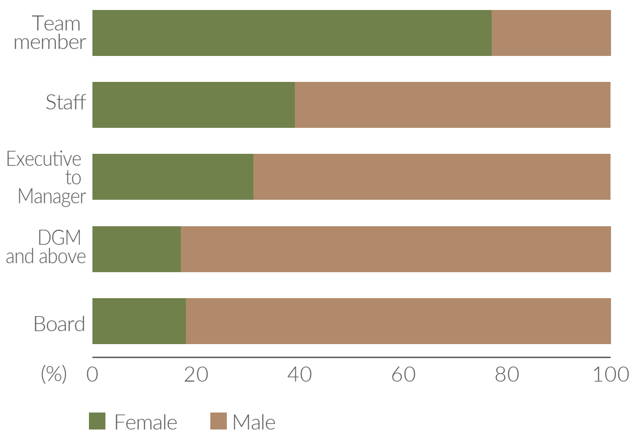
Equal Opportunity, Diversity and Inclusion

As an equal opportunity employer, the Group does not discriminate based on gender, age, religion, or race, allowing all employees to develop rewarding careers.

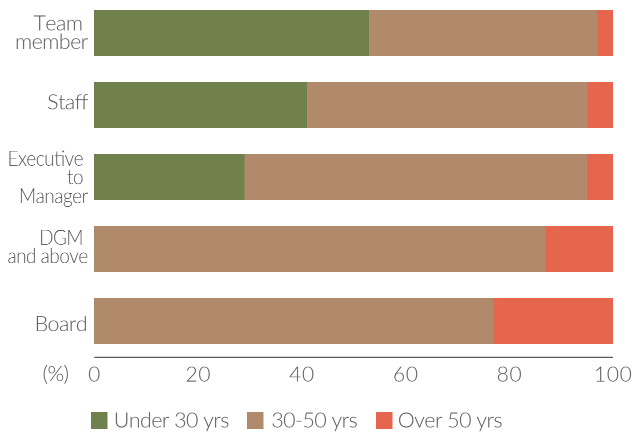
The Group is a strong advocate for diversity and works hard to create an inclusive workplace for all of its workers. The leadership strongly believes that integrating diverse skills and perspectives enhances decision making, innovation and productivity across the organisation.

The Group's Non-Discrimination Policy ensures fair treatment for all employees, regardless of race, colour, gender, national origin, age, religion, marital status, sexual orientation, gender identity, disability, or other irrelevant factors.

Gender Representation Across Employee Categories in FY 2023/24



Age Group Representation Across Employee Categories in FY 2023/24



Pursuing Gender Equality

The Hela Group fosters an inclusive culture for women by implementing gender-sensitive and equitable workplace policies. Employees are encouraged to use the Group's Grievance and Open-door policies to report any instances of discrimination, with no reported incidents during the year. Moreover, the Group does not mandate pregnancy testing or terminate female employees based solely on pregnancy or related conditions. The Group actively promotes female empowerment by means of affirmative action programs and supported by parental leave policies, free childcare services and initiatives aimed at financial empowerment.

The Hela Group's parental leave policy goes beyond legal requirements in Sri Lanka to extend to the following:

- Five days of parental leave for new fathers
- Equal maternity leave for adoptive mothers

Parental Leave During FY 2023/24	Female	Male	Total
Total number of employees that took parental leave, by gender.	516	97	613
Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	372	96	468
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.	233	75	308

Industrial Relations

The Group maintains positive relations with the trade unions representing employees at its Kenyan and Ethiopian manufacturing facilities. While employees in its Sri Lankan and Egyptian manufacturing facilities are not unionised, the Group has established Employee Councils at these locations to provide a mechanism to address employee concerns effectively. These councils include representatives from all departments, with female involvement highly encouraged. Economic opportunities and social integration are actively promoted within these frameworks.

INITIATIVES IN PLACE TO MANAGE INDUSTRIAL RELATIONS

- Open door policy
- Counsellors and food committees
- Monthly meetings with Union Leaders (where applicable)
- Suggestion boxes
- Constant communication and feedback
- Conducting annual employee satisfaction surveys
- Effectively addressing employee grievances

Remuneration, Rewards & Benefits

The Hela Group offers competitive benefits that align with industry norms and are correlated with employee performance. It does not take gender into account when determining compensation and conducts annual regional wage surveys to ensure the Group remains competitive in its compensation practices.

Benefits provided to employees

Free Transport	Annual Bonus	Medical Assistance	Water and Sanitary Facilities	Locker Facilities	Production Incentives	Festival Advance
Training Opportunities	Hardship Incentive	Surgical and Hospitalisation Insurance	Workmen's Compensation Insurance	Company T-Shirts	Long Service Awards	Salary Advances
Loan Facilities	Additional 15-minute break with meals for pregnant mothers	Meals at a subsidised rate	Attendance Incentives	Employee Grading Incentive	Mobile and Internet Dongle Facility	Daycare Facilities

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

Training and Development

The Group places a strong emphasis on employee development through tailored training initiatives. Executive training programs are tailored in response to department heads' annual needs assessments, while non-executive staff members benefit from technical skill and soft skills training. A proactive approach is used to stay up to date with industry trends and technical skills to enhance specific competencies. Training activities encompass both formal sessions and on-the-job learning to ensure practical application of acquired skills.


Suwa Diviya Training Session on Diabetes Prevention and Self-care


Educational Session for Pregnant Mothers on Mental and Physical Well-being


SAP End-User Training Session in Egypt


Training Session on Execution Excellence with Lasith Malinga

USD 60,000
invested in training and awareness programs

1,805
employees participated in training programs

161,000
training hours completed during the year

List of Training Conducted in FY 2023/24

- Basic and Advanced Excel Training
- Diploma in Digital Marketing
- Employee Grievance Handling
- Occupational Health and Safety
- Legal and HR Implications of Transfers and Secondments
- English Language and Presentation Skills
- Executive Development Program
- Lead Time and Changeover Improvement for Product Development
- Mastering Recruitment and Selection
- Negotiation and Influence Training
- Public Speaking Course
- SAP Training
- Training on the Art and Science of Crafting a Thriving Organisational Culture
- Warehouse Management Program
- Leadership Coaching Sessions
- New Corporate Governance Rules
- Related Party Transaction Training
- Positive Approach Towards Victory

List of Awareness Programs Conducted in FY 2023/24

- Seminar on colour management and ITS application
- Awareness session on German Supply Chain Due Diligence Act
- Challenge Discomfort (Snake Handling and Awareness)
- ChatGPT
- Cyber Security Summit 2023
- Design Thinking
- Stress Management
- How to conduct Behavioural Interviews
- Sourcing and Supply Chain Seminar & Forum

DRIVING SOCIAL INTEGRATION AND CAREER PROGRESSION

The Group empowers employees through an array of 'Social Capital' initiatives, enabling them to pursue their career goals and aspirations, and enhancing their lives beyond daily work routines.

These initiatives promote social inclusion and encourage financial independence. Details of the Group's primary initiatives are outlined on the following pages.

DIRILIYA	DIRIDARUWO	P.A.C.E	GEAR	STOP	BSR HER
ගෙළ දිරිලිය	ගෙළ දිරිදරුවෝ	P.A.C.E.	BetterWork	care	BSR HERproject

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

DIRILIYA

Diriliya was established in 2021 by the Hela Group to foster an entrepreneurial culture among its employees and enhance their business skills. The program has provided more than 15,000 hours of training in areas such as manufacturing, finance, quality, legal, marketing and people management. It also offers vocational training in technical skills, such as needlework, dress making and pottery.

Over 150 product fairs have been conducted across Hela's locations in Sri Lanka and Ethiopia, along with various external market opportunities, where participants can showcase their products, achieve retail sales and secure bulk orders. Local and international collaborations include partnerships with BetterWork, the Egyptian Embassy in Sri Lanka, the Academy of Design and Urban Island. Entrepreneurship trainings were also conducted in Sri Lanka with the support of the International Labour Organisation (ILO) , aiming to enhance the business skills and entrepreneurial mindset of young individuals.

Hela intends to expand its partnerships with third party organisation to support the Diriliya program in the coming years.

Objective

Enhance the economic stability of employees, while redefining apparel workers as societal heroes and fostering strong bonds between leadership and employees

Key Highlights

- Highest annual income generated by a Diriliya member is more than Rs. 3 Mn
- Diriliya was launched in Ethiopia in May 2023, resulting in the creation of 35 new entrepreneurs
- Initial participant target of 750 for FY 2023/24 was surpassed, with 956 employees participating across Sri Lanka and Ethiopia

Hela Diriliya Product Launch at Urban Island Sri Lanka

Hela Diriliya Launch in Hela Ethiopia

Team Hela Diriliya at the Egypt Bazaar at One Galle Face

Team Member Product Display at the Hela Diriliya Pola

DIRIDARUWO

Diridaruwo, founded in 2022, aims to support the education of children belonging to Hela Group employees through scholarships for secondary and undergraduate studies. The program is supported by financial contributions from both Hela and Tesco, and is administered by the non-governmental organisation Berendina. Alongside financial aid, educational programs are implemented to nurture the potential of these students and guide them in setting career objectives. The initiative utilises a document database to monitor scholars' advancement, assess personal aspirations, identify educational requirements, and offer necessary assistance.

Objective

Unlock the true potential of the scholars, by empowering them and enhancing their employability.

Key Highlights

- Over 800 scholars have benefited
- English and IT knowledge provided to over 350 scholars
- 28 online sessions with industry leaders to provide insights and address concerns
- Parent awareness and career guidance sessions in collaboration with Berendina with over 900 participants in 9 locations across Sri Lanka
- 30 employment opportunities directly created

Diridaruwo Batch Enrolment at Hela's Ukuwela Manufacturing Facility

An inspiring guidance session led by Hela and Berendina

Diridaruwo Scholarship Holders at the EDEX- EXPO Event

One-on-One Consultation Sessions with Diridaruwo Students

Hela and Berendina Led Training Session for the Parents of Scholarship Holders

CAPITALS REPORT

HUMAN AND SOCIAL CAPITAL

P.A.C.E

P.A.C.E (Personal Advancement Career Enhancement), introduced to the Hela Group in February 2020, is an innovative learning program that provides foundational life skills and support to team members through a partnership with PVH Corp. The program modules are crafted to strengthen crucial life skills, including, Communication, Problem Solving & Decision Making, Time & Stress Management, Financial Literacy, Legal Literacy, Execution Excellence, Water Sanitation & Hygiene, General & Reproductive Health. While the program was initially focused on females, Hela has expanded its coverage to include males, ensuring a balanced approach across genders.

The Hela Group completed the P.A.C.E program in December 2023 and is now supporting its transition to RISE (Reimaging Industry to Support Equality). This evolved program aims to support collaborative industry action to advance gender equality in partnership with its founding organisations.

Objective

A program aimed at fostering personal growth and advancing careers.

Key Highlights

- 4,179 Hela employees (including 3,882 females) have been trained since the introduction of the program in 2019/2020
- Conducted an introduction to the P.A.C.E journey at the Sri Lankan PVH Hub in January 2023
- Held knowledge sharing sessions in collaborations with PVH in Turkey in January 2023
- In January 2024, two specialists were trained for Hela as part of the RISE Train the Trainers (TOT) program.

The Graduation Ceremony for the 2nd P.A.C.E. Batch at Hela Egypt

P.A.C.E. Training Competition at Hela's Mawathagama Manufacturing Facility

P.A.C.E. Training Session

Personalised Discussions with P.A.C.E. Team Members

GEAR

GEAR (Gender Equality And Returns) was launched in Sri Lanka during 2023 by BetterWork, a collaboration between the International Labour Organisation (ILO) and the International Finance Corporation (IFC). The program offers structured training pathways for team member to progress their careers to executive-level roles. It aims to enhance participants' technical expertise and soft skills to support their professional development.

Objective

Unlock career opportunities for women, improve operational performance and productivity, and increase female representation in leadership positions.

Key Highlights

- Program launched in Sri Lanka in 2023
- 43 participants in the first batch
- 70% of the initial batch have been promoted

The conclusion of a successful GEAR Refresher Session at Hela

GEAR Graduation Ceremony

STOP

The STOP program for the Prevention of Sexual Harassment in the Workplace was launched in Ethiopia in August 2023, in collaboration with the CARE Foundation. The initiative aims to establish effective mechanisms within manufacturing facilities to address sexual harassment. The targeted factories now have a strong process in place to react effectively to incidents of sexual harassment. In particular, STOP focuses on empowering garment workers to be able to report incidents of sexual harassment without fear of retaliation, while also promoting safer and more respectful workplace environments.

Objective

To implement effective workplace mechanisms in garment factories to address sexual harassment, ensuring that workers feel secure reporting incidents without fear of repercussions.

Key Highlights

- Launched program in Ethiopia in August 2023
- Conducted prevention of sexual harassment trainings for over 190 participants
- Established a 20-person committee for the prevention of sexual harassment in Ethiopia
- Delivered training sessions for over 20 middle managers

BSR HER FINANCE

Introduced to Hela's Egyptian manufacturing facility in July 2023, the BSR HER Finance program aims to improve the financial inclusion of low-income workers by transitioning them from cash to digital salary payments. In addition, the program provided training to female and male workers on access and use of digital finance, as well as the benefits.

Objective

Improving financial inclusion and well-being, by providing trainings on digital finance tools

Key Highlights

- Pilot run conducted with 40 participants
- Baseline assessments, worker level training and endline assessments conducted

CAPITALS REPORT

MANUFACTURED CAPITAL

The Hela Group's Manufactured Capital is a central part its value proposition and includes production machinery and other physical infrastructure located across its operating countries. To remain competitive in the global apparel market, attract new business and retain existing customers, the Group intends to continue strengthening its Manufactured Capital by incorporating cutting edge technologies.

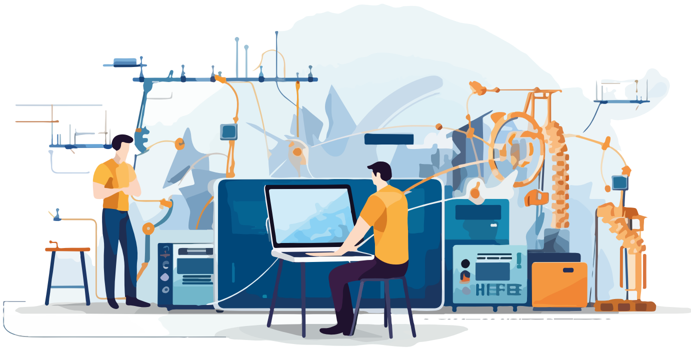
Number of garments produced during FY 2023/24

65 Mn
Garments Produced

Automatic Fabric Cutting Machine at the Hela Manufacturing Facility in Thihariya

STRATEGIC PRIORITIES

- Ensure reliable operations and optimise capacity utilisation
- Implement business process improvements to drive operational efficiency and cost reductions
- Invest in automation and digitalisation to increase productivity and reduce waste
- Reduce the Group's environmental footprint



Relevant UN SDG's

MANUFACTURING CAPITAL INPUTS

- 10 manufacturing facilities , located in Sri Lanka, Ethiopia, Kenya and Egypt
- Property, plant and equipment amounting to Rs. 6.8 Bn
- Capacity of approximately 6.5 Mn standard hours

STRATEGIC ACTIONS

- Focus on operational excellence and capacity optimisation
- Increase operational and cost efficiencies through digitisation projects, automation and re-engineering projects
- Strategic investments to expand and modernise production capabilities

OUTPUTS

- + 65 Mn garments produced
- Optimised manufacturing capacity
- Maintaining Acceptable Quality Limits (AQL) at 0.65

OUTCOMES

- Safe working place for employees
- On time delivery
- Improved operational efficiencies
- Improved capacity utilisation

CAPITALS REPORT

MANUFACTURED CAPITAL

MANAGEMENT APPROACH

The Hela Group invests a significant amount of its financial resources in improving its manufacturing capabilities. Machinery and equipment undergo regular upgrades, and advanced technologies are adopted when deemed cost-effective means of improving operational efficiency and providing additional capabilities.

To be in line with the strategic goals of the Hela Group, proposed investments are subject to a thorough appraisal process that takes technical, social, environmental, and financial factors into account. Under the direction of the Board, the implementation and maintenance of the Group's Manufactured Capital is managed by a specialised technical and engineering teams, which includes representatives based in all manufacturing locations.

STRENGTHENING MANUFACTURING CAPITAL

The Group sought to bolster its manufacturing capabilities during FY 2023/34 by focusing on optimising capacity utilisation, enhancing capabilities through technology, and improving operational efficiencies. Capacity expansion requirements were limited due to the challenging operating environment, which reduced demand from major customers. With the roll-out of the S/4HANA Fashion ERP system across the Group completed during the year, the requirement for investments in digital system and infrastructure was also reduced.

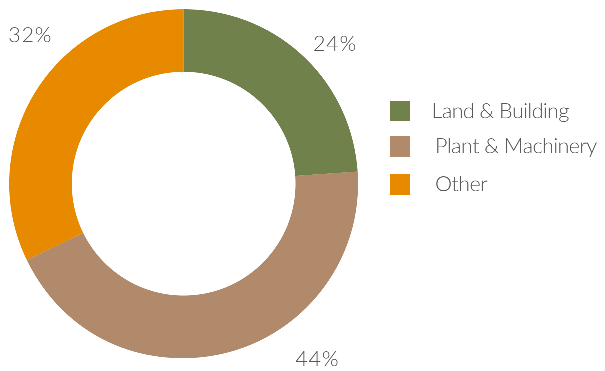
In this context, capital expenditure during FY 2023/24 focused on productivity and capability enhancing investments in production machinery. In addition, investments were made in the Group's manufacturing facilities to optimise space utilisation and ensure ongoing compliance with industry standards for occupational health and safety. The Group's capital expenditure was particularly focused on Egypt during FY 2023/24 as the facility continued to ramp up to full scale. Sri Lanka also benefited from investments in additional production machinery to strengthen its manufacturing capabilities, particularly in sportswear products.

KEY FOCUS AREAS

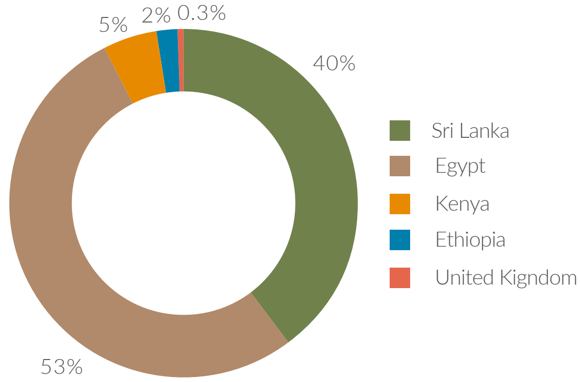
Driving Operational Excellence

The drive for operational excellence at Hela starts with a rigorous approach to production planning that aligns closely with manufacturing capabilities. To ensure that every production line is ready and optimised, extensive pre-production work and in-depth 5M (man, machine, materials, methods, and measurement) assessments are carried out prior to the start of production. Continuous monitoring is used throughout production to guarantee that hourly targets are met. To minimise downtime and ensure smooth operations, machine breakdowns are promptly addressed. In addition, quick responses to production errors are essential for effectively managing production timelines and ensuring customer satisfaction. Together, these actions help Hela to maintain a high quality of production, while providing creative and sustainable garment supply chain solutions across a range of product categories.

Capital Expenditure by Type in FY 2023/24
% of Total



Capital Expenditure by Country in FY 2023/24
% of Total



Extensive investments have also been made in digital systems, such as the SAP S/4HANA ERP system and the internally developed Manufacturing Execution System.

Digital Infrastructure

The Hela Group's manufactured capital encompasses physical infrastructure crucial for digital integration, such as computers, data centres, networks, and peripheral devices. Extensive investments have also been made in digital systems, such as the SAP S/4HANA ERP system and the internally developed Manufacturing Execution System.

3D design software, such as V-Stitcher and Browzwear, is extensively utilised within the Hela Group to create virtual product samples. These tools allow digital visualisation and prototyping of new designs, which facilitates effective product development and ensures accuracy prior to the commencement of physical production. The Group's dedication to innovation and modernisation throughout its operations is demonstrated by the use of these technologies, which have proved crucial in improving operational efficiency

Machine Maintenance

Hela's manufacturing process incorporates rigorous quality controls, including regular preventive maintenance for sewing machines and other production infrastructure at all locations. Each manufacturing facility has a training school where employees are instructed in machinery operation. Weekly process audits are also conducted to identify any irregularities and promptly address them.

Flexibility

To maximise efficiency, each production facility generally specialises in creating a certain range of products. Nonetheless, the Group retains the ability to transfer production between factories as needed, employing economical techniques like machinery conversions. Investments in manufacturing capabilities increase this adaptability to a range of client needs. As a result, the Group is well equipped to meet diverse customer expectations by fulfilling large-scale bulk orders, smaller customised orders, and individual samples.

CAPITALS REPORT

MANUFACTURED CAPITAL

GLOBAL MANUFACTURING FOOTPRINT

SRI LANKA

Hela Thihariya
Production Floor Space: **73,000 sq.ft.**
Annual Production Capacity
(SAH): **1,080,000**

Hela Mawathagama
Production Floor Space: **65,000 sq.ft.**
Annual Production Capacity
(SAH): **660,000**

Hela Ukuwela
Production Floor Space: **26,000 sq.ft.**
Annual Production Capacity
(SAH): **570,000**

Hela Palapathwala
Production Floor Space: **80,000 sq.ft.**
Annual Production Capacity
(SAH): **870,000**

Hela Narammala
Production Floor Space: **32,000 sq.ft.**
Annual Production Capacity
(SAH): **795,000**

Hela Naula
Production Floor Space: **30,000 sq.ft.**
Annual Production Capacity
(SAH): **600,000**

KENYA

Hela Kenya
Production Floor Space: **215,000 sq.ft.**
Annual Production Capacity
(SAH): **1,500,000**

ETHIOPIA

Hela Ethiopia
Production Floor Space: **236,000 sq.ft.**
Annual Production Capacity
(SAH): **1,800,000**

EGYPT

Hela Egypt
Production Floor Space: **276,000 sq.ft.**
Annual Production Capacity
(SAH): **1,120,000**

ENVIRONMENTALLY RESPONSIBLE MANUFACTURING

The Hela Group is mindful of the environmental impact of its manufacturing processes and is committed to investing in initiatives to reduce theses effects. This includes measures to reduce, and responsibility manage waste, as well as improving efficiency of resource use.

The Group has received ISO certifications for Greenhouse Gas measurement and management, and for its Environmental Management System. In addition, Hela employs the Higg Index as an industry-benchmark to measure the environmental impact of its operations at each location. The Group is also working towards Science Based Targets to reduce its Greenhouse Gas emissions, promote a zero-carbon economy, encourage innovation and drive sustainable growth. Please refer to Natural Capital on page 66 for further details.

WAY FORWARD

The Hela Group is pursuing a strategy of further prudent investments in its Manufactured Capital to reduce machinery rental requirements, while enhancing its production capabilities and efficiencies. This will ensure that the Group is well placed to remain competitive in the midst of a challenging operating environment and take advantage of new opportunities as conditions improve.

CAPITALS REPORT

RELATIONSHIP CAPITAL

The Hela Group is committed to cultivating long term strategic partnerships with its customers and suppliers. These collaborations, which strengthen the Group's Relationship Capital, are based on trust, respect and accountability.

New customers onboarded during FY 2023/24

10+
New Customers

His Excellency William Samoei Ruto, President of the Republic of Kenya, visits Hela's Kenyan manufacturing facility

STRATEGIC PRIORITIES

- Onboard new customers and enhance relationships with existing customers
- Form strategic alliances with customers by delivering cutting-edge, customised designs that meet their unique needs
- Strengthen supply chain resilience by focusing on regionalisation, rationalisation, and enhanced collaboration

Relevant UN SDG's

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

RELATIONSHIP CAPITAL INPUTS

- A strong and competitive value proposition for customers
- A strong, regionalised supplier network
- Focus on regulatory compliance

STRATEGIC ACTIONS

Customers

- Onboard new customers and strengthen relationships with existing customers
- Create strategic alliances with customers by providing them with cutting edge, tailored designs

Suppliers

- Drive environmental and social compliance
- Collaborate to enhance operational efficiencies

OUTPUTS

- 10+ new customers onboarded in FY 2023/24
- 76 new suppliers onboarded

OUTCOMES

- 2 customer awards
- 25+ private label brand partners retained
- Customer and supplier satisfaction

CAPITALS REPORT

RELATIONSHIP CAPITAL

MANAGEMENT APPROACH

Stakeholder	Management Approach
Customers	• Continuous multi-level engagement with customers to understand concerns and requirements • Collaborating for innovation • Compliance with customer requirements including ESG standards • Obtaining regular feedback on performance
Suppliers	• Continuous focus on strengthening regional supply chain capabilities • Collaborating with suppliers on innovations in product materials • Ensuring supplier compliance with customer standards
Regulatory and certification bodies	• Continuous focus on compliance with regulatory and certification requirements. • Supporting audits and requests for information • Implementing recommendations

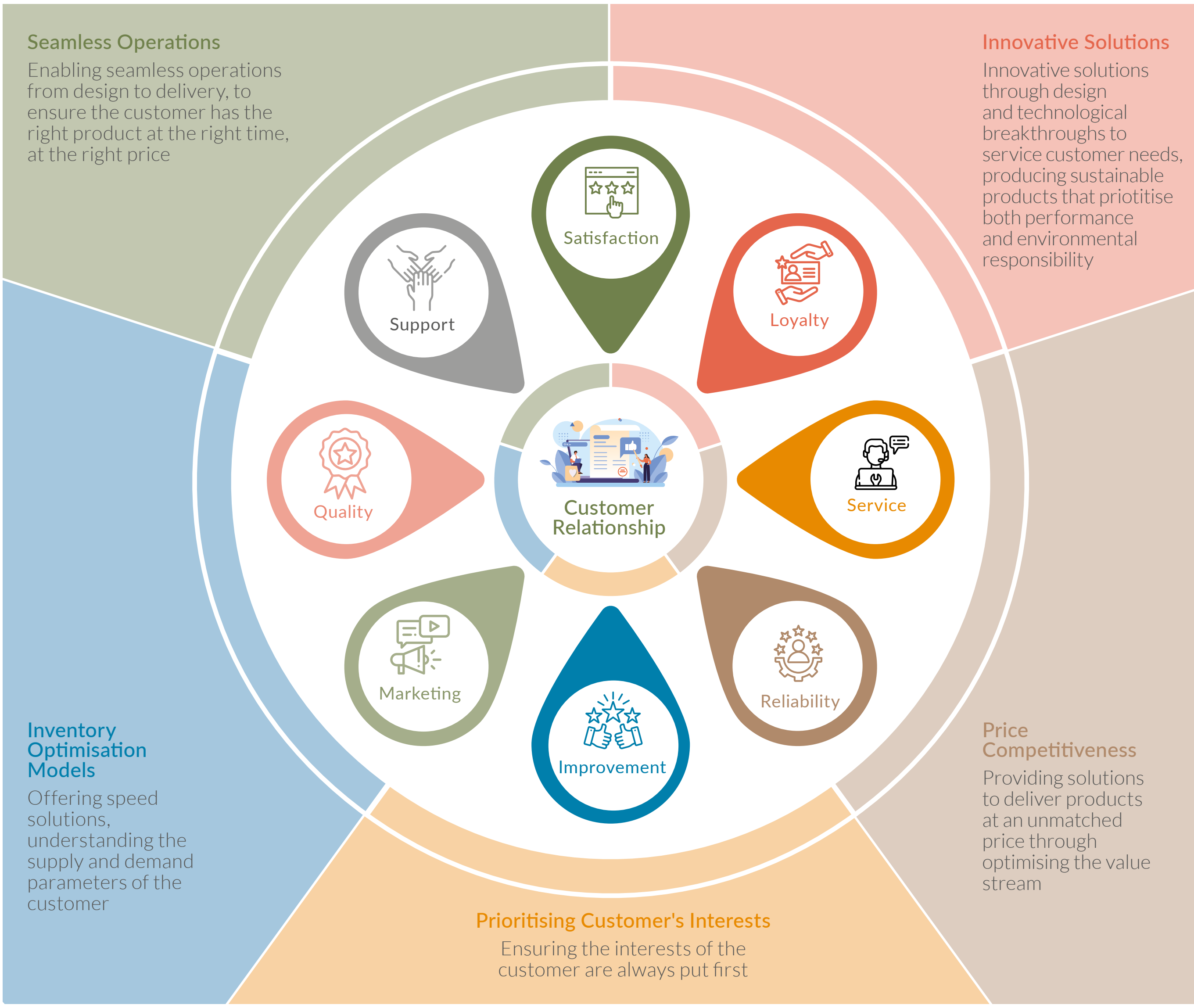
BUILDING STRATEGIC CUSTOMER PARTNERSHIPS

The Hela Group aims to provide its customers with comprehensive supply chain solutions, offering services from design to distribution. To better serve its customers, the Group continuously explores new supply chain models to minimise delivery times and promote strategic partnerships throughout its global network. Increased collaboration on product creation has been facilitated by recent investments in digital capabilities and strengthened design and technical functions. The Group has developed strategic relationships with its customers, giving it a competitive edge over competitors in the apparel industry.

Hela Group's Diverse Customer Base

The Hela Group's customer base spans several key categories, including high street and luxury fashion brands, a range of sports and sports-inspired brands, supermarkets and other mass market retailers. This diverse portfolio enables the Group to mitigate risks from demand shifts in specific segments. Moreover, exposure to a variety of distribution channels, ranging from direct-to-consumer e-commerce to supermarkets increases its resilience to changes in demand. Furthermore, Hela's operational presence across the US and Europe, position the Group to effectively meet the needs of its varied customers.

HELA GROUP'S CUSTOMER VALUE PROPOSITION



CAPITALS REPORT

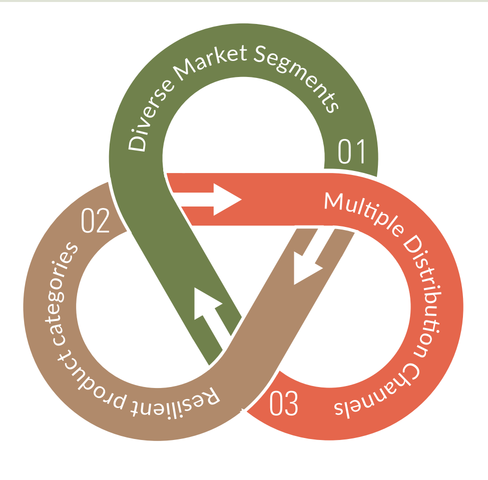
RELATIONSHIP CAPITAL

Customer Engagement and Satisfaction

Independent assessments completed by the Group's customers evaluate Hela's performance based on a variety of factors, including quality, lead time, and on-time delivery. The Group is able to improve customer satisfaction and implement corrective measures based on the feedback received from these regular evaluations.

1. **Customer visits:** Pre-planned and scheduled customer visits, either at the premises of the customer or Hela enabling engagement and constructive discussions
2. **Customer call cadences:** Weekly, monthly and quarterly call cadences set up with the customers to engage on operational, tactical, & strategic initiatives
3. **Design visits:** Seasonal design visits done in collaboration with the customers to share Hela designs and innovations
4. **Customer satisfactory surveys:** Gather valuable feedback to enhance our services and understand customer expectations

MAINTAINING A DIVERSE CUSTOMER BASE TO SUPPORT DEMAND



To support demand security, the Hela Group has built a diverse customer base across various product categories, market segments and diverse distribution channels.

Resilient product categories: Hela primarily focuses on the production of Intimate, Kids and Active wear. Having different product categories enables the Group to be less vulnerable to economic fluctuations.

Diverse market segments: The Group's customer portfolio consists of mass market brands, lifestyle and luxury brands. This diversification helps reduce the risks associated with shifts in demand across different market segments.

Multiple distribution channels: The Group's customer base spans various distribution channels including supermarkets, e-commerce platforms and direct-to-consumer. This diversity helps to provide exposure to a broad range of sales channels.

Retaining Customer Confidence in FY 2023/24

Following a post-pandemic boom in demand for apparel products, the Hela Group's key markets in North America and Europe experienced a deterioration in economic conditions during FY 2023/24. This impacted demand in the fashion sector particularly severely, leading to surplus of manufacturing capacity globally. In this context, major apparel brands also sought to navigate the challenging economic environment by rapidly adjusting their strategies or seeking new partnerships, contributing to increased volatility in the sector. Global geopolitical tensions also put further pressure on global supply chains, resulting in increased freight costs and logistical challenges.

Despite the challenges, the Group identified several opportunities for growth. Building strategic partnerships with its customers ensured the ongoing reliance of Hela's operations amidst economic volatility, bolstering stability and trust. As mid-tier fashion brands were among the most impacted by reduced demand, the Group expanded its footprint in both mass market and luxury channels, capitalising on the rising demand from low end and high-end retailers. The adoption of a 'China Plus' strategy further proved advantageous, in supporting sourcing from the South Asian and African regions. Furthermore, the Group diversified into niche product categories such as teamwear, securing contracts with prestigious sports teams.

In addition, the Hela Group demonstrated its strengths in enhancing the value of its products through sustainability initiatives and value-added services. The Group's key value propositions, include duty free sourcing, high quality products, rapid turnaround times and competitive pricing. The establishment of a regional supply chain in North and East Africa further reduced operational risks by mitigating global logistical disruptions. These strategic initiatives enabled Hela to effectively mitigate risks and harness emerging opportunities, positioning the organisation for renewed growth in the fiercely competitive global market.

ENSURING A RESILIENT SUPPLY CHAIN

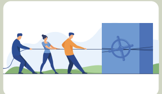
96% of Hela's annual procurement spend is on routine items such as fabrics, accessories and packaging for the manufacture and supply of core apparel products. The remaining 4% is spent on suppliers and service providers who offer embellishment such as embroidery, printing and washing.

Within this context, Hela has a diverse supplier base that can be categorised as follows:

- Corporates, which are large businesses mostly comprised of mills and major packaging manufacturers;
- SMEs and local community suppliers, who are primarily engaged in embellishments and garment accessories;
- Foreign suppliers, who are based outside our operating countries.

The Group's key value propositions, include duty free sourcing, high quality products, rapid turnaround times and competitive pricing.

HELA GROUP'S SUPPLY CHAIN FOCUS AREAS



Resilience
Continuously identifying alternative suppliers to reduce supply chain risks, while offering customers more competitive prices or new raw material innovations.

Regionalisation
Building partnerships with regional suppliers in South Asia and Africa to establish localised supply chains, which improve operational resilience, reduce costs and lead times, and mitigate the environmental impact of raw material transportation.

Rationalisation
Streamlining the total number of suppliers to ensure strategic relationships that are mutually beneficial and meet customer requirements.

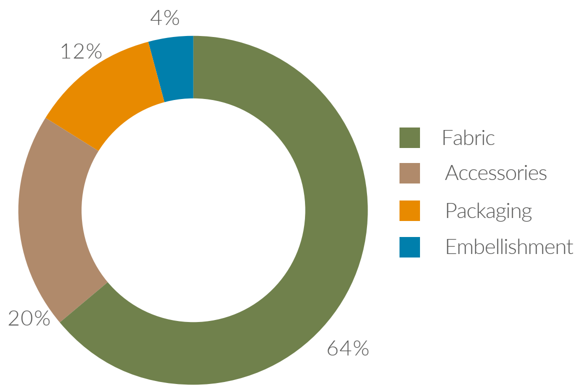
Collaborations
Collaborating closely with suppliers to provide customers with the optimal solutions, as well as working with broader stakeholders to support supply chain development.

CAPITALS REPORT

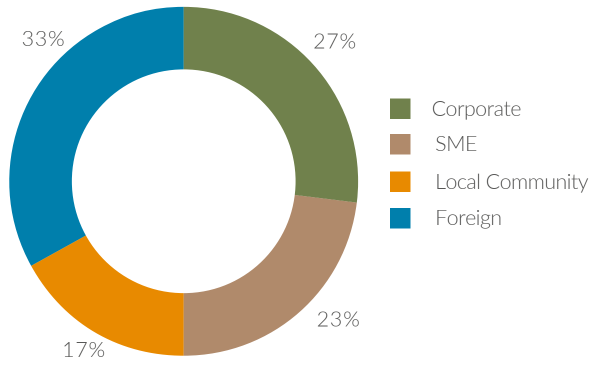
RELATIONSHIP CAPITAL

OVERVIEW OF HELA'S SUPPLY CHAIN

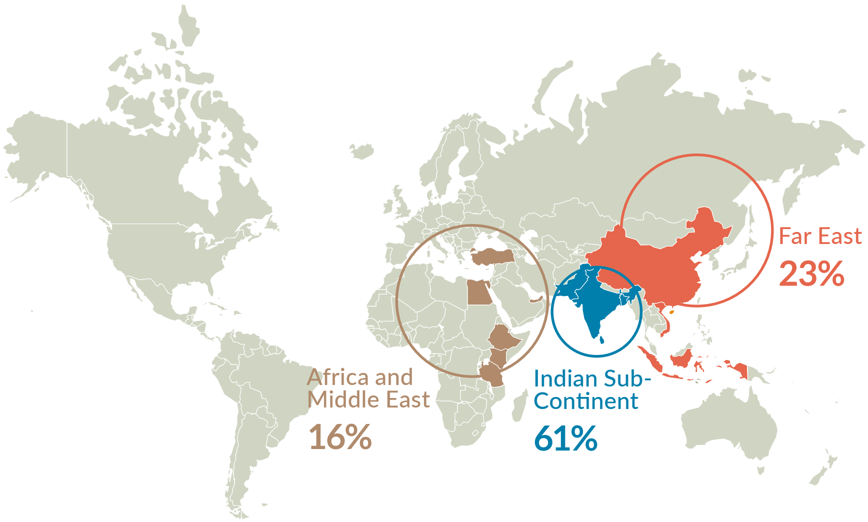
Raw Material Purchases by Item in FY 2023/24
% of Total



Raw Material Purchases by Supplier Type in FY 2023/24
% of Total



RAW MATERIAL PURCHASES BY REGION IN FY 2023/24



MAINTAINING AN ADAPTIVE AND RESILIENT SUPPLY CHAIN

The Hela Group has a structured supply chain management programme with the goal of building enduring, sustainable partnerships with suppliers that share its values. The supply chain team actively interacts with these suppliers on a regular basis, advocating for a shared values strategy that fosters development on both sides. The ongoing digitisation of procurement processes, including the integration of tools like Fast React with the Group's SAP S/4HANA ERP system, aims to simplify operations, reduce transactional costs, and improve lead times for raw materials.

Resources are also allocated towards strengthening the Group's regional supply chains, with hubs in Sri Lanka and Africa that oversee raw material quality and assist in the supplier development process. This has supported significant progress in the regionalisation of the Group's supply chain, while also improving quality performance and reducing lead times. These efforts have received positive feedback from key customers and contributed to the retention and growth of key accounts. The hubs have also enabled the Group to reduce the cost of raw materials in a challenging environment where customers are increasingly focused on pricing and profitability.

Selection and Engagement of Supplier

The Hela Group has stringent guidelines and procedures for supplier selection, requiring its suppliers to adhere to the Group's principles and uphold the highest social and environmental standards. The onboarding process begins when a supplier is chosen by the sourcing or merchandising team, who then sends a request to the supply chain team. Suppliers could be either nominated suppliers from customers or those identified by Hela. The selected suppliers must contractually commit to the Hela Group's Supplier Code of Conduct. They also undergo technical examinations and electronic evaluations, followed by on-site evaluations.

Hela Group Supplier Code of Conduct

- Legally binds all suppliers at the point of onboarding
- Requires that suppliers maintain a transparent business environment, whilst conducting themselves ethically and fairly, upholding fundamental business standards and human rights, including fair labour, anti-bribery and corruption best practices.
- Requires adherence to all applicable laws, including those pertaining to environmental management, minimum wage levels, child labour, and health and safety regulations.

RESPONSIBLE SOURCING

A key focus area for the Hela Group is ensuring responsible sourcing of raw materials. The organisation proactively promotes the adoption of ethical and environmental standards by its suppliers, including certifications and accreditations issued by major global bodies. Hela's internal supply chains team also conducts regular audits on suppliers.

HELA'S RESPONSIBLE SOURCING OUTCOMES IN FY 2023/24

100%	of the Group's fabric suppliers are OEKO-TEX certified. This certification is updated regularly to include new chemicals identified as harmful to the environment and users.
90%	of core fabric suppliers are accredited for Zero Discharge of Hazardous Chemicals (ZDHC). This certifies that the mills do not discharge any hazardous chemicals and pollutants into the environment.
83%	of the Hela Group's core suppliers are compliant with Higg-FEM 4.0
100%	of supply chain partners are either compliant with Sedex Members Ethical Trade Audit (SMETA), Worldwide Responsible Accredited Production (WRAP) or Social and Labour Convergence Programme (SLCP).
13%	of the Group's total fabric purchases are from certified sustainable sources, including organisations such as the Better Cotton Initiative

CAPITALS REPORT

RELATIONSHIP CAPITAL

Supplier Engagement Activities

- Ongoing communication and regular supplier visits to ensure strong engagement.
- Frequent supplier audits are carried out, which include both pre-arranged and unannounced on-site inspections of manufacturing plants. Suppliers are informed of any detected non-conformities, and Hela provides direction and assistance to enable them to carry out the required corrective steps.
- Supplier scorecards are used to evaluate the performance of important suppliers in crucial areas, including information sharing, quality, and delivery. The issues requiring improvement are discussed with the relevant vendors.
- To ensure that suppliers meet product regulatory requirement, as well ethical and environmental best practices, regular due diligence checks are carried out.
- Fostering partnerships with suppliers to develop raw material innovations, with a particular focus on sustainability and performance.

Achievement in FY 2023/24

Hela supported two fabric mills in Africa - Red Earth in Tanzania and Hesni In Egypt – to achieve the required accreditation needed to supply top brands in the apparel industry

COLLABORATIVE SUPPLIER RESEARCH AND DEVELOPMENT PROJECTS FOR PRODUCT INNOVATION

REGENERATIVE COTTON SUPPLY

Initiative aims at working with 1,500 small scale farmers in the field of regenerative cotton farming.

WASTE MANAGEMENT & RECYCLED COTTON YARN

Partnered with an African-based waste collector, who sorts fabric waste for recycling. These recycled materials are then processed into yarns for use in apparel products. Additionally, through post consumer recycling programmes, used garments are collected and converted into new fabric using recycled yarn.

BIO-BASED ANTI ODOUR CONTROL

Hela partnered with a supplier to create a bio based odour control product designed to meet a major customer's anti odour testing protocol. The product includes 70% castor oil amongst its sustainable raw materials, passing the ISO 17299-3 test.

BAMBOO YARN

Bamboo yarn provides an eco-friendly and economically-viable cellulosic material solution, and was developed in partnership with a strategic supply based in Turkey.

STAY WHITE

Collaborative partnership that developed Stay White fabric options, preserving the brilliant whiteness of garments after multiple washes. The fabric was adopted by a number of major customers.

SUPPLY CHAIN RISK MANAGEMENT AND REGIONALISATION

With the goal of enabling effective and efficient management of suppliers, the Hela Group's supply chain team employs a range of tools, such as risk forecasting, supplier integration, and demand planning. Regionalisation has also allowed the Group to ensure a consistent supply of raw materials to its geographically diverse locations. The Group has effectively mitigated risks related to lead times brought about by the disruption to maritime shipping via the Red Sea, by fostering regional alliances and supporting existing supply chain investments in Africa. That said, there remains significant risks to consider. Competitive entry barriers have been lowered by the regionalisation strategy, allowing competitors to leverage Hela's established supplier network. The geopolitical impact of the Red Sea crisis has also resulted in increased transportation costs.

Moreover, the migration of skilled labour and limited technical and managerial skills in some locations can impact raw material quality. Environmental risks arising from potential government policy changes are also being mitigated by adhering to stringent market standards.

WAY FORWARD

The Hela Group intends to continue strengthening its customer engagement strategy, which is crucial when operating in a volatile environment. Prioritising supplier performance will also advance the Group's four supply chain focus areas and enhance supply chain management, quality, and consistency. By streamlining the supplier base, enhancing compliance, and promoting ethical sourcing, this strategy aligns the Hela's Group's growth strategy with capabilities, responsiveness, and risk mitigation.

CAPITALS REPORT

INTELLECTUAL CAPITAL

The Hela Group's intellectual capital includes its brand, systems, standards, processes, design and innovation capabilities, and organisational tacit knowledge, all of which contribute to its competitive positioning in the global apparel industry. The acquisition of Focus Brands in January 2024 adds further significance to the Group's intellectual capital by extending its service offering to brand management.

Licensed and owned brand acquired with Focus Brands

11
Fashion Brands

Hela's Brand Licensing Division, Focus Brands' Showroom in Berlin

STRATEGIC PRIORITIES

- Strengthen the reputation of the Hela Brand
- Promote environmental sustainability through innovative supply chain solutions
- Increase operational efficiency and productivity by leveraging technology
- Align processes and systems with global best practices
- Invest in skill development and knowledge sharing programs
- Grow the Group's owned and licensed brands

Relevant UN SDG's

INTELLECTUAL CAPITAL INPUTS

- The Hela Brand
- Systems, standards and processes
- Organisational tacit knowledge
- Dedicated design and technical teams

STRATEGIC ACTIONS

- Strengthen Hela brand through development initiatives
- Align processes and systems with global best practices
- Invest in skill development and knowledge sharing programs
- Acquiring new brand licenses

OUTPUTS

- Enhanced brand value
- New product and process innovations
- New product accreditations

OUTCOMES

- Increased brand value and recognition
- Forward integration to move closer to the end consumer

CAPITALS REPORT

INTELLECTUAL CAPITAL

MANAGEMENT APPROACH

The management fosters the Group's intellectual capital by investing in systems and processes, improving brand exposure, and promoting a culture of continuous learning and knowledge sharing.

THE HELA BRAND

The Hela Group has built a global reputation as a leader in sustainable, ethical, and innovative apparel supply chain solutions. The brand's reputation for reliability, quality, and competitive global manufacturing capabilities has made it a preferred partner for major international fashion brands.

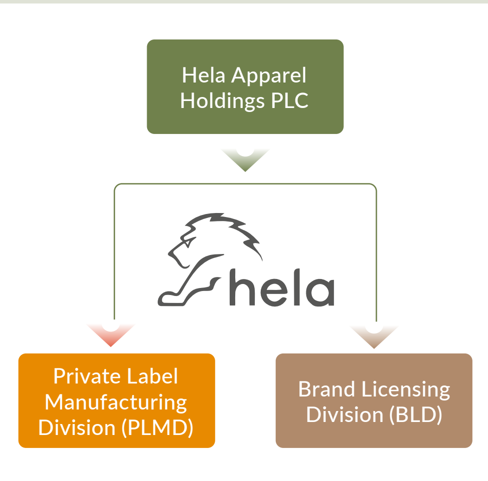
Moreover, the Group is recognised for its dedicated environmental sustainability programs (refer to Natural Capital for further information) and employee empowerment initiatives (refer to Human and Social Capital for further information). Awards received during the year provide further evidence of the Group's dedication to excellence (refer to Awards and Recognitions on page 17).

ESTABLISHMENT OF BRAND LICENSING DIVISION

Hela's acquisition of Focus Brands Limited in January 2024 has broadened its service offering and market positioning to include brand management. Focus Brands will form the basis of Hela's new Brand Licensing Division and operate independently of the existing business (referred to as the Private Label Manufacturing Division).

HELA GROUP'S INTELLECTUAL CAPITAL

EVOLVED STRUCTURE OF THE HELA GROUP



Hela is seeking to build an apparel company of the future by harnessing synergies across the apparel supply chain to drive value creation. The strengths of PLMD and BLD unlock new opportunities for collaboration and broaden ties with key stakeholders in the fashion industry.

Expected synergies between the PLMD and BLD include:

- Opportunity to leverage Hela & Focus Brands' existing customer networks to access new markets and distribution opportunities.
- Hela's sophisticated supply chain will support duty-free sourcing and innovative inventory solutions for Focus Brands
- Leveraging mutual strengths in design and product development to drive hero product creation across both organisations
- Supporting Hela to develop & demonstrate manufacturing capabilities in new product categories, such as outerwear

Focus Brands is an established brand licensing and management company, based in the United Kingdom that specialises in the building world-leading sports fashion and lifestyle brands

FOCUS BRANDS

Licensed Brands

Focus Brands has a portfolio of licensed sports, fashion and lifestyle brands. Hela intends to optimise this portfolio by focusing on brands with higher potential returns, as well as adding new brands & product categories that strategically fill market gaps.

ellesse

NAUTICA

REEBOOK

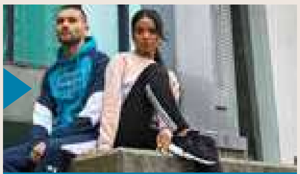
NAUTICA COMPETITION

PATRICK

FARAH

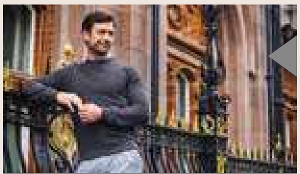
Owned Brands

Focus Brands also owns the intellectual property for several emerging lifestyle fashion brands, with significant potential for growth.



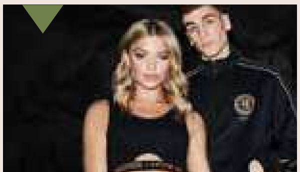
HENLEYS

FENCHURCH



PETER WERTH

YOGI



CERTIFIED

CAPITALS REPORT

INTELLECTUAL CAPITAL

STRATEGIC BENEFITS	
Forward Integration	Movement closer to the end consumer, providing higher blended profit margins
World-Class Capabilities	Access to Focus Brands' market-leading design, product development and promotion skills
Improved Demand Security	Source of demand for Hela's existing manufacturing business (for suitable product categories)

Early milestones following the acquisition of Focus Brands include the signing of a new licence agreement for Reebok outerwear in the UK and Europe, and a collaboration with Tesco to sell the Peter Werth and Fenchurch brands in their stores. These strategic moves highlight the Group's rapid progress in leveraging the strengths of the Focus Brands.

SYSTEMS, STANDARD AND PROCESSES

The Hela Group adheres to a number of international certifications pertaining to social and environmental responsibility, as well as product quality and safety. Whilst bolstering the Group's internal processes, these certifications also provide stakeholders with assurance about the strength and credibility of its operations.

HELA COMPLIANCE AND PRODUCT CERTIFICATIONS

WRAP	**Worldwide Responsible Accredited Production (WRAP)** WRAP is an independent, not-for-profit organisation that certifies lawful, humane, and ethical manufacturing operations across the world for sewn goods, apparel, textiles, and related industries.
SMETA	**Sedex Members Ethical Trade Audit (SMETA)** SMETA is the most widely used accreditation for social audits in the world, which assesses the working conditions of manufacturing facilities and supply chains.
Higg Index	**The Higg Facility Environmental Module (FEM)** The Higg FEM tool assesses and standardises sustainability measures and evaluates organisational environmental performances, annually.
Social & Labor Convergence	**The Social & Labour Convergence Program (SLCP)** This program provides the tools to capture accurate data about working conditions in global supply chains and is a converged assessment focused on supporting stakeholders to improve working conditions.
SCAN	**The Supplier Compliance Audit Network (SCAN)** SCAN is an industry trade association that ensures global compliance standards are achieved in reducing audit and operational redundancies for common supply chain stakeholders while maintaining confidentiality.
GSV	**Intertek's Global Security Verification (GSV)** The Intertek GSV accreditation was established to assist importers and suppliers in evaluating their security procedures in accordance with international supply-chain security regulations.
OEKO-TEX® Standard 100	**OEKO-TEX 100** The OEKO-TEX 100 label certifies that every component of the product, from the fabric to the thread and accessories, has been rigorously tested against a list of up to 350 toxic chemicals, trusted worldwide.
BetterWork	**Better Work** Better Work unites governments, global brands, factory owners, unions and workers to improve working conditions in the global apparel and footwear industry.
PVH	**PVH Gold Vendor Accreditation** The PVH Gold Vendor Accreditation recognises an organisation's efforts to uphold the highest standards for its people and the environment as per the Corporate Social Responsibility standards of PVH Corp.
GOTS	**Global Organic Textile Standard (GOTS)** GOTS was developed to define globally recognised sustainable standards for organic textiles from harvesting to manufacturing. Textiles certified by GOTS provide a credible assurance to the end consumer.
GRS	**Global Recycled Standard (GRS)** GRS is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions.
OCS	**The Organic Content Standard (OCS)** OCS is an international, voluntary standard that provides chain of custody verification for materials originating on a farm certified to recognised national organic standards.

CAPITALS REPORT

INTELLECTUAL CAPITAL

DIGITAL TRANSFORMATION

The Group's operational skills and productivity have been greatly enhanced by its investment in digital infrastructure, which focusses on cloud and mobile-first platforms. The implementation of SAP's S/4HANA Fashion ERP system during FY 2022/23 and FY 2023/24 represents the core of the Hela Group's digital transformation. This cloud-based system has established a streamlined 'Digital Core' for the Group, which supports data-driven decision-making and agility in handling business challenges. Moreover, the Group has embarked on a strategic digital transformation journey centred around innovation, prioritising the evaluation of emerging technologies such as Artificial Intelligence (AI) as a key focus area.

Hela Group's Digital Transformation Focus Areas

Emphasise

- Process orientation and optimisation
- Strengthening the Group's Digital Core to further enhance operational efficiency
- Data and analytics for insights

Emerging Risks

- Integrating emerging technologies and meeting evolving operational requirements such as remote working
- Assessing and mitigating rapidly evolving cyber security risks

Experience and Experiment

- Leveraging generative AI and effective use of data for agile decision making
- Introducing new cyber security technologies

Extend

- Extending digitisation across the Hela Group
- Building greater digital integration with suppliers and customers

DESIGN AND INNOVATION

The Hela Group operates design centres in Sri Lanka, the US, and the UK, which lead product development activities in collaboration with its customers. There is a particular emphasis on innovations that reduce the environmental impact of the Group's products and manufacturing processes, and the design teams work closely with customers and suppliers to develop new products, materials and processes that support circularity, waste reduction, and efficiency.

During FY 2023/24, the Group focused on three main design and innovation themes; (i) Life Under Water; (ii) Down to Earth; and (iii) Regenerative Design.

Hela Group's Design and Innovation Themes for FY 2023/24

LIFE UNDER WATER

This theme pays homage to the ocean by focusing on fabrications, prints and finishes that have minimal impact on the health of global oceans.

Ocean Safe

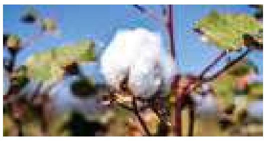
Textile technology company providing circular, biodegradable and toxin-free textiles, reducing water use and pollution in the apparel supply chain.

Algae Ink

Ink produced from algae as a more sustainable and eco-friendly alternative to traditional carbon-based inks.

DOWN TO EARTH

This theme offers a range of concepts aligned with the European Union's soil strategy for 2030, which forms part of its wider biodiversity strategy and sets out a framework for the sustainable use of agricultural land.



Regenerative Cotton

Focusing on regenerative farming methods for cotton that improve and restore the fertility of agricultural land.

Cotton Made in Africa

Verified cotton supply from Africa that ensures responsible cultivation, as well as compliance with key environmental and social standards.

REGENERATIVE DESIGN

This theme focuses on regenerative and circular textile innovations, that contribute towards the fashion industry's transition to Net Zero.

RCO100

Recycled cotton fabric made from pre and post-consumer textile waste and leftovers from fabric production.

Recycrom

Pigment powders made using textile fibres from used clothing and manufacturing waste.

Carbon Capture Fabrics

Polyester fabrics created from CO_2 emissions captured from other industrial activities.

Liva Reviva

Textile fibre made from 80% wood pulp and 20% pre-consumer fabric waste.

ORGANISATIONAL TACIT KNOWLEDGE

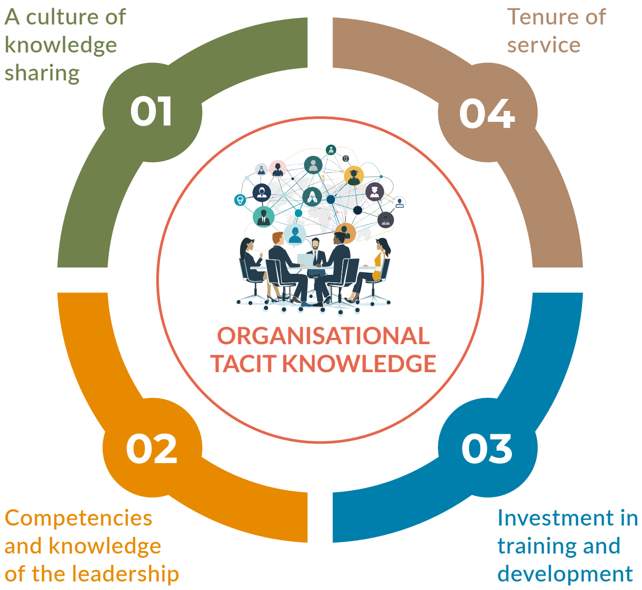
The Hela Group's competitive edge is derived from the skills and knowledge of its workforce. It therefore seeks to proactively develop and improve the organisation's tacit knowledge. All manufacturing facilities feature a training school where employees are instructed in machinery operation. Each location also has dedicated resources working on lean manufacturing operations and continuous process improvement.

Employees are encouraged to contribute ideas using suggestion boxes, with the best recommendations being incorporated and contributors being recognised appropriately. Specific improvement projects are also prioritised to enhance operational efficiency. Process Teams are rewarded for reaching productivity targets, which are based on a matrix of product categories and line efficiency. In addition, informal department competitions are held to keep staff members engaged and highly motivated.

CAPITALS REPORT

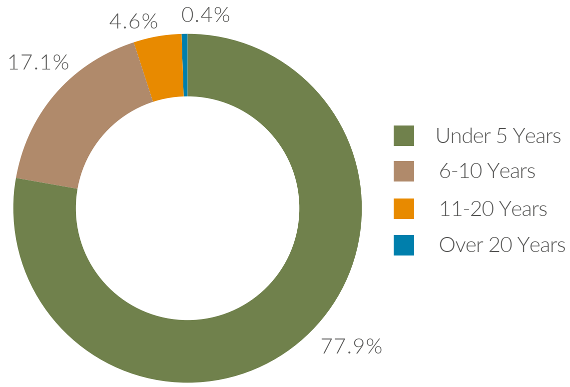
INTELLECTUAL CAPITAL

Inputs to the Hela Group's Organisational Tacit Knowledge



Tenure of Executive-level Employees in FY 2023/24

% of Total



WAY FORWARD

The implementation of the SAP S/4HANA Fashion ERP system has been pivotal in the establishment of Hela's Digital Core, driving organisational growth and delivering significant benefits throughout the year. Hela aims to further enhance these systems with emerging technologies such as AI and ensure seamless integration with customer and supplier networks.

The acquisition of Focus Brands during the final months of FY 2023/24 will also be a critical factor in the development of the Group's intellectual capital over the coming years. By proactively building the portfolio of licensed and owned brands, as well capitalising on the synergies between PLMD and BLD, the Hela Group intends to create significant additional value for its stakeholders.

EVER VIGILANT

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

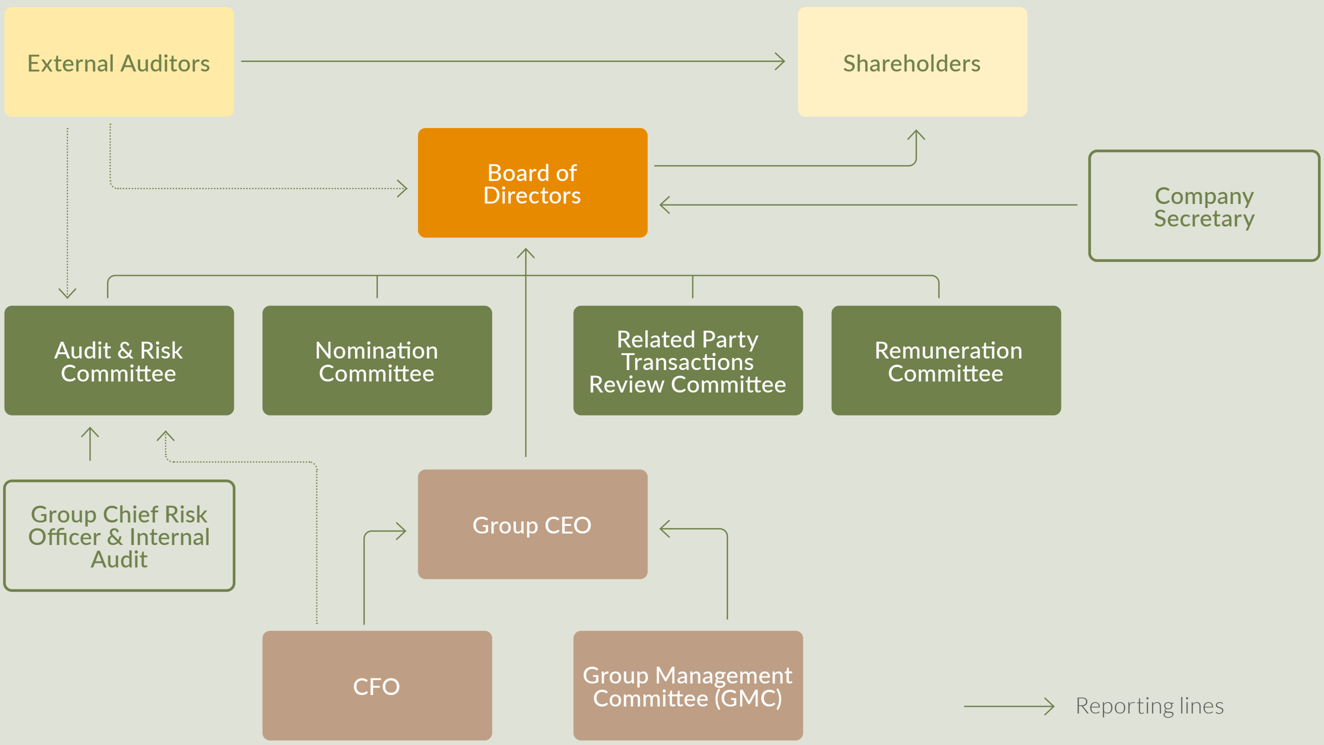
The Hela Group continued to enhance the resilience of its corporate governance frameworks in FY 2023/24. The Board sets the tone from the top, upholding the Group's values and core purpose, thereby strengthening the trust and confidence of its stakeholders.

OUR APPROACH TO GOVERNANCE

The Board has established robust governance practices and frameworks that underpin our business. Aligned with the Group's core values, these practices drive a culture of enhanced accountability, strong risk and performance management, and strategic agility. By supporting integrated thinking, the framework balances the interests of the Group, stakeholders, and society, fostering the creation and protection of sustainable value.

GOVERNANCE STRUCTURE

GOVERNANCE STRUCTURE OF THE HELA GROUP



The following internal and external instruments support our Group's Governance Framework

Mandatory External Regulations	Voluntary Standards	Internal Frameworks	Internal Mechanisms
• Companies Act No. 7 of 2007 • Listing Rules of the Colombo Stock Exchange (CSE) • Securities and Exchange Commission of Sri Lanka Act. No 19 of 2021	• UN Global Compact • Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)	• Articles of Association • Board and Committee Charters • Policies, Code of Conduct & Ethics	• Strategic Planning • Budgeting and Finance • Risk Management • People Management • IT Governance • Stakeholder Engagement

COMPLIANCE

The Hela Group and its Board of Directors are aware of their duty to comply with all laws, regulations, regulatory guidelines, internal controls, and approved policies. To ensure this, they have implemented controls to provide reasonable assurance of compliance.

The respective CEOs and CFOs of the Group clusters provide and sign off on monthly compliance statements, which are then sent to the Board. During the Audit & Risk Committee (AC) meetings, a separate compliance statement is submitted and tabled, with any instances of non-compliance highlighted. The AC escalates these non-compliance issues to the Board, who then advises on the appropriate actions.

The Hela Group is compliant with all relevant legal and statutory requirements, including the ILO conventions and other laws or regulations applicable to the jurisdictions it operates. During the year under review, no material penalties or fines were imposed on the Hela Group or its Directors for any legal or regulatory contraventions.

GOVERNANCE OF THE HELA GROUP IN 2023/24

During the year, the Board of Directors received strategic plans from management to revitalise business operations. The Board challenged management's estimations and judgements, providing leadership to navigate a turbulent operating environment. They dedicated significant time to assessing the risks to the Hela Group, evaluating their impact on stakeholders, and reviewing the proposed business plans presented by the Private Label Manufacturing Division (PLMD). The insights of individual Directors greatly supported the Board's collective decision-making process.

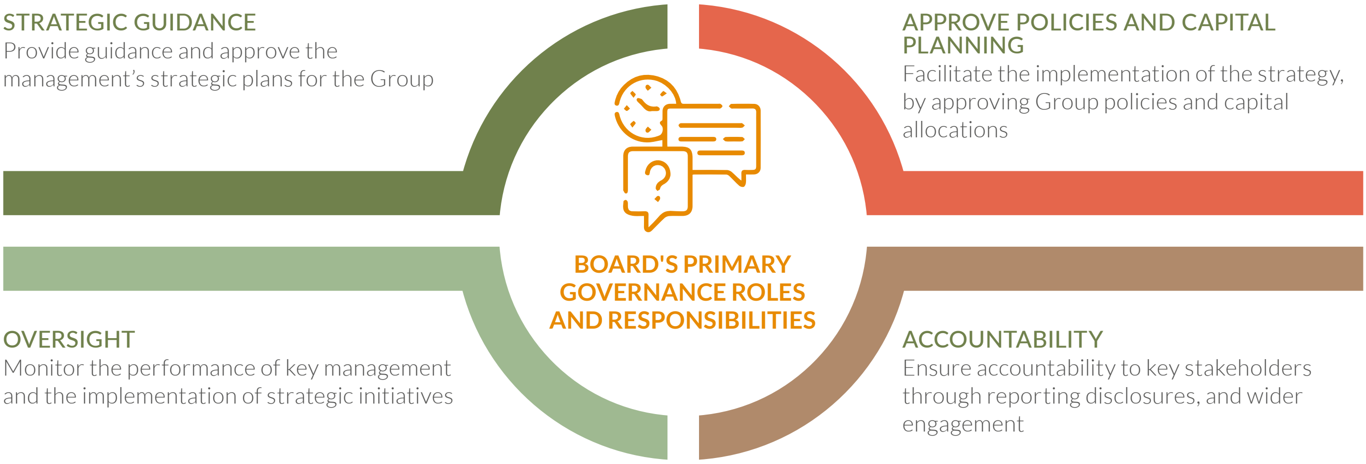
The Board and Management remained guided by the Group's values and commitment to purpose.

In addition to the standard agenda items, the Board focused on the following key aspects in FY 2023/24:

- Increasing oversight in managing the risks to the Group arising from the challenging operating environment, including evaluating business continuity plans.
- Assessing the impacts of the Sri Lankan Government's significant policy measures, including revisions in utility tariffs, interest rates, and income tax on Group operations, and reviewing strategies to mitigate these risks.
- Deliberating and agreeing on strategies for the expansion of the Group, in particular, the acquisition of Focus Group
- Increasing engagement with key stakeholders to retain customer and investor confidence.
- Evaluating the continued progress of the Hela Group's Social Capital programs, despite prevailing operational challenges, and assessing their impact on the well-being of the Group's employees and the communities in which it operates.
- Guiding the management in securing borrowings whilst maintaining a robust balance sheet.
- Closely monitoring the go-live and post-implementation details of SAP S4/HANA, directing relevant system audits to ensure its smooth operation and integration.
- Sought independent expert opinions before making critical assumptions particularly on goodwill impairment.

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK & STRUCTURE



The Board of the Hela Group offers leadership and collectively oversees the governance, performance, strategy, and operations of the organisation. It has assigned specific oversight duties to four Board Committees, with their mandates and compositions detailed on page 126. During the year, all committee mandates were reviewed to ensure compliance with relevant statutory and regulatory requirements, thereby improving their effectiveness in carrying out their responsibilities.

The Group CEO is responsible to the Board for achieving the Group's strategic goals. They head the corporate management team in developing and executing the Hela Group's strategic plan and provide regular updates on key issues to enable effective Board oversight. The Board ensures that Key Management Personnel (KMP) are qualified and have the necessary skills, knowledge, and experience to fulfil their roles. Board-defined and strategically aligned Key Performance Indicators (KPI) drive performance and goal attainment.

The Chairman holds the primary responsibility for effectively communicating any governance changes and best practices to the Board. Additionally, the Chairman identifies the necessary changes from a governance perspective and escalates these changes to the Board for consideration.

Key Board Responsibilities

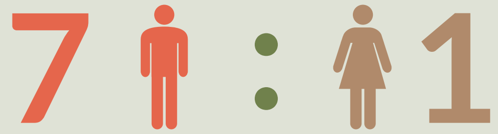
- Provide strategic direction
- Monitor implementation of the strategy
- Set corporate values and promote ethical behaviour
- Establish systems of risk management, internal control, and compliance
- Be responsive to the needs of the society
- Meet obligations to shareholders, employees and other stakeholders, balancing their interests in a fair manner
- Present a balanced and understandable assessment of the Company's position and prospects
- Safeguard assets and ensure their legitimate use
- Ensure succession planning and the continued ability of the Company to operate without any disruption

AN EFFECTIVE BOARD

Board Composition

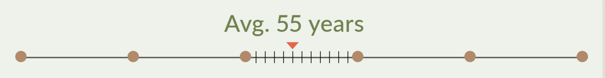
8 The Board comprised of eight Board members in FY 2023/24 that encouraged healthy debate while meeting good governance practices.

GENDER DIVERSITY



AGE DIVERSITY

Well represented, balancing experience and perspectives.

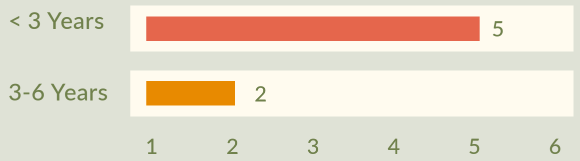


DIVERSITY OF EXPERTISE

	No. of Members
Apparel	2
Private Equity	3
Finance	3

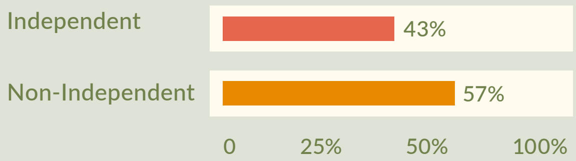
DIVERSITY OF NON-EXECUTIVE TENURE

Ensures a sound balance between continuity and the infusion of new expertise and insights.



INDEPENDENCE

Independence of NEDs



BOARD COMPOSITION
Chairman (Independent Non-Executive Director)
Non-Executive Directors
Independent Non-Executive Directors
Executive Directors

The Board of Directors consists of 8 members, including 3 Independent Directors. Additionally, 3 Non-Executive members are employees of Rianta Capital, the investment advisor to the Group's largest shareholder, Lesing Hela Limited. The Directors bring a diverse range of skills, expertise, industry experience, and demographics to the Board, enriching discussions with varied perspectives and enhancing the overall quality of deliberations. The Non-Executive Directors are eminent professionals in their respective fields. Brief profiles of each Board member are given on pages 28 to 30.

FINANCIAL ACUMEN

The Board possesses sufficient financial expertise and knowledge to provide guidance on financial matters. Three Directors, including the Chairman of the Audit & Risk Committee, are finance professionals. Additionally, other Board members are experienced in managing financial issues through their leadership roles in diverse organisations.

CORPORATE GOVERNANCE

BOARD REFRESHMENT

Board refreshment enables introduction of members with new skills, insights, and perspectives, while preserving valuable industry knowledge and maintaining continuity. The Board is refreshed periodically through new appointments, retirements, and resignations, of Directors.

Board composition is assessed annually when recommending Director re-appointments.

BOARD REFRESHMENTS IN FY 2023/24

New Appointments

Nil

Resignations

Nil

Re-appointments

- Mr. S Doron
- Mr. A R Rasiah

Appointments

- Directors are appointed by the Board through a formal and transparent process based on recommendations from the Nomination Committee. Newly appointed Directors are formally elected by shareholders at the subsequent Annual General Meeting.
- The Nomination Committee evaluates the collective knowledge, experience, and diversity of the Board in relation to the Group's strategic plans before making recommendations for new appointments.
- Declarations have been obtained from all the Directors and the Group has concluded that they are fit and proper to continue as Directors.
- Appointments are communicated to the Colombo Stock Exchange (CSE) and shareholders through market announcements, which include a brief resume of the new Director.

Retirement/Resignation & Director Tenure

- Directors may serve on the Board until they reach the age of seventy (70) years, in accordance with the provisions of the Companies Act.
- Any resignations or removals of Directors, along with the reasons, are promptly communicated to the Colombo Stock Exchange (CSE) through market announcements.
- The tenure of the Director is based on the CSE rule which stipulates a maximum term of nine years per Director.

BOARD COMMITTEES

Board Committee	Mandate	Composition	No. of meetings held
Audit & Risk Committee Refer to page 160 for the Report of the Audit & Risk Committee	Provide oversight on financial reporting, internal controls and functions relating to internal and external audit	Total Directors - 5 INED* - 3 NED - 2 ED - 0	08
Nomination Committee Refer to page 166 for the Report of the Nomination Committee	Make recommendations to the Board on all new appointments and nominate Board members for subcommittee positions as needed.	Total Directors - 4 INED - 2 NED* - 2 ED - 0	01
Remuneration Committee Refer to page 163 for the Report of the Remuneration Committee	Formulate and review the remuneration policies of the Group, set guidelines for remuneration of the Group's Senior Management, and recommend the remuneration payable to the Group CEO and Executive Directors	Total Directors - 5 INED* - 3 NED - 2 ED - 0	01
Related Party Transactions Review Committee Refer to page 164 for the Report of the Related Party Transactions Review Committee	Assess all transactions with related parties to ensure related parties are treated on par with other stakeholders	Total Directors - 5 INED* - 3 NED - 2 ED - 0	04

* Including the Chairman of the Committee

MEETINGS

The Board of Directors met 10 times during the year under review, adopting a hybrid meeting format. All meetings were conducted via BoardPAC, a digital board meeting solution. The procedures for these meetings are outlined below. The Directors dedicated ample time and attention to Board and Group matters.

Beginning of the Year	Agenda	Board Paper Compilation and Circulation	Board Meetings Mechanisms	Post Meeting
• The schedule for Board and Subcommittee meetings is set at the start of the financial year, with Directors informed through the distribution of an annual meeting calendar	• The Company Secretary sets the agenda in consultation with the Chairman • Directors can submit proposals to the agenda for discussion at Board meetings • Agenda items are prioritised and timed to ensure all items are discussed	• Board papers are prepared and electronically circulated to Directors through the BoardPAC platform at least 7 days prior to the meeting, providing sufficient time for review • If deemed necessary, a single Director can call for a resolution to be presented to the Board	• Board meetings typically include standard items such as performance updates, risk assessments, progress on social capital projects, rollout of ERS/SAP system and updates from Board committee Chairpersons. • Members of the Management Team are invited for Board meetings to provide supplementary clarifications if required. • All proceedings of the meeting are minuted, including any dissenting views of the Directors	• Within 7 days of the meeting, the Company Secretary prepares the minutes and circulates among Directors through the secure BoardPAC platform. • Minutes are adopted at the subsequent Board meeting. • Follow up action is taken on outstanding matters

CORPORATE GOVERNANCE

BOARD COMMITTEE COMPOSITION

Directors	Date of Appointment	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
Mr. A. R. Rasiah - Chairman (INED)	19 November 2018	✓*	✓	✓	✓*	✓
Mr. Dilanka Jinadasa - Group CEO (ED)	11 October 2018	✓				
Dr. Alastair Alderton (NED)	07 May 2021	✓	✓	✓	✓	✓
Mr. Gayan Gunawardana (INED)	20 February 2019	✓	✓*	✓		✓*
Ms. Trisha Peries (INED)	1 August 2020	✓	✓	✓*	✓	✓
Mr. Patrick Schleiffer (NED)	07 May 2021	✓	✓		✓	✓
Mr. Shlomo Doron (NED)	05 October 2022	✓				
Mr. Shesan Khan (NED) (Previously Alternate Director to Dr. Alderton)	05 October 2022	✓		✓		

*Chairperson   **NED:** Non-Executive Director   **INED**: Independent Non-Executive Director   **ED**: Executive Director

BALANCE OF POWER

A clear division of responsibilities between the Board and executive leadership ensures a balanced distribution of power and authority, preventing any individual from holding unfettered control. The Chairman oversees the governance and operations of the Board, while the Group CEO is entrusted with executive responsibility for managing the Group's business operation.

Chairman

Role

Leads the Board, maintaining good corporate governance and ensuring the Board works ethically and effectively.

Responsibilities

- Setting the ethical tone for the Board and Group
- Setting the Board's annual work plan and meeting agendas, in consultation with the Company Secretary
- Building and maintaining stakeholder trust and confidence
- Ensuring effective participation of all Board members during Board meetings
- Facilitating and encouraging discussions amongst all Directors of matters set before the Board and maintaining a balance of power between Directors
- Monitoring the effectiveness of the Board

Group CEO

Role

Accountable for the implementation of the Hela Group's strategic plan and driving performance.

Responsibilities

- Appointing and evaluating the performance of the senior management team, and ensuring appropriate succession planning
- Formulating the Group strategy for consideration and approval by the Board
- Developing and proposing to the Board financial budgets that support the Group's long-term strategic goals
- Monitoring and reporting to the Board on the performance of the Group, and its compliance with applicable laws and Corporate Governance principles
- Establishing an organisational structure that aligns with and supports the Group's strategic objectives
- Fostering a culture that is based on the Group's values
- Ensuring that the Group operates within the approved risk appetite

COMPANY SECRETARY

The office of the Company Secretary is crucial to the effective functioning of the Board of Directors. Secretarial services to the Board were provided by Ms. Janseni Kuhanesan.

The Company Secretary assists the Board in fulfilling its duties and responsibilities, promoting best practices in Corporate Governance. Key responsibilities include:

- Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation;
- Maintaining statutory registers and the minutes of Board Meetings;
- Facilitating prompt communication with regulators and shareholders; and,
- Filing statutory returns and, where necessary, facilitating access to legal advice in consultation with the Board.

All Directors have access to the advice and services of the Company Secretary. Appointment and removal of the Company Secretary is governed by the Board.

DIRECTOR'S INDEPENDENCE

Three of the seven Non-Executive Directors are considered independent. The Board has confirmed that these three Non-Executive Directors meet the independence criteria outlined in the Listing Rules.

Process to Determine Director's Independence

DEFINITION

- Independence is assessed based on the criteria specified in the Listing Rules of the Colombo Stock Exchange and in accordance with Schedule K of the 2017 Code of Best Practice on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka

ASSESSMENT

- The Board conducts an annual independence assessment of Directors, based on annual declarations and other information provided by Non-Executive Directors

OUTCOME

- The Board is satisfied that no relationships or circumstances exist that could influence the Directors' judgement during the period under review.

DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Directors declare their business interests upon appointment and quarterly thereafter. These details are recorded in a Register maintained by the Company Secretary, which is available for inspection as per the Companies Act. Directors have no direct or indirect interest in any contract or proposed contract with a Group company, except as disclosed on pages 248 to 249.

The Related Party Transactions Review Committee reviews and approves all relevant transactions, ensuring compliance with regulations and that the transactions are fair and in the best interest of the Hela Group. Related party transactions of the Group are disclosed in Note 22 to the financial statements on page 248.

CONFLICT OF INTEREST

Directors exercise independent judgment, fostering constructive Board deliberations and objective evaluation of all matters brought before them.

Directors promptly notify the Board of any conflicts of interest related to items of business or other directorships. They recuse themselves from discussions and decisions where conflicts may arise.

CORPORATE GOVERNANCE

INFORMED DECISION MAKING

Good decision-making hinges on possessing the right knowledge. The Hela Group's reporting and information systems are designed to deliver timely and objective information to the Board. The implementation of the SAP S/4HANA Fashion ERP system will enhance the Board's decision-making capabilities by offering real-time high-level data analysis and actionable business insights, including the ability to delve into specific details as needed.

The Chairman ensures all Directors are adequately briefed on issues arising at meetings. Directors are entitled to seek independent professional advice, facilitated through the Company Secretary, on a need basis.

At induction	Training
Newly appointed Directors are apprised of the Group's business, given an opportunity to meet with key management personnel (KMPs) and visit key operating sites	Directors' understanding of key matters and risks for the business are supported on an ongoing basis. Board members engage in professional development as they deem necessary to effectively fulfil their roles as Directors. Additionally, the Chairman/Company Secretary attend forums organised by the CSE and update the Board on relevant matters.

DELEGATION OF RESPONSIBILITY TO EXECUTIVE MANAGEMENT

The Board has delegated responsibility for implementing strategy, overseeing overall performance, and managing the daily affairs of the Group to the Group CEO. The Group CEO receives support from the Group Management Committee (GMC). The GMC maintains transparency with the Board and promptly raises any concerns in appropriate forums.

Each functional department is led by capable individuals and is adequately resourced. KMPs are empowered to make decisions within defined parameters and are expected to uphold the Group's values and Code of Conduct in all actions.

RESPONSIBLE AND FAIR REMUNERATION

The Board strives to ensure that remuneration is fair and responsible. Directors do not participate in decisions regarding their own remuneration.

REMUNERATION POLICY

The remuneration policy of the Hela Group is designed to attract and retain a highly qualified and experienced workforce while fostering a performance-driven culture. Remuneration packages are structured to provide compensation that aligns with each employee's role, level of experience, and expertise, consistent with industry standards.

LEVEL AND MAKE UP OF REMUNERATION

The remuneration of the Executive Director is tied to the achievement of the Hela Group's strategic objectives, with clear performance standards established at the beginning of each financial year. An Employee Share Ownership Plan (ESOP) for Senior Management and Directors has been in place since August 2020, recognising and rewarding them for their contribution.

The Remuneration Committee is responsible for advising the Board on Group remuneration policies. For details, please refer to the Remuneration Committee Report on page 163. Remuneration recommendations are made considering job responsibilities, individual, team, and overall Group performance, as well as associated risk factors.

Non-Executive Directors' remuneration is determined by the entire Board based on the Remuneration Committee's recommendations. Directors receive a fee for their Board membership and an additional fee for committee participation, reflecting their role's time commitment and responsibilities, aligned with market practices.

HR professionals are engaged as needed by the Board and the Remuneration Committee to support their responsibilities. Details of remuneration for Directors are disclosed on page 249 of this report.

APPRAISAL OF GROUP CEO

The short, medium, and long-term objectives, including financial and non-financial targets, which should be met by the Group CEO are set at the commencement of each financial year. The Board reviews the performance at the end of the year against the context of the operating environment, adjusting the remuneration accordingly based on performance.

The Non-Executive Directors (NEDs) hold separate meetings to review the performance of the CEO and Independent Directors (IDs).

RESPONSIBLE CORPORATE CITIZENSHIP

As a social capital-focused company, the Board is committed to fostering an ethically conducive culture and demonstrating responsible business conduct.

RESPECT FOR HUMAN RIGHTS

Respect for human rights and upholding the dignity of stakeholders is critical to Hela Group.

The Group is committed to implementing internationally recognised principles for human rights in ensuring decent work and working conditions. The Group's framework is aligned with the 10 principles of the UN Global Compact, and informed by the jurisdictions in which the Group operates. Key principles for ethical employment are set out in the Code of Conduct, supported by other policies and practices together with compliance programmes. The Group endeavours to make respecting human rights an integral part of daily operations.

Moreover, ensuring the protection of human rights across all aspects of the Group's operations is a fundamental aspect of Hela's commitment to creating social value through its core activities. The Group encourages the adoption of policies by all suppliers and business partners that mirror its own standards. Prospective suppliers are required to accept the Hela Group Code of Conduct for Suppliers before onboarding.

During the year, there were no reported allegations or confirmed incidents of discrimination or human rights violations.

The policies of the Hela Group aim to unlock the full potential of all employees by fostering a healthy working environment where individuals can work without fear of prejudice, gender bias, or any form of harassment.

These policies include the following.

- Grievance Handling Policy
- Non-Discrimination Policy
- No Forced Labour Policy
- Prevention of Sexual Harassment Policy
- Non-Harassment and Abuse Policy
- Child Labour Remediation and Minimum Age Policy
- Code of Conduct
- Environmental Health and Safety Policy

The Hela Group has **zero tolerance** towards sexual harassment or harassment, child labour and forced labour.

DIVERSITY, EQUAL OPPORTUNITY AND GENDER PARITY

The Board is committed to advancing equal opportunities and fair employment practices across the Group's operations. In its approach to building social capital, the Hela Group embraces diversity and equal opportunity as two key pillars.

Each individual is appreciated for their value and the positive impact on productivity and creativity that diverse perspectives lend. As an equal opportunity employer, the Group does not discriminate based on gender, marital status, religion, race, or disability. At the non-executive staff level, the majority of the Group's workforce comprises women. The Hela Group is focused on economically empowering these female employees to uplift their lives. The Board supports projects conducted across the Group such as Hela Diriliya and P.A.C.E. (refer to pages 78 to 95) which provide technical know-how, skills training, and resources to foster empowerment.

Representation of women in other employee categories is comparatively lower. The Hela Group strives to redress gender imbalances by adopting family-friendly work practices, as disclosed on page 95, and supporting work-life balance. These policies are designed to support employees who are caregivers, enabling them to effectively manage professional and family responsibilities while pursuing career aspirations.

RESPONSIBLE BRANDING

In marketing and other communications, the Hela Group is conscious of ensuring positive and progressive gender portrayals. The Group is aware that gender-stereotyped depictions can limit the aspirations, expectations, interests, and participation of girls and women in society, leading to adverse effects on their health and well-being.

CODE OF CONDUCT

The Hela Group takes pride in adhering to high ethical standards. The Group's Code of Conduct establishes a clear framework for employees to ensure professionalism, discipline, and ethical business practices. This Code applies to all employees across the Hela Group, including key management personnel. A Code of Conduct for Directors is scheduled to be finalised in the next financial year.

Key topics covered in the Code of Conduct include the following.

- Key Principles for Ethical Employment
- Health and Safety in the Workplace
- Misuse of Company's Assets
- Knowledge and Resources
- Protection of Confidential Information
- Obligations Regarding Fraudulent or Unethical Practices

CORPORATE GOVERNANCE

The Board is not aware of any material violations of the Code by any Director or employee within the Hela Group.

ANTI-BRIBERY AND CORRUPTION

The Hela Group is committed to upholding honesty and integrity in all its business activities, implementing robust measures to prevent bribery, fraud, and theft. The Group has zero tolerance for corruption, reinforced by its commitment to the 10th principle of the UN Global Compact on Anti-Corruption. The Group's Anti-Bribery and Fraud Policy sets clear standards for identifying, preventing, and reporting bribery and fraud. This policy applies to all employees within the Hela Group. The Group's Code of Conduct further underscores its commitment to zero tolerance for fraudulent or unethical practices. Suppliers are also held to the same standards, with a contractual requirement to adhere to the Group's Supplier Code of Conduct, which prohibits any form of bribery and corruption.

Internal control systems and procedures support the policy and Code of Conduct, particularly in areas where there is a risk of bribery and corruption. These controls are reviewed annually to ensure their suitability, adequacy, and effectiveness.

The grievance handling policy provides a mechanism for employees to report suspected acts of corruption or breaches of Policy or Code of Conduct. The policy is also available on the Group's online HR system, accessible to all employees.

Highlights of Hela Group Anti-Bribery and Corruption Policy

- Requires all employees of the Hela Group to refrain from all forms of bribery and fraudulent activities
- Strictly prohibits the offer or acceptance of bribes, unacceptable gifts and hospitality. political contributions
- Defines thresholds for what is an acceptable gift as well as procedures and reporting requirements
- Describes stakeholders' responsibilities in implementing bribery and fraud prevention mechanisms
- Highlights the importance of raising complaints and consequences of non-compliance or non-disclosure
- Retaliation against employees who raise complaints is not tolerated

GRIEVANCE HANDLING MECHANISM

Stakeholders are encouraged to seek advice or report concerns about unethical or unlawful behaviour through the Hela Group's Grievance Handling policy. This policy allows for anonymous reporting of potential acts of corruption, breaches of Group policies, the Code of Conduct, or internal controls, inappropriate financial reporting, or other issues requiring internal investigation. A stepladder system is in place for notifying grievances. If an employee feels their grievance has not been adequately addressed, they can escalate it directly to the Group CEO or Chairman, as applicable. Two-way communication will be established for any necessary follow-up on the concerns raised.

SUSTAINABILITY GOVERNANCE

The Hela Group's commitment to sustainability remains steadfast, guided by its 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." Over the past year, the Hela Group has made significant progress in developing a solid foundation to identify, manage, and measure advancements across these focus areas. An Environmental, Social, and Governance (ESG) strategy is in the process of being developed, with specific strategies, policies, targets, and accountability measures being defined across the identified sustainability pillars.

The Board oversees ESG matters. The CFO confirms compliance with ESG modules at each monthly Board meeting and presents a compliance statement to the Board. This monthly compliance statement ensures the Board, as a whole, remains responsible for ESG compliance.

BOARD ACCOUNTABILITY

Risk Management and Internal Control

The Board is tasked with formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and protect the Company's assets. These systems encompass all controls, including financial, operational, and compliance, and are subject to regular monitoring and review by the Board to ensure their effectiveness.

In response to an uncertain and challenging operating environment, the Board has intensified its oversight functions in risk management. At the end of the year, a thorough assessment of the principal risks was conducted, and mitigating strategies were identified. For further information, please refer to the Risk Management report on page 142.

The Internal Audit function supports the Audit & Risk Committee by reviewing the adequacy and effectiveness of the Group's internal control systems and regularly reporting to the Committee.

Internal controls are monitored by the Audit & Risk Committee, with the Group Chief Risk Officer responsible for the internal control mechanisms. The Internal Audit Department reports on these controls to the Audit & Risk Committee, which then reviews the mechanisms, processes, and any necessary evaluations before escalating findings to the Board. The Board is satisfied with the integrity of the financial information and the soundness of the internal controls and systems of the Hela Group.

RESOURCE ALLOCATION

Resource allocation is a collaborative effort between the Human Resources and Operations teams. The Risk Officer is responsible for ensuring appropriate segregation and distribution of resources and implementing mitigating strategies for potential risks.

Monthly reports on resource management are provided to the Board, allowing for ongoing oversight and guidance. Internal management meetings are held regularly, with participation from non-executive members of the management committee. These meetings facilitate open communication and collaborative decision-making related to resource allocation and risk management.

The "Step 5 Committee" was established during the current financial year and comprises Non-Executive Directors (NEDs). This committee meets regularly with senior management to review reports and advise on resource allocation strategies. The NEDs leverage their independent perspective and experience to guide the best course of action.

ACCOUNTABILITY & AUDIT

Hela Apparel Holdings PLC has presented balanced and understandable financial statements which give a true and fair view of the Company's performance and financial position quarterly and annually. In preparation of the Financial Statements, the Company has complied with the requirements of the Companies Act No 07 of 2007 and requirements of the Sri Lanka Accounting Standards and Securities and Exchange Commission of Sri Lanka. Price-sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner.

The Group's position and prospects have been discussed in detail in the following sections of this Annual Report. This report is aligned with the Integrated Reporting Framework published by the International Integrated Reporting Council and Global Reporting Initiative (GRI) Standards on Sustainability Reporting.

Chairman's Statement pages 21 to 23

Group CEO's Review pages 25 to 27

Capitals Report pages 58 to 120

Risk Management pages 142 to 154

INFORMATION TECHNOLOGY & CYBER SECURITY

The Board recognises the benefits of agility, scalability, and innovation offered by digital platforms. As part of the Hela Group's digital transformation strategy, the Board approved a US$ 4.8 million investment in the cloud-based SAP S/4HANA Fashion ERP system in July 2021. This system integrates various existing and new applications, including customer platforms and AI solutions, to create a 'Digital Core'.

The implementation of this ERP system has enhanced experiences for employees, management, customers, and suppliers alike. The Board oversaw the system's implementation, which was carried out across the Group on a cluster basis. The cutover implementation was completed by March 2023, integrating the ERP system with both existing and new systems within the Group, as well as establishing a host-to-host solution with a key banking partner.

Safeguarding the information systems

The SAP S/4HANA ERP system has a robust, inbuilt cyber security system in place. Third-party penetration testing and vulnerability assessments are carried out annually or as required, to ensure the security of the system. Additionally, preventative control methods such as geo-fencing, given the use of tablets on every factory floor, are in place.

Moreover, the Head of IT provides reports that are tabled at every Board meeting. Any identified gaps are forwarded to the Board as a regular agenda item. Cybersecurity issues are addressed through the Audit & Risk Committee and reported to the Board for further advice. This is a significant agenda item at each meeting, ensuring continuous oversight and prompt action on IT and cybersecurity matters.

CORPORATE GOVERNANCE

IT GOVERNANCE STRUCTURE

Board of Directors
The Board holds ultimate responsibility for the IT strategy As such, IT governance and cyber risk are recurring items on the meeting agendas of the Board. The Group Chief Information and Process Officer regularly updates the PLMD CEO on progress made on the Digital Core project.

Change Control Board (CCB)
Established in 2023, the CCB strengthens governance and oversees the IT and digital transformation strategy. Its key responsibilities include delivering the Group's IT strategy and managing risks and issues. The committee met twice monthly before the SAP S/4HANA Fashion ERP system went live and currently meets once per month.

The Committee is chaired by the Group Chief Information and Process Officer and includes the PLMD leadership, supply chain heads, nominated directors, implementation partners, and respective cluster functional heads are included as invitees.

Group Chief Information and Process Officer (CIPO)
The CIPO is responsible for developing the Group's information, technology, and process strategy and safeguarding the Group's information assets and operational systems. They lead the Group's digital transformation and process improvement projects, aiming to establish the Hela Operating System (H2O).

EPDS Exco Team
The Enterprise Process and Digital Solutions (EPDS) Exco Team is responsible for implementing and managing the Digital Core project, the HR360 Programme, and delivering the Group's Digital and Process Strategy. Key activities include designing and implementing the rollout programme, managing process change, providing soft skills and technical training, and conducting process and systems audits. Monthly Exco meetings are held, along with weekly project and strategic programme meetings.

Disaster Recovery and Management
As a cloud-based system, the SAP S/4HANA ERP system supports Highly Available (HA) architecture, ensuring minimal downtime and robust disaster recovery capabilities. Regular backups are performed every 15 minutes to safeguard data and maintain system resilience.

GOVERNANCE OF GROUP COMPANIES
The Board aims to establish a unified standard of corporate governance across all Group subsidiaries. This alignment is strengthened by appointing the Chairman, Group CEO, and other Directors of Hela Apparel Holdings PLC to the Boards of the subsidiaries, ensuring consistent governance practices and processes throughout the Group.

TAXATION
The Hela Group is committed to being a responsible taxpayer adhering to industry norms and paying its fair share of taxes. Throughout the year, the Board reviewed amendments to relevant tax regulations and assessed their impact on the Group. Compliance with all applicable tax regulations was closely monitored, ensuring full transparency in the Group's tax practices.

Shareholders and Investors are engaged through multiple channels of communication, including the following.

- Annual General Meeting (AGM) (shareholders only)
- Quarterly investor forums
- Annual integrated report
- Interim financial statements
- A dedicated investor relations page on the Group's website, with key updates
- Notification of key events through announcements in the CSE
- **Quarterly Investor Forums:** The Group CEO, and Investor Relations team host quarterly forums with key investors. The Group CEO communicates shareholder feedback to the Board as a whole.
- **Shareholder Enquiries:** Shareholders may also direct queries to the Board and Group Management through the Company Secretary. Contact details for the Company Secretary are provided on inner back cover of this report.

RELATIONS WITH SHAREHOLDERS

Shareholder engagement & AGM

The Board is mindful of its responsibility to shareholders and is dedicated to providing fair and transparent disclosure. Emphasising the integrity, timeliness, and relevance of the information shared, the Board ensures that reporting enables shareholders to effectively assess performance and make well-informed decisions.

Annual Report

- The Annual Report is the key medium through which the Board presents a fair and balanced review of the Group's financial position, performance and prospects.
- Before publication, all statutory requirements have been complied with in the Annual Report and the interim financials have been reviewed and recommended by the Audit and Risk Committee and approved by the Board of Directors.
- To enhance credibility, external audit assurance is obtained.

COMMUNICATION WITH SHAREHOLDERS

Constructive use of Annual General Meeting (AGM)

The AGM serves as the primary platform for the Board to engage with and report to shareholders, offering a valuable opportunity for shareholders to voice their views. The Board Chairperson, Board members (especially the Chairpersons of Board Committees), Group CEO, key management personnel, and external auditors are present and available to address questions. If any extraordinary matters arise, an Extraordinary General Meeting (EGM) is convened to communicate with the shareholders.

The 2023 AGM was held virtually, allowing all shareholders to submit questions to the Board and Management in real-time.

Prior to the AGM	At the AGM	After the AGM
• A minimum 15 days prior to the AGM, notice of the AGM and other related documents including the Annual Report, proposed resolutions, and voting procedures are circulated to the shareholders • This provides sufficient time for all the shareholders to attend the AGM	• The Board provides an update on the Group's performance • Shareholders have the opportunity to ask questions and clarify matters • A separate resolution is proposed for each item of business • All shareholders are encouraged to exercise their voting rights	• Details of the key resolutions passed at the AGM are communicated to the CSE • Minutes of the meetings are available to shareholders on request from the Company Secretary

CORPORATE GOVERNANCE

ANNEX I: STATEMENT OF COMPLIANCE PERTAINING TO COMPANIES ACT NO. 7 OF 2007: ANNUAL REPORT DISCLOSURES

Mandatory Provisions – Fully Compliant

Reference	Requirement	Complied	Reference within the Report
Section 168 (1) (a)	The nature of the business of the Company	Yes	About Hela Group
Section 168 (1) (b)	Financial statements for the accounting period completed and signed in accordance with section 152	Yes	Financial Reports
Section 168 (1) (c)	Auditor's report on the financial statements of the Company	Yes	Independent Auditors' Report.
Section 168 (1) (d)	Any change in accounting policies made during the accounting period	Yes	Note 3 to the Financial Statements - Changes in Accounting Policies
Section 168 (1) (e)	Particulars of entries in the interests register made during the accounting period	Yes	Annual Report of the Board of Directors
Section 168 (1) (f)	Remuneration and other benefits of directors during the accounting period	Yes	Note 22 to the Financial Statements
Section 168 (1) (g)	Corporate donations made by the Company	Yes	Annual Report of the Board of Directors
Section 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
Section 168 (1) (i)	Amounts payable by the company to the Person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided by that person or firm	Yes	Note 14 to the Financial Statements
Section 168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit & Risk Committee
Section 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

ANNEX II: STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE: ANNUAL REPORT DISCLOSURES

Mandatory Provisions – Fully Compliant

Reference	Requirement	Complied	Reference within the Report
(i)	Names of persons who were Directors of the Entity	Yes	Annual Report of the Board of Directors
(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
(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
(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	
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes	
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk Management
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Human Capital
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 18 (a) to the Financial Statements
(ix)	Number of shares representing the Entity's stated capital	Yes	Investor Information
(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
(xi)	Financial ratios and market price information	Yes	Investor Information Five Years Financial Summary - Group Investor information
(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 18 to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Notes to the Financial Statements
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Investor Information
(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
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Notes to the Financial Statements

CORPORATE GOVERNANCE

ANNEX III: STATEMENT OF COMPLIANCE UNDER SECTION 9 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE: CORPORATE GOVERNANCE

CSE Rule Reference	Corporate Governance Principles	Complied	Compliance status/ Reference within the report
9.3.1	Board Committees	Yes	Corporate Governance Report
9.3.2	Composition, responsibilities, and disclosures related to Board Committees	Yes	Board Committee Reports
9.4.1	Meeting Procedures	Yes	The company maintains all records of resolutions passed at general meetings of the shareholders
9.4.2 (d)	Virtual/hybrid meetings	Yes	The company conducts virtual general meetings in line with the guidelines issued by the CSE
9.6.1	Chairperson and CEO	Yes	Positions of Chairman and CEO are held by two separate individuals
9.6.3	Senior Independent Director		Not applicable
9.6.3. (b)			
9.6.3. (c)			
9.6.3. (e)			
9.7.1	Fitness of Directors and CEO	Yes	The company ensures that the Directors and CEO at all times fulfil the fit and proper assessment criteria set out in the Listing Rules
9.7.4	Fitness of Directors and CEO	Yes	The Directors and the CEO have provided the declarations confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year and as of the date of such confirmation
9.7.5	Disclosure in the Annual Report	Yes	Refer Corporate Governance Report
9.8.1	Minimum number of Directors	Yes	The Board comprises of eight Directors as of the reporting date
9.8.2	Independent Directors	Yes	Three out of the seven NEDs are independent
9.8.3	Independent Directors	Yes	All NEDs have submitted their confirmations on Independence.
9.8.5	Disclosure relating to Directors	Yes	Refer Corporate Governance Report
9.9	Alternate Directors	Not applicable	
9.10.2	Disclosure relating to Directors	Yes	Refer Corporate Governance Report
9.10.3	Disclosure relating to Directors	Yes	All changes to Board Committees were immediately informed to the Colombo Stock Exchange
9.10.4	Disclosure relating to Directors	Yes	Refer Board of Directors profile, Annual Report of the Board of Directors, and Board Committee Reports
9.11	Nominations and Governance Committee	To be complied w.e.f. 1 October 2024	Currently, the Board has appointed a Nomination Committee. Refer to Board Committee Reports.
9.12.	Remuneration Committee	Yes	Refer Remuneration Committee Report and Note 22 to the Financial Statements
9.13	Audit Committee	Yes	Refer Audit & Risk Committee Report
9.14	Related Party Transactions Review Committee	Yes	Refer Related Party Transactions Review Committee Report and Annual Report of the Directors
9.16	Additional Disclosures	Yes	Refer Annual Report of the Directors

ANNEX IV: STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA IN 2017

Code Ref.	Requirement	Complied	Reference within the Report
A	Directors		
A.1	An effective Board should direct, lead and control the company		
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings
A.1.2	Role and Responsibilities of the Board	Yes	Governance Framework & Structure
A.1.3	Act in accordance with laws of the Country. Independent professional advice	Yes	Compliance Informed Decision Making
A.1.4	Access to advice and services of the Company Secretary	Yes	Company Secretary
A.1.5	Independent judgement	Yes	Conflict of Interest
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Meetings
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Meetings
A1.8	Board induction and Training	Yes	Informed Decision Making
A.2	Chairman and CEO	Yes	Balance of Power
A.3	Chairman's role in preserving good corporate governance	Yes	Balance of Power
A.4	Availability of financial acumen	Yes	Board Composition
A.5	Board Balance	Yes	Board Composition
A.5.1	The Board should include a sufficient number of NEDs	Yes	Board Composition
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A	
A.5.3	Independence of Directors	Yes	Director's Independence
A.5.4	Annual declaration of independence by Directors	Yes	Director's Independence
A.5.5	Annual determination of independence of NEDs	Yes	Director's Independence
A.5.6	Alternate Directors	N/A	
A.5.7 & A.5.8	Senior Independent Directors	N/A	
A.5.9	Annual meeting with NEDs	Yes	The Chairman meets with NED on an informal basis
A.5.10	Recording of dissent in minutes	Yes	Meetings
A.6	Supply of Information	Yes	Informed Decision Making
A.7	Appointments to the Board and Re-election	Yes	Board Refreshment
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	Yes	Nomination Committee Report
A.7.2	Annual assessment of Board composition	Yes	Board Refreshment
A.7.3	Disclosures on appointment of new directors	Yes	Board Refreshment
A.8	Directors to submit themselves for re-election	N/A	

CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Report
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meetings Attendance Membership in committees
A.11	Appraisal of the CEO	Yes	Responsible and Fair Remuneration
B.	**Directors' Remuneration**		
B.1	Establish a process for developing policy on executive and director remuneration.		Responsible and Fair Remuneration
B.2	Level and Make Up of Remuneration	Yes	Responsible and Fair Remuneration
B.3	Disclosures related to remuneration in the Annual Report • Remuneration Policy Statement • Aggregate Board remuneration paid • HRRC report	Yes	 Responsible and Fair Remuneration Note 22 to Financial Statements Remuneration Committee report
C.	**Relations with Shareholders**		
C.1.	Constructive use of the AGM & Other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)
C.2.	Communication with shareholders	Yes	Communication with Shareholders
C.3	Disclosure of major and material transactions	Yes	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.
D.	**Accountability and Audit**		
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance, and prospects	Yes	Communication with Shareholders
D.1.1	Balanced Annual Report	Yes	Communication with Shareholders
D.1.2	Balanced and understandable communication	Yes	Relations with Shareholders
D.1.3	CEO/CFO declaration	Yes	Required declarations are obtained from GCEO and CFO
D.1.4	Directors' Report declarations	Yes	Annual Report of the Board of Directors on the Affairs of the Company
D.1.5	Financial reporting -statement on board responsibilities, Statement on internal control	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control
D.1.6	Management Discussion & Analysis	Yes	Capital reports
D.1.7	Net Assets < 50%	Yes	In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.
D.1.8	Related Party Transactions report	Yes	Directors' Interest in Contracts with the Company

Code Ref.	Requirement	Complied	Reference within the Report
D.2.	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Yes	Risk Management and Internal control Report of the Audit & Risk Committee Directors' Statement of Internal Control Risk Review
D.3.	Audit Committee	Yes	Audit & Risk Committee Report
D.4	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee report
D.5	Code of Business Conduct and Ethics	Yes	Code of Conduct
D.6	Corporate Governance Disclosures	Yes	Corporate Governance Report
E/F.	Institutional Investors/Other Investors		
	Institutional and other investors,	Yes	Relations with Shareholders
G.	Internet of Things & Cybersecurity		
	Internet of Things & Cybersecurity	Yes	Information Technology and Cyber Security
H.	Principals of Sustainability Reporting		
	Principals of Sustainability Reporting	Yes	Sustainability Governance

BOARD MEETING ATTENDANCE

Directors	11-05-2023	20-06-2023	10-08-2023	29-08-2023	05-09-2023	26-09-2023	09-11-2023	30-11-2023	08-01-2024	27-03-2024	Total
Mr. A. R. Rasiah - Chairman (INED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Dilanka Jinadasa - Group CEO (ED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Dr. Alastair Alderton (NED)	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	9/10
Mr. Gayan Gunawardana (INED)	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	9/10
Ms. Trisha Peries (INED)	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	9/10
Mr. Patrick Schleiffer (NED)	×	×	✓	✓	×	✓	✓	✓	×	✓	6/10
Mr. Shlomo Doron (NED)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Shesan Khan (NED)	✓	×	✓	×	×	✓	✓	×	✓	✓	6/10

RISK MANAGEMENT

During FY 2023/24, Hela Apparel Holdings PLC faced a complex and challenging risk landscape that required proactive management and strategic adaptation to maintain resilience. Geopolitical instability significantly disrupted global supply chains, causing delays in shipments and increasing costs. Domestically, Sri Lanka experienced substantial increases in utility costs, directly impacting operational expenses. In this challenging context, the Board of Directors remained vigilant, ensuring that the Group effectively mitigated risks and seized opportunities, ensuring operational continuity and maintaining the Group's competitiveness in a rapidly evolving global market.

RISK GOVERNANCE

The ultimate responsibility for risk management lies with the Board of Directors, who strengthened the risk management function during the year, in response to the fluidity of the risk environment. The Board is supported by the Audit & Risk Committee in discharge of this key responsibility. The Group Chief Executive Officer (Group CEO) is responsible for day-to-day management of risk in line with the framework set in place by the Board. Hela's Risk Management function was further strengthened by the appointment of the Group Chief Risk Officer during the year reporting to the Audit & Risk Committee, supporting both the executive function and Board oversight of risk management. Internal Audit also plays a key role in providing assurance to the Board on the effective functioning of the risk management framework, including internal systems and controls.

RISK MANAGEMENT GOVERNANCE STRUCTURE OF THE HELA GROUP

RISK STRATEGY

Fostering a culture of risk awareness

Integrating risk management into our core values, ensures that all employees understand and take ownership of risk. This creates a sustainable business environment capable of thriving amidst uncertainty and change.

Adopting an integrated risk management framework

The risk management framework, encompassing identification, analysis, evaluation, treatment, and monitoring, is seamlessly integrated into the business operations, ensuring no gaps in the risk management processes.

Stakeholder management

Continuous stakeholder engagement and robust communication channels fosters transparency, ensuring shared understanding and collaboration.

Capacity building

Providing tailored training programmes across different organisational levels to empower employees to proactively identify, assess, and respond to risks, fostering a culture of accountability and resilience.

Adaptability and continuous improvement

Regularly reviewing and refining our risk management practices, to ensure they are aligned with evolving market dynamics and stakeholder expectations.

Continuous auditing of risk management process

Ongoing evaluation through regular reviews, audits, and updates to our risk management practices.

RISK CULTURE

We nurture a strong risk culture, characterised by proactive risk management, open communication, and transparency. This culture empowers employees to identify, report, and address risks without fear, fostering early detection and mitigation. Leadership sets the example by demonstrating a commitment to risk management. Regular training programs reinforce best practices and awareness. Accountability and continuous improvement are emphasised, encouraging employees to take ownership of risks and seek innovative solutions.

RISK MANAGEMENT

RISK APPETITE

The Risk Appetite Statement communicates the risk boundaries within which Hela Apparel Holdings PLC should operate.

Risk category	Risk appetite
Strategic Risks	Moderate appetite for risks associated with strategic initiatives aimed at growth and expansion. Willing to pursue opportunities that align with long-term goals, provided they offer a favourable risk-reward balance.
Operational Risks	Low appetite for operational disruptions that could impact daily activities and efficiency. Emphasis on maintaining robust operational controls and mitigation strategies to minimise risk exposure.
Financial Risks	Moderate to low appetite for financial risks, including market volatility and liquidity risks. Preference for conservative financial management practices, maintaining strong liquidity and a solid balance sheet.
Compliance and Regulatory Risks	Very low appetite for non-compliance with regulatory requirements. Prioritises adherence to all applicable laws and regulations to avoid legal penalties and reputational damage.
Technological and Cybersecurity Risks	Low appetite for risks related to data breaches and technological failures. Strong focus on safeguarding company and customer data through comprehensive cybersecurity measures.
Market and Competition Risks	Moderate appetite for risks related to market dynamics and competition. Willing to innovate and adapt to changing market conditions while maintaining competitive pricing and quality.
Environmental and Sustainability Risks	High appetite for strategically aligned sustainability risks that promote long-term environmental goals. Supports initiatives that enhance sustainability, even if they entail short-term costs or risks.
Human Capital Risks	Low appetite for risks that could adversely affect employee welfare and organisational culture. Committed to maintaining a safe, inclusive, and respectful work environment.

RISK MANAGEMENT PROCESS

The Company's risk management process is a systematic approach designed to identify, analyse, evaluate, treat, monitor, and communicate risks. This process supports organisational objectives by effectively managing risks. The key components are:

1. **Communication and Consultation:** Engaging stakeholders to share relevant information, understand the context, and foster collaboration and collective decision-making.
2. **Scope, Context, Criteria**: Defining the boundaries and framework for risk assessment, including understanding the environment, setting assessment criteria, and determining the scope of activities.
3. **Risk Assessment**:
   - Risk Identification: Recognising and documenting potential risks.
   - Risk Analysis: Understanding the nature, causes, and consequences of risks to determine their likelihood and impact.
   - Risk Evaluation: Comparing results of the risk analysis with the set assessment criteria to prioritise risks based on their significance.
4. **Risk Treatment:** Identifying and implementing strategies to mitigate, transfer, accept, or avoid risks, balancing costs and benefits.
5. **Monitoring and Reviewing:** Continuously tracking risks, implementing treatment plans, and reviewing the process for adjustments and improvements.
6. **Recording and Reporting:** Documenting and reporting activities, decisions, and outcomes to ensure transparency and accountability, keeping stakeholders informed.

Hela Group Risk Management Process

Our risk universe is structured to address a wide spectrum of potential challenges and opportunities across various domains.

RISK UNIVERSE

Our approach to risk management encompasses a comprehensive and dynamic understanding of the diverse factors that could influence our operational effectiveness, strategic goals, and overall business performance. Our risk universe is structured to address a wide spectrum of potential challenges and opportunities across various domains.

Hela Group Risk Management Process

CUSTOMER RISKS	Recognising customer risk as a key factor, considering B2B, B2B2C, and B2C market types, along with consumer taste shifts, competition, and changing preferences. The Company acknowledges the impact of these factors on product demand and actively seeks to be agile and responsive to market trends to maintain its competitive edge.
FINANCIAL RISKS	The Company faces financial risks including currency fluctuations, credit risks, and liquidity management challenges. Currency fluctuations can impact financial results, especially in international markets. Credit risk is carefully managed to minimise potential financial losses from counterparty defaults. Ensuring adequate liquidity is vital for operational continuity and financial flexibility.
COMPLIANCE RISKS	Upholding compliance with regulatory requirements and ethical standards in a key focus for the Company. This includes navigating complex local and international regulations across all operations. Rigorous compliance protocols mitigate legal and reputational risks while building trust with stakeholders.
OPERATIONAL RISKS	Addressing operational risks including supply chain disruptions, production inefficiencies, and workforce-related issues. The Company focuses on mitigating supply chain challenges through efficient sourcing, addressing production inefficiencies through process improvements and technology, and proactively managing workforce risks to maintain operational capabilities and innovation.
GEOPOLITICAL RISKS	Geopolitical risks, including political instability and economic conditions in its operating and sourcing regions. Geopolitical shifts, such as trade policy changes, tariffs, or civil unrest, can impact supply chains and operational costs. The Group monitors geopolitical developments and implements contingency plans to minimise potential disruptions.
TECHNOLOGICAL RISKS	Recognising both the opportunities and risks associated with rapid technological advancements. Cybersecurity threats are a key concern, requiring robust measures to protect digital infrastructure. Adopting new technologies requires careful planning to ensure seamless integration and minimise operational disruptions.
ENVIRONMENTAL RISKS	Prioritising environmental sustainability and addressing climate change impacts, such as extreme weather events and carbon emission regulations, to ensure operational and supply chain resilience. Sustainable practices throughout the Hela Group's operations mitigate environmental risks, align with regulatory expectations, and enhance the Company's brand reputation.

RISK MANAGEMENT

IMPROVEMENTS TO THE RISK MANAGEMENT PROCESS IN FY 2023/24

The Company enhanced its risk management framework during FY 2023/24. The key changes include a comprehensive revamp of the Enterprise Risk Management (ERM) policy. This new framework creates a more integrated, proactive, and dynamic approach to risk management, permeating all levels of the organisation.

The ERM framework emphasises inclusivity and collaboration, engaging stakeholders from the beginning to ensure a comprehensive understanding of potential risks. This approach leverages analytics and industry benchmarking for risk identification, while modelling techniques are used for risk analysis, enabling more informed decision-making. The clearer scope, context, and criteria for risk assessment provide a robust foundation for a more thorough evaluation of potential threats.

The risk treatment strategies were refined, offering a comprehensive toolkit for addressing risks through avoidance, mitigation, transfer, or acceptance depending on the severity. The Group now considers both direct and indirect consequences of risk treatment actions. To ensure continuous improvement, real-time monitoring and review mechanisms utilising AI-driven analytics have also been implemented.

Moreover, the Hela Group's risk management capabilities were enhanced by establishing dedicated Business Continuity Management (BCM) and Crisis Management (CM) secretariats within the Group Risk & Control function. These secretariats focus on monitoring a range of potential threats, particularly geopolitical, legal, regulatory, and ecological risks. By partnering with leading Sri Lankan experts, the Group has gained access to world-class expertise and best practices, enabling proactive risk management and swift remediation planning for potential incidents. This has resulted in minimal disruptions to production facilities, showcasing the effectiveness of these new functions.

The BCM and CM secretariats have implemented a multi-tiered approach to Risk mitigation, including:

1. Proactive risk identification through predictive modelling and scenario analysis
2. Development of comprehensive contingency plans for a wide range of potential disruptions
3. Regular simulation exercises to evaluate and refine our response capabilities
4. Establishment of rapid response teams ready to deploy at a moment's notice
5. Continuous improvement of our crisis communication protocols to ensure clear and timely information flow during emergencies

RISK LANDSCAPE DURING FY 2023/24

Business-Related Risks

Risk Type	Risk Category	Developments in FY 2023/24	Risk Assessment FY 2023/24	Impact on the Hela Group	Mitigating Strategies	Outlook
Operational Risk	1. Acquisition and retention of specialised skilled workforce	Challenges in recruiting and retaining highly skilled professionals. Potential increase in labour costs due to competitive market conditions.	High	Workforce challenges pose a risk to production efficiency, potentially causing delays and increasing labour costs.	• Implementing recruitment strategies and offering competitive salary packages. • Developing employee training programmes and promoting flexible work arrangements to attract and retain talent.	To mitigate the risk of production inefficiencies, we will focus on recruitment and retention strategies while investing in employee development and engagement.
	2. Supply chain disruption due to political unrest and economic instability in operating countries	Political unrest and economic instability, fuelled by geopolitical conflicts and local political turmoil, have severely disrupted supply chains. This has resulted in increased risks of trade restrictions, logistical delays, and production interruptions.	High	Adverse impact on production facilities, increased coordination costs, longer delivery times, and potential delays in customer orders.	• Diversifying production facilities and supply chains across multiple regions. • Conducting regular geopolitical risk assessments. • Establishing relationships with alternative suppliers.	Continuous monitoring of geopolitical events, diversification of the supply chain to minimise disruptions, and building strong relationships with multiple suppliers.
Geopolitical Risk	3. Political unrest and economic instability in destination markets (US, UK, Europe)	Geopolitical conflicts and economic instability in key destination markets such as the US, UK, and Europe have increased the risk of trade restrictions, economic sanctions, and market volatility.	High	Adverse impact on international market access, increased logistics costs, longer delivery times, and potential demand fluctuations.	• Diversifying supply chain partners. • Building strong customers relationships. • Conducting geopolitical and economic risk analysis. • Establishing alternative suppliers • Continuously monitoring global events.	Continuous monitoring of geopolitical and economic conditions in destination markets, as well as building diversified and strong relationships with both customers and suppliers.
Financial Risk	4. Market Risks: Interest Rate Risk	The Group is sensitive to interest rate changes on its LKR and USD borrowings. A decrease in rates may boost profit after tax, while an increase may reduce it. Effective management of interest rate risks is essential to maintain financial stability.	High	Interest rate volatility impacts the cost of servicing debt in both LKR and USD. An increase or decrease can impact the Group's Profit After Tax (PAT).	• Actively managing the debt portfolio by balancing the mix of fixed and variable rate debts to reduce susceptibility to interest rate changes • Regularly monitoring economic indicators and central bank announcements to anticipate and respond to interest rate changes.	Continuous monitoring and adjustments planned to adapt to global and local financial market changes.

RISK MANAGEMENT

Risk Type	Risk Category	Developments in FY 2023/24	Risk Assessment FY 2023/24	Impact on the Hela Group	Mitigating Strategies	Outlook
Financial Risk	5. Market Risks: Forex Risk	The Group is exposed to foreign currency risk related to its USD-denominated balances. An appreciation or depreciation in the LKR/USD exchange rate can impact post-tax profit, highlighting the importance of managing currency risk to protect profitability.	High	An appreciation or depreciation of the LKR against the USD has a measurable impact on the Group's post-tax profit, highlighting its sensitivity to exchange rate fluctuations.	• Use of financial derivatives to hedge against severe fluctuations in the LKR/USD exchange rate. • Diversification of currency exposure by spreading transactions across multiple currencies to reduce reliance on any single currency pair.	Cautiously optimistic, with strategic hedging and diversification to manage risk related to currency volatility.
	6. Liquidity Risk	The Group's liability maturity profile indicates that a portion of liabilities is scheduled to mature within six months. To address this, the Group has secured working capital facilities, ensuring the ability to meet these obligations and maintain liquidity.	High	High levels of debt have an adverse impact on cost of capital and can also constrain access to capital. However, the strong relationships with investors and banks provide a sound buffer to be accessed in case of need.	• Prudent management of short-term liabilities. • Working capital banking facilities to support short-term financing requirements. • Capital augmentation strategy underway in FY 2024/25 to strengthen equity base and overall balance sheet of the Group.	Optimistic, with robust mechanisms in place to ensure liquidity and manage short-term liabilities effectively.
	7. Credit Risk	As of 31 March 2024, the Group has recognised an allowance for expected credit losses to account for potential uncollectible receivables, despite the majority of receivables being current and within a 60-day period. This reflects prudent financial management and risk mitigation.	Moderate	The significant allowance for expected credit losses indicates a cautious approach to potential uncollectible receivables.	• Credit Assessment: Regular assessment of customers' credit quality. • Active Receivables Management: Ensuring most receivables are current and actively pursuing overdue accounts.	Positive, with strong controls in place to manage credit risk effectively.
	8. Capital Management	The Group's net debt-to-equity ratio as of 31 March 2024 indicates a reliance on debt financing relative to its equity base. This ratio reflects the Group's financial leverage and risk profile, which requires careful monitoring to ensure balance sheet stability.	High	A higher net debt-to-equity ratio indicates increased financial leverage and potential vulnerability to financial instability.	• Debt Management: Strategic refinancing options and maintaining adequate cash reserves. • Equity Enhancement: Consideration of additional equity financing options to improve the leverage ratio.	Cautious, with a focus on stabilising and improving the financial structure.

Risk Type	Risk Category	Developments in FY 2023/24	Risk Assessment FY 2023/24	Impact on the Hela Group	Mitigating Strategies	Outlook
Strategic Risk	9. Acceleration of change in the industry	Increased demand for specific and diverse requirements, putting strain on production capabilities.	Moderate	Need for rapid adjustments in production processes. This could lead to operational inefficiencies and increased costs if not managed effectively.	• Developing flexible production processes and conducting market trend analysis. • Streamlining production processes and adopting agile manufacturing strategies to quickly adapt to changes in demand.	Proactive adaptation of production processes to meet changing demands and investing in agile and scalable manufacturing technologies.
Strategic Risk	10. Intense competitive forces	Increased pressure on pricing and profit margins due to fierce competition. Need for continuous innovation and differentiation to stay competitive.	High	Financial impact and potential market share loss if the company fails to innovate and differentiate its products.	• Conducting market analysis and driving product innovation. • Engaging in continuous market research and forming strategic partnerships to stay ahead of competitors.	Sustained innovation and market research to stay competitive, investment in R&D, and fostering strategic partnerships to maintain market position.
Technological Risks	11. Information & cyber security	The rise of ransomware threats targeting critical infrastructure and the proliferation of IoT devices pose significant cybersecurity risks.	High	Potential data breaches, operational disruptions, and legal consequences, leading to financial losses and reputational damage.	• Implementing firewalls and antivirus software and providing employee cybersecurity training. • Conducting regular cybersecurity audits and developing incident response plans to enhance security posture.	Continuous enhancements to our cybersecurity measures to protect against evolving threats and staying ahead of the latest technologies.

RISK MANAGEMENT

Sustainability-Related Risks

Risk	Description	Effects on 1. cash flows 2. financial performance 3. financial position	Potential adjustment to assets and liabilities in 2024/25	Impact through risk mitigation and opportunities		
				Short-term	Medium-term	Long-term
High susceptibility to global geopolitical environmental conditions	The Group's reliance on customers in the US, UK, and Europe exposes us to risks from fluctuating market demand, economic conditions, and geopolitical events. Shifts in consumer behaviour, regulations, or economic downturns in these regions can directly impact our sales, pricing, and overall revenue.	May negatively impact cash flows and financial performance during uncertain periods.	Yes	• Access to finance could tighten with economic instability. • Cost of capital may increase temporarily.	• Potential for market diversification and enhanced resilience strategies. • Stabilise our cost of capital through sustained market presence.	• Long-term market stability and sustained competitive advantage with diversified customer base and strategic resilience.
Margin pressure from international buyers and suppliers	International buyers and suppliers are demanding lower prices due to competition from low-cost manufacturers and a rapidly changing market. This requires the balancing of cost and pricing pressures, whilst maintaining quality and efficiency in manufacturing and logistics operations.	Reduced profit margins due to buyer demands for lower prices. Increased pressure on cost management and operational efficiency.	No	• Cash flows could be strained due to tighter margins. • Potential impact on profitability due to cost-saving measures.	• Efforts to streamline operations and enhance efficiency may improve margins. • Continued pressure from buyers could necessitate ongoing cost management strategies.	• Long-term focus on innovation and efficiency improvements could stabilise margins. • Sustained relationships with key buyers may enhance market positioning and financial stability.

Risk	Description	Effects on 1. cash flows 2. financial performance 3. financial position	Potential adjustment to assets and liabilities in 2024/25	Impact through risk mitigation and opportunities		
				Short-term	Medium-term	Long-term
Effective Management of Human Capital	Recruiting skilled professionals, while requiring initial investment, drives operational excellence, innovation, and long-term competitive advantage.	Increased recruitment and training costs, and potential operational disruptions.	Yes	• Initial costs can temporarily decrease access to finance. • Perceived operational risks associated with change can increase the cost of capital. • Recruitment expenses could initially weaken the financial position. • Higher personnel costs can strain cash flows. • Initial disruptions could impact financial performance.	• Successful workforce integration will maintain access to finance. • Stable operations, achieved through effective workforce integration, would stabilise the cost of capital. • Effective workforce management would preserve a stable financial position. • Productivity gains offsetting costs would maintain healthy cash flows. • Balancing costs and productivity would sustain current financial performance.	• Long-term stability, driven by effective workforce utilisation, will maintain access to finance. • Workforce stabilisation would help stabilise the cost of capital. • Effective workforce utilisation will preserve a stable financial position. • Sustained productivity gains would maintain healthy cash flows. • Long-term benefits, driven by effective workforce utilisation, would sustain current financial performance.

RISK MANAGEMENT

Risk	Description	Effects on 1. cash flows 2. financial performance 3. financial position	Potential adjustment to assets and liabilities in 2024/25	Impact through risk mitigation and opportunities		
				Short-term	Medium-term	Long-term
Compliance with buyers' sustainability requirements	Compliance with buyers' sustainability requirements is crucial for market access and customer relationships but requires ongoing investment. Failure to comply could lead to lost business and reputational damage.	Ongoing investment in compliance is essential to avoid losing business due to non-compliance.	No	• Compliance facilitates market access, ensuring access to finance. • Effective management of compliance costs would stabilise the cost of capital. • Maintaining compliance would preserve a stable financial position. • Balancing compliance costs would maintain healthy cash flows. • Managing compliance costs would sustain current financial performance.	• Continued compliance would maintain access to finance. • Controlling compliance costs would stabilise the cost of capital. • Maintaining compliance would preserve a stable financial position. • Maintaining compliance would ensure healthy cash flows. • Balancing compliance costs would sustain current financial performance.	• Sustained compliance would maintain access to finance. • Stable compliance costs would stabilise the cost of capital. • Long-term compliance would preserve a stable financial position. • Predictable compliance costs would ensure healthy cash flows. • Continued market access, facilitated by compliance, would sustain financial performance.

Climate Change-Related Risks

Climate-related risks and opportunities	Description	Physical Risk/ Transition Risk	Effects on 1. Cash flows 2. Financial performance 3. Financial position	Potential adjustment to assets and liabilities in 2024/25	Short-Term Effects on 1. Access to finance. 2. Cost of capital 3. Cash flows. 4. Financial performance 5. Financial position	Medium & Long-Term Effects on 1. Access to finance 2. Cost of capital 3. Cash flows. 4. Financial performance 5. Financial position
Extreme weather events	Increasing frequency and severity of extreme weather events could disrupt production and supply chains, causing damage to facilities and delays in delivery.	Physical Risk	Reduced cash flows due to operational disruptions, lower financial performance due to increased repair and maintenance costs and weakened financial position.	No	• Access to finance: Decreased due to higher perceived risk. • Cost of capital: Increased as lenders factor in higher risk. • Cash flows: Strained by ongoing disruptions. • Financial performance: Lowered due to recurring repair costs. • Financial position: Weakened by sustained impacts.	• Access to finance: Decreased if extreme weather events persist. • Cost of capital: Increased with sustained risk. • Cash flows: Strained by long-term disruptions. • Financial performance: Lowered by continuous repair costs. • Financial position: Weakened by prolonged impacts.
Regulatory and buyers' compliance requirement changes	Stricter environmental regulations and buyer compliance requirements aimed at reducing carbon emissions will likely increase operational costs due to the need for compliance, retrofitting, or adopting cleaner technologies.	Transition Risk	Stricter environmental regulations can lead to increased operational costs, reduced cash flow, lower financial performance, and a weakened financial position.	Yes	• Access to finance: Decreased if compliance costs are high. • Cost of capital: Increased due to higher operational risks. • Cash flows: Strained by compliance expenses. • Financial performance: Lowered due to higher costs. • Financial position: Weakened by regulatory pressures.	• Access to finance: Neutral if compliance costs stabilise. • Cost of capital: Neutral if compliance measures are effective. • Cash flows: Neutral if costs are managed well. • Financial performance: Neutral with effective cost management. • Financial position: Stable with sustained compliance.
Market Shifts	Growing demand for sustainable and ethical apparel creates market opportunities but requires investment in sustainable practices and materials.	Transition Risk	Investing in sustainable practices requires higher initial costs, but has the potential to drive revenue growth, improve financial performance, and strengthen the Group's financial position by capturing the growing market for sustainable products.	No	• Access to finance: Improved with positive market reception. • Cost of capital: Reduced as sustainability attracts investment. • Cash flows: Improved with increased sales. • Financial performance: Improved with market expansion. • Financial position: Strengthened with new opportunities.	• Access to finance: Improved with positive market reception. • Cost of Capital: Reduced due to ongoing investment interest. • Cash flows: Improved through long-term sales growth. • Financial performance: Boosted from continued market success. • Financial position: Strengthened through sustained demand.

RISK MANAGEMENT

Climate-related risks and opportunities	Description	Physical Risk/ Transition Risk	Effects on 1. Cash flows 2. Financial performance 3. Financial position	Potential adjustment to assets and liabilities in 2024/25	Short-Term Effects on 1. Access to finance. 2. Cost of capital 3. Cash flows. 4. Financial performance 5. Financial position	Medium & Long-Term Effects on 1. Access to finance 2. Cost of capital 3. Cash flows. 4. Financial performance 5. Financial position
Energy costs and carbon pricing	Rising energy costs and the potential implementation of carbon pricing can increase operational costs, impacting overall profitability.	Transition Risk	Higher energy expenses lead to reduced cash flow, lower financial performance, and a weakened financial position.	Yes	• Access to finance: Decreased due to a higher cost structure. • Cost of capital: Increased due to higher operational costs. • Cash flows: Strained due to rising energy expenses. • Financial performance: Lowered financial performance due to increased costs. • Financial position: Weakened due to cost pressures.	• Access to finance: Stabilising energy costs will maintain access to finance. • Cost of capital: Effective cost management will stabilise the cost of capital. • Cash flows: Effective cost management will maintain healthy cash flows. • Financial performance: Efficient operations will sustain current financial performance. • Financial position: Cost control will preserve a stable financial position.

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

GENERAL

The Directors of Hela Apparel Holdings PLC have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2024.

The Financial Statements and the disclosures made herein conform to the requirements of the Companies Act No. 7 of 2007. The Report also includes relevant disclosures required to be made under the Listing Rules of the Colombo Stock Exchange and is guided by the recommended best practices on accounting and corporate governance.

Hela Apparel Holdings PLC was incorporated under the Companies Act No. 07 of 2007 of Sri Lanka on 11 October 2018 as a Private Limited Company, converted to a Limited Company on 23 November 2021 and was listed on the Colombo Stock Exchange on 7 February 2022 with Company Registration No. PQ 00205151.

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 their 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.

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 176 to 177.

AUDITORS' REPORT

The Group's External Auditors, Messrs. Deloitte Partners, performed the audit on the Financial Statements for the year ended 31 March 2024. The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 169 to 173 as required by Section 168 (1) (c) of the Companies Act No. 7 of 2007.

ACCOUNTING POLICIES

A summary of the significant Accounting Policies adopted in the preparation of the Financial Statements is given from pages 185 to 187 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).

REVENUE

The Total Revenue of the Group for the year ended 31 March 2024 was Rs. 70,288,944,752 (FY 2022/23 – Rs. 95,302,704,798). An analysis of the income is given in Note 12 to the Financial Statements on page 200 of this Annual Report.

PROFIT AND APPROPRIATIONS

The Profit/Loss Before Tax of the Group for the year ended 31 March 2024 was Rs. -2,331,523,922 (FY 2022/23 - Rs. -3,424,915,655) and the Profit/Loss After Tax for the year ended 31 March 2024 was Rs. -348,895,961 (FY 2022/23 - Rs. -3,332,448,256). Whilst the Group profit/loss attributable to equity holders of the parent was Rs. -373,275,981 (FY 2022/23 - Rs. -3,498,317,473).

The details of Profit relating to the Group are given on page 174 of the Annual Report.

DIRECTORS

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

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

RECOMMENDATION FOR ELECTION/ RE-APPOINTMENT

The Directors have recommended the re-appointments of Mr. A R Rasiah and Mr. S. Doron who are over 70 years of age as Directors of the Company; and accordingly, resolutions will be placed before the shareholders in terms of Section 211 of the Companies Act with regard to the said re-appointments.

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

DIRECTORS OF SUBSIDIARY, SUB-SUBSIDIARIES & JOINT VENTURE COMPANIES

The details of Directors of the Group's subsidiaries, sub-subsidiaries and joint venture companies are given in the Group Companies and Directorate on pages 263 to 264 of the Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 22 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.

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.

DIRECTORS' REMUNERATION

The Directors' total remuneration is disclosed under Key Management Personnel compensation in Note 22 to the Financial Statements on page 249.

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.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31 March 2024 and 31 March 2023 are shown in the table below:

Name of Director	Shareholding as at 31.03.2024	Shareholding as at 31.03.2023
Mr. A R Rasiah	4,273,743	4,273,743
Mr. P L D Jinadasa	148,531,300	137,276,656
Mr. G P Gunawardana	-	-
Ms. T Peries	57,400	57,400
Mr. Patrick Schleiffer	-	-
Dr. A J Alderton	-	-
Mr. S Khan	-	-
Mr. S Doron	-	-

AUDITORS

Messrs. Deloitte Partners, 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. Deloitte Partners, 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. 46,500,085 is payable by the Company to the Auditors for the year under review comprising Rs. 48,874,516 as audit fees and Rs. 1,676,134 for non-audit services.

The Auditors have expressed their willingness to continue in office. The Board has recommended that Messrs. Deloitte Partners, Chartered Accountants 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 14 to the Financial Statements on page 203.

COMPANY SECRETARY

Ms. Janseni Kuhanesan functioned as the Company Secretary during the year under review.

STATED CAPITAL

The Stated Capital of the Company as at 31 March 2024 was Rs. 5,780,678,282.82/- represented by 1,317,381,560 Ordinary Voting Shares.

The Stated Capital of the Company as at 31 March 2023 was Rs. 5,754,574,715/- represented by 1,309,955,933 Ordinary Voting Shares.

SHAREHOLDINGS/ SHARE INFORMATION

The Market value of an ordinary share of the Company as at 31 March 2024 was Rs. 6.10 (31 March 2023 – Rs. 8.00). There were 13,874 shareholders registered as at 31 March 2024 (31 March 2023 – 14,438).

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 258 to 260 under the Investor Information section of this Annual Report.

SHAREHOLDERS

It is the Group's policy to treat its shareholders equitably and maximise shareholder wealth. Quarterly returns of financial results with any developments or changes are hosted on the CSE website.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

Details of the grants/vesting of the Employee Share Ownership Plan (ESOP) is given under the Investor Information section found on page 260 of the Annual Report. The Company or its subsidiaries did not directly or indirectly fund the said ESOP.

STATUS OF COMPLIANCE ON MINIMUM PUBLIC HOLDING REQUIREMENT OF THE LISTING RULES

The number of ordinary shares held by the Public as at 31 March 2024 was 21.28% of the Issued Capital of the Company. The minimum public holding requirement as at 31 March 2024 as per Section 7.13.1 (i) (a) of the Listing Rules is as follows:

	Float Adjusted Market Capitalisation (LKR)	Holding (%)	No of Public Shareholders
Minimum Public Holding as at 31 March 2024	1,710,066,655	21.28	13,855

The Company complies with the minimum public holding requirement of the Main Board as per Option 5 of Section 7.13.1 (i) (a) of the CSE Listing Rules.

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 2024, 14,349 persons were in employment in the Group (17,759 persons as at 31 March 2023).

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

CUSTOMERS

The Group firmly believes in investing time and effort in discovering exactly what the customer wants and building strategic long-term relationships by supplying their demands in the best manner possible every time. In other words, the Hela Group believes in selling customer excellence.

SUPPLIER POLICY

The Group places great emphasis on the importance of suppliers by building loyalty and ensuring prompt payment. Furthermore, clear communication on the terms of payment included in commercial agreements is maintained.

RESERVES

The reserves of the Company with the movements during the year are given in Note 19(b) to the Financial Statements on page 237.

LAND HOLDINGS

The Group's land holdings referred to in Note 18 (a) (iii), 18 (b) and 18 (c) 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.

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Note 18(a) to the Financial Statements on page 215.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31 March 2024 are given in Note 21 to the Financial Statements on pages 243 to 247.

DONATIONS

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

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 & Risk Committee.

Specific steps taken by the Group, in managing the risks are detailed in the section on Risk Management on page 142.

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.

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

CONTINGENT LIABILITIES

Except as disclosed in Note 23 to the Financial Statements on page 250, there were no material Contingent Liabilities as at the Reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 25 to the Financial Statements on page 250, there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with Section 9 of the Listing Rules of the Colombo Stock Exchange applicable as at the date of this Report.

The Corporate Governance Statement on page 138 explains the measures adopted by the Company during the year.

DIRECTORS' MEETINGS

The Directors conduct Board Meetings at least once a quarter and as and when necessary. Board decisions are resolved by resolutions at meetings, by circulation and also through circular Board papers which are approved and signed by all the Directors and tabled at the Board Meetings. The Minutes of the Board Meetings, the Agenda for the next meeting and the Management Reports are circulated to all the Directors in advance of the meetings.

The schedules of Directors' attendance at Board Meetings and at the Board Committee Meetings are appended in the Corporate Governance Report on pages 122 to 141.

BOARD COMMITTEES

Audit & Risk Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee function as Board Committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees is as follows.

AUDIT & RISK COMMITTEE

Mr. G P Gunawardana - Chairman

Dr. A J Alderton

Mr. P Schleiffer

Ms. T Peries

Mr. A R Rasiah

REMUNERATION COMMITTEE

Ms. T Peries – Chairperson

Dr. A J Alderton

Mr. G P Gunawardana

Mr. S. Khan

Mr. A R Rasiah

NOMINATION COMMITTEE

Mr. A R Rasiah - Chairman

Ms. T Peries

Dr. A J Alderton

Mr. P Schleiffer

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. G P Gunawardana - Chairman

Dr. A J Alderton

Mr. P Schleiffer

Ms. T Peries

Mr. A R Rasiah

The Board of Directors formed a Related Party Transactions 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 9 of the Listing Rules of the CSE other than those which have been already disclosed to the Market.

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.

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Group, where annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. The headline risks of the listed Company and the Group are presented to the Audit & Risk Committee for review. The Corporate Governance section to this Report elaborates on these practices and the Group's risk factors.

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties, given in Note 22 to the Financial Statements, have complied with Section 9.14.8 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Related Party Transactions under the Securities & Exchange Commission Directive issued under Section 13 (c) of the Securities & Exchange Commission Act.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility programmes, details of which are set out on pages 78 to 95 of this Report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of knowledge and belief of the Directors, the Company and the Group have not engaged in any activity, which contravenes laws and regulations of the country.

ANNUAL GENERAL MEETING

The Notice of the Third Annual General Meeting of the Company appears on page 277.

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

(Ms) J. Kuhanesan
Company Secretary

29 August 2024

AUDIT & RISK COMMITTEE REPORT

INTRODUCTION

The primary focus of the Audit & Risk Committee ("the Committee") is to ensure the integrity of the Group's financial reporting, audit processes, key risk management, and internal controls.

COMMITTEE MEMBERS

As of the date of this report, the members of the Committee are:

- Mr. Gayan Gunawardana - Chairman / Independent Non-Executive Director
- Dr. Alastair Alderton - Member / Non-Executive Director
- Mr. Patrick Schleiffer - Member / Non-Executive Director
- Ms. Trisha Peries - Member / Independent Non-Executive Director
- Mr. A. R. Rasiah - Member / Independent Non-Executive Director

All members served on the Committee throughout the year, except Mr. A R Rasiah, who was appointed on August 10, 2023, after being reclassified as an Independent Non-Executive Director. Mr. Shlomo Doron stepped down on the same date due to his reclassification as a Non-Independent Non-Executive Director.

The majority of the Committee members are independent. Three of the members, including the Chairman, are affiliated with recognised professional accounting bodies. The remaining members possess a broad array of relevant skills and extensive experience in commercial, financial, and operational matters.

MEETINGS

The Committee convened eight times during the year under review, aligning its agenda with the Group's financial calendar. Quarterly meetings were scheduled to coincide with the release of interim financial statements and year-end results. Separate sessions were held to discuss Internal Audit Reports. The Group Chief Executive Officer and Group Chief Financial Officer attended all meetings by invitation. The Group Chief Risk Officer, Chief Internal Auditor, and other senior management members participated in discussions on internal audit reports, while external auditors attended as requested. The Company Secretary served as the Secretary to the Committee.

Attendance of Members at the meetings of the Committee are as follows;

	24.04.2023	12.06.2023	10.08.2023	05.09.2023	18.09.2023	26.09.2023	17.01.2024	13.02.2024	Total
Mr. Gayan Gunawardana	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Dr. Alastair Alderton	×	×	✓	×	×	✓	×	×	2/8
Mr. Patrick Schleiffer	✓	✓	✓	×	✓	✓	×	✓	6/8
Ms. Trisha Peries	✓	✓	✓	✓	×	✓	✓	✓	7/8
Mr. A R Rasiah*	-	-	✓	✓	✓	✓	✓	✓	6/8
Mr. Shlomo Doron**	✓	✓	-	-	-	-	-	-	2/8
Mr. Shesan Khan***	✓	✓	-	-	-	-	-	-	2/8

* Appointed as a Member with effect from 10th August 2023

**Resigned as a Member with effect from 10th August 2023

***Functioned as an Alternate Director to Dr. Alastair Alderton

ROLE OF THE COMMITTEE

The Committee, appointed by the Board, is responsible for monitoring the financial integrity of the Group. Its primary functions as per its terms of reference include:

Financial Reporting

- Monitoring the integrity of the Group's financial statements by reviewing significant financial reporting judgments before their submission to the Board.
- Ensuring external audits contribute to financial reporting integrity and informing the Board of the outcomes.
- Reviewing and challenging the consistency and changes in accounting and treasury policies, ensuring the Group follows appropriate accounting policies and makes reasonable estimates and judgments.
- Assessing the clarity and completeness of disclosures, significant adjustments from audits, and compliance with accounting standards.

Narrative Reporting

- Reviewing the Annual Report's content to ensure it is fair, balanced, and understandable, providing necessary information for shareholders to assess the Company's position, performance, business model, and strategy.
- Assisting the Board in its robust assessment of principal and emerging risks and the Company's future prospects for disclosures required in the Annual Report.
- Reviewing the statements on going concern and viability to be included in the Annual Report.

Internal Financial Controls

- Reviewing the effectiveness of the Group's internal financial controls and risk management systems, including policies and processes for assessing established systems and corrective actions taken by management.

Whistleblowing and Fraud

- Reviewing the Group's arrangements for employees to confidentially raise concerns about potential improprieties in financial reporting, financial management, or other matters.
- Ensuring arrangements for independent investigation and follow-up actions.
- Reviewing policies, procedures, and controls for preventing and detecting fraud, bribery, money laundering, and ensuring compliance with legal and regulatory requirements.

Internal Audit

- Monitoring, reviewing, and assessing the effectiveness and independence of the Group's internal audit function within the context of the overall risk management system.
- Approving the internal audit function's remit, ensuring adequate resources and appropriate access to information.

External Audit

- Overseeing the relationship with the Group's external auditors, including audit rotation considerations.
- Reviewing and monitoring the external auditor's independence and objectivity, agreeing on the scope of their work and fees, assessing audit effectiveness, and approving non-audit services.

Assessment of Principal Risks

- Assisting the Board in the assessment of principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency, or liquidity.

ACTIVITIES DURING THE YEAR UNDER REVIEW

The Committee oversaw improvements in Hela's internal processes and the upgrade of its financial systems and technology, focusing on their impact on controls and reporting capabilities. Presentations and reports were received from senior management and the internal audit team, with consultations as necessary with external auditors.

MONITORING THE INTEGRITY OF REPORTED FINANCIAL INFORMATION

The Committee reviewed the Group's interim results and annual reports, ensuring they were fair, balanced, and understandable, providing necessary information for shareholders. It considered important accounting issues, management's estimates and judgments, and the assumptions underlying the going concern and viability statements.

The Committee evaluated whether the report includes clear and detailed descriptions of the business model, strategy, and principal risks to enable users to comprehend their significance to the Company. It also assessed the report's consistency, ensuring that the narrative aligns with the financial statements and the Directors' understanding during the year, presenting information fairly, without omitting material information, and not in a manner that could mislead users.

Additionally, the Committee reviewed the governance and processes undertaken by management in drafting, developing, and reviewing the contents of the Annual Report. These processes are designed to ensure the robustness and adequacy of the information contained in it, including reviews and input from senior executives. Based on this, the Audit Committee recommended to the Board that it could affirm the Annual Report as 'fair, balanced, and understandable'.

KEY ESTIMATES AND JUDGEMENTS

The Committee engaged in discussions with management and the external auditor regarding the approach taken in assessing all key estimates and judgements. These discussions encompassed, but were not limited to, revenue recognition, asset impairment, provisions for impairment of assets, and the valuation and useful life of acquired intangibles.

INTERNAL CONTROL AND RISK MANAGEMENT

The Committee reviewed management letters, internal audit reports, reports on internal financial control systems and risk management, business continuity plans, fraud reports, anti-bribery and corruption approaches, IT and cybersecurity reports, and significant system implementations. It obtained confirmation statements from the Group Chief Executive Officer and Group Chief Financial Officer on operations and finances and directed a framework to gain assurance over internal controls including an internal audit plan.

Risk areas were intensely scrutinised by the Committee through specific control reviews to identify areas for enhancing internal controls and an action plan was agreed with management to deliver recommendations. Regular updates were received from the internal audit function on the outcomes of agreed independent reviews and an assessment of the whole system of internal financial and operational controls.

The Committee satisfied itself that whistleblowing mechanisms in place are adequate and key issues have been reported.

AUDIT & RISK COMMITTEE REPORT

INTERNAL AUDIT

The in-house internal audit function executed annual internal audit plans, providing the Committee with independent views on internal controls and risk mitigation. Specialist resources were utilised where necessary. The Committee ensured the adequacy of internal audit resources and reviewed the results and status of recommendations arising from internal audits.

EXTERNAL AUDIT

The Committee reviewed the external audit plan, and findings from the interim results review and consolidated financial statements audit. It evaluated auditor independence, quality control processes, professional expertise, business knowledge, and communication quality. The Committee reviewed the terms, responsibilities, and scope of the audit, major issues and resolutions, accounting judgments, error levels, and management's response to auditor recommendations. It was concluded that relationship between the auditor and management was clear and open.

The Committee by considering the effectiveness and independence of the external auditor recommended to the Board that M/s Deloitte Partners ("Deloitte") who were first appointed in 2019 be re-appointed as the external auditor for the ensuing financial year. The current audit partner was engaged in the year 2022.

The Committee also analysed the non-audit services provided by Deloitte in alignment with a pre-approved list of such services and concluded that independence and objectivity of the external auditor was not impaired.

CONCLUSION

The Company maintains robust internal control and risk management systems for financial and non-financial reporting processes, including the preparation of consolidated financial statements. The Committee reviewed the consolidated financial statements and the draft Annual Report to ensure they accurately reflect the Group's financial position and results. It also examined the company's financial and non-financial information, internal controls, legal and compliance issues, and the adequacy of disclosures.

Gayan Gunawardana
Chairman - Audit & Risk Committee

29 August 2024

REMUNERATION COMMITTEE REPORT

INTRODUCTION

The Remuneration Committee ("the Committee") is authorised by the Board to establish, review, and make recommendations on the Group's remuneration policy and practices. The Committee ensures that all employees and Directors are remunerated appropriately in alignment with the Group's strategy and performance against key objectives.

COMPOSITION OF THE COMMITTEE

All Directors bring significant professional expertise to their roles on the Committee, as detailed in the Director Biographies within this Annual Report. The Committee comprises five Non-Executive Directors:

- Ms. Trisha Peries - Chairperson / Independent Non-Executive Director
- Dr. Alastair Alderton - Member / Non-Executive Director
- Mr. Gayan Gunawardana - Member / Independent Non-Executive Director
- Mr. Shesan Khan - Member / Non-Executive Director
- Mr. A.R. Rasiah - Member / Independent Non-Executive Director (appointed effective 10th August 2023)
- Mr. Shlomo Doron - Member / Non-Executive Director (resigned effective 10th August 2023)

The Company Secretary serves as the Secretary to the Committee.

MEETINGS

The Committee convened on 4th April 2023, with all members in attendance. The Board was apprised of the Committee's decisions. The Group Chief Executive Officer attends the meetings by invitation, except during discussions concerning his remuneration. The Chief People Officer, Group Senior Managers, and HR consultants may also attend as needed. The Committee operates in accordance with its Terms of Reference (TOR) approved by the Board.

RESPONSIBILITIES

The Committee's duties include establishing a remuneration framework that:

- Attracts, motivates, and retains high-calibre individuals.
- Rewards individuals appropriately based on their level of responsibility and performance.
- Motivates individuals to act in the best interest of the shareholders.
- Avoids encouraging individuals to take excessive risks beyond the Company's risk appetite.

ACTIVITIES OF THE COMMITTEE

The Committee reviewed the current Directors' remuneration schemes and determined that they continue to support the company's strategy for the upcoming year. No changes to the remuneration policy were deemed necessary, as it aligns with the delivery of the business strategy, recruitment, and retention of high-quality international talent, and meets shareholders' and governance community expectations.

Attracting and retaining key talent in a competitive pool is critical for the business. Hela's talent strategy involves a global approach to internal talent mobility, with remuneration being an essential aspect of meeting these objectives. The remuneration principles were benchmarked against peer groups and industry standards.

The Committee sought to embed simplicity and transparency in executive reward design and delivery. Short and long-term incentive plans reward the delivery of the business strategy, with performance measures regularly reviewed and targets set relative to the company's growth plans and peer group performance forecasts.

The Committee believes in setting targets that incentivise the management team to make the right long-term decisions for all stakeholders and the environment. The annual and long-term incentive structures and performance measures remain unchanged for FY2023/24, continuing to align with the company's strategic priorities.

The Committee conducted an in-depth session to review the broader workforce remuneration for the fiscal year 2023/24. This review focused on the outcomes of the previous year's reward cycle, encompassing enhancements to base pay, challenges related to the cost of living, and reward structures aimed at attracting talent in key skill areas.

REMUNERATION PRINCIPLES AT HELA

The approach to setting executive remuneration is guided by Hela's remuneration principles, balancing risk and reward, cost and sustainability, and competitiveness and fairness. The company's strategy focuses on growing and leveraging leaders globally, given its international nature, and sourcing talent globally. This aspect presents challenges, particularly given the higher pay norms in other parts of the world and the increasing international mobility of senior talent.

Long-term value creation for shareholders and pay-for-performance remains central to Hela's remuneration policy and practices. Attracting and nurturing a vibrant mix of international talent with diverse backgrounds, skills, and capabilities enables Hela to grow and thrive. The Committee, having reviewed the Policy, remains satisfied that it continues to be appropriate to the business needs and strategy of the Group.

CONCLUSION

Hela's resilient performance amid broad and sustained uncertainty is reflected in the incentive outcomes and the Committee's decisions, which align with the company's philosophy of delivering market-competitive pay in return for high performance against strategic objectives. The Committee acknowledges the strong contribution of the Group Chief Executive Officer and senior managers in delivering results, managing recent Group expansion, and developing its sustainability program. The level of performance achieved maintained the Group's strong financial position, providing a platform for continued future growth.

(Ms) Trisha Peries
Chairperson

29 August 2024

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

INTRODUCTION

The objective of the Related Party Transactions Review Committee ("RPTR Committee") is to ensure compliance with all relevant rules and regulations governing related party transactions, thereby upholding governance and the best interests of the Company and its shareholders. The RPTR Committee adheres to the guidelines issued by the Colombo Stock Exchange and the Securities & Exchange Commission of Sri Lanka and the Code issued by the Institute of Chartered Accountants of Sri Lanka.

COMPOSITION

As of the date of this report, the members of the RPTR Committee are as follows:

- Mr. Gayan Gunawardana - Chairman / Independent Non-Executive Director
- Dr. Alastair Alderton - Member / Non-Executive Director
- Mr. Patrick Schleiffer - Member / Non-Executive Director
- Ms. Trisha Peries - Member / Independent Non-Executive Director
- Mr. A.R. Rasiah - Member / Independent Non-Executive Director (appointed w.e.f 10th August 2023)
- Mr. Shlomo Doron - Member / Non-Executive Director (resigned w.e.f 10th August 2023)

The majority of the RPTR Committee comprises Independent Non-Executive Directors. The Chief Executive Officer and Group Chief Financial Officer of the Group attend the meetings by invitation. The Company Secretary served as the Secretary to the RPTR Committee.

MEETINGS

Meetings are scheduled quarterly. During the year under review, four meetings were held. Minutes of these meetings were formulated and tabled at the Board meetings every quarter. The attendance details for the meetings are as follows:

	29.06.2023	26.09.2023	09.11.2023	13.02.2024	Total
Mr. Gayan Gunawardana	✓	✓	✓	✓	4/4
Dr. Alastair Alderton	×	×	×	×	0/4
Mr. Patrick Schleiffer	✓	×	✓	✓	3/4
Ms. Trisha Peries	✓	✓	✓	✓	4/4
Mr. A R Rasiah*	-	✓	✓	✓	3/4
Mr. Shlomo Doron**	✓	-	-	-	1/4
Mr. Shesan Khan***	✓	-	-	-	1/4

* Appointed w.e.f. 10th August 2023

**Resigned w.e.f. 10th August 2023

***Alternate Director to Dr. Alastair Alderton

RESPONSIBILITIES

The RPTR Committee's responsibilities include, but are not limited to:

1. **Review of Related Party Transactions:** Reviewing all transactions with related parties (as defined by LKAS 24), including Directors, key management personnel, and their close family members. Ensuring that such transactions are conducted at arm's length and on terms that are no less favourable than those available to unrelated parties.
2. **Approval of Related Party Transactions**: Approving all related party transactions above the thresholds specified in Section 9.14.5 of the Listing Rules of the CSE, except the exempted transactions listed under Section 9.14.10 of the Listing Rules. Ensuring that such transactions are in the best interests of the Company and its shareholders.
3. **Compliance with Best Practices:** Ensuring compliance with the Code issued by the Institute of Chartered Accountants of Sri Lanka ("the Code").
4. **Disclosure of RPTs:** Ensuring that all RPTs are disclosed in the company's annual report and financial statements in accordance with applicable laws and regulations.
5. **Review of Terms of Reference:** Reviewing the Terms of Reference (TOR) of the RPTR Committee annually and recommending any amendments to the Board as appropriate.

ACTIVITIES DURING THE YEAR UNDER REVIEW

The RPTR Committee primarily relied on validated processes to ensure compliance with the Code and the Listing Rules of the CSE, protecting shareholder interests, and maintaining fairness and transparency. The Committee directed management to maintain a register of related parties and report on any non-recurrent related party transactions prior to obtaining Board approval. This register was maintained by the Chief Financial Officer, with assistance from the Company Secretary, and was updated quarterly.

Guidelines were established for Senior Management to follow for recurrent RPTs in ongoing dealings with related parties. The Company Secretary monitored transactions with identified related parties to ascertain those requiring shareholder/Board approval and immediate disclosures. The RPTR Committee reviewed records from management on RPTs each quarter to confirm arm's length transactions and submitted adequate justifications.

The RPTR Committee also determined whether to obtain Board approval for specific RPTs based on factors such as the impact on Director independence and the need for immediate market disclosure. It ensured no RPTR Committee members had conflicts of interest regarding proposed RPTs.

Though the RPTR Committee formally met quarterly, any RPT requiring RPTR Committee approval was escalated via circulation to all members.

The RPTR Committee followed the Terms of Reference without changes from the previous reporting period and did not seek independent advice in reviewing RPTs during the year.

DECLARATION

During the year under review, the Company complied with the RPT rules set out in Section 9.14 of the Listing Rules. An affirmative statement of compliance with RPT rules by the Board of Directors is included in the Annual Report of the Board of Directors. Details of other RPTs entered by the Company are discussed in Note 22 to the Financial Statements. In the opinion of the RPTR Committee, all RPTs were conducted at arm’s length and at market rates, on similar terms as those generally transacted with third parties.

Gayan Gunawardana
Chairman - Related Party Transactions Review Committee

29 August 2024

NOMINATION COMMITTEE REPORT

INTRODUCTION

The Nomination Committee (hereinafter referred to as "the Committee") is tasked with overseeing succession planning for the Board, ensuring a robust pipeline of candidates for potential nomination, and formulating a comprehensive succession planning and talent strategy for the Group Management Committee. This report outlines the Committee's role, composition, recruitment and election procedures, induction and training processes, and principal activities during the year under review.

ROLE AND COMPOSITION OF THE NOMINATION COMMITTEE

The Committee is responsible for:

- Reviewing the composition of the Board and succession planning.
- Overseeing succession planning for key Group Management Committee roles.
- Developing an overall talent strategy for senior leadership positions, with a focus on encouraging diversity in leadership.

The Committee makes recommendations to the Board regarding appointments to both the Board and executive positions. The Committee operates according to its Terms of Reference mandated by the Board. The current composition of the Nomination Committee is as follows:

- Mr. A.R. Rasiah – Chairman/Independent Non-Executive Director
- Dr. A.J. Alderton – Member/Non-Executive Director
- Mr. P. Schleiffer – Member/Non-Executive Director
- Ms. T. Peries – Member/Independent Non-Executive Director

The Group CEO is invited to attend Committee meetings by invitation, and the Company Secretary acts as the Secretary to the Committee. Proceedings of the Committee meetings are regularly reported to the Board.

RECRUITMENT AND ELECTION PROCEDURES

In formulating its recommendations for the Board of Directors, the Committee considers a broad range of factors including the candidate's background, skill set, experience, ability to express independent judgment, and capacity to participate in a variety of topics, including sustainability and societal matters. The candidate's ability to devote sufficient time to the company and their potential contribution towards the Board's diversity objectives are also considered.

Any new Directors appointed by the Board must be elected at the next Annual General Meeting (AGM) to continue in office, in accordance with the company's Articles of Association. For Group Management Committee appointments, talent sourcing is generally conducted using external professional agencies. Reports on potential appointees are provided to the Committee, which, after careful consideration, makes a recommendation to the Board.

INDUCTION AND TRAINING

The induction processes for new Directors are supplemented by ongoing engagements to ensure a continuing understanding of the business. This includes meetings with key customers, engagements with leadership teams, and events integrated into the annual cycle of Board meetings. Executive leaders provide updates on specific areas of risk and detailed reviews of strategic matters through presentations, roundtable discussions, and other sessions as part of the Board's advisory committee meetings.

Group Management Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to present on their areas of responsibility. All Directors receive regular briefings to stay informed about relevant legal and governance developments, best practice developments, and evolving commercial and other risks.

ACTIVITIES OF THE NOMINATION COMMITTEE

The principal activities of the Nomination Committee during the year included:

- On 8th April 2024, the Committee reviewed succession plans for Group Management Committee roles, considering potential candidates, their backgrounds, and how they would contribute towards the Company's objectives.
- The Committee considered and approved the report of the Committee in the company's Annual Report and consolidated financial statements for the year under review.

CONCLUSION

The Committee is satisfied that the current Board has a balanced mix of skills, knowledge, independence, experience, and diverse representation to operate effectively, with no undue reliance on any single individual.

On behalf of the Nomination Committee,

A R Rasiah
Chairman

29 August 2024

EVER RESOLUTE

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

(Ms) J Kuhanesan
Company Secretary

29 August 2024

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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TO THE SHAREHOLDERS OF HELA APPAREL HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

We have audited the financial statements of Hela Apparel Holdings PLC (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the consolidated financial statements of the Group comprise:

- the statement of financial position as at 31 March 2024;
- 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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"). 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 judgement, 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.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

The Company:

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries *(Refer accounting policies in note 21(a) in the financial statements)* The carrying value of the Company's investments in subsidiaries as at 31 March 2024 amounted to LKR 6.3 Bn and represents 99% of the total assets of the Company as at 31 March 2024. Given the current financial performance of the subsidiaries of the Company, management has assessed the impairment of its investments in subsidiaries. Accordingly, in estimating the recoverable amount of the investments in subsidiaries, the management has used the Discounted Cash Flow (DCF) method to arrive at the Value-In-Use (VIU) of the investments in the subsidiaries, which are the recoverable amounts of investments in subsidiaries. The determination of VIU for investments in subsidiaries was important to our audit and was a key audit matter because the: • carrying value of the investments in subsidiaries of the Company as at 31 March 2024 is material to the financial statements; and • inherent subjective nature of the valuations requiring judgements in determining the method of valuation to be adopted and the use of estimates and various assumptions in the valuations. These estimates include assumptions related to revenue growth rates, EBITDA margins, terminal growth rate and the discount rate.	Our audit approach included the following procedures: a) assessed the key assumptions, including the discount rate, terminal growth rate, EBITDA margins, and revenue growth rates by benchmarking against publicly available market data, historical performance and by obtaining the assistance of our valuation experts; b) checked the appropriateness of the selection of the impairment testing method; c) checked the mathematical accuracy of the impairment testing; d) agreed relevant data to the latest budget approved by the Board of Directors of the Company; e) discussed with relevant senior management the reasonability of the plans developed to achieve the cash flow projections; and f) reperformed the sensitivity analysis performed by management by stress-testing the discount rate, terminal growth rate, EBITDA margins and revenue growth rates to test the extent of change in those assumptions that would be required for the investments in subsidiaries to be impaired; Based on our audit work performed, we found that the assumptions to be consistent and reasonable.

The Group and Company:

Key audit matter	How our audit addressed the key audit matter
Going concern *(Refer note 2(a) in the financial statements)* In assessing whether the financial statements should be prepared on a going concern basis, the Directors are required to consider all available information about the future for a period of at least 12 months from the date of approval of the financial statements. In conducting their assessment, the Directors have concluded that there are no material uncertainties which may cast significant doubt over the Group's and the Company's ability to continue as a going concern over this 12 month period. The Group reported a loss after tax of LKR 349 Mn (net of a gain on bargain purchase amounting to LKR 9.6 Bn) and LKR 3.3 Bn for the financial years ended 31 March 2024 and 31 March 2023 respectively. Further, as of 31 March 2024, the Group's current liabilities exceeded its current assets by LKR 9.1 Bn (31 March 2023 - LKR 8.1 Bn) and the Group's and the Company's accumulated losses amounted to LKR 1.7 Bn and LKR 2.3 Bn (31 March 2023 - LKR 1.5 Bn and LKR 2.3 Bn) respectively. As stated in Note 2(a), the global uncertain economic conditions which were further exacerbated by the political unrest in Europe and Middle-East post COVID-19 pandemic contributed towards the adverse financial performance mentioned above. At 31 March 2024, the Group had net assets amounting to LKR 10.3 Bn and unutilised bank facilities including trade facilities and bank overdrafts amounting to LKR 15 Bn. There is liquidity headroom within the Group's forecast across the period of assessment for going concern. We considered the assumptions made by management in evaluating the going concern assumptions as a key audit matter due to the following reasons; • It's significance to the financial statements; and • Involvement of complex and subjective estimates and judgements in arriving at the assumptions.	Our audit approach included the following procedures: a) assessed the reasonableness of the cash flow forecast of the Group over the next 12 months based on the latest budget approved by the Board of Directors of the Company; b) determined the Group's and Company's liquidity and headroom positions with reference to borrowing facility agreements; c) tested the arithmetical accuracy of management's cash flow forecast; d) compared the post year-end actual financial results and against the budget; e) reviewed the current loan agreements and correspondence with banks and other financial institutions to determine whether covenants have been breached during the year under review or post year-end; f) performed audit tests in relation to subsequent events to identify any events which might indicate that the going concern assumption is not appropriate; and g) assessed the sufficiency of the Group's disclosure concerning the going concern basis. Based on our audit work performed, we found that the assumptions to be consistent and reasonable.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill in subsidiaries *(Refer accounting policies in note 9 and note 18(d) in the financial statements)* As at 31 March 2024, the Group's goodwill arising from its acquisition of subsidiaries was amounted to LKR 11 Bn and comprise 17% of total assets. The Group is required to test goodwill for impairment annually based on the value-in-use of individual Cash Generating Units ('CGUs') to which goodwill is allocated, according to the requirements of the applicable accounting standard (LKAS 36 – Impairment of Assets). This annual impairment test was significant to our audit due to the following reasons: • the goodwill balance of the Group as at 31 March 2024 is material to the financial statements; and • impairment assessment involves complex and subjective estimates and judgements by management about the future results of subsidiaries. These estimates include assumptions related to revenue growth rates, EBITDA margins, terminal growth rate and the discount rate.	Our audit approach included the following procedures: a) assessed the key assumptions, including the discount rate, terminal growth rate, EBITDA margins, and revenue growth rates by benchmarking against publicly available market data, historical performance and by obtaining the assistance of our valuation experts; b) checked the appropriateness of the selection of the impairment testing method; c) checked the mathematical accuracy of the impairment testing; d) agreed relevant data to the latest budget approved by the Board of Directors of the Company; e) discussed with relevant senior management the reasonability of the plans developed to achieve the cash flow projections; and f) reperformed the sensitivity analysis performed by management by stress-testing the discount rate, terminal growth rate, EBITDA margins and revenue growth rates to test the extent of change in those assumptions that would be required for the goodwill to be impaired; Based on our audit work performed, we found that the assumptions to be consistent and reasonable.
Valuation of inventory – Estimates related to inventory provisions and write downs *(Refer accounting policies in note 18(g) in the financial statements)* As at 31 March 2024, the Group held LKR 8.5 Bn of inventories which comprise of raw materials, work in progress , goods in transits and finished goods and represented approximately 13% of the Group's total assets. The inventories are held at the lower of cost and net realisable value and the determination of whether inventory will be realised for a value less than cost requires management to exercise judgement and apply assumptions. Management determined the level of provision/write down required by estimating the future saleability of slow-moving inventory with reference to inventory aging, closed sales orders and expected future market conditions. Given the size of the inventory balance relative to the total assets of the Group and the estimates and judgements described above, the estimates related to provisions and write downs for inventory was considered to be significant for the audit.	Our audit approach included the following procedures; a) attended the inventory verifications performed by management and tested a sample of items to check existence and identify any damaged and obsolete inventory, if any, that required a write down; b) performed a recalculation of the inventory write down amounts made to individual inventory categories based on the inventory ageing reports and closed sales orders; c) 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 d) tested on a sample basis the reasonability of the net realisable value of finished goods and work in progress by agreeing to sales invoices subsequent to the year end. Based on our work performed, we found that the estimates for arriving at the net realisable value of slow-moving inventory to be appropriate.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Key audit matter	How our audit addressed the key audit matter
Fair value of identifiable assets acquired and liabilities assumed in business combinations *(Refer accounting policies in note 9 and note 9(a) in the financial statements)* During the financial year, following the sale and purchase agreement executed on 24 January 2024, Hela Brands Limited, a company incorporated in Mauritius and a subsidiary of the Company, acquired 100% ownership of Focus Brands Limited, a fully owned subsidiary of JD Sports Fashion PLC for a consideration of LKR 3.3 Bn. The acquisition is accounted for as a business combination (SLFRS 3 – Business Combinations) and includes a number of significant and complex judgments in the determination of the fair value of the identifiable assets acquired and liabilities assumed. The transaction resulted in a gain on bargain purchase amounting to LKR 9.6 Bn after allocating the purchase price to the identifiable assets acquired and liabilities assumed. The fair value of identifiable assets acquired and liabilities assumed in business combinations was considered as a key audit matter because of the significance of the gain on bargain purchase and the level of estimation used in determining the fair value of the net assets acquired.	Our audit procedures included the following: a) understood the management's process related to acquisition accounting. We reviewed the underlying documentation, terms and conditions of the transaction and assessed the accounting treatment of the consideration transferred, the identifiable assets acquired, and liabilities assumed in accordance with SLFRS 3 Business Combinations; b) assessed the reasonableness of the purchase price allocation including the valuation performed by the external valuer engaged by the Group, and performed the following: i) assessed the qualifications, experience and independence of the external valuer engaged by the Group; ii) read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of net assets acquired; and iii) assessed the reasonableness of the significant judgements made by the valuer and valuation techniques used by the valuer in the valuation of net assets acquired. c) engaged auditor's expert to assist in reviewing the intangible assets valuations and in assessing the methodology used to determine the fair value; d) obtained and reviewed the audited financial statements of the subsidiary prepared at the acquisition date to obtain audit comfort over book value of the net assets at the acquisition date: and e) evaluated whether the disclosures made in Note 9(a) are in accordance with SLFRS 3 - Business Combinations. Based on the work performed, we found that the determination of the fair value of the identifiable assets acquired and liabilities assumed in business combinations to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report 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.

Other matter

We have audited the financial statements of Hela Apparel Holdings PLC (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group) for the year ended 31 March 2024 presented in USD, the functional currency of the Company/ Group and prepared in accordance with Sri Lanka Accounting Standards ("USD financial statements"). The accompanying financial statements presented in Sri Lankan Rupees ("LKR financial statements") have been derived from those USD financial statements on which we have expressed an unqualified opinion on 29 August 2024.

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 separate / consolidated 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 and the 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 separate / consolidated 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 separate / consolidated 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 appears from our examination, proper accounting records have been kept by the Company.

Deloitte Partners

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [2857]

COLOMBO

29 August 2024

STATEMENT OF PROFIT OR LOSS

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

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2024	2023	2024	2023
Revenue from contracts with customers	12	70,288,945	95,302,705	-	-
Cost of sales	14	(64,119,066)	(83,716,438)	-	-
Gross profit		6,169,879	11,586,267	-	-
Distribution expenses	14	(2,915,833)	(3,955,959)	-	-
Administrative expenses	14	(11,435,018)	(8,839,640)	(17,716)	(12,130)
Net impairment loss on financial assets	14/10(c)	(20,652)	(35,694)	-	-
Other income	13(a)	363,647	426,459	-	-
Other gains / (losses)	13(b)	9,555,956	1,449,015	(966)	(802,694)
Operating profit / (loss)		1,717,979	630,448	(18,682)	(814,824)
Finance income	13(c)	112,076	27,908	83	2,962
Finance costs	13(c)	(4,118,845)	(4,013,956)	(24)	(59)
Finance (costs) / income - net	13(c)	(4,006,769)	(3,986,048)	59	2,903
Share of loss of equity accounted investees, net of tax	21(d)	(42,734)	(69,315)	-	-
Loss before income tax		(2,331,524)	(3,424,915)	(18,623)	(811,921)
Income tax reversal / (expense)	15(a)	1,982,628	92,467	53	(800)
Loss for the year		(348,896)	(3,332,448)	(18,570)	(812,721)
Loss is attributable to:					
Equity holders of the parent		(373,276)	(3,498,317)	(18,570)	(812,721)
Non-controlling interests		24,380	165,869	-	-
Loss for the year		(348,896)	(3,332,448)	(18,570)	(812,721)
Loss per share attributable to the equity holders of the Company					
Basic loss per share	16(a)	(0.28)	(2.67)	(0.01)	(0.62)
Diluted loss per share	16(b)	(0.28)	(2.66)	(0.01)	(0.62)

Figures in brackets indicate deductions.

The accounting polices and notes on pages 182 to 250 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

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

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	2024	2023	2024	2023
Loss for the year		(348,896)	(3,332,448)	(18,570)	(812,721)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations	2 (d)	(995,869)	1,376,346	(543,801)	714,460
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Gain on revaluation of land and buildings	18(a) (i)	-	962,572	-	-
Revaluation gain arising from the transfer of property, plant and equipment to investment property	18(a) (i)	360,608	-	-	-
Deferred income tax impact relating to revaluation	18 (f)(ii)	-	(332,863)	-	-
Remeasurements of post-employment benefit obligations	18 (h)	(144,696)	(48,956)	-	-
Deferred income tax impact relating to remeasurements of post-employment benefit obligations	18(f)(ii)	35,803	16,930	-	-
Other comprehensive (loss) / income for the year, net of tax		(744,154)	1,974,029	(543,801)	714,460
Total comprehensive loss for the year		(1,093,050)	(1,358,419)	(562,371)	(98,261)
Total comprehensive loss is attributable to:					
Equity holders of the parent		(1,117,430)	(1,524,288)	(562,371)	(98,261)
Non-controlling interests		24,380	165,869	-	-
Total comprehensive loss for the year		(1,093,050)	(1,358,419)	(562,371)	(98,261)

Figures in brackets indicate deductions.

The accounting polices and notes on pages 182 to 250 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

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

	Notes	Group As at 31 March		Company As at 31 March	
		2024	2023	2024	2023
ASSETS					
Non-current assets					
Property, plant and equipment	18 (a)	6,768,862	9,001,940	-	-
Right-of-use assets	18 (b)	3,986,043	2,742,171	-	-
Investment property	18 (c)	1,256,500	559,700	-	-
Intangible assets	18(d)	13,161,576	11,957,563	26,354	-
Deferred tax assets	18(f)	3,074,839	1,128,036	-	-
Investment in subsidiaries	21(a)	-	-	6,341,683	6,853,540
Investments in equity accounted investees	21 (d)	226,134	288,325	-	-
Other financial assets at amortised costs	17(b)	602,548	196	-	-
Total non-current assets		29,076,502	25,677,931	6,368,037	6,853,540
Current assets					
Inventories	18 (g)	8,478,114	11,761,008	-	-
Other assets	18 (e)	3,067,359	3,708,927	2,834	-
Trade and other receivables	17(a)	15,266,312	9,844,991	22,073	14,701
Income tax receivables		284,437	49,378	73	-
Derivative financial instruments	10(a)	-	439,129	-	-
Other financial assets at amortised cost	17 (b)	257,507	310,550	-	-
Cash and cash equivalents	17(c)	8,314,419	3,906,000	5,058	8,804
Total current assets		35,668,148	30,019,983	30,038	23,505
Total assets		64,744,650	55,697,914	6,398,075	6,877,045
EQUITY					
Stated capital	19 (a)	5,780,678	5,754,575	5,780,678	5,754,575
Accumulated losses	19 (c)	(1,710,444)	(1,534,488)	(2,319,409)	(2,300,839)
Exchange equalisation reserve	19 (d)	4,914,063	6,120,591	2,715,970	3,259,771
Other reserves	19 (b)	1,233,869	801,331	93,841	115,012
Net assets attributable to owners of the Company		10,218,166	11,142,009	6,271,080	6,828,519
Non-controlling interests		56,096	316,391	-	-
Total equity		10,274,262	11,458,400	6,271,080	6,828,519

	Notes	Group		Company	
		As at 31 March		As at 31 March	
		2024	2023	2024	2023
LIABILITIES					
Non-current liabilities					
Borrowings	17(e)	4,322,054	1,804,131	-	-
Lease liabilities	18 (b)	3,134,053	2,134,142	-	-
Deferred tax liabilities	18(f)	1,476,608	1,613,979		-
Employee benefit obligations	18(h)	735,923	536,101	-	-
Total non-current liabilities		9,668,638	6,088,353	-	-
Current liabilities					
Trade and other payables	17(d)	16,012,782	11,959,627	120,427	47,935
Income tax liabilities		156,929	171,360	-	590
Lease liabilities	18 (b)	1,064,156	648,353	-	-
Borrowings	17(e)	27,567,883	25,371,821	6,568	1
Total current liabilities		44,801,750	38,151,161	126,995	48,526
Total liabilities		54,470,388	44,239,514	126,995	48,526
Total equity and liabilities		64,744,650	55,697,914	6,398,075	6,877,045
Net assets per share attributable to owners of the Company		7.76	8.51	4.76	5.21

The accounting polices and notes on pages 182 to 250 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.

B. R. S. Fernando
Group Chief Financial Officer

29 August 2024
Colombo

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

29 August 2024
Colombo

A. R. Rasiah
Director

29 August 2024
Colombo

STATEMENT OF CHANGES IN EQUITY

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

Company	Notes	Stated capital	Accumulated losses	Share based payments	Exchange equalisation reserve	Total
Balance as at 1 April 2022		5,730,537	(1,488,118)	114,947	2,545,311	6,902,677
Loss for the year		-	(812,721)	-	-	(812,721)
Other comprehensive income		-	-	-	714,460	714,460
Total comprehensive loss for the year		-	(812,721)	-	714,460	(98,261)
Employee share option plan - value of employee services	19 (b)	-	-	24,103	-	24,103
Issue of shares under employee share option plan	19 (a)(i)	24,038	-	(24,038)	-	-
Balance as at 31 March 2023		5,754,575	(2,300,839)	115,012	3,259,771	6,828,519
Balance as at 1 April 2023		5,754,575	(2,300,839)	115,012	3,259,771	6,828,519
Loss for the year		-	(18,570)	-	-	(18,570)
Other comprehensive income		-	-	-	(543,801)	(543,801)
Total comprehensive loss for the year		-	(18,570)	-	(543,801)	(562,371)
Employee share option plan - value of employee services	19 (b)	-	-	4,932	-	4,932
Issue of shares under employee share option plan	19 (a)(i)	26,103	-	(26,103)	-	-
Balance as at 31 March 2024		5,780,678	(2,319,409)	93,841	2,715,970	6,271,080

Figures in brackets indicate deductions.

The accounting polices and notes on pages 182 to 250 are an integral part of these financial statements.

Group	Notes	Attributable to equity holders of the parent					Non-controlling interests	Total equity
		Stated capital	Retained earnings / (accumulated losses)	Other reserves	Exchange equalisation reserve	Total		
Balance as at 1 April 2022		5,730,537	2,045,520	141,032	4,725,105	12,642,194	150,522	12,792,716
(Loss)/ profit for the year		-	(3,498,317)	-	-	(3,498,317)	165,869	(3,332,448)
Other comprehensive income								
Currency translation differences		-	-	-	1,376,346	1,376,346	-	1,376,346
Gain on revaluation of land and buildings	18(a) (i)	-	-	962,572	-	962,572	-	962,572
Deferred income tax impact relating to revaluation	18 (f)(ii)	-	-	(332,863)	-	(332,863)	-	(332,863)
Remeasurements of post-employment benefit obligations	18 (h)	-	(48,956)	-	-	(48,956)	-	(48,956)
Deferred income tax impact relating to remeasurements of post-employment benefit obligations	18 (f)(ii)	-	16,930	-	-	16,930	-	16,930
Total comprehensive (loss) / income for the year		-	(3,530,343)	629,709	1,376,346	(1,524,288)	165,869	(1,358,419)
Transfers from translation reserve to retained earnings		-	(19,140)	-	19,140	-	-	-
Transfers from retained earnings to other reserves	19(c)	-	(30,525)	30,525	-	-	-	-
Issue of shares under employee share option plan	19 (a)(i)	24,038	-	(24,038)	-	-	-	-
Employee share option plan - value of employee services	19 (b)	-	-	24,103	-	24,103	-	24,103
Balance as at 31 March 2023		5,754,575	(1,534,488)	801,331	6,120,591	11,142,009	316,391	11,458,400
Balance as at 1 April 2023		5,754,575	(1,534,488)	801,331	6,120,591	11,142,009	316,391	11,458,400
(Loss)/ profit for the year		-	(373,276)	-	-	(373,276)	24,380	(348,896)
Other comprehensive income								
Currency translation differences	2 (d)	-	-	-	(995,869)	(995,869)	-	(995,869)
Revaluation gain arising from the transfer of property, plant and equipment to investment property	18(a) (i)	-	-	600,218	(239,610)	360,608	-	360,608
Transfer of deferred income tax impact on revaluation gain arising from the transfer of property, plant and equipment to investment property		-	108,182	(108,182)	-	-	-	-
Remeasurements of post-employment benefit obligations	18 (h)	-	(144,696)	-	-	(144,696)	-	(144,696)
Deferred income tax impact relating to remeasurements of post-employment benefit obligations	18 (f)(ii)	-	35,803	-	-	35,803	-	35,803
Total comprehensive (loss) / income for the year		-	(373,987)	492,036	(1,235,479)	(1,117,430)	24,380	(1,093,050)
Re-classification	19(c)	-	227,032	56,183	-	283,215	(283,215)	-
Transfers on Investment property classification			(29,001)	(94,510)	28,951	(94,560)	(1,460)	(96,020)
Issue of shares under employee share option plan	19 (a)(i)	26,103	-	(26,103)	-	-	-	-
Employee share option plan - value of employee services	19 (b)	-	-	4,932	-	4,932	-	4,932
Balance as at 31 March 2024		5,780,678	(1,710,444)	1,233,869	4,914,063	10,218,166	56,096	10,274,262

Figures in brackets indicate deductions.

The accounting polices and notes on pages 182 to 250 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

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

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	2024	2023	2024	2023
Cash flows from operating activities					
Cash generated from operations	20 (a)	719,282	9,352,465	47,602	2,558,485
Retirement benefit obligations paid	18 (h)	(127,621)	(73,272)	-	-
Income tax paid		(208,429)	(39,941)	(610)	(7,965)
Interest paid	13(c)	(4,014,976)	(4,013,956)	-	(59)
Net cash (used in) / generated from operating activities		(3,631,744)	5,225,296	46,992	2,550,461
Cash flows from investing activities					
Purchase of property, plant and equipment	18 (a)	(632,580)	(2,637,878)	-	-
Purchase of intangible assets	18 (d)	(267,925)	(29,732)	(31,981)	-
Proceeds from sale of property, plant and equipment		85,621	599,065	-	-
Interest received	13(c)	112,076	27,908	59	2,962
Investment made in fixed deposits		-	(94,277)	-	-
Payment for acquisition of subsidiaries, net of cash acquired	9	3,989,804	-	(31,949)	(3,891,709)
Net cash generated from / (used in) investing activities		3,286,996	(2,134,914)	(63,871)	(3,888,747)
Cash flows from financing activities					
Proceeds from borrowings		186,439,334	112,561,662	-	-
Repayment of borrowings		(179,772,143)	(116,383,507)	-	-
Net proceeds from share issue		-	23,635	-	23,635
Principal elements of lease payments		(989,351)	(987,247)	-	-
Net cash generated from / (used in) financing activities		5,677,840	(4,785,457)	-	23,635
Net increase / (decrease) in cash and cash equivalents		5,333,092	(1,695,075)	(16,879)	(1,314,651)
Cash and cash equivalents at the beginning of the year		3,901,127	5,023,132	8,803	1,115,479
Currency translation difference		(1,251,439)	573,070	6,566	207,975
Cash and cash equivalents at the end of the year	17 (c)	7,982,780	3,901,127	(1,510)	8,803

Figures in brackets indicate deductions.

The accounting polices and notes on pages 182 to 250 are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

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

CORPORATE AND GROUP INFORMATION

1 CORPORATE INFORMATION

The Group is currently organised into two reportable segments, the Private Label Manufacturing Division and the Brand Licensing Division. The operations of the Brand Licensing Division are carried out of by the Company's fully owned subsidiary, Hela Brands Limited, and its subsidiaries. The other companies in the Group carry out the activities of the Private Label Manufacturing Division. Each segment is managed by a CEO who acts as segment manager, the performance of each segment is monitored by the Group CEO, and strategic decisions are made on the basis of segment operating results.

Name of the entity	Place of business	Principle 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	Providing front end services
Hela Intimates EPZ Limited	Kenya	Manufacturing garments for exporters
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 Brands Limited	Mauritius	Investment holding Company
Hela Investment Holdings Limited	Mauritius	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 garments including sportswear
Hela Clothing Egypt SAE	Egypt	Manufacturing garments for exporters
Hela Indochine ETH Trading FZCO	UAE	Dormant company
Focus Brands Limited	UK	Brand licensing services
Focus Group Holdings Limited	UK	Brand licensing services
Focus Italy S.r.l	Italy	Brand licensing services
Focus International Limited	UK	Brand licensing services
Focus International NL BV	Netherlands	Brand licensing services
Focus International GMBH	Germany	Brand licensing services
Focus Sports & Leisure International Limited	UK	Dormant company
Focus Equipment Limited	UK	Dormant company

Consolidated Financial Statements

The consolidated financial statements for the year ended 31 March 2024, comprise “the Company” referring to Hela Apparel Holdings PLC (HAH) as the holding company and “the Group” referring to the companies whose accounts have been consolidated therein.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 March 2024 were authorised for issue by the Directors on 29 August 2024.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors’ Responsibility on page 168 in the Annual Report.

BASIS OF PREPARATION AND OTHER MATERIAL ACCOUNTING POLICIES

2 BASIS OF PREPARATION

(a) Going concern

The Group which had operated profitably up to the financial year ended 31 March 2022 reported losses after tax of LKR 349 Mn (net of gain on bargain purchase amounting to LKR 9.6 Bn) and LKR 3.3 Bn for the financial years ended 31 March 2024 and 31 March 2023 respectively. Further, as of 31 March 2024, the Group's current liabilities exceeded its current assets by LKR 9.1 Bn (31 March 2023 - LKR 8.1 Bn) and the Group's and the Company's accumulated losses amounted to LKR 1.7 Bn and LKR 2.3 Bn (31 March 2023 - LKR 1.5 Bn and LKR 2.3 Bn) respectively. The global economic turmoil post COVID-19 pandemic contributed towards the adverse financial performance mentioned above. Our customers in the US and Europe experienced significantly lower demand caused by a reduction of disposable income, whilst having very high inventory levels that was built during the pandemic. This resulted a corresponding lower volume of orders since the 3rd quarter of financial year ended 31 March 2023. In addition, substantial discounts had to be offered to protect the topline which added severe pressure on gross margins. This was further amplified by the cost escalations caused by the political unrest in Europe and Middle-East coupled with severe hyper inflationary conditions prevailed in countries that we operate.

Directors in assessing the going concern status of the Company / Group have considered the facts mentioned above. Despite the losses incurred during the last two financial years and adverse business conditions discussed above, these financial statements have been prepared on the basis of the Group and the Company being a going concern in view of following:

- Cash and cash equivalents balance of the Group as at 31 March 2024 amounted to LKR 7.9 Bn (net of bank overdraft amounting to LKR 331 Mn). Further, the liquidity position of the Group and the Company continued to be positive and adequate to meet its financial obligations for the next twelve months from the date the financial statements are approved;
- Net assets of the Group and the Company as of 31 March 2024 amounted to LKR 10.3 Bn and LKR 6.3 Bn respectively; and
- Unutilised bank facilities of the Group including trade facilities and bank overdrafts amounted to LKR 15 Bn as of 31 March 2024 and 31 July 2024 [Note 17(e)];

The board and the management of the Group have devised the below action plans to successfully overcome the challenges discussed above and to improve the financial and operational performance of the Group and the Company;

- It was resolved on 18th June 2024 to issue 319,365,227 ordinary voting shares by way of a Rights Issue to existing shareholders in the proportion of 8 new ordinary shares for every 33 existing ordinary shares at a price of LKR 5.00 per share, to raise a total LKR 1.6 Bn;
- To pursue a wider capital augmentation strategy to strengthen the Group's balance sheet and position the Hela group for profitable growth
- To engage in new partnerships with reputed clothing brands to grow the foot print in the European region through both the Private Label division and the Brand Licensing division of the Group;
- Management is actively exploring various funding facilities and has approached local and international banks and financial institutions where the finalisation of certain facilities is in progress; and
- Management is also working on reducing the operational costs of the Group through multiple cost and capacity rationalisation projects which will be completed by the end of the current financial year.

Considering the above, the Board of Directors do not expect any adverse impact on the operational performance of the Group and the Company and have also determined that there is no material uncertainty in the ability of the Group and the Company to continue as a going concern in the foreseeable future.

Further, the going concern status of the subsidiary companies and the joint venture companies were assessed at both individual and group management levels and except for the following subsidiary company, it was concluded that no material uncertainty exists related to events or conditions, that individually or collectively cast significant doubt on the remaining subsidiary companies ability to continue as going concerns.

Alpha Textile (Private) Limited has ceased commercial operations and remains dormant as at the statement of financial position date. The financial statements of the company has been prepared on break- up basis and the consolidated financial statements have taken into account the reclassification of long-term assets and liabilities in preparing consolidated financial statements and also based on impairment assessment, the investment balances have been impaired in the separate financial statements of the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

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

2 BASIS OF PREPARATION CONTD.

(b) Compliance with Sri Lanka Accounting Standards (SLFRSs)

The consolidated financial statements of the Group and the separate financial statements of the Company 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 4 to the financial statements.

(c) 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 plans - actuary valued and recognised at present value
- Land and building - measured at fair value
- Financial assets and liabilities - measured at fair value

(d) Foreign currency translation

Functional and presentation currency

The functional currency of the Group and 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.

The consolidated financial statements are presented in Sri Lankan Rupees (LKR) which is the Group and Company's presentation currency.

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 other comprehensive income. 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 other gains or losses. 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.

Translation from functional currency to presentation currency

Transactions and balances measured in US Dollars are translated to Sri Lanka Rupees based on the LKAS 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.

(e) Comparative information

The presentation and classification of the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

The presentation on operating segments have been restated during the year and as a result, operating segments have been currently organised into two reportable segments, the Private Label Manufacturing Division and the Brand Licensing Division. The operations of the Brand Licensing Division are carried out of by the Company's fully owned subsidiary, Hela Brands Limited, and its subsidiaries. Refer Note 7.

Further, the following table summarises the impact of the reclassification adjustment on the financial statements of the group.

Statement of Financial Position as at 31 March 2023:

	Notes	As reported previously	Reclassifications	Current presentation
Trade and other payable	17 (d)	12,106,756	(147,129)	11,959,627
Income tax liabilities		24,231	147,129	171,360
		12,130,987	-	12,130,987

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Summary of material accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented within each note have been applied consistently by the Group.

Other material accounting policies not covered within individual notes.
Following accounting policies which have been applied consistently by the Group, are considered to be material but are not covered in any other sections.

(a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

NOTES TO THE FINANCIAL STATEMENTS

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES CONTD.

(b) 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 coordinated 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.

(c) 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 SLFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of SLFRS 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.

(d) 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.

(e) **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.

4 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 (refer section 4(a)) 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:

- estimation of the current tax expense and deferred tax (note 15 (a))
- classification of financial assets and liabilities (note 17)
- impairment of financial assets (note 17 (iv))
- estimation of fair values of land and buildings (note 18 (a))
- useful lives of property, plant and equipment (note 18 (a))
- estimation uncertainties and judgements made in relation to lease accounting (note 18 (b))
- estimation of fair value of investment properties (note 18 (c)(iii))
- useful lives of intangible assets (note 18 (d))
- impairment assessment of goodwill (note 18 (d)(v))
- estimation of defined benefit obligation (note 18(h))

(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 Group consults with legal counsel (lawyers) on matters related to litigation and other experts both within and outside the Group with respect to the matters in the ordinary course of business.

(c) **Provisions**

The Group and the Company recognise 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 balance sheet date and adjusted to reflect the Group's current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

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

5 CHANGES IN ACCOUNTING STANDARDS

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1 - Disclosure of Accounting Policies
- Amendments to LKAS 08 - Definition of Accounting Estimates
- Annual Improvements to LKAS 12 - Deffered Tax related to Assets and Liabilities arising from a Single Transaction

6 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1 - Classification of Liabilities as Current
- Amendments to LKAS 1 - Non current Liabilities with Covenants
- Amendments to LKAS 7 and SLFRS 7 - Supplier Finance Arrangements
- Amendment to SLFRS 16 - Lease liability in a Sale and Leaseback
- Amendment to LKAS 21 - Lack of Exchangeability
- Amendment to SLFRS 10 and LKAS 28 - Sale or Contribution of Assets between an investor and its Associate or Joint Venture

7 OPERATING SEGMENTS

Accounting policy

The Hela Group's internal organisation and management is structured based on operating segments which are determined by the nature of their principal business activities. The measurement policies the Group uses for segmental reporting under SLFRS 8 are the same as those used in its financial statements.

The Group is currently organised into two reportable segments, the Private Label Manufacturing Division and the Brand Licensing Division. The operations of the Brand Licensing Division are carried out of by the Company's fully owned subsidiary, Hela Brands Limited, and its subsidiaries. The other companies in the Group carry out the activities of the Private Label Manufacturing Division. Each segment is managed by a CEO who acts as segment manager, the performance of each segment is monitored by the Group CEO, and strategic decisions are made on the basis of segment operating results.

(a) Summarised statement of profit or loss

For the year ended 31st March	Private Label Manufacturing Division			Brand Licensing Division			Group		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Revenue	64,538,784	95,302,705	56,179,623	5,750,161	-	-	70,288,945	95,302,705	56,179,623
Gross profit	4,601,144	11,586,267	8,576,163	1,568,735	-	-	6,169,879	11,586,267	8,576,163
Depreciation and amortisation	(1,888,188)	(1,948,148)	(826,324)	(103,482)	-	-	(1,991,670)	(1,948,148)	(826,324)
Operating expenses	(10,404,229)	(10,883,145)	(6,681,493)	(1,975,604)	-	-	(12,379,833)	(10,883,145)	(6,681,493)
Interest income	112,076	27,908	46,515	-	-	-	112,076	27,908	46,515
Interest expense	(4,088,580)	(4,013,956)	(1,382,780)	(30,265)	-	-	(4,118,845)	(4,013,956)	(1,382,780)
Operating profit	(7,586,339)	630,448	2,256,917	9,304,318	-	-	1,717,979	630,448	2,256,917
Loss before taxation	(11,605,577)	(3,424,915)	829,136	9,274,053	-	-	(2,331,524)	(3,424,915)	829,136
Income tax reversal/ (charge)	1,995,260	92,467	(248,471)	(12,632)	-	-	1,982,628	92,467	(248,471)
Loss for the year	(9,610,317)	(3,332,448)	580,665	9,261,421	-	-	(348,896)	(3,332,448)	580,665

(b) Summarised statement of financial position

For the year ended 31st March	Private Label Manufacturing Division			Brand Licensing Division			Group		
	31-Mar-24	31 March 2023 (Restated)	1 April 2022 (Restated)	31-Mar-24	31 March 2023 (Restated)	1 April 2022 (Restated)	31-Mar-24	31 March 2023 (Restated)	1 April 2022 (Restated)
ASSETS									
Non-current assets	26,389,492	25,677,931	19,163,480	2,687,010	-	-	29,076,502	25,677,931	19,163,480
Current assets	20,987,987	30,019,983	34,491,662	14,680,161	-	-	35,668,148	30,019,983	34,491,662
Total assets	47,377,479	55,697,914	53,655,142	17,367,171	-	-	64,744,650	55,697,914	53,655,142
LIABILITIES									
Non-current liabilities	7,871,832	6,088,353	3,926,528	1,796,806	-	-	9,668,638	6,088,353	3,926,528
Current liabilities	37,120,830	38,151,161	36,935,898	7,680,920	-	-	44,801,750	38,151,161	36,935,898
Total liabilities	44,992,662	44,239,514	40,862,426	9,477,726	-	-	54,470,388	44,239,514	40,862,426

(c) Segment assets

For the year ended 31st March	Private Label Manufacturing Division			Brand Licensing Division			Group		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Segment assets									
Additions to property, plant and equipments	630,731	2,637,878	1,658,229	1,849	-	-	632,580	2,637,878	1,658,229
Additions to right of use assets	78,748	3,074,072	331,669	-	-	-	78,748	3,074,072	331,669
Additions to intangible assets	267,925	29,732	14,129	-	-	-	267,925	29,732	14,129
	977,404	5,741,682	2,004,027	1,849	-	-	979,253	5,741,682	2,004,027

(d) Following is a summary of cash flows generated from / (used in) operating segments

For the year ended 31st March	Private Label Manufacturing Division			Brand Licensing Division			Group		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Net cash flow (used in) / generated from operating activities	(4,733,639)	5,225,296	(3,391,202)	1,101,895	-	-	(3,631,744)	5,225,296	(3,391,202)
Net cash flow (used in) / generated from investing activities	(663,171)	(2,134,914)	32,584	3,950,167	-	-	3,286,996	(2,134,914)	32,584
Net cash flow generated from / (used in) financing activities	4,328,009	(4,785,457)	3,972,138	1,349,831	-	-	5,677,840	(4,785,457)	3,972,138
Net (decrease) / increase in cash and cash equivalents	(1,068,801)	(1,695,075)	613,520	6,401,893	-	-	5,333,092	(1,695,075)	613,520

NOTES TO THE FINANCIAL STATEMENTS

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

8 BASIS OF CONSOLIDATION

Accounting Policy

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2024. The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

(a) 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. 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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership Investments of subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is 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.

(d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

(e) Joint arrangements

Under SLFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Hela Apparel Holdings PLC has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Interests in joint ventures are accounted for using the equity method (note 21 (d)), after initially being recognised at cost in the consolidated statement of financial position.

(f) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

9 BUSINESS COMBINATIONS AND GOODWILL

Accounting policy

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, above all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement. The Group elects on a transaction by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation, goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

(a) Acquisition of Focus Brands Limited

Following the sales and purchase agreement executed on 24 January 2024, Hela Brands Limited, a company incorporated in Mauritius and a wholly owned subsidiary of Hela Apparel Holdings PLC acquired 100% ownership of Focus Brands Limited, a fully owned subsidiary of JD Sports Fashion PLC for a consideration of LKR 3,259 Mn (GBP 8 Mn).

Fair value of the identifiable assets acquired and liabilities assumed is as follows;

(LKR Mn)	Group 2024
ASSETS	
Inventory	4,960
Trade and other receivables	3,494
Other current assets	310
Cash and cash equivalents	5,212
ROU assets	2,177
Property, plant and equipment	583
Intangible assets	806
LIABILITIES	
Current liabilities	(4,703)
Total identifiable net assets at fair value	12,839
Purchase consideration	3,259
Gain on bargain purchase recognised in other gains	9,580

(LKR Mn)	Group 2024
Purchase consideration	
Cash paid	1,222
Deferred consideration	2,037
Total purchase consideration	3,259
Net cash (outflow)/inflow arising on acquisition;	
Cash consideration	(1,222)
Less; Cash and cash equivalent balance acquired	5,212
Total	3,990

The Acquired business contributed revenue of LKR 5,750 Mn and net loss of LKR 0 .2 Mn to the Group for the period from 24th January 2024 to 31 March 2024. If the acquisition had occurred on 1 April 2023, consolidated pro-forma revenue and profit for the year ended 31 March 2024 would have been LKR 36,458 Mn and LKR 77 Mn respectively.

NOTES TO THE FINANCIAL STATEMENTS

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

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) Derivatives

(i) Initial reconginition and subsequent measurement

To hedge its foreign currency risks, the Group employs derivative financial instruments such as forward currency contracts. Derivative financial instruments are initially recorded at fair value on the date a derivative contract is entered and are then remeasured at fair value. When the fair value of a derivative is positive, it is recorded as a financial asset and financial liabilities with a negative fair value.

The Group formally designates and reports the hedge connection to which it desires to apply hedge accounting, as well as the risk management objective and strategy for implementing the hedge, at the start of the hedge. This process comprises of identification of the hedge instrument, identify the nature of risk which is being hedged and how the Group achieves the hedge effectiveness.

Hedge accounting will be effective upon satisfying the below criterias;

- The hedged item and the hedging instrument have an economic relationship.
- The value changes that arise from that economic relationship are not "dominated by the effect of credit risk.
- The hedge ratio arising from the hedging relationship has the same value as that produced by the quantity of the hedged.

The Group has the following derivative financial instruments in the statement of financial position:

	2024	2023
Foreign currency forwards	-	439,129

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as ‘held for trading’ for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months. The Group classified derivatives as current assets.

(ii) **Fair value measurement**
For information about the methods and assumptions used in determining the fair value of derivatives see note 10 (a) (i).

(iii) **Amounts recognised in profit or loss**
The following amounts were recognised in profit or loss in relation to derivatives:

	Group	
	2024	2023
Net gain on foreign currency forwards included in other (losses) / gains	(322,517)	439,129

(b) 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 Lankan 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 Lankan 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, was as follows:

	2024
Trade and other receivables	15,266,312
Trade and other payables	(16,012,782)
Other financial assets at amortised cost	860,055
Borrowings (including bank overdraft and leases)	(36,088,146)
	(35,974,561)

	2023
Trade and other receivables	9,844,991
Trade and other payables	(11,959,627)
Other financial assets at amortised cost	749,875
Borrowings (including bank overdraft and leases)	(29,958,447)
	(31,323,208)

NOTES TO THE FINANCIAL STATEMENTS

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

10 FINANCIAL RISK MANAGEMENT CONTD.

(b) Market risk Contd.

Amounts recognised in profit or loss

During the year, net foreign exchange gain of LKR 263 Mn (2023 - LKR 993 Mn) 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.

	Group Impact on post tax profit	
For the year ended 31st March	2024	2023
LKR/USD exchange rate – appreciation by 1%	3,524	93
LKR/USD exchange rate – depreciation by 1%	(3,454)	(93)

(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.

	2024	
	LKR interest rate	
	Decrease by 1%	Increase by 1%
Group Impact on profit or loss	3,406,352	(4,044,150)

(c) 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;

For the year ended 31st March	2024	2023
Fitch Ratings:		
AAA(lka)	95,060	340,436
AA+ (lka)	2,879	2,903
AA- (lka)	586,495	308,242
A+ (lka)	-	1,466
A- (lka)	85,709	107,020
A (lka)	7,450,283	2,741,233
BB+ (lka)	-	193,680
BBB+ (lka)	5,292	-
BBB-(lka)	6,260	68,319
No rating	82,441	142,701
	8,314,419	3,906,000

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 SLFRS 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 2024 or 1 April 2023 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.

NOTES TO THE FINANCIAL STATEMENTS

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

10 FINANCIAL RISK MANAGEMENT CONTD.

(c) Credit risk Contd.

On that basis, the loss allowance charge for the year ended 31 March 2024 and 31 March 2023 was determined as follows for trade receivables:

	2024	2023
Age Category		
0 - 60 days	14,444,944	8,803,396
61-120 days	96,720	308,534
121-180 days	78,533	10,044
181-240 days	47,538	3,005
More than 241 days	125,520	49,688
Gross carrying value of trade receivables	14,793,255	9,174,667
Allowance for expected credit losses	(260,565)	(285,520)
Net trade receivables after the allowances for expected credit losses	14,532,690	8,889,147

	Trade receivables	
Group	**2024**	**2023**
Charged to the statement of profit or loss	(20,652)	(189,622)

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

	Trade receivables	
	2024	**2023**
As at 1 April	(285,520)	(293,180)
Increase in loss allowance recognised in profit or loss during the year	(20,652)	(189,622)
Unused amount reversed on trade receivables	237,349	153,114
Exchange equalisation reserve	(191,742)	44,168
As at 31 March	(260,565)	(285,520)

On that basis, the loss allowance as at 31 March 2024 and 31 March 2023 was determined as follows for both trade receivables:

	Current	61-120 days	121-180 days	More than 180 days past due	Total
31 March 2024					
Expected loss rate	0.03%	30.00%	68.96%	100.00%	-
Gross carrying amount – trade receivables	14,444,944	96,720	78,533	173,058	14,793,255
Loss allowance	4,333	29,016	54,158	173,058	260,565

	Current	61-120 days	121-180 days	More than 180 days past due	Total
31 March 2023					
Expected loss rate	0.87%	47.61%	93.00%	100.00%	-
Gross carrying amount – trade receivables	8,803,396	308,534	10,044	52,693	9,174,667
Loss allowance	76,590	146,896	9,341	52,693	285,520

Trade receivables are written off when there are 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.

(d) 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 discounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	Between 6 month and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
31 March 2024						
Borrowings	11,027,153	16,540,730	2,593,232	1,728,822	-	31,889,937
Trade and other payables	9,767,797	6,244,985	-	-	-	16,012,782
Lease liabilities	550,688	513,468	1,368,349	980,784	784,920	4,198,209
	21,345,638	23,299,183	3,961,581	2,709,606	784,920	52,100,928

Contractual maturities of financial liabilities	Less than 6 months	Between 6 month and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
31 March 2023						
Borrowings	18,101,653	6,577,085	1,375,842	1,121,372	-	27,175,952
Trade and other payables	7,379,192	4,727,564	-	-	-	12,106,756
Lease liabilities	1,573,992	547,892	415,536	245,075	-	2,782,495
	27,054,837	11,852,541	1,791,378	1,366,447	-	42,065,203

NOTES TO THE FINANCIAL STATEMENTS

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

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 2024 and 31 March 2023 were as follows:

For the year ended 31st March	Notes	2024	2023
Total borrowings	17 (e)	31,889,937	27,175,952
Less: Cash and cash equivalents	17 (c)	(8,314,419)	(3,906,000)
Net debt		23,575,518	23,269,952
Total equity		10,218,165	11,142,009
Net debt to equity ratio		2.31	2.09

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Any dividend declaration should be informed to the bank in advance
- Any changes in key management personnel should be informed to the bank with immediate effect

12 REVENUE FROM CONTRACT WITH CUSTOMERS

Accounting Policy

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

	Group		Company	
	2024	2023	2024	2023
Export revenue	67,695,580	93,549,594	-	-
Local revenue	64,735	1,506,124	-	-
Sub-contracting revenue	2,528,630	246,987	-	-
	70,288,945	95,302,705	-	-

Inter-segment revenue has been eliminated for the Group.

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.

13 OTHER INCOME AND EXPENSE ITEMS

Accounting policy

(a) Other income

Other income and expenses are recognised on an accrual basis.

	Group		Company	
	2024	2023	2024	2023
Sundry income	363,647	426,459	-	-
	363,647	426,459	-	-

(b) Other gains/ (losses)

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non- current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

		Group		Company	
	Notes	2024	2023	2024	2023
Net foreign exchange (losses) / gains		262,986	996,515	(966)	(802,694)
Fair value (loss) / gain on derivatives	10(a)(i)	(322,517)	439,129		
Net gains on disposal of property, plant and equipment		4	444	-	-
Gain on the fair valuation of investment property	18 (c)	35,278	110,025	-	-
Gain on bargain purchase from the acquisition of Focus Brand Limited	9 (a)	9,580,205	-	-	-
Other losses		-	(97,098)	-	-
		9,555,956	1,449,015	(966)	(802,694)

NOTES TO THE FINANCIAL STATEMENTS

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

13 OTHER INCOME AND EXPENSE ITEMS CONTD.

(c) Finance income and costs

Accounting Policy

Finance income comprises interest income on funds invested. Finance costs comprise interest expense on borrowings that are recognised in the income statement.

	Notes	Group		Company	
		2024	2023	2024	2023
Finance income					
- Interest income		112,076	27,908	83	2,962
Finance income		112,076	27,908	83	2,962
Finance costs					
- Bank overdraft interest		(55,059)	(231,782)	(24)	(59)
- Bank loan interest		(1,107,755)	(734,667)	-	-
- Bill discounting charges		(850,773)	(1,271,607)	-	-
- Finance lease interest	18 (b)(ii)	(228,601)	(325,503)	-	-
- Trust receipt loan interest		(1,823,740)	(1,418,854)	-	-
- Other bank charges		(52,917)	(31,543)	-	-
Finance costs		(4,118,845)	(4,013,956)	(24)	(59)
Finance (costs)/ income - net		(4,006,769)	(3,986,048)	59	2,903

14 PROFIT BEFORE TAX

Accounting policy

Expenditure recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the profit or loss

For the purpose of presentation of the income statement, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company’s and Group’s performance.

Profit before tax is stated after charging all expenses including the following;

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
Auditors' remuneration					
- Audit fees		48,875	25,330	5,083	4,361
- Non-audit fees		1,676	215	-	-
Raw materials and consumables used		40,782,326	57,354,148	-	-
Depreciation of property, plant and equipment	18 (a)	907,680	950,064	-	-
Amortisation of right of use assets	18 (b)	843,767	979,584	-	-
Amortisation of intangible assets	18 (d)	240,223	18,500	3,998	-
Professional charges		709,457	692,962	1,620	1,572
Directors' and key management personnel remuneration and emoluments		703,530	539,793	2,464	-
*Staff costs		14,437,854	9,440,663	-	-
Repairs and maintenance expenditure		401,574	259,883	-	-
Insurance fees		193,655	49,853	3,918	4,074
Sub-contract/ service charges		10,562,935	11,801,984	-	-
Travelling and advertising expenses		389,810	706,089	-	295
Rent expenses		755,594	566,185	-	-
Bank charges		169,578	165,841	9	25
Import charges		2,789,780	344,328	-	-
Export charges		1,407,564	853,119	-	-
Provision made for inventories during the year	18 (g)(i)	24,399	1,365,165	-	-
Other expenses		3,120,292	10,434,025	624	1,803
Total cost of sales, distribution expenses, administrative expenses and net impairment loss on financial assets		78,490,569	96,547,731	17,716	12,130

*Staff costs

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
Wages, salaries and bonus		13,040,752	8,533,864	-	-
Defined contribution plans		799,966	747,670	-	-
Defined benefit obligations	18 (h)	182,339	135,026	-	-
Share based payment expenses		4,932	24,103	-	-
Other staff related costs		409,865	-	-	-
Total of staff costs		14,437,854	9,440,663	-	-
No of employees of the Group		14,530	17,759	-	-

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15 INCOME TAX EXPENSE

Accounting policy

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.

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.

a) Income tax

Income tax and Deferred have been provided as per the new rates legislated per the Inland Revenue (Amendment) Act No 45 of 2002.

Other than disclosed in above, group has below tax implications on income tax and differed tax in respective jurisdiction

	Applicable tax rates 2024
United States of America	20%
* Ethiopia	30%
Republic of Mauritius	3%
** Kenya	25%
Egypt	22.5%
United Kingdom	25.0%

* Hela Intimates EPZ Kenya operates under the Export Processing Zones Act and is not subject to corporate tax for the first ten years of operation, effective from 1st April 2016. The company was incorporated on 31st March 2016 under the Companies Act,

**Hela Indochine Apparel Private Limited is entitled to a tax exemption from income tax for 6 years, starting from when the company became operational (i.e.,30 July 2018). An additional income tax exemption for 4 years was granted by the EIC because the company exports 80% of its products abroad, resulting in a total exemption period of 10 years.

	Group		Company	
	2024	2023	2024	2023
Current tax on profits for the year	(197,461)	(209,511)	(25)	(800)
Deferred tax reversal / (expense) during the year	2,228,893	(59,693)	-	-
Adjustments for tax of prior periods	(13,001)	45,738	78	-
Income tax reversal / (expense)	2,018,431	(223,466)	53	(800)
Income tax reversal / (expense)				
to profit or loss	1,982,628	92,467	53	(800)
to other comprehensive income	35,803	(315,933)	-	-
Income tax reversal / (expense)	2,018,431	(223,466)	53	(800)

b) **Numerical reconciliation of income tax expense to prima facie tax payable**

	Group		Company	
	2024	2023	2024	2023
Loss before income tax expense (excluding gain on bargain purchase)	(11,911,729)	(3,424,915)	(18,623)	(811,921)
Tax at the applicable tax rates	(2,465,975)	(367,823)	(5,587)	(219,218)
Tax effect of :				
Income not subject to tax	(360,017)	(911,769)	-	(423,453)
Income subject to tax	56,148	22,840	-	-
Expenses not deductible for tax purpose	1,804,920	2,051,110	6,811	643,471
Expenses deductible for tax purpose	(230,952)	(517,196)	(1,199)	-
Set-off against losses	1,393,337	(67,651)	-	-
Adjustments for current tax of prior periods	13,001	(45,738)	(78)	-
Deferred tax expense for the year	(2,228,893)	59,693	-	-
Income tax (reversal) / expense	(2,018,431)	223,466	(53)	800

NOTES TO THE FINANCIAL STATEMENTS

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

16 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the 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.

	Group		Company	
	2024	2023	2024	2023
Loss attributable to equity of holders of the parent	(373,276)	(3,498,317)	(18,570)	(812,721)
Weighted average number of the ordinary shares used as the denominator (Note 16 (c))	1,317,382	1,309,956	1,317,382	1,309,956
Basic loss per share attributable to equity holders of the Company	(0.28)	(2.67)	(0.01)	(0.62)

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss 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.

	Group		Company	
	2024	2023	2024	2023
Loss attributable to equity of holders of the parent	(373,276)	(3,498,317)	(18,570)	(812,721)
Weighted average number of the ordinary shares used as the denominator (Note 16 (c))	1,317,382	1,317,382	1,317,382	1,317,382
Diluted loss per share attributable to the equity holders of the Company	(0.28)	(2.66)	(0.01)	(0.62)

(c) Weighted average number of shares used as the denominator

	Group		Company	
	2024	2023	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	1,317,382	1,309,956	1,317,382	1,309,956
Adjustments for calculation of diluted earnings per share: Share options (in thousands)	-	7,426	-	7,426
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	1,317,382	1,317,382	1,317,382	1,317,382

17 FINANCIAL ASSETS AND LIABILITIES

(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.

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 (losses) / gains 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 (losses) / gains 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 (losses) / gains in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

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17 FINANCIAL ASSETS AND LIABILITIES CONTD.

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 (losses) / gains 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(c) for further details.

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.

		Group		Company	
	Notes	2024	2023	2024	2023
Financial assets at amortised cost					
Trade and other receivables	17 (a)	15,266,312	9,844,991	22,073	14,701
Other financial assets at amortised cost	17 (b)	860,055	310,746	-	-
Cash and cash equivalents	17 (c)	8,314,419	3,906,000	5,058	8,804
Derivative financial instruments	10 (a)	-	439,129	-	-
		24,440,786	14,500,866	27,131	23,505

		Group		Company	
	Notes	2024	2023	2024	2023
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables	17 (d)	16,012,782	11,959,627	120,427	47,935
Borrowings	17 (e)	31,889,937	27,175,952	6,568	1
Lease liabilities	18 (b)	4,198,209	2,782,495	-	-
		52,100,928	41,918,074	126,995	47,936

(a) Trade and other 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 17(a) for further information about the Group's accounting for trade receivables and note 10(c) for a description of the Group's impairment policies.

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
Trade receivables		14,793,255	9,174,667	-	-
Provision for impairment	10(c)(ii)	(260,565)	(285,520)	-	-
Non trade receivables from related parties		251,042	329,229	22,073	14,701
Provision for impairment - non trade receivables from related parties		(230,668)	(69,059)	-	-
Other receivables		713,248	846,007	-	-
Provision for impairment - other receivables		-	(150,333)	-	-
		15,266,312	9,844,991	22,073	14,701

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within 45 days and therefore classified as current. The Group's impairment and other accounting policies for trade receivables are outlined in notes 10(c) and 17(a) (iii) respectively.

(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) Other financial assets at amortised cost

Accounting Policy

The Group classifies its other financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(i) Classification of other financial assets at amortised cost

Group

Other financial assets at amortised cost include the following:

	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
Fixed deposits	257,507	-	257,507	310,550	196	310,746
Term loan	-	602,548	602,548	-	-	-
	257,507	602,548	860,055	310,550	196	310,746

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17 FINANCIAL ASSETS AND LIABILITIES CONTD.

(c) Cash and cash equivalents

Accounting Policy

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in 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.

Cash at bank consists of current accounts and savings accounts balances held in Foreign Currency Banking Units (FCBU) and local banks.

	Group		Company	
	2024	2023	2024	2023
Cash at bank and in hand	7,137,314	2,936,008	4,314	8,078
Deposits at call	1,177,020	969,903	659	637
Money market accounts	85	89	85	89
	8,314,419	3,906,000	5,058	8,804

(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	2024	2023	2024	2023
Cash and cash equivalents	17 (c)	8,314,419	3,906,000	5,058	8,804
Bank overdraft	17 (e)	(331,639)	(4,873)	(6,568)	(1)
Cash and cash equivalents at end of the year		7,982,780	3,901,127	(1,510)	8,803

(d) Trade and other payables

Accounting policy

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.

		Group		Company	
	Notes	2024	2023	2024	2023
*Trade payables		6,796,984	7,452,642	-	-
Payable to related parties	22	-	38,219	91,442	16,802
Accrued expenses		4,827,582	2,806,443	5,464	7,225
**Other payables		4,388,216	1,662,323	23,521	23,908
		16,012,782	11,959,627	120,427	47,935

*Trade payables are unsecured and are usually paid within 30 days of recognition.

* *Other payable consist of payable to deferred consideration, EPF, ETF etc

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

Accounting policy

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.

NOTES TO THE FINANCIAL STATEMENTS

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17 FINANCIAL ASSETS AND LIABILITIES CONTD.

	Group		Company	
For the year ended 31st March	2024	2023	2024	2023
Total Borrowings including leases				
At the beginning of the year	29,958,447	29,047,401	-	-
Cash movements				
Loans obtained	186,439,334	112,561,662	6,568	-
Repayments (Leases and loans)	(180,111,776)	(117,566,289)	-	-
Non cash movement (Leases)				
Additions	2,385,972	3,074,072	-	-
Adjustment	99,206	-	-	-
Interest expense	228,548	325,503	-	-
Exchange equilisation reserve	(2,911,585)	2,516,098	-	-
At the end of the year	36,088,146	29,958,447	6,568	-
Total Borrowings				
Borrowings under non-current liabilities	4,322,054	1,804,131	-	-
Borrowings under current liabilities				
Bank borrowings	26,720,189	23,681,427	-	-
Shareholder loan	516,055	1,685,521	-	-
Bank overdraft	331,639	4,873	6,568	1
	27,567,883	25,371,821	6,568	1
Total borrowings	31,889,937	27,175,952	6,568	1

Details of Group's interest bearing loans and borrowings (except bank overdraft) as at 31.03.2024 are as follows;

Company	Nature of facility	Interest rate and security	Security	2024
Foundation Garments (Private) Limited	Long term	6 months secured overnight financing rate	Mortgage over the properties	33,421
Foundation Garments (Private) Limited	Long term	Fixed rate		41,271
Foundation Garments (Private) Limited	Long term	3 months secured overnight financing rate		348,084
Hela Investment Holdings Limited	Long term	6 months secured overnight financing rate		1,999,684
Hela Clothing Egypt SAE	Long term	Fixed rate		644,464
Hela Clothing (Private) Limited	Long term	6 months secured overnight financing rate		123,174
Hela Clothing (Private) Limited	Long term	6 months secured overnight financing rate		30,450
Hela Clothing (Private) Limited	Long term	Fixed rate		476,874
Hela Clothing (Private) Limited	Long term	Fixed rate		590,238

Company	Nature of facility	Interest rate and security	Security	2024
Hela Investment Holdings Limited	Long term	Fixed rate		34,394
Hela Investment Holdings Limited	Short term loan	3 months USD LIBOR		932,683
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		3,496,743
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		1,806,608
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		2,077,962
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		1,315,269
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		2,470,607
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		857,922
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		1,770,336
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate	Mortgage over the properties	466,945
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		1,098,256
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		900,081
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		271,065
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		2,330,473
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		1,318,414
Hela Investment Holdings Limited	Short term loan	3 months USD LIBOR		1,869,353
Hela Investment Holdings Limited	Short term loan	3 months USD LIBOR		1,411,479
Hela Investment Holdings Limited	Short term loan	3 months USD LIBOR		689,462
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		60,237
Hela Clothing Egypt SAE	Short term loan	Fixed rate		518,612
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		933,660
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		120,874
Hela Brands Limited	Short term loan	Fixed rate on clean basis		135,530
Hela Brands Limited	Short term loan	Fixed rate on clean basis		383,673
Total borrowing (including bank borrowing, shareholder loan)				31,558,298

(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) **Unutilised bank facilities**
Unutilised bank facilities of the Group including trade facilities and bank overdrafts amounted to LKR 15 Bn as of 31 March 2024 and 31 July 2024.

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's and the Company'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 18(a))
  - leases (note 18(b))
  - investment properties (note 18(c))
  - intangible assets (note 18(d))
  - other assets (note 18(e))
  - deferred income tax assets/ (liabilities) (note 18(f))
  - inventories (note 18(g))
  - Employee benefit obligations (note 18(h))
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 4)

(a) Property, plant and equipment

Accounting policy

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.

Freehold land and buildings are shown at fair value based on a valuation performed by an external independent professional valuer. Where freehold 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.

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.

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:

Category of fixed asset	Useful life
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 moulds	5 years
Factory and sports equipment	5 years
Electrical equipment and installations	10 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.

When revalued assets are derecognised the amount included in revaluation reserve are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES

(i) Group

	Freehold land	Freehold building	Building on lease hold land	Plant and machinery	Motor vehicles	Office equipment
As at 31 March 2022						
Cost or fair value	403,884	2,059,888	749,299	3,974,535	15,498	314,471
Accumulated depreciation	-	(371,391)	(118,815)	(1,689,265)	(15,498)	(234,678)
Net book amount	403,884	1,688,497	630,484	2,285,270	-	79,793
Year ended 31 March 2023						
Opening net book amount	403,884	1,688,497	630,484	2,285,270	-	79,793
Additions	-	235,543	223,473	437,993	-	36,479
Transfer from work-in-progress	-	-	4,518	127,527	-	-
Revaluation surplus	16,339	946,233	-	-	-	-
Reclassification	-	(1,260,217)	1,260,217	-	-	-
Disposals	-	-	-	(268,342)	-	-
Depreciation on disposals	-	-	-	32,811	-	-
Depreciation charge for the year	-	(33,843)	(181,907)	(477,482)	-	(33,257)
Exchange equalisation reserve	38,277	126,987	(44,543)	207,464	-	7,297
Closing net book amount	458,500	1,703,200	1,892,242	2,345,241	-	90,312
As at 31 March 2023						
Cost or fair value	458,500	2,108,434	2,192,964	4,479,177	15,498	358,247
Accumulated depreciation	-	(405,234)	(300,722)	(2,133,936)	(15,498)	(267,935)
Net book amount	458,500	1,703,200	1,892,242	2,345,241	-	90,312
Year ended 31 March 2024						
Opening net book amount	458,500	1,703,200	1,892,242	2,345,241	-	90,312
Reclassification	(67,667)	672,082	(907,463)	254,397	-	-
Adjustment on investment properties	-	-	360,608	-	-	-
Additions	-	27,938	124,342	278,543	-	4,276
Acquisition of FOCUS group	-	-	-	461,431	46,220	-
Transfer from work-in-progress	-	-	84	21,031	-	9,028
Transfer to intangible assets						
Transfer to Investment property	(67,667)	-	(636,083)	-	-	-
Disposals	-	-	-	(235,539)	(792)	-
Depreciation on disposals	-	-		235,539	-	-
Depreciation charge for the year	-	(74,548)	(116,435)	(474,514)	(1,926)	(26,658)
Exchange equalisation reserve	(28,687)	(174,230)	(82,499)	(231,215)	(2,533)	(6,425)
Closing net book amount	294,479	2,154,442	634,796	2,654,914	40,969	70,533
As at 31 March 2024						
Cost or fair value	294,479	2,634,224	1,051,953	5,027,825	58,393	365,126
Accumulated depreciation	-	(479,782)	(417,157)	(2,372,911)	(17,424)	(294,593)
Net book amount	294,479	2,154,442	634,796	2,654,914	40,969	70,533

(ii) Property, plant and equipment that have been fully depreciated and continue to be in use by the Group are as follows;

	Group	
For the year ended 31st March	**2024**	**2023**
Cost of fully depreciated assets	4,695,878	4,322,684

Factory equipment	Air conditioning equipment	Electrical installations	Containers	Furniture and fittings	Computer hardware and communication equipment	Capital work-in-progress	Total
519,322	78,220	811,660	1,481	570,424	360,492	626,633	10,485,807
(426,824)	(69,449)	(404,884)	(1,481)	(323,735)	(275,185)	-	(3,931,205)
92,498	8,771	406,776	-	246,689	85,307	626,633	6,554,602
92,498	8,771	406,776	-	246,689	85,307	626,633	6,554,602
51,601	291	78,892	-	160,793	167,069	1,245,744	2,637,878
13,115	-	16,194	-	-	2,350	(163,704)	-
-	-	-	-	-	-	-	962,572
-	-	-	-	-	-	-	-
-	-	(134,907)	-	(80,932)	(20,262)	(126,989)	(631,432)
-	-	-	-	-	-	-	32,811
(96,511)	(2,735)	(66,240)	-	(11,293)	(46,796)	-	(950,064)
11,226	1,021	46,749	-	16,743	(502)	(15,146)	395,573
71,929	7,348	347,464	-	332,000	187,166	1,566,538	9,001,940
595,264	79,532	818,588	1,481	667,028	509,147	1,566,538	13,850,398
(523,335)	(72,184)	(471,124)	(1,481)	(335,028)	(321,981)	-	(4,848,458)
71,929	7,348	347,464	-	332,000	187,166	1,566,538	9,001,940
71,929	7,348	347,464	-	332,000	187,166	1,566,538	9,001,940
81,547	-	(56,099)	-	18,301	(44,265)	49,167	-
-	-	-	-	-	-	-	360,608
62,514	-	65,726	-	27,040	25,574	16,627	632,580
-	-	-	-	75,267	-	-	582,918
-	-	10,579	-	1,452	4,917	(47,091)	-
						(1,457,187)	(1,457,187)
-	-	-	-	-	-	-	(703,750)
-	-	-	-	(5,844)	(8,217)	(73,241)	(323,633)
-	-	-	-	567	1,906	-	238,012
(38,976)	-	(57,268)	-	(78,702)	(38,653)	-	(907,680)
(11,854)	(586)	(25,554)	-	(29,627)	(22,582)	(39,154)	(654,946)
165,160	6,762	284,848	-	340,454	105,846	15,659	6,768,862
727,471	78,946	813,240	1,481	753,617	464,574	15,659	12,286,988
(562,311)	(72,184)	(528,392)	(1,481)	(413,163)	(358,728)	-	(5,518,126)
165,160	6,762	284,848	-	340,454	105,846	15,659	6,768,862

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(iii) Revaluation of freehold land and buildings

The valuation of the land and buildings located 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 2023. The effective date of revaluation was 31 March 2023.

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.

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)
Palapathwala	Hela Clothing (Private) Limited	Building	8	96,972 sq. ft	Depreciated Replacement cost	1,180,000
Palapathwala		Land	-	2A-2R-00.00P	Market Value	320,000

(iv) 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
Palapathwela	Land Market Approach (price per perch of land)	2A-2R-00.00P	LKR 800,000 per perch	320,000	Price per perch of land	The estimated fair value would increase/ (decrease) if: price per perch is higher/ (lower).
	Building DRC value (replacement cost)	96,972 Sq. Ft	LKR 18,057 per sq.ft less depreciation of 33%	1,180,000	Depreciated Replacement cost per square feet	The estimated fair value would increase/ (decrease) if: replacement cost per square feet increase/ (decrease)
					Depreciation rate	The estimated fair value would increase/ (decrease) if: depreciation rate per square feet (decrease)/ increase

Given the change in use of the Uhumeeya property, as a capital appreciation property, the property was transferred from owner occupied property to investment property during the year.

Measurement of fair value of land has been categorised as level 3 of the fair value hierarchy under note 18 (i) based on the inputs to the valuation techniques used.

(v) **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:

	2024	2023
Freehold land		
Net book amount	288,108	288,108
Freehold buildings		
Cost	17,430	17,430
Accumulated depreciation	(7,872)	(7,291)
Net book amount	9,558	10,139

(b) **Right of use assets and lease liabilities**

Accounting Policy

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 lessee 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise with any lease asset which value is less than USD 5,000. (FY24- LKR 1.5 Mn)

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(b) Right of Use assets and lease liabilities Contd.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to right-of-use assets:

Right-of-use assets

	Group leased hold land & buildings
As at 1 April 2022	
Cost	1,352,562
Accumulated amortisation	(801,174)
Exchange equalisation reserve	189,433
Net book amount	740,821
Year ended 31 March 2023	
Opening net book amount	740,821
Additions	3,074,072
Amortisation during the year	(979,584)
Exchange equalisation reserve	(93,138)
Closing net book amount	2,742,171
Year ended 31 March 2023	
Cost	4,426,634
Accumulated amortisation	(1,780,758)
Exchange equalisation reserve	96,295
Net book amount	2,742,171
Year ended 31 March 2024	
Opening net book amount	2,742,171
Acquisition of ROU assets (Net) from Focus Brand Limited	2,177,225
Additions	78,748
Adjustments	140,790
Amortisation during the year	(843,767)
Exchange equalisation reserve	(309,124)
Closing net book amount	3,986,043
As at 31 March 2024	
Cost	6,823,397
Accumulated amortisation	(2,624,525)
Exchange equalisation reserve	(212,829)
Net book amount	3,986,043

Lease liabilities

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
At the beginning of the year		2,782,495	784,115	-	-
Acquisition of ROU liability from Focus Brand Limited		2,177,225	-	-	-
Additions		71,108	3,074,072	-	-
Finance charge on lease liabilities		228,601	325,503	-	-
Payments		(989,351)	(1,312,749)	-	-
Adjustment		113,707	-	-	-
Exchange equalisation reserve		(185,576)	(88,446)	-	-
At the end of the year		4,198,209	2,782,495	-	-
Current		1,064,156	648,353	-	-
Non-current		3,134,053	2,134,142	-	-
		4,198,209	2,782,495	-	-

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

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

	Group 2024	Group 2023	Company 2024	Company 2023
Amortisation charge of right-of-use assets	843,767	979,584	-	-
Interest expense (included in finance cost)	228,601	325,503	-	-
	1,072,368	1,305,087	-	-

The total cash outflow for leases in 2024 was LKR 974 Mn (2023: LKR 1,312 Mn).

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(c) Investment property

Accounting Policy

Basis of measurement

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.

	Group		Company	
For the year ended 31st March	2024	2023	2024	2023
As at 1 April	559,700	450,000	-	-
Net gain on fair valuation	35,278	110,025	-	-
*Transfer from property, plant and equipment	703,750	-	-	-
Exchange equalisation reserve	(42,228)	(325)	-	-
As at 31 March	1,256,500	559,700	-	-

* The Group transferred Uhumeeya property as investment property which was previously classified under property plant and equipment

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

	Group		Company	
For the year ended 31st March	2024	2023	2024	2023
Direct operating expenses on property that did not generate rental income	-	528	-	-

(ii) Valuation details of investment property

Investment properties, principally lands and buildings located at Melsiripura and Uhumeeya 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.

Fair value of the investment property is ascertained by annual independent valuations carried out by an independent valuer, Mr. W.D.P. Rupananda as at 31 March 2024. 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 period. 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.

Investment Property was appraised in accordance with SLFRS 13 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The Market value has been used as the fair value.

The changes in fair value are recognised in the income statement. The determined fair values of investment properties were based on the open market value method.

(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
Uhumiya	Land Market Approach (price per perch of land)	3A-0R-23.50P	LKR 300,000 per perch	151,000,000	Price per perch of land	The estimated fair value would increase/ (decrease) if: price per perch is higher/ (lower).
	Building DRC value (replacement cost)	54,219 Sq.ft	LKR 16,436 per sq.ft less depreciation of 40.3%	532,000,000	Replacement cost per square feet	The estimated fair value would increase/ (decrease) if: replacement cost per square feet increase/ (decrease)
					Depreciation rate	The estimated fair value would increase/ (decrease) if: depreciation rate per square feet (decrease)/ increase
Melsiripura	Land Market Approach (Price per perch of land)	2A-3R-24P	LKR 350,000 per perch	162,500,000	Price per perch of land	The estimated fair value would increase/ (decrease) if: price per perch is higher/ (lower).
	Building DRC value (replacement cost)	37,950 Sq. Ft.	LKR 17,602 per sq.ft less depreciation of 38.44%	411,000,000	Replacement cost per square feet	The estimated fair value would increase/ (decrease) if: replacement cost per square feet increase/ (decrease)
					Depreciation rate	The estimated fair value would increase/ (decrease) if: depreciation rate per square feet (decrease)/ increase

Measurement of fair value of investment property has been categorised as level 3 of the fair value hierarchy under note 18 (i) based on the inputs to the valuation techniques used.

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18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(d) Intangible assets

Accounting Policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

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

Intangible assets useful life times

Amortisation on intangible asset is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Category of intangible asset	Useful life
ERP system	8 years
Other software	3 years
License agreement	5 years
Customer contract	5 years

Purchased software
Purchased software is recognised as intangible assets and is amortised on a straight line basis over its useful life.

Software licence
Software licence costs are recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

Customer contracts
Group can demonstrate its ability to command economic advantages from customer relationships, these relationships are considered distinct and can be acknowledged as intangible assets. Focus Brand Limited maintains stable and manageable customer relationships with several brands including Zalando SE, TJX UK and True Alliance Brands Pty Ltd which are long term contractual or legal arrangements that provide an economic benefit as of the valuation date meet the "ïdentifiability"criteria.

	Group	
	2024	2023
Discount rate	12.10%	-
Tax rate	25.00%	-

License agreements
License agreements represent an intangible asset for Focus Brands Limited that generates future economic benefits by allowing Focus Brand Limited to sell branded clothing through their ability to use intellectual property owned by the Licensors. FBL has strategically secured license agreements from reputable entities such as Avirex, ellesse, Farah, Nautica, Nautica Competition and Patrick. These agreements signify legal right for FBL to utilise and promote the respective brand names while enhancing sales of their core products

	Group	
	2024	2023
Discount rate	12.60%	-
Tax rate	25.00%	-

Brand name
The Group has recognised an intangible asset for Fenchurch, Henleys, Peter Werth, and Yogi brands from the acquisition of Focus Brand Limited. These brands have been assessed for meeting the required criteria for recognition and duly recognised as intangible assets

	Group	
	2024	2023
Discount rate	12.60%	-
Tax rate	25.00%	-
License royalty rate	6.10%	-

Subsequent Expenditure
Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

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

18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(d) Intangible assets

	Group						Company	
	Customer contracts	License agreements	Owned brand	Goodwill	ERP system and other software	Total	ERP system	Total
Year ended 31 March 2022								
Cost	-	-	-	6,621,289	151,431	6,772,720	2,472	2,472
Accumulated amortisation	-	-	-	-	(135,881)	(135,881)	(2,649)	(2,649)
Exchange equalisation reserve	-	-	-	4,269,707	8,122	4,277,829	177	177
Net book amount	-	-	-	10,890,996	23,672	10,914,668	-	-
As at 1 April 2022								
Opening net book amount	-	-	-	10,890,996	23,672	10,914,668	-	-
Additions	-	-	-	-	29,732	29,732	-	-
Amortisation charge	-	-	-	-	(18,500)	(18,500)	-	-
Exchange equalisation reserve	-	-	-	1,030,299	1,364	1,031,663	-	-
Closing net book amount	-	-	-	11,921,295	36,268	11,957,563	-	-
Year ended 31 March 2023								
Cost	-	-	-	6,621,289	181,163	6,802,452	2,472	2,472
Accumulated amortisation	-	-	-	-	(154,381)	(154,381)	(2,649)	(2,649)
Exchange equalisation reserve	-	-	-	5,300,006	9,486	5,309,492	177	177
Net book amount	-	-	-	11,921,295	36,268	11,957,563	-	-
As at 1 April 2023								
Opening net book amount	-	-	-	11,921,295	36,268	11,957,563	-	-
Additions	-	-	-	-	267,925	267,925	31,981	31,981
Addition from Focus Brand Limited acquisition	92,208	163,791	550,179	-	-	806,178	-	-
Transfer from Property plant & equipment		-	-	-	1,457,187	1,457,187	-	-
Disposals	-	-	-	-	(2,319)	(2,319)	-	-
Amortisation on disposals	-	-	-	-	2,319	2,319	-	-
Impairment / amortisation charge	-	-	-	(5,186)	(235,037)	(240,223)	(3,998)	(3,998)
Exchange equalisation reserve	(5,368)	(9,537)	(32,036)	(950,457)	(89,656)	(1,087,055)	(1,629)	(1,629)
Closing net book amount	86,840	154,254	518,143	10,965,652	1,436,687	13,161,576	26,354	26,354
Year ended 31 March 2024								
Cost	92,208	163,791	550,179	6,621,289	1,903,956	9,331,423	34,453	34,453
Accumulated amortisation / impairment	-	-	-	(5,186)	(387,099)	(392,285)	(6,647)	(6,647)
Exchange equalisation reserve	(5,368)	(9,537)	(32,036)	4,349,549	(80,170)	4,222,438	(1,452)	(1,452)
Net book amount	86,840	154,254	518,143	10,965,652	1,436,687	13,161,576	26,354	26,354

Intangible assets that have been fully amortised and continue to be in use by the Group are as follows.

	Group	
As at 31st March	**2024**	**2023**
Cost of fully amortised intangible assets	20,465	21,445

(i) **Goodwill**

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 operating segments have been defined differently from how goodwill is evaluated.

(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 18(d) for details about amortisation methods and periods used by the Group for intangible assets. Amortisation is wholly included in administrative expenses.

(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.

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18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(d) Intangible assets Contd.

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.

	2024	2023
Hela Clothing (Private) Limited	2,271,609	2,468,478
Foundation Garments (Private) Limited	5,690,062	6,183,189
Hela Intimates EPZ Limited	3,003,981	3,264,320
Foundation Bennett (Private) Limited	-	5,308
	10,965,652	11,921,295

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, Group impaired LKR 5.3 Mn of goodwill in relation to Foundation Bennett (Private) Limited during the year ended 31 March 2024. Other than the impairment of goodwill from the acquisition of Foundation Bennett (Private) Limited, there is no provision for impairment of goodwill recognised during the year ended 31 March 2024 (since there is a movement in goodwill the goodwill value table has to show the movement (i.e. Opening balance, Impairment provision, closing balance).

The Group applies the following method for VIU calculations.

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.

The following assumptions are applied in the VIU computation.

- EBITDA

Projected EBITDA 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.

For the significant CGUs, given below are the variables used for the impairment test for 31 March 2024 under DCF method;

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Hela Intimates EPZ Limited	
	2024	2023	2024	2023	2024	2023
EBITDA	10.52%	8.00%	7.00%	8.00%	16.61%	8.00%
Pre-tax discount rate	11.23%	11.61%	11.23%	11.61%	11.23%	11.61%
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
Pre-tax discount rate	11.23%	12.57%	11.23%	27.91%	11.23%	27.25%
EBITDA margin	10.52%	10.28%	7.00%	4.92%	16.61%	13.72%
Terminal growth rate	1.00%	N/A	1.00%	N/A	1.00%	N/A

(e) Other assets

	Group		Company	
	2024	2023	2024	2023
Current				
Prepayments	251,601	1,004,331	2,834	-
Advances	1,902,778	2,089,629	-	-
Refundable deposits	149,479	614,967	-	-
Other receivables	1,073,295	150,333	-	-
(-) Impairment/ expected credit loss	(309,794)	(150,333)	-	-
	3,067,359	3,708,927	2,834	-

(f) 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	
	2024	2023	2024	2023
Deferred tax assets	3,074,839	1,128,036	-	-
Deferred tax liabilities	(1,476,608)	(1,613,979)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(f) Deferred tax assets/ (liabilities) Contd.

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.

	Group		Company	
	2024	2023	2024	2023
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Tax losses	1,843,320	425,038	-	-
Retirement benefit obligation	198,478	137,130	-	-
Carried forward finance cost	419,802	-	-	-
Right of use lease creditor	95,206	-	-	-
Stock/ bad debt/ bonus & reward provisions	518,033	565,868	-	-
Total deferred tax assets	3,074,839	1,128,036	-	-

	Group		Company	
	2024	2023	2024	2023
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Property, plant and equipment	1,009,569	1,362,819	-	-
Deferred tax effect on land valuation	334,910	184,822	-	-
Right of use asset	132,129	66,338	-	-
Total deferred tax liabilities	1,476,608	1,613,979	-	-

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

	Group		Company	
	2024	2023	2024	2023
Deferred tax liabilities				
As at 1 April	(1,613,979)	(575,488)	-	-
Profit or loss charged	66,242	(733,757)	-	-
Other comprehensive income	-	(332,863)	-	-
Adjustment on investment asset recognition	(40,462)	-	-	-
Exchange equalisation reserve	111,591	28,129	-	-
As at 31 March	(1,476,608)	(1,613,979)	-	-

	Group		Company	
	2024	2023	2024	2023
Deferred tax assets				
As at 1 April	1,128,036	182,650	-	-
Profit or loss charged/ (reversed)	2,126,848	989,997	-	-
Other comprehensive income	35,803	16,930	-	-
Exchange equalisation reserve	(215,848)	(61,541)	-	-
As at 31 March	3,074,839	1,128,036	-	-

Deferred tax movement - item wise

	2024	
	Profit or loss	OCI*
Deferred tax liabilities		
Property, plant and equipment	(353,250)	-
Deferred tax effect on land valuation	150,088	-
Right of use asset and lease creditor	65,791	-
Total deferred tax liabilities	(137,371)	-
Deferred tax assets		
Tax losses	1,418,282	-
Carried forward finance cost	61,348	-
Retirement benefit obligations	383,999	35,803
Right of use lease creditors	95,206	-
Bad Debt, stock & bonus provision	(47,835)	-
Total deferred tax assets	1,911,000	35,803
Deferred tax liabilities - net	(2,048,371)	(35,803)

	2023	
	Profit or loss	OCI*
Deferred tax liabilities		
Property, plant and equipment	632,435	249,413
Deferred tax effect on land valuation	32,076	83,450
Right of use asset and lease creditor	69,246	-
Total deferred tax liabilities	733,757	332,863
Deferred tax assets		
Tax losses	325,092	-
Carried forward finance cost	(21,844)	-
Retirement benefit obligations	72,674	16,930
Bad Debt, stock & bonus provision	614,075	-
Total deferred tax assets	989,997	16,930
Deferred tax liabilities - net	(256,240)	315,933

* Other comprehensive income

NOTES TO THE FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(g) Inventories

Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory provisions are recognised in cases where the expected net realisable value of inventory is lower than its carrying amount, including provisions for obsolete, slow moving stock and waste. The provision is based on periodical reviews performed by the Group. All inventory provisioning requires a level of judgement on how the condition of inventory is impacted by spoilages, shelf – life of products and other industry factors.

Inventory	Basis of valuation
Raw materials, machinery spares and other inventories	Standard cost method
Finished goods inventories and work-in-progress	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity

(i) As at 31 March

	Group		Company	
	2024	2023	2024	2023
Raw materials	2,759,603	3,653,844	-	-
Work-in-progress	2,205,176	7,221,835	-	-
Finished goods	3,825,101	1,336,219	-	-
Goods in transit	1,173,911	1,010,388	-	-
(-) Provision for inventories	(1,485,677)	(1,461,278)	-	-
	8,478,114	11,761,008	-	-

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

(ii) Provision for inventories

	Group		Company	
	2024	2023	2024	2023
Balance as at 1 April	1,461,278	184,998	-	-
Provision made during the year	24,399	1,365,165	-	-
Exchange equalisation reserve	-	(88,885)	-	-
Balance as at 31 March	1,485,677	1,461,278	-	-

(h) Employee benefit obligations

Accounting Policy

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.
(h) Employee benefit obligations Contd.

	Group	
	2024	2023
Employee benefit obligations	735,923	536,101
	735,923	536,101

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	
	2024	2023
At beginning of the year	536,101	426,417
Current service cost	89,210	78,434
Interest cost on benefit obligation	93,129	56,593
Actuarial losses in other comprehensive income	144,696	48,956
- Experience losses	1,183	117,366
- Losses from change in demographic assumptions	14,268	6,782
- Losses/ (gains) from change in financial assumptions	129,245	(75,191)
Benefits paid	(127,621)	(73,272)
Exchange equalisation reserve	408	(1,027)
At end of the year	735,923	536,101

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

	Group	
	2024	2023
Current service cost	89,210	78,434
Interest expense	93,129	56,593
	182,339	135,027

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.

The significant actuarial assumptions were as follows:

	Group	
	2024	2023
Discount rate	11.20%	19.71%
Salary growth rate	10.00%	10.00%
Staff turnover rate - Executive	24% to 19%	29% to 22%
- Staff and workers	58% to 7%	44% to 31%
- GM / Managers	20% to 12%	25% to 9%
- Directors	26% to 4%	38% to 1%

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

Group	Impact on defined benefit obligation					
	Increase in obligation			Decrease in obligation		
	Decrease by	2024	2023	Increase by	2024	2023
Discount rate	1%	3,979	(5,108) to (2,684)	1%	(19,626)	5,398 to 2,884
Salary growth rate	1%	(2,679)	5,877 to 3,135	1%	21,439	(5,633) to (2,951)
Attrition rate	1%	42	2,381 to 274	1%	(619)	(1,568) to (308)

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

	2024	2023
Hela Clothing (Private) Limited	3.4 years	3.2 years
Foundation Garments (Private) Limited	3.4 years	3.2 years
Foundation Sourcing (Private) Limited	3.4 years	3.2 years

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

	Group	
	2024	2023
Less than a year	176,718	201,624
Between 1 - 2 years	217,888	341,864
Between 2 - 5 years	351,137	331,746
Over 5 years	444,270	613,388
	1,190,013	1,488,622

NOTES TO THE FINANCIAL STATEMENTS

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18 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(i) Recognised fair value measurements

Fair value hierarchy

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

As at 31 March 2024	Note	Level 1	Level 2	Level 3	Total
Non-financial assets					
Property, plant and equipment					
- freehold land	18 (a)	-	-	294,479	294,479
- freehold building	18 (a)	-	-	2,154,442	2,154,442
Investment property	18 (c)	-	-	1,256,500	1,256,500
		-	-	3,705,421	3,705,421

As at 31 March 2023	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Derivative financial instruments	10(a)	-	439,129	-	439,129
Non-financial assets					
Property, plant and equipment					
- freehold land	18 (a)	-	-	458,500	458,500
- freehold building	18 (a)	-	-	1,703,200	1,703,200
Investment property	18 (c)	-	-	559,700	559,700
		-	439,129	2,721,400	3,160,529

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.

19 EQUITY

(a) Stated capital

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.

	Company			
	2024 Number of shares	2023 Number of shares	2024 Value LKR '000	2023 Value LKR '000
Ordinary shares	1,317,381,560	1,309,955,933	5,780,678	5,754,575
	1,317,381,560	1,309,955,933	5,780,678	5,754,575

(i) Movement in ordinary shares:

	Number of shares	Value LKR '000
Balance as at 1 April 2023	1,309,955,933	5,754,575
Share issue related to employee share option plan	7,425,627	26,103
Balance as at 31 March 2024	1,317,381,560	5,780,678

(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	Other reserves	Total	Share based payment reserve	Total
Balance as at 1 April 2022	26,085	114,947	-	141,032	114,947	114,947
Other comprehensive income	629,709	-	-	629,709	-	-
Share based payment expenses	-	24,103	-	24,103	24,103	24,103
Issue of shares	-	(24,038)	-	(24,038)	(24,038)	(24,038)
Transfers from retained earnings	-		30,525	30,525	-	-
Balance as at 31 March 2023	655,794	115,012	30,525	801,331	115,012	115,012
Balance as at 1 April 2023	655,794	115,012	30,525	801,331	115,012	115,012
Other comprehensive income	492,036	-	-	492,036		
Share based payment expenses	-	4,932	-	4,932	4,932	4,932
Issue of shares	-	(26,103)	-	(26,103)	(26,103)	(26,103)
Transfers from retained earnings	-	-	-	-	-	-
- Re-classification	261,582	-	(299,909)	(38,327)	-	-
- Transfers on investment property classification	600,218	-	(600,218)	-	-	-
Balance as at 31 March 2024	2,009,630	93,841	(869,602)	1,233,869	93,841	93,841

NOTES TO THE FINANCIAL STATEMENTS

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

19 EQUITY CONTD.

(b) Other reserves Contd.

Nature and purpose of other reserves

(i) Revaluation reserve

The revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

(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 Option 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. Options provide the holder with the right to subscribe a specified number of Ordinary Shares subject to the associated vesting schedule and once granted the option remains exercisable for five years.

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

	2024 Number of shares	2023 Number of shares
As at 1 April	7,425,627	14,263,616
Exercised during the year	(7,425,627)	(6,837,989)
No. of unvested shares granted as at 31 March	-	7,425,627

Details of the shares underlying the Employee Share Scheme as of 31st March 2024 are as follows;

Date of Grant	Employee Category	Shares Granted	Shares vested and issued as of 31 March 2024	Remaining shares alotted to Scheme that may be granted by the Board of Directors at a future date
1-Aug-20	Senior Executives and Directors	35,258,375	35,258,375	18,163,411

The Employee Share Grant Scheme was originally established as a 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 $ 699,462. 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 2024.

(a) grant date: 01 August 2020

(b) expiry date: 31 July 2025

(c) risk-free interest rate: 1.97%

(d) 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.

(iii) **Other reserves**

Other reserve category includes reserve allocated for the amalgamation of Jinadasa Marsylka (Pvt) Limited, general reserve allocated in FOCUS Brand limited and legal reserve allocated in Hela Indochine Apparel Private Limited.

NOTES TO THE FINANCIAL STATEMENTS

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

19 EQUITY CONTD.

(c) (Accumulated losses)/ retained earnings

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

		Group		Company	
	Notes	2024	2023	2024	2023
Opening balance as at 1 April		(1,534,488)	2,045,520	(2,300,839)	(1,488,118)
Net loss for the year		(373,276)	(3,498,317)	(18,570)	(812,721)
Items of other comprehensive income recognised directly in (accumulated losses)/ retained earnings					
- Remeasurement of post employment benefit obligations - gratuity	18(h)	(144,696)	(48,956)	-	-
- Deferred taxation impact from remeasurements of post employment benefit obligations - gratuity	18(f)	35,803	16,930	-	-
Items recognised directly in retained earnings					
- Transfers from translation reserve to retained earnings		227,032	(19,140)	-	-
- Transfer of deferred income tax impact on revaluation gain arising from the transfer of property, plant and equipment to investment property		108,182	-	-	-
- Transfers from retained earnings to other reserves		-	(30,525)	-	-
- Transfers on Investment property classification		(29,001)	-	-	-
Closing balance as at 31 March		(1,710,444)	(1,534,488)	(2,319,409)	(2,300,839)

(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 2(d) to the accounting policies. The analysis of the exchange equalisation reserve arising from such translation is as follows:

	Group		Company	
	2024	2023	2024	2023
Stated capital	3,177,964	3,953,702	3,177,962	3,953,702
Other reserves	(210,659)	43,907	65,587	79,947
Non -controlling interests	140,883	164,043	-	-
Currency equalisation reserve	130,707	289,558	-	-
Retained earnings/ (accumulated losses)	1,675,168	1,669,381	(527,579)	(773,878)
As at end of year	4,914,063	6,120,591	2,715,970	3,259,771

The movement on the exchange equalisation reserve is as follows:

	Group		Company	
	2024	2023	2024	2023
Balance as at 1 April	6,120,591	4,725,105	3,259,771	2,545,311
Amount recognised in other comprehensive income				
Currency equalisation reserve	(995,869)	1,376,346	(543,801)	714,460
Revaluation gain arising from the transfer of property, plant and equipment to investment property (net of tax)	(239,610)	-	-	-
(Accumulated losses) / retained earnings	28,951	19,140	-	-
	(1,206,528)	1,395,486	(543,801)	714,460
Balance as at 31 March	4,914,063	6,120,591	2,715,970	3,259,771

NOTES TO THE FINANCIAL STATEMENTS

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

20 CASH FLOW INFORMATION

(a) Cash generated from operations

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

	Notes	Group		Company	
		2024	2023	2024	2023
Loss before income tax		(2,331,524)	(3,424,915)	(18,623)	(811,921)
Adjustments for:					
Depreciation of property plant and equipment	18 (a) (i)	907,680	950,064	-	-
Amortisation of right of use assets	18 (b) (ii)	843,767	979,584	-	-
Amortisation if intangible assets	18 (d)	240,223	18,500	3,998	-
Provision for retirement benefit obligations	18 (h) (iv)	182,339	135,027	-	-
Gain on sale of property, plant and equipment	13 (a)	(4)	(444)	-	-
Gain on the fair valuation of investment property	18 (c)	(35,277)	(110,025)	-	-
Net interest expenses/ (income)	13(c)	4,006,769	3,986,048	(59)	(2,903)
Fair value gain on derivatives	10(a)(i)	-	(439,129)	-	-
Provision for impairment of trade receivables	17(a)/ 18 (e)	210,284	189,622	-	-
Realised exchange (gain)/ loss		19,517	-	-	(5,501)
Provision for slow moving stocks	18 (g) (i)	149,654	1,365,165	-	-
Expense charged under ESOP	19 (b)	4,932	24,103	-	-
Gain on bargain purchase	9 (a)	(9,580,225)	-	-	-
Share of loss of equity accounted investees, net of tax	21 (d)	42,734	69,315	-	-
Changes in working capital					
increase/ (decrease) in inventories		8,093,240	876,070	-	-
decrease/ (increase) in trade and other receivables		(1,577,925)	4,250,915	(10,206)	3,366,944
increase in trade and other payables		(456,902)	482,565	72,492	11,866
Cash (used in)/ generated from operations		719,282	9,352,465	47,602	2,558,485

21 INTERESTS IN OTHER ENTITIES

(a) Investment in subsidiaries

Accounting policy

Investment in subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the income statement. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

The Group's principal subsidiary at 31 March 2024 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 in corporation	Ownership	Investment	
			2024	2023
Hela Clothing (Private) Limited	Sri Lanka	100%	6,309,734	6,853,540
Hela Brands Limited	Mauritius	100%	31,949	-
			6,341,683	6,853,540

Details of the movement of investment in subsidiary for the year ended 31 March 2024 and 2023 is as follows;

	Group		Company	
	2024	2023	2024	2023
Cost				
At the beginning of period	-	-	6,853,540	2,982,526
Issue of shares to employees under the ESOP	-	-	4,932	-
Additions	-	-	31,949	3,891,709
Exchange equalisation reserve	-	-	(548,738)	(20,695)
At the end of period	-	-	6,341,683	6,853,540

NOTES TO THE FINANCIAL STATEMENTS

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

21 INTERESTS IN OTHER ENTITIES CONTD.

(b) Fellow subsidiaries

The Company is the ultimate parent to below entities which are subsidiaries of Hela Clothing (Private) Limited, Foundation Garments (Private) Limited and Hela Brands 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	
			2024	2023	2024	2023
Hela USA Inc.	USA	Hela Clothing (Private) Limited	100%	100%	-	-
Hela Indochine Apparel Private Limited Company	Ethiopia		51%	51%	49%	49%
Alpha Textile (Private) Limited	Sri Lanka		100%	100%	-	-
Foundation Garments (Private) Limited	Sri Lanka		100%	100%	-	-
F D N Sourcing (Private) Limited	Sri Lanka		100%	100%	-	-
Hela Indochine ETH Trading FZCO	UAE		50%	50%	50%	50%
Hela Brands Limited	Mauritius		100%	100%	-	-
Hela Investment Holdings Limited	Mauritius	Foundation Garments (Private) Limited	100%	100%	-	-
Hela Intimates EPZ Limited	Kenya		100%	100%	-	-
Jinadasa Bennett (Private) Limited	Sri Lanka		100%	100%	-	-
Foundation Bennett (Private) Limited	Sri Lanka		100%	100%	-	-
Hela Clothing Egypt SAE	Egypt		99%	99%	1%	1%
Focus Group Holdings Limited	UK	Hela Brands Limited	100%	-	-	-
Focus Italy S.r.l	Italy		100%	-	-	-
Focus International Limited	UK		100%	-	-	-
Focus International NL BV	Netherland		100%	-	-	-
Focus International GMBH	Germany		100%	-	-	-
Focus Sports & Leisure International Limited	UK		100%	-	-	-
Focus Equipment Limited	UK		100%	-	-	-

(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 to owners of the Company. The following table summarises the information relating to Hela Indochine Apparel (Private) Limited and Hela Clothing Egypt SAE that has material non-controlling interest, before any intra-group eliminations

Summarised statement of financial position	Hela Clothing Egypt SAE		Hela Indochine Apparel (Private) Limited (Ethiopia)		Total	
31 March	2024	2023	2024	2023	2024	2023
Current assets	1,353,980	2,625,584	847,541	1,060,094	2,201,521	3,685,678
Current liabilities	(2,785,015)	(3,645,347)	(605,688)	(844,777)	(3,390,703)	(4,490,124)
Net current assets	(1,431,035)	(1,019,763)	241,853	215,317	(1,189,182)	(804,446)
Non-current assets	1,283,606	1,275,994	365,976	425,773	1,649,582	1,701,767
Non-current liabilities	(398,064)	(625,412)	-	-	(398,064)	(625,412)
Net non-current assets	885,542	650,582	365,976	425,773	1,251,518	1,076,355
Net assets	(545,493)	(369,181)	607,829	641,090	62,336	271,909
Accumulated NCI	(13,859)	(3,692)	348,681	314,134	334,822	310,442

Summarised statement of comprehensive income	Hela Clothing Egypt SAE		Hela Indochine Apparel (Private) Limited (Ethiopia)		Total	
31 March	2024	2023	2024	2023	2024	2023
Revenue	2,062,771	3,019,129	1,655,679	1,889,868	3,718,450	4,908,997
(Loss)/ profit for the year	(1,016,708)	(206,612)	70,504	342,725	(946,204)	136,113
(Loss)/ profit allocated to NCI	(10,167)	(2,066)	34,547	167,935	24,380	165,869

NOTES TO THE FINANCIAL STATEMENTS

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

21 INTERESTS IN OTHER ENTITIES CONTD.

(d) Investments in equity accounted investees

Accounting Policy

An Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture is accounted for using the equity method.

The income statement reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in other comprehensive income statement. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit or loss of an joint venture is shown on the face of the statement of profit or loss outside operating profit.

The movement of investments accounted using equity method are as follows;

	2024	2023
Balance as at 1 April	288,325	320,407
Share of loss of equity accounted investees, net of tax	(42,734)	(69,315)
Exchange equalisation reserve	(19,457)	37,233
Balance as at 31 March	226,134	288,325

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 2024. Foundation Garments (Private) Limited (Indirect Subsidiary) jointly operates and manages the JV company with the other shareholder. 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 2024. The Group jointly operates and manages the JV company with the other shareholder. 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 statement of financial position

31 March	Sumbiri Intimate Apparel (Private) Limited Company		Safeguard Workwear EPZ Limited	
	2024	2023	2024	2023
Cash and cash equivalents	129,667	29,671	-	-
Other current assets (excluding cash)	307,470	274,761	-	16,750
Total current assets	437,137	304,432	-	16,750
Financial liabilities (excluding trade payables)	277,134	327,010	86,113	262,085
Other current liabilities (including trade payables)	460,208	237,532	177,452	4,789
Total current liabilities	737,342	564,542	263,565	266,874
Net current assets	(300,205)	(260,110)	(263,565)	(250,124)
Non-current assets	488,412	589,521	6,664	67,923
Non-current liabilities	313,193	306,296	-	-
Net non-current assets	(613,398)	(566,406)	(263,565)	(250,124)
Net assets	(124,986)	23,115	(256,901)	(182,201)

Summarised statement of comprehensive income

31 March	Sumbiri Intimate Apparel (Private) Limited Company		Safeguard Workwear EPZ Limited	
	2024	2023	2024	2023
Revenue	1,169,250	893,434	73	1,384
Depreciation and amortisation	85,126	54,014	-	-
Finance income	-	-	-	-
Finance cost	-	-	1,332	668
Loss before income tax	(494,898)	(256,737)	(13,090)	(33,319)
Income tax expense	-	-	-	-
Loss for the year	(494,898)	(256,737)	(13,090)	(33,319)
Loss allocated to Hela Apparel Holdings PLC	(42,734)	(69,315)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

22 RELATED PARTY TRANSACTIONS

Accounting Policy

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business on an arm's length basis with the related entities.

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee"under the Corporate Governance Commentary section and Corporate information in Note 01 to the Financial Statements.

Non recurrent related party transaction

The Company made an announcement on 13 December 2024 with reference to providing a corporate guarantee amounting to USD 7.5 Mn by Hela Apparel Holdings PLC to it's subsidiary namely, Foundation Garments (Pvt) Limited.

Other than disclosed above, there were no non-recurrent related party transaction of which the aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group's Consolidated Audited Financial Statements as at 31 March 2024, which requires additional disclosures in this Annual report under Colombo Stock Exchange Listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive Issued under Section 13 (C) of the Securities and Exchange Commission Act.

Recurrent related party transaction

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2024 audited financial statements, which requires additional disclosures in the 2023/24 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

	Group		Company	
	2024	2023	2024	2023
Amounts due from related parties				
Subsidiaries	-	-	22,073	14,701
Equity accounted investee of Ultimate Parent	250,373	260,170	-	-
	250,373	260,170	22,073	14,701

	Group		Company	
	2024	2023	2024	2023
Amounts due to related parties				
Equity accounted investee of Ultimate Parent	-	38,219	-	-
Subsidiaries	-	-	16,802	-
	-	38,219	16,802	-

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
Amount due from related parties					
Subsidiaries					
Hela Clothing (Pvt) Ltd		-	-	21,926	14,554
Foundation Sourcing (Pvt) Ltd		-	-	147	147
		-	-	22,073	14,701
Equity Accounted Investees					
Sumbiri Intimate Apparel (Pvt) Ltd		203,200	126,155	-	-
Safeguard workwear		47,173	134,015	-	-
		250,373	260,170	-	-

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
Amount due to related parties					
Subsidiary					
Foundation Garments (Pvt) Ltd		-	-	61,354	16,802
Hela Brands Limited		-	-	30,088	-
		-	-	91,442	16,802
Equity Accounted Investee of Ultimate Parent					
Sumbiri Intimate Apparel (Pvt) Ltd		-	38,219	-	-
		-	38,219	-	-

	Notes	Group 2024	Group 2023	Company 2024	Company 2023
Key management personnel compensation					
Short-term employee benefits		703,530	539,793	-	-
		703,530	539,793	-	-

In addition to the above, 7,425,627 ordinary shares were issued to eligible key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

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

23 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.

The following are the corporate guarantees provided by the Company and its subsidiaries as of 31 March 2024.

Liability Due by	Guarantee or contingent liability taken on behalf of	Financial Institution	Nature of the liability	2024 LKR 'Mn
Foundation Garments	Hela Investment Holdings	NDB	Corporate Guarantee - USD	301
		BOC	Corporate Guarantee - USD	1,205
			Corporate Guarantee - USD	1,807
	Hela Clothing Egypt	NDB	Corporate Guarantee - USD	301
	Hela Clothing	HNB	Corporate Guarantee - USD	137
		DFCC	Corporate Guarantee - USD	1,205
		Commercial Bank	Corporate Guarantee - USD	1,446
		NTB	Corporate Guarantee - USD	2,259
Foundation Garments and Hela Intimates EPZ	Hela Investment Holdings	Aavishkaar	Corporate Guarantee - USD	1,506
		Norfund	Corporate Guarantee - USD	4,535
Hela Apparel Holdings	Foundation Garments	NDB	Corporate Guarantee - USD	2,959
		DFCC	Corporate Guarantee - USD	904
	Hela Clothing	DFCC	Corporate Guarantee - LKR	1,200
		NDB	Corporate Guarantee - LKR	1,260
		Commercial Bank	Corporate Guarantee - USD	301
		HNB	Corporate Guarantee - USD	934
		NTB	Corporate Guarantee - LKR	2,500
Hela Clothing	Foundation Garments	Sampath Bank	Corporate Guarantee - USD	602
		Commercial Bank	Corporate Guarantee - USD	904
		DFCC	Corporate Guarantee - USD	904
			Corporate Guarantee - USD	904
			Corporate Guarantee - USD	2,108
			Corporate Guarantee - USD	904
		BOC	Corporate Guarantee - USD	3,162
			Corporate Guarantee - USD	69
			Corporate Guarantee - LKR	25
	Hela Investment Holdings	BOC	Corporate Guarantee - USD	904
			Corporate Guarantee - USD	904
			Corporate Guarantee - USD	301
Hela Clothing and Hela Apparel Holdings	Foundation Garments	Peoples Bank	Corporate Guarantee - USD	1,958
			Corporate Guarantee - LKR	300
Total				38,709

24 CAPITAL AND OTHER COMMITMENTS

There were no capital/ financial commitments as at 31 March 2024.

25 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company resolved on 18th June 2024 to issue 319,365,227 ordinary voting shares by way of a Rights Issue to existing shareholders in the proportion of 8 new ordinary shares for every 33 existing ordinary shares at a price of Rs. 5.00 per share, to raise a total LKR 1,596,826,135. The Rights Issue is approved at the Extraordinary General Meeting of shareholders held on 26 August 2024.

Other than disclosed above, there have been no events subsequent to the reporting date, which require disclosure in the financial statements

EVER ASSURED

SUPPLEMENTARY INFORMATION

CONDENSED STATEMENT OF PROFIT OR LOSS

(All amounts are in US Dollars Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2024	2023	2024	2023
Revenue from contracts with customers	219,787	268,499	-	-
Cost of sales	(200,494)	(235,857)	-	-
Gross profit	19,293	32,642	-	-
Distribution expenses	(9,118)	(11,145)	-	-
Administrative expenses	(35,756)	(24,904)	(55)	(34)
Net impairment loss on financial assets	(65)	(101)	-	-
Other income	1,137	1,201	-	-
Other gains / (losses) - net	29,881	4,082	(3)	(2,261)
Operating (loss) / profit	5,372	1,775	(58)	(2,295)
Finance income	350	79	-	8
Finance costs	(12,879)	(11,309)	-	-
Finance (costs) / income - net	(12,529)	(11,230)	-	8
Share of loss of equity accounted investee, net of tax	(133)	(195)	-	-
Loss before income tax	(7,290)	(9,650)	(58)	(2,287)
Income tax reversal / (expense)	6,199	261	-	(2)
Loss for the year	(1,091)	(9,389)	(58)	(2,289)
Loss is attributable to:				
Equity holders of the parent	(1,167)	(9,856)	(58)	(2,289)
Non-controlling interests	76	467	-	-
Loss for the year	(1,091)	(9,389)	(58)	(2,289)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in US Dollars Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2024	2023	2024	2023
Loss for the year	(1,091)	(9,389)	(58)	(2,289)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(309)	(138)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Gain on revaluation of land and buildings	-	2,712	-	-
Revaluation gain arising from the transfer of property, plant and equipment to investment property	1,127	-	-	-
Deferred income tax impact relating to revaluation	-	(938)	-	-
Remeasurement of post-employment benefit obligations	(452)	(138)	-	-
Deferred income tax impact relating to remeasurement of post-employment benefit obligations	112	48	-	-
Other comprehensive (loss) / income for the year, net of tax	478	1,546	-	-
Total comprehensive loss for the year	(613)	(7,843)	(58)	(2,289)
Total comprehensive loss is attributable to:				
Equity holders of the parent	(689)	(8,310)	(58)	(2,289)
Non-controlling interests	76	467	-	-
Total comprehensive loss for the year	(613)	(7,843)	(58)	(2,289)

CONDENSED STATEMENT OF FINANCIAL POSITION

(All amounts are in US Dollars Thousands)

	Group		Company	
	As at 31 March		As at 31 March	
	2024	2023	2024	2023
ASSETS				
Non-current assets				
Property, plant and equipment	22,474	27,505	-	-
Right-of-use assets	13,235	8,379	-	-
Investment property	4,172	1,710	-	-
Intangible assets	43,699	36,536	88	-
Deferred tax assets	10,209	3,447	-	-
Investment in subsidiaries	-	-	21,056	20,941
Investments in equity accounted investees	751	881	-	-
Other financial assets at amortised costs	2,001	1	-	-
Total non-current assets	96,541	78,459	21,144	20,941
Current assets				
Inventories	28,149	35,935	-	-
Other assets	10,184	11,332	9	-
Trade and other receivables	50,688	30,081	73	45
Income tax receivables	944	151	-	-
Derivative financial instruments	-	1,342	-	-
Other financial assets at amortised cost	855	949	-	-
Cash and cash equivalents	27,606	11,935	17	27
Total current assets	118,426	91,725	99	72
Total assets	214,967	170,184	21,243	21,013
EQUITY				
Stated capital	29,742	29,663	29,742	29,663
(Accumulated losses) / retained earnings	(138)	412	(9,453)	(9,395)
Exchange equalisation reserve	(83)	885	-	-
Other reserves	3,938	2,583	532	596
Net assets attributable to owners of the Company	33,459	33,543	20,821	20,864
Non-controlling interests	654	1,468	-	-
Total equity	34,113	35,011	20,821	20,864

	Group		Company	
	As at 31 March		As at 31 March	
	2024	2023	2024	2023
LIABILITIES				
Non-current liabilities				
Borrowings	14,350	5,512	-	-
Lease liabilities	10,406	6,523	-	-
Deferred tax liabilities	4,903	4,931	-	-
Employee benefit obligations	2,443	1,638	-	-
Total non-current liabilities	32,102	18,604	-	-
Current liabilities				
Trade and other payable	53,166	36,542	400	147
Income tax liabilities	521	524	-	2
Lease liabilities	3,533	1,981	-	-
Borrowings	91,532	77,522	22	-
Total current liabilities	148,752	116,569	422	149
Total liabilities	180,854	135,173	422	149
Total equity and liabilities	214,967	170,184	21,243	21,013

STATEMENT OF CASH FLOWS

(all amounts in US Dollars)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2024	2023	2024	2023
Cash flows from operating activities				
Cash (used in) / generated from operations	(231)	26,244	170	7,209
Retirement benefit obligations paid	(399)	(206)	-	-
Income tax paid	(652)	(113)	(2)	(22)
Interest paid	(12,164)	(11,309)	-	-
Net cash (used in) / generated from operating activities	(13,446)	14,617	168	7,187
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,978)	(7,432)	-	-
Purchase of intangible assets	(838)	(84)	(100)	-
Proceeds from sale of property, plant and equipment	268	1,688	-	-
Interest received	350	79	-	8
Investment made in fixed deposits	-	(266)	-	-
Payment for acquisition of subsidiaries, net of cash acquired	12,475	-	(100)	(10,966)
Net cash generated from / (used in) investing activities	10,277	(6,015)	(200)	(10,958)
Cash flows from financing activities				
Proceeds from borrowings	582,978	317,123	-	-
Repayment of borrowings	(562,130)	(327,891)	-	-
Net proceeds from share issue	-	67	-	67
Principal elements of lease payments	(3,094)	(2,781)	-	-
Net cash generated from / (used in) financing activities	17,754	(13,482)	-	67
Net increase / (decrease) in cash and cash equivalents	14,585	(4,880)	(32)	(3,704)
Cash and cash equivalents at the beginning of the year	11,920	16,800	27	3,731
Cash and cash equivalents at the end of the year	26,505	11,920	(5)	27

FIVE YEARS FINANCIAL SUMMARY - GROUP

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

	Hela Apparel Holdings PLC (Group)				
Year ended 31 March	2024	2023	2022	2021	2020
Income statement					
Group revenue	70,288,945	95,302,705	56,179,623	32,155,092	32,874,321
Gross profit	6,169,879	11,586,267	8,576,163	6,065,467	6,996,160
Operating profit / (loss)	1,717,979	630,447	2,256,917	1,960,024	1,987,836
Profit / (loss) before taxation	(2,331,524)	(3,424,916)	829,136	912,100	819,329
Income tax expense	1,982,628	(92,467)	248,471	40,564	51,849
Profit / (loss) after taxation	(348,896)	(3,332,449)	580,665	871,536	767,480
Profit / (loss) attributable to the equity holders of the parent	(373,276)	(3,498,318)	584,044	766,846	804,586
Statement of financial position					
Assets					
Non-current assets					
Property, plant and equipment	6,768,862	9,001,940	6,554,602	3,560,886	3,550,254
Right-of-use assets	3,986,043	2,742,171	740,821	562,667	372,593
Deferred tax assets	3,074,839	1,128,036	182,650	304,947	289,035
Other non current assets	15,246,758	12,805,784	11,685,407	7,654,791	7,111,426
Total non-current assets	29,076,502	25,677,931	19,163,480	12,083,291	11,323,307
Current assets	35,668,148	30,019,983	34,491,662	14,590,815	11,744,407
Total assets	64,744,650	55,697,914	53,655,142	26,674,106	23,067,714
Equity					
Capital and reserves					
Stated capital	5,780,678	5,754,575	5,696,037	1,723,899	1,723,897
Other reserves	1,233,869	801,331	141,032	86,065	(1,024)
Retained earnings / (accumulated losses)	(1,710,444)	(1,534,488)	2,080,020	1,313,835	582,925
Exchange equalisation reserve	4,914,063	6,120,591	4,725,105	505,769	197,800
Non-controlling interest	56,096	316,391	150,522	340,114	230,749
Total equity	10,274,262	11,458,400	12,792,716	3,969,682	2,734,347
Non-current liabilities					
Borrowings	4,322,054	1,804,131	2,574,365	2,063,220	2,240,388
Deferred tax liabilities	1,476,608	1,613,979	575,488	372,059	377,431
Lease liabilities	3,134,053	2,134,142	350,258	548,511	103,702
Employee benefit obligations	735,923	536,101	426,471	436,905	327,324
Total non-current liabilities	9,668,638	6,088,353	3,926,582	3,420,695	3,048,844
Current liabilities	44,801,750	38,151,161	36,935,898	19,283,729	17,284,524
Total liabilities	54,470,388	44,239,514	40,862,480	22,704,424	20,333,368
Total equity and liabilities	64,744,650	55,697,914	53,655,196	26,674,106	23,067,714
Ratios and Statistics					
Annual growth in turnover	-26.2%	69.6%	74.7%	-2.2%	1.7%
Gross profit margin	8.8%	12.2%	15.3%	18.9%	21.3%
Net profit margin	-0.5%	-3.5%	1.0%	2.7%	2.3%
Gearing ratio (Times)	3.1	2.4	2.2	4.0	5.6
Return on Equity (ROE)	-3.5%	-29.4%	7.2%	25.0%	79.7%

INVESTOR INFORMATION

1. DISTRIBUTION OF SHAREHOLDERS

As at 31st March 2024	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 1,000 Shares	2,832	1,385,454	0.11	1	1,000	0	2,833	1,386,454	0.11
1,001 to 10,000 Shares	9,453	31,294,200	2.38	14	65,300	0	9,467	31,359,500	2.38
10,001 to 100,000 Shares	1,295	39,592,449	3.01	10	247,580	0.02	1,305	39,840,029	3.03
100,001 to 1,000,000 Shares	222	66,723,435	5.06	2	1,063,912	0.08	224	67,787,347	5.14
Over 1,000,000 Shares	42	504,035,593	38.26	3	672,972,637	51.08	45	1,177,008,230	89.34
Total	13,844	643,031,131	48.82	30	674,350,429	51.18	13,874	1,317,381,560	100

2. CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	13,485	342,812,727
Institutional	389	974,568,833
	13,874	1,317,381,560

3. PUBLIC HOLDING

Public Holding as at 31 March	2024	2023
Issued Share Capital (No. of Shares)	1,317,381,560	1,309,955,933
Public Holding as a % of Issued Share Capital	21.28%	22.65%
Total Number of Shareholders	13,874	14,438
Number of Shareholders representing the Public Holding	13,855	14,418

Minimum Public Holding Requirement as per Listing Rules 7.13.1 (i) (a)

	Float Adjusted Market Capitalisation (LKR)	Public Holding (%)	No of Shareholders representing the public holding
Public Holding as at 31 March 2024	1,710,066,655	21.28%	13,855

The Company complies with the minimum public holding requirement of the Main Board as per Option 5 of Section 7.13.1 (i) (a) of the CSE Listing Rules

4. SHARE TRADING

	2024	2023
Market Value of Shares		
Last Traded Price on 31 March (LKR)	6.10	8.00
Highest Price During the Quarter Ended 31 March (LKR)	6.30	15.30
Lowest Price During the Quarter Ended 31 March (LKR)	4.80	7.90
Market Capitalisation on 31 March (LKR 000')	8,036,028	10,479,648
Share Trading		
No of Transactions During the Year	22,198	24,244
No of Shares Traded During the Year	190,346,808	109,771,724
Value of Shares Traded During the Year	1,130,277,014	1,257,838,511

5. SHAREHOLDER INFORMATION

List of 20 Major Shareholders as at 31 March		2024		2023	
		No. of Shares	%	No. of Shares	%
1	Lesing Hela Limited	614,256,956	46.63	614,256,956	46.89
2	Tars Investments Lanka Pvt Ltd	229,862,259	17.45	235,638,162	17.99
3	Mr. P.L.D. Jinadasa	148,531,300	11.27	137,276,656	10.48
4	Mr. D.E.H. Mcvey	30,598,973	2.32	30,598,973	2.34
5	Citibank Newyork S/A Norges Bank Account 2	28,116,708	2.13	28,146,929	2,15
6	Magna Wealth (Pvt) Ltd	19,376,068	1.47	4,240,485	0.32
7	Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam	16,260,071	1.23	16,191,671	1.24
8	Deutsche Bank AG as Trustee To Assetline Income Plus Growth Fund	8,302,589	0.63	7,027,589	0.54
9	Mr. R.S.P. Amaratunga	5,007,961	0.38	5,007,961	0.38
10	JN Lanka Holdings Company (Pvt) Ltd	5,000,000	0.38	-	-
11	California Link (Private) Ltd	4,489,000	0.34	3,050,572	0.23
12	Mr. D.M. Beruwalage	4,361,600	0.33	4,361,600	0.33
13	Mr. P.S.V. Fernando	4,303,743	0.33	-	-
14	Mr. A.R. Rasiah	4,273,743	0.32	4,273,743	0.33
15	Union Assurance PLC - Universal Life Fund	4,191,500	0.32	5,575,358	0.43
16	DFCC Bank PLC A/C No.02	4,000,000	0.30	4,000,000	0.31
17	Bank of Ceylon A/C Ceybank Unit Trust	2,945,200	0.22	2,945,200	0.22
18	Mr. W.A.R. Gunawardhana	2,831,355	0.21	3,546,155	0.27
19	Mr. Y.C. Samarajeewa	2,721,857	0.21	2,867,137	0.22
20	J.B. Cocoshell (Pvt) Ltd	2,400,000	0.18	-	-
		1,141,830,883	86.65	1,109,005,147	82.52

INVESTOR INFORMATION

5. SHAREHOLDER INFORMATION CONTD.

a. Directors' Shareholding

Holding as at 31 March	2024 No. of Shares	2023 No. of Shares
Mr. P.L.D. Jinadasa (Group CEO)	148,531,300	137,276,656
Mr. A.R. Rasiah (Chairman)	4,273,743	4,273,743
Ms. T.S. Peries	57,400	57,400
Mr. G.P. Gunawardana	-	-
Mr. A. Alderton	-	-
Mr. P. Schleiffer	-	-
Mr. S. Khan (Alternate Director)	-	-
Mr. S. Doron	-	-
	152,862,443	141,607,799

6. EMPLOYEE SHARE OWNERSHIP PLAN AS AT 31 MARCH 2024

Date of Grant	Employee Category	Shares Granted	Shares Vested & Issued as of 31 March 2024	Remaining shares allotted to Scheme that may be granted by the Board of Directors at a future date
1-Aug-20	Senior Executives & Directors	35,258,375	35,258,375	18,163,411

Note: 7,425,627 ordinary voting shares were issued on 1 August 2023 under the Employee Share Ownership Plan. The Employee Share Ownership Plan was originally established as a Share Option Scheme and was converted by a special resolution of the shareholders passed on 7 September 2021. In addition to the 35,258,375 shares granted on 1 August 2020, 18,163,411 shares remain allotted to the scheme and may be granted at a future date by the Board of Directors.

UNITED NATION GLOBAL COMPACT HIGHLIGHTS

The Ten Principles of the UN Global Compact	Disclosure References
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	• The Hela Group is committed to maintaining operations in compliance with local regulations and international best practices on human rights, covering areas including the prevention of child labour, forced and compulsory labour, non-discrimination, freedom of association/collective bargaining, health and safety and fair wages. The Group has zero tolerance against any form of harassment. The Group's efforts are governed by internal policies and practices. Refer: Corporate Governance – page 122 • The voluntary adoption and benchmarking of our practices to industry-specific global certifications including WRAP, SLCP, SMETA (ETI), SCAN, is an endorsement of our commitment. Refer Compliance and Product Certifications - page 117 • Further, we strive to ensure the safeguarding of human rights across our supply chains. Suppliers are screened for environmental and social compliance prior to onboarding, to ensure ethical and sustainable business practices. They are also required to contractually commit with the Hela Supplier Code of Conduct, as part of the onboarding process, The Code prescribes that they meet all applicable legislative requirements and obligates suppliers to act ethically and fairly and uphold fundamental business and human rights. Refer: Relationship Capital - page 102
Principle2: make sure that they are not complicit in human rights abuses.	• A robust risk management framework including assurance and annual assessments by third party auditors of accreditations for social compliance, serves to verify our operations. Refer: Risk Management - page 142
Labour	
Principle3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	• Refer Human and Social Capital - page 78
Principle 4: the elimination of all forms of forced and compulsory labour;	• Refer Human and Social Capital - page 78
Principle 5: the effective abolition of child labour; and	• Refer Human and Social Capital - page 78
Principle 6: the elimination of discrimination in respect of employment and occupation.	• Refer Human and Social Capital - page 78

UNITED NATION GLOBAL COMPACT HIGHLIGHTS

The Ten Principles of the UN Global Compact	Disclosure References
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	• We are conscious of our significant environmental footprint as a textile manufacturer. We remain firm in our commitment to support environmental sustainability. Refer Natural Capital – page 66
Principle 8: Undertake initiatives to promote greater environmental responsibility; and	• Refer Natural Capital – page 66
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	• Refer Natural Capital – page 66
Anti-Corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	• The Hela Group upholds zero tolerance to corruption and bribery. Refer Anti-Bribery and Corruption (ABC) - Corporate Governance – page 122

GROUP COMPANIES AND DIRECTORATE

Name	Country of Incorporation	Relationship	Effective Holding FY 2023/24	Effective Holding FY 2022/23	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 G P Gunawardana R S P Amaratunga A De Silva Muthumani
Foundation Garments (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Manufacture of garments for export market	A R Rasiah P L D Jinadasa G P Gunawardana
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 G P Gunawardana
Foundation Bennett (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Dormant Company	A R Rasiah P L D Jinadasa G P Gunawardana
Alpha 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%	100%	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 D B F Shahnaz F H Doobarry
Hela USA Inc.	USA	Indirect Subsidiary	100%	100%	Design and marketing office.	A R Rasiah P L D Jinadasa G P Gunawardana
Hela Intimates EPZ Limited	Kenya	Indirect Subsidiary	100%	100%	Manufacture of garments for export market.	P L D Jinadasa G P Gunawardana
Safeguard Workwear EPZ Limited	Kenya	Joint Venture	50%	50%	Manufacture of medical products for export market	P L D Jinadasa G S M A Gulam K M H Dostmohamed G P Gunawardana
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%	27%	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%	99%	Manufacture of garments for export market	P L D Jinadasa R S P Amaratunga R M F A Torky V Fernando C Gunawardana M Baseer

GROUP COMPANIES AND DIRECTORATE

Name	Country of Incorporation	Relationship	Effective Holding FY 2023/24	Effective Holding FY 2022/23	Principal Activity	Board Members
Hela Brands Limited	Mauritius	Direct Subsidiary	99.99%	-	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 D B F Shahnaz F H Doobarry
Focus Brands Limited	UK	Indirect Subsidiary	100%	-	Retail sales of clothing in specialised stores Non-trading entity	A J Alderton S Doron R Evans P L D Jinadasa P Schleiffer
Focus Group Holdings Limited	UK	Indirect Subsidiary	100%	-	Activities of head offices Non-trading entity	S Doron P L D Jinadasa R Evans J V Bromilow
Focus International Limited	UK	Indirect Subsidiary	100%	-	Non-specialised wholesale trade	S Doron P L D Jinadasa R Evans A Ward J V Bromilow
Focus Sports & Leisure International Limited	UK	Indirect Subsidiary	100%	-	Dormant Company	S Doron P L D Jinadasa R Evans J V Bromilow
Focus Equipment Limited	UK	Indirect Subsidiary	100%	-	Dormant Company	S Doron P L D Jinadasa R Evans J V Bromilow
Focus International NL BV	Netherland	Indirect Subsidiary	100%	-	Non-trading	Mark Schaffer
Focus Italy S.R.L.	Italy	Indirect Subsidiary	100%	-	Non-trading	Mark Schaffer
Focus International GmBH	Germany	Indirect Subsidiary	100%	-	Cost entity for Germany sales team	Mark Schaffer

GLOSSARY

BLD
Brand Licensing Division

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 if 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

NOPAT
Net Operating Profit After Tax

NET PROFIT MARGIN
Profit after tax divided by total revenue

PLMD
Private Label Manufacturing Division

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

NET WORKING CAPITAL
Inventory and Trade and other receivables minus Trade and other payables.

GRI CONTENT INDEX

Statement of use	Hela Apparel Holdings PLC has reported in accordance with the GRI Standards for the period 1st April 2023 to 31st March 2024.
GRI Standard used	GRI Universal Standards & Topic Standards
Applicable GRI Sector Standard(s)	There is no applicable sector standard.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	a. About Hela	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organisation's sustainability reporting	a. About this Report b. Group directory				
	2-3 Reporting period, frequency and contact point	a. About this Report b. Corporate Information Section				
	2-4 Restatements of information		Not reported	Not Applicable		
	2-5 External assurance	a. About this Report b. Independent Assurance Statement				
	2-6 Activities, value chain and other business relationships	a. About Hela Group b. Our Business Model c. Integrated Sustainability d. Relationship Capital e. Human and Social Capital				
	2-7 Employees	a. Human and Social Capital				
	2-8 Workers who are not employees	a. Human and Social Capital				
	2-9 Governance structure and composition	a. Corporate Governance				
	2-10 Nomination and selection of the highest governance body	a. Corporate Governance b. Nomination Committee Report				
	2-11 Chair of the highest governance body	a. Corporate Governance				
	2-12 Role of the highest governance body in overseeing the management of impacts	a. Corporate Governance				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-13 Delegation of responsibility for managing impacts	a. Corporate Governance				
	2-14 Role of the highest governance body in sustainability reporting		Not reported			
	2-15 Conflicts of interest	a. Corporate Governance				
	2-16 Communication of critical concerns	a. Corporate Governance				
	2-17 Collective knowledge of the highest governance body	a. Corporate Governance				
	2-18 Evaluation of the performance of the highest governance body		Not reported	Confidentiality constraints		
	2-19 Remuneration policies	a. Corporate Governance				
	2-20 Process to determine remuneration	a. Corporate Governance b. Remuneration Committee Report				
	2-21 Annual total compensation ratio		Not reported	Confidentiality constraints		
	2-22 Statement on sustainable development strategy	a. Chairman's Message b. CEO's Message				
	2-23 Policy commitments	a. Corporate Governance				
	2-24 Embedding policy commitments	a. Corporate Governance				
	2-25 Processes to remediate negative impacts	a. Corporate Governance				
	2-26 Mechanisms for seeking advice and raising concerns	a. Corporate Governance				
	2-27 Compliance with laws and regulations	a. Corporate Governance				
	2-28 Membership associations	a. About Hela				
	2-29 Approach to stakeholder engagement	a. Stakeholder Engagement				
	2-30 Collective bargaining agreements	a. Human and Social Capital > Ensuring a safe, productive and conducive work environment > Industrial Relations				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	a. Determining material issues	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	a. Determining material issues				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Our Socio-Economic Impact				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	a. Economic-Value added Statement				
	201-2 Financial implications and other risks and opportunities due to climate change		Not reported	Due to limited information		
	201-3 Defined benefit plan obligations and other retirement plans	a. Financial Statements > Notes to the Financial Statements				
	201-4 Financial assistance received from government		Not reported	Not Applicable		
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not Material		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		Not reported	Not Material		
	202-2 Proportion of senior management hired from the local community		Not reported	Not Material		
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not Material		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported		Not reported	Not Material		
	203-2 Significant indirect economic impacts		Not reported	Not Material		
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	a. Relationship Capital > Overview of Hela's Supply Chain				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Corporate Governance				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	a. Corporate Governance				
	205-2 Communication and training about anti-corruption policies and procedures	a. Corporate Governance				
	205-3 Confirmed incidents of corruption and actions taken	a. Corporate Governance				
Anti-competitive behaviour						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not material		
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		Not reported	Not material		
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Financial Statements > Notes to the Financial Statements				
GRI 207: Tax 2019	207-1 Approach to tax	a. Financial Statements > Notes to the Financial Statements				
	207-2 Tax governance, control, and risk management	a. Corporate Governance				
	207-3 Stakeholder engagement and management of concerns related to tax	a. Stakeholder Engagement				
	207-4 Country-by-country reporting	a. Financial Statements > Notes to the Financial Statements				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Management Approach				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	a. Natural Capital				
	301-2 Recycled input materials used	a. Natural Capital				
	301-3 Reclaimed products and their packaging materials	a. Natural Capital				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital				
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	a. Natural Capital > Energy Management				
	302-2 Energy consumption outside of the organisation		Not reported	Information incomplete		
	302-3 Energy intensity		Not reported	Information incomplete		
	302-4 Reduction of energy consumption	a. Natural Capital > Energy Management				
	302-5 Reductions in energy requirements of products and services		Not reported	Information incomplete		
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Water Effluents				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	a. Natural Capital > Water Effluents				
	303-2 Management of water discharge-related impacts	a. Natural Capital > Water Effluents			No significant impact	
	303-3 Water withdrawal		Not reported	Information incomplete		
	303-4 Water discharge		Not reported	Information incomplete		
	303-5 Water consumption	a. Natural Capital > Water Effluents				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Management Approach				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION		OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 304:EO Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			Not reported	Information incomplete		
	304-2 Significant impacts of activities, products and services on biodiversity			Not reported	Information incomplete		
	304-3 Habitats protected or restored			Not reported	Information incomplete		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations			Not reported	Information incomplete		
Emissions							
GRI 3: Material Topics 2021	3-3 Management of material topics	a.	Natural Capital > Emissions Management				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	a.	Natural Capital > Emissions Management				
	305-2 Energy indirect (Scope 2) GHG emissions	a.	Natural Capital > Emissions Management				
	305-3 Other indirect (Scope 3) GHG emissions	a.	Natural Capital > Emissions Management				
	305-4 GHG emissions intensity			Not reported	Information incomplete		
	305-5 Reduction of GHG emissions	a.	Natural Capital > Emissions Management				
	305-6 Emissions of ozone-depleting substances (ODS)			Not reported	Information incomplete		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			Not reported	Information incomplete		

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Responsible Management to Waste				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	a. Natural Capital > Responsible Management to Waste				
	306-2 Management of significant waste-related impacts	a. Natural Capital > Responsible Management to Waste				
	306-3 Waste generated	a. Natural Capital > Responsible Management to Waste				
	306-4 Waste diverted from disposal	a. Natural Capital > Responsible Management to Waste				
	306-5 Waste directed to disposal	a. Natural Capital > Responsible Management to Waste				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	a. Relationship Capital >Ensuring a resilient supply chain				
	308-2 Negative environmental impacts in the supply chain and actions taken	a. Relationship Capital > Ensuring a resilient supply chain				
Employment,						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	a. Human and Social Capital > Employee Recruitment and Turnover in FY 2023/24				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	a. Human and Social Capital > Ensuring a Safe, Productive and Conducive Environment				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	401-3 Parental leave	a. Human and Social Capital > Ensuring a Safe, Productive and Conducive Environment > Pursuing Gender Equality			Maternity leave is provided as per regulations	
Labour/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	a. Human and Social Capital > Ensuring a Safe, Productive and Conducive Environment				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	a. Human and Social Capital > Occupational Health and Safety				
	403-2 Hazard identification, risk assessment, and incident investigation	a. Human and Social Capital > Occupational Health and Safety				
	403-3 Occupational health services	a. Human and Social Capital > Occupational Health and Safety				
	403-4 Worker participation, consultation, and communication on occupational health and safety	a. Human and Social Capital > Occupational Health and Safety				
	403-5 Worker training on occupational health and safety	a. Human and Social Capital > Occupational Health and Safety				
	403-6 Promotion of worker health	a. Human and Social Capital > Occupational Health and Safety				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	a. Human and Social Capital > Occupational Health and Safety				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 403: Occupational Health and Safety 2018 Contd.	403-8 Workers covered by an occupational health and safety management system	a. Human and Social Capital > Occupational Health and Safety				
	403-9 Work-related injuries	a. Human and Social Capital > Occupational Health and Safety				
	403-10 Work-related ill health	a. Human and Social Capital > Occupational Health and Safety				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	a. Human and Social Capital				
	404-2 Programs for upgrading employee skills and transition assistance programs	a. Human and Social Capital				
	404-3 Percentage of employees receiving regular performance and career development reviews	a. Human and Social Capital				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	a. Human and Social Capital b. Corporate Governance				
	405-2 Ratio of basic salary and remuneration of women to men	a. Human and Social Capital				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	a. Human and Social Capital				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	a. Human and Social Capital				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Childlabour						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	a. Human and Social Capital			The Group maintains a zero child labour policy	
Forced or compulsory labour						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	a. Human and Social Capital				
Security practices						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not material		
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		Not reported	Not material		
Rights of indigenous peoples						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not material		
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		Not reported	Not material		
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	a. Human and Social Capital				
	413-2 Operations with significant actual and potential negative impacts on local communities	a. Human and Social Capital b. Natural Capital				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital > Ensuring a resilient supply chain				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	a. Relationship Capital > Ensuring a resilient supply chain				
	414-2 Negative social impacts in the supply chain and actions taken		Not reported	Not Applicable		

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not material		
GRI 415: Public Policy 2016	415-1 Political contributions		Not reported	Not material		
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	a. Relationship Capital > Hela's Responsible Sourcing Outcomes in FY 2023/24				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		Not reported	Not Applicable		
Marketing and labelling						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	a. Relationship Capital				
	417-2 Incidents of non-compliance concerning product and service information and labelling	a. Relationship Capital				
	417-3 Incidents of non-compliance concerning marketing communications	a. Relationship Capital				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not reported	Not material		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		Not reported	Not material		

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Hela Apparel Holdings PLC will be held on Monday, 30th September 2024 at 3.00pm as an online audio-visual meeting, 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 2024 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 pass the ordinary resolution set out below to re-appoint Mr. Shlomo Doron 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. Shlomo Doron 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."

1.4 To re-appoint Messrs Deloitte Partners, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.

1.5 To authorise the Directors to determine donations for the year ending 31 March 2025 and up to the date of the next Annual General Meeting.

2. SPECIAL BUSINESS

2.1 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To adopt the following resolutions as special resolutions for the amendments of the Articles of Association of the Company in line with the revised Listing Rules of the Colombo Stock Exchange (CSE):

"IT IS HEREBY RESOLVED THAT

A) the existing Article 27 (1) be deleted in its entirety and be substituted with the following new Article:

Unless otherwise determined by a special resolution of the shareholders of the Company, the number of Directors shall not be less than five (5) and shall not be more than nine (09).

B) **FURTHER RESOLVED THAT 27(4)** of the Articles of Association of the Company be deleted in its entirety and be substituted with the following new Article:

27 (4) (i) An Alternate Director shall only be appointed under exceptional circumstances by any Director ("appointor"), giving notice in writing left at the office of the Company and approved by the Board to be an Alternate Director of the Company to act in their place during their absence, subject to applicable laws, rules and regulations. Any such appointment shall not extend a period of one (1) year from the date of appointment;

(ii) A person appointed to be an Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company nor be required to hold any share qualification but the Board may repay the Alternate Director such reasonable expenses as he may incur in attending and returning from meetings of the Board which he is entitled to attend or as he may otherwise properly incur in or about the business of the Company or may pay such allowances as they may think proper in respect of these expenses;

(iii) An Alternate Director shall be entitled to receive notices of all meetings of the Board and to attend and vote as a Director at any such meeting at which the Director appointing them is not personally present and generally to perform all the functions of their appointor as a Director, in the absence of such appointer;

(iv) An Alternate Director's appointment as an alternate terminates;

(a) When the alternate's appointor revokes the appointment by notice to the Company in writing specifying when it is to terminate;

(b) on the occurrence, in relation to the alternate, of any event which, if it occurred in relation to the alternate's appointor, would result in the termination of the appointor's appointment as a director;

NOTICE OF MEETING

(c) on the death of the alternate's appointor; or

(d) when the alternate's appointor's appointment as a director terminates;

(v) A Director shall not vote on the question of the approval of an Alternate Director to act for them or on the question of the termination of the appointment of such an Alternate Director under the foregoing sub-clause of this Article, and if they do so, their vote shall not be counted; nor for the purpose of any resolution for either of these purposes shall they be counted in the quorum present at the meeting;

(vi) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Company. Similarly, if an alternate Director is appointed for an Independent Director, the person so appointed shall meet the criteria for independence under applicable laws, rules and regulations;

(vii) The attendance of any Alternate Director at any meeting subject to (v) above, including Board committee meetings shall be counted for the purpose of the quorum.

By Order of the Board,

HELA APPAREL HOLDINGS PLC

(MS) J KUHANESAN
Company Secretary

29 August 2024
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.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be sent by email to hela_agm@helaclothing.com by 3.00 pm on 28 September 2024.

FORM OF PROXY

HELA APPAREL HOLDINGS PLC

*I/We .... of

.... being a

*Shareholder / Shareholders of Hela Apparel Holdings PLC, hereby appoint ....of

.... or failing him

Mr. A R Rasiah	or failing him
Mr. P L D Jinadasa	or failing him
Mr. G P Gunawardana	or failing him
Ms. T Peries	or failing her
Mr. P Schleiffer	or failing him
Dr. A J Alderton	or failing him
Mr. S. Doron	or failing him
Mr. S. Khan	or failing him

as *my/our proxy to vote for me/us on my/our behalf for/against the resolution and/or speak at the Third Annual General Meeting of the Company to be held on 30 September 2024 at 3.00 pm as a virtual AGM and at any adjournment 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 pass the ordinary resolution set out in the Notice of Meeting under item 1.3 for the re-appointment of Mr. Shlomo Doron		
1.3	To re-appoint Messrs Deloitte Partners, 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 2025 and up to the date of the next Annual General Meeting		
2.	SPECIAL BUSINESS		
2.1	To pass the special resolutions set out in the Notice of Meeting under item 2.1		

Signed this .... day of .... Two Thousand and Twenty Four

....

Signature

1) *Please delete the inappropriate words.

2) Instructions as to completion are noted on the reverse thereof.

FORM OF PROXY

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 emailed to hela_agm@helaclothing.com by on or before 3.00 pm on 28 September 2024.

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 YEAR END
31 March

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

SECRETARY
Ms. Janseni Kuhanesan
47/12A, Sri Gnanendra Road, Ratmalana, Sri Lanka

AUDITORS
Deloitte Partners
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
Abu Dhabi Islamic Bank
Banque Misr
Bank of Ceylon
Commercial Bank of Ceylon PLC
Commercial Bank of Ethiopia
Citi Bank
Co-operative Bank Kenya
DFCC Bank PLC
Equity Bank Kenya Limited
First Abu Dhabi Bank
Hatton National Bank PLC
I & M Bank Ltd
National Bank of Egypt
National Development Bank PLC
Nations Trust Bank PLC
People's Bank
Qatar National Bank
Sampath Bank PLC
Standard Chartered Bank PLC
Standard Chartered Bank Mauritius Limited
Union 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
A J Alderton
P L D Jinadasa
G P Gunawardana
T S Peries
P Schleiffer
S Doron
S R Khan

AUDIT COMMITTEE
G P Gunawardana
A J Alderton
T S Peries
P Schleiffer
A R Rasiah

REMUNERATION COMMITTEE
T S Peries
A J Alderton
G P Gunawardana
S Khan
A R Rasiah

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
G P Gunawardana
T S Peries
A J Alderton
P Schleiffer
A R Rasiah

NOMINATION COMMITTEE
A R Rasiah
A J Alderton
P Schleiffer
T S Peries

DIRECT SUBSIDIARY
Hela Clothing (Private) Limited
Hela Brands Limited

INDIRECT SUBSIDIARIES
Foundation Garments (Private) Limited
F D N Sourcing (Private) Limited
Jinadasa Bennett (Private) Limited
Foundation Bennett (Private) Limited
Alpha Textiles (Private) Limited
Hela Investment Holdings Limited
Hela Indochine Apparel Private Limited Company
Hela Intimates EPZ Limited
Hela USA, Inc.
Hela Clothing Egypt SAE
Focus Brands Limited
Focus Group Holdings Limited
Focus Italy S.R.L
Focus International Limited
Focus International NL BV
Focus International GmBH
Focus Sports & Leisure International Limited
Focus Equipment Limited

JOINT VENTURES
Sumbiri Intimate Apparel Private Limited Company
Safeguard Workwear EPZ Limited

Designed & produced by
emagewise

35 Balapokuna Road, Colombo 6, Sri Lanka
www.helaclothing.com