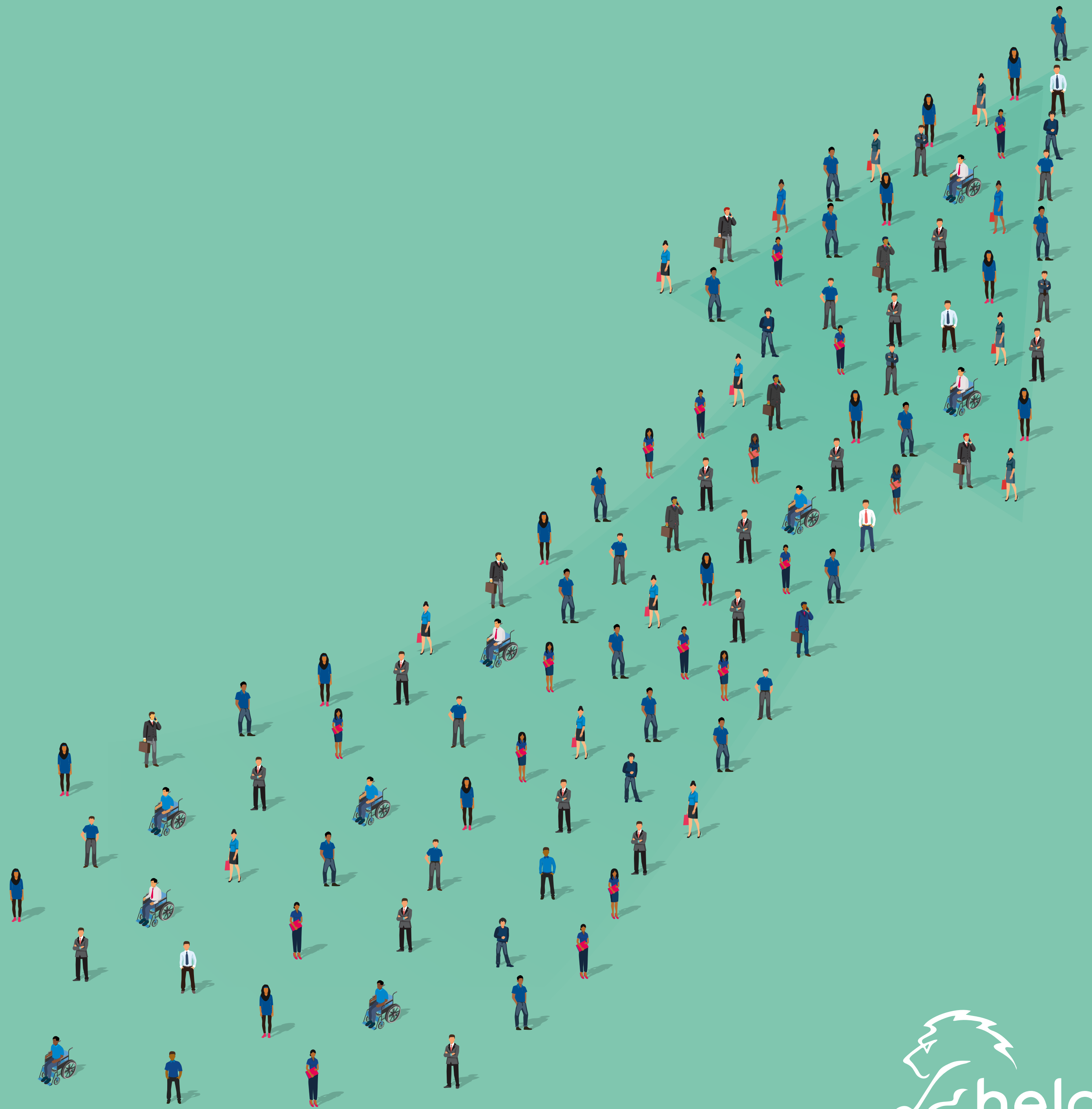
Hela Apparel Holdings PLC | Annual Report 2022/23

pioneering
PARTNERSHIPS



hela

hela

pioneering
PARTNERSHIPS

At Hela, we have navigated through challenging circumstances many times before, remaining poised and strong-willed, arising stronger and more resilient from these experiences. This reflects the strength of our roots, built on a network of pioneering partnerships with our valuable community of stakeholders. These relationships are the source of our courage and purpose, and the key to our unified future.

Our vision goes well beyond apparel manufacturing. We strive to create a positive impact in our communities across the world through our social capital-focused approach while working to establish a sustainability-centric apparel sourcing hub in Africa. The new partnerships we have forged during the past year, with stakeholders who share our vision for responsible growth, have strengthened our outlook and strategy.

As we journey purposefully into the future, our focus remains steadfastly on our long-term strategic relationships with our partners. We believe these visionary efforts will lay a stable foundation for a sustainable future for both us and our stakeholders.

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About This Report

This is the first Annual Integrated Report of Hela Apparel Holdings PLC (hereinafter referred to as "the Company"), together with its subsidiaries and equity-accounted investees (hereinafter referred to as "the Hela Group"). The report seeks to provide a comprehensive and balanced account of how the Hela Group created value for its stakeholders during the financial year ended 31 March 2023. It also provides relevant information on the operating environment, corporate governance practices, and risk management, while reflecting on the future outlook.

REPORTING PERIOD

The report follows an annual reporting cycle and covers the financial period from 01 April 2022 to 31 March 2023. It builds on the Hela Group's most recent report for the year ended 31 March 2022, for which comparatives are presented where applicable.

Material events subsequent to the reporting period and up to the Board approval date of 05 September 2023 have also been included. The financial statements for the year ended 31 March 2022 were restated as explained on page 56. Non-financial information has not been re-stated as there was no impact on these disclosures.

SCOPE AND BOUNDARY

The report covers financial and non-financial information necessary to assess the performance of the Hela Group. It captures the Group's core business activities as a provider of sustainable, ethical, and innovative apparel supply chain solutions, and its operations in Sri Lanka, Kenya, Egypt, Ethiopia, and globally.

REPORTING FRAMEWORKS

The frameworks highlighted on the subsequent page have been applied in preparing this report, moving beyond regulatory compliance to incorporate international best practices into the reporting process.

MATERIALITY

The report provides information on material themes that can significantly impact the Group's ability to create value over the short, medium, and long term. Please refer to the Determining Material Matters section on page 34 for further details on the practices for determining materiality.

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

PDF format

A concise Integrated Annual Report in print form

Financial Reporting	Narrative Reporting	Corporate Governance	Sustainability
- Sri Lanka Financial Reporting Standards - Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 - Companies Act No 7 of 2007	- 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	- 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	- GRI 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

COMBINED ASSURANCE

The integrity of the report is ensured through a combined assurance model. The content included in this Annual Report has been approved by the respective business heads and reviewed by the Group CEO and the Audit Committee prior to submission to the Board of Directors for approval. The financial statements have been audited by Hela's external auditors, Messrs. PricewaterhouseCoopers. Their report is set out on page 157.

FORWARD-LOOKING STATEMENTS

The report includes forward-looking statements regarding the Hela Group's future performance and prospects. While these statements represent judgements and future expectations at the time of preparing this report, several emerging risks, uncertainties and other important factors beyond the Group's control could materially impact the results. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.

FEEDBACK

The Hela Group continuously strives to improve the quality and readability of its Annual Report and values suggestions. Kindly direct your feedback to:

investors@helaclothing.com

REPORTING IMPROVEMENTS

- Reporting in "accordance with" the GRI Standards
- Adopting a Capitals approach in line with the Integrated Reporting Framework
- Alignment to the 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

BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Hela Apparel Holdings PLC acknowledges its responsibility for ensuring the integrity of this Report. We hereby confirm that the 2022/23 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 05 September 2023 and is signed on its behalf by;

Group CEO

Group Chief Financial Officer

About Us

MISSION

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

VISION

To provide solutions to the stakeholders we serve through the principles of our focused social capital criteria centered on inclusivity, equity, 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

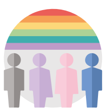
Hela Apparel Holdings PLC, founded and headquartered in Sri Lanka, is a social capital company built on the principles of inclusivity, equity, and climate stability. With over three decades of industry experience, the Group provides sustainable and ethical apparel supply chain solutions to some of the world's leading brands across the Intimate Wear, Active Wear and Kids Wear product categories.

Throughout the years, Hela's focus has been on building strategic partnerships with global brands to provide apparel supply chain solutions with distinctive advantages. This customer-focused approach and forward-thinking strategy have helped the Company to forge ahead successfully and cement itself as an integral part of its customers' supply chains.

Today, Hela is one of the fastest-growing apparel manufacturers in the industry and was a pioneer in the development of the apparel manufacturing sector in Africa. The company has a global presence with 10 manufacturing facilities across Sri Lanka, Kenya, Ethiopia, and Egypt, as well as with design centres in Sri Lanka, the US, the UK and France. It also provides stable employment opportunities to approximately 17,800 people across its global footprint.

Sustainable, ethical and innovative apparel manufacturing is at the core of Hela's operations. The organisation has ventured into and invested in multiple environmental and social sustainability-driven initiatives. As a result of the commitment toward responsible manufacturing, the organisation was endorsed as a signatory to the UN Global Compact in 2021 and was awarded the ISO 14064-1:2018 certification for quantification and reporting of greenhouse gas emissions across the group for the second consecutive year in 2022.

Key Principles Aligned with Hela's Focus on Social Capital



Inclusivity

Hela embraces diversity. We believe that a diverse workforce is a strength, and that each individual adds value to who we are as an organisation.

Equity

We believe in creating an environment that focuses on developing the skills and strengths of all our employees. We continue to work towards bridging the gaps in equity across all aspects of the Company.

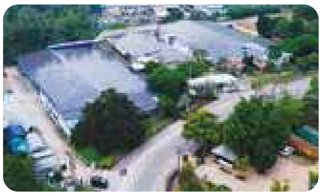
Climate Stability

As an ethical and sustainable apparel manufacturer, we consider it our responsibility to ensure that our operations have the minimum negative impact on the planet.

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 operations in Kenya with 250 team members

2017

First manufacturing facility in Ethiopia commences operations with 150 members

2019

Hela becomes the leading apparel manufacturer in East Africa, accounting for approximately 20% of Kenya's and Ethiopia's total apparel exports

2021

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

2022

Establishment of first manufacturing facility in Egypt

Successful completion of public listing on the Colombo Stock Exchange

PRODUCT CATEGORIES

Leveraging the Group's design and innovation capabilities to deliver a technical offering combined with an **attractive price, on-time delivery** and **high-quality assurance**.

INTIMATE WEAR

Lingerie

Sleepwear

Men's Underwear

KIDS WEAR

Kids Fashion Wear

Kids Sleepwear

Kids School Wear

ACTIVE WEAR

Fashion Active Wear

Tech Active Wear

Enhanced Performance Wear

STRATEGIC SOURCING SOLUTIONS

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

About Us

GLOBAL MANUFACTURING CAPABILITY

Hela's global footprint spans across 07 countries in Asia, Africa, Europe and North America, with 10 directly-operated manufacturing facilities located in Sri Lanka, Kenya, Ethiopia and Egypt

Manufacturing Facilities

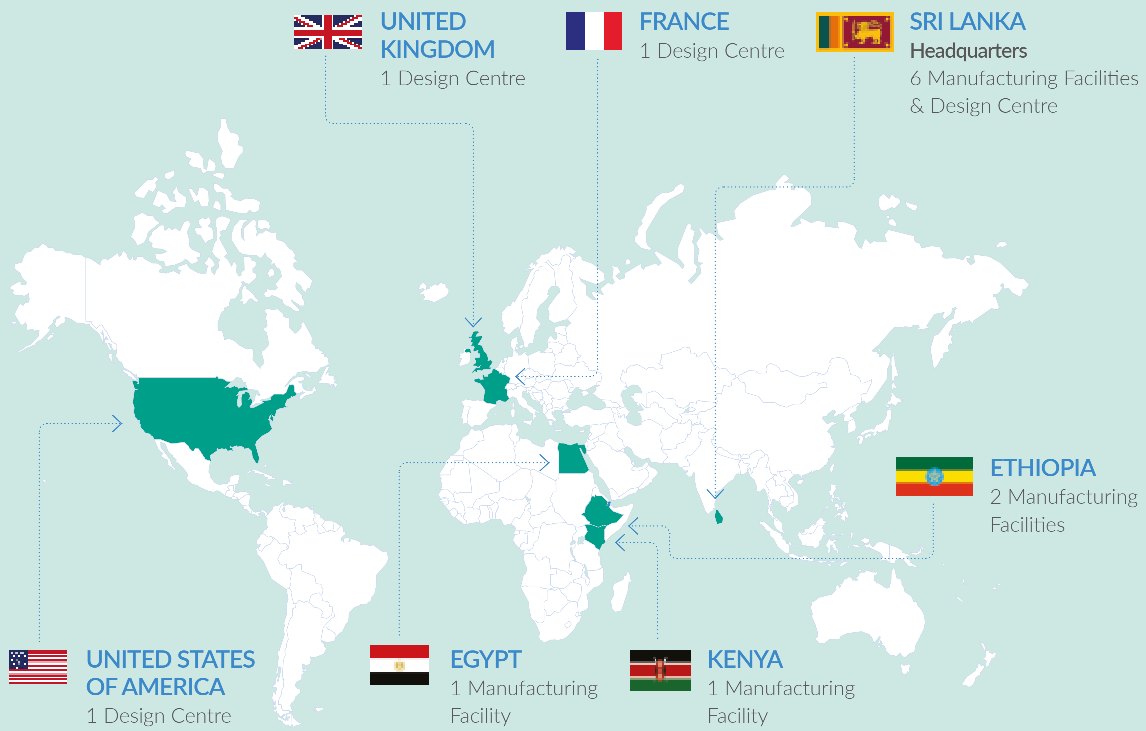
6	Sri Lanka
2	Ethiopia
1	Kenya
1	Egypt

10
Directly Operated Manufacturing Facilities

04
Design Centres

04
Manufacturing Countries of Origin

17,800
Employees



Sri Lanka

Hela Thihariya
Production Floor Space: **73,000 ft²**
Annual Production Capacity
(SAH): **1,080,000**

Hela Mawathagama
Production Floor Space: **65,000 ft²**
Annual Production Capacity
(SAH): **660,000**

Hela Ukuwela
Production Floor Space: **26,000 ft²**
Annual Production Capacity
(SAH): **570,000**

Hela Palapathwala
Production Floor Space: **80,000 ft²**
Annual Production Capacity
(SAH): **870,000**

Hela Narammala
Production Floor Space: **32,000 ft²**
Annual Production Capacity
(SAH): **795,000**

Hela Naula
Production Floor Space: **30,000 ft²**
Annual Production Capacity
(SAH): **600,000**

Kenya

Hela Kenya
Production Floor Space: **215,000 ft²**
Annual Production Capacity
(SAH): **2,900,000**

Ethiopia

Hela Ethiopia
Production Floor Space: **236,000 ft²**
Annual Production Capacity
(SAH): **1,800,000**

Egypt

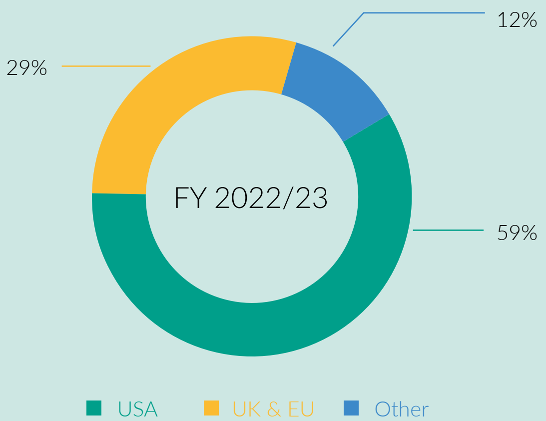
Hela Egypt
Production Floor Space: **276,000 ft²**
Annual Production Capacity
(SAH): **1,120,000**

About Us

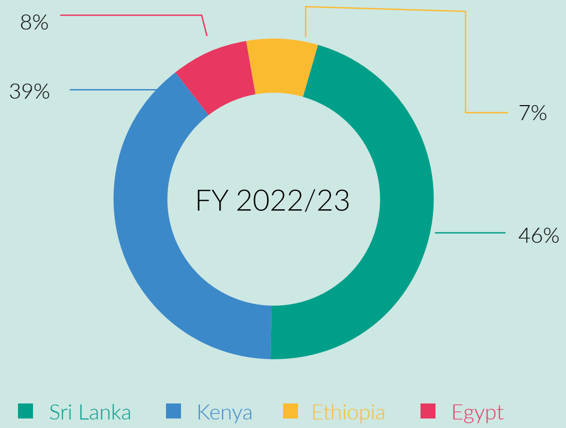
CUSTOMER BASE

Hela caters to a large market segment from high-end lifestyle brands such as Calvin Klein, Tommy Hilfiger and Michael Kors; to mass-market European supermarket chains such as Tesco and ASDA. The Group has become an integral component of each buyer's value chain, by developing mutually beneficial, strategic partnerships that go beyond manufacturing.

REVENUE BY SHIPPING DESTINATION



REVENUE BY COUNTRY OF MANUFACTURE



COMPLIANCE AND PRODUCT CERTIFICATIONS

Strong commitment to maintaining high industry standards, benchmarked to global best practices.

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.

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.

The Higg Facility Environmental Module (FEM)
The Higg FEM tool assesses and standardises sustainability measures and evaluates organisational environmental performances, annually.

The Social & Labor 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.

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.

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 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.

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 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.

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.

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.

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.

About Us

AWARDS

Best New Business Partner 2022
Jockey International

Merit Award for Connected Partner Ecosystems
FITIS Awards 2023

Silver Award for Connected Product/Service
FITIS Awards 2023

Bronze Award for Digital Workplace 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

Silver Award
Emerging Listed Companies
TAGS Annual Report Awards - 2022
CA Sri Lanka

Best Investor Relations
Small-Cap Companies Category
CFA Capital Market Awards - 2022

Empowerment Award
TESCO Supplier Conference 2023

MILESTONES

April 2022

Establishment of *'Hela Diridaruwo'* scholarship fund in partnership with Tesco and Berendina, to empower the educational aspirations of the children of Hela employees

October 2022

Hela commenced implementation of SAP S/4HANA Fashion ERP system to deliver enhanced business value for the organisation, through improved efficiency and productivity

February 2023

Norfund announces US$14 million investment in Hela to support the strengthening of its presence in East Africa

April 2023

Hela receives Gold Vendor Accreditation from PVH Corp., validating the organisation's commitment to the highest social and environmental compliance standards

May 2022

Hela was awarded the prestigious ISO 14064-1:2018 certification by the Sustainable Future Group (SFG) for quantification and reporting of greenhouse gas emissions across the Group

January 2023

Launch of GEAR (Gender Equality and Returns) programme in partnership with Better Work, a collaboration between the International Labour Organisation and the International Finance Corporation

March 2023

Hela establishes its first in-house printing facility in Egypt in partnership with Screenline Holdings (Pvt) Ltd

Performance Highlights

Financial Highlights

	Unit	FY 2022/23	FY 2021/22
Financial Performance for the year ended 31st March			
Revenue	Rs. Mn	95,303	56,180
Gross Profit	Rs. Mn	11,586	8,576
Gross Profit Margin	%	12.2	15.3
Earnings Before Interest Tax and Depreciation (EBITDA)	Rs. Mn	2,509	2,992
Operating Profit	Rs. Mn	630	2,257
Profit / (Loss) Before Taxation	Rs. Mn	(3,425)	829
Profit / (Loss) After Taxation	Rs. Mn	(3,332)	581
Financial Position and Stability as at 31st March			
Total Assets	Rs. Mn	55,698	53,655
Total Liabilities	Rs. Mn	44,240	40,862
Total Equity	Rs. Mn	11,458	12,793
Net Working Capital	Rs. Mn	9,499	16,238
Net Debt	Rs. Mn	23,270	23,019
Net Debt to EBITDA	Times	9.3	7.7
Gearing Ratio	Times	2.4	2.2
Current Ratio	Times	0.8	0.9
Investor Information as at the year ended 31st March			
Last Traded Price per Share	Rs.	8.0	12.9
Market Capitalisation	Rs. Mn	10,480	16,810
No. of Shares in Issue	Number	1,309,955,933	1,303,117,944

Non-Financial Highlights

SOCIAL HIGHLIGHTS

	FY 2022/23	FY 2021/22
Number of Employees	17,759	18,447
Investment in Training	Rs. 12.2 Mn	Rs., 1.2 Mn
Employees Trained (Number)	7,946	4,338
Revenue per Employee	Rs. 5.4 Mn	Rs. 3.0 Mn
Salaries and Wages	Rs. 8,534 Mn	Rs. 8,519 Mn
Incidents of Child Labour	Nil	Nil
Incidents of Forced Labour	Nil	Nil
No. of Persons Impacted by Social Development Initiatives	Over 11,000	Over 518
Significant Fines for Violation of Laws/ Regulations	Nil	Nil

ENVIRONMENTAL HIGHLIGHTS

	FY 2022/23	FY 2021/22
Average Higg FEM Score	90%	89%
Energy Consumption (GJ)	86,880	99,774
Renewable Energy (%)	39%	53%
Water Withdrawal (Megalitres)	190,926	146,835
Water Quality – Incidents of Non-Compliance with Standards	Nil	Nil
Water Recycled through Effluent Ttreatment Plant (m^3)	9,655	2,948
Waste Generated	2,880	2,795
Direct GHG Emissions (CO_2e)- Scope 1	1,118	919
Indirect GHG Emissions (CO_2e)- Scope 2	5,630	5,476
Other Indirect GHG Emissions (CO_2e)- Scope 3	22,945	21,275

Chairman's Message

Dear Shareholders,

It is my pleasant duty to present the Annual Report of Hela Apparel Holdings PLC (the Hela Group) for the financial year ended 31 March 2023, setting out how the Group navigated a particularly challenging and fast changing global operating environment. Central to this has been Hela's continued focus on bolstering its strategic partnerships across a growing range of stakeholders. These relationships have enhanced the organisation's resilience and will be a crucial source of strength in tackling the challenges ahead.

PIONEERING PARTNERSHIPS

As a well-established apparel supply chain solution provider to leading global brands, Hela has long had a focus on building strategic partnerships with its customers. This has been an important driver in the development of the Group's global footprint, expanding product capabilities, and broader customer engagement approach. The receipt of both Jockey's Best New Business Partner Award and Tesco's Empowerment Award during the year demonstrate that this continues to be a core strength of the organisation.

However, Hela made a conscious effort in FY 2022/23 to expand its relationship-centric approach to a wider range of stakeholders. The Group's supply chain was an immediate first step and building robust partnerships with suppliers whose values align with that of Hela has become central to its approach. Hela's pioneering work in developing the apparel supply chain in Africa is a key area of success, and regional sourcing of raw materials for its manufacturing facilities in Africa grew by 45% during the year. This ensures a more cost effective, agile and resilient service offering for its customers.

Hela's digital transformation efforts are no less pioneering, and the organisation became one of the first companies in Sri Lanka to implement SAP S/4HANA Fashion ERP system during FY 2022/23. The two-year process, in partnership with Rizing, was completed in March 2023 and establishes the foundation for the Group's streamlined 'Digital Core'. This will bolster Hela's agility to navigate the volatile operating environment and strengthen management oversight with reliable real-time information. To add to this, Hela developed a landmark Manufacturing Execution System, which is one of the first such systems to be integrated with SAP S/4HANA Fashion ERP system. In recognition, Hela won the Industry 4.0 award at the Dare to Dream Awards 2023, held in partnership with SAP and John Keells IT.

Chairman's Message

> Hela Apparel Holdings PLC remains the only listed multinational apparel company on the CSE, reflecting the Group's commitment to transparency and governance in the sector. A robust governance structure, comprehensive policy frameworks and improved internal controls support the organisation's governance pillar

UPLIFTING OUR PEOPLE & COMMUNITIES

No partnership is more important for Hela than the relationships with its employee base of approximately 17,800 across seven countries, and we view it as our responsibility to support our employees in all circumstances. Sri Lanka's economic crisis in 2022 made this role especially critical, and Hela took on additional efforts to help its employees navigate this challenging period. The Company also expanded its efforts to strengthen their economic resilience through the Hela *Diriliya* initiative, which supports employees and their families to develop supplementary income streams. I'm pleased to say this programme now has over 600 participants across Hela's Sri Lankan operations and will soon be expanded to its African footprint.

Hela further extended its efforts to support employees and their families during the year with the launch of the Hela *Diridaruwo* initiative in partnerships with Tesco. This provide scholarships to the children of Hela employees at secondary and undergraduate level, as well as educational programmes to unlock their potential. Over 450 children have benefitted and we look forward to expanding this further in the coming years.

In addition, Hela continued its work towards strengthening its environmental and sustainability credentials, as part of its wider Environmental, Social and Governance (ESG) approach. The Group received the ISO 14064-1:2018 certification for quantification and reporting of greenhouse gas emissions for the second year in FY 2022/23, which will serve as a strong foundation for the development of a formal ESG strategy in future.

STRENGTHENING GOVERNANCE

Hela Apparel Holdings PLC remains the only listed multinational apparel company on the Colombo Stock Exchange, reflecting the Group's commitment to transparency and governance in the sector. A robust governance structure, comprehensive policy frameworks and improved internal controls support the organisation's governance pillar. In addition, the Board increased its oversight of risk management in light of the challenging operating environment, and a Chief Risk Officer was appointed in April 2023 to strengthen this vital area.

The composition of the Board of Directors was also refreshed during FY 2022/23. Ms. Aroshi Nanayakkara, who served as an Independent Non-Executive Director from the Company's inception, resigned from her position. On behalf of the Board, I would like to take this opportunity to thank her for the invaluable contribution made to Hela over many years. In addition, I am pleased to welcome Mr. Shlomo Doron and Mr. Shesan Khan as Non-Executive Directors of the Board, both of whom bring additional expertise in the global retail and manufacturing sector that will be critical in supporting the company to navigate the rapidly evolving industry in the coming years.

From a financial perspective, FY 2022/23 was a particularly challenging period as a result of the volatile operating environment. Strong demand conditions in the first half of the year and the depreciation of the Sri Lankan rupee, contributed to revenue growth of 69.6% to Rs. 95.3 Bn. However, demand conditions deteriorated sharply across the Group's key market in Europe and North America in the latter months of the year, as a result of the global surge in inflation, as well as the interest rate hikes deployed by major central banks in response. This has impacted order volumes in the apparel sector particularly heavily, intensifying competition and margin pressure. As a result, Operating Profit declined to Rs. 0.6 Bn in FY 2022/23, compared to Rs. 2.3 Bn in the previous year. Given the escalation of US Dollar interest rates across the year, the Group's finance costs also rose significantly and contributed to a post-tax loss of Rs. 3.3 Bn. Despite this, the Group's balance sheet remained in a robust position, and the Net-Debt-to-Equity ratio was maintained at 2.0.

In this context, Hela sought to forge new financing partnerships to strengthen its financial resilience and support the continued development of its African footprint. Most notably, the Group entered a long-term loan agreement of up to US$ 14 million with Norfund – the Norwegian government's Development Finance Institution. The funds will be drawn in a prudent manner and will be used to support the upgrading of Hela's operations in Africa, as well as strengthening of the organisation's supply chain partnerships in the region. What's more, this is an important demonstration of the confidence a well-respected global stakeholder has in the outlook for the business, as well as the strength of Hela's environmental and social practices.

FUTURE OUTLOOK

Building on this and the numerous other partnerships established during the year, I believe the Group is robustly positioned to navigate the rapidly evolving operating environment. The short-term outlook for demand remains highly challenging. As such, the management is adopting an agile positioning and has established a comprehensive strategy to ensure a return to profitability in the very near future. This includes proactive measures to align the Group's cost base and capacity with the reduced demand levels. The process improvements and digital systems implemented during the year will also be critical in this effort.

From a Board perspective, we will continue to provide strategic guidance to the management, as well as robust questioning of their assumptions, to ensure we fulfil our duties to shareholders. There is no doubt that there will be head winds and tail winds in the year ahead, and the Board remains vigilant to ensure that the Group remains on course to implement its strategy and deliver value to its shareholders.

ACKNOWLEDGEMENTS

Before concluding, I would like take this opportunity to thank the resilient team at Hela, ably led by the Group Chief Executive Officer Dilanka Jinadasa, for their commitment in a year of unprecedented challenges. I also thank our customers, suppliers, financiers, bankers, and other stakeholders for their continued assistance and support. In addition, I am particularly appreciative of the efforts of my colleagues on the Board of Directors who have contributed their valuable expertise to faithfully discharge our collective duties. I close by thanking our shareholders for their confidence in the Group as we look forward to creating value for them in the year ahead.

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

05 September 2023

Group CEO's Review

The past year has reinforced that increasing levels of global volatility are the new normal, rather than a temporary phase. As such, even as we focus on navigating these challenges in the short term, we must ensure that we are embedding resilience and agility in the foundation of everything we do. While FY 2022/23 was a year of significant challenges for Hela, I believe we're on track to make substantial progress in positioning the Group to navigate an era of accelerating change, supported by a strong corporate governance framework, improved financial and risk management, and pioneering partnerships with our global community of stakeholders.

A YEAR OF TWO HALVES

FY 2022/23 was a year of two halves for both the Hela Group and the wider apparel industry. Consumer demand conditions remained strong in the early months of the year across our key markets in Europe and North America, as the post-pandemic boom in the sector continued. This is amply demonstrated by the fact that the Group's US Dollar revenue grew by almost 15% in the first six months of the year, compared to the same period of FY 2021/22 (already itself a period of exceptional growth).

The continuation of these levels of growth was never sustainable and the surge in inflation in developed markets made a downturn inevitable as consumer spending power was undermined. Nonetheless, the speed of the shift in demand conditions was particularly dramatic and caught many off guard. This led to major apparel brands accumulating large stocks of inventory, which triggered an even more significant impact across the supply chain. As a result, we saw a 15% drop in our US Dollar revenue in the second half of the year, and closed FY 2022/23 with a top-line largely unchanged from the previous year. That said, as a result of the significant depreciation in the Sri Lankan Rupee during this period, revenue in our reporting currency increased by 69.6%, to Rs. 95.3 Bn.

NAVIGATING VOLATILITY

The volatile demand environment also came in the context of severe economic pressures across our operating countries. The economic crisis in Sri Lanka was the most acute, as severe shortages of foreign exchange contributed to extended electricity outages, shortages of fuel and other essential goods, and constrained US Dollar liquidity in the local banking sector. While this created substantial challenges for our operations, I'm proud of the tireless efforts made by Hela's management team and the wider local industry to ensure the disruption had minimal impact on customer deliveries. This has been critical in protecting Sri Lanka's global reputation as a reliable sourcing partner.

Nonetheless, ensuring the resilience of our operations and supporting our employees during this challenging period contributed to an increase in the Group's cost base. As well as proactively purchasing stocks of fuel to ensure continuous operation of generators and transport facilities, we provided additional support and salary increments to our Sri Lankan employees. Similar economic pressures across our operating countries, while less severe, also required proactive mitigation measures and contributed to the Group's cost base during the year.

As a result of these additional costs and the significant reduction in capacity utilisation in the latter months of the year, gross profit margins narrowed to 12.2% in FY 2022/23. This was in comparison to 15.3% posted in the previous financial year.

Group CEO's Review

A significant increase in distribution expenses further undermined operating profit margins, which reduced by 330bp to 0.7%. This was primarily the result of a temporary labour dispute at our Kenyan manufacturing facility in the final weeks of FY 2021/22 that, while rapidly resolved, created a significant knock-on impact on production in the first two quarters of FY 2022/23. As such, it triggered a marked increase in unplanned air freight costs to ensure customer delivery timelines were maintained. That said, our increased focus on operational excellence, ensured that this impact had faded by the final quarters of the year.

Nonetheless, due to the decline in gross and operating margins, coupled with a substantial rise in finance costs driven by the increase in US dollar interest rates, the Group closed the year with a substantial post-tax loss of Rs. 3.3 Bn. This is clearly not the performance we were seeking, and as a management team we took significant proactive steps to respond to the change in market conditions in the second half of the year. This included the freezing of recruitment, as well the amalgamation of two nearby manufacturing facilities in Sri Lanka to reduce overhead costs. However, the particularly rapid nature of the shift in demand meant that these proactive steps were not able to entirely protect our bottom line. The adjustments to our financial statements arising from the implementation of our new SAP S/4HANA Fashion ERP system were a further unexpected development that primarily represents the limitations of our previous systems, rather than our operational performance, and place us on a more solid financial base moving forward.

POSITIONING TO UNLOCK VALUE

Despite the challenges, I'm reassured by the significant strides we made during the year in positioning the organisation to meet the challenges ahead and unlock greater value in the context of an ever more volatile global environment. From a sales perspective, we made important advances in strategically diversifying our customer base. Victoria's Secret was a notable addition to our client portfolio during the year and there is significant scope to grow our penetration with this global brand, even in a challenging market environment. This addition was also the direct result of our attractive multi-country footprint. Proving the prescience of the decision to enter Egypt in FY 2021/22, speed continued be a critical focus across the apparel sector during the year and I'm confident our unique manufacturing base will be a key source of resilience for the organisation in future.

Hela's relatively new Active Wear pillar also made substantial progress during FY 2022/23. Our relationships with the fast-growing European Sports Wear brand, Castore, is proving particularly fruitful. We have expanded our product portfolio significantly with this customer to include technical apparel for some of the world's best known sports team. This is a clear example of the success of our strategic customer engagement approach, which remains a core strength of the organisation as demonstrated by the awards received from Jockey and Tesco this year.

BUILDING A RESILIENT SUPPLY CHAIN

Hela's supply chain is central to the value proposition we provide to our customers, and we extended our efforts to ensure its resilience during the year under review. A formal supply chain management programme is at the heart of this, which focuses on identifying suppliers that align with the values of both Hela and our customers, and aims to build sustainable long-term partnerships. This was supported by the establishment of our Code of Conduct for suppliers and Cotton Fibre Sourcing policy during FY 2022/23.

In addition, we have made significant progress in our supply chain regionalisation efforts, which are at the core of building a truly resilient and agile supplier base. Already more than 80% of the raw materials used in our Sri Lankan manufacturing facilities are sourced from the Indian Sub-continent. But through our pioneering supply chain development initiatives in Africa we grew our Africa-for-Africa regional sourcing by 45% in FY 2022/23, to approximately 25% of the total requirement. This still leaves significant room for further expansion, and I'm confident the formalisation of these efforts under the *Interlock Africa* initiative will see this rise further.

Our landmark financing agreement with Norfund – the Norwegian government's Development Finance Institution – is a great example of how we are forging partnerships with stakeholders that share our vision for a robust, responsible, and vertically-integrated apparel industry in Africa. A substantial portion of this long-term borrowing facility will go towards supporting our regional supply chain partners to expand, as well as the strengthening of our own operations in Africa. A similar financing agreement with the leading impact investment fund, Aavishkaar Capital, in the current financial year will further bolster these efforts. These developments reflect the diversification of Hela's financing base, as well as being a huge vote of confidence in the long-term outlook for the business in a volatile period.

REALISING OUR DIGITAL TRANSFORMATION

Hela's digital transformation journey reached its largest milestone in April 2023, with the full implementation of SAP S/4HANA Fashion ERP system. This is the culmination of a two-year process, in partnership with Rizing, to create a future-proof 'Digital Core' that will underpin the next stage of the organisation's journey.

This process has not been without obstacles and unexpected developments (as the adjustments to our financial results demonstrate), but I have no doubt that this places the organisation in a fundamentally more agile and resilient position to meet the challenges ahead. The enhanced ability to track key performance indicators in near-real time is truly transformational in a volatile global environment, and I look forward to the full value of our Digital Core being realised in the current year. The implementation will also improve the integrity of our internal and external reporting, as well as our financial and risk controls. We supported this by proactively strengthening our risk management function with the recruitment of a Chief Risk Officer during the year, who will implement a group-wide risk management framework.

I must also commend our Enterprise Process and Digital Solutions team for their pioneering work in the development of our in-house Manufacturing Execution System, which comprehensively integrates our manufacturing operations with SAP S/4HANA Fashion ERP system. Not only was this recognised with multiples awards during the year, but it also presents a new opportunity to diversify our business model by offering this system to other manufacturing companies implementing SAP S/4HANA Fashion ERP system. We are also continuing to explore the opportunity to integrate our Digital Core with the systems of our customers and suppliers to create a more widely integrated solution. As such, we see a strong path ahead for the continuation of our digital transformation.

EMPOWERING OUR EMPLOYEES

Our employees and their communities remain at the centre of everything we do and their resilience is inextricably linked with Hela's own. Despite the challenging operating environment, I'm proud to say we significantly expanded our efforts to support our employees during FY 2022/23. This starts with our core human resources function, which went above and beyond in supporting our employees through one of the most challenging periods they've faced, including with the provision of essential food items during the worst of Sri Lanka's economic crisis.

Our range of social capital initiatives supplement this by aiming to contribute to the lives of our employees and their families in a meaningful way. We continued to expand our implementation of Personal Advancement and Career Enhancement (P.A.C.E.) during the year, the industry-leading life skills training programme, and became the first company to implement the initiative in Egypt. Our leading role in expanding the programme globally has been recognised by our customers and we are well on our way to our target of training 5,620 team members by 2024.

In addition, we partnered with Better Work – a collaboration between the ILO and IFC – to implement the Gender Equality And Returns (GEAR) initiative in Sri Lanka. This provides identified female employees with both technical and soft skills training, aimed at unlocking new careers opportunities and increasing female representation in management. This added to the work done through our innovative home-grown *Diriliya* initiative, which was expanded significantly during the year as a key means of supporting the economic resilience of our employees. We look forward to extending this innovative programme to our African footprint, as well as continuing to grow the Hela *Diridaruwo* scholarship programme with the generous support of Tesco.

ENHANCING SUSTAINABILITY

Enhancing our sustainability efforts continues to be a key focus for Hela, to mitigate both the environmental impact of our operations and the products we manufacture. Our dedicated sustainability team made significant strides during the year under its strategic theme, 'Only One Earth', on our journey towards establishing a holistic Environmental, Social and Governance (ESG) strategy for the Group. This broadens our existing structures that ensure the highest levels of environmental compliance, with a clear strategic purpose to ensure we are proactively contributing to the global efforts to reach Net Zero.

The alignment of this report to the standards of the Global Reporting Initiative – a first for Hela – also demonstrates our commitment to transparency in the reporting of our environmental impact and progress in mitigating this. In addition, I take this opportunity to reaffirm our commitment to the UN Global Compact and its guiding principles as we continuously strive to be a more sustainable and inclusive Company.

OUTLOOK

Strengthened by the advances we made in FY 2022/23, I believe Hela is robustly positioned to meet the challenges ahead. Even so, economic conditions in our key markets continue to be exceptionally challenging and a recovery appears unlikely until late in the current financial year.

As such, to ensure we effectively navigate this period, we have launched a comprehensive Group-wide strategy entitled Project 180° to drive a sustainable return to profitability based on conservative demand expectations. This focuses on four major pillars: (i) Cost & Capacity Rationalisation; (ii) Operational Excellence; (iii) Incomparable Product & Services; and (iv) Strategic Investments. This will require further difficult decisions, but it is critical to ensuring we complete our journey to embed resilience at the core of the organisation.

This also reflects the understanding that in a fast-evolving industry we cannot afford to stand still, even in the most challenging market circumstances. As such, even as we seek to stabilise our core operations, we will not shy away from the strategic investments needed to evolve our business model and build long-term value.

ACKNOWLEDGEMENTS

On behalf of the Hela management team, I would like to take this opportunity to sincerely thank our experienced Board of Directors who provided crucial guidance in a year marked by turbulence. I am also deeply appreciative of the commitment and resilience demonstrated by the Hela team, from those on the factory floor to the senior management. Finally, I wholeheartedly thank our valued community of stakeholders, including our customers, suppliers, and financiers, for their continued partnership in spite of a challenging year and look forward to greater levels to collaboration in the year ahead. In closing, I thank our shareholders for their continued confidence in Hela and reiterate our commitment to delivering value to you.

Dilanka Jinadasa
Group CEO & Executive Director

05 September 2023

Board of Directors

Mr. A. R. Rasiah

Chairman & Independent Non-Executive Director

Mr. A. R. 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. He currently serves on the Boards of several subsidiaries of Hela Apparel Holdings PLC. Mr. Rasiah's illustrious career both in finance and commerce spans over forty years. He started his career with Ernst and Young and later served at Mercantile Group of Companies as Group Accountant and Almulla Group of Companies, Kuwait as Divisional Controller. Finally, he joined Nestle´ Lanka PLC as a Director in 1994, acted as Managing Director on many occasions and was with the Group until his retirement. He was formerly the Chairman of Atlas Axillia (Pvt) Ltd, immediate past Chairman of the Sri Lanka Institute of Directors and former Senior Director of Nations Trust Bank PLC. Mr. Rasiah currently serves as an Alternate Director to the Chairman of Gestetner of Ceylon PLC. He also holds Directorships on the Boards of Fintek Managed Solutions (Pvt) Ltd, Clindata Lanka (Pvt) Ltd, Sunshine Tea Co (Pvt) Ltd and Watawala Plantations PLC. He is a keen sportsman who has represented Sri Lanka at Table Tennis.

Mr. Dilanka Jinadasa

Group CEO & Executive Director

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

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

Dr. Alastair Alderton

Non-Executive Director

Shlomo is a well-established figure in the international apparel industry, with extensive experience in leadership roles across various areas of the business, including supply chain management, purchasing, marketing, customer relationship management, product development, and sustainability. He has also been responsible for driving significant improvements in operational efficiencies and profitability across a number of companies. He previously served as Chief Operating Officer & Deputy Chief Executive Officer of Delta Galil Industries, as well as Chief Operating Officer of DIM/DB Apparel, and Chief Executive Officer of Intimate Apparel at Courtauld Textiles. He was also engaged as a consultant by Brandix Apparel until 2019 and has been a consultant to the Hela Group since 2020.

Mr. Shlomo Doron

Non-Executive Director

Board of Directors

Mr. Gayan Gunawardana

Independent Non-Executive Director

Gayan serves as an Independent Non-Executive Director and Chair of the Audit & Risk Committee and Related Party Transactions Review Committee of Hela Apparel Holdings PLC. With over 14 years of experience in Finance, Strategic Planning, Audit and Corporate Governance, Gayan was the former Chief Financial Officer at Panasian Power PLC. He is also a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a BSc (Hons) from the University of Warwick in Engineering and Business Studies.

Mr. Shesan Khan

Non–Executive Director

Shesan is a Senior Investment Manager at Rianta Capital, a London and Zurich-based multi-asset investment advisory firm. He co-manages the Private Equity portfolio with a strong focus on consumer facing businesses across various geographies. During his time at Rianta, Shesan has closed cross-border transactions in the US, Germany, Spain, India, Australia and Sri Lanka. Prior to joining Rianta Capital, Shesan worked for Deloitte, the renowned international consulting & accounting firm, where he specialised in financial due diligence services for industry conglomerates and financial institutions. He holds a Bachelor's Degree in Banking & Finance and a Master's Degree in Management.

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

Ms. Trisha Peries

Independent Non-Executive Director

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

Mr. Patrick Schleiffer

Non-Executive Director

Group Management Committee

Dilanka Jinadasa
Group Chief Executive Officer

Sanath Amaratunga
Chief Executive Officer - Kids Wear

Sachith Balage
Director – Group Sourcing & Supply Chain

Sajeewa Dissanayake
Chief Executive Officer - Intimate Wear

Ruwan Fernando
Group Chief Financial Officer

Ruwanthi Fernando
Group Chief Information and Process Officer

Viraj Fernando
Chief Executive Officer - Active Wear

Aroshan Indujeeva
Group Chief Risk Officer

Kaushala Prematilake
Group Chief People Officer

Udena Wickremesooriya
Advisor to the Hela Group

Group Strategy

partnerships

OF IMPACT

Our Business Model

The Hela Group's business model is graphically presented below and demonstrates how key capital inputs (as defined by the Integrated Reporting Framework) are transformed through the value creation process, to generate outputs and outcomes for its main stakeholders.

Inputs

Financial Capital

Financial resources which are key to carrying out business activities.

- Shareholders' Funds: Rs. 11.5 Bn
  Net Debt: Rs. 23.3 Bn

Human & Social Capital

Empowered workforce whose skills, experience and passion support delivery of strategic objectives.

- Employees: approximately 17,800
- Investment in Training & Development:: Rs 12.15 Mn

Relationship Capital

Strong relationships that underpin the Hela Group's reputation and the trust of key stakeholders.

- Diverse portfolio of customers across a range of distribution channels, market segments and geographies.
- Strategic partnerships with world-class suppliers

Intellectual Capital

Innovation and design capabilities, tacit-industry knowledge, and robust systems that drive competitive advantage.

- Certifications/ Accreditations
- Experienced employee base

Manufactured Capital

Modern manufacturing facilities enabling high quality and efficient production.

- Capex: Rs. 1.3 Bn

Natural Capital

Natural resources sourced responsibly and used efficiently.

- Investment in Renewable Energy: Rs. 28.1 Mn
- Training in Sustainability Literacy: 40 sessions

Value Creation Process

Mission | Purpose | Values

A Social Capital Company

Social Sustainability: Inclusivity, Equity

Environmental Sustainability: Climate Stability

Corporate Governance (Page 114) | Risk Management (Page 136)

Impacts from the Operating Enviroment (Page 50)

- Evolving consumer & apparel sourcing preferences
- Government policies
- Economic trends and volatility
- Implications of climate change

Outputs

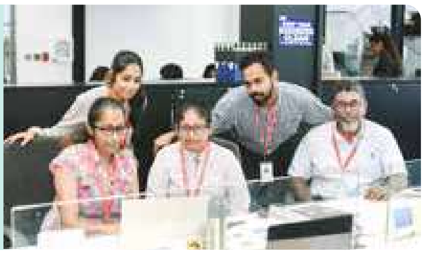
Production Volume:
10.7 Mn Standard Hours Output

Carbon Footprint
31,613 MT CO_2e

Solid Waste Generated:
2,880 MT

Outcomes

Financial Capital
- Rs. 95.3 Bn Revenue
- Rs. 3.3 Bn Loss After Tax
- Rs. 55.7 Bn Total Assets



Human & Social Capital
- Rs. 5.4 Mn Revenue per Employee

Relationship Capital
- Customer Awards
- Supply Chain Regionalisation

Intellectual Capital
- 30% Design Hit Rate
- New Certifications Obtained during the Year: 4
- No. of Processes / Workflows Standardised: 201

Manufactured Capital
- PPE: Rs. 9.0 Bn

Natural Capital
- Zero Landfill
- Average HIGG FEM Score of 90% across all Facilities

Determining Material Issues

Material issues are matters that are of importance to the Hela Group, in forming business strategy and in creating value in the short, medium and long term. Our material issues are determined through a rigorous assessment conducted annually.

The Materiality Process | Defining What Matters Most

1. IDENTIFY

- Current and potential environmental, social, governance and economic impacts relevant to the Hela Group's business are identified.

2. PRIORITISE

- Each issue is scored based on the impact and significance to the Group and its stakeholders to obtain a consolidated score, thereby establishing the relative impact.
- Each issue is then plotted on a materiality matrix.

3. INTEGRATE

- Material topics are thereafter integrated into the business strategy by contextualising into the Group's strategic priorities (Refer page 36).

4. CONTINUOUS ASSESSMENT

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

Material Themes | Outcomes of the Materiality Process

Materiality Themes	Material Topic	
Fair & Ethical Labour Practices	1	GRI 408 Child labour
	2	GRI 409 Forced or compulsory labour
	3	GRI 407 Freedom of association and collective bargaining
	4	GRI 412 Human rights assessment
	5	GRI 406 Non-discrimination
	6	GRI 405 Diversity and equal opportunity
	7	GRI 205 Anti-corruption
Compliance	8	Non GRI Environmental compliance
	9	Non GRI Social compliance
Occupational Health & Safety	10	GRI 403 Occupational health and safety
Employee Engagement & Development	11	GRI 402 Labour/Management relations
	12	GRI 401 Employment
	13	GRI 404 Training and education
Economic Performance	14	GRI 201 Economic performance
	15	GRI 207 Taxation
	16	GRI 202 Market presence
Sustainable Supply Chains	17	GRI 204 Procurement practices
	18	GRI 414 Supplier social assessment
Energy & GHG Emissions	19	GRI 305 Emissions
	20	GRI 302 Energy
Materials & Waste	21	GRI 301 Materials
	22	GRI 306 Waste
Water Stewardship	23	GRI 303 Water & effluents
Sustainable Community Development	24	GRI 413 Local communities
Customer Satisfaction	25	Non GRI High service levels
	26	GRI 417 Marketing and labelling
	27	GRI 416 Customer health and safety

Relevant UNSDG

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

3 GOOD HEALTH AND WELL-BEING

1 NO POVERTY | 8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

7 AFFORDABLE AND CLEAN ENERGY | 13 CLIMATE ACTION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

6 CLEAN WATER AND SANITATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 10 REDUCED INEQUALITIES

3 GOOD HEALTH AND WELL-BEING | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Materiality Matrix I
Prioritising What Matters Most

Significance to Stakeholders ↕	Low		Critical
Critical		12, 13, 23	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 14, 17, 19, 25
	26	7, 16, 20, 22, 24	15, 18, 21
Low		27	

Significance to Group

● Economic ● Environmental ● Social

The Hela Group is committed to delivering a meaningful impact on the UN Sustainable Development Goals (UNSDGs). Our material issues are linked with 13 of the 17 UNSDGs and relevant targets.

Strategy and Resource Allocation

RESPONDING FROM A PLACE OF PURPOSE

The Hela Group is deeply committed to its 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.

What's more, as a social capital focused company, the Group firmly believes that to create sustained value, it must do so from a place of purpose. As such, Hela's long-term strategy is focused on growing shared value with all stakeholders and is underpinned by the strategic partnerships it fosters with these actors. Many of these partnerships are pioneering within the global apparel industry and provide a solid foundation for the organisation's future development.

CUSTOMERS

Hela focuses on building strategic partnerships with its customers by providing innovative solutions to their supply chain challenges.

Refer Relationship Capital page 100

TECHNOLOGY PARTNERS

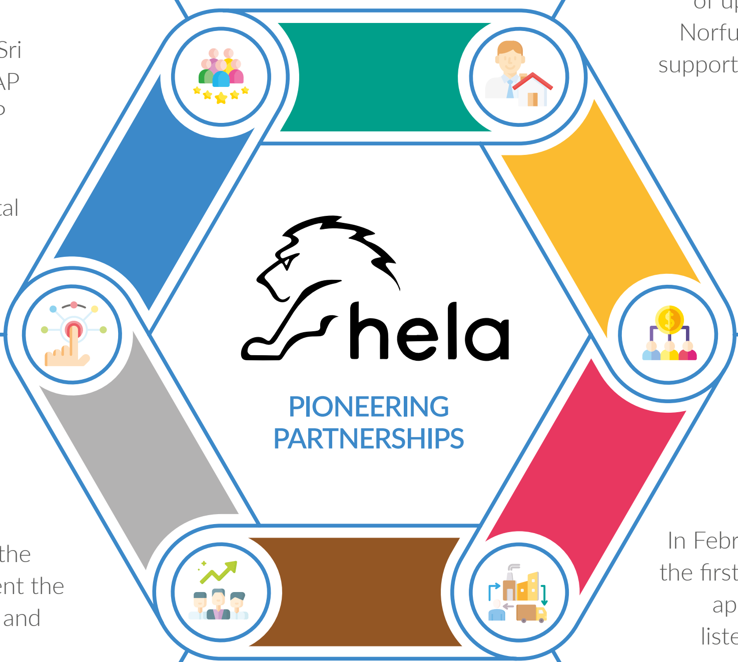
Hela partnered with Rizing to become one of the the first companies in Sri Lanka to implement SAP S/4HANA Fashion ERP system.

Refer Intellectual Capital page 108

LENDERS

The Hela Group entered a landmark financing agreement of up to US$ 14 million with Norfund in February 2023, to support the strengthening of its African operations.

Refer Finance Capital page 56



EMPLOYEES

Hela is partnering with the ILO and IFC to implement the GEAR (Gender Equality and Returns) programme in Sri Lanka.

Refer Human and Social Capital page 74

INVESTORS

In February 2022, Hela became the first multinational Sri Lankan apparel manufacturer to be listed on the Colombo Stock Exchange.

Refer History page 08

SUPPLIERS

Hela collaborates closely with its suppliers to drive strategic objectives, such as increased traceability and regionalisation of its raw materials.

Refer Relationship Capital page 100

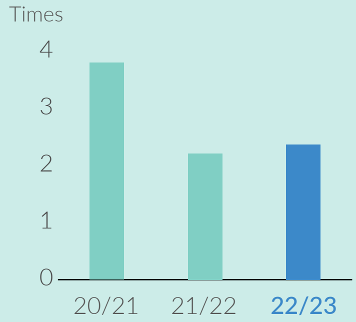
GROUP STRATEGY IN FY 2022/23

Following a milestone year of growth for the Hela Group in FY 2021/22, including its landmark listing on the Colombo Stock exchange, expansion of its manufacturing footprint to Egypt, and addition of new manufacturing capabilities and customers, the Group focused on consolidating its business and optimising resources in FY 2022/23 in the context of a particularly challenging demand environment in its key markets. This was guided by the Hela Group's six strategic priorities, which ensure a focus on its long-term strategic vision and the interests of a broad range of stakeholders.

LINK TO MATERIAL THEMES

The Group's strategy is responsive to its material themes and the matters they comprise (refer Determining Material Matters on page 34). In executing its strategy, the pools of capitals available are used and, in turn, impacted by the strategy itself. The allocation of resources is regularly reviewed to ensure that they are being made best use of in creating sustained value for stakeholders.

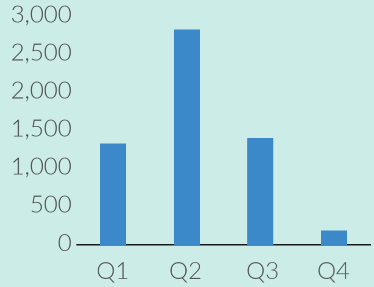
While the outlook for the current financial year remains challenging, the strategic work undertaken over the past few years has placed the Hela Group in a robust position to benefit from the eventual recovery in global economic conditions. In particular, the Group's agility and flexibility, innovative partnerships and strengthened balance sheet, will support it to capitalise on new opportunities as they arise and unlock the organisation's full potential in delivering sustainable value.

STRATEGIC PRIORITIES	STRATEGIC ACTIONS	RESOURCE ALLOCATION	HIGHLIGHTS OF FY 2022/23
Shareholder value creation	- Grow new product categories with higher contribution margins - Acquire new customers and increase penetration with existing customers - Pursue growth in new & non-traditional markets - Focus on margin improvement by driving operational excellence, as well as optimisation of capacity and working capital management - Mitigate external financial, economic and political risk - Diversify funding sources to support strategic objectives	- **Relationship Capital:** Leveraging strategic customer relationships to drive revenue - **Human Capital:** Workforce of approximately 17,800 including 170 design and technical employees - **Manufactured Capital:** 10.7 Mn standard hours output - **Finance Capital:** Settlement of debt	- 69.6% revenue growth - Strengthened balance sheet - Long-term funding agreement with Norfund **Net-Debt-to-Equity Ratio** 

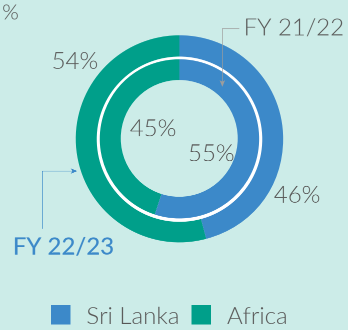
RELATED MATERIAL THEMES

- Economic Performance
- Employee Engagement & Development

Strategy and Resource Allocation

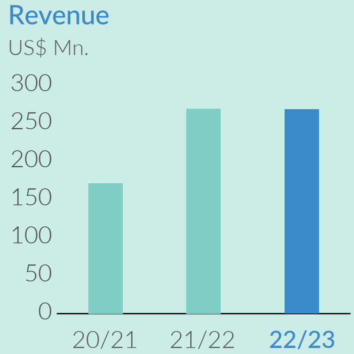
STRATEGIC PRIORITIES	STRATEGIC ACTIONS	RESOURCE ALLOCATION	HIGHLIGHTS OF FY 2022/23
Execution Excellence	- Implementation of Digital Core Project underpinned by SAP S/4HANA Fashion ERP system - Drive operational and cost efficiencies through process automation, re-engineering, and digitisation - Invest in employee training, development and upskilling; improving employee retention	- **Manufactured Capital:** Rs. 1.2 Bn in capital expenditure - **Human Capital:** 755 employees trained on SAP S/4HANA Fashion ERP system - **Intellectual Capital:** Increase in tacit industry knowledge	- Reduced cost of failure by Q4 - Improving on-time delivery performance **Air Freight Cost (FY 22/23)** US$ 000' 
	RELATED MATERIAL THEMES - Employee Engagement & Development		

STRATEGIC PRIORITIES	STRATEGIC ACTIONS	RESOURCE ALLOCATION	HIGHLIGHTS OF FY 2022/23

Build a compelling & competitive position	- Expand and optimise multi-country manufacturing to offer clients lead time and cost benefits
	- Build a strategically robust supply chain
	  - Engage with and strengthen supplier relationships
	  - Drive supply chain regionalisation
	  - Engage in supplier collaborations to produce innovative, sustainable fabrics
	- Strengthen design capabilities through skills enhancement
		- **Social Capital:** Customer collaborations on new product developments and design
		- **Relationship Capital:** Rs. 66 Bn in payments to suppliers
		- **Financial Capital:** Investments in supply chain development
		- **Human and Social Capital:** Training in design and technical engineering
			- 19% increase in revenue generated from Africa
			- 45% increase in Africa-to-Africa raw material sourcing
			Revenue by Region
			%
			

	RELATED MATERIAL THEMES - Employee Engagement & Development - Sustainable Supply Chains		

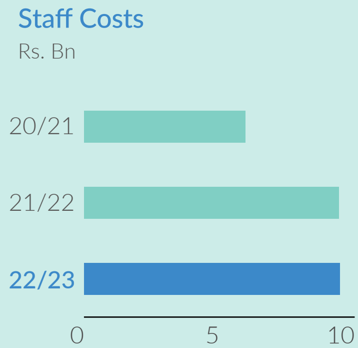
STRATEGIC PRIORITIES	STRATEGIC ACTIONS	RESOURCE ALLOCATION	HIGHLIGHTS FY 2022/23

Unmatched value to customers	- Achieve preferred vendor status across key customers:
	  - Lead time and agility
	  - Design and supply chain capabilities
	  - Cost
	  - Partnerships and solutions
	- Build strategic partnerships with customers
	  - Deliver innovative and sustainable product solutions
	  - Offer fashion forward, bespoke designs that meet brands values
		- **Intellectual Capital:** 30% design hit rate
		- **Human Capital:** 291 strong marketing team
			- Multiple customer awards
			- Maintained revenue levels in spite of market downturn
			

RELATED MATERIAL THEMES

- Customer satisfaction
- Employee Engagement & Development

STRATEGIC PRIORITIES	STRATEGIC ACTIONS	RESOURCE ALLOCATION	HIGHLIGHTS OF FY 2022/23

A purpose driven, social capital focused organisation	- Establish a performance driven culture:
	  - Continuous investment in skills enhancement, training, and development
	  - Safeguard human rights
	- Reduce carbon footprint, aligning with Science-Based Targets initiative
	- Ensure social and environmental compliance
		- **Finance Capital:** Rs. 9.4 Bn in staff costs
		- **Human Capital:** 276 strong HR team
		- **Intellectual Capital:** Increase in brand value from social capital projects
		- **Natural Capital:** Focus on developing a comprehensive sustainability strategy
			- Over 11,000 employees participated in Hela's social capital projects
			- Successful completion of ISO 14064-1:2018 based greenhouse gas verification study
			

RELATED MATERIAL THEMES

- Fair & Ethical Labour Practices
- Occupational Health & Safety
- Sustainable Community Development
- Energy & GHG Emissions
- Materials & Waste
- Water Stewardship

Strategy and Resource Allocation

STRATEGIC PRIORITIES	STRATEGIC ACTIONS	RESOURCE ALLOCATION	HIGHLIGHTS OF FY 2022/23

Build agility and flexibility in a VUCA world	- Strengthen risk and compliance function
	  - Establish a risk & compliance pillar
	  - Review and establish robust internal control frameworks
	- Strengthen digital footprint
	  - Implement SAP S/4HANA Fashion ERP system across the Group
	  - Strengthen cyber security
	- Robust governance framework
	  - Active Board Subcommittees
		- **Financial Capital:** Investment in strengthening risk function
		- **Intellectual Capital:** US$ 4.8 Mn investment in implementing SAP S/4HANA Fashion ERP system, 755 employees trained
			- Appointment of a Chief Risk Officer w.e.f. 01 April 2023
			- Rollout of SAP S/4HANA Fashion ERP system across Group by end FY 2022/23

	RELATED MATERIAL THEMES		
	- Compliance		

Our Socio-Economic Impact

The Hela Group's socio-economic impact is significant given the extensive geographical footprint of its operations across multiple countries. The Group is cognisant of the socio-economic responsibility it holds and makes a conscious effort to actively facilitate sustainable growth for stakeholders.

CONTRIBUTING TOWARDS THE SUSTAINABLE GROWTH OF THE APPAREL SECTOR

The Hela Group is at the forefront of the global apparel industry and has contributed towards the advancement of the sector, particularly in Africa, while ensuring stringent compliance with the highest social and environmental standards.

Over 95 Mn+ pieces of apparel were produced during the year, generating revenue of Rs. 95.3 Bn.

SUPPORTING EMPLOYMENT & LIVELIHOODS

Hela provides approximately 17,800 direct employment opportunities to underrepresented groups, particularly women, across Sri Lanka and Africa. The median employee age is 30 years.

Preference is given to recruiting employees from the surrounding communities, thereby promoting community relationships.

7,000+ new recruits during the year

DEVELOPING LOCAL SUPPLY CHAINS

The Group procures locally whenever possible, supporting local supply chains and communities in its operating regions in South Asia and Africa. Its comprehensive supply chain regionalisation strategy has resulted in an increase in the share of procurement from these regions.

25% Africa-for-Africa sourcing in FY 2022/23

NURTURING ECONOMIC GROWTH & STABILITY

TAX CONTRIBUTIONS

The Group supports fiscal policy and national development by paying taxes in compliance with relevant regulations.

Rs. 223 Mn was paid as taxes during the year.

PROMOTING ENVIRONMENTAL SUSTAINABILITY

Hela has established a comprehensive environmental sustainability strategy around the theme 'Only One Earth', which is a framework for becoming a truly sustainable apparel company.

The Hela Group received the **ISO 14064-1:2018 certification for GHG (Green House Gas)** management and reporting from the Sustainable Future Group for the second consecutive year.

COMMITMENT TO EMPOWERMENT OF FEMALE WORKFORCE

Having recognized the challenges faced by female workers, the Hela Group provides additional facilities and services to support their upliftment and wellbeing, and encourages the continued employment of women in the workforce.

Over 11,000 employees have benefitted from the Group's social capital programmes.

Stakeholder Engagement

The Hela Group aims to create shared value by considering what is meaningful and valuable to its stakeholders. Engaging with stakeholders is a shared responsibility across the organisation with both formal and informal feedback playing a key role in how the value creation process is enhanced.

	Importance	Engagement Mechanisms
CUSTOMERS	Customers are core to the Group's business interests and building long-term relationships with these actors requires proactively responding to their needs and expectations, delivering exceptional service and improving overall customer experience	- Regular engagement by key account managers and Hela leadership - Visits to customer offices - Trade exhibitions & fairs - Periodic performance reviews
EMPLOYEES	A strong relationship with its large employee base is critical for the success of Hela's business. The Group therefore strives to continuously improve its employee value proposition, strengthen engagement, and improve productivity	- Extensive internal communications using multiple platforms - Open door policy and established grievance mechanism - Rewards and recognition programme - Regular meetings with unions and employee councils
SHAREHOLDERS, JOINT VENTURE PARTNERS AND PROVIDERS OF CAPITAL	As key contributors of the resources to support Hela's strategic objectives, consistent and clear communication regarding the Group's outlook and strategy enables informed decision-making and assists in managing expectations	- Quarterly online forum for shareholders and other stakeholders - Press releases - Annual Report and Quarterly Financial Statements - Annual General Meeting - CSE market announcements
SUPPLIERS	The Group's suppliers are critical partners and an extension of the business. As such, their conduct must be consistent with Hela's expectations and values	- Regular engagement with Hela supply chain team and leadership - Supplier onboarding process - Strategic collaborations - Supplier code of conduct
GOVERNMENT / REGULATORS	Building and maintaining a relationship of transparency and trust with governments and regulators in all operating countries is an important foundation for business continuity. This ensures the Hela Group is compliant with relevant regulations and its concerns are taken account of in the policy formulation process	- Engagement at industry forums and corporate engagement platforms - Written communications - Face to face interactions
COMMUNITY	Long-term business continuity is dependent on the relationships built with the communities and societies in which the Group operates, and the contribution made to their upliftment	- Social capital and community development initiatives - Grievance mechanisms

Concerns	How concerns are managed	Outcomes	Relevant Reports
- 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 global supply chain partner - Increased awareness of the Group's commitment to social capital	**Relationship Capital**
- Job security - 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 progammes, such as P.A.C.E., *Hela Diriliya* and GEAR - Ongoing engagement with trade unions and employee councils - Investments in training and development	- Better understanding of company policies, performance and management decisions - Inclusivity in decision making - Employee retention and productivity improvements	**Human & Social 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**
- Generation of export income - Tax payments - Compliance to 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** **Corporate Governance Report**
- 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 Hela Group's sustainability commitments - Increased trust in the Hela Group	**Human & Social Capital** **Natural Capital**

Integrating Sustainability

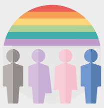
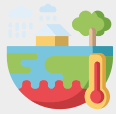
The Hela Group is committed to being a responsible manufacturer and is on a journey to incorporate Environmental, Social and Governance (ESG) principles throughout the organisation. The Group has embedded sustainability into its purpose and is taking material steps to develop a holistic ESG strategy.

The Board of Directors adopts a structured approach to strategy formulation – identifying and managing the Group's ESG impacts, and addressing the material interests of priority stakeholders.

Driven by its Purpose, the Group is guided in its actions by the principles of its social capital criteria of inclusivity, equity and climate stability.

APPROACH TO SUSTAINABILITY

The Hela Group works to create a positive socio-economic impact, responding to key environmental and societal challenges in the communities it operates in. Focusing on a holistic approach to ESG performance, the Group's ultimate aim is to achieve the highest standards of verified social and environmental performance, public transparency and legal accountability.

Inclusivity	Equity	Climate Stability
		

The Hela Group was endorsed as a signatory to the UN Global Compact in 2021 underscoring the its commitment to ethical and responsible manufacturing practices. UN Global Compact – Highlights on page 238 describes in brief how the Group met fundamental responsibilities in the areas of human rights, labour, environmental protection, and anti-corruption.

Group-wide initiatives across Hela's operating countries are focused on community empowerment and environmental stewardship - these are highlighted on the subsequent pages

MANAGING OUR IMPACTS

The Hela Group is in the process of formulating an ESG strategy to manage its impacts and support a global transition to a low carbon economy. The following diagram highlights the Group's strategic sustainability priorities that will form the basis of this strategy, and their linkage to the UN Sustainable Development Goals.

Hela Group's Strategic Sustainability Priorities

Integrating Sustainability

COMMUNITY EMPOWERMENT

The Hela Group provides approximately 17,800 jobs with opportunities for progression to underrepresented communities across Sri Lanka and Africa, particularly young women. The Group therefore has a significant opportunity, as well as the responsibility, to ensure it creates a positive socio-economic impact that leads to meaningful change.

SENSITIVE TO SOCIETAL CHALLENGES

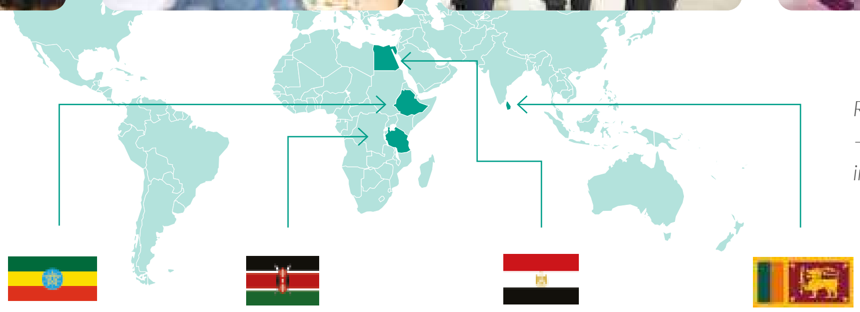
- The Hela Group is conscious of key societal challenges faced by employees in its operational geographies and delivers relevant and impactful programmes to support them.
- The Group provides highly nutritious meals and medical care to all employees, while the Hela Freshi and crèche projects respond to the specific priorities of its employees in Kenya.
- During the Sri Lankan economic crisis in 2023, the Group stepped up its commitment to the *Hela Diriliya* programme with extended resources and expertise, such as access to external markets, design support and materials, enabling employees to supplement their earnings.

Regularly Recognised and Rewarded

Hela's efforts towards successfully driving the P.A.C.E. programme have been regularly recognised and rewarded, and the Group was invited to participate in global panel discussions to share its knowledge and experience. Most recently the Group was awarded for "Impact and ROI" at the South Asian PVH Workshop in January 2023.

PVH P.A.C.E. conference 2023 in Turkey

P.A.C.E.	HELA DIRILIYA	HELA DIRIDARUWO	GEAR	HELA FRESHI	HELA CRECHE
Empowerment programme offering training in professional and life skills	A program to drive entrepreneurship amongst female employees	Scholarship scheme to support educational ambitions of employees' children	Technical training programme aimed at increasing numbers of females in management positions	Daily supply of 20 litres of clean drinking water for every Hela employee in Kenya	Free childcare for Hela employees in Kenya. Available both day and night shifts. Capacity +100 children



Refer Relationship Capital – page 100 for more information.

Ethiopia
P.A.C.E
900+
persons impacted

Kenya
Hela Freshi,
Hela Cre'che
4,500+
persons impacted

Egypt
P.A.C.E
100+
persons impacted

Sri Lanka
P.A.C.E, GEAR, Hela *Diriliya*,
Hela Diridaruwa
3,300+
persons impacted

ENVIRONMENTAL STEWARDSHIP

The Group has ventured into and invested in multiple environmental sustainability-driven initiatives under its Sustainability Strategy – “Only One Earth”. These are based around Hela's four environment sustainability focus areas.

Environment Sustainability Focus Areas

	SUSTAINABLE MANUFACTURING SOLUTIONS
	CLIMATE ACTION
	WASTE MANAGEMENT
	REGENERATE NATURE

39% Group renewable energy mix - biomass and solar

Solar roof top panels at three factories in Sri Lanka

ISO 14064-1:2018 certification - since FY 2020/21

Fostering environmental literacy across the Group and increasing social awareness

Development of circular textile solutions - in collaboration with suppliers

Driving sustainable product solutions- Completed life cycle assessments for 10 products using OpenLCA

Solar rooftop panels at the Hela Mawathagama manufacturing facility

Committed to Science Based Targets Initiative (SBTi) to become net zero by 2050

HIGG FEM verified with 90% + average scores

Hela Thihariya manufacturing facility

Numerous manufacturing, product sustainability, and environmental compliance certifications to support these efforts.

Refer to Compliance and Product Certifications on page 13.

OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100

GRS

OCS

GOTS

Supporting the Development of Recycled Cotton and Innovations in Sustainable Textile

The Hela Group is at the forefront of driving sustainable manufacturing. The Group works with an intention of being a catalyst for positive change and aligns its efforts to deliver relevant and impactful solutions.

- **Circular Solutions** - Supporting the development of recycled cotton yarns made from fabric waste and used clothing
- **Reclaimed** - Supporting the development of a polyester fabric made from recycled PET bottles
- **Plant-based Fibres** - Biodegradable fabrics developed from plant-based fibres such as wood and seaweed, using methods that save both energy and resources
- **Tea Dye Colours** - Natural tea pigments as an alternative solution to chemical dye, which produce significant water pollution
- **Reclaimed Textile Dye** – Supporting the development of blended dye using Recycrom dye. Recycrom dye is a sustainable dye range, created from pre and post-consumer textile waste

Refer Driving Circular Textile Solutions, Natural Capital on page 64

Economic Value-added Statement

DIRECT ECONOMIC VALUE GENERATED

Revenue
Rs. 95.3 Bn
FY 2021/22 - Rs. 56.2 Bn

Local sales and gain from the currency translation
Rs. 1.9 Bn
FY 2021/22 - Rs. 494 Mn

Finance Income
Rs. 28.0 Mn
FY 2021/22 - Rs. 46.0 Mn

Share of results of equity accounted investees
Rs. -69.0 Mn
FY 2021/22 - Rs. -92.0 Mn

VALUE GENERATION ONLY CONSIDERING NOPAT*

(All figures indicated below are in LKR' Mn)

Direct Economic Value Generated
Rs. 97.1 Bn

Economic Value Distributed
Rs. 98.7 Bn

Economic Value Retained
Rs. -1.5 Bn

ECONOMIC VALUE RETAINED

Depreciation
Rs. 950.0 Mn
FY 2021/22 - Rs. 507.0 Mn

Amortisation
Rs. 999.0 Mn
FY 2021/22 - Rs. 319.1 Mn

Unrecoverable credit loss
Rs. -153.0 Mn
FY 2021/22 - Rs. 297.3 Mn

Profit attributable to equity investees and the NCI
Rs. -3.3 Bn
FY 2021/22 - Rs. 580.6 Mn

ECONOMIC VALUE DISTRIBUTED

Operating Costs	Employee wages	Payments to Government	Payments to the providers of funds
Rs. 85.0 Bn	**Rs. 9.4 Bn**	**Rs. 5.0 Mn**	**Rs. 4.2 Bn**
FY 2021/22 - Rs. 43.7 Bn	FY 2021/22 - Rs. 9.4 Bn	FY 2021/22 - Rs. 251.0 Mn	FY 2021/22 - Rs. 1.5 Bn

*Net Operating Profit After Tax


2/13
JUKI

Operating Environment

> "The global apparel market experienced a year of two halves in FY 2022/23. While demand conditions remained strong in the early months of the year, rising inflation and the monetary tightening deployed by global central banks in response, impacted consumers' disposable income"

The global apparel market experienced a year of two halves in FY 2022/23. While demand conditions remained strong in the early months of the year, rising inflation and the monetary tightening deployed by global central banks in response, impacted consumers' disposable income and contributed to a marked slowdown in the second half of the year. This supported an easing of the significant pressure on global supply chains experienced in FY 2021/22, but also triggered severe economic stress in many emerging economies.

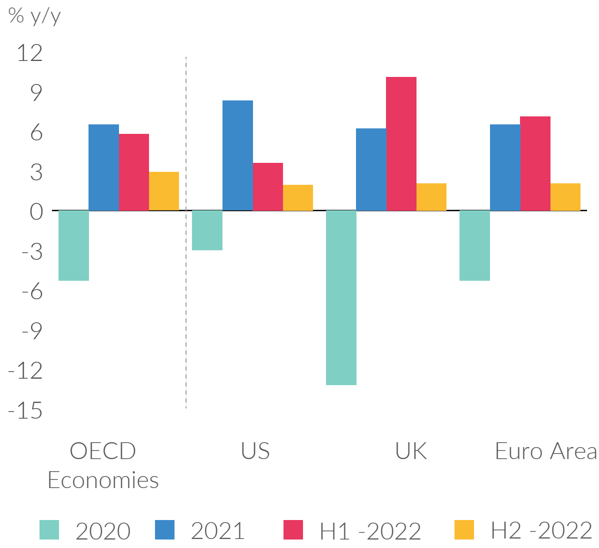
This section provides an overview of developments in the global apparel market during FY 2022/23, focusing on Hela's key markets (the US, UK and Eurozone), as well as the operating conditions in the countries where its directly-operated manufacturing facilities are located (Sri Lanka, Egypt, Ethiopia and Kenya). Economic indicators referenced are for the calendar year unless otherwise indicated.

GLOBAL APPAREL MARKET

Demand Environment

Following the strong rebound in economic activity across major advanced economies in 2021 as the initial negative impact of the COVID-19 pandemic unwound, GDP growth waned in 2022 with the OECD economies growing by 2.7% (compared to 5.4% in 2021). This partly reflected a downturn in household consumption that was particularly evident in the second half of this year. Real household spending growth slowed to around 2.0% across the US, UK, and Eurozone in the final six months of 2022, compared to rates of 6-8% in 2021.

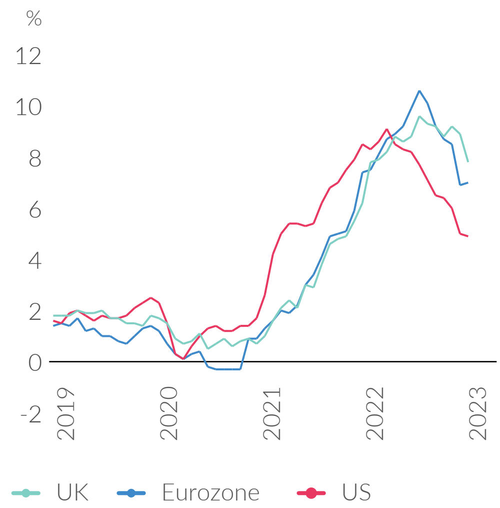
Real Household Consumption Gowth



Source: OECD

A sharp rise in inflation across these economies was an important contributing factor to the downturn in consumer spending. The spike in energy prices triggered by Russia's invasion of Ukraine, as well as strong economic activity supported by pandemic-era government stimulus, caused a significant escalation in inflation rates across the US, UK and Eurozone to levels last seen in the 1980s. While directly hitting consumer purchasing power, this also triggered an aggressive policy response from central banks in these economies, who hiked their policy interest rates significantly, placing a further squeeze on consumer incomes and bringing the era of ultra-loose monetary conditions since the Global Financial Crisis in 2008/09 to an abrupt close.

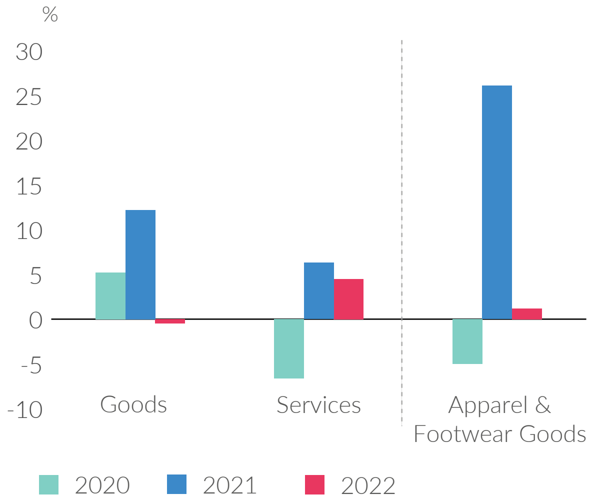
Consumer Price Inflation



Source: OECD

At the same time, the shift in the composition of consumer spending toward goods as a result of pandemic-related restrictions on services, such as hospitality and travel, rapidly unwound during the year. For example, US consumer spending on goods contracted by 0.5% in 2022, while services spending grew by 4.5%. The slowdown in spending in the apparel and footwear category was particularly stark, with real terms spending growth slowing from over 25% to just 1.2% in 2022.

US Real Household Consumption Growth by Item



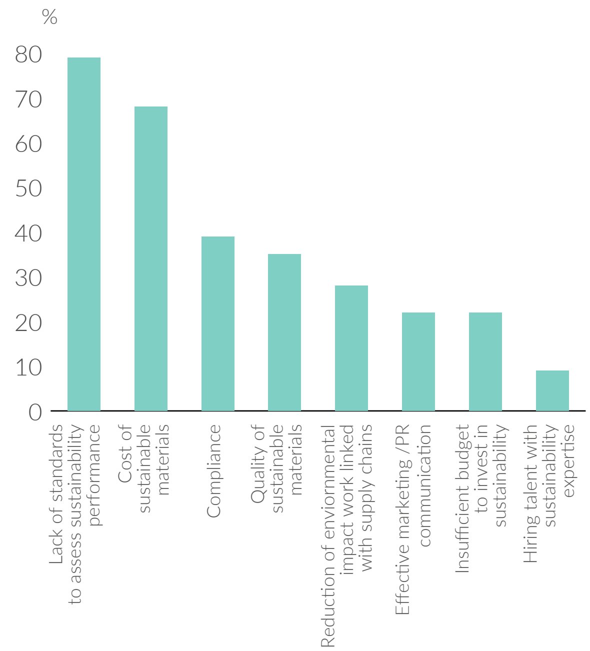
Source: US Bureau of Economic Analysis

The end of the pandemic was also evident in the shifts in spending patterns within the apparel sector. Demand for formal wear, in particular, increased significantly as consumers returned to socialising and spending on travel surged. Nonetheless, this has largely reflected a normalisation in demand patterns, rather than a reversal in the medium-term trend toward casualisation. Sports Wear and Active Wear remained among the fastest growing categories in the sector, as were hybrid categories that seek to provide consumers with comfortable clothing that is also suitable for formal environments.

The squeeze on consumer incomes similarly shifted spending across different categories of retailers. Spending on luxury brands remained resilient as well-heeled consumers absorbed the rise in inflation. In contrast, lifestyle and aspirational brands were among the hardest hit by the drop in demand as middle-class consumers traded down to more value-driven retailers.

Despite these turbulent market conditions, sustainability remained a key medium-term focus for the apparel sector during the year. Fashion industry executives surveyed by McKinsey in 2022 highlighted the topic as the biggest opportunity for the sector[1], while a substantial share of consumers continue to cite sustainability as a key factor in their purchasing decisions. However, brands also faced intensified scrutiny from both their consumers and regulators, on the basis for their environmental claims amidst increasing allegations of "greenwashing". This triggered discussion on a number of new policy frameworks in the US and Europe to measure and regulate the industry's environmental impact, which are expected to be implemented over the coming years. Adjusting to these new regulations will be a key challenge for the sector in future, and industry executives see the lack of common standards to assess sustainability performance, as well as reducing the environmental impact of their supply chains, as among the biggest obstacles in this area.

Biggest Challenges to Improving Apparel Industry's Sustainability Credentials in the Eyes of Consumers



Source: BoF-McKinsey State of Fashion 2023 Survey

Impact on Hela: The deterioration in consumer demand conditions in the second half of the year was reflected in Hela's order book, with a marked drop in revenue during the latter months of FY 2022/23. That said, the Group's diversified customer portfolio across product categories and market segments helped to partially mitigate the impact. Hela's focus on sustainability, including measuring of environmental impacts based on globally accepted standards, also presents a significant opportunity for the Group.

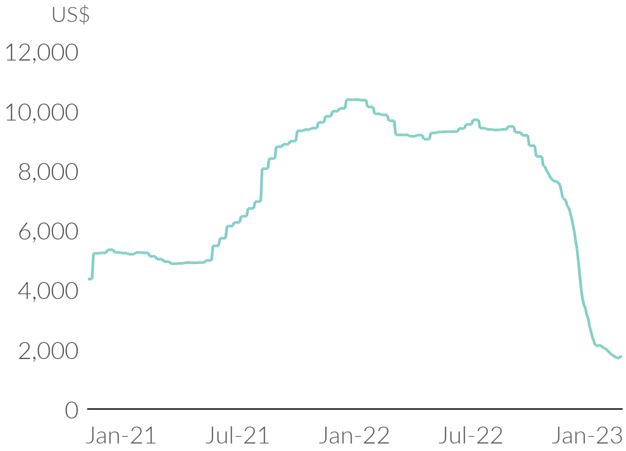
[1] Source: BoF-McKinsey State of Fashion 2023 Survey

Operating Environment

Supply Environment

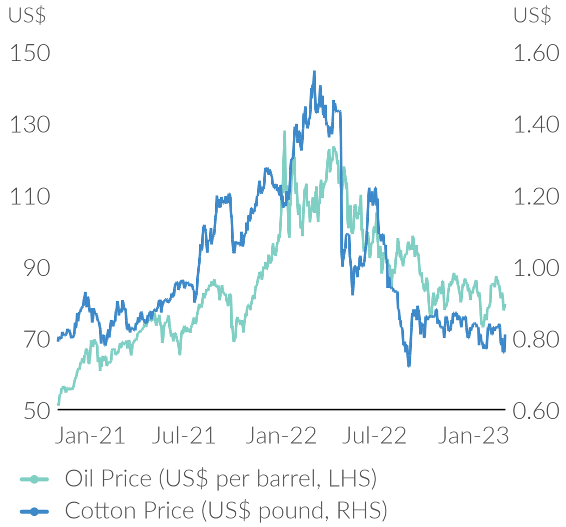
The downturn in global economic conditions supported an easing of the severe pressure on supply chains seen during 2021. Global maritime freight rates, which had surged to record highs during the pandemic, dropped back to their previous levels in the final months of the year as demand for freight waned. Disruptions to shipping schedules and backlogs at major ports also became less common, particularly once China became the final major country in the world to end its strict policy of lockdowns in response to COVID-19 outbreaks in December 2022.

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



Source: World Container Index, Drewry Supply Chain Advisors

Global Oil & Cotton Prices



Source: Bloomberg

Similarly, while global commodity prices remained high during the early months of 2022 – particularly in light of the Russia-Ukraine conflict – the weakening in global demand contributed to significant declines during the second half of the year. Most notably for the apparel and textile sector, global oil and cotton prices fell by 24% and 38%, respectively during FY 2022/23.

Nonetheless, global geopolitical developments remained a key focus throughout the year. In particular, US-China tensions continued to ratchet up and concerns grew of the potential for an abrupt decoupling of the world's two largest economies. Of most relevance for the apparel and textile sector was the implementation of the Uyghur Forced Labor Prevention Act by the US in June 2022, which prohibits the import of all goods wholly or partly made in China's major cotton-growing province of Xinjiang.

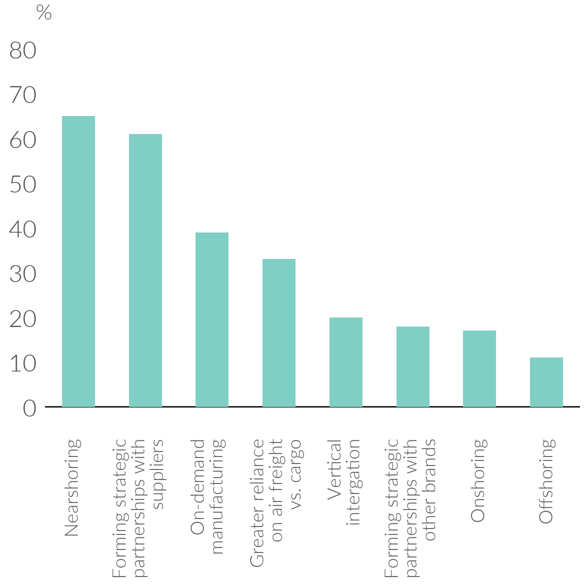
In response, apparel brands have continued to accelerate their efforts to reduce their reliance on sourcing from China. Nearly 80% of respondents to the US Fashion Industry Association's annual survey of industry executives indicated that their company planned to reduce their purchases from China over the next two years[2]. Other countries in Asia are set to be among the chief beneficiaries of this ongoing shift in sourcing patterns.

Nonetheless, broader geopolitical concerns and the experience of severe disruption to supply chains during the pandemic, mean that nearshoring also remains a key focus for the industry. Executives surveyed by McKinsey placed it among the most important strategies being considered to bolster supply chain security. Central America is of particular interest for North American retailers, but locations in North Africa and Eastern Europe are also seeing growing interest from global buyers.

Additionally, the challenging global economic conditions mean that apparel brands are seeking to more proactively manage inventory, which nearshoring supports by reducing lead times. Enhanced digital integration and building strategic partnerships with suppliers are also seen as critical to ensuring more agile and resilient supply chains.

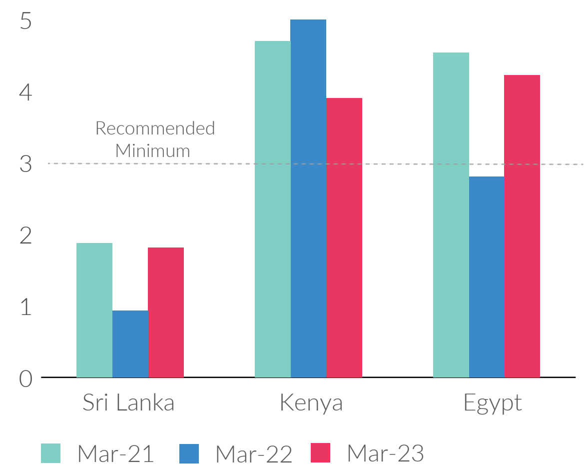
[2] United States Fashion Industry Association, 2023 Fashion Industry Benchmarking Study

Strategies being considered to achieve greater supply chain security (% of Respondents)



Source: BoF-McKinsey State of Fashion 2023 Survey

Foreign Exchange Reserve Coverage (Months of Imports)



Source: CEIC Data
Note: Comparable data is unavailable for Ethiopia

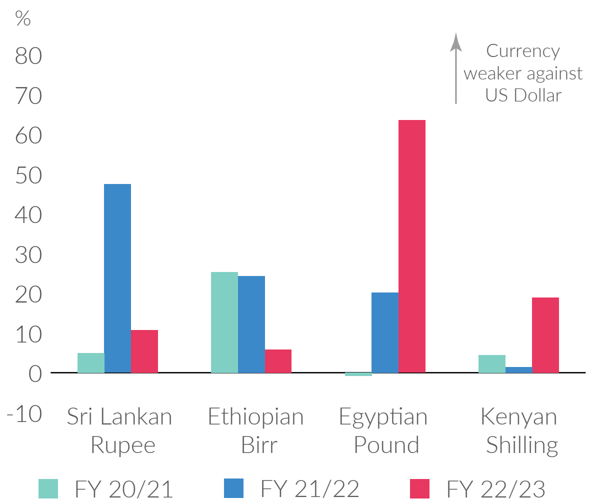
Impact on Hela: Easing pressure on global supply chains and the declines in global commodity prices helped to reduce a component of the margin pressure experienced by Hela in FY 2021/22, though this was offset by the deterioration in demand conditions. That said, Hela remains well positioned to benefit from the shifts in global apparel sourcing patterns, with Egypt presenting a particularly attractive nearshoring proposition. The Group's strategic customer engagement approach also aligns well with the growing interest by brands in forming deeper partnerships with their suppliers.

OPERATING COUNTRY ENVIRONMENT

Even as global supply chain disruptions eased in 2022, challenges in Hela's operating countries intensified. In particular, external economic pressure increased as a result of rising global interest rates and spikes in global commodity prices. This triggered a marked reduction in foreign exchange reserves levels – one key indicator of economic stress – across many emerging economies and major shifts in economic policy in response were a common feature of the year.

Nowhere were the signs of economic stress greater than in Sri Lanka. Foreign exchange reserves tumbled to less than the equivalent of one month in imports – well below the generally recommended minimum of three months – and triggered the worst economic crisis in the country's post-independence history. With little to no foreign exchange reserves available to cover the import of essential goods, extended power cuts became routine, severe shortages of fuel hampered transportation across the country, and US Dollar liquidity became constrained in the local banking system. This disruption triggered a period of substantial social and political unrest during the first half of FY 2022/23, which culminated in a change of government in July 2022.

Exchange Rate Movements vs. US Dollar



Source: Bloomberg

Operating Environment

Despite the challenges, a proactive response from the local apparel sector ensured that delivery commitments to global buyers were met with limited disruption, protecting the Sri Lankan industry's global reputation as a reliable supply chain partner. Agreement on a major financing package from the IMF and progress on the government's debt restructuring programme, also supported the stabilisation of economic conditions in the second half of the year.

Egypt's economy experienced similar economic pressure in FY 2022/23, as the Russia-Ukraine conflict triggered a spike in global wheat prices – a critical import good for the country. As a result, there were three significant devaluations of the Egyptian Pound during the year, bringing the cumulative drop in the exchange rate against the US Dollar between February 2022 and March 2023 to over 95%. Though less dramatic than in Egypt, local currencies across Hela's operating countries also saw notable depreciations against the US Dollar during the year as a result of similar pressures.

Positively, Ethiopia made significant progress in bringing its civil war to a close and the government signed a major peace accord in November 2022. That said, political conditions remain fragile and the reinstatement of Ethiopia's duty free access to the US market under the African Growth and Opportunity Act will depend on continued stability.

Impact on Hela: Sri Lanka's severe economic crisis caused significant challenges to the continuity of Hela's operations in the country. However, proactive steps taken by the management, ensured that the disruption to operations was limited. Similar steps across all of the Group's operating countries ensured that minimal disruptions arose from the economic challenges in these locations, though some of the measures taken to ensure the resilience of operations and to support employees contributed to an increase in the organisation's cost base.

OUTLOOK

Conditions in Hela's operating countries remained largely stable during the early months of FY 2023/24, with signs of easing economic pressure. Sri Lanka continued to make progress towards restructuring its government debt, and foreign exchange reserves have begun to increase, enabling the easing of a number of policy restrictions imposed during the economic crisis. Economic sentiments in Hela's other operating countries are also showing tentative signs of improvement. In addition, disruptive climate events around the world have so far had limited impact on global supply chains, though the expected intensification of El Niño is a risk factor.

However, consumer demand conditions in Europe and North America have continued to deteriorate significantly. Major global central banks have hiked their policy interest rates further, due to concerns that elevated rates of inflation may be becoming entrenched. This has placed a further squeeze on consumer incomes which, while not triggering major recessions, has led households to become more selective in their purchasing decisions.

The apparel sector has been particularly impacted, as consumers continue to prioritise spending on services and post-pandemic demand for travel remains strong. In response, major apparel brands and retailers have reduced sourcing to ensure their inventory levels remain in check. This has had a significant knock-on impact on apparel manufacturers around the world, and intensified margin pressure. While there are signs that economic conditions are stabilising, the timing of a meaningful recovery is uncertain and retailers have continued to act with caution in their procurement decisions.

Capitals Report

visionary

PARTNERSHIPS

Capitals Report

Financial Capital

A Hela team in discussion

The particularly challenging operating environment that prevailed during FY 2022/23 resulted in an erosion of Hela's Financial Capital and the Group incurred a post-tax loss of Rs. 3.3 Bn. Nonetheless, it's balance sheet remained in a robust position with a Net-Debt-to-Equity ratio of 2.0, supported by a reduced debt burden. The management is taking proactive steps to manage costs and support a return to profitability.

Strategic Priorities

- Growth and diversification of revenue
- Optimised cost base
- Efficient management of working capital
- Prudent debt management
- Strategic investments
- Maximising total shareholder returns

Team members at Hela's manufacturing facility in Kenya

FINANCIAL CAPITAL INPUTS	HOW WE TRANSFORM VALUE (STRATEGIC ACTIONS)	OUTPUTS
Revenue: Rs.95.3 Bn	- Defending revenue and retaining customers	PPE ↑ by 37.3% to Rs. 9.0 Bn
Shareholder's Equity: Rs.11.5 Bn	- Supporting employees through an economic crisis	Total Assets ↑ 3.8% to Rs. 55.7 Bn
Total Borrowings: Rs. 27.2Bn	- Working capital management	Borrowings ↓ by 3.8% to Rs. 27.2 Bn
Net Working Capital: Rs. 9.5 Bn	- Reduced borrowings	Net-Debt-to-Equity ratio of 2.0x
Prudent financial management	- Investment in SAP S/4HANA Fashion ERP system	

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.
- In addition, the Group is cognisant of the fact that Financial Capital is traded off to enhance other Capitals in line with its strategy, which enhances its ability to create medium-term value and build resilience to support sustainable growth. Examples of the key trade-offs made by the Hela Group during FY 2022/23 are mentioned below:
  - As a result of increased economic pressure across Hela's operating countries, most notably Sri Lanka, the Group incurred additional costs to ensure the continuity and resilience of its operations. This included purchases of fuel stocks to ensure a continuous supply for the Group's generators and transport providers.
  - The economic crisis in Sri Lanka also resulted in significant hardship for local employees. Salary increments and other relief measures were provided to the Group's employees to support them during this challenging period.
  - To ensure the productivity and competitiveness of the Group's operations, various investments in automation and process efficiencies were made during FY 2022/23. This includes the significant investment made in the SAP S/4HANA Fashion ERP system.
- The Hela Group manages borrowings prudently, and overall management of working capital is optimised to manage the associated credit, market and liquidity risks.
- As a responsible corporate, the Group takes care to ensure that its statutory dues, including those related to employee social security and taxation, are made in a timely manner.
- The consolidated financial statements of the Group and the numbers referenced in this section are presented in Sri Lankan Rupees, unless otherwise stated. As the functional currency of the Group is US Dollars, the financial statements are initially prepared in this currency and translated into Sri Lankan Rupees based on the Sri Lankan Accounting Standards. Further details on foreign currency translations can be found in Note 20 (c) to the Consolidated Financial Statements on page 216.

Restatement of Audited Financial Statements for FY 2021/22 and adjustments to Audited Financial Statements for FY 2022/23

The Hela Group completed a migration to the SAP S/4HANA Fashion Enterprise Resource Planning (ERP) system on 1st April 2023, in order to support its future business requirements and strengthen the existing control environment across its operations. This replaced multiple legacy ERP systems previously in operation across group entities.

As a result of this migration, the following adjustments have been made to the Group's financial statements:

Restatement of Audited Financial Statements for FY 2021/22

The management identified an over absorption of manufacturing overhead to the inventory balance of Hela Investment Holdings Limited. This over absorption has been corrected and the relevant costs included in Cost of Sales for the relevant period. Please refer to Note 9 (b) to the Consolidated Financial Statements for further information.

Adjustments to Audited Financial Statements to FY 2022/23

During the cut over process from the existing ERP systems to SAP, the management carried out an assessment to determine the commercial value of work-in-progress (WIP) inventory being transferred to the new system. This exercise identified an overstatement of raw materials costs within WIP in two subsidiaries, Foundation Garments (Private) Limited and Hela Investment Holdings Limited, arising due to certain reporting limitations in the previous systems. It was decided by the management that it would be prudent to write off the excess value. This impact has been included in the Audited Financial Statements for FY 2022/23 resulting in a material negative impact on the Group's reported performance.

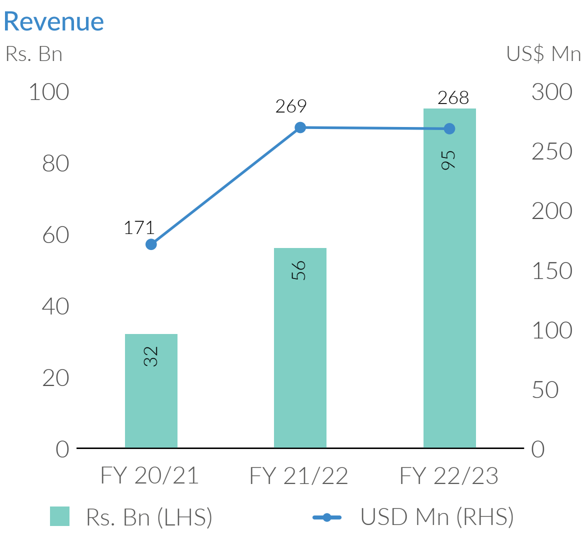
FINANCIAL PERFORMANCE

Revenue

The Hela Group recorded consolidated revenue of Rs. 95.3 Bn in FY 2022/23, an increase of 69.6% over the previous year. The growth in sales was primarily driven by the significant depreciation of the Sri Lankan Rupee during year, relative to the Group's almost entirely US Dollar-denominated export proceeds. In US Dollar terms, Group revenue decreased marginally from US$ 269.3 Mn in FY 2021/22 to US$ 268.5 Mn in FY 2022/23.

The top line performance reflects a year of two halves. Hela's US Dollar revenue in the first half of FY 2022/23 grew by 14.7% compared to the same period of the previous year, as consumer demand conditions in its key markets in Europe and North America remained strong. However, the substantial rise in inflation in these markets, as well the significant interest rates hikes deployed by their respective central banks in response, triggered a sharp slowdown in demand during the latter months of the year. As a result, the Group's export revenue contracted by 15.1% in the second half of the year, and contributed to US Dollar revenue closing the year largely unchanged from FY 2021/22.

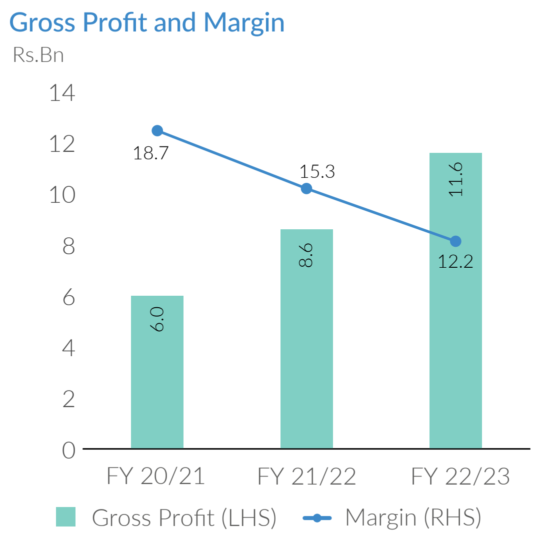
The expansion of Hela's global footprint in Africa with the full establishment of operations in Egypt, played an important role in maintaining revenue in a declining market. This provides an attractive nearshoring solution and continues to be well received by the Group's customers.



Gross Profit and Operating Profit

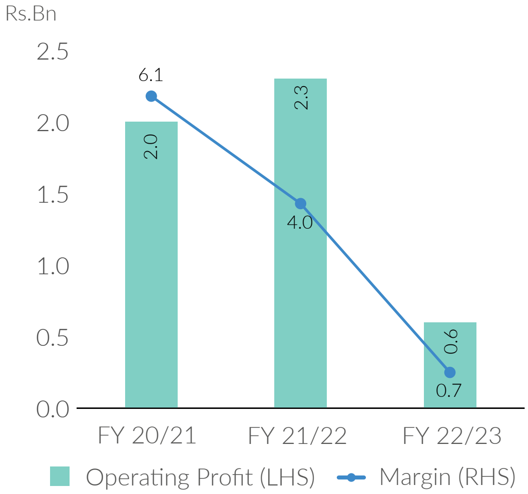
As a result of the increase in the Group's Sri Lankan Rupee denominated revenue, gross profit increased by 35.1%, to Rs. 11.6 Bn in FY 2022/23. However, this reflected a 310bp decline in gross margins to 12.2%, as the reduction in demand during the second half of the year contributed to lower capacity utilisation levels across the Group's manufacturing facilities.

In addition, the challenging operating environment during the year contributed to an increase in the Group's cost base. In particular, as a result of the economic crisis in Sri Lanka, Hela took proactive efforts to support its employees, including providing additional salary increments and transport for all employees. This also required the Group to proactively procure its own fuel stocks to ensure continuous operation of transportation facilities and generators at its manufacturing locations.



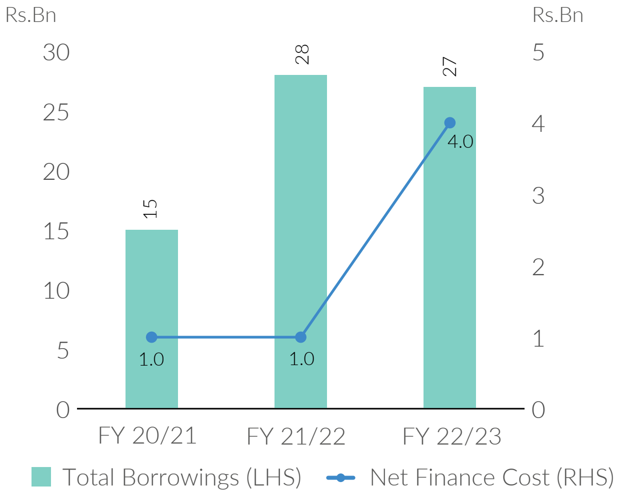
Partly driven by the reduction in gross margins, the Group's operating profit decreased by 72.1%, to Rs. 0.6 Bn in FY 2022/23. This reflected a 330bp contraction in operating profit margin to 0.7%, compared to 4.0% in FY 2021/22.

Increases in both distribution and administration expenses also contributed to the decline in operating profit during the year. Distribution expenses, in particular, rose significantly due to operational disruptions at the Group's Kenyan manufacturing facility as a result of a temporary labour dispute in the final weeks of FY 2021/22. This caused a significant knock-on impact on production in the first two quarters of FY 2022/23, and triggered a significant increase in unplanned air freight costs to ensure customer delivery timelines were maintained. Approximately Rs. 2.0 Bn in costs were incurred on unplanned air freight during the year, reducing operating profit margins by around 2.0%. However, supported by an increased focus on operational excellence, this impact had faded by the final quarter of the year and distribution costs are expected to normalise in the current financial year.



Finance Expense

Net finance expenses of the Hela Group more than doubled in FY 2022/23, to reach Rs. 4.0 Bn. The increase is largely attributable to the escalation in global US Dollar interest rates during the year. In contrast, the Group's total borrowings (which are primarily denominated in US Dollars) decreased by 3.8% to Rs. 27.2 Bn, as a result of a reduction in both current and non-current borrowings.



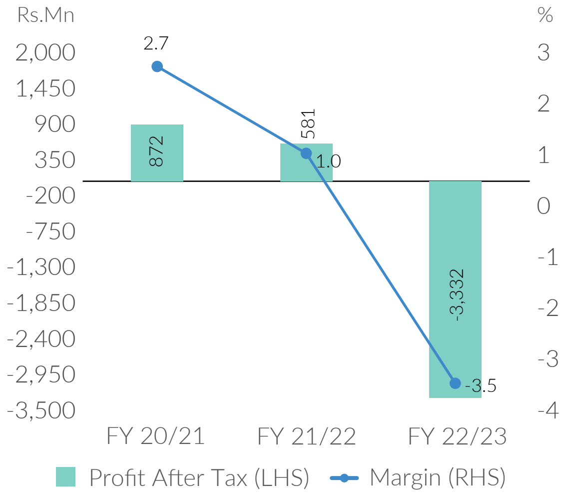
Taxation

Group income tax expenses recorded a positive value of Rs. 92.5 Mn during the year, compared to an expense of Rs. 248.5 Mn in FY 2021/22. This was a result of a significant increase in deferred tax assets in FY 2022/23, arising from the significant loss before tax of Rs. 3.4 Bn and the increase in corporate income tax rates in Sri Lanka from October 2022.

Profit After Tax & Profit Attributable to Equity Holders

As a result of the decline in gross and operating profit margins, as well as the significant increase in finance costs, the Hela Group recorded a post-tax loss of Rs. 3.3 Bn. This compares to a restated profit-after-tax of Rs. 580.7 Mn in FY 2021/22.

Profit attributable to equity holders recorded a similar movement with a loss of Rs. 3.5 Bn. The increased loss was the result of a Rs. 165.9 Mn profit attributed to non-controlling interests in the Group's subsidiaries in Ethiopia and Egypt.



EXTRACT FROM THE STATEMENT OF PROFIT OR LOSS

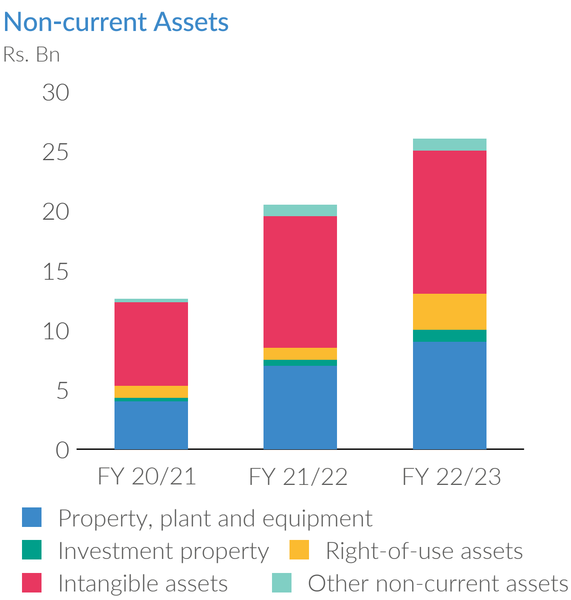
LKR '000s	FY 2022/23	Restated FY 2021/22	% Change
Revenue from Contracts from Customers	95,302,705	56,179,623	69.6
Cost of Sales	83,716,438	47,603,460	75.9
Gross Profit	11,586,267	8,576,163	35.1
Other Operating Costs	10,955,820	6,319,246	73.4
Operating Profit	630,448	2,256,917	-72.1
Net Finance Costs	3,986,048	1,336,265	198.3
Share of Loss of Equity Accounted Investee, Net of Tax	69,315	91,516	-24.3
Profit Before Tax	(3,424,915)	829,136	-513.1
Income Tax Expense	92,467	(248,471)	-137.2
Profit After Tax	(3,332,448)	580,665	-673.9

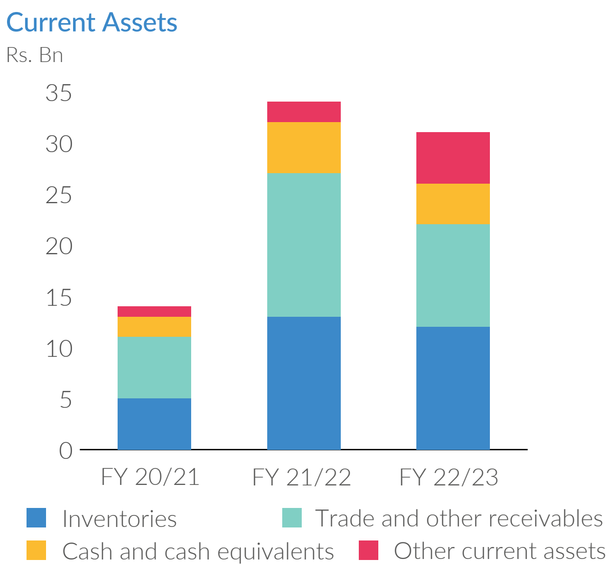
FINANCIAL POSITION

Group Assets

As of 31 March 2023, the Hela Group's total asset base stood at Rs. 55.7 Bn and reflected an increase of 3.8% compared to the previous year. Non-current assets rose by Rs. 6.5 Bn during the year, driven by increases in property, plant and equipment, as well as right-of-use assets. This reflects continued investment in the Group's manufacturing footprint in Africa, most notably Egypt, as well as additional investments in automation and the SAP S/4HANA Fashion ERP system. The 29% depreciation in the Sri Lankan Rupee against the US dollar between March 2022 and 2023, also supported the growth of the Group's primarily US-dollar denominated asset base.

In contrast, Hela's current assets reduced by Rs. 4.5 Bn as a result of a notable reduction in trade and other receivables. The Group continuously worked towards working capital optimisation during the year through more favourable terms with its customers and suppliers, leading to more efficient utilisation of cash flow. The Group's cash balance also reduced to Rs. 3.9 Bn at the end of FY 2022/23, compared to Rs. 5.2 Bn at the close of the previous financial year.





Capitals Report

Financial Capital

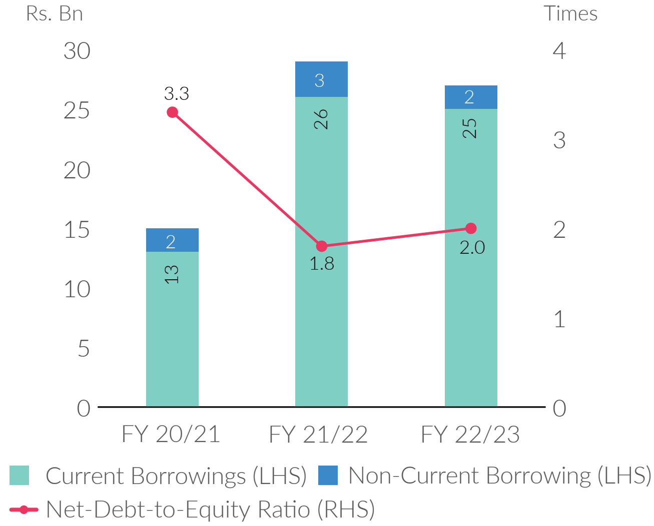
> The Group's total borrowing (excluding lease liabilities) decreased by 3.8% during the year in review, supported by improvements in its working capital cycle. What's more, in US Dollar terms (aligning with the Group's export revenue streams), the Group's total debt decreased by 12.2% to US$ 83.0 Mn

Group Debt and Capital Structure

The Hela Group's total liabilities increased by 8.3% year-on-year to Rs. 44.2 Bn as of 31 March 2023. This primarily reflected an increase in lease liabilities and trade payables during FY 2022/23. As mentioned above, the Group's total borrowing (excluding lease liabilities) decreased by 3.8% during the year in review, supported by improvements in its working capital cycle. What's more, in US Dollar terms (aligning with the Group's export revenue streams), the Group's total debt decreased by 12.2% to US$ 83.0 Mn during the year.

Nonetheless, as a result of the reduction in retained earnings the Group's Net-Debt-to-Equity ratio edged up to 2.0 as of 31st March 2023, compared to 1.8 at close of the previous financial year.

Total Debt & Net-Debt-to-Equity Ratio



OUTLOOK

Operating conditions remained highly challenging in the early months of the current financial year, as consumers in the Group's key markets remained under pressure from elevated inflation and interest rates. The timing of a meaningful recovery in demand also remains uncertain and is being reflected in the cautious procurement decisions across the apparel industry.

In response, the management has launched a comprehensive Group-wide strategy entitled Project 180° to drive a sustainable return to profitability based on conservative demand expectation. While continuing to seek opportunities to build long-term value for the Group, this will focus on optimising its cost and capacity base to align with the prevailing demand conditions.

EXTRACT FROM THE STATEMENT OF FINANCIAL POSITION

LKR '000s	FY 2022/23	Restated FY 2021/22	% Change
Non Current Assets	25,677,931	19,163,480	34.0
Current Assets	30,019,983	34,491,662	-13.0
Total Assets	**55,697,914**	53,655,142	3.8
Non Current Liabilities	6,088,353	3,926,528	55.1
Current Liabilities	38,151,161	36,935,898	3.3
Total Liabilities	**44,239,514**	40,862,426	8.3
Total Equity	11,458,400	12,792,716	-10.4
Total Liabilities and Equity	**55,697,914**	53,655,142	3.8

GROUP RATIOS

LKR '000s	FY 2022/23	Restated FY 2021/22
Debt to Equity (Times)	2.4	2.2
Current Ratio (Times)	0.8	0.9
Revenue Growth	69.6%	74.7%
Gross Profit Margin	12.2%	15.3%
Operating Profit Margin	0.7%	4.0%
Net Profit Margin	-3.5%	1.0%

Natural Capital

Hela Mawathagama manufacturing facility

The Hela Group is aware of its environmental impact and is constantly exploring avenues to generate positive impacts, while minimising its environmental footprint. Accordingly, the Group seeks to optimise its energy use and drive towards a Net Zero carbon footprint, while taking responsibility for waste and effluents generated from its operations.

Strategic Priorities

- Reducing energy consumption and enhancing efficiencies
- Exploring opportunities for driving circularity of materials
- Encouraging responsible waste management
- Managing emissions
- Reducing water consumption
- Propagating environmental sustainability

Hela Group's sustainability team in discussion

NATURAL CAPITAL INPUTS	HOW WE TRANSFORM VALUE (STRATEGIC ACTIONS)	OUTPUTS
Energy consumption of 86,881 GJ	- Propagating environmental sustainability	ISO 14064-1:2018 Certified for GHG Management and Reporting
Water withdrawal of 192,926 megalitres	- Driving social and environmental compliance	Completed Life Cycle Assessments for 10 series of products
Responsible sourcing of fabrics and other inputs	- Reducing energy consumption and enhancing efficiencies	39% renewable energy contribution
Sustainability training and environmental literacy programmes	- Exploring opportunities in circular materials	100% of solid waste diverted from landfill
	- Encouraging responsible waste management	HIGG FEM verified with 90% + average score
	- Managing emissions	

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 the Group's customers.
- A Group Sustainability Team has been established to drive Hela's sustainability agenda. The Head of Sustainability reports to the Group CEO and briefs the Board on the progress of the Group's Sustainability Strategy, "Only One Earth". Sustainability champions have been appointed at each factory.
- The Group has a fully integrated Environmental Management System (EMS), which provides clear guidelines on tracking, monitoring and optimising the use of natural resources, and managing environmental-related impacts in a holistic and consistent manner. 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 in a distinct location for each manufacturing facility. A report comprising critical comments is sent to the audit 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 drive continuous improvement.

Global Best Practices

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

Environmental Regulations Applicable to the Group:

SRI LANKA

- National Environmental Act (Amendment) No. 53 of 2000
- Regulations by the Central Environmental Authority
- Board of Investment (BOI) Environmental Norms

KENYA

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

ETHIOPIA

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

EGYPT

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

ENVIRONMENTAL COMPLIANCE

The Group ensures full compliance with environment related laws, regulations and standards at each of its production facilities. As a manufacturing organisation, the Group has obtained valid Environment Protection Licenses (EPL) or equivalents for all of its factories, and this is reviewed annually through internal audits and compliance reporting.

During the year, there were no instances of non-compliance with any environmental regulations.

MATERIAL CONSUMPTION

The main raw materials used in the Group's production process are fabrics and accessories relevant to garment manufacturing. Stringent procurement and supplier criteria ensure that all raw materials are sourced responsibly and sustainably. Approximately 10% of the total raw material purchases in FY 2022/23 consisted of recycled and sustainable material.

Efficient Resource Consumption

The Group is actively working on improving the efficiency of materials consumed in production. Process improvements in this regard have increased efficiency levels and reduced wastage significantly. Key initiatives include:

- Establishment of a shared services team to facilitate centralised procurement
- Investment in automation, process re-engineering, and digitisation

Promoting Circularity

The Hela Group has sought to also increase its reliance on recycled materials, in line with the principle of circularity. The Group actively promotes the use of recycled raw materials where possible. However, flexibility in the selection of materials is limited, given that the ultimate decision lies with the Group's customers.

Currently approx. 10% of fabric used in production are recycled materials.

Driving Circular Textile Solutions

In collaboration with its suppliers, Hela is focused on driving circular textile solutions within the apparel industry. These innovations have proven to be a key success factor in tapping into niche customer markets.

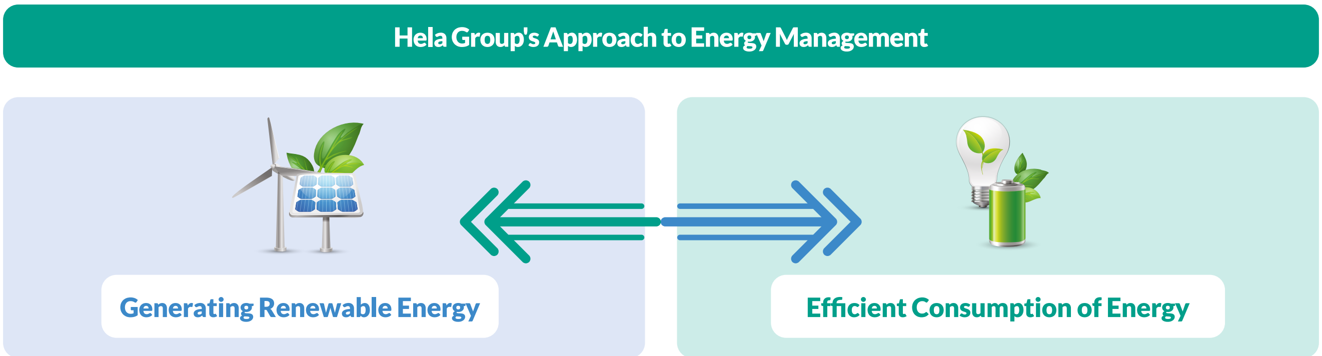
Pre-Consumer Waste	Post-Consumer Garments	Waste to Dye	Recycled Polyester
Fabric waste from production is recycled to produce cotton yarn	Used garments are converted into cotton yarn	Collborating with suppliers to upcycle and transform textile waste to dye	Development of a polyester fabric made from recycled PET bottles

Fabric waste from Hela's Kenyan plant is shipped to Belgium to be converted into pulp

Post-Consumer product range developed together with Ocean Lanka by recycling denim and converting into yarn

Capitals Report

Natural Capital



Chemical Management

Chemicals are used for pad printing and as a cleaning agent for the maintenance of the Group's manufacturing facilities. The Group has a comprehensive chemical management plan which sets out procedures for chemical management, including purchasing, labelling and storage, and handling of chemicals. The plan also includes specific procedures to support chemical assessments, data on personal protective equipment, chemical storage methods, and training on chemical use and disposal practices.

In recent years, the Group has started phasing out the use of hazardous chemicals and has instead moved to biological-based cleaning chemicals, with significantly lower toxicity levels. The Group is planning to monitor supplier conformance to Zero Discharge of Hazardous Chemicals (ZDHC) levels and is the first friend of the ZDHC Foundation in the vendor category in Sri Lanka.

ENERGY MANAGEMENT

The Hela Group fulfills its energy requirements through electricity purchased from the National Grid, diesel, LPG, solar power and biomass. As a manufacturing organisation, the Group's operations are relatively energy intensive, prompting the Group to manage its energy requirements actively. The Group's approach to managing energy is as follows:

Generating Renewable Energy

The Group began investing in renewable sources of energy including solar power in 2017, in order to reduce its dependence on purchased electricity. Currently, rooftop solar panels have been installed at three Sri Lankan production facilities, enabling the Group to generate 23% of its total electricity requirement from this source*.

Some of the Group's manufacturing facilities also use biomass as a source of energy in line with the Group's renewable energy drive.

Efficient Consumption of Energy

Each factory has a sustainability and engineering team who assists in implementing energy efficiency initiatives. They also conduct training and awareness programmes to encourage employees to save energy. The Group's energy efficiency initiatives include the following:

39% of the Group's energy requirements in FY 2022/23 was generated from renewable sources (solar & biomass).

Hela Group Solar Power Generation (FY 2022/23)			
Manufacturing Facility	Solar Generation (kwh)	Total Electricity Consumption from Grid (kwh)	Share of Solar in Total Electricity Consumption
Mawathagama	1,224,933	1,071,890	114%
Palapathwala	654,433	884,689	74%
Narammala	288,921	877,103	33%

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

Hela Group Energy Efficiency Initiatives

- Investing in energy-efficient production machinery
- Stringent monitoring of electicity consumption through sub metres installed at the Group's manufacturing facilities
- Installation of capacitor banks which has led to considerable energy savings through load balancing and load scheduling
- Using water-cooling systems instead of high energy-consuming air conditioners
- Innovative preheating method applied to boilers
- Regular maintenance checks on plants and equipment

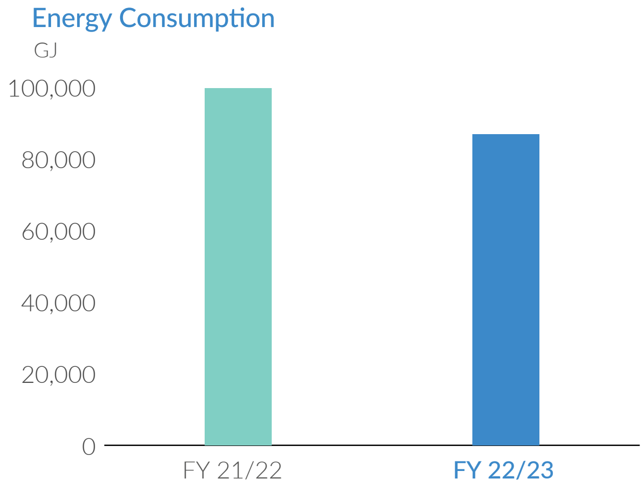
- Timely servicing of machinery
- Replacing fluorescent lamps with LED lighting systems
- Buildings have been designed to maximise the use of natural light
- Energy literacy programmes for employees
- Every plant is subject to an annual energy accounting process, including a thermography test

The Hela Grow Project

The Hela Grow Project

> Each factory has a sustainability and engineering team who assists in implementing energy efficiency initiatives. They also conduct training and awareness programmes to encourage employees to save energy.

The Group's total energy consumption declined to 86,881 GJ in FY 2022/23 compared to 99,775 GJ in FY 2021/22 consumed last year. A breakdown of energy consumption is given below:

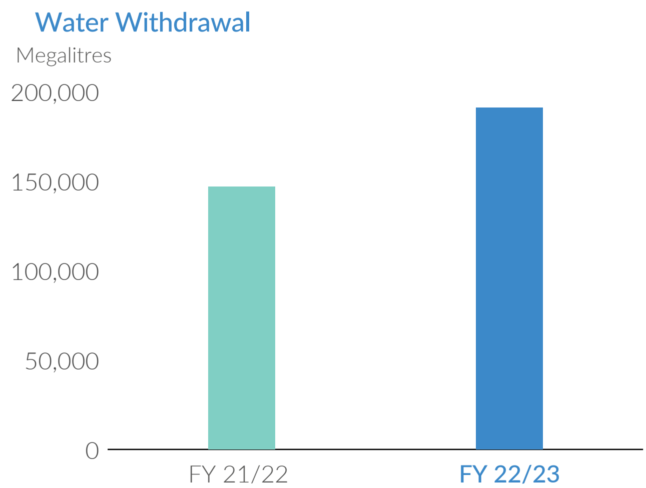


Energy Consumption by Type			
Type	Unit	FY 2022/23	FY 2021/22
Renewable			
Biomass	GJ	22,657	41,308
Non-renewable			
Diesel	GJ	16,630	11,318
LPG	GJ	1,208	1,910
Purchased Electricity	GJ	46,385	45,238

WATER AND EFFLUENTS

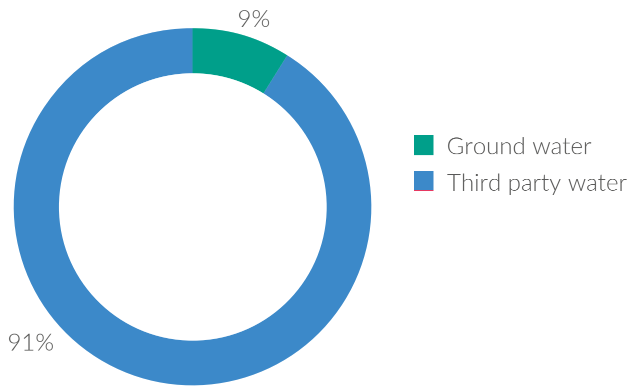
The Hela Group's manufacturing process is not water-intensive. Water is primarily used for employees' utility and sanitation needs. The Group relies on groundwater and water from municipal sources to fulfill this requirement.

Water conservation initiatives are carried out across the Group, including training and awareness programmes for employees.



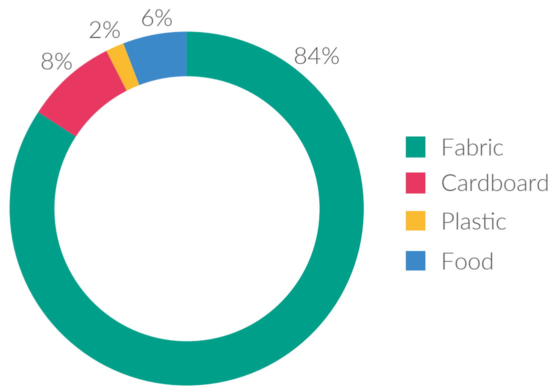
Water Withdrawal by Source in FY 2022/23

%



Waste Generated in FY 2022/23

%



Effluents discharged by the Group are mainly generated from washrooms and canteen operations. The Group's manufacturing facilities are equipped with on-site wastewater treatment plants, where discharge is treated prior to being re-used for gardening purposes. The quality of the water discharged is continuously monitored as per customer and regulatory requirements to ensure compliance with prescribed limits.

Water recycled through onsite effluent treatment plants during FY 2022/23: **9,655 m^3** (2021/22: 2,948)

RESPONSIBLE DISPOSAL OF SOLID WASTE

Nearly 99% of solid waste generated by the Hela Group falls into the non-hazardous waste category. Waste generated is segregated through the Hela EMS and tracked by the EMS tracker, prior to being disposed of, in compliance with regulatory requirements and industry best practices. The Group only engages with licensed waste handlers who meet the clear guidelines set out by the EMS.

The total volume of waste generated by the Group during the year amounted to 2,880 MT. The Group pursues responsible waste management initiatives and actively seeks to recycle, re-use and reduce waste, thereby eliminating waste sent to landfills. Tentative steps are also being taken to explore opportunities for waste circularity. The initiatives shown below were carried out during the year.

Solid Waste Reduction Measures in FY 2022/23

Automation and Digitisation of Cutting Processes	Reducing Plastic Usage	Returning Waste to Suppliers	Re-using Polybags
Automation and digitisation of the fabric cutting process has improved efficiencies, thereby reducing fabric wastage	The Group actively seeks to reduce single use plastic items and encourages recycling	The Hela Group returns thread cones and polybags to suppliers for reuse, helping to reduce the volume of wastage from day-to-day operations	The Group initiated the *Heraliya Peraliya* project to reuse polybags, thereby reducing waste

MANAGING EMISSIONS

The Hela Group is cognisant of its impact on the environment and has directed its efforts to reduce its carbon footprint in a sustained manner. The Group's approach to managing emissions focuses on enhancing energy efficiency and increasing its reliance on renewable sources of energy. Key initiatives undertaken are presented below.

ISO 14064-1:2018 certified since FY 2020/21

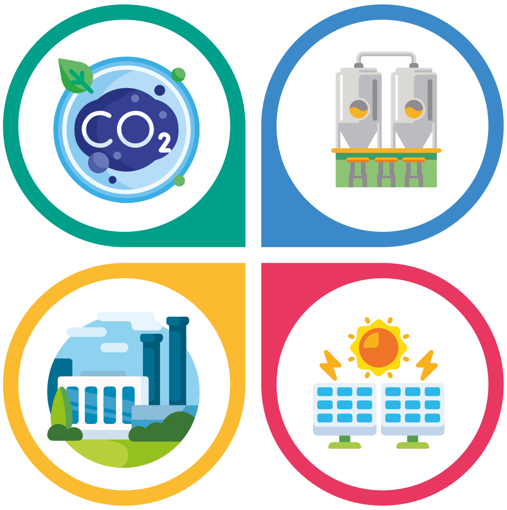
The Hela Group has obtained the ISO 14064-1:2018 certification for quantification and reporting of greenhouse gas emissions and completed comprehensive carbon footprint assessments for the financial years FY 2020/21, FY 2021/22 and FY 2022/23. The figures were verified by a third-party consultant.

Having become a member of the Science Based Targets Initiative (SBTi), the Group is in the process of developing near-term and long-term targets for reducing GHG emissions, supporting the global aim of reaching Net Zero by 2050.

Emission Reduction Initiatives

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

Taking corrective action if emission and noise levels of generators and boilers exceed guidelines



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

Installation of Solar Panels to generate renewable energy

Hela Group Green House Gas Emission (GHG) (Unit)			
Type of emissions	FY 2022/23	FY 2021/22	Base Year (FY 2020/21)
Direct GHG emissions (CO_2e)- Scope 1	1,118	919	673
Indirect GHG emissions (CO_2e)- Scope 2	5,630	5,476	3,775
Other indirect GHG emissions (CO_2e)- Scope 3	22,945	21,275	18,849

BIODIVERSITY PRESERVATION

The Hela Group is fully committed to protecting the environment and continues to undertake and support a range of biodiversity conservation projects.

These involve initiatives to preserve the natural ecosystem including endemic flora, fauna and animal species. A key project undertaken by the Group is the Hela Grow Project.

The Group is also a member of the Field Ornithology Group of Sri Lanka (FOGSL) and a patron member of Biodiversity Sri Lanka (BSL).

HELA GROW (GREEN RESTORATION ORIENTATED WALK)

The Group conducted two food cultivation programmes at its manufacturing facilities in Sri Lanka. The food that was harvested was distributed among Hela employees. 1,000 saplings were also cultivated under this programme. Plants were bought exclusively from *Diriliya* team members and donated voluntarily by Hela employees.

ENVIRONMENTAL LITERACY

The Hela Group carried out the following initiatives to enhance the environmental literacy of its employees.

- Conducted 40 training sessions on corporate sustainability and 10,677 employees were trained on basic sustainability practices
- Conducted its first sustainability day programme with the theme of 'Only One Earth'. Key activities conducted at the event are as follows:

Hela Sustainability Day 2023

Keynote speech on “21st century leadership to build credibility with global apparel brands” by Dr. Ravi Fernando- Chairman of Global Strategic Corporate Sustainability (Pvt) Ltd.

Stall by the Department of Agriculture showcasing their urban cultivation models to educate and encourage employees on home gardening

Distribution of an indoor plant among all departments

Gifted an ecofriendly pen to all employees based at the head offices in Sri Lanka as part of the zero-plastic movement. These pens contain vegetable, fruit and flower seeds and can be planted once the ink is finished

Created awareness on the importance of conserving water and electricity

Upul C. Kumara, Director of the Good Life Institute – Foundation of Goodness, addressing Hela employees on World Environment Day

- Conducted a digital flyer campaign to raise awareness on days commemorating environmental sustainability and the importance of all aspects of sustainability
- Established the Hela Nature Club

Hela Nature Club

The Hela Nature Club was established in order to inculcate a sustainability-oriented culture within the Group. It was launched by Prof. Sarath Kotagama during the year, with plans to undertake various environmental and social initiatives to groom individuals in environmental literacy. This is a 12-month programme and consists of over 250 voluntary members. The executive committee of the Hela Nature Club is comprised of an inclusive group, which includes the Group CEO and other senior members of the organisation.

Beach Cleanup

A 2km stretch of beach in Dehiwala, Sri Lanka was cleaned of solid waste in partnership with the Pearl-protectors and plasti-cycle of John Keells Holdings. Approximately 250 kgs of waste on the beach were collected, including recyclable and non-recyclable waste. The Rotaract Club of the University of Colombo also volunteered for this initiative.

Jungle Survival Training

The executive committee members of the Hela Nature Club participated in a jungle survival training programme. The programme was designed to provide members with training on physical and mental health, and on developing outdoor survival skills. Teams engaged in activities that strengthened bonds including cooking meals amidst the wilderness. Skills gained through this jungle survival programme will help them to plan and execute better events in the future with club members.

Human and Social Capital

Hela team at the Gender Equality and Returns (GEAR) Graduation Ceremony

The Hela Group is committed to making a positive contribution towards the socioeconomic development of its people and the communities in which it operates. As a 'Social Capital Company', the Group empowers and uplifts livelihoods through its comprehensive value proposition to employees and their wider communities.

Strategic Priorities

- Establishing pathways for career progression
- Uplifting employee well-being
- Maintaining proactive engagement
- Improving occupational health and safety
- Enhancing productivity through skill development
- Supporting community empowerment

Hela Diriliya members at a rush and reed weaving training session

HUMAN CAPITAL INPUTS	HOW WE TRANSFORM VALUE (STRATEGIC ACTIONS)	OUTPUTS
A team of approximately 17,800 employees	- Establish a performance driven culture through continuous investment in skills enhancement, training and by safeguarding human rights	Satisfied employees
Rs. 12.2 Mn investment in training and development	- Establish pathways for career progression	Zero child labour or forced labour
Compliance with a number of certifications including WRAP and SEDEX	- Comprehensive measures to ensure occupational health and safety, and a safe, productive and conducive work environment	120,000+ training hours
Investment in social development programmes: *Diriliya, Diridaruwo* P.A.C.E. and GEAR	- Uplifting employee well-being	Rs. 5.4 Mn revenue per employee
		Female representation of 71% among employees

Management Approach

Management of human capital is underpinned by a comprehensive suite of HR policies and processes, compliant with statutory and regulatory requirements, including the International Labour Organisation Conventions, and are benchmarked against industry best practices. The Group is further guided by voluntarily obtained global certifications for decent work and working conditions, including Worldwide Responsible Accredited Production (WRAP) and Supplier Ethical Data Exchange (SEDEX).

Hela Group's HR Policy Framework

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

Labour Regulations Applicable to the Group include:

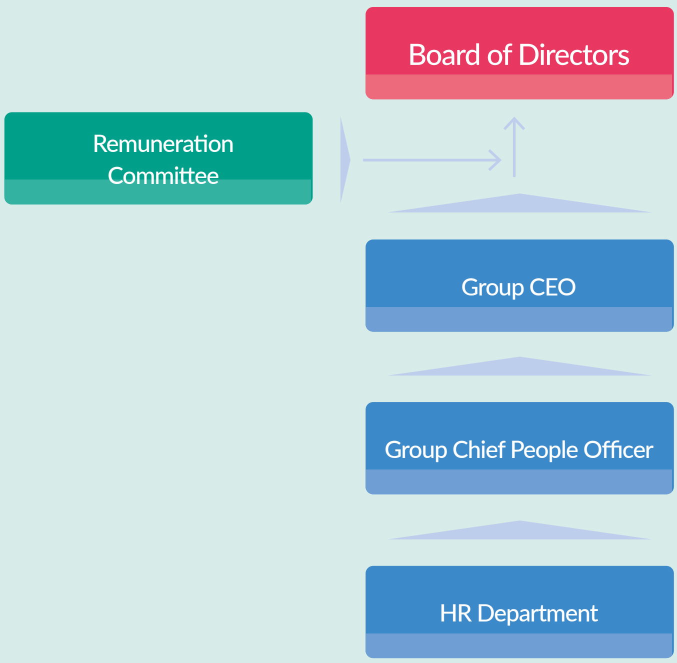
SRI LANKA
- Factories Ordinance No. 45 of 1942
- Shop and Office Employees Act of No. 19 of 1954
- National Minimum Wage of Workers Act No. 16 of 2021
- Employees' Provident Fund, No.15 of 1958
- Employees' Trust Fund, No. 46 Of 1980
- Payment of Gratuity Act, No. 12 of 1983
- Wages Boards Ordinance,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

HR Governance Structure



- The Hela Group's employee-related activities are centralised under the Group HR function based on the principle of 'One Hela-One HR'
- The HR function serves as a shared service, providing oversight for HR-related matters across all geographic locations
- The Group Chief People Officer heads the HR function of the organisation

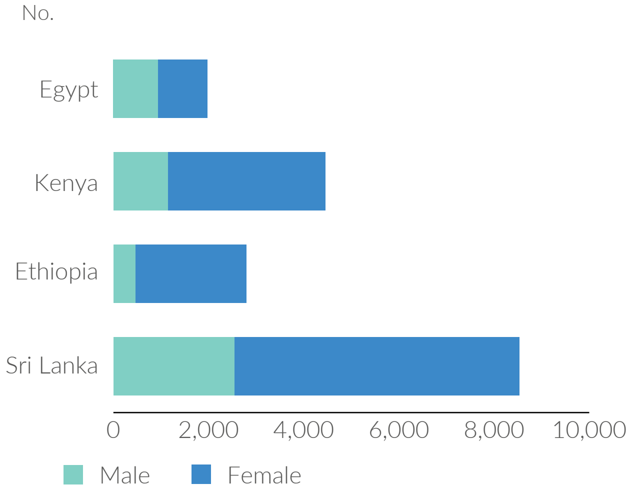
TEAM PROFILE

The Hela Group is comprised of a diverse team of approximately 17,800 employees who are the foundation of the Company's operations across its international footprint. As an equal opportunity employer, the Group does not discriminate against employees based on gender, age, religion or race, thereby enabling them to build fulfilling careers.

KEY ASPECTS OF HELA'S EMPLOYEE BASE

- Employees are engaged on a permanent or fixed term basis
- All employees are required to adhere to the Group's Code of Conduct
- A strict policy against forced, compulsory, or child labour is in place across the Group

Employees by Gender & Region in FY 2022/23



Capitals Report

Human and Social Capital

> The recruitment policy of the Group seeks to attract individuals with the requisite skills and experience through a comprehensive process that ensures equal opportunity, inclusivity and diversity

Lakmini Rangika and Kasuni Mawalagedara at a Hela Diridaruwo event

Udena Wickremesooriya – Advisor to the Hela Group speaking at a GEAR panel discussion

A. R. Rasiah, Chairman, presenting a certificate at the Social Capital Graduation Ceremony 2022/23

HELA GROUP'S HR VISION STATEMENT

To provide our people with the opportunity to work for a cause, in a safe, productive and happy work environment, where they are aware of their roles and goals; their performance is assessed, rewarded and recognised; and their true potential is recognised.

MOVEMENTS IN THE TEAM

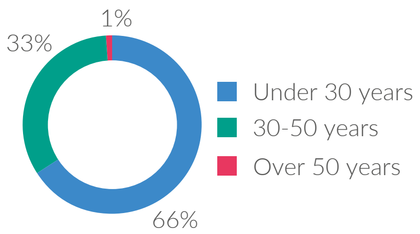
The recruitment policy of the Group seeks to attract individuals with the requisite skills and experience through a comprehensive process that ensures equal opportunity, inclusivity and diversity. Preference is given to employees from local communities when recruiting, thereby promoting regional economic empowerment and community relationships.

The Group is also committed to zero child labour. Recruitment practices ensure all new recruits are of the minimum employable age in compliance with regulations applicable in the jurisdiction of operations.

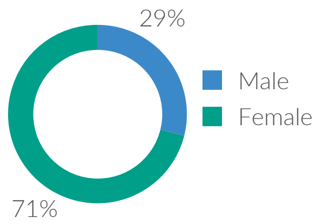
The Hela team was strengthened with 7,433 new recruits during the year. New recruits are carefully assessed during their probationary period prior to being absorbed into the permanent cadre of the organisation, where applicable. In addition to the long-term drivers of labour turnover, the difficult economic circumstances across the Group's operating countries created additional challenges in recruitment and retention of skilled employees during FY 2022/23 due to increased migration. Profiles of new recruits and exits are graphically presented below:

Profile of Employee Recruitment and Turnover in FY 2022/23

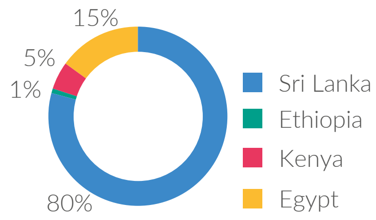
Recruitment by Age Group
%



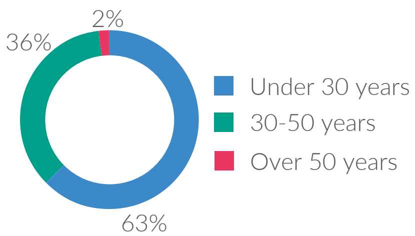
Recruitment by Gender
%



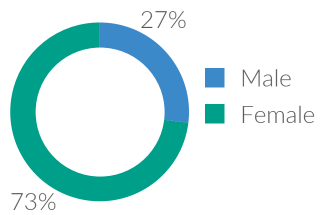
Recruitment by Region
%



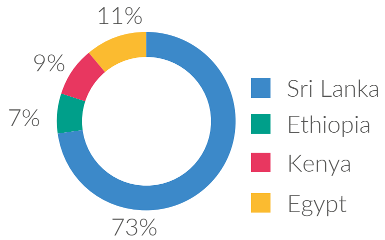
Turnover by Age Group
%



Turnover by Gender
%



Turnover by Region
%



REMUNERATION, RECOGNITION AND REWARDS

Remuneration and Benefits

The Hela Group offers an attractive remuneration package, linked to employee performance and aligned with industry best practices. The Group does not discriminate based on gender in determining remuneration. A strict 1:1 remuneration ratio is maintained between men and women for entry level positions. Regional salary surveys conducted annually support the Group's efforts to remain competitive.

Hela Kids Wear team being recognised for their commitment towards the Group's social capital projects

Capitals Report

Human and Social Capital

The Group also offers a range of other benefits designed to retain and motivate employees

- Free nutritious meals
- Free transport
- Free medical care
- Workman's Compensation
- Medical Insurance Facilities
- Distress Loans
- Welfare Loans
- Special Loan Facilities

HELA FRESHI

Team members from Hela's manufacturing facility in Kenya can take home 20 litres of clean drinking water for their families each day.

This is an initiative launched to address the shortage of clean drinking water in East Africa and address a key day-to-day challenge for employees.

5 + Mn Ltr of clean drinking water provided

1,000+ families positively impacted to date

Supporting the Group's Sri Lankan Employees during the Economic Crisis

During Sri Lanka's economic crisis in FY 2022/23, Hela took proactive steps to support its employees:

- All employees were paid their full salaries and increments
- Team members across 9 facilities were provided training and exposure to alternative self-sustainable methodologies through the "Emerge from Crisis" programme where they were provided with knowlege and skills to reduce expenses, increase income and develop a resilient mindset
- Workers were encouraged to supplement family income through home gardening, sewing and other activities, and were supported in their efforts through the *Diriliya* programme
- All employees were provided with free transport to and from work

Factory Amalgamation: Ensuring the Fair Treatment of Employees

The Hela Group's Narammala and Uhumeeya manufacturing facilities in Sri Lanka, which are situated in close proximity to each other, were amalgamated in January 2023 to reduce overhead costs. This decision was taken in light of the reduction in demand experienced during the second half of the financial year and as part of a wider strategy to efficiently manage costs.

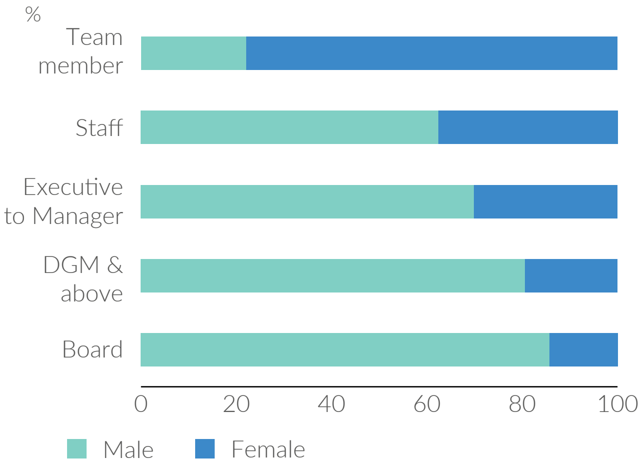
Conscious of its responsibilities to it employees and the principle of fair treatment, the Hela Group ensured that the majority of the affected employees were offered alternative roles within the Hela Group. Regrettably, the Group was unable to offer alternate placements for approximately 400 team members with less than 6 months of service. The Group ensured that all employees impacted by this decision received due compensation in consideration of the legal requirements and labour laws of Sri Lanka.

DIVERSITY AND INCLUSION

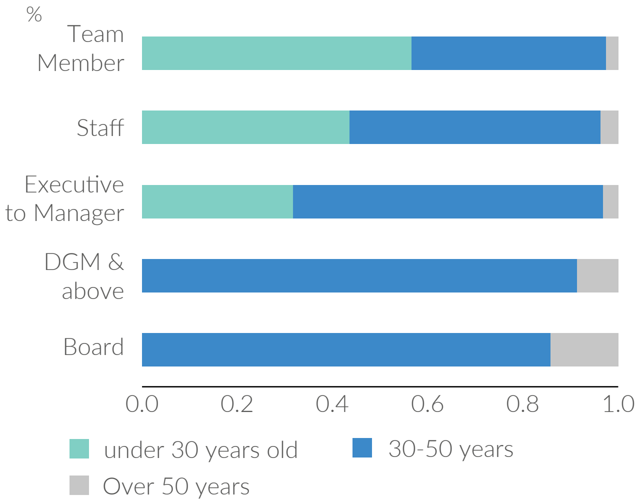
The Group embraces diversity and advocates a conducive work environment free from discrimination for all employees. Hela's leadership firmly believes that decision making, innovation and productivity is enriched through the combination of diverse skills and perspectives.

Employees are encouraged to report instances of discrimination through the Group's Grievance and Open-door policies. During the year, there were no reported incidents of discrimination.

Gender Representation Across Employee Categories in FY 2022/23



Age Group Representation Across Employee Categories in FY 2022/23



PURSUING GENDER EQUALITY

Hela strives to create an enabling culture for women working within the organisation by ensuring that workplace-related policies are gender-sensitive and fair.

Facilities provided to female workers to support their continued employment include the following:

Zero tolerance towards sexual harassment in the work place

Capitals Report

Human and Social Capital

Parental Leave

The Group's policies on parental leave are compliant with regulatory requirements in its countries of operation.

During the year, the Hela Group introduced Paternity Leave and Leave for Child Adoption policies, which are currently applicable to Sri Lankan operations. The new policies are also expected to be rolled out to the Kenyan, Ethiopian and Egyptian facilities in future.

Parental Leave during FY 2022/23	Male	Female
Total number of employees entitled to parental leave	-	301
Total number of employees that took parental leave during the year	3	226
Number of employees that returned to work after parental leave during the period	3	216
Number of employees that returned after parental leave still employed after 12 months of their return	3	216

Paternity Leave

Fathers of newborns will be granted leave for 5 days in order to take on care giving responsibilities at home, while providing emotional support to their partner and being present during the early, challenging days of child care.

Leave for Child Adoption

Mothers who adopt a child will be granted the same amount of leave as provided to other new mothers, in order to support them in settling into their new role.

Free Childcare at Hela Creche

Hela's Kenyan plant provides free on-site childcare for both day and night shift female team members. Children between the ages of 6 months to 3 years are provided with childcare and healthy cooked meals, while qualified staff also conduct early childhood development activities.

Financial Empowerment

Hela encourages financial empowerment of female workers as a means to uplift their quality of life. Hela conducts training and awareness programmes to increase knowledge of financial literacy, income generation, work-life balance and other relevant topics. These are discussed in detail on page 84 of this report, under Driving Social Integration and Career Progression.

Hela Diriliya member showcases his products at a Diriliya Pola

TRAINING AND DEVELOPMENT

The Group equips employees with the right skills and knowledge by providing opportunities for training and development. Non-executive staff benefit from mindset, knowledge and skill training, as well as extensive technical training, where required.

Average Training Hours per Employee by Gender in FY 2022/23	
Male	804
Female	2,535

Average Training Hours per Employee by Category FY 2022/23	
Senior Management and above	261
Executive Staff	323
Non-executive Staff	2,765
Other (includes security and janitorial)	51

Training interventions for executive employees are formulated following a needs assessment carried out by the heads of departments, during the annual appraisal.

All training activities are facilitated by the Group HR function and fulfilled through formal and on-the-job training. The main focus areas for training across the Group are outlined below:

Training Focus Areas for the Hela Group

Induction Training

Developing technical competencies with emphasis on upskilling and reskilling

Soft Skills Development

Mentoring & Knowledge Sharing Sessions

Health & Safety Training

Rs. 12.2 Mn was invested in training.

7,946 employees underwent 129,289 hours of training during FY 2022/23.

29,316 hours of safety training in FY 2022/23

OCCUPATIONAL HEALTH AND SAFETY

Hela provides a safe and conducive work environment for all employees, with strict enforcement of safety procedures. The Group is guided by comprehensive Employee Health and Safety (EHS) policies and procedures, local laws in its countries of operation, and the high workplace safety requirements of its global customers, as well as several compliance certifications.

The Group's compliance and brand protection team acts as a central shared service for ensuring social compliance. Each manufacturing facility also has its own compliance team headed by a Compliance Point Person (CPP) who ensures consistent implementation of all relevant social compliance and health and safety standards at each location.

The CPP also heads the EHS Committee at each manufacturing location, which comprises of departmental representatives who are accountable for identifying and reporting safety concerns. The EHS Committee meets monthly. Employees can also inform their superiors if they identify any work-related hazards.

Occupational health and safety training is provided for all employees and covers a wide range of topics including five safety pillars: Fire, Chemical, Ergonomics, Machine, Maintenance, Electrical Safety, as well as other trainings on PPE, bloodborne pathogens, working at height, and first aid.

MANAGING HEALTH AND SAFETY

- The CPP based at each manufacturing facility conducts monthly safety audits and performs a bi-annual risk assessment to observe potential safety risks. The results are reported to the relevant business heads and further reviewed by the Group's Audit Committee
- Efficacy of the Group's EHS implementation is assessed by periodic compliance-related WRAP & SMETA verification protocols and other annual customer audits
- Ensuring safety of machinery and equipment
- Provision of necessary safety equipment
- Onsite medical services

Capitals Report
Human and Social Capital

All incidents, including those which do not result in any injury, are investigated by the qualified nurse (appointed to the factory) and the relevant compliance executive as per EHS policy. They are also brought to the attention of the District Factory Inspecting Engineer, if required.

Incidents are then documented and graded based on severity. Concerns are escalated to the Deputy General Manager – Compliance & Sustainability or Chief Risk Officer and Group Chief People Officer for further attention. The Health and Safety record for FY 2022/23 is given below:

OHS Incident Record				
Year	No. of reportable injuries	No. of worker-related ill health	Main causes of ill health	Work related fatalities
FY 2022/23	11	13,097	Pains, allergies and infections	0
FY 2021/22	7	11,523	Fever, Cold, Headache, COVID-19	0

EMPLOYEE ENGAGEMENT

Multiple formal and informal mechanisms are in place within the Group to drive employee engagement. Given the challenges faced during the year, the Group's engagement initiatives aimed at strengthening employee morale through targeted initiatives for mental, physical, emotional and economic health.

Work-life Balance	Open-door Policy	Grievance Process	Coffee Sessions and Team Meetings
Annual welfare events to promote work life balance	Employees are encouraged to report their grievances at any time while also facilitating collaboration	Formal grievance handling and disciplinary process should employees wish to escalate any grievances	Ensures effective communication takes place and that employees feel heard, respected and valued

Relationships with Trade Unions

The Group maintains cordial relationships with the trade unions representing employees at the Kenyan and Ethiopian manufacturing facilities. During FY 2022/23, there were no major instances of disruptions to work due to industrial disputes.

Although employees at the Sri Lankan and Egyptian factories are not unionized, the Group has established Employee Councils at all locations to address employee concerns. Employee Councils consist of representatives from all departments, with female participation in membership strongly encouraged.

DRIVING SOCIAL INTEGRATION AND CAREER PROGRESSION

The Group empowers employees through its range of 'Social Capital' initiatives, which support them to pursue their career goals and aspirations, and uplift their lives beyond their day-to-day work. Opportunities are provided for economic independence, while driving social integration. The Group's key initiatives are outlines on the subsequent pages.

Hela employees at a financial literacy training session

Diriliya

"Diriliya is a social capital initiative established by the Hela Group, designed to inculcate an entrepreneurial culture among its employees and develop their business skills."

Overview

Diriliya is a social capital initiative established by the Hela Group, designed to inculcate an entrepreneurial culture among its employees and develop their business skills. Over 14,500 hours of training was provided on quality, manufacturing, financial, legal, selling and people management skills. Training in specific vocational skills, such as needlework, dressmaking, and pottery is also offered through Diriliya.

Further support is provided by creating market spaces for the entrepreneurs to sell their products, while access to external markets is also provided. Hela's in-house Diriliya Pola, which is a farmer's market type monthly pop-up is held across all facilities in Sri Lanka. Diriliya also promotes opportunities for growth through partnerships and collaborations with reputed institutes, including the Academy of Design in Sri Lanka.

The programme proved an invaluable support to Hela's employees during Sri Lanka's economic crisis in 2022. It acted as a means to earn an additional income for the Group's employees, build confidence in their capabilities, and live a more independent life.

Why Diriliya?

- To strengthen the economic resilience of Hela's employees
- Transform the perception of apparel workers
- Build close ties between the leadership and employees
- Homegrown solution to unlock business skills

Highlights

Launched as a pilot project in Sri Lanka	To be launched in Ethiopia and Egypt in the near future	**602** participants in FY 2022/23	Includes a range of business categories including agriculture, apparel, food, household and services





Diri Daruwo

"Diridaruwo is a homegrown solution to support the children of the Hela Group's employees. Scholarships are provided for the children of employees engaged in education at the Secondary and Undergraduate levels."

Overview

Diridaruwo is a homegrown solution to support the children of the Hela Group's employees. Scholarships are provided for the children of employees engaged in education at the Secondary and Undergraduate levels.

The initiative is jointly funded by Tesco and Hela, and is managed by a non-government body, Berendina. In addition to providing financial scholarships, educational programmes are conducted to unlock the potential of these children and help them establish clear career goals.

The programme tracks the progress of scholars by maintaining a document database. This also helps to understand personal goals, discover educational needs and provide the required support to scholars.

Why Diri Daruwo?

- To help unlock the true potential of the scholars and develop employability
- Identify future skill development needs

Highlights

- Launched as a pilot project in Sri Lanka
- **451** scholars benefitted
- Collaboration with NIBM to develop English and IT skills of scholars. **150** students graduated
- Opportunity to visit the Future Minds Exhibition where over **150** individuals were provided individual career counselling
- Collaboration with HCL India for an IT based degree and employment opportunities for **20** scholars

Gender Equality And Returns (GEAR)

BetterWork

"Based on the foundation laid by P.A.C.E., Hela launched the GEAR programme in 2022 together with Better Work, a collaboration between ILO and IFC."

Overview

Based on the foundation laid by P.A.C.E., Hela launched the GEAR programme in 2022 together with Better Work, a collaboration between ILO and IFC. The goal of GEAR is to advance the careers of female team members and unlock career opportunities, while generating additional returns to the company.

Over 300 applications were received for the programme out of which only 44 females were selected following a rigorous selection process. The programme differs from P.A.C.E. in that the technical skills of candidates were developed, in addition to their soft skills. Individual coaching was also provided to every single trainee.

GEAR focuses on developing two categories of employees

1. Team members – To support them in advancing to supervisor roles
2. Supervisors- To support them in advancing to Executive roles

Why GEAR?

- Unlock career opportunities for women
- Improve operational performance and productivity
- Increase female representation in leadership positions

Highlights

Conducted by Better Work, a collaboration between ILO and IFC

44 candidates were selected

Programme has a duration of 6 months

Launched in **3** Hela manufacturing facilities in Sri Lanka

In recognition of the impact made, Hela is being featured on the international GEAR campaign via Betterwork

Capitals Report

Human and Social Capital

Personal Advancement and Career Enhancement (P.A.C.E)

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

"P.A.C.E is an evidence-based comprehensive learning programme that offers training in professional and life skills development for team members."

Overview

P.A.C.E. is an evidence-based comprehensive learning programme that offers training in professional and life skills development for team members.

The programme modules are designed to inculcate essential life skills that participants can take into their personal and professional lives. Although the syllabus is primarily targeted at females, Hela has extended the programme to include males in order to ensure a gender-balanced approach.

Modules Covered

- Communication
- Problem solving & decision making
- Time and stress management
- Water, sanitation and hygiene
- Execution excellence
- Financial literacy
- General reproductive health
- Legal literacy and social entitlement

Gender roles and personal safety is embedded in all the modules.

Highlights

Conducted in collaboration with PVH Corp.

Conducted in Sri Lanka, Ethiopia and Egypt.

Target to train **5,620** female garment workers by 2024

3,053 team members (2,770 female) trained since the introduction of the of this programme to Hela in FY 2019/20

Hela was recognised for "Impact and ROI" at the South Asian PVH Workshop in January 2023

Key P.A.C.E. Milestones in FY 2022/23

- Hela became the First apparel manufacturer to implement the P.A.C.E. programme in Egypt
- Conducted a knowledge sharing workshop in Turkey to share the Group's experience of implementing the P.A.C.E. programme
- Participated in a panel discussion at the South Asian Vendor Workshop on the current practices and future developments of the programme with 7 other organisations that conduct the P.A.C.E. programme in Sri Lanka, Bangladesh and India

Hela Social Capital Graduation Ceremony 2022/23

Hela's Social Capital Graduation Ceremony was held during the year to formally recognise individuals and teams in the Sri Lankan manufacturing plants for their hard work in participating in the Group's social capital initiatives, as well as their dedication and commitment towards the organisation.

The Purpose	Outcomes Achieved
- Reward and recognise the participation and contribution to the Group's social capital initiatives - Provide a platform to showcase the talents of Hela's employees - Thank key partners for their contribution and unstinted support to uplift lives	- Enhanced motivation of team members to strive further to achieve their life goals - Stronger engagement with external partners - Recognised avenues to expand social capital initiatives both locally and globally

Created healthy competition between teams

Graduation ceremony for over 1,300 people

Customers, business partners and other key stakeholders were invited

A platform to showcase the talents of our people

> The Hela Group aims to build impactful relationships with its employees and the wider community through engagement and development initiatives that create a positive environmental, social and economic impact

BUILDING COMMUNITY RELATIONSHIPS

The Hela Group aims to build impactful relationships with its employees and wider community through engagement and development initiatives that create a positive environmental, social and economic impact. Each manufacturing facility engages with their local community in conjunction with their employees to ensure good relations are maintained. During FY 2022/23, a number of locations in Sri Lanka took the initiative to support the needs of school children in rural areas through the donation of essential items for their education, such as books, sports goods, and musical instruments. Other key community engagement initiatives are highlighted below.

Community Engagement Highlights for FY 2022/23

Medical equipment donations, free medical checkups and awareness programmes - Rs. 1.2 Mn investment

Stationery, sports equipment and team uniform donations, as well as transport for A Level students during Sri Lanka's fuel crisis - Rs. 800,000 investment

Donations to the general public - Rs. 480,000 investment

Other donations for religious and environmental initiatives - Rs. 200,000 investment

Free medical checkups for Hela Employees in Kenya

Hela Ethiopia's donation to a children's orphanage

OUTLOOK

The Hela Group is cognisant of the role played by its employees in driving the Group towards its strategic objectives. As a 'Social Capital Company', Hela will continue to invest in human and social capital development initiatives, making every effort to build a team that is skilled, motivated, and that supports the long-term business needs of the Group. Key focus areas will be expansion of the P.A.C.E. programme to the community, partnering with PVH to launch the BSR, HER and STOP projects, as well as launching *Diriliya* and *Diridaruwo* in Ethiopia, Kenya and Egypt.

Manufactured Capital

Team members from Hela Ethiopia

The Group's Manufactured Capital, comprising its physical infrastructure and technology, plays a vital role in the value creation process, enabling continuous and consistent production at high levels of quality. Enhancing Hela's manufacturing capabilities to incorporate new technologies is also a key means of attracting and retaining customers.

Strategic Priorities

- Ensure reliable operations and optimise capacity utilization through zero downtime and extended asset life span
- Implement business process improvements to drive operational efficiency and cost reductions
- Invest in automation and digitalisation to increase productivity and reduce waste
- Nurture a productive and motivated engineering team
- Drive improvements in environmental footprint

Factory floor at Hela Indochine Apparel, Ethiopia

MANUFACTURED CAPITAL INPUTS	HOW WE TRANSFORMED VALUE (STRATEGIC ACTIONS)	OUTPUTS
10 directly operated manufacturing facilities spread across Sri Lanka, Ethiopia, Kenya and Egypt	- Focus on margin improvement by driving operational excellence, as well as optimisation of capacity and working capital management	95 Mn + pieces of apparel produced
Rs. 9.0 Bn of Property, Plant & Equipment	- Drive operational and cost efficiencies through automation process re-engineering, and digitisation - Invest in production capabilities	Over 60% reduction in machine downtime
Capacity of approximately 10 Mn Standard Hours	- Expand and optimise multi-country manufacturing to offer clients lead time and cost benefits - Drive improvements in environmental footprint	Maintaining Acceptable Quality Limit (AQL) of 0.65

Capitals Report

Manufactured Capital

Management Approach

- The Hela Group invests a significant portion of its financial resources to enhance its manufacturing capabilities. Machinery and equipment are regularly upgraded, while advanced technologies and automation equipment is introduced where the requirements justify the investment.
- Investment proposals are evaluated using technical, social, environmental and financial criteria to ensure alignment with the Group's overall strategic objectives and goals. The Board provides direction on all expansion plans and plant upgrades, while dedicated technical and engineering teams within the Group coordinate their introduction and maintenance across its manufacturing facilities.

STRENGTHENING MANUFACTURED CAPITAL

The Hela Group continued to strengthen its manufacturing capabilities during FY 2022/23, through improvements in its built infrastructure, machinery and equipment upgrades, and integration of new digital systems, focused towards supporting the Group's strategic aspirations. This enabled the continued delivery of sustainable and innovative apparel supply chain solutions across an expanding range of product categories and consistent high level of quality, which satisfy the needs of key stakeholder groups – most notably, the Group's customers.

The expansion of production capacity at Hela's Egyptian manufacturing facility, which commenced operations in late FY 2021/22, was a key development during the year under review. This has been well-received by the Group's customers as it provides a competitive 'nearshoring' proposition that reduces delivery lead times, enabling more active inventory management.

Elsewhere across the Group's manufacturing footprint, capacity expansion was limited during the year, due to the volatility in operating conditions and availability of sufficient internal capacity to fulfill existing demand. As such, the key focus during FY 2022/23 was on optimising the existing capacity through productivity enhancing upgrades to the existing machinery base, as well as automation initiatives. The overall manufacturing footprint was reduced from 11 to 10 facilities, via the amalgamation of two nearby production facilities in Sri Lanka during the latter months of the year, which supported improved cost efficiency.

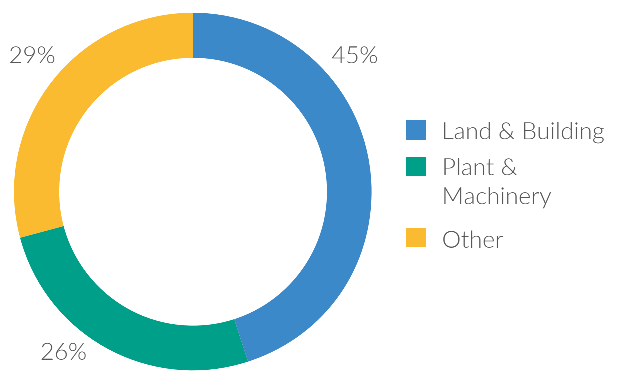
KEY FOCUS AREAS

Production Technology

The Group's manufacturing facilities are equipped to provide world class manufacturing solutions, producing a comprehensive range of products across the Kids Wear, Active Wear and Intimate Wear product categories. This includes technically complex products, such as ladies bras and technical outdoor jackets.

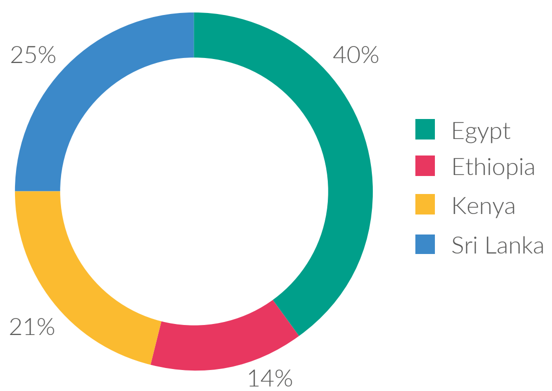
Property, Plant & Equipment in FY 2022/23

%



Capital Expenditure by Region in FY 2022/23

%



The majority of the Hela Group's production technology is manual, with sewing machines accounting for the largest share. However, the Group has increased its focus on driving automation of key processes to benefit from cost efficiencies and increased productivity. Investments in automated fabric spreaders and cutters across the Group's manufacturing facilities are key examples that have enhanced efficiency in the fabric cutting process. Hela also collaborates with a number of external partners to ensure access to specialised manufacturing technologies when required by its customers. These include embellishment, ultrasonic sewing, and bonding, and the introduction of these technologies is managed by a dedicated technical team that also operate the Group's sampling facilities. The Group's engineering team is responsible for ensuring regular maintenance of all machinery and other infrastructure, to ensure minimum machinery downtime.

Digital Infrastructure

The Hela Group's manufactured capital also includes physical infrastructure to support digital integration, including computers, data centres, local and wide area networks, and peripheral devices which facilitated the smooth implementation of the SAP S/4HANA Fashion Enterprise Resource Planning (ERP) system during FY 2022/23.

In addition, Hela has developed a pioneering Manufacturing Execution System (MES), which is one of the first such systems to be integrated with the SAP S/4HANA Fashion ERP system and extends the group's digital transformation efforts to the factory level. In recognition of this landmark development, Hela won the Industry 4.0 award at the Dare to Dream Awards 2023, held in partnership with SAP and John Keells IT. Building on this success, the organisation plans to continue collaborations with global SAP implementation partners to offer the MES to other companies in the manufacturing sector implementing the SAP S/4HANA Fashion ERP system.

Quality Control

Quality is a key focus area throughout the manufacturing process and is monitored at various points, from the initial sourcing of input materials to the inspection for defects at the end of each production line, upon the packaging of goods and immediately prior to shipment. Each sewing line is manually monitored by production managers and line-based data is input into a production tracking software.

Flexibility

Each of the Hela Group's manufacturing plants generally specialises in the production of a particular type of product for the purpose of increased efficiency. However, the Group has the flexibility to change the products manufactured between plants, when required, at relatively low cost through conversions or transfers of machinery between manufacturing facilities.

Investments in the Group's manufacturing infrastructure also enable flexibility in order to meet customers' unique requirements. The Group has the capability to produce technical and salesman samples, bespoke small order quantities, or large-scale bulk orders. Its in-house sample rooms are used to trial production of new products and ensure a smooth introduction to the Group's manufacturing facilities.

An overview of the Group's directly-operated manufacturing facilities is given on the following pages:

Key Aspects of the Hela Manufacturing Execution System

All key manufacturing performance indicators, including standard hours and efficiency, are automatically calculated and directly shared with the integrated SAP S/4HANA Fashion ERP system	Automated single source for inventory tracking from raw materials to finished good, including embellishment, ensuring near real-time visibility of production for all users	Robust governance and tracking mechanisms to ensure continuous compliance and to mitigate risk	Cloud based system, ensuring global visibility and business continuity

Sri Lanka

Hela's largest manufacturing footprint is in Sri Lanka. The country's reputation as an ethical apparel manufacturing hub, provides the Group with duty free access to the EU and UK as well as in-depth experience in design, manufacturing, and operations.

6 Manufacturing Facilities

Current capacity	**4.6 Mn** Standard Hours
Product focus	Intimate Wear Active Wear Kids Wear
Enhancements during the year	- Installation of biomass boilers at Palapathwala and Thihariya - Auto cutter and spreader installation in Mawathagama

Kenya

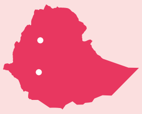
Hela Kenya is the Group's largest manufacturing facility outside of Sri Lanka and employs over 4,000 team members. The facility is also one of the most extensive apparel manufacturing facilities in the country, accounting for approximately 20% of Kenya's total apparel exports.

1 Manufacturing Facility

Current capacity	**2.9 Mn** Standard Hours
Product focus	Intimate Wear Active Wear
Enhancements during the year	- Investment in physical infrastructure for the new Manufacturing Execution System

Ethiopia

Having commenced operations in Ethiopia with 150 team members in 2017, the Group expanded its operations within the country in 2021 by acquiring its second manufacturing facility and its first focused solely on bras, the most technical product in the intimates wear category.



2 Manufacturing Facilities

Current capacity	1.8 Mn Standard Hours
Product focus	Intimate Wear
Enhancements during the year	- Installation of auto cutters

Egypt

The latest addition to Hela's global manufacturing footprint, this 275,000 sq. ft. facility employs over 2,000 people. The facility offers competitive nearshoring advantages to key markets such as Europe and North America.

1 Manufacturing Facility

Current capacity	1.1 Mn Standard Hours
Product focus	Intimate Wear | Active Wear | Kids Wear
Enhancements during the year	- Installation of auto cutters and spreaders - Installation of strip cutter and fabric rewinding machine - Installation of semi-automatic fabric inspection machine

Capitals Report

Manufactured Capital

Hela Narammala Manufacturing Facility in Sri Lanka

> The Hela Group is conscious of the environmental impact of its manufacturing process and closely monitors such impacts. The Group also seeks to actively invest in responsible and sustainable solutions that minimise the impact on the environment

ENVIRONMENTALLY RESPONSIBLE MANUFACTURING

The Hela Group is conscious of the environmental impact of its manufacturing process and closely monitors such impacts. The Group also seeks to actively invest in responsible and sustainable solutions that minimise the impact on the environment.

Key Initiatives

- Replaced diesel boilers at the Palapathwala and Thihariya manufacturing facilities with biomass boilers, thereby driving a reduction in the Group's carbon footprint
- Sustainable sourcing of biomass to power the boilers
- Investment in solar power generation at 3 manufacturing facilities

An Auto Cutter at Hela Thihariya


Biomass Pellets

39% of Hela's energy requirements are sourced through renewable sources. In Sri Lanka, rooftop solar power plants have been set up in 3 factories and contributed 2.2 Mn kWh to the National Grid in FY 2022/23, while 3 biomass boilers with a total capacity of 2.8 tonnes are operational in 3 factories. Refer to the Natural Capital section for further details.

WAY FORWARD

The Hela Group will continue to focus on the strengthening its manufacturing capabilities during the current financial year based on similar focus areas to ensure enhanced 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.

Relationship Capital

Tellef Thorleifsson – CEO of Norfund, during his visit to Hela Kenya

The Hela Group is committed to nurturing strategic partnerships with its customers and suppliers. These relationships are built on mutual respect, trust and accountability, and strengthen the Group’s Relationship Capital. They also strengthen the organisation's resilience to external shocks and improve its overall agility.

Strategic Priorities

- Ensuring mutually beneficial strategic collaborations beyond manufacturing
- Increasing customer penetration
- Building supply chain resilience through regionalisation of the supply chain
- Supplier integration and collaboration
- Supporting empowerment

A team from Hela's Grandpass office in Sri Lanka

HUMAN CAPITAL INPUTS	HOW WE TRANSFORMED VALUE (STRATEGIC ACTIONS)	OUTPUTS
A compelling and competitive customer value proposition	- Acquire new customers and increase penetration with existing customers - Pursue growth in new and non-traditional markets	New customers onboarded
Dedicated customer service teams	- Build a strategically fit supply chain - Achieve preferred vendor status across key customers	Multiple customer awards
	- Build strategic partnerships with customers by offering fashion forward, bespoke designs that meet respective brand qualities	45% increase in Africa-for-Africa raw material sourcing
A regionalised, robust supplier network	- Drive social and environmental compliance	Payments of Rs. 66 Bn to suppliers

Capitals Report

Relationship Capital

Management Approach

- The Hela Group's overall management approach is relationship-centric across all stakeholder groups. Nonetheless, this is particularly important among its customers and suppliers, and the Group gives strategic priority to building, strengthening and sustaining the trust and confidence of these parties.
- A comprehensive set of policies, together with the systems and processes in place, guide employee and management actions. The Group practices fair trade and gives assurance on product quality and product labelling, as well as ensuring responsible marketing and communications. During the year, there were no reported incidents of corruption or fraud and no penalties for non-compliance with laws or regulations pertaining to socio-economic compliance, including customer health and safety, marketing, labelling information or communications.

BUILDING STRATEGIC CUSTOMER PARTNERSHIPS

The Hela Group has evolved beyond the traditional 'cut and sew' business model of apparel manufacturing to become an end-to-end supply chain solution provider for its customers, offering services ranging from design to distribution.

Customer Value Proposition

Flexibility & Reliability
The Group has the flexibility to produce customised order quantities and meets customer demands for quality, speed and timely delivery through its reliable supply chain.

Africa-focused Supply Chain Advisory Services
Actively supporting customers to develop their supply chains in Africa from fibre to garment through strategic collaborations.

Sustainability & Traceability
Hela provides sustainable products and solutions to the market, which are combined with traceability across the supply chain.

Collaborative Design & Innovation
Adopting a collaborative design and innovation process focused on creating hero products.

Tailored Logistics & Distribution Services
Capacity to curate custom solutions for logistics and distribution based on customer requirements and expectations.

Direct and Seamless Engagement
On-site Hela staff at strategic customer locations, ensure brand requirements are understood and shared with Hela's global team promptly.

White space-focused Sales Development
Proactively looking for gaps and opportunities for new products or services.

Striving to serve its customers better, the Group continuously tests new supply chain models to reduce delivery times and foster innovative collaborations through its global footprint. In addition, recent investments in digital capabilities and the strengthening of its design and technical functions have increased collaborations on product innovation. These activities have been realised in relationships with customers that are strategic, rather than transactional, and have given Hela a significant advantage over its competition.

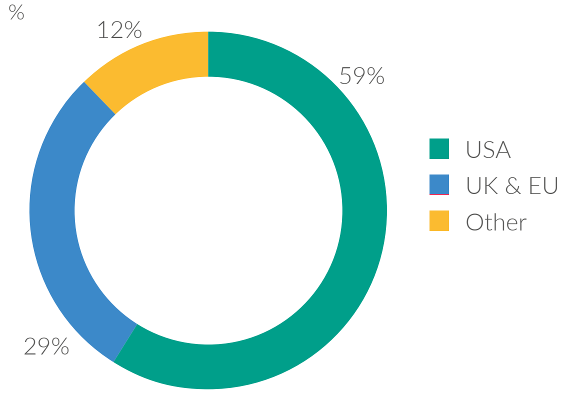
The Group's strategic collaborations with customers also extend beyond manufacturing and include long term partnerships aimed at driving employee empowerment and community upliftment, such as P.A.C.E. and *Diridaruwo*. (Refer pages 84 to 88.) These progammes have succeeded in strengthening customer relationships through meaningful engagement on a wide range of areas.

Customer Engagement and Satisfaction

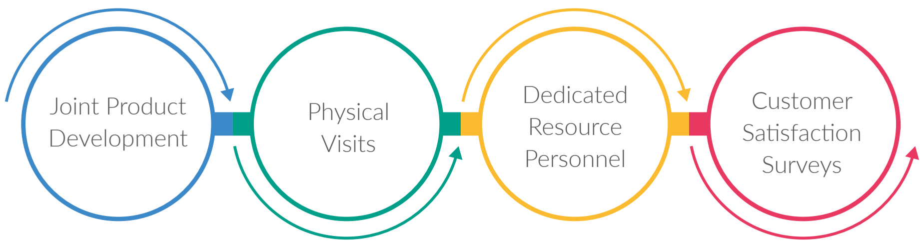
Hela's performance and customer satisfaction is measured through independent evaluations conducted by the customer themselves, and is based on multiple criteria including quality, lead time and on-time delivery. Feedback from these evaluations helps the Group to take corrective action and improve customer satisfaction.

The Group has a strong and well-established customer base. (Refer page 12 About Hela Group for list of key buyers)

Hela Group Revenue by Shipping Destination in FY 2022/23



Customer Engagement Focus Areas



Retaining Customer Confidence in FY 2022/23

Retaining customer confidence is crucial to sustaining the Group's strategic customer partnerships and is a key focus for the management. This requires continuously high levels of service and communication, which all employees contribute towards.

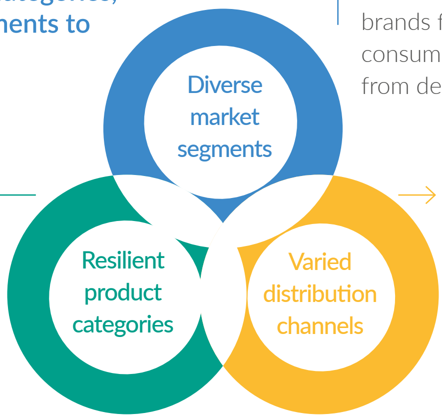
Political and economic volatility in Hela's operating countries is a key challenge to maintaining customer confidence, which is largely outside of the Group's control. This was particularly the case during FY 2022/23 as a result of the severe economic crisis in Sri Lanka, which contributed towards fuel shortages, routine power cuts, logistics delays, and social unrest.

The Hela Group, as well as the wider apparel manufacturing industry in Sri Lanka, made significant efforts to ensure that the impact on operations and customer delivery commitments was extremely limited. Proactive and regular communication with both customers and suppliers was also crucial to maintaining confidence and minimising long-term reputational damage for the Sri Lankan industry. In addition, the Group continued to leverage its global manufacturing facilities to meet client expectations on order fulfilment.

Flagging demand due to the economic downturns in the Group's major export markets in the latter months of FY 2022/23 was another critical challenge during the year. This intensified competition between apparel suppliers as total order volumes reduced and major brands became more cost conscious. Nonetheless, the Group's strategic customer partnerships remain a key strength for Hela to effectively secure its order book and maintain capacity utilisation.

A Diverse Customer Base to Support Demand Security

The Hela Group has consciously built a diverse customer base across varied product categories, distribution channels and market segments to support demand security



Hela's customer portfolio encompasses luxury and lifestyle brands, as well as mass market brands focused on more cost-conscious consumers. This mitigates the risks to the Group from demand shifts in particular market segments

Hela's product focus ensures it is less susceptible to shifts in fashion trends or major economic cycles, particularly in the Intimate Wear and Kids Wear categories. It also benefits from the long-term growth trajectory in demand for Active Wear

The Group's customer base encompasses a range of distribution channels, from supermarkets to direct-to-consumer ecommerce channels. This further reduces demand risks by ensuring diversified exposure to a range of channels

Supply Chain Management

ENSURING AN AGILE & ROBUST SUPPLY CHAIN

Hela's supply chain is central to the Group's business model and value proposition. The ability to consistently meet customer commitments, remain competitive and continue to evolve sustainably depends heavily on the strength and reliability of its supply chain.

Therefore, the Hela Group has implemented a formal supply chain management programme, to identify strategically aligned supply chain partners and build sustainable long-term partnerships. The Group's supply chain team maintains a high level of engagement with these suppliers, adopting a shared value approach to business, that facilitates mutual growth.

During the year under review, a procurement committee, chaired by the Group CEO, was established to centralise the Group's procurement function and enable economies of scale in sourcing decisions. The ongoing digitalisation of procurement processes and integration of digital tools such as FastReact with the new SAP S/4HANA Fashion ERP system, is expected to simplify and streamline processes, reduce transactional costs further and improve raw material lead times.

SUPPLIER SELECTION AND ENGAGEMENT

The Hela Group's suppliers are required to uphold the Group's values, and high social and environmental standards. The Group adopts stringent guidelines and tools for supplier selection, and requires all suppliers to contractually commit to complying with the Hela Supplier Code of Conduct as part of the onboarding process.

OVERVIEW OF HELA'S SUPPLY CHAIN

- **85%** of Hela's average annual procurement spend is on routine items such as fabrics, trims and packaging for the manufacture and supply of core apparel products
- The remaining **15%** is for suppliers and service providers who provide ancillary products and services such as embroidery, printing and washing
- Approx. **25%** of total fabric purchases are from certified sustainable sources, including by organisations such as the Better Cotton Initiative

HELA CODE OF CONDUCT FOR SUPPLIERS

- Legally binds all suppliers at the point of onboarding
- Prescribes that they meet all applicable legislative requirements including those relating to child labour, minimum wage levels, health and safety standards, and environmental management
- Obligates suppliers to act ethically and fairly, and uphold fundamental business and human rights, including fair labour practices, anti-bribery and corruption requirements; and to be transparent in their business practices

> **The Hela Group has implemented a formal supply chain management programme, to identify strategically aligned supply chain partners and build sustainable long-term partnerships**

The Group's comprehensive evaluation process involves stringent vetting of supplier capabilities and credentials. Areas of focus include quality, on-time delivery, innovation capabilities, certifications, upstream and downstream capacity, and transparency of information flow.

SUPPLY CHAIN RISK MANAGEMENT

The Group's supply chain team employs management tools such as demand planning, supplier integration, and risk forecasting to enable effective and efficient management of suppliers. It also works closely with key fabric suppliers to understand risks and advise suppliers on appropriate mitigation strategies to help them plan their production capacity and enable the Hela Group to meet its commitments to customers.

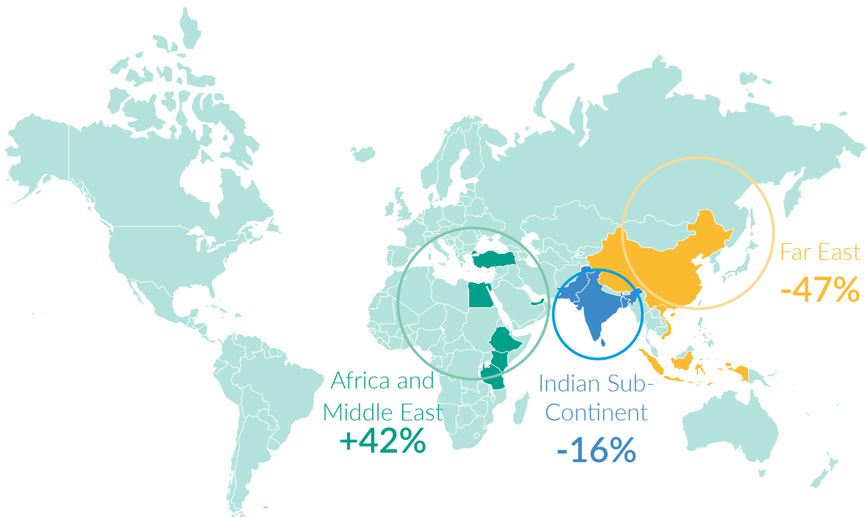
During the year, effective management of the Hela Group's supply chain was of critical concern, following disruptions to global supply networks from the challenging macro-economic environment, continued shortage of containers in East Asia, COVID-19 lockdown restrictions imposed on several provinces in China and the impact of the Russia-Ukraine conflict. Proactive risk mitigation strategies, close engagement with suppliers and maintenance of a diverse, reliable and in-country supply base minimised operating challenges and ensured product quality and timely delivery.

SUPPLY CHAIN REGIONALISATION

The Hela Group continued its supply chain regionalisation strategy during the year, as a key pillar of the management's approach to ensuring an agile and robust supply chain. The Group seeks suppliers with significant location proximity to Hela's manufacturing facilities, allowing it to benefit from improved supply chain agility and reduced lead times for delivery of critical raw materials. Cost benefits from lower stock holding and reduced logistics costs are added advantages.

Mutually beneficial partnerships with these suppliers have resulted in a significant increase in the share of procurement from the Indian Sub-Continent and Africa for Hela's manufacturing facilities located in these regions.

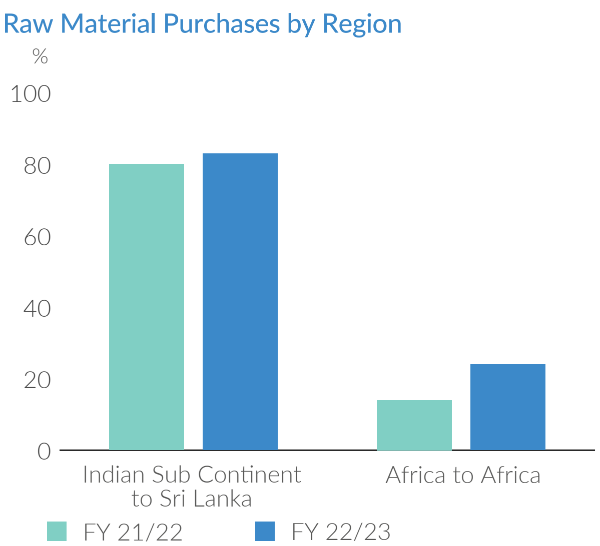
Change in Sourcing by Region During FY 2022/23 (% Change from Previous Year)



Relationship Capital

Supplier Engagement Activities

Continuous and ongoing communication, and frequent vendor visits to maintain engagement.	Supplier scorecards to monitor the performance of key suppliers on critical aspects, including quality, delivery, and information sharing. Areas for improvement are subsequently discussed with the relevant suppliers	Routine supplier audits, including announced and unannounced on-site inspections of production facilities. Non-conformities identified are discussed with suppliers, and Hela provides them with guidance and support to assist them in taking necessary corrective action.	Routine due diligence activities to confirm suppliers' adherence to social and environmental best practices, and compliance with product regulatory guidelines.	Collaborations with suppliers to promote raw material innovation covering performance and sustainability. (More on page 64, Natural Capital)



The Group's also formalised it Africa-focused supply chain development activities during FY 2022/23, with the establishment of the Interlock Africa Initiative.

RESPONSIBLE SOURCING

Ensuring responsible sourcing of raw materials is an important element of the Hela Group's environmental and social footprint. The Group's suppliers are therefore considered critical partners in this respect, contributing to the ongoing and sustainable growth of the business.

Hela encourages its suppliers to voluntarily adopt environmental and social benchmarks including Oekotex 100, Organic Content Standard, Global Organic Textile Standard and the Global Recycle Standard. In addition, the organisation is is committed to increasing its sourcing only from suppliers aligned to responsible standards such as the Better Cotton Initiative.

Sachith Balage, Hela's Director of Group Sourcing & Supply Chain with H.E. Mrs. Anisa Kapufi Mbega, High Commissioner of the United Republic of Tanzania to India

Interlock Africa

As an extension of its regionalisation strategy, the Hela Group has established the Interlock Africa initiative to continue its pioneering role in driving the development of the regional supply chain for the export-orientated apparel manufacturing sector in Africa. The long-term objective of the initiative is to establish a comprehensive and self-sufficient supply chain for the apparel manufacturing sector in Africa, which extends all the way to raw fibres and draws on the region's ample supply of cotton.

Hela has proactively sought to build strategic relationships with existing regional suppliers committed to serving the export sector, by sharing demand forecasts, and supported them to meet the necessary standards by providing technical and management support. It has also provided financing support to enable expansion of their operations. As another important pillar of the initiative, Hela has leveraged its existing strategic partnerships with leading global suppliers to encourage them to establish operations in Africa.

Key Focus Areas

- Strategic relationship building
- Technical & management support
- Investment facilitation
- Financing support

The Hela Group's also launched a Cotton Fibre Sourcing policy in 2022, which outlines the Group's expectations of suppliers in relation to the sourcing of cotton fibres, and demonstrates its commitment to ongoing due diligence to maintain the traceability of its supply chain. Moreover, the Group has adopted the US Cotton Protocol to standardise its methodology for the assessment of sustainably grown cotton.

- **> 80%** of procurement spend of the Group's Sri Lankan operations is from the Indian Sub-continent
- **+ 45%** increase in procurement spend from Africa-to-Africa regional sourcing

Hela Group's Supply Chain Focus Areas

OUTLOOK

The Hela Group will continue to focus on bolstering its customer engagements strategy, as a key strength of the organisation. These relationships are also critical in supporting the organisation in the context of a challenging operating environment.

From a supply chain perspective, the focus will remain on driving further progress on the Group's four supply chain focus areas.

Intellectual Capital

Hela employees in discussion

The Hela Group's Intellectual Capital comprises of its brand, tacit knowledge, systems and processes, together with its design expertise and innovation capabilities. This is a key driver of sustainable growth, providing the Group with a competitive advantage in terms of operational excellence, industry expertise and brand reputation.

Strategic Priorities

- Enhance reputation through brand building initiatives
- Drive environmental sustainability through product and process innovations
- Leverage technology to drive productivity and efficiencies
- Invest in skills enhancement and knowledge sharing initiatives
- Benchmark processes and systems to international best practices

SAP team at Hela Indochine Ethiopia

INTELLECTUAL CAPITAL INPUTS	HOW WE TRANSFORM VALUE (STRATEGIC ACTIONS)	OUTPUTS
The Hela brand	- Implementation of Digital Core Project underpinned by SAP S/4HANA Fashion ERP system	New product and process innovations
Systems, standards and processes	- Strengthen design capabilities	Approximately 30% design hit rate
Tacit knowledge and experience of the team	- Grow new product categories with higher contribution margins	New product accreditations
In-house sample rooms	- Enhance reputation through brand building initiatives	Increase in brand value and recognition
Dedicated technical and design teams	- Benchmark processes and systems to international best practices	

Capitals Report

Intellectual Capital

Management Approach

The management nurtures the Group's intellectual capital base by investing in systems and processes, increasing brand visibility and ensuring a culture of learning and knowledge sharing.

THE HELA BRAND

The Hela Group has established its brand globally as a sustainable, ethical and innovative apparel supply chain solution provider in the Intimate Wear, Active Wear and Kids Wear product categories. The Brand has become a preferred partner for major global fashion retailers, as a reliable, established and high-quality apparel manufacturer, with a competitive global manufacturing footprint to meet diverse customer needs. The Group is also well recognised for its deep-rooted focus on environmental sustainability and community empowerment in nurturing social capital. Key initiatives such as P.A.C.E. and GEAR are strategic collaborations with international organisations that contribute to its global reputation as a leader in socially responsible manufacturing.

Awards and accolades further strengthen the brand and reflect the Group's commitment to pursuing excellence and maintaining high standards. (Please refer page 14 for Awards and Accolades)

SYSTEMS, STANDARDS AND PROCESSES

Hela complies with a range of standards and certifications related to product quality and safety, as well as environmental and social responsibility, strengthening the internal processes of the Group. This serves as a form of assurance to stakeholders regarding the robustness and credibility of the Group's operations. (Refer page 13 for details on compliance and product certifications)

DIGITAL TRANSFORMATION

The Group's investments in digital infrastructure, including a cloud first and mobile first strategy for storage and advanced software, has contributed to the strengthened capabilities and enhanced productivity of its operations.

SAP S/4 HANA

For example, the use of AI-generated 3D models in CAD software has eliminated the need to produce several samples of the product for buyer selection and review, reducing fabric wastage, while expediting the design process.

The implementation of SAP's S/4HANA Fashion Enterprise Resource Planning (ERP) system, the central pillar of the Hela Group's digital transformation strategy, which began in July 2021, was completed in April 2023. The cloud hosted system supports the creation of a streamlined 'Digital Core' for the Group, enabling Hela to be more data-driven and agile in navigating business challenges, while serving its customers better. It is noteworthy that Hela Group is the first apparel company in Sri Lanka to implement the SAP S/4HANA Fashion ERP system.

Hela has also developed a pioneering Manufacturing Execution System (MES), which is one of the first such systems to be integrated with SAP S/4HANA Fashion ERP system and extends the digital transformation to the factory floor. Please refer to the Manufactured Capital section on page 92 for further details on the MES.

ORGANISATIONAL TACIT KNOWLEDGE

The Group has nurtured an invaluable talent base of tacit knowledge and collective industry experience. The skills and expertise of its employees underpins the Group's competitive edge and contributes to its success as one of the fastest growing apparel manufacturers in the industry. Leveraging its industry expertise, the Group expanded production facilities

Benefits of the 'Digital Core"

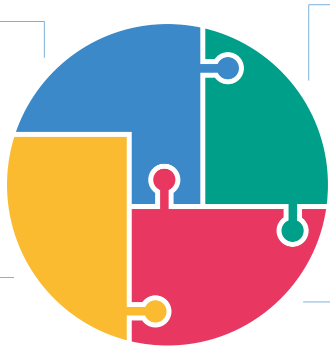
- Ensuring consistency in systems used across multiple locations of the Group
- Improvement in on-time delivery by enabling real-time inventory visibility and order confirmation
- Streamlining of operations to reduce lead times, drive cost reductions and improve efficiencies
- Additional data analytics and business insights for decision making,
- Robust disaster recovery systems
- Reduced cyber vulnerabilities

> Implementation of SAP's S/4HANA Fashion Enterprise Resource Planning (ERP) system, the central pillar of Hela Group's digital transformation strategy, which began in July 2021, was completed in April 2023

to pioneer apparel manufacture in East Africa. Setting up its first factory in Kenya in 2016, revenue from Africa has grown to account for over 50% of total group revenue today.

Hela Enterprise Process & Digital Solutions Team (EPDS), Sri Lanka

Organisational Tacit Knowledge of the Hela Group



Skills and Expertise of the Leadership Team
The Group boasts an experienced and skilled leadership team, who have been involved with multiple acquisitions over the past 5 years

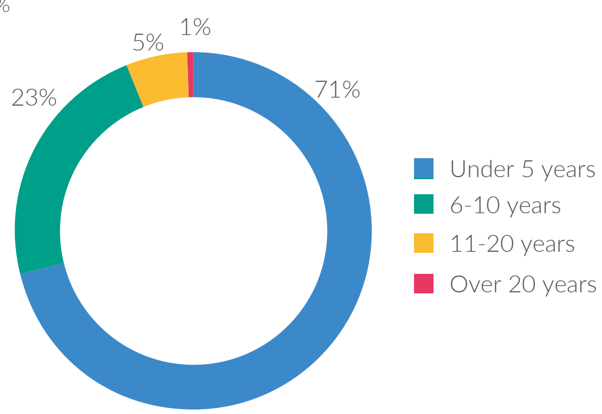
A Culture of Knowledge Sharing
The learning culture within the Group encourages employees to think out of the box while empowering them in their roles

Strong Learning Propositions
Rs. 12.2 Mn investment in Training and Development to enhance the skills of employees

Tenure of Service
29% of employees have completed more than 5 years of service, nurturing their knowledge and experience within the Group

Tenure of Executive-level Employees as of FY 22/23

%



Hela employees at a SAP knowledge sharing session

Capitals Report

Intellectual Capital

INNOVATION AND DESIGN

The Group operates four design centres located in Sri Lanka, the US, UK and France. These centres lead the Group's product development work, supported by a team of data scientists who track evolving consumer preferences and provide market intelligence, thereby maintaining a pulse on global fashion trends. The design teams also regularly engage in face-to-face interactions with the Group's key clients to build relationships and better understand each brand's unique features. Client insights are shared with Hela's global teams.

Hela's development capabilities are driven by the technical and design teams. Both teams are supported by sample room facilities at the Company's Head Offices in Sri Lanka, where new technologies and products can be tested. Fashion forward hero products are designed and developed, bespoke to each brand. The increase in design hit rate over recent years confirms the Hela Group's sharpened expertise in design.

Emerging technology such as 3D design and fitting facilitates seamless collaboration between in-house designers and client teams to expedite commercialisation of these concepts.

In recognition of Hela's design expertise and high-quality production, the Group has secured licensing and approval from leading Brands including Disney to produce their branded merchandise.

Innovation is key to achieving sustainable growth and maintaining a competitive edge. The Hela Group works in close collaboration with its customers, as well as suppliers to develop material, product and manufacturing innovations. The Group also proactively explores means of driving circularity, reducing wastage and improving efficiency.

OUTLOOK

Integration of existing and new systems with the SAP S/4HANA Fashion ERP system will optimise business processes and consolidate Hela's Digital Core, supporting organisational growth. The Group will also look to further enhance the systems in place in order to enable seamless integration into customer and supplier systems.

Technical Team

Coordinates the introduction of new technology required to manufacture a particular product or to improve the efficiency of the existing production process. They also liaise with third parties to explore collaborations in additional technologies, such as bonding or ultrasonic sewing.

Design Team

Collaborates with customers on developing new products, carrying out cost engineering based on customer requirements and identifying fabric requirements, enabling the Group to continuously meet customer expectations.

The Group is conscious of the need to nurture its intellectual capital and will continue to strengthen it through targeted investments in the medium and long term.

SAP training session at Hela Egypt

Corporate Governance & Risk

partnerships

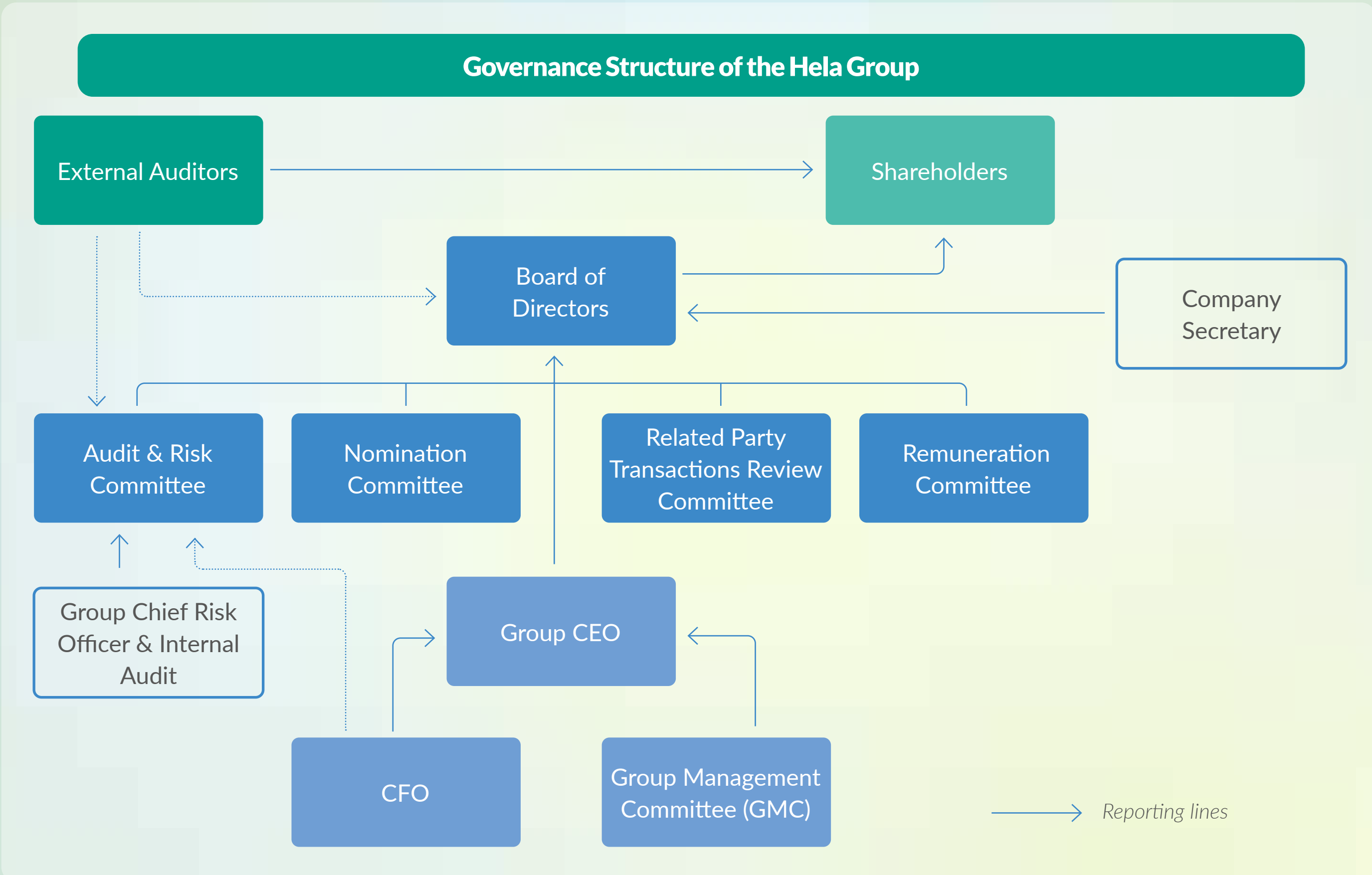
OF RESPONSIBILITY

Corporate Governance

The global challenges of FY 2022/23 continued to test the resilience of corporate governance frameworks across the world. At the Hela Group, the Board of Directors remained focused on strengthening the organisation's governance framework, while being led by its core purpose as it navigated the evolving operating environment.

APPROACH TO GOVERNANCE

The Board of Directors has established robust governance practices and frameworks that underpin the Hela Group's operations. These are aligned to the Group's core values and drive a culture of accountability, proactive risk and performance management, as well as strategic agility. Supporting integrated thinking, the framework seeks to reconcile the interests of the Hela Group, its stakeholders, and wider society in creating and protecting sustainable value.



The following internal and external instruments support the Hela Group's Corporate 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 Institute of Chartered Accountants of Sri Lanka (2017)	- Articles of Association - Board and Commitee Charters - Group Policies and Code of Conduct	- Strategic Planning - Budgeting and Finance - Risk Management - People Management - IT Governance - Stakeholder Engagement

COMPLIANCE

The Hela Group and its Board of Directors are conscious of their duty to comply with all laws, regulations, regulatory guidelines, internal controls and approved policies, and has implemented controls to provide reasonable assurance of its compliance.

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 in. During the year under review, there were no material penalties or fines imposed on the Hela Group, or its Directors, for contraventions of any laws or regulations.

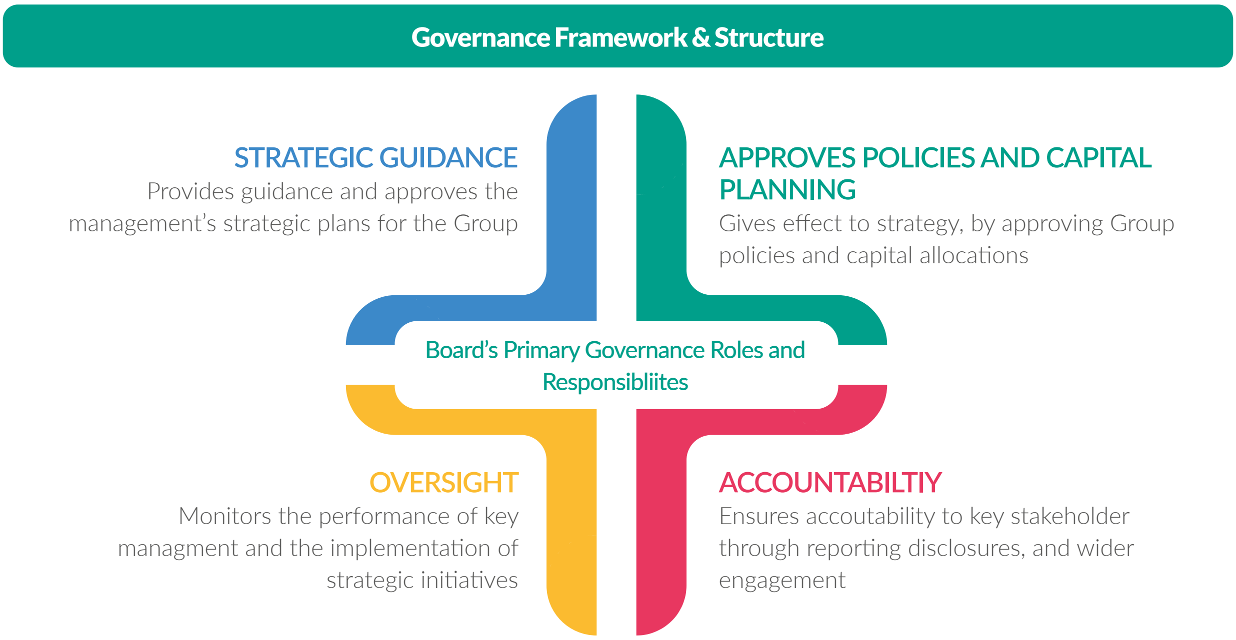
Governance of the Hela Group in FY 2022/23

During FY 2022/23, the Board of Directors engaged proactively with the management, providing leadership to navigate the exceptionally challenging operating environment. The Board spent a considerable amount of time assessing the risks to the Hela Group, its impact on stakeholders, and proposed business plans as presented by the GMC. The individual Director's insights supported collective decision making by the Board, and all parties continued to be guided by the Group's values and commitment to its purpose.

In addition to standard agenda items, the Board focused on the following key topics during FY 2022/23:

- Increased oversight in managing the risks to the Group arising from the challenging operating environment, including evaluating business continuity plans
- Assessing the impact of significant government policy measures in the Group's operating countries, including increases in utility tariffs, interest rates and income tax, and considering mitigation steps
- Increasing engagement with key stakeholders to retain customer and investor confidence
- Evaluating progress made on the Hela Group's social capital programmes and the impact of the challenging operating environment on the wellbeing of the Group's employees and wider community
- Providing oversight to the Group's digital transformation project, including the implementation of the SAP S/4HANA Fashion Enterprise Resource Planning (ERP) system

Corporate Governance



The Board of the Hela Group provides leadership and assumes collective responsibility for the overall governance, performance, strategy and affairs of the organisation. It has delegated specific oversight responsibilities that warrant greater attention to four Board sub-committees. Mandates and committee composition are summarized on page 119. All committee mandates were reviewed during the year to align with the provisions of relevant statutory and regulatory requirements, and to enhance effectiveness in the discharge of their respective duties.

The Group CEO is accountable to the Board for delivering the agreed strategic goals of the Group. They lead the corporate management team in the design and implementation of Hela Group's strategic plan and provide regular reporting on key matters to enable effective oversight by the Board. The Board also ensures that Key Management Personnel (KMP) are competent, and have the requisite skill, knowledge, and experience to carry out their duties. Strategically-aligned Key Performance Indicators (KPI) set by the Board also drive performance and the achievement of objectives.

KEY BOARD RESPONSIBILITIES

- Provide strategic direction
- Monitor implementation of strategy
- Set corporate values and promote ethical behaviour
- Establish systems of risk management, internal control, and compliance
- Be responsive to the needs of 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

BOARD SIZE

8

The number of Board members was increased from 7 to 8 during FY 2022/23, encouraging healthy debate while meeting good governance practices.

DIVERSITY OF EXPERTISE	# Members
Apparel	2
Private Equity	3
Finance	2
Business leadership	1

AGE DIVERSITY

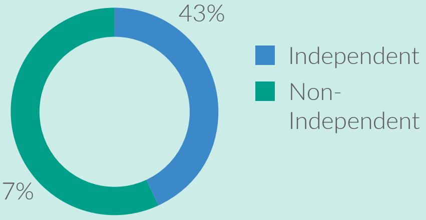
Well represented, balancing experience and perspectives.

Median Age

INDEPENDENCE

Independence of NEDs

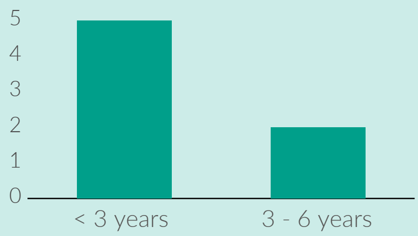
%



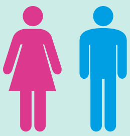
DIVERSITY OF NON-EXECUTIVE TENURE

Sound balance between continuity and new expertise and insights.

Diversity of Non-Executive Tenure



GENDER DIVERSITY



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

The Board of Directors comprises of 8 members, 3 of whom are Independent Directors. An additional 3 non-executive members of the Board are employees of Rianta Capital, the investment advisor to the Group's largest shareholder, Lesing Hela Limited.

The Directors represent diversity in skills, expertise, industry experience and demographics, thereby contributing diverse thinking to the Board and enhancing the overall depth and quality of discussions. The Board's Non-Executive Directors are eminent professionals in their respective fields. Please refer to pages 26 to 29 for brief profiles of each member of the Board of Directors.

Corporate Governance

Financial Acumen

The Board has sufficient financial acumen and knowledge to offer guidance on matters of finance. Two directors, including the Chairman of the Audit & Risk Committee, are finance professionals, while other members of the Board are experienced in handling matters related to finance through leadership in numerous organisations.

Board Refreshment

Board refreshment allows for the introduction of members with new skills, insights and perspectives, while retaining valuable industry knowledge and maintaining continuity. The Board is refreshed periodically through new appointments, retirements and resignations.

BOARD REFRESHMENT IN FY 2022/23

New Appointments

- Mr. Shlomo Doron (NED) w.e.f. 05 October 2022
- Mr. Shesan Khan (NED) w.e.f. 05 October 2022 (In addtion to his role as Alternate Director to Dr. Alastair Alderton)

Resignations

- Ms. Aroshi Nanayakkara (INED) w.e.f. 31 August 2022

Appointments

- Directors are appointed by the Board following a formal and transparent process, and based on recommendations made by the Nomination Committee. Newly appointed Directors are formally elected by the shareholders at the subsequent Annual General Meeting.
- The Nomination Committee makes recommendations to the Board on new appointments having considered the combined knowledge, experience and diversity of the Board in relation to the Group's strategic plans.
- Appointments are communicated to the CSE and shareholders through market announcements and include a brief resume of the Director.

Retirement/Resignation & Director Tenure

- Directors may serve on the Board until they reach an age of seventy (70) years, in line with the provisions of the Companies Act of 2007.
- Notice has been given to Shareholders pursuant to Section 211 of the Companies Act of 2007, of the intention to re-appoint Mr. A.R. Rasiah not withstanding the age limit of seventy years.
- Resignations or removal, if any, of Directors and the reasons are promptly informed to the CSE through market annoucements.

Board Committee	Mandate	Composition	No. of Meetings Held
Audit & Risk Committee Refer page 146 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	10
Nomination Committee Refer page 154 for the Report of the Nomination Committee	Make recommendations to the Board on all new appointments and nominate board members for positions within the subcommittees of the Board as and when required	Total Directors - 4 INED - 2 NED* - 2 ED - 0	4
Remuneration Committee Refer page 150 for the Report of the Remuneration Committee	Formulate and review 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	1
Related Party Transactions Review Committee Refer page 152 for the Report of the Related Party Transactions Review Committee	Assess all transactions with related parties to ensure that they are treated on par with other stakeholders	Total Directors - 5 INED* - 3 NED - 2 ED - 0	4

**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 held through BoardPAC a digital board meeting solution and the procedure relating to meetings is set out below. Directors allocate sufficient time and attention to matters of the Board and the Group.

Beginning of the Year

- The schedule for Board and Subcommittee meetings is established at the beginning of the financial year, and notice is given to Directors through the distribution of an annual calendar of meetings

Agenda

- The Company Secretary sets the agenda in consultation with the Chairman
- Directors submit proposals to the agenda for discussion at Board meetings
- Agenda items are prioritised and timed to ensure all items are discussed

Board Paper Compilation and Circulation

- Board papers are prepared and electronically circulated to Directors through the BoardPAC platform at least 7 days prior to the next scheduled meeting, providing sufficient time for review
- A single Director can call for a resolution to be presented to the Board if deemed necessary

Board Meetings

- Board meetings have certain standard items such as performance updates, risk assessments, progress on social capital projects, and updates from Sub-committee Chairpersons.
- Members of the Management Team are invited for Board meetings to provide additional clarifications if required.
- All proceedings of the meetings are minuted, including Directors' dissenting views if any

Post Meeting

- The Company Secretary prepares the minutes and circulates among Directors through the secure BoardPAC platform within 7 days of the meeting.
- Minutes are adopted at the subsequent Board meeting.
- Follow up action is taken on outstanding matters

BOARD & SUB-COMMITTEE COMPOSTION

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) (Alternate Director to Dr Alderton)	05 October 2022	☑		☑		
Ms. Aroshi Nanayakkara (INED) Resigned w.e.f. 31 August 2022	20 February 2019	☑	☑	☑*		☑

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

Balance of Power

There is a clear division of responsibility between the Board and executive leadership, thereby ensuring a balance of power and authority, and ensuring that no individuals have unfettered powers. The Chairman is responsible for conducting the business of the Board while the Group CEO has oversight on executive responsibility for management of the Group's business.

Chairman

Role

- Leads the Board, preserving good corporate governance, and ensuring that 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 meetings
- Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Directors
- Monitoring the effectiveness of the Board

Group CEO

Role

- Accountable for implementation of the Hela Group's strategic plans and driving performance

Responsibilities

- Appointing and assessing the performance of the senior management team, and ensuring appropriate succession planning
- Developing the Group's strategy for consideration and approval by the Board
- Developing and recommending to the Board financial budgets supporting the Group's long-term strategy
- 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 for the Group which is appropriate for the execution of its strategy
- Ensuring 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 integral to the effective functioning of the Board of Directors. Secretarial services to the Board were provided by P W Corporate Secretarial (Private) Limited until 31 January 2023. Ms. Jansenidevi Kuhanesan was appointed as the Company Secretary with effect from 01 February 2023.

The Company Secretary guides the Board on discharging 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;
- Prompt communication with regulators and shareholders; and,
- Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.

All Directors have access to the advice and services of the Company Secretary. Appointment and removal of the Company Secretary is a matter for the Board.

Directors' Independence

Three out of seven Non-Executive Directors are deemed independent. The Board has determined that these three Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules.

Definition	Assessment	Outcome
- Independence is determined against the criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with Schedule K of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017	- Independent assessment of directors is conducted annually by the Board, based on annual declarations and other information submitted by Non Executive Directors	- The Board is satisfied that there are no relationships or circumstances likely to affect or appear to affect, directors' judgement during the period under review

Directors Interests and Related Party Transactions

Directors declare their business interests at appointment and quarterly thereafter. Details are maintained in a Register maintained by the Company Secretary. The Register is available for inspection under the terms of the Companies Act. Directors have no direct or indirect interest in a contract or a proposed contract with a Group company other than those disclosed on page 211.

The Related Party Transactions Review Committee considers all transactions that require approval, in compliance with the relevant regulations, ensuring transactions are fair and in the best interest of the Hela Group. Related party transactions of the Group are disclosed in Note 16 to the financial statements on page 211.

Conflict of Interest

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of matters set before them.

Directors notify the Board promptly of any conflicts of interest they may have in relation to items of business or other Directorships. Directors excuse themselves from consideration of matters in which a conflict may arise.

Informed Decision Making

Good decision-making requires possessing the right knowledge. The Hela Group's reporting and information systems ensure that the Board receives relevant and objective information, in a timely manner. The implementation of the SAP S/4HANA Fashion ERP system will support the Board further in its decision making, providing real time, high level data analysis and business insights, with the facility to drill down to required details.

The Chairman ensures all Directors are adequately briefed on issues arising at meetings. Directors are entitled to seek independent professional advice, coordinated 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 KMPs and visit key operating locations	- Directors' understandings of key matters and risks for the business are supported on an ongoing basis. Board members undertake professional development as they consider necessary, in assisting themselves to carry out their duties as Directors

Delegation of Responsibility to Executive Management

Responsibility for implementation of strategy, overall performance, and the management of the daily affairs of the Group has been delegated to the Group CEO by the Board. The Group CEO is supported in his role by the GMC. The GMC is open and transparent with the Board and escalates concerns to the Board's attention in the appropriate forums and in a timely manner.

All functional departments are headed by competent individuals and are adequately resourced. KMPs are empowered to take decisions within the defined framework and are expected to act in accordance with the Group's values and Code of Conduct.

RESPONSIBLE AND FAIR REMUNERATION

The Board strives to ensure that remuneration is fair and responsible. No Director is involved in deciding their own remuneration.

Remuneration Policy

The remuneration policy of the Hela Group aims to attract and retain a highly qualified and experienced work force, and nurture a performance-driven culture. Remuneration packages offer compensation commensurate with each employee's role, level of experience and expertise, and in line with industry norms.

Level and Make Up of Remuneration

Remuneration of the Executive Director is linked to the achievement of the Hela Group's strategic objectives and is based on clear performance standards set at the beginning of each 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 (RC) is responsible for making recommendations to the Board regarding the remuneration policies of the Group. Please refer to page 150 for the Report of the Remuneration Committee. Remuneration is recommended having considered performance and risk factors entailed in the job and considering individual, team, and overall Group performance.

The Board as a whole determines the remuneration of Non-Executive Directors based on the recommendations of the Remuneration Committee who receive a fee for being a Director of the Board, and an additional fee for being a member of a committee. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.

Services of HR professionals are sought when required by the Board and the Remuneration Committee in discharging their responsibilities. Payment of remuneration to Directors is disclosed on page 211 of this report.

Appraisal of Group CEO

The short, medium and long-term objectives, including financial and non-financial targets, that 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 backdrop of the operating environment, and remuneration is revised based on performance.

RESPONSIBLE CORPORATE CITIZENSHIP

As a social capital company, the Board of Directors is committed to creating an ethically conducive culture and demonstrating responsible business conduct.

Respect for Human Rights

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

The Group is committed to implementing internationally agreed upon 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.

Corporate Governance

The Hela Group's policies seek to harness the full potential of all employees by creating a healthy working environment that enables employees to work without fear of prejudice, gender bias or any form of harassment. These 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 a zero tolerance approach towards sexual harassment or other forms of harassment, child labour and forced labour, amongst others issues.

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's intention is to make respecting human rights an integral part of daily operations.

Further, safeguarding human rights throughout the sphere of the Group's influence is an important element of Hela's commitment to delivering social value through core activities. The Group encourages all suppliers and business partners to implement policies similar to that of the Hela Group. Prospective suppliers are required to accept the Hela Group's Code of Conduct for Suppliers prior to onboarding.

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

Diversity, Equal Opportunity and Gender Parity

The Board is committed to promoting equal opportunities and fair employment practices across all of the Group's operations. The Hela Group embraces diversity and equal opportunity as two key pillars in its approach to building social capital. Each individual is appreciated for their value and the positive impact to productivity and creativity that diverse perspectives lend. As an equal opportunity employer, the Group does not discriminate on the basis of gender, marital status, religion, race, or disability.

At the non-executive staff level, the workforce is predominantly female. The Hela Group is focused on economically empowering these female workers to uplift their lives. The Board supports projects conducted across the Group such as *Hela Diriliya* and P.A.C.E. (refer to pages 85) which provide technical know-how, skills training and resources to support empowerment.

Female gender representation is lower in other categories of employees. The Hela Group strives to redress gender imbalances by adopting family friendly work practices, as disclosed on page 74, and supporting work-life balance. These policies support employees who are also caregivers to balance their professional and family commitments, and fulfill 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 portrayals limits the aspirations, expectations, interests and participation of girls and women in society, contributing to negative outcomes in health and wellbeing.

Code of Conduct

The Hela Group takes pride in holding itself to high ethical standards. The Group's Code of Conduct provides a clear framework within which employees are expected to act to ensure professionalism, discipline and ethical business conduct. The Code applies to all employees of all companies within the Hela Group, including key management personnel.

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

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
- Conflicts of Interest and Loyalty to Hela Group
- Procedure for Notifying Breaches of the Code of Conduct

Anti-Bribery and Corruption

The Hela Group is committed to upholding honesty and integrity in all its business activities, which includes measures to prevent the risks of bribery, fraud and theft.

The Group has zero tolerance to corruption. As a signatory to the UNGC, Hela's approach is underscored by its commitment to the 10th principle of Anti-Corruption.

The Group's Anti Bribery and Fraud Policy sets clear standards for identifying, preventing and reporting bribery and fraud, and is applicable to all employees of the Hela Group. The Group's Code of Conduct further demonstrates its commitment to zero tolerance of fraudulent or unethical practices. Hela's suppliers are also held to the same standards and the Group requires suppliers to contractually commit to its Supplier Code of Conduct, which prohibits any form of bribery and corruption.

The Policy and Code of Conduct are supported through internal control systems and procedures in areas where risk of bribery and corruption may be present. Controls are reviewed at least annually to ensure suitability, adequacy and effectiveness of the systems in place.

The grievance handling policy, as disclosed below, provides a mechanism through which employees can report suspected acts of corruption or breaches of the policy or Code of Conduct.

During the year, the Group conducted training programmes amongst executive employees to increase awareness of the policy and this will be expanded to cover all categories of employees in FY 2023/24. The policy is also available on the Group's online HR System, which is accessible by all employees. The policy was last reviewed in January 2021.

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, unacceptble gifts and hospitaliy; political contributions	Defines thresholds for what is an acceptable gift as well as procedures and reporting requirements	Describes stakeholders' responsibilties 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

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unethical or unlawful behaviour. The Hela Group's Grievance Handling policy enables anonymous reporting regarding possible acts of corruption; breaches of Group policies, code of conduct or internal controls; inappropriate financial reporting, or other issues that may require internal investigation. A step ladder system has been established in notifying grievances. If an employee is of the opinion that their grievance has not been adequately addressed, it can be directly forwarded to the Group CEO or Chairman, as applicable. A two-way communication will be established for any follow-up needed on the concerns raised.

Sustainability Governance

The Hela Group's commitment to sustainability has remained unwavering, driven by its purpose 'To provide solutions to the stakeholders we serve through the principles of our focused social capital criteria centered on Equality, Inclusivity and Climate Stability'. Over the past year, the Hela Group has progressed in developing a firmer foundation to identify, manage and measure progress across the respective focus areas. Development of an Environmental, Social and Governance (ESG) strategy is on-going with individual strategies, policies, targets and accountability being determined across identified sustainability pillars.

BOARD ACCOUNTABILITY

Risk Management and Internal Control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance, and are monitored and regularly reviewed for effectiveness by the Board. The Board increased the rigor of oversight functions in managing risks as the operating environment continued to be uncertain and challenging. A robust assessment of the principal risks was carried out at year end, and mitigating strategies identified. Please refer to Risk Management report on page 136 for further information.

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

Committee on a regular basis. The Board is satisfied with the integrity of the financial information and the soundness of the internal controls and systems of the Hela Group.

Accountability & Audit

Hela Apparel Holdings PLC has presented balanced and understandable financial statements which give a fair view of the performance and financial position of the Company on a quarterly and annual basis. In the preparation of Financial Statements, the Company has complied with the requirements of the Companies Act No 07 of 2007 and requirement 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 to the Integrated Reporting Framework published by the International Integrated Reporting Council and Global Reporting Initiative (GRI) Standards on Sustainability Reporting.

Chairman's Statement pages 19 to 21

Group CEO's Review pages 23 to 25

Capitals Report pages 56 to 112

Risk Management pages 136 to 139

Information Technology & Cyber Security

The Board of Directors is cognisant of the benefits of agility, scalability, and innovation that digital platforms provide. As part of the Hela Group's digital transformation strategy, the Board approved investment in the cloud-based SAP S/4HANA Fashion ERP system in July 2021 for a cost of approximately US$ 4.8 Mn. A number of existing and new applications, including customer platforms and AI solutions will be integrated with the SAP system to create a 'Digital Core'. The system is expected to deliver solutions that will enhance employee, management, as well as customer and supplier experience.

The Board gave oversight to the implementation of the system during the year. The rollout was carried out across the Group on a cluster basis, and the cutover implementation was completed by March 2023. The ERP system has been integrated with the existing and new systems of the Group and a host-to-host solution with a key banker.

Safeguarding Information Systems

The SAP S/4HANA Fashion ERP system and other digital assets are hosted on a cloud platform that has been implemented with an architecture to safeguard and protect its' information assets taking into consideration the cyber vulnerabilities. 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 with mobile device management systems are enforced with features such as geo-fencing on these devices within each operational location.

Disaster Recovery and Management

As a cloud-hosted system, SAP S/4HANA Fashion ERP system is implemented with disaster recovery as part of the

IT GOVERNANCE STRUCTURE:

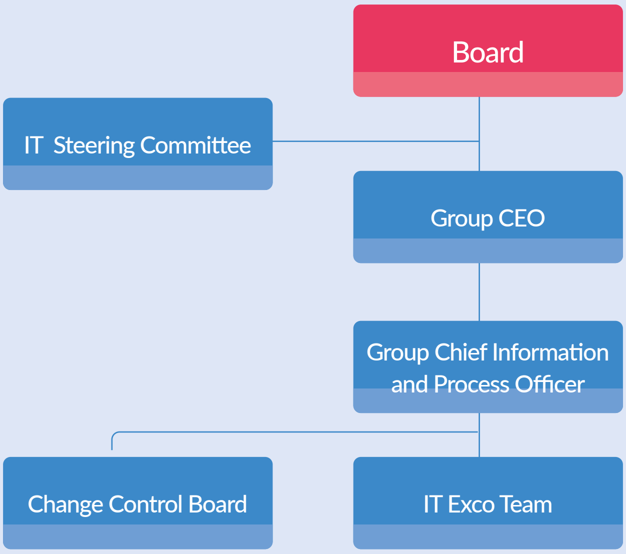
Board of Directors – The Board bears ultimate responsibility for the IT strategy. IT governance and cyber risk is a recurring item on its meeting agendas, and the Group Chief Information and Process Officer regularly updates the Board on progress made on the Digital Core project.

IT Steering Committee - Established in 2021 to strengthen governance and provide oversight to the IT and digital transformation strategy. The committee's key responsibilities include delivery of the Group's IT strategy, as well as risk and issue management. It met twice monthly prior to the go-live of the SAP S/4HANA Fashion ERP system, and currently meets once per month.

The committee is chaired by the Group Chief Information and Process Officer, and includes the Chairman of the Board of Directors, Group CEO, Cluster CEOs, Group CFO, Group Advisor, and project sponsors. 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 the development of the Group's information and technology and process strategy, as well as safeguarding the Group's information assets and operational systems. They also lead the Group's digital transformation and process improvement projects, driving towards the establishment of the Hela Operating System (H2O).

EPDS Exco Team – The Enterprise Process and Digital Solutions (EPDS) Exco Team is responsible for the implementation of the Digital Core project, the HR360 Program, and the delivery of the Group's Digital and Process Strategy. Key activities include design and implementation of the rollout programme, process change management, soft skills and technical training, process and systems audits. Monthly meetings are held as an Exco, with weekly project and strategic program meetings.



Change Control Board (CCB) – The CCB was established at end FY 2022/23 to oversee the management of system adoption and system change requests post go-live with the SAP S/4HANA Fashion ERP system. The CCB reviews proposed changes, assesses their impact on the project objectives, the benefit for the Company, and takes the decision to approve or reject. The Group CEO and Group Adviser are copied on the decisions taken, and these are tabled at GMC meetings if required. The CCB comprises of Cluster CEOs, nominated business experts and digital and process leadership from EPDS.

architecture, in order to ensure minimal downtime for disaster recovery. Incremental backups are automated to execute every 20 minutes and a full back up is taken daily.

Governance of Group Companies

The Board seeks to establish a common standard of corporate governance across Group subsidiaries. Alignment of governance practices and processes is reinforced by the appointment of the Chairman, Group CEO and other Directors of Hela Apparel Holdings PLC to the Boards of subsidiaries.

Taxation

The Hela Group is committed to being a responsible taxpayer that pays its fair share of tax within industry norms. The Board reviewed the amendments to applicable tax regulations during the year and their impact to the Group. Compliance with all applicable tax regulations was monitored and full transparency ensured.

RELATIONS WITH SHAREHOLDERS

Shareholder engagement

The Board is conscious of its responsibility towards shareholders and is committed to fair disclosure, with an emphasis on the integrity, timeliness and relevance of the information provided. Such reporting enables shareholders to assess performance effectively and make informed decisions.

Shareholders and investors are engaged through multiple channels of communication, including the following;

- Annual General Meeting (AGM) (shareholders only)
- Annual integrated report
- Interim financial statements
- A dedicated investor relations page on the Group's website
- Notification of key events through announcements to the CSE
- Quarterly investor forums are held by the Group CEO, CFO, and investor relations team, with public shareholders, including key institutional investors, in attendance. Views of the shareholders are communicated to the Board by the Group CEO
- Shareholders can also query the Board and management, through representations made to the Company Secretary whose contact details are provided on inner back cover of this report.

Corporate Governance

Communication with Shareholders

Constructive use of Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to shareholders, and provides an opportunity for shareholders' views to be heard. The Board Chairperson, Board members (particularly Chairpersons of Board Sub-committees), Group CEO, key management personnel and external auditors, are present and available to answer questions.

The 2022 AGM was conducted via a virtual format. All shareholders, were given the opportunity to submit any questions to the Board and Management in real time.

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.
- All statutory requirements have been complied with in the Annual Report and the audited financial accounts have been reviewed and recommended by the Audit & Risk Committee, and approved by the Board of Directors, prior to publication.
- External audit assurance is obtained, to enhance credibility.

Communication with Shareholders via AGM

Prior to the AGM

- Notice of the AGM, other related documents and proposed resolutions, and voting procedures are circulated to shareholders a minimum 15 days prior to the AGM
- This allows sufficient time for all shareholders to attend the AGM

At 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

After the AGM

- Details of the key resolutions passed at the AGM are communicated to the CSE
- Minutes of the meeting are available to shareholders on request from the Company Secretary

ANNEX 1: 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 Group Companies & Directorate
Section 168 (1) (b)	Financial statements for the accounting period completed and signed in accordance with section 152	Yes	Financial Statements
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	Notes 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	Notes to the Financial Statements
Section 168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
Section 168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Group Companies & Directorate
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 3 (c) 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	Financial Statements/ 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 6 (a) and 6 (c) 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 6 (a) and 6 (c) to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A	
(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	N/A	Notes to the Financial Statements

ANNEX III- STATEMENT OF COMPLIANCE UNDER SECTION 7.10 AND SECTION 9.3.2 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE: DISCLOSURES ON CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTIONS, RESPECTIVELY

Mandatory Provisions – Fully Compliant

Rule No.	Subject	Requirement	Complied	Reference within the Report
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	Board Composition
7.10.2(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	Directors Independence
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR)	Yes	Directors Independence Board of Directors
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of independence, if criteria specified for independence is not met	N/A	
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board of Directors
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Board of Directors
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Directors Independence
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	Remuneration Committee Report
7.10.5(a)	Composition of Remuneration Committee	RC Shall comprise of NEDs, a majority of whom will be independent. One NED shall be appointed as Chairman of the committee by the Board of Directors	Yes	Remuneration Committee Report
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	Remuneration Committee Report
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report	Yes	Remuneration Committee Report Note 16 (c) to the Financial Statements
7.10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Audit & Risk Committee Report

Corporate Governance

Rule No.	Subject	Requirement	Complied	Reference within the Report
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent	Yes	Audit & Risk Committee Report
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Yes	
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Yes	
7.10.6(b)	Audit Committee Functions	Should be as outlined in Section 7.10 of the Listing Rules	Yes	Audit & Risk Committee Report
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee	Yes	Audit & Risk Committee Report
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Yes	
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Yes	
9.3.2	Related Party Transactions Review Committee	a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Report of the Related Party Transactions Review Committee
		b). Details pertaining to Recurrent Related Party Transactions	Yes	Report of the Related Party Transactions Review Committee
		c) Report of the Related Party Transactions Review Committee	Yes	Report of the Related Party Transactions Review Committee
		d). Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of 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

Voluntary Provisions: Compliant with the majority of the Code, to the extent of business exigency

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	Yes	Compliance
	Independent professional advice	Yes	Informed Decision Making
A.1.4	Access to advice and services of the Company Secretary	Yes	Company Secretary
	Appropriate insurance cover for Directors and KMPs	Yes	The Company has appropriate insurance cover for KMPs according to the Group Insurance Policy
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 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	Yes	Board Profiles
A.5.7 & A.5.8	Senior Independent Directors	N/A	
A.5.9	Annual meeting with NEDs	Yes	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	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	Not adopted	

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.			
B.1	Establish 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 Annual Report	Yes	
	- Remuneration Policy statement		Responsible and Fair Remuneration
	- Aggregate Board remuneration paid		Note 16 (c) to Financial Statements
	- Remuneration Committee report		Remuneration Committee report
C.			
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.			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Communication with Shareholders
D1.1	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,	Yes	Directors' Responsibility for Financial Reporting
	Statement on internal control	Yes	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 Repot 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 and other investors,	Yes	Relations with Shareholders
G.			
	Internet of Things & Cybersecurity	Yes	Information Technology and Cyber Security
H.			
	Principals of Sustainability Reporting	Yes	Sustainability Governance

BOARD MEETING ATTENDANCE

	25.05.2022	28.06.2022	26.07.2022	23.08.2022	05.10.2022	30.11.2022	26.01.2023	09.02.2023	24.02.2023	24.03.2023	Total
Mr. A R Rasiah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. P L D Jinadasa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Dr. Alastair Alderton	✓	✓	✓	×	✓	×	✓	×	✓	✓	7/10
Mr. Patrick Schleiffer	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	9/10
Mr. Gayan Gunawardana	✓	×	✓	✓	✓	✓	×	✓	✓	×	7/10
Ms. Trisha Peries	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Shlomo Doron*	-	-	-	-	✓	✓	✓	✓	✓	✓	6/10
Mr. Shesan Khan*	-	-	-	-	✓	✓	✓	✓	✓	✓	6/10
Ms. Aroshi Nanayakkara**	✓	✓	✓	✓	-	-	-	-	-	-	4/10

**Appointed as a Member with effect from 5th October 2022*

*** Resigned w.e.f 31st August 2022*

Risk Management

As the COVID-19 pandemic came to an end, the global risk landscape continued to evolve rapidly on multiple fronts during FY 2022/23. This revealed several familiar and unfamiliar economic challenges in the global as well as the local context, testing the capabilities of the Group's risk management function. The Board of Directors remained vigilant throughout the year ensuring that the Group mitigated the risks and seized opportunities in this dynamic environment.

GOVERNANCE OF RISK MANAGEMENT

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.

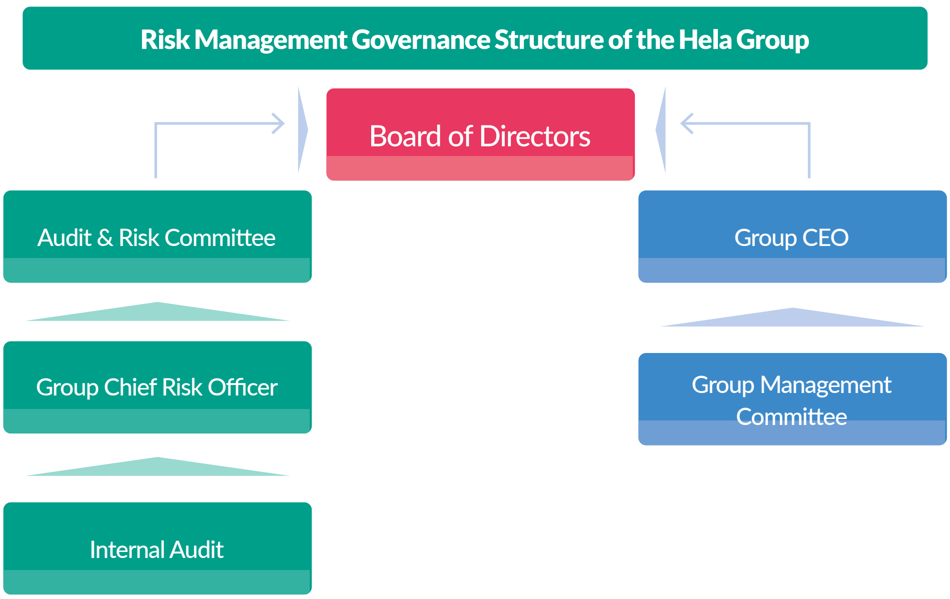
Internal Audit also plays a key role in providing assurance to the Board on the effective functioning of the risk management framework, including internal systems and controls.

RISK MANAGEMENT PROCESS

The risk management process seeks to increase awareness of potential and actual risks across the Company, and therefore begins with a communication and consultation process, as set out on the subsequent page..

Risk identification is initiated through a careful review of the principal uncertainties being faced by the Hela Group, which may negatively impact the growth of its business, solvency or liquidity. The Audit & Risk Committee actively governs and engages in the risk identification process, where potential risks are identified via ongoing engagement with key stakeholders of the business.

A standardised risk register has also been adopted to assess and evaluate risks. The intensity of an identified risk is determined at three levels (i.e. low, medium, and high), based on the likelihood of occurrence and the potential impact as reflected in the Risk Intensity Matrix shown below..



Risk Intensity Matrix

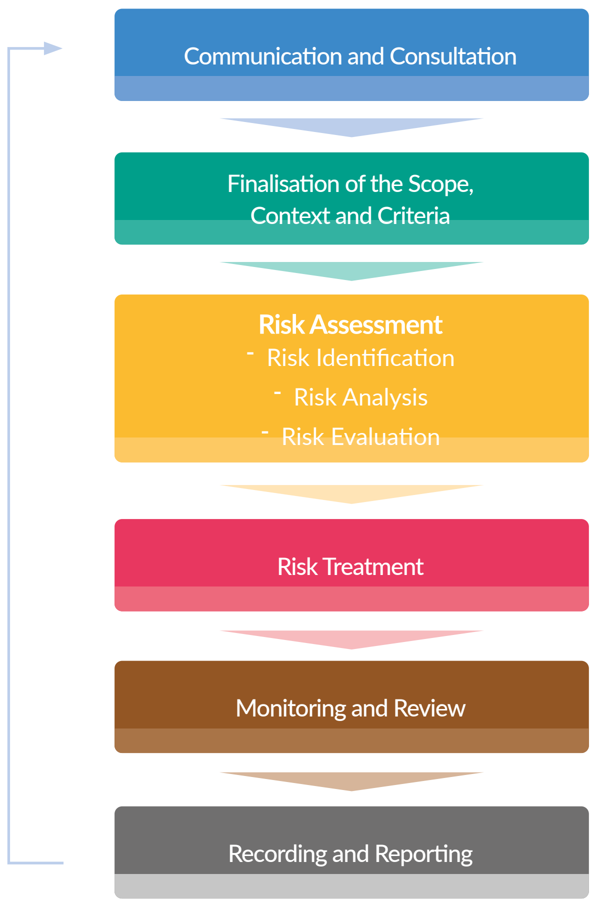
IMPACT				
	High (3)	3	6	9
	Medium (2)	2	4	6
	Low (1)	1	2	3
		Low (1)	Medium (2)	High (3)
		LIKELIHOOD		

In line with the organisation's risk quantification and prioritisation framework, each risk is assigned with a unique score. A dedicated risk management plan is developed with assigned risk owners and risk managers. In addition, emerging risks arising from the volatile global, regional and local geopolitical landscape are constantly monitored by the Management and Board Committees with a view to ensure implementation of timely and comprehensive risk mitigation practices.

The risk register is validated on an annual basis by the Group Management Committee, and duly escalated to the Audit & Risk Committee for recommendation and approval by the Board of Directors. Updates to the risk register are thereafter cascaded from the senior management of the organisation to the operational level, where risk monitoring is embedded at all decision making points. These individuals and committees ensure risks are duly identified, mitigated and evaluated at all levels of responsibility.

The subsequent pages provide a summary on the key risks facing the Hela Group during FY 2022/23, as well an assessment of their potential impact on the organisation, and the mitigation strategies in place.

Risk Management Process



Risk Management

RISK LANDSCAPE UPDATE FOR FY 2022/23

■ Low - L ■ Moderate - M ■ High - H

Risk Category	Identified Risk Event	Impact on Hela Group	Risk Assessment	Tenor Of Risk	Risk Treatment and Monitoring
Corporate Risk	Performance and Reputation Risk	Failing to achieve corporate objectives and as a result failing to deliver stakeholder expectations	2021/22 L 2022/23 M	Short to Medium Term	- Customer focused strategies - Focus on innovation & design - Focus on environmental and social sustainability - Strong corporate governance structure
	Competitor / Industry Risk	Downturn in key markets, increase in buyer power, threat of margins and market share erosion Shift in end consumer preferences	2021/22 M 2022/23 H	Short to Medium Term Medium to Long Term	- Collaborative supplier & customer partnerships - Africa focused geographical footprint - High customer service levels - New customer development
	Regulatory Compliance Risk	Tightening regulatory and sustainability requirements Possible penalties and loss of goodwill due to failing to meet regulatory requirements	2021/22 L 2022/23 L	Medium to Long Term	- Established compliance and legal teams, and continuous monitoring of regulatory and legal requirements
	Investment Risk	Risk of investment and expansion project failures resulting in loss of capital, loss of reputation and limited returns on investments	2021/22 M 2022/23 M	Medium to Long Term	- Cautious decision making after thorough investment evaluations - Continuous project evaluations and prompt actions on identified issues - Board oversight on all major investment decisions
Operational Risk	Political instability and economic uncertainty in operating countries	Possible changes to operating conditions or business regulations	2021/22 H 2022/23 H	Short Term	- Global manufacturing footprint leading to flexibility - Strong and resilient customer base, and nurturing of strategic customer relationships - Risk management function responsible for continuous monitoring of potential risks

Risk Category	Identified Risk Event	Impact on Hela Group	Risk Assessment	Tenor Of Risk	Risk Treatment and Monitoring
	Challenges to effective supply chain management	Margin erosion due to elevated raw material prices and freight charges Possible disruptions to continuous operations due to raw material unavailability	2021/22 M 2022/23 M	Short Term	- Supply chain regionalisation - Africa focused manufacturing strategy - Implementation of yarn booking models - Supplier collaborations
	Global energy crisis	Impacts on customer deliveries and continuous operations	2021/22 M 2022/23 M	Short to Medium Term	- Investing in alternative energy sources and energy efficient machinery - Process improvements - Implementing fuel storage mechanisms
	Possible violations of environmental and compliance regulations	Possible penalties and reputational risks leading to loss of customer and market share	2021/22 L 2022/23 L	Short to Medium Term	- Established compliance and brand protection teams - Monthly audits and bi-annual master audits covering all aspects of environmental, legal, supply chain, HR and brand protection - Introduction of traceable materials and origin testing
	IT & cyber related risks	Risk of IT systems being unable to support continuous operations due to system failures or possible cyber attacks	2021/22 L 2022/23 H	Short to Medium Term	- Roll-out of robust SAP S/4HANA Fashion ERP system across the Group - Cloud first strategy - investments in cloud-based solutions for applications, systems & disaster recovery - Development of cyber security strategies and enterprise backup solutions
	Retention of key talent, escalation in labour cost & industrial relations risk	Skills migration, barriers for continuous operations, work culture distortions and margin erosions	2021/22 L 2022/23 M	Short to Medium Term	- Sound performance appraisal and remuneration strategies - Provision of conducive working conditions, and safeguarding of human rights - Execution of people empowerment programmes - Compliance to health and safety protocols and provision of healthcare benefits

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 2023.

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

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

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 164 to 165.

The financial statements for the year ended 31st March 2022 were restated as explained in Note 9(b) to the financial statements.

AUDITORS' REPORT

The Group's External Auditors, Messrs. PricewaterhouseCoopers, performed the audit on the Financial Statements for the year ended 31 March 2023. The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 157 to 161 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 215 to 226 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 2023 was Rs. 95,302,704,798 (FY 2021/22 – Rs. 56,179,622,304). An analysis of the income is given in Note 2 to the Financial Statements on page 171 of this Annual Report.

PROFIT AND APPROPRIATIONS

The (Loss)/Profit Before Tax of the Group for the year ended 31 March 2023 was Rs. -3,424,915,655 (FY 2021/22 - Rs. 829,135,777) and the (Loss)/Profit After Tax for the year ended 31 March 2023 was Rs. -3,332,448,256 (FY 2021/22 - Rs. 580,664,312). Whilst the Group (loss)/profit attributable to equity holders of the parent was Rs. -3,498,317,473 (FY 2021/22 - Rs. 584,043,620).

The details of Profit relating to the Group are given on page 162 of the Annual Report.

DIRECTORS

Based on the declarations for the year 2023 received from the Directors under the CSE Rules, Mr. A.R. Rasiah was reclassified as Independent Non-Executive Director and Mr. S. Doron was reclassified as Non-Executive Director w.e.f 10 August 2023.

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
Mr. P L D Jinadasa	Group CEO/Executive Director
Mr. G P Gunawardana	Independent Non Executive Director
Ms. A Nanayakkara*	Independent Non Executive Director
Ms. T Peries	Independent Non Executive Director
Dr. A J Alderton	Non Executive Director
Mr. P Schleiffer	Non Executive Director
Mr. S Khan**	Non Executive Director and Alternate Director to Dr. A J Alderton
Mr. S. Doron**	Non Executive Director

**Resigned w.e.f 31 August 2022 | **Appointed w.e.f 05.10.2022*

RECOMMENDATION FOR ELECTION/ RE-APPOINTMENT

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

The Directors have also recommended the elections of below Directors newly appointed to the Board on 5th October 2022 in terms of Article No. 27 (2) of the Articles of Association of the Company:

- Mr. S. Doron – Non-Executive Director
- Mr. S. Khan – Non Executive Director

DIRECTORS OF SUBSIDIARY, SUB-SUBSIDIARIES & JOINT VENTURE COMPANIES

Company Name	Board Members
Hela Clothing (Private) Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
	Mr. R S P Amaratunga
Foundation Garments (Private) Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
F D N Sourcing (Private) Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
Foundation Bennett (Private) Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
Alpha Textiles (Private) Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
Jinadasa Bennett (Private) Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
Hela Investment Holdings Limited	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
	Ms. D B F Shahnaz
	Mr. F H Doobarry
Hela USA Inc.	Mr. A R Rasiah
	Mr. P L D Jinadasa
	Mr. G P Gunawardana
Hela Intimates EPZ Limited	Mr. P L D Jinadasa
	Mr. N Mohottige

Company Name	Board Members
Hela Indochine Apparel PLC	This company type in Ethiopia does not require a governing board
Hela Clothing Egypt S.A.E	Mr. P L D Jinadasa
	Mr. R S P Amarathunga
	Ms. R M F A Torky
	Mr. K D V L Koralearachchi
	Mr. D D M Arachchi
Sumbiri Intimate Apparel PLC	This company type in Ethiopia does not require a governing board.
Safeguard Workwear EPZ Limited	Mr. P L D Jinadasa
	Mr. G S M A Gulam
	Mr. K M H Dostmohamed
	Mr. N. Mohottige

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 16 (c) to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities of directors referred to herein.

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 16 (c) to the Financial Statements on page 211.

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.

Annual Report of the Board of Directors on the Affairs of the Company

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31 March 2023 and 31 March 2022 are shown in the table below:

	Shareholding as at 31.03.2023	Shareholding as at 31.03.2022
Mr. A R Rasiah	4,273,743	4,273,743
Mr. P L D Jinadasa	137,276,656	135,932,066
Ms. A Nanayakkara*	-	619,100
Mr. G P Gunawardana	-	-
Ms. T Peries	57,400	57,400
Mr. Patrick Schleiffer	-	-
Dr. A J Alderton	-	-
Mr. S Khan	-	-
Mr. S Doron	-	-

Resigned w.e.f 31 August 2022

AUDITORS

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

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

A total amount of Rs. 25,545,125 is payable by the Company to the Auditors for the year under review comprising Rs. 25,330,383 as audit fees and Rs. 214,742 for non-audit services.

The Auditors have expressed their willingness to continue in office. The Board has recommended that Messrs. PricewaterhouseCoopers, 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 3 (c) to the Financial Statements on page 172.

COMPANY SECRETARY

Ms. Janseni Kuhanesan was appointed as the Secretary of the Company w.e.f 1st February 2023 consequent to the resignation of M/s. PW Corporate Secretarial (Pvt) Ltd on 1st February 2023.

STATED CAPITAL

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.

The Stated Capital of the Company as at 31 March 2022 was Rs. 5,730,536,893/- (reclassified) by 1,303,117,944 Ordinary Voting Shares.

Pursuant to the vesting and issuance of shares under the Company's Employee Share Ownership Plan, 6,837,989 ordinary voting shares were listed on the CSE during the period 1st August 2022 – 31st August 2022.

On 1st August 2023, 7,425,627 ordinary voting shares were issued under the Share Ownership Plan and accordingly the Stated Capital of the Company increased to Rs. 5,780,678,282/- consisting of 1,317,381,560 ordinary voting shares

SHAREHOLDINGS/ SHARE INFORMATION

The Market value of an ordinary share of the Company as at 31 March 2023 was Rs. 8.00 (31 March 2022 – Rs. 12.90). There were 14,438 shareholders registered as at 31 March 2023 (31 March 2022 – 16,445).

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 235 to 237 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.

ISSUE OF SHARES - ESOP

The details of the grants/vesting of Employee Share Ownership Plan (ESOP) are given under Investor Information section found on page 235 of the Annual Report.

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

The number of ordinary shares held by the Public as at 31 March 2023 was 22.65% of the Issued Capital of the Company. The minimum public holding as at 31 March 2023 as per section 7.14.1 of the Listing Rules is as follows:

	Float Adjusted Market Capitalisation - (LKR)	Holding (%)	No of Shareholders
Minimum Public Holding as at 31 March 2023	2,373,640,151	22.65	14,418

The Company complies with the minimum public holding requirement of the Main Board as per Option 5 of Section 7.14.1 (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 2023, 17,759 persons were in employment in the Group (19,430 persons as at 31 March 2022).

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 its customers want, 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 its 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 7(b) to the Financial Statements on page 194.

LAND HOLDINGS

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

- Information on extents and locations of revalued freehold land and buildings of the 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 6 (a) to the Financial Statements on pages 178 to 181.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31 March 2023 are given in Note 12 to the Financial Statements on pages 207 to 209.

DONATIONS

The Company and the Group have 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 136.

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.

CONTINGENT LIABILITIES

Except as disclosed in Note 13 to the Financial Statements on page 210, there were no material Contingent Liabilities as at the Reporting date.

Annual Report of the Board of Directors on the Affairs of the Company

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 16 to the Financial Statements on page 210, 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 7.10 of the Listing Rules of the Colombo Stock Exchange.

The Corporate Governance Statement on page 114 explains the measures adopted by the Company during the year.

DIRECTORS' MEETINGS

The Directors conduct Board Meetings at least once a month 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 Sub-Committee Meetings are appended in the Corporate Governance Report on pages 114 to 154.

BOARD SUB-COMMITTEES

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

AUDIT & RISK COMMITTEE

Mr. G P Gunawardana - Chairman
Dr. A J Alderton
Mr. P Schleiffer
Ms. A Nanayakkara (resigned w.e.f 31 August 2022)
Ms. T Peries
Mr. S. Doron (appointed w.e.f 5 October 2022 and resigned w.e.f 10 August 2023)
Mr. A.R. Rasiah (appointed w.e.f 10 August 2023)

REMUNERATION COMMITTEE

Ms. T Peries – Chairperson (appointed w.e.f 5 October 2022)
Dr. A J Alderton
Mr. G P Gunawardana
Ms. A Nanayakkara (resigned w.e.f 31 August 2022)
Mr. S. Doron (appointed w.e.f 5 October 2022 and resigned w.e.f 10 August 2023)
Mr. S. Khan (appointed w.e.f 5 October 2022)
Mr. A.R. Rasiah (appointed w.e.f 10 August 2023)

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 (appointed w.e.f 5 October 2022)
Ms. T Peries
Dr. A J Alderton
Ms. A Nanayakkara (resigned w.e.f 31 August 2022)
Mr. Patrick Schleiffer (appointed w.e.f 5 October 2022)
Mr. A.R. Rasiah (appointed w.e.f 10 August 2023)
Mr. S. Doron (appointed w.e.f 5 October 2022 and resigned w.e.f 10 August 2023)

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.

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 risk 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 16 to the Financial Statements, have complied with Section 9 of the Listing Rules.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility programmes, details of which are set out on pages 85 to 90 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 Second Annual General Meeting of the Company appears on page 254.

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

05 September 2023

Audit & Risk Committee Report

This report provides an overview of how the Audit & Risk Committee ("the Committee") operates, an insight into the Committee's activities during the year and its role in ensuring the integrity of the Group's published financial information and the effectiveness of its risk management, controls and related processes.

The Committee functions according to its Terms of Reference, which was approved by the Board on 25th May 2022.

COMPOSITION

Aroshi Nanayakkara stepped down from the Board and therefore the Committee in August 2022. The Committee was reconstituted by the Board on 05 October 2022 with Shlomo Doron being appointed as a member of the Committee. Consequent to reclassification of Directors on 10 August 2023, Mr. A.R. Rasiah was appointed as a member of the Committee replacing Shlomo Doron.

The members at present 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

The Chairman of the Committee possess the necessary financial expertise and experience as prescribed in the Listing Rules of the CSE. The Board is satisfied that the Committee has an adequate combination of accounting, auditing, legal and commercial experience to facilitate a satisfactory level of discharge of their responsibilities.

RESPONSIBILITIES

Key responsibilities of the Committee are to:

- Monitor the integrity of the financial statements, including the review of significant financial reporting judgements;
- Monitor the Group's risk management system, review of the principal risks and the management of those risks;
- Provide advice to the Board on whether the Annual Report is fair, balanced and understandable and on the appropriateness of the going concern statement;
- Review and monitor the External Auditor's independence and objectivity, and the effectiveness of the External Audit;
- Review the system of internal financial control;
- Monitor the activities and review the effectiveness of the Internal Audit function;

MEETINGS

The Committee met ten times during the year. Each meeting agenda included a range of topics across the Committee's areas of responsibility. Committee meetings for reviewing quarterly financial statements are usually scheduled in line with the schedule of Board meetings. Committee meetings for reviewing internal audit reports are scheduled separately. Minutes of all the Committee meetings are tabled at the subsequent Board meetings allowing the Board to ratify the recommendations of the Committee.

The Group Chief Executive Officer, Group Chief Financial Officer, Internal Auditor and the Group Chief Risk Officer are invited to attend all Audit & Risk Committee meetings. External Auditors are invited prior to the release of the audited financial statements, as well as to discuss key audit matters and the Management Letter. The Chief Information & Process Officer is invited at the time of any updates required on the Group's security systems and strategies. The heads of relevant departments and the Group Chief People Officer are invited when the relevant internal audit reports are being discussed. The Company Secretary acts as the Secretary to the Committee.

Attendance of members at the Committee meetings during the year under review are as follows:

	05.04.2022	17.05.2022	02.06.2022	25.07.2022	08.08.2022	11.11.2022	15.12.2022	03.02.2023	09.02.2023	30.03.2023	Total
Mr. Gayan Gunawardana	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Dr. Alastair Alderton	×	×	×	×	×	×	×	×	×	×	0/10
Mr. Patrick Schleiffer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Ms. Trisha Peries	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
Mr. Shlomo Doron*	-	-	-	-	-	×	✓	✓	✓	✓	4/10
Mr. Shesan Khan**	✓	✓	✓	✓	✓	-	✓	✓	✓	-	8/10
Ms. Aroshi Nanayakkara***	✓	✓	✓	✓	✓	-	-	-	-	-	5/10

** Appointed as a Member with effect from 5th October 2022 and resigned w.e.f 10 August 2023*

***Alternate Director to Dr. Alastair Alderton*

****Resigned w.e.f 31st August 2022*

LONG-TERM VIABILITY STATEMENT AND GOING CONCERN ASSESSMENT

The Committee provides advice to the Board on the form and basis of conclusion underlying the long-term viability statement and the going concern assessment. The Committee challenged management on its financial risk assessment as part of its consideration of the long-term viability statement. This included scrutiny of forecast liquidity, balance sheet stress tests, and the availability of cash and cash equivalents through new or existing financing facilities.

FINANCIAL REPORTING

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the External Auditors, the appropriateness of the quarterly and annual consolidated financial statements.

The Committee's work included reviews of goodwill impairment testing, taxation judgements, legal contingencies and the Company's work on going concern and the long-term viability statement. The Committee focuses on: the quality and acceptability of accounting policies and practices; providing advice to the Board on the form and basis underlying the long-term viability statement and material areas in which significant judgements have been applied or have been discussed with the External Auditors. The Committee received reports from the management in relation to: the identification of critical accounting judgements and key sources of estimation uncertainty on the consolidated financial statements; significant accounting policies and proposed disclosures of these in the Annual Report. The Committee reviewed the restated financial statements for the year ended 31st March 2022 as part of its year-end process to approve the audited financial statements for the year ended 31st March 2023. The Committee is satisfied that there were no significant concerns or issues identified in the financial statements for the reported period.

FAIR, BALANCED AND UNDERSTANDABLE REPORTING

The Committee assessed the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. In doing so, the Committee considered correspondences from regulators in relation to financial reporting and governance areas.

The Committee assessed whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reviewed the processes and controls that underpin the Annual Report's preparation, ensuring that all contributors and senior management are fully aware of the requirements and their responsibilities. This included promoting the success of the Company for the benefit of its members as well as considering the interests of other stakeholders which will have an impact on the Company's long-term success.

INTERNAL AUDIT

The Committee has the primary responsibility for oversight of the Group's system of internal control, including the risk management framework, the compliance framework, and the work of the Internal Audit function.

The main focus during the year was the major digital transformation that the Group is undergoing, and the Committee was provided with regular updates from the Chief Information & Process Officer to assess how the risks were being managed in the transformation process. The Committee completed a series of reviews across multiple business units, typically with a focus on the risk and control environment.

Audit & Risk Committee Report

The Internal Audit function provides independent and objective assurance over the design and operating effectiveness of the system of internal control, through a risk-based approach. The Committee has a standing agenda item to cover Internal Audit topics. The Committee reviews and approves the annual audit plan, assesses the adequacy of the budget and resources available to Internal Audit, and reviews the operational initiatives for the continuous improvement of the function's effectiveness. The audit plan's rolling review framework, and the data driven risk assessment used to identify emerging risks is considered and amendments to the audit programme reviewed during the financial year. The Committee reviews progress against the approved audit plan and the results of audit activities.

During the year, the Internal Audit function's coverage focused on principal risks, including the challenges faced by the management in the digital transformation process, which resulted in a significant number of policy and procedural changes. Relevant audit results are reported before the Committee's in-depth review, which allows the Committee to have an integrated view on the way the risk is managed.

Management is responsible for ensuring that issues raised by the Internal Audit are addressed within an agreed timetable, and the Committee reviews their timely completion. The Committee satisfied itself with the effectiveness of the Internal Audit function by considering the results of the assessments, as well as through ongoing review and oversight of the assurance activities.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk assessment process and the way in which significant business risks are managed is an area of focus for the Committee. The Committee's activities in this area were led primarily, but not solely, by the Group's assessment of its principal and emerging risks and uncertainties. The management is responsible for establishing and maintaining adequate internal controls, and the Committee has responsibility for ensuring the effectiveness of those controls. The Committee reviewed the process by which the Group's management assessed the control environment together with risk mitigation strategies presented by the Group CFO. As part of the Committee's recurring agenda items, a fraud update was included, the scope of which would include incidents of fraud involving management or employees that are significant for assessing the risk management systems in place.

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report. The review covered all material controls including financial, operating and compliance controls. Specific areas for improvement were identified by contemplating on alternative controls and processes. This allows the Committee to provide positive assurance to the Board and thereby support it in fulfilling its obligations.

EXTERNAL AUDIT

The Committee has primary responsibility for overseeing the relationship with the External Auditors. This includes making the recommendation on the appointment, reappointment, and removal of the External Auditors, assessing their independence on an ongoing basis, approving the statutory audit fee, the scope of the statutory audit and reviewing the lead audit engagement partner and the team.

M/s. PricewaterhouseCoopers (PwC) functioned as the External Auditors for FY 2022/23. At the start of the financial year, the detailed Audit plan was presented to the Committee which outlined the audit scope, planned materiality and the assessment of key audit risks. The Committee received reports from PwC on its assessment of the accounting and disclosures in the financial statements and financial controls, as well as the outcome of the previous year's audit. The Committee has continued to focus on key audit matters. All of these matters were conducted to the satisfaction of the Committee.

The Committee received details of all relationships between the Company and the Auditors that may have a bearing on their independence and received confirmation from them that they are independent of the Company in accordance with the applicable rules and regulations. The Committee reviewed the quality of the external audit process throughout the year and considered their performance. PwC continues to provide robust challenge to management and provides its independent view to the Committee on specific financial reporting judgements and the control environment. Based on these reviews, the Committee concluded that there had been appropriate focus and challenge by PwC on the primary areas of the audit, that it remains independent, and that it had applied robust challenge and scepticism throughout the audit.

Having considered the matters detailed above, the Committee recommended to the Board the re-appointment of PwC as the auditors of the Company for the financial year ending 31 March 2024 subject to the approval of the shareholders, at a remuneration to be agreed by the Board.

AUDIT FEES

The Committee reviewed and discussed the External Auditor's fee proposal, was engaged in agreeing the audit scope and, following the receipt of formal assurance, the Committee was satisfied that the audit fees were appropriate for the scope of the work required. The Committee recommended to the Board for approval the non-audit service engagements at the beginning of the financial year and scrutinised compliance with the agreed scope for such non-audit services thereby protecting the independence and objectivity of the External Auditors.

CONCLUSION

The Audit & Risk Committee is reasonably satisfied that the entity's accounting policies, internal controls, and risk management processes are adequate, and that the financial affairs of the Group are managed in accordance with approved policies and accepted accounting standards.

On Behalf of the Audit & Risk Committee

Gayan Gunawardana
Chairman – Audit & Risk Committee

05 September 2023

Remuneration Committee Report

This report provides insights into the Remuneration Committee's ("the Committee") responsibilities and activities, as well as the remuneration policy implemented by the Group to ensure alignment with the long-term interests of the Company and its shareholders.

ROLE AND COMPOSITION OF THE COMMITTEE

The Committee is an independent Committee established by the Board of Directors to oversee the Company's remuneration policies and practices. The Committee comprises of five (5) members, with a mix of three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. All members possess relevant expertise and experience in areas such as executive compensation, finance and corporate governance.

The Committee was reconstituted on 5 October 2022 consequent to the resignation of Aroshi Nanayakkara and once again reconstituted on 10 August 2023 consequent to the reclassification of Directors.

Members of the Committee for the year under review are as follows:

Ms. Trisha Peries	- Chairperson/ Independent Non-Executive Director
Mr. Gayan Gunawardana	- Member /Independent Non-Executive Director
Dr. Alastair Alderton	- Member /Non-Executive Director
Mr. Shesan Khan	- Member /Non-Executive Director
Mr. A.R. Rasiah	- Member/ Independent Non-Executive Director

The Company Secretary functions as the Secretary to the Committee.

MEETINGS

The Committee met on 04 July 2022 and all members of the Committee attended this meeting. The Board was informed of the decisions of the Committee.

The Group Chief Executive Officer attends the meetings by invitation. The Chief People Officer of the Group, Senior Managers and HR consultants may attend the meetings as and when required.

The Committee operates in accordance with its Terms of Reference (TOR) as approved by the Board.

RESPONSIBILITIES

The Committee's key responsibilities include:

1. Policy Review

The Committee is responsible for reviewing the Company's remuneration policies to ensure that they are aligned with the Company's strategic objectives, promote long-term value creation, and attract and retain top executive talent. The policies are regularly reviewed to assess their effectiveness and compliance with regulatory requirements and industry best practices.

2. Compensation Benchmarking

The Committee compares executive remuneration practices with industry peers to ensure that the Company's compensation packages are competitive, while considering the Company's size, sector and performance.

3. Performance Evaluation and Incentive Design

The Committee oversees the performance evaluation process for the Executive Director and the Senior Management. It works closely with the Group CEO to set challenging performance targets that align with the Company's strategic goals and create shareholder value. The Committee also assists in designing incentive plans, including short-term and long-term incentive schemes, that reward superior performance and align executive interests with long-term shareholder value creation.

4. Executive Remuneration Determination

The Committee is responsible for setting the remuneration package for the Executive Director, including base salary, bonuses, share-based incentives and other benefits. The Committee ensures that this package is reasonable, competitive and reflective of individual and company performance, as well as prevailing market conditions.

ACTIVITIES OF THE COMMITTEE

During the year under review, the Committee received updates from the Company's Human Resources department with regard to the digital transformation of HR processes for its overseas locations. The Committee also closely monitored the rigorous process review undertaken for goal setting for the Group CEO and the Senior Management, as well as the implementation of a Performance Management System.

The Committee encouraged the Senior Management to engage external consultants to assist the Human Resources department in reviewing the existing remuneration policies and procedures, and to implement the best practices according to industry standards.

The Committee recommended increments for all employees across the Group including the Group CEO and the Senior Management in order to attract and retain top executive talent, as well as to promote fair pay across the Group. This exercise was based on the individual's skills, experience, responsibilities, and market competitiveness. The Committee is provided with updates to ensure that salaries remain competitive and in line with market trends, and adjustments are made as necessary.

In addition, the Committee monitored the fees paid to Non-Executive Directors for their services and time committed for Board proceedings as well as serving as members on the Sub-Committees of the Board.

PERFORMANCE EVALUATION

The Committee undertook a robust performance evaluation to ensure that executive remuneration is directly linked to individual and company performance. The Committee, in consultation with the Group CEO, established challenging and measurable performance objectives for the senior management. These objectives are aligned with the Company's strategy, business plans and risk management framework.

The Committee conducted assessments of executive performance against established objectives. It evaluated both quantitative and qualitative performance indicators, considering financial metrics, strategic milestones, operational excellence and leadership competencies.

CONCLUSION

The Remuneration Committee remains committed to maintaining a robust, fair, and transparent remuneration framework that aligns the interests of executives with the long-term success of Hela. By promoting performance driven incentives, the Company strives to attract and retain exceptional executive talent while delivering sustainable value for all its stakeholders.

On behalf of the Remuneration Committee

(Ms) Trisha Peries
Chairperson - Remuneration Committee

05 September 2023

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee ("RPTR Committee") is responsible for reviewing all related party transactions entered into by the Company and ensuring that they are conducted at arm's length and in compliance with applicable laws and regulations.

COMPOSITION

The RPTR Committee was reconstituted by the Board on 05 October 2022 with a view to enhance the Company's internal control mechanisms. It consists of five members, all of whom are Non-Executive Directors. Consequent to the reclassification of Directors, once again the Committee was reconstituted on 10 August 2023. The RPTR Committee is chaired by an Independent Non-Executive Director.

The members at present 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

MEETINGS

Four meetings were held during the year. The Group CEO and the Group CFO were invited to all the RPTR Committee meetings held during the year. The Company Secretary acted as the Secretary to the RPTR Committee.

Attendance details during the year under review are as follows:

	11.07.2022	08.08.2022	11.11.2022	09.02.2023	Total
Mr. Gayan Gunawardana*	-	-	✓	✓	2/4
Dr. Alastair Alderton	×	×	×	×	0/4
Mr. Patrick Schleiffer*	-	-	×	✓	1/4
Ms. Trisha Peries	✓	✓	✓	✓	4/4
Mr. Shlomo Doron****	-	-	×	✓	1/4
Mr. Shesan Khan**	✓	✓	✓	✓	4/4
Ms. Aroshi Nanayakkara***	✓	×	-	-	1/4

** Appointed as a Member with effect from 5th October 2022*

***Alternate Director to Dr. Alastair Alderton*

****Resigned w.e.f 31st August 2022*

***** Was a member for the period 5 October 2022 - 10 August 2023*

RESPONSIBILITIES

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

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 of the Listing Rules of the CSE except to the exempted transactions listed in Section 9.5 of the Listing Rules; ensuring that such transactions are in the best interests of the company and its shareholders.

3. Ensure compliance with the Code of Best Practice on Related Party Transactions (RPT) issued by the Institute of Chartered Accountants of Sri Lanka ("the Code").

4. Disclosure of Related Party Transactions: ensuring that all related party transactions are disclosed in the company's annual report and financial statements in accordance with applicable laws and regulations.

5. To review the Terms of Reference (TOR) of the RPTR Committee annually and recommend any amendments to the TOR to the Board as appropriate.

ACTIVITIES DURING THE YEAR UNDER REVIEW

During the year, the RPTR Committee exercised oversight on behalf of the Board, to ensure compliance with the Code and with the Listing Rules of the CSE. The Committee also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

Directors disclosed their interests which were incorporated into the Directors' Interests Register and is updated annually. The RPTR Committee considered all relevant facts and circumstances when reviewing/approving any transactions in which any of the Committee members/Directors had any interests or potential interests.

The RPTR Committee received periodic updates from the finance team with a view to ensuring that the Company is in compliance with the relevant rules and regulations, shareholders' interests are protected and fairness and transparency are maintained. To this end, the RPTR Committee reviewed all recurrent and non-recurrent related party transactions entered into by the parent company as well as its subsidiaries, including those involving directors, key management personnel, and their close family members.

During the year, the RPTR Committee ensured that all related party transactions were conducted at arm's length and on terms that were no less favourable than those available to unrelated parties. The RPTR Committee also ensured that all related party transactions were in the best interests of the company and its shareholders by obtaining required affirmations from the Group CFO. The RPTR Committee noted that the aggregate value of recurrent related party transactions did not exceed the threshold levels as set out in the Listing Rules. There were no recurring or non-recurring transactions that required disclosure.

The RPTR Committee reviewed its TOR during the year. The RPTR Committee also ensured that all related party transactions of the Group were properly disclosed in the company's annual report and financial statements.

All activities of the RPTR Committee were duly communicated to the Board by the tabling of the minutes of each RPTR Committee meetings at the subsequent Board meetings. All recommendations of the RPTR Committee made during the year were ratified by the Board.

The RPTR Committee did not obtain any independent advice in reviewing the related party transactions during the year.

DECLARATION

Based on its review, the RPTR Committee declares that all related party transactions entered into by the Company during the year were conducted at arm's length and in compliance with applicable laws and regulations. It is also satisfied that all related party transactions were in the best interests of the company and its shareholders.

The recurrent and non-recurrent related party transactions of the Company are given in detail on page 211.

Gayan Gunawardana
Chairman - Related Party Transactions Review Committee

05 September 2023

Nomination Committee Report

PURPOSE OF THE COMMITTEE

The Nomination Committee ("the Committee") was established to identify and recommend qualified individuals to serve in leadership positions within Hela.

COMMITTEE COMPOSITION

The Committee is composed of two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors who bring diverse perspectives and expertise to the selection process. The Committee members work diligently to ensure a fair and transparent nomination process, adhering to best corporate governance practices.

Members of the Committee at present are as follows:

Mr. A.R. Rasiah	- 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

The Group CEO is invited to attend Committee meetings by invitation and the Company Secretary acts as the Secretary to the Committee.

TERMS OF REFERENCE (TOR)

The Committee operates according to a TOR drafted in line with the Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka. The TOR was adopted with the approval of the Board.

ROLES AND RESPONSIBILITIES

The Committee focuses on the following key areas in discharging its responsibilities:

- To review the structure, size, composition and competencies of the Board and make recommendations on these areas;
- To identify and recommend suitable Directors for appointment to the Board and Board Sub-Committees;
- To consider selection and appointment of a Director in the case of a vacancy;
- To identify and appoint personnel to the Senior Management of the Company;
- To consider succession planning for the Group CEO and other members of the Senior Management.

MEETINGS

The Committee held four (4) meetings during the year, attended by all members of the Committee. A member of the Committee does not participate in decisions relating to his/her own appointment. The minutes of the Committee meetings were tabled at Board meetings, thereby providing the Board members with access to the deliberations of the Committee.

KEY ACTIVITIES

Board composition

The Committee conducted a thorough review of the current composition of the Board of Directors to assess the skills, experience and diversity needed to effectively govern the Company. Accordingly, Mr. Shlomo Doron was appointed as a Director to fill the casual vacancy arising from the resignation of Ms. Aroshi Nanayakkara. In addition, Mr. Shesan Khan was appointed as a Director in addition to his role as an Alternate Director for Dr. Alastair Alderton. In line with these new appointments to the Board, the Committee recommended the reconstitution of the Board Sub-Committees.

Candidate identification and evaluation

The Committee employed various methods to identify potential candidates for senior positions within the Company, including internal recommendations, external networks and professional recruitment agencies. All candidates were evaluated based on their qualifications, expertise, integrity, and alignment with the Company's values and strategic objectives.

Candidate interviews and assessment

Shortlisted candidates underwent a rigorous interview process conducted by the Committee. These interviews provided an opportunity to evaluate the candidate's skills, leadership abilities, industry knowledge, and their potential contribution to the Company's long-term success.

Succession planning

The Committee evaluated the positions of existing key management personnel and identified potential successors to ensure seamless transition when necessary. Accordingly, the Committee nominated an internal candidate to replace the outgoing Chief Financial Officer.

CONCLUSION

The Committee has diligently fulfilled its responsibilities by identifying and evaluating candidates for key leadership positions within Hela. The Committee's recommendations aim to strengthen the Board's composition, ensure effective corporate governance and drive sustainable growth.

On behalf of the Nomination Committee

A R Rasiah
Chairman - Nomination Committee

05 September 2023

Financial Statements

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PARTNERSHIPS

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 and the Group 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 prevent and detect 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

05 September 2023

Colombo

Independent Auditors' Report

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To the shareholders of Hela Apparel Holdings PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hela Apparel Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

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

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional 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.

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

The Group:

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of goodwill in subsidiaries (Refer accounting policies in note 6(d) and note 20(q) in the financial statements) As at 31 March 2023, the Group's goodwill arising from its acquisition of subsidiaries was Rs. 11.9 Bn and comprise 21% 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. This annual impairment test was significant to our audit due to the following reasons: • the goodwill balance of the Group as at 31 March 2023 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, terminal growth rate and the discount rate.	Our audit approach included the following procedures: a) assessed the reliability of management's forecasts by comparing actual performance against previous forecasts and projections; b) checked the mathematical accuracy of the impairment testing and agreed relevant data to the latest approved management budget; c) assessed the reasonability of the discount rate by benchmarking against publicly available data; d) performed a sensitivity analysis by stress-testing the discount rate, terminal growth rate, EBITDA margin 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 in line with our expectations.

The Group:

Key audit matter	How our audit addressed the Key audit matter
Valuation of freehold land and buildings (Refer accounting policies in note 6(a) and note 20(o) in the financial statements) Management has estimated the fair value of the Group's freehold land and buildings to be Rs. 458 Mn and Rs. 1.7 Bn respectively as at 31 March 2023 with a revaluation gain for the year recorded in the statement of comprehensive income of Rs. 963 Mn. Independent external valuations have been obtained in respect of these land and buildings to support management's estimates. The valuation of both freehold land and buildings were based on significant judgements and using a number of assumptions, including prices at which comparable properties are transacted, adjusted for differences in key attributes such as, property size, access to main roads, the physical condition of buildings and replacement cost per square foot. The valuation of freehold land and building was considered a key audit matter due to the significant judgement involved in the estimation of fair values and the magnitude of the value of these assets in the financial statements.	Our audit approach included the following procedures: a) assessed the experience and independence of the external valuer engaged by management; b) checked the completeness and accuracy of the data provided by management to the valuer; c) evaluated the appropriateness of the market approach for land and depreciated replacement cost for buildings adopted by the external valuer by comparing with methods generally used in practice for the valuation of similar properties; and d) assessed the reasonableness by referring to publicly available information on the real estate market such as range of prices for real estates of similar nature and location and estimates of replacement cost for buildings. Based on the work performed, we found that the valuation methodology and assumptions, used in the determination of fair value of both freehold land and building to be reasonable.

The Group:

Key audit matter	How our audit addressed the Key audit matter
Valuation of inventory (Refer accounting policies in note 6(g) and note 20(j) in the financial statements) As at 31 March 2023, the Group held Rs. 11.8 Bn of inventories which comprise of raw material, work in progress and finished goods and represented approximately 21% of Groups 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 write down required by estimating the future saleability of slow-moving inventory with reference to inventory aging 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 valuation of inventory required significant auditor attention.	Our audit approach included the following procedures; a) for a sample of inventory items, the cost was agreed to supporting documentation to check the purchase cost and other costs necessary to bring the inventory to the warehouse; b) reasonability of the overhead absorption rates were checked by agreeing the budgeted cost drivers to actual data on a sample basis; c) 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; d) performed a recalculation of the inventory write down amounts made to individual inventory categories based on the inventory ageing reports; e) 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 f) 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 the estimates for arriving at the net realisable value of slow-moving inventory 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.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [2857]

COLOMBO

6 September 2023

Statement of Profit or Loss

(All amounts in Sri Lankan Rupees Thousands)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
			Restated		
	Notes	2023	2022	2023	2022
Revenue from contracts with customers	2	95,302,705	56,179,623	-	-
Cost of sales	3(c)	(83,716,438)	(47,603,460)	-	-
Gross profit		11,586,267	8,576,163	-	-
Distribution expenses	3(c)	(3,955,959)	(1,450,910)	-	-
Administrative expenses	3(c)	(8,839,640)	(5,230,583)	(12,130)	(59,420)
Net impairment loss on financial assets	10(c)	(35,694)	(132,718)	-	-
Other income	3(a)	426,459	93,286	-	-
Other gains / (losses)	3(b)	1,449,015	401,679	(802,694)	(1,386,314)
Operating profit / (loss)		630,448	2,256,917	(814,824)	(1,445,734)
Finance income		27,908	46,515	2,962	32,584
Finance costs		(4,013,956)	(1,382,780)	(59)	(44)
Finance (costs) / income - net	3(e)	(3,986,048)	(1,336,265)	2,903	32,540
Share of loss of equity accounted investees, net of tax	12(d)	(69,315)	(91,516)	-	-
(Loss) / profit before income tax		(3,424,915)	829,136	(811,921)	(1,413,194)
Income tax reversals / (expense)	4(a)	92,467	(248,471)	(800)	(7,820)
(Loss) / profit for the year		(3,332,448)	580,665	(812,721)	(1,421,014)
(Loss) / profit attributable to:					
Equity holders of the parent		(3,498,317)	584,044	(812,721)	(1,421,014)
Non-controlling interests		165,869	(3,379)	-	-
(Loss) / profit for the year		(3,332,448)	580,665	(812,721)	(1,421,014)
(Loss) / earnings per share attributable to the equity holders of the Company					
Basic (loss) / earnings per share	17(a)	(2.67)	0.54	(0.62)	(1.32)
Diluted (loss) / earnings per share	17(b)	(2.66)	0.53	(0.62)	(1.30)

The accounting polices and notes on pages 169 to 226 are an integral part of these financial statements.

Statement of Comprehensive Income

(All amounts in Sri Lankan Rupees Thousands)

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
			Restated		
		2023	2022	2023	2022
(Loss)/ profit for the year		(3,332,448)	580,665	(812,721)	(1,421,014)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences		1,376,346	4,219,336	714,461	2,344,389
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Gain on revaluation of land and buildings	6(a)	962,572	28,050	-	-
Deferred income tax impact relating to revaluation	6(f)(ii)	(332,863)	(5,808)	-	-
Re-measurements of post-employment benefit obligations	6(h)	(48,956)	63,537	-	-
Deferred income tax impact relating to re-measurements of post-employment benefit obligations	6(f)(ii)	16,930	(7,485)	-	-
Other comprehensive income for the year, net of tax		1,974,029	4,297,630	714,461	2,344,389
Total comprehensive (loss)/ income for the year		(1,358,419)	4,878,295	(98,260)	923,375

The accounting polices and notes on pages 169 to 226 are an integral part of these financial statements.

Statement of Financial Position

(All amounts in Sri Lankan Rupees Thousands)

		Group		Company	
		As at 31 March		As at 31 March	
			Restated		
	Notes	2023	2022	2023	2022
ASSETS					
Non-current assets					
Property, plant and equipment	6(a)	9,001,940	6,554,602	-	-
Right-of-use assets	6(b)	2,742,171	740,821	-	-
Investment property	6(c)	559,700	450,000	-	-
Intangible assets	6(d)	11,957,563	10,914,668	-	-
Deferred tax assets	6(f)	1,128,036	182,650	-	-
Investment in subsidiaries	12(a)	-	-	6,853,540	2,982,526
Investments in equity accounted investees	12(d)	288,325	320,407	-	-
Other financial assets at amortised costs	5(b)	196	332	-	-
Total non-current assets		25,677,931	19,163,480	6,853,540	2,982,526
Current assets					
Inventories	6(g)	11,761,008	12,632,533	-	-
Other assets	6(e)	3,708,927	2,018,930	-	-
Trade and other receivables	5(a)	9,844,991	14,380,441	14,701	2,849,679
Income tax receivables		49,378	11,465	-	-
Derivative financial instruments	10(a)	439,129	-	-	-
Other financial assets at amortised cost	5(b)	310,550	204,142	-	-
Cash and cash equivalents	5(c)	3,906,000	5,244,151	8,804	1,115,481
Total current assets		30,019,983	34,491,662	23,505	3,965,160
Total assets		55,697,914	53,655,142	6,877,045	6,947,686
EQUITY					
Stated capital	7(a)	5,754,575	5,730,537	5,754,575	5,730,537
Other reserves	7(b)	801,331	141,032	115,012	114,947
Exchange equalisation reserve	7(d)	6,120,591	4,725,105	3,259,771	2,545,311
(Accumulated losses)/ retained earnings	7(c)	(1,534,488)	2,045,520	(2,300,839)	(1,488,118)
Net assets per share attributable to owners of the Company		11,142,009	12,642,194	6,828,519	6,902,677
Non-controlling interests	12(c)	316,391	150,522	-	-
Total equity		11,458,400	12,792,716	6,828,519	6,902,677
LIABILITIES					
Non-current liabilities					
Borrowings	5(e)	1,804,131	2,574,365	-	-
Lease liabilities	6(b)	2,134,142	350,258	-	-
Deferred tax liabilities	6(f)	1,613,979	575,488		-
Employee benefit obligations	6(h)	536,101	426,417	-	-
Total non-current liabilities		6,088,353	3,926,528	-	-

	Notes	Group		Company	
		As at 31 March		As at 31 March	
			Restated		
		2023	2022	2023	2022
Current liabilities					
Trade and other payables	5(d)	12,106,756	10,774,815	47,935	33,800
Income tax liabilities		24,231	38,305	590	11,207
Lease liabilities	6(b)	648,353	433,857	-	-
Borrowings	5(e)	25,371,821	25,688,921	1	2
Total current liabilities		38,151,161	36,935,898	48,526	45,009
Total liabilities		44,239,514	40,862,426	48,526	45,009
Total equity and liabilities		55,697,914	53,655,142	6,877,045	6,947,686
Net assets per share attributable to owners of the Company		8.51	9.65	5.21	5.27

The accounting polices and notes on pages 169 to 226 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

05 September 2023
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

05 September 2023
Colombo

A R Rasiah
Director

05 September 2023
Colombo

Statement of Changes in Equity

(All amounts in Sri Lankan Rupees Thousands)

Group	Notes	Attributable to equity holders of the parent					Non-controlling interests	Total equity
			Restated		Restated			
		Stated capital	(Accumulates losses)/ retained earnings	Other reserves	Exchange equalisation reserve	Total		
Balance as at 1 April 2021		1,723,899	1,313,835	86,065	505,769	3,629,568	340,114	3,969,682
Profit for the year (restated)		-	584,044	-	-	584,044	(3,379)	580,665
Other comprehensive income (restated)		-	56,052	22,242	4,219,336	4,297,630	-	4,297,630
Total comprehensive income for the year (restated)		-	640,096	22,242	4,219,336	4,881,674	(3,379)	4,878,295
NCI on business combination		-	126,089	-	-	126,089	(186,213)	(60,124)
Issue of shares under employee share option plan	7(b)	-	-	32,725	-	32,725	-	32,725
Issue of ordinary shares	7(a)(i)	3,972,138	-	-	-	3,972,138	-	3,972,138
IPO transaction cost	7(a)(i)	34,500	(34,500)	-	-	-	-	-
Balance as at 31 March 2022 (restated)		5,730,537	2,045,520	141,032	4,725,105	12,642,194	150,522	12,792,716
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	6(a)	-	-	962,572	-	962,572	-	962,572
Deferred income tax impact relating to revaluation	6(f)(ii)	-	-	(332,863)	-	(332,863)	-	(332,863)
Re-measurements of post-employment benefit obligations	6(h)	-	(48,956)	-	-	(48,956)	-	(48,956)
Deferred income tax impact relating to re-measurements of post-employment benefit obligations	6(f)(ii)	-	16,930	-	-	16,930	-	16,930
Total comprehensive 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	7(c)	-	(30,525)	30,525	-	-	-	-
Issue of shares under employee share option plan	7(a)(i)	24,038	-	(24,038)	-	-	-	-
Employee share option plan - value of employee services	7(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

The accounting polices and notes on pages 169 to 226 are an integral part of these financial statements.

Company	Notes	Stated capital	Accumulated losses	Share based payments	Exchange equalisation reserve	Total
Balance as at 1 April 2021		1,723,899	(32,604)	82,222	200,922	1,974,439
Loss for the year		-	(1,421,014)	-	-	(1,421,014)
Other comprehensive income		-	-	-	2,344,389	2,344,389
Total comprehensive income for the year		-	(1,421,014)	-	2,344,389	923,375
Employee share option plan - value of employee services	7(b)	-	-	32,725	-	32,725
Issue of ordinary shares	7(a)(i)	3,972,138	-	-	-	3,972,138
IPO transaction cost		34,500	(34,500)	-	-	-
Balance as at 31 March 2022		5,730,537	(1,488,118)	114,947	2,545,311	6,902,677
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		-	-	-	714,461	714,461
Total comprehensive (loss) for the year		-	(812,721)	-	714,460	(98,261)
Employee share option plan - value of employee services	7(b)	-	-	24,103	-	24,103
Issue of shares under employee share option plan	7(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

The accounting polices and notes on pages 169 to 226 are an integral part of these financial statements.

Statement of Cash Flow

(All amounts in Sri Lankan Rupees Thousands)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
			Restated		
	Notes	2023	2022	2023	2022
Cash flows from operating activities					
Cash generated from/ (used in) operations	8(a)	9,352,465	(2,912,658)	2,558,485	(3,391,128)
Retirement benefit obligations paid	6(h)	(73,272)	(47,574)	-	-
Income tax paid		(39,941)	(24,244)	(7,965)	(30)
Interest paid	3(e)	(4,013,956)	(1,382,780)	(59)	(44)
Net cash inflow/ (outflow) from operating activities		5,225,296	(4,367,256)	2,550,461	(3,391,202)
Cash flows from investing activities					
Purchase of property, plant and equipment	6(a)	(2,637,878)	(1,658,229)	-	-
Purchase of intangible assets	6(d)	(29,732)	(14,129)	-	-
Proceeds from sale of property, plant and equipment		599,065	1,471	-	-
Proceeds from sale of intangible assets		-	225	-	-
Interest received	3(e)	27,908	46,515	2,962	32,584
Investment made in fixed deposits		(94,277)	-	-	
Acquisition of non controlling interest		-	(60,124)	-	-
Investments made in subsidiaries		-	(311,622)	(3,891,709)	-
Net cash (outflow) / inflow from investing activities		(2,134,914)	(1,995,893)	(3,888,747)	32,584
Cash flows from financing activities					
Proceeds from borrowings		112,561,662	56,523,569		
Repayment of borrowings		(116,383,507)	(52,784,116)	23,635	3,972,138
Net proceeds from share issue	7(a)(i)	23,635	3,972,138		
Principal elements of lease payments		(987,247)	(234,799)	-	-
Net cash (outflow)/ inflow from financing activities		(4,785,457)	7,476,792	23,635	3,972,138
Net (decrease)/ increase in cash and cash equivalents		(1,695,075)	1,113,643	(1,314,651)	613,520
Cash and cash equivalents at the beginning of the year		5,023,132	1,801,305	1,115,479	1,673
Currency translation difference		573,068	2,108,184	207,975	500,286
Cash and cash equivalents at the end of the year	5(c)	3,901,127	5,023,132	8,803	1,115,479

The accounting polices and notes on pages 169 to 226 are an integral part of these financial statements.

Contents of the Notes to the Financial Statements

Notes to the financial statements

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

1 OPERATING SEGMENTS

(i) Description of segments and principal activities

The Group's internal organisation and management is structured based on segments which are determined based on the Group's geographical spread of operations. The operating segments represent the business structure. The group has now organised its business units into two reportable operating segments based on their geographical spread as follows:

(ii) Summarised statement of profit or loss

	Sri Lankan Region		African Region		Consolidated	
	2023	2022	2023	2022	2023	2022
Revenue	82,057,697	47,692,673	13,245,007	8,486,950	95,302,704	56,179,623
Gross profit	10,038,431	7,798,963	1,547,837	777,200	11,586,268	8,576,163
Depreciation and amortisation	(1,815,023)	(743,998)	(133,125)	(82,326)	(1,948,148)	(826,324)
Operating expenses	(11,495,371)	(6,186,735)	(1,300,228)	(494,758)	(12,795,599)	(6,681,493)
Interest income	27,908	46,515	-	-	27,908	46,515
Interest expense	(3,374,184)	(1,197,394)	(639,772)	(185,386)	(4,013,956)	(1,382,780)
Operating profit	248,642	1,887,800	381,806	369,117	630,448	2,256,917
(Loss)/ profit before taxation	(3,166,943)	645,405	(257,973)	183,731	(3,424,916)	829,136
Income tax release/ (charge)	92,467	(248,471)	-	-	92,467	(248,471)
(Loss)/ profit for the year	(3,074,475)	396,934	(257,973)	183,731	(3,332,448)	580,665

(iii) Summarised statement of financial position

	Sri Lankan Region		African Region		Consolidated	
	2023	2022	2023	2022	2023	2022
ASSETS						
Non-current assets	24,727,438	18,204,955	950,493	958,525	25,677,931	19,163,480
Current assets	22,891,071	28,398,585	7,128,912	6,093,077	30,019,983	34,491,662
Total assets	47,618,509	46,603,540	8,079,405	7,051,602	55,697,914	53,655,142
LIABILITIES						
Non-current liabilities	5,909,493	3,759,648	178,860	166,880	6,088,353	3,926,528
Current liabilities	32,084,315	28,953,709	6,066,846	7,982,189	38,151,161	36,935,898
Total liabilities	37,993,808	32,713,357	6,245,706	8,149,069	44,239,514	40,862,426

(iv) Segment assets

	Sri Lankan Region		African Region		Consolidated	
	2023	2022	2023	2022	2023	2022
Segment assets						
Additions to property, plant and equipments	2,637,878	1,654,131	-	4,098	2,637,878	1,658,229
Additions to right of use assets	3,074,072	331,669	-	-	3,074,072	331,669
Additions to intangible assets	29,732	14,129	-	-	29,732	14,129
	5,741,682	1,999,929	-	4,098	5,741,682	2,004,027

2 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2023	2022	2023	2022
Export revenue	93,549,594	55,324,166	-	-
Local revenue	1,506,124	234,314	-	-
Sub-contracting revenue	246,987	621,143	-	-
	95,302,705	56,179,623	-	-

(i) Revenue recognition

Export revenue

The Group manufactures and exports a range of garments. Revenue is recognised at the point in time when the Group satisfies a performance obligation by delivering goods to the customer. A product is transferred when the customer obtains control of that product, based on the incoterms. 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 in the local market. Revenue is recognised at the point in time, when the control is passed at the collection of goods by the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

Sub-contracting revenue

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

3 OTHER INCOME AND EXPENSE ITEMS

(a) Other income

	Group		Company	
	2023	2022	2023	2022
Other Income	426,459	93,286	-	-
	426,459	93,286	-	-

Notes to the financial statements

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

3 OTHER INCOME AND EXPENSE ITEMS

(b) Other gains / (losses)

	Notes	Group		Company	
		2023	2022	2023	2022
Net foreign exchange gains/ (losses)		996,515	444,679	(802,694)	(1,386,314)
Fair value gain on derivatives	10(a)(iii)	439,129	-		
Net gains on disposal of property, plant and equipment		444	226	-	-
Gain/ (loss) on the fair valuation of investment property	6(c)	110,025	(43,226)	-	-
Other losses		(97,098)	-	-	-
		1,449,015	401,679	(802,694)	(1,386,314)

(c) Breakdown of expenses by nature

	Notes	Group		Company	
		2023	2022	2023	2022
Auditors' remuneration					
- Audit fees		25,330	16,690	4,361	3,828
- Non-audit fees		215	5,692	-	-
Raw materials and consumables used		57,354,148	32,568,149	-	-
Depreciation of property, plant and equipment	6(a)	950,064	507,220	-	-
Amortisation of right of use assets	6(b)	979,584	304,299	-	-
Amortisation of intangible assets	6(d)	18,500	14,805	-	961
Professional charges		692,962	133,363	1,572	43,178
Directors' and key management personnel remuneration and emoluments		539,793	273,820	-	-
Staff costs	3(d)	9,440,663	9,407,473	-	-
Repairs and maintenance expenditure		259,883	198,172	-	-
Insurance fees		49,853	136,677	4,074	2,375
Sub-contract/ service charges		11,801,984	3,195,943	-	-
Travelling and advertising expenses		706,089	269,399	295	8,981
Rent expenses		566,185	332,915	-	-
Bank charges		165,841	136,145	25	57
Import charges		344,328	2,170,449	-	-
Export charges		853,119	969,676	-	-
Provision made/(reversed) for inventories during the year	6(g)(i)	1,365,165	(408,835)	-	-
Other expenses		10,423,876	4,075,283	6,164	3,868
Total cost of sales, distribution expenses and administrative expenses		96,512,037	54,284,953	12,130	59,420

(d) Staff costs

	Notes	Group		Company	
		2023	2022	2023	2022
Wages, salaries and bonus		8,533,863	8,518,662	-	-
Defined contribution plans		747,670	585,750	-	-
Defined benefit obligations	6(h)	135,027	109,475	-	-
Share based payment expenses	7(b)	24,103	32,725	-	-
Other staff related costs		-	160,861	-	-
Total of staff costs		9,440,663	9,407,473	-	-
No of employees of the Group		17,759	19,430		

(e) Finance income and costs

	Notes	Group		Company	
		2023	2022	2023	2022
Finance income					
- Interest income	(i)	27,908	46,515	2,962	32,584
Finance income		27,908	46,515	2,962	32,584
Finance costs					
- Bank overdraft interest		(231,782)	(35,070)	(59)	(44)
- Bank loan interest		(734,667)	(410,213)	-	-
- Bill discounting charges		(1,271,607)	(364,381)	-	-
- Finance lease interest	6(b)(ii)	(325,503)	(63,323)	-	-
- TR loan interest		(1,418,854)	(485,467)	-	-
- Other bank charges		(31,543)	(24,326)	-	-
Finance costs		(4,013,956)	(1,382,780)	(59)	(44)
Finance (costs)/ income - net		(3,986,048)	(1,336,265)	2,903	32,540

(i) Interest income

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

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

4 INCOME TAX EXPENSE

(a) Income tax

The rise of the Sri Lankan corporation tax rate from 24% to 30% was subsequently enacted on 19 December 2022 and was effective from 1 October 2022. As a result, the relevant deferred tax balances have been remeasured. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

	Group		Company	
	2023	2022	2023	2022
Current tax on profits for the year	209,511	43,070	800	7,820
Deferred tax charged during the year	59,693	222,045	-	-
Adjustments for tax of prior periods	(45,738)	(3,351)	-	-
Income tax expense	223,466	261,764	800	7,820
Income tax (reversals)/ expense				
to profit or loss	(92,467)	248,471	800	7,820
to other comprehensive income	315,933	13,293	-	-
Income tax expense	223,466	261,764	800	7,820

b) Numerical reconciliation of income tax expense to prima facie tax payable

	Group		Company	
	2023	2022	2023	2022
(Loss)/ profits before income tax expense	(3,424,915)	829,136	(811,921)	(1,413,194)
Tax at the applicable tax rates	(367,823)	43,070	(219,218)	7,820
Tax effect of :				
Income not subject to tax	(911,769)	-	(423,453)	-
Income subject to tax	22,840	-	-	-
Expenses not deductible for tax purpose	2,051,110	-	643,471	-
Expenses deductible for tax purpose	(517,196)	-	-	-
Set-off against losses	(67,651)	-	-	-
Adjustments for current tax of prior periods	(45,738)	(3,351)	-	-
Deferred tax expense for the year	59,693	222,045	-	-
Income tax expense	223,466	261,764	800	7,820

5 FINANCIAL ASSETS AND LIABILITIES

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

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

	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Financial assets					
Financial assets at amortised cost					
Trade and other receivables	5(a)	9,844,991	14,380,441	14,701	2,849,679
Other financial assets at amortised cost	5(b)	310,746	204,474	-	-
Cash and cash equivalents	5(c)	3,906,000	5,244,151	8,804	1,115,481
Financial assets at fair value through profit or loss					
Derivative financial instruments	10(a)	439,129	-	-	-
		14,500,866	19,829,066	23,505	3,965,160

	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables		12,106,756	10,774,815	47,935	33,800
Borrowings		27,175,952	28,263,286	1	2
Lease liabilities		2,782,495	784,115	-	-
		42,065,203	39,822,216	47,936	33,802

(a) Trade and other receivables

	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Trade receivables		9,174,667	12,220,902	-	-
Provision for impairment	10(c)(ii)	(285,520)	(293,180)	-	-
Non trade receivables from related parties		329,229	-	14,701	2,849,679
Provision for impairment - non trade receivables from related parties		(69,059)	-	-	-
Other receivables		846,007	2,719,726	-	-
Provision for impairment - other receivables		(150,333)	(267,007)	-	-
		9,844,991	14,380,441	14,701	2,849,679

(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 20(h) respectively.

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

5 FINANCIAL ASSETS AND LIABILITIES CONTD.

(a) Trade and other receivables contd.

(ii) Fair values of trade receivables

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

(iii) Impairment and risk exposure

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

(b) Other financial assets at amortised cost

The Group classifies its financial assets as 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 financial assets at amortised cost

Group

Financial assets at amortised cost include the following:

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Fixed deposits	310,550	196	310,746	204,142	332	204,474
	310,550	196	310,746	204,142	332	204,474

(c) Cash and cash equivalents

Cash at bank consists of current accounts and savings accounts balances held in Foreign Currency Banking Units (FCBU) and local banks. See note 20(g) for the Group's other accounting policies on cash and cash equivalents.

	Group		Company	
	2023	2022	2023	2022
Cash at bank and in hand	2,936,008	2,777,196	8,078	16,497
Deposits at call	969,903	1,368,593	637	622
Money market accounts	89	1,098,362	89	1,098,362
	3,906,000	5,244,151	8,804	1,115,481

(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	2023	2022	2023	2022
Cash and cash equivalents	5(c)	3,906,000	5,244,151	8,804	1,115,481
Bank overdraft	5(e)	(4,873)	(221,019)	(1)	(2)
Cash and cash equivalents at end of the year		3,901,127	5,023,132	8,803	1,115,479

(d) **Trade and other payables**

	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Trade payables		7,452,642	5,697,985	-	-
Payable to related parties	16(d)	38,219	-	16,802	1,540
Accrued expenses		2,806,443	2,044,818	7,225	8,346
Other payables		1,809,452	3,032,012	23,908	23,914
		12,106,756	10,774,815	47,935	33,800

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

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

(e) **Borrowings**

	Group 2023	Group 2022	Company 2023	Company 2022
Non-current				
Bank borrowings	1,804,131	2,574,365	-	-
	1,804,131	2,574,365	-	-
Current				
Bank borrowings	23,681,427	25,467,902	-	-
Shareholder loan	1,685,521	-	-	-
Bank overdraft	4,873	221,019	1	2
	25,371,821	25,688,921	1	2
Total borrowings	27,175,952	28,263,286	1	2

(i) Fair value

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

(ii) Risk exposures

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

6 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 6(a))
  - leases (note 6(b))
  - investment properties (note 6(c))
  - intangible assets (note 6(d))
  - other assets (note 6(e))
  - deferred income tax liabilities (note 6(f))
  - inventories (note 6(g))
  - retirement benefit obligations (note 6(h))
- accounting policies (note 20)
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 9)

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

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(a) Property, plant and equipment

Group	Freehold land	Freehold building	Leasehold building	Plant and machinery	Motor vehicles	Office equipment
As at 31 March 2021						
Cost or fair value	340,958	1,587,671	219,073	2,696,133	15,498	303,412
Accumulated depreciation	-	(315,099)	(60,521)	(1,459,022)	(15,498)	(216,990)
Net book amount	340,958	1,272,572	158,552	1,237,111	-	86,422
Year ended 31 March 2022						
Opening net book amount	340,958	1,272,572	158,552	1,237,111	-	86,422
Additions	-	40,284	202,694	515,964	-	23,092
Transfer from work-in-progress	-	2,901	23,265	204,006	-	-
Reclassification	-	(165,390)	249,979	(84,589)	-	-
Revaluation surplus	5,000	23,050	-	-	-	-
Disposals	-	-	-	(6,791)	-	(1,153)
Depreciation on disposals	-	-	-	3,107	-	1,046
Depreciation charge for the year	-	(56,292)	(58,294)	(233,350)	-	(18,734)
Exchange equalisation reserve	57,926	571,372	54,288	649,812	-	(10,880)
Closing net book amount	403,884	1,688,497	630,484	2,285,270	-	79,793
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

Property, plant and equipment include fully depreciated assets still in use with a cost of LKR 3,375,113 as at 31 March 2023 (2022 - LKR 2,936,314).

Property, plant and equipment worth of LKR 867,911 (2022: LKR 1,006,538) has been pledged as securities by the Group.

	Factory equipment	Air conditioning equipment	Electrical installations	Containers	Furniture and fittings	Computer hardware and communication equipment	Capital work-in-progress	Total
	440,253	72,954	619,396	1,481	434,774	269,409	42,339	7,043,351
	(397,292)	(65,821)	(369,129)	(1,481)	(295,206)	(244,067)	-	(3,440,126)
	42,961	7,133	250,267	-	139,568	25,342	42,339	3,603,225
	42,961	7,133	250,267	-	139,568	25,342	42,339	3,603,225
	69,635	3,255	54,694	-	57,367	44,725	646,519	1,658,229
	-	-	46,008	-	25,569	2,715	(212,451)	92,013
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	28,050
	(145)	-	(13,511)	-	-	-	-	(21,600)
	145	-	11,843	-	-	-	-	16,141
	(29,677)	(3,628)	(47,598)	-	(28,529)	(31,118)	-	(507,220)
	9,579	2,011	105,073	-	52,714	43,643	150,226	1,685,764
	92,498	8,771	406,776	-	246,689	85,307	626,633	6,554,602
	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)	(46,797)	-	(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	509,148	1,566,538	13,850,399
	(523,335)	(72,184)	(471,124)	(1,481)	(335,028)	(321,982)	-	(4,848,459)
	71,929	7,348	347,464	-	332,000	187,166	1,566,538	9,001,940

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(a) Property plant and equipment Contd.

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

Location	Ownership	Land/ Building	No of buildings	Extent	Basis Used	Value (LKR '000)
Uhumeeya	Jointly owned by Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited	Building	12	54,219 sq.ft	Replacement cost	523,200
Uhumeeya		Land	-	3A-0R-23.50P	Market Value	138,500
Palapathwala	Hela Clothing (Private) Limited	Building	8	96,972 sq. ft	Replacement cost	1,180,000
Palapathwala		Land	-	2A-2R-00.00P	Market Value	320,000

(i) **Revaluation of freehold land and buildings**

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

(ii) **Significant unobservable inputs and relationships to fair value**

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

Location of property	Method of valuation	Extent	Range of estimates for unobservable inputs	Total revalued amounts (LKR '000)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Uhumeeya	Land Market Approach (price per perch of land)	3A-0R-23.50P	LKR 275,000 per perch	138,500	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 15,808 per sq.ft less depreciation of 39%	523,200	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
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	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 land has been categorised as level 3 of the fair value hierarchy under note 6(i) based on the inputs to the valuation techniques used.

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

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

Freehold land	2023	2022
Net book amount	288,108	288,108
Freehold buildings		
Cost	17,430	17,430
Accumulated depreciation	(7,291)	(6,710)
Net book amount	10,139	10,720

(b) **Leases**

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

(i) **Amounts recognised in the statement of financial position**

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

Right-of-use assets	Land & buildings
As at 1 April 2021	
Cost	1,020,893
Accumulated amortisation	(496,875)
Exchange equalisation reserve	38,649
Net book amount	562,667
Year ended 31 March 2022	
Opening net book amount	562,667
Additions	331,669
Amortisation during the year	(304,299)
Exchange equalisation reserve	150,784
Closing net book amount	740,821
Year ended 31 March 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
As at 31 March 2023	
Cost	4,426,634
Accumulated amortisation	(1,780,758)
Exchange equalisation reserve	96,295
Net book amount	2,742,171

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

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(b) Leases Contd.

	Group		Company	
	2023	2022	2023	2022
Lease liabilities				
Current	648,353	433,857	-	-
Non-current	2,134,142	350,258	-	-
	2,782,495	784,115	-	-

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

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

	Group		Company	
	2023	2022	2023	2022
Amortisation charge of right-of-use assets	979,584	304,299	-	-
Interest expense (included in finance cost)	325,503	63,323	-	-
	1,305,087	367,622	-	-

The total cash outflow for leases in 2023 was LKR 1,312,750 (2022: LKR 298,122).

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

The Group leases buildings for a fixed period of 2-10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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.

(iv) 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).

(c) Investment property

	Group		Company	
	2023	2022	2023	2022
As at 1 April	450,000	340,796	-	-
Net gain/ (loss) on fair valuation	110,025	(43,226)	-	-
Exchange equalisation reserve	(325)	152,430	-	
As at 31 March	559,700	450,000	-	-

See note 20(p) for the Group's other accounting policies for investment property.

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

	Group		Company	
	2023	2022	2023	2022
Direct operating expenses on property that did not generate rental income	528	311	-	-

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(c) Investment property Contd.

(ii) Measuring investment property at fair value

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

Investment property was fair valued by an independent valuer, Mr. W.D.P. Rupananda as at 31 March 2023. 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.

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

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

(iii) Significant unobservable inputs and relationships to fair value

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

Location of property	Method of valuation	Extent	Range of estimates for unobservable inputs	Total revalued amounts (LKR '000)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Melsiripura	Land Market Approach (Price per perch of land)	2A-3R-24P	LKR 335,000 per perch	155,450	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 16,754 per sq.ft less depreciation of 36%	404,250	Replacement cost per square foot	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 6(i) based on the inputs to the valuation techniques used.

(d) Intangible assets

	Group			Company	
	Goodwill	Computer software	Total	Computer software	Total
As at 31 March 2021					
Cost	6,621,289	137,624	6,758,913	2,472	2,472
Accumulated amortisation	-	(121,076)	(121,076)	(1,688)	(1,688)
Exchange equalisation reserve	628,691	4,907	633,598	132	132
Net book amount	7,249,980	21,455	7,271,435	916	916
As at 1 April 2021					
Opening net book amount	7,249,980	21,455	7,271,435	916	916
Additions	-	14,129	14,129	-	-
Disposals	-	(322)	(322)	-	-
Amortisation charge	-	(14,805)	(14,805)	(961)	(961)
Exchange equalisation reserve	3,641,016	3,215	3,644,231	45	45
Closing net book amount	10,890,996	23,672	10,914,668	-	-
As at 31 March 2022					
Cost	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	-	-
As at 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	-	-

See note 20(q) for the other accounting policies relevant to intangible assets.

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

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(i) 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.

	2023	2022
Hela Clothing (Private) Limited	2,468,478	2,255,139
Foundation Garments (Private) Limited	6,183,189	5,648,807
Hela Intimates EPZ Limited	3,264,320	2,982,201
Foundation Bennett (Private) Limited	5,308	4,849
	11,921,295	10,890,996

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

Based on the impairment test performed, no provision for impairment of goodwill was recognised during the year ended 31 March 2023, since the recoverable amounts exceeded the carrying values.

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.

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.

Fort the significant CGUs, given below are the variables used for the impairment test for 31 March 2023 under DCF method;

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Hela Intimates EPZ Limited	
	2023	2022	2023	2022	2023	2022
EBITDA	8.00%	8.00%	8.00%	10.00%	8.00%	8.00%
Pre-tax discount rate	11.61%	13.31%	11.61%	13.31%	11.61%	13.31%
Terminal growth rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(e) Other assets

	Group		Company	
	2023	2022	2023	2022
Current				
Prepayments	1,004,331	724,767	-	-
Advances	2,089,629	1,294,163	-	-
Refundable deposits	614,967	-	-	-
	3,708,927	2,018,930	-	-

(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	
	2023	2022	2023	2022
Deferred tax assets*	1,128,036	182,650	-	-
Deferred tax liabilities*	(1,613,979)	(575,488)	-	-

** Offsetting deferred tax assets and liabilities*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

	Group		Company	
	2023	2022	2023	2022
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Tax losses	425,038	122,083	-	-
Retirement benefit obligation	137,130	42,166	-	-
Stock/ bad debt/ bonus & reward provisions	565,869	18,401	-	-
Total deferred tax assets	1,128,037	182,650	-	-

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

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

	Group		Company	
	2023	2022	2023	2022
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Property, plant and equipment	1,362,819	502,185	-	-
Deferred tax effect on land valuation	184,822	71,532	-	-
Right of use asset and lease creditor	66,338	1,771	-	-
Total deferred tax liabilities	1,613,979	575,488	-	-

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

	Group		Company	
	2023	2022	2023	2022
Deferred tax liabilities				
As at 1 April	(575,488)	(372,059)	-	-
Profit or loss charged	(733,757)	(28,953)	-	-
Other comprehensive income	(332,863)	(5,808)	-	-
Exchange equalisation reserve	28,129	(168,668)	-	-
As at 31 March	(1,613,979)	(575,488)	-	-

	Group		Company	
	2023	2022	2023	2022
Deferred tax assets				
As at 1 April	182,650	304,947	-	-
Profit or loss charged/ (reversed)	989,997	(179,799)	-	-
Other comprehensive income	16,930	(7,485)	-	-
Exchange equalisation reserve	(61,541)	64,987	-	-
As at 31 March	1,128,036	182,650	-	-

Deferred tax movement - item wise

	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

*** Other comprehensive income*

Deferred tax movement - item wise contd.

	2022	
	Profit or loss	OCI**
Deferred tax liabilities		
Property, plant and equipment	(30,467)	(4,608)
Deferred tax effect on land valuation	1,386	(1,200)
Right of use asset and lease creditor	128	-
Total deferred tax liabilities	(28,953)	(5,808)
Deferred tax assets		
Tax losses	(104,953)	-
Carried forward finance cost	(63,085)	-
Retirement benefit obligations	(11,761)	(7,485)
Total deferred tax assets	(179,799)	(7,485)

*** Other comprehensive income*

(g) Inventories

	Group		Company	
		Restated		
	2023	2022	2023	2022
Raw materials	3,653,844	3,362,056	-	-
Work-in-progress	7,221,835	6,892,359	-	-
Finished goods	1,336,219	1,550,791	-	-
Goods in transit	1,010,388	1,012,325	-	-
(-) Provision for inventories	(1,461,278)	(184,998)	-	-
	11,761,008	12,632,533	-	-

See note 20(j) for the Group's other accounting policies for inventories.

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

(i) Provision for inventories

	Group		Company	
	2023	2022	2023	2022
Balance as at 1 April	184,998	513,178	-	-
Provision made/ (reversed) during the year	1,365,165	(408,835)	-	-
Exchange equalisation reserve	(88,885)	80,655	-	-
Balance as at 31 March	1,461,278	184,998	-	-

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

6 NON-FINANCIAL ASSETS AND LIABILITIES CONTD.

(h) Employee benefit obligations

	Group	
	2023	2022
Employee benefit obligations	536,101	426,417
	536,101	426,417

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	
	2023	2022
At beginning of the year	426,417	436,905
Current service cost	78,434	83,107
Interest expense	56,593	26,368
Actuarial losses/ (gains) in other comprehensive income	48,956	(63,537)
- Experience losses	117,366	32,603
- Losses/ (gains) from change in demographic assumptions	6,782	(5,114)
- (Gains) from change in financial assumptions	(75,191)	(91,026)
Benefits paid	(73,272)	(47,574)
Exchange equalisation reserve	(1,027)	(8,852)
At end of the year	536,101	426,417

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

	Group	
	2023	2022
Current service cost	78,434	83,107
Interest expense	56,593	26,368
	135,027	109,475

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	
	2023	2022
Discount Rate	19.71%	14.30%
Salary growth rate	10.00%	10.00%
Staff turn over rate		
- Executive	29.00% to 22.00%	20.00% to 14.00%
- Staff and workers	44.00% to 31.00%	43.00% to 31.00%
- GM / Managers	25.00% to 9.00%	15.00% to 12.00%
- Directors	38.00% to 1.00%	1%

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

	Impact on defined benefit obligation					
	Increase in obligation			Decrease in obligation		
Group	Decrease by	2023	2022	Increase by	2023	2022
Discount rate	1%	(5,108) to (2,684)	(5,311) to (2,753)	1%	5,398 to 2,884	5,764 to 2,981
Salary growth rate	1%	5,877 to 3,135	5,980 to 3,097	1%	(5,633) to (2,951)	(5,591) to (2,901)
Attrition rate	1%	2,381 to 274	526 to 313	1%	(1,568) to (308)	(616) to (397)

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

	2023	2022
Hela Clothing (Private) Limited	3.2 years	3.6 years
Foundation Garments (Private) Limited	3.2 years	3.6 years
Foundation Sourcing (Private) Limited	3.2 years	5.1 years

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

	Group	
	2023	2022
Less than a year	201,624	129,016
Between 1 - 2 years	341,864	115,590
Between 2 - 5 years	331,746	343,396
Over 5 years	613,388	520,813
	1,488,622	1,108,815

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

6 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 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	6(a)	-	-	458,500	458,500
- freehold building	6(a)	-	-	1,703,200	1,703,200
Investment property	6(c)	-	-	559,700	559,700
		-	439,129	2,721,400	3,160,529

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

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.

7 EQUITY

(a) Stated capital

	Company			
	2023	2022	2023	2022
	Number of shares	Number of shares	Value (LKR '000)	Value (LKR '000)
Ordinary shares	1,309,955,933	1,303,117,944	5,754,575	5,730,537
	1,309,955,933	1,303,117,944	5,754,575	5,730,537

All issued shares are fully paid.

(i) Movement in ordinary shares:

	Number of shares	Value (LKR '000)
Balance as at 1 April 2021	10,000,431	1,723,899
Cancellation of existing shares due to share capital restructure	(10,000,826)	(1,723,901)
Share capital restructure	1,005,409,973	1,723,901
Share issue	297,708,366	3,972,138
IPO share transaction cost	-	34,500
Balance as at 31 March 2022	1,303,117,944	5,730,537
Balance as at 1 April 2022	1,303,117,944	5,730,537
Share issue related to employee share option plan	6,837,989	24,038
Balance as at 31 March 2023	1,309,955,933	5,754,575

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

7 EQUITY CONTD.

(b) Other reserves

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

	Group				Company	
	Revaluation reserve	Share based payment reserve	Other Reserves	Total	Share based payment reserve	Total
Balance as at 1 April 2021	3,843	82,222	-	86,065	82,222	82,222
Gain on revaluation of land and building, net of tax	22,242	-	-	22,242	-	-
Employee share option plan - value of employee services	-	32,725	-	32,725	32,725	32,725
Balance as at 31 March 2022	26,085	114,947	-	141,032	114,947	114,947
Balance as at 1 April 2022	26,085	114,947	-	141,032	114,947	114,947
Other comprehensive income	629,709	-	-	629,709	-	-
Employee share option plan - value of employee services	-	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

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, see accounting policy note 20(o) for details.

(ii) Share-based payment reserve

The share-based payments reserve is used to recognise:

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

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

	2023		2022	
	Exercise price in LKR per share	Number of shares	Exercise price in LKR per share	Number of shares
As at 1 April	-	14,263,616	10	400
Granted during the year	-	-	-	-
Exercised during the year	-	(6,837,989)	10	(133)
Share capital restructure	-	-	-	14,263,349
No. of unvested shares granted as at 31 March		7,425,627		14,263,616

Details of the shares underlying the Employee Share Scheme as of 31st March 2023 are as follows;

Date of Grant	Employee Category	Shares Granted (A+B)	Status of Granted Shares as of 31 March 2023		Remaining shares alotted to Scheme that may be granted by the Board of Directors at a future date
			Vested & Issued (A)	To be Vested & Issued on 1 August 2023 (B)	
1-Aug-20	Senior Executives and Directors	35,258,375	27,832,748	7,425,627-	18,163,411

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

Following inputs were used for the options valuation model in determining the grant date fair value of the share options granted during the year ended 31 March 2023.

(a) exercise price: -

(b) grant date: 01st August 2020

(c) expiry date: 31st July 2025

(d) risk-free interest rate: 1.97%

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

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

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

7 EQUITY CONTD.

(c) (Accumulated losses)/ retained earnings

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

		Group		Company	
			Restated		
	Notes	2023	2022	2023	2022
Opening balance as at 1 April		2,045,520	1,313,835	(1,488,118)	(32,604)
Net (loss)/ profit for the year		(3,498,317)	584,044	(812,721)	(1,421,014)
Items of other comprehensive income recognised directly in (accumulated losses)/ retained earnings					
- Remeasurement of post employment benefit obligations - gratuity	6(h)	(48,956)	63,537	-	-
- Deferred taxation impact from remeasurement of post employment benefit obligations - gratuity	6(f)	16,930	(7,485)	-	-
Items recognised directly in retained earnings					
- NCI on business combination		-	126,089	-	-
- Transfers from translation reserve to retained earnings		(19,140)	-	-	-
- Transfers from retained earnings to other reserves		(30,525)	-	-	-
- IPO share transaction cost		-	(34,500)	-	(34,500)
Closing balance as at 31 March		(1,534,488)	2,045,520	(2,300,839)	(1,488,118)

(d) Exchange equalisation reserve

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

	Group		Company	
	2023	2022	2023	2022
Stated capital	3,953,702	3,118,791	3,953,702	3,118,788
Other reserves	43,907	74,592	79,947	62,768
Non -controlling interests	164,043	148,665	-	-
Currency equalisation reserve	289,558	289,610	-	-
Retained earnings/ (accumulated losses)	1,669,381	1,093,447	(773,878)	(636,245)
As at end of year	6,120,591	4,725,105	3,259,771	2,545,311

The movement on the exchange equalisation reserve is as follows:

	Group		Company	
	2023	2022	2023	2022
Balance as at 1 April	4,725,105	505,769	2,545,311	200,923
Amount recognised in other comprehensive income				
Stated capital	834,911	2,919,783	834,914	2,919,780
Other reserves	(30,685)	69,557	17,179	57,907
Non -controlling interests	15,378	101,555	-	-
Currency equalisation reserve	(52)	97,883	-	-
Retained earnings / (accumulated losses)	575,934	1,030,558	(137,633)	(633,299)
	1,395,486	4,219,336	714,460	2,344,388
Balance as at 31 March	6,120,591	4,725,105	3,259,771	2,545,311

8 CASH FLOW INFORMATION

(a) Cash generated from / (used in) operations

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

		Group		Company	
	Notes	2023	2022	2023	2022
(Loss)/ profit before income tax		(3,424,915)	829,136	(811,921)	(1,413,194)
Adjustments for:					
Depreciation of property plant and equipment	6(a)	950,064	507,220	-	-
Amortisation of right of use assets	6(b)	979,584	304,299	-	-
Amortisation if intangible assets	6(d)	18,500	14,805	-	961
Provision for retirement benefit obligations	6(h)	135,027	109,475	-	-
Gain/ (loss) on sale of property, plant and equipment	3(b)	(444)	(226)	-	-
Gain/ (loss) on the fair valuation of investment property	6(c)	(110,025)	43,226	-	-
Net interest expenses/ (income)	3(e)	3,986,048	1,336,265	(2,903)	(32,539)
Fair value gain on derivatives	10(a)(iv)	(439,129)	-	-	-
Provision for impairment of trade receivables	10(c)	189,622	132,718	-	-
Realised exchange gain on last year income tax payment		-	-	(5,501)	-
Provision for slow moving stocks	6(g)(i)	1,365,165	(408,835)	-	
Expense charged under ESOP	7(b)	24,103	32,725	-	-
Restatement adjustment		-	235,646	-	-
Share of loss of equity accounted investees, net of tax	12(e)	69,315	91,516	-	-
Changes in working capital					
- increase/ (decrease) in inventories		876,070	(2,925,552)	-	-
- decrease/ (increase) in trade and other receivables		4,250,915	(4,328,644)	3,366,944	(1,967,571)
- increase / (decrease) in trade and other payables		482,565	1,113,568	11,866	21,215
Cash generated from/ (used in) operations		9,352,465	(2,912,658)	2,558,485	(3,391,128)

9 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

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

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

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- classification of financial assets and liabilities (note 5)
- impairment assessment of goodwill (note 6(d)(i))
- useful lives of property, plant and equipment (note 20(o))
- useful lives of intangible assets (note 6(d))
- estimation of fair value of investment properties (note 6(c)(iii))
- estimation of fair values of land and buildings (note 6(a))
- estimation of defined benefit obligation (note 6(h))
- estimation uncertainties and judgements made in relation to lease accounting (note 6(b)(iii))
- estimation of the current tax expense and deferred tax (note 4(a))
- estimation of the fair value of contingent liabilities (note 13)
- impairment of financial assets (note 10(c))

(i) 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.

(ii) Provisions

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

(b) Correction of a prior period error in absorbing overheads to inventory

(i) Overhead Absorption – Hela Investment Holdings Limited

As a result of the migration to the SAP S/4HANA Fashion ERP system, the management identified an over absorption of manufacturing overhead costs to the 31 March 2022 inventory balance of Hela Investment Holdings Limited. This over absorption has been corrected and the relevant costs included in cost of sales for the relevant period.

(ii) Impact to the statement of profit or loss for the year ended 31st March 2022

	Group			
	Year ended 31 March 2022			
	As per published accounts	Effect of over absorption reversal	Exchange impact	Restated accounts
Revenue from contracts with customers	56,179,623	-	-	56,179,623
Cost of sales	(47,367,814)	(235,646)	-	(47,603,460)
Gross profit	8,811,809	(235,646)	-	8,576,163
Operating profit	2,492,563	(235,646)	-	2,256,917
Profit before income tax	1,064,782	(235,646)	-	829,136
Profit for the year	816,311	(235,646)	-	580,665

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

9 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS CONTD.

(iii) Reconciliation for the statement of financial position as at 31st March 2022

	Group			
	As at 31 March 2022			
	As per published accounts	Effect of over absorption reversal	Exchange impact	Restated accounts
Non Current Assets	19,163,480	-	-	19,163,480
Current Assets				
Inventories	12,970,239	(337,706)	-	12,632,533
Other assets	2,018,930	-	-	2,018,930
Trade and other receivables	14,380,441	-	-	14,380,441
Income tax receivables	11,465	-	-	11,465
Other financial assets at amortised cost	204,142	-	-	204,142
Cash and cash equivalents	5,244,151	-	-	5,244,151
Total Current Assets	34,829,368	(337,706)	-	34,491,662
Total assets	53,992,848	(337,706)	-	53,655,142
Equity				
Stated capital	5,730,537	-	-	5,730,537
Retained earnings	2,315,666	(337,706)	102,060	2,080,020
Other reserves	141,032	-	-	141,032
Exchange equalisation reserve	4,827,165	-	(102,060)	4,725,105
Capital and reserves attributable to owners of the Company	13,014,400	(337,706)		12,676,694
Non-controlling interests	150,522	-	-	150,522
Total equity	13,164,922	(337,706)	-	12,827,216
Liabilities				
Non-current liabilities	3,926,528	-	-	3,926,528
Current liabilities	36,935,898	-	-	36,935,898
Total liabilities	40,862,426	-	-	40,862,426
Total equity and liabilities	54,027,348	(337,706)	-	53,689,642

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

The Group has the following derivative financial instruments in the balance sheet:

	2023	2022
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 6(i).

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

10 FINANCIAL RISK MANAGEMENT CONTD.

(a) Derivatives Contd.

(iii) Amounts recognised in profit or loss

The following amounts were recognised in profit or loss in relation to derivatives:

	2023	2022
Net gain on foreign currency forwards included in other gains/ (losses)	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 and LKR, was as follows:

	2023	
	USD	LKR
Trade and other receivables	9,843,247	1,744
Trade and other payables	12,099,179	7,577
Derivative financial instruments	439,129	-
Bank loan (including bank overdraft)	27,175,952	-
	49,557,507	9,321

	2022	
	USD	LKR
Trade and other receivables	14,379,106	1,335
Trade and other payables	10,763,810	11,005
Bank loan (including bank overdraft)	28,263,286	-
	53,406,202	12,340

Amounts recognised in profit or loss

During the year, net foreign exchange gain of LKR 959,402 (2022 - LKR 444,679) were recognised in profit or loss.

Sensitivity

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

	Impact on post tax profit	
	2023	2022
LKR/USD exchange rate – appreciation by 1%	93	123
LKR/USD exchange rate – depreciation by 1%	(93)	(123)

(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.

	2023			
	LKR interest rate		USD interest rate	
	Decrease by 1%	Increase by 1%	Decrease by 1%	Increase by 1%
Group Impact on post tax profit	128,502	(128,502)	66,052	(66,052)

(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;

	2023	2022
Fitch Ratings:		
AAA(lka)	340,436	28,466
AA+ (lka)	2,903	2,276
AA- (lka)	308,242	2,784,496
A+ (lka)	1,466	635,994
A- (lka)	107,020	563,274
A (lka)	2,741,233	12,508
BB+ (lka)	193,680	102,010
BBB-(lka)	68,319	957,517
No rating	142,701	157,610
	3,906,000	5,244,151

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.

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

10 FINANCIAL RISK MANAGEMENT CONTD.

(c) Credit risk contd.

((ii) Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2023 or 1 April 2022 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.

On that basis, the loss allowance charge for the year ended 31 March 2023 and 31 March 2022 was determined as follows for trade receivables:

	2023	2022
Age Category		
0 - 60 days	8,803,396	11,726,360
61-120 days	308,534	410,975
121-180 days	10,044	13,378
181-240 days	3,005	4,002
More than 241 days	49,688	66,187
Gross carrying value of trade receivables	9,174,667	12,220,902
Allowance for expected credit losses	(285,520)	(293,180)
Net trade receivables after the allowances for expected credit losses	8,889,147	11,927,722

Group	Trade receivables	
	2023	2022
Charged to the statement of profit or loss	(189,622)	(132,718)

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

	Trade receivables	
	2023	2022
As at 1 April	(293,180)	(352,158)
Increase in loss allowance recognised in profit or loss during the year	(189,622)	(132,718)
Unused amount reversed on trade receivables	153,114	297,281
Exchange equalisation reserve	(24,891)	(105,585)
As at 31 March	(354,579)	(293,180)

On that basis, the loss allowance as at 31 March 2023 and 01 April 2022 was determined as follows for both trade receivables

	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

	Current	61-120 days	121-180 days	More than 180 days past due	Total
31 March 2022					
31 March 2022	0.16%	46.67%	91.52%	100.00%	
Gross carrying amount – trade receivables	11,726,360	410,975	13,378	70,189	12,220,902
Loss allowance	18,945	191,803	12,243	70,189	293,180

(iii) Other receivables

The Group made specific provision for unrecoverable/ uncollectable other receivable balance. The loss allowance charge for the year ended 31 March 2023 and 2022 was determined as follows for other receivables:

Group	Other receivables	
	2023	2022
Reversed to the statement of profit or loss	153,928	-

The closing loss allowances for other receivables as at 31 March 2023 reconcile to the opening loss allowances as follows:

	Other receivables	
	2023	2022
As at 1 April	(267,007)	(179,134)
Decrease in loss allowance recognised in profit or loss during the year	153,928	-
Unused amount reversed on other receivables	-	9,101
Exchange equalisation reserve	(37,254)	(96,974)
As at 31 March	(150,333)	(267,007)

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.

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

10 FINANCIAL RISK MANAGEMENT CONTD.

(d) Liquidity risk contd.

(i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Less than 6 month	Between 6 month and 12 month	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
31 March 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	368,472	149,419	3,055,311
	27,054,837	11,852,541	1,791,378	1,489,844	149,419	42,338,019
31 March 2022						
Borrowings	24,801,264	820,323	1,418,395	1,185,917	37,387	28,263,286
Trade and other payables	5,370,125	5,404,690	-	-	-	10,774,815
Lease liabilities	153,136	280,721	523,073	-	-	956,930
	30,324,525	6,505,734	1,941,468	1,185,917	37,387	39,995,031

11 CAPITAL MANAGEMENT

(a) Risk management

The Group's objectives when managing capital are to;

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

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

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

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

divided by

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

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

	Notes	2023	2022
Total borrowings	5 (e)	27,175,952	28,263,286
Less: Cash and cash equivalents	5 (c)	(3,906,000)	(5,244,151)
Net debt		23,269,952	23,019,135
Total equity		11,142,009	12,642,194
Net debt to equity ratio		2.09	1.82

(i) 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 INTERESTS IN OTHER ENTITIES

(a) Company owned subsidiaries

The Group's principal subsidiary at 31 March 2023 are set out below. Unless otherwise stated, it has share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

	Place of business / country of incorporation	Ownership	Investments	
			2023	2022
Hela Clothing (Private) Limited	Sri Lanka	100%	6,853,540	2,982,526
			6,853,540	2,982,526

Details of the movement of investment in subsidiary for the year ended 31 March 2023 and 2022 is as follows;

	Group		Company	
	2023	2022	2023	2022
Cost				
At the beginning of period	-	-	2,982,526	1,955,469
Issue of shares to employees under the ESOP	-	-	-	32,725
Additions	-	-	3,891,709	-
Exchange equalisation reserve	-	-	(20,695)	994,332
At the end of period	-	-	6,853,540	2,982,526

(b) Fellow subsidiaries

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

Name of entity	Place of business / country of incorporation	Immediate parent	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
			2023	2022	2023	2022
Hela USA Inc.	USA	Hela Clothing (Private) Limited	100%	100%	-	-
Hela Indochine Apparel Private Limited Company	Ethiopia	Hela Clothing (Private) Limited	51%	51%	49%	49%
Alpha Textile (Private) Limited	Sri Lanka	Hela Clothing (Private) Limited	100%	100%	-	-
Foundation Garments (Private) Limited	Sri Lanka	Hela Clothing (Private) Limited	100%	100%	-	-
F D N Sourcing (Private) Limited	Sri Lanka	Hela Clothing (Private) Limited	100%	100%	-	-
Hela Investment Holdings Limited	Mauritius	Foundation Garments (Private) Limited	100%	100%	-	-
Hela Intimates EPZ Limited	Kenya	Foundation Garments (Private) Limited	100%	100%	-	-
Jinadasa Bennett (Private) Limited	Sri Lanka	Foundation Garments (Private) Limited	100%	100%	-	-
Foundation Bennett (Private) Limited	Sri Lanka	Foundation Garments (Private) Limited	100%	100%	-	-
Hela Clothing Egypt SAE	Egypt	Foundation Garments (Private) Limited	99%	99%	1%	1%

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

12 INTERESTS IN OTHER ENTITIES CONTD.

(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 - 31 March	Hela Clothing Egypt SAE		Hela Indochine Apparel (Private) Limited (Ethiopia)		Total	
	2023	2022	2023	2022	2023	2022
Current assets	2,625,584	1,035,947	1,060,094	434,010	3,685,678	1,469,957
Current liabilities	(3,645,347)	(1,442,555)	(844,777)	(413,812)	(4,490,124)	(1,856,367)
Net current assets	(1,019,763)	(406,608)	215,317	20,198	(804,446)	(386,410)
Non-current assets	1,275,994	221,406	425,773	301,364	1,701,767	522,770
Non-current liabilities	(625,412)	-	-	-	(625,412)	-
Net non-current assets	650,582	221,406	425,773	301,364	1,076,355	522,770
Net assets	(369,181)	(185,202)	641,090	321,562	271,909	136,360
Accumulated NCI	6,464	8,530	309,927	141,992	316,391	150,522

Summarised statement of comprehensive income - 31 March	Hela Clothing Egypt SAE		Hela Indochine Apparel (Private) Limited (Ethiopia)		Total	
	2023	2022	2023	2022	2023	2022
Revenue	3,019,129	613,424	1,889,868	1,213,151	4,908,997	1,826,575
(Loss)/ profit for the year	(206,612)	(132,562)	342,725	(4,191)	136,113	(136,753)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(206,612)	(132,562)	342,725	(4,191)	136,113	(136,753)
(Loss)/ profit allocated to NCI	(2,066)	(1,326)	167,935	(2,054)	165,869	(3,380)

(d) Investments in equity accounted investees

The movement of investments accounted using equity methods are as follows;

	2023	2022
Balance as at 1 April	320,407	-
Acquired during the year	-	315,091
Share of loss of equity accounted investees, net of tax	(69,315)	(91,516)
Exchange equalisation reserve	37,233	96,832
Balance as at 31 March	288,325	320,407

Nature of investment in joint ventures;

Name of entity	Place of business /country of incorporation	Ownership interest held by the Group
Sumbiri Intimate Apparel Private Limited Company	Ethiopia	27%
Safeguard Workwear EPZ Limited	Kenya	50%

Hela Investment Holdings Limited, an indirect subsidiary of the Group, has acquired 27% shareholding of Sumbiri Intimate Apparel (Private) Limited Company ("the JV company") as at 31 March 2023. 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 2023. 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 financial information of joint venture entities.

Summarised statement of financial position	Sumbiri Intimate Apparel (Private) Limited Company		Safeguard Workwear EPZ Limited	
31 March	2023	2022	2023	2022
Cash and cash equivalents	29,671	98,655	-	-
Other current assets (excluding cash)	274,761	181,028	16,750	15,873
Total current assets	304,432	279,683	16,750	15,873
Financial liabilities (excluding trade payables)	327,010	115,627	262,085	226,148
Other current liabilities (including trade payables)	237,532	219,268	4,789	4,027
Total current liabilities	564,542	334,895	266,874	230,175
Net current assets	(260,110)	(55,212)	(250,124)	(214,302)
Non-current assets	589,521	617,555	67,923	70,558
Non-current financial liabilities	306,296	317,089	-	-
Non-current other liabilities	-	-	-	-
Non-current liabilities	306,296	317,089	-	-
Net non-current assets	(566,406)	(372,301)	(250,124)	(214,302)
Net assets	23,115	245,254	(182,201)	(143,744)

Summarised statement of comprehensive income	Sumbiri Intimate Apparel (Private) Limited Company		Safeguard Workwear EPZ Limited	
31 March	2023	2022	2023	2022
Revenue	893,434	778,270	1,384	7,364
Depreciation and amortisation	54,014	25,498	-	-
Finance income	-	-	-	-
Finance cost	-	-	668	508
(Loss) before income tax	(256,737)	(166,736)	(33,319)	(100,494)
Income tax expense	-	-	-	-
(Loss) for the year	(256,737)	(166,736)	(33,319)	(100,494)
Loss allocated to Hela Apparal Holdings PLC	(69,315)	(41,269)	-	(50,247)

13 CONTINGENT LIABILITIES

The following are the corporate guarantees as of statement of financial position date.

Liability Due by	Guarantee or contingent liability taken on behalf of	Financial Institution	Nature of the liability	2023 (LKR' 000)
Hela Clothing (Private) Limited	Hela Investments Holdings Limited	Bank of Ceylon	Corporate Guarantee - USD	7,000
	Foundation Garments (Private) Limited		Corporate Guarantee - USD	11,307
		DFCC Bank PLC	Corporate Guarantee - USD	13,943
		Commercial Bank of Ceylon PLC	Corporate Guarantee - USD	3,000
		People's Bank PLC	Corporate Guarantee - USD	6,500
		People's Bank PLC	Corporate Guarantee - LKR	917
Hela Apparel Holdings PLC		DFCC Bank PLC	Corporate Guarantee - USD	3,000
		National Development Bank PLC	Corporate Guarantee - USD	9,824
	Hela Clothing (Private) Limited		Corporate Guarantee - USD	4,200
		Commercial Bank of Ceylon PLC	Corporate Guarantee - USD	1,000
Foundation Garments (Private) Limited	Hela Investments Holdings Limited	National Development Bank PLC	Corporate Guarantee - USD	1,000
		Bank of Ceylon	Corporate Guarantee - USD	10,000
	Hela Clothing (Private) Limited	Commercial Bank of Ceylon PLC	Corporate Guarantee - USD	4,800
		Hatton National Bank PLC	Corporate Guarantee - USD	456

14 COMMITMENTS

There were no capital / financial commitments as at 31 March 2023.

15 EVENTS AFTER THE REPORTING PERIOD

On 1st August 2023, 7,425,627 ordinary voting shares were issued under the share ownership plan and accordingly the stated capital of the Company increased to LKR 5,746,178,507 consisting of 1,317,381,560 ordinary voting shares. Furthermore, the management is not aware of any other.

16 RELATED PARTY TRANSACTIONS

(a) Parent entities

The Company is the ultimate parent of the Group.

(b) Subsidiaries

Interests in subsidiaries are set out in note 12(a).

(c) Directors and key management personnel compensation

	Group		Company	
	2023	2022	2023	2022
Short-term employee benefits	539,793	273,820		-
	539,793	273,820	-	-

In addition to the above, 145,913,572 ordinary shares were issued to eligible key management personnel.

(d) Outstanding balances arising from non trading activities

(i) Receivables from related parties

	Relationship	Group		Company	
		2023	2022	2023	2022
Safeguard Workwear EPZ Limited	Joint venture	134,015	-	-	-
Sumbiri Intimate Apparel (Private) Limited Company	Joint venture	126,155	-	-	-
Hela Clothing (Private) Limited	Subsidiary	-	-	14,554	1,617,649
Foundation Sourcing (Private) Limited	Subsidiary	-	-	147	147
Foundation Garments (Private) Limited	Subsidiary	-	-	-	1,231,883
		260,170	-	14,701	2,849,679

A loss allowance of LKR 69,059 was recognised in relation to receivabes from related parties during the year. No loss allowance was recognised in expense in 2022.

(ii) Payables to related parties

	Relationship	Group		Company	
		2023	2022	2023	2022
Hela Intimates EPZ Limited	Subsidiary	-	-	-	1,540
Sumbiri Intimate Apparel (Private) Limited Company	Joint venture	38,219	-	-	-
Foundation Garments (Private) Limited	Subsidiary	-	-	16,802	-
		38,219	-	16,802	1,540

(e) Terms and conditions

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

Cut and make charges within the group are decided based on the arms length price. All other transactions with related parties were made on normal commercial terms and conditions.

Loans provided in USD at interest 2.0% accrued on monthly basis to the respective subsidiaries. And the loans are short term in nature.

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

17 (LOSS)/ EARNINGS PER SHARE

(a) Basic earnings / (loss) per share

	Group		Company	
	2023	2022	2023	2022
(Loss)/ earnings attributable to equity of holders of the Company	(3,498,317)	584,044	(812,721)	(1,421,014)
Weighted average number of the ordinary shares used as the denominator	1,309,956	1,079,837	1,309,956	1,079,837
Basic (loss)/ earnings per share attributable to equity holders of the Company	(2.67)	0.54	(0.62)	(1.32)

(b) Diluted (loss)/ earnings per share

	Group		Company	
	2023	2022	2023	2022
(Loss)/ profit attributable to equity of holders of the Company	(3,498,317)	584,044	(812,721)	(1,421,014)
Weighted average number of the ordinary shares used as the denominator	1,317,382	1,094,101	1,317,382	1,094,101
Diluted (loss)/ earnings per share attributable to the equity holders of the Company	(2.66)	0.53	(0.62)	(1.30)

(c) Weighted average number of shares used as the denominator

	Group		Company	
	2023	2022	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,309,956	1,079,837	1,309,956	1,079,837
Adjustments for calculation of diluted earnings per share:	7,426	14,264	7,426	14,264
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,317,382	1,094,101	1,317,382	1,094,101

18 GENERAL INFORMATION

Hela Apparel Holdings PLC is engaged in providing consultancy and support services to group companies. The Group is engaged in the manufacture of apparel for export market and in providing front-end services to foreign customers. The Company is a public limited liability company incorporated on 11 October 2018 and listed on the Colombo Stock Exchange on 7 February 2022. It is domiciled in Sri Lanka and bears the registration number PQ00205151 under the Companies Act No.07 of 2007. The address of the registered office and the principal place of the business is, No 35 Balapokuna Road, Colombo 06, Sri Lanka.

Name of the entity	Place of business	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 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

19 GOING CONCERN

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future.

In determining the basis of preparing the Financial Statements for the period ended 31 March 2023, based on available information, the management has assessed the existing and anticipated effects of the prevailing economic conditions in Sri Lanka on the Group and the appropriateness of the use of the going concern basis.

To counter the effects of both events, the Group has evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios relating to expected revenue streams, cost management, and the ability to defer non-essential capital expenditure. The Group's current reserves and financing facilities are sufficient to ensure the continuation of the business and the management believes that additional cost savings and cash conservation measures where needed will secure the Group's ability to continue as a going concern.

Furthermore, the Management is not aware of any other material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Hela Apparel Holdings PLC and its subsidiaries.

(a) Basis of preparation

(i) Compliance with Sri Lanka Accounting Standards (SLFRSs)

The consolidated financial statements of the Group and the 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 9 to the financial statements.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Investment property – measured at fair value
- Derivative financial instruments – measured at fair value
- Defined benefit plans - actuary valued and recognised at present value
- Freehold land and building measured at fair value

(iii) New and amended standards adopted by the Group

- Amendment to LKAS 16, Property, Plant and Equipment

  Proceeds before intended use –this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- Amendments to SLFRS 3, Reference to the Conceptual Framework

  Minor amendments were made to SLFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

- Amendments to LKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

  The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to SLFRS Standards 2018–2020
  - SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. The following standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- SLFRS 17, 'Insurance contracts'
- Amendments to LKAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to LKAS 1 - Disclosure Initiative: Accounting Policies

- Amendments to LKAS 8 - Definition of Accounting Estimates
- Amendment to LKAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

(v) Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. Certain prior year figures and phases are rearranged whenever necessary to conform to the current year presentation.

The group has reclassified LKR 34.5Mn, the IPO transaction cost which was previously deducted from stated capital to retained earnings to be in line with the definition of Stated Capital as per the Companies Act no 7 of 2007.

(b) Principles of consolidation

(i) 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.

(ii) Changes in ownership Investments in 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 to non-controlling interests are also recorded in equity.

(iii) 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.

(iv) 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 (see (vi) below), after initially being recognised at cost.

(v) 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 (see (vi) below), after initially being recognised at cost in the consolidated balance sheet.

(vi) 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.

(c) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR) which is the Group and Company's presentation currency. The functional currency of the Group and Company is US Dollars (USD) as it is the currency of the primary economic environment in which the entities of the Group operate. The USD was determined to be the functional currency because;

- It is the currency that mainly influences sales prices for goods and services which are denominated and settled in USD
- It is the currency that mainly influences material costs of providing goods and services, the currency in which such costs are denominated and settled in USD.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains / (losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Translation from functional currency to presentation currency

Transactions and balances measured in US Dollars are translated to Sri Lanka rupees based on the Sri Lanka Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates", as follows:

(a) Assets and Liabilities presented including comparatives are translated at the closing rate existed at the date of each statement of financial position presented.

(b) Income and expense items for all periods presented (i.e. including comparatives) are translated at an annual average exchange rate applicable for respective years.

(c) Share capital is translated at the exchange rate existing at the date of transaction.

(d) All resulting exchange differences are recognised in equity under exchange equalisation reserves.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Revenue recognition

The accounting policies for the Group's revenue from contracts with customers are explained in note 2.

(e) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(f) Leases

The Group's leasing policy is described in note 6(b)

(g) Cash and cash equivalents

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.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 5(a) for further information about the Group's accounting for trade receivables and note 10(c) for a description of the Group's impairment policies.

(i) Segment reporting

The Group's segment reporting policy is described in note 1(i).

(j) Inventories

(i) Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials but excludes borrowing costs and are assigned to individual items of inventory on the basis of standard costs. Costs of purchased inventory are determined after deducting rebates and discounts and are assigned. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Provision for slow moving inventory

A provision for slow moving inventories is recognised based on the best estimates available to management on their future usability. As Management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements.

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single 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.

(l) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. This assessment is referred to as the Solely Payment of Principle and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments are established.

Changes in the fair value of financial assets at FVPL are recognised in other gains / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 10(c) for further details.

(m) Derivative Financial Instruments and Hedge Accounting

(i) Initial Recongintion 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. In this process comprises of identification of the hedge instrument, nature if the risk which is being hedged and how the Group achieves the hedge effectiveness.

Hedge Accunting 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

(n) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(o) Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes and are expected to be used during more than one year.

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 assets	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 molds	5 years
Factory and sports equipment	5 years
Electrical equipment and installations	10 years
Computer software	3 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

When revalued assets are derecognised the amount included in revaluation reserve are transferred to retained earnings.

(p) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted for using accounting policy for property, plant and equipment.

(q) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 6(d)(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iv) Amortisation methods and periods

Refer to note 6(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.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(t) 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.

(u) 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.

(v) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Defined benefit plan - gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No.12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary.

A defined benefit plan is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised past service cost. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the yield rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past service costs are recognised immediately in statement of profit or loss.

Gains and losses on remeasurement and changes in assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The assumptions based on which the results of the valuation was determined, are included in note 6(h) to the financial statements.

(iii) Defined contribution plan

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(iv) Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(y) Earnings / (loss) per share

(i) Basic earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing:

- the profit / (loss) attributable to the equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 17(a)).

(ii) Diluted earnings / (loss) per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

21 IMPACT ON ECONOMIC CRISIS

Impact on the recent economic downturn to financial statements are as below.

Adverse movement on the foreign exchange rate

The Sri Lankan Rupee has depreciated significantly during the year ended 31 March 2023 and it was under pressure due to the continuous deterioration of the balance of payments and the depletion of foreign reserves. The Group earns its revenues in foreign currency by manufacturing and exporting garments to the Europe and USA regions. It is the management’s view that the Group is not significantly exposed to the prevailing economic conditions in Sri Lanka in a manner that would impact its ability to continue as a going concern.

Increasing inflation

Sri Lanka has experienced a significant YoY inflationary impact as per the Colombo Consumer Price Index (CCPI). This is mainly due to the increase in import prices and domestic prices resulting from rupee depreciation and excessive money printing by Central Bank of Sri Lanka (CBSL). The Group earns its revenue in foreign currency and there is no significant effect due to an increase in inflation even though there are expenses born locally.

Increasing interest rates

The CBSL has tightened the monetary policy by increasing its policy rates in response to the prevailing economic crisis including the depletion of foreign reserves. The Group have very minimal of LKR borrowings and therefore is not exposed to interest rate fluctuations in Sri Lanka.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecasted to slow from 3.4% in 2022 to 2.8% in 2023 and 3% in 2024. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Supplementary Information

partnerships

OF STABILITY

Statement of Profit or Loss

(All amounts in US Dollar Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
		Restated		
	2023	2022	2023	2022
Revenue from contracts with customers	268,499	269,269	-	-
Cost of sales	(235,857)	(228,163)	-	-
Gross profit	32,642	41,106	-	-
Distribution expenses	(11,145)	(6,954)	-	-
Administrative expenses	(24,904)	(25,070)	(34)	(285)
Net impairment loss on financial assets	(101)	(636)	-	-
Other income	1,201	447	-	-
Other gains/ (losses)	4,082	1,925	(2,261)	(6,645)
Operating profit / (loss)	1,775	10,818	(2,295)	(6,930)
Finance income	79	223	8	156
Finance costs	(11,309)	(6,628)	-	-
Finance (costs)/ income - net	(11,230)	(6,405)	8	156
Share of loss of equity accounted investee, net of tax	(195)	(439)	-	-
(Loss)/ profit before income tax	(9,650)	3,974	(2,287)	(6,774)
Income tax reversals/ (expense)	261	(1,191)	(2)	(37)
(Loss)/ profit for the year	(9,389)	2,783	(2,289)	(6,811)
Profit/ (loss) is attributable to:				
Equity holders of the parent	(9,856)	2,799	(2,289)	(6,811)
Non-controlling interests	467	(16)	-	-
(Loss)/ profit for the year	(9,389)	2,783	(2,289)	(6,811)
(Loss)/ earnings per share for (loss)/ profit attributable to the equity holders of the parent				
Basic (loss)/ earnings per share	(0.01)	0.00	(0.00)	(0.01)
Diluted (loss)/ earnings per share	(0.01)	0.00	(0.00)	(0.01)

Statement of Comprehensive Income

(All amounts in US Dollar Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
		Restated		
	2023	2022	2023	2022
(Loss)/ profit for the year	(9,389)	2,783	(2,290)	(6,811)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(138)	5	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Gain on revaluation of land and buildings	2,712	135	-	-
Deferred income tax impact relating to revaluation	(938)	(28)	-	-
Remeasurements of post-employment benefit obligations	(138)	305	-	-
Deferred income tax impact relating to remeasurements of post-employment benefit obligations	48	(36)	-	-
Other comprehensive income for the year, net of tax	1,546	381	-	-
Total comprehensive (loss)/ income for the year	(7,843)	3,164	(2,290)	(6,811)

Statement of Financial Position

(All amounts in US Dollar Thousands)

	Group		Company	
	As at 31 March		As at 31 March	
		Restated		
	2023	2022	2023	2022
ASSETS				
Non-current assets				
Property, plant and equipment	27,505	21,922	-	-
Right-of-use assets	8,379	2,478	-	-
Investment property	1,710	1,505	-	-
Intangible assets	36,536	36,504	-	-
Deferred tax assets	3,447	611	-	-
Investment in subsidiaries	-	-	20,941	9,975
Investments in equity accounted investees	881	1,072	-	-
Other financial assets at amortised cost	1	1	-	-
Total non-current assets	78,459	64,093	20,941	9,975
Current assets				
Inventories	35,935	42,249	-	-
Other assets	11,332	6,752	-	-
Trade and other receivables	30,081	48,095	45	9,531
Income tax receivables	151	38	-	-
Derivative financial instruments	1,342	-	-	-
Other financial assets at amortised cost	949	683	-	-
Cash and cash equivalents	11,935	17,539	27	3,731
Total current assets	91,725	115,356	72	13,262
Total assets	170,184	179,449	21,013	23,237
EQUITY				
Stated capital	29,663	29,596	29,663	29,596
Other reserves	2,583	721	596	594
Exchange equalisation reserve	885	969	-	-
(Accumulated losses)/ retained earnings	412	10,498	(9,395)	(7,105)
Capital and reserves attributable to owners of Hela Apparel Holdings PLC	33,543	41,784	20,864	23,086
Non-controlling interests	1,468	1,001	-	-
Total equity	35,011	42,785	20,864	23,086

	Group		Company	
	As at 31 March		As at 31 March	
		Restated		
	2023	2022	2023	2022
LIABILITIES				
Non-current liabilities				
Borrowings	5,512	8,610	-	-
Lease liabilities	6,521	1,171	-	-
Deferred tax liabilities	4,931	1,925	-	-
Employee benefit obligations	1,638	1,426	-	-
Total non-current liabilities	18,604	13,132	-	-
Current liabilities				
Trade and other payables	36,992	36,037	146	113
Income tax liabilities	74	128	2	37
Lease liabilities	1,981	1,451	-	-
Borrowings	77,522	85,916	-	-
Total current liabilities	116,569	123,532	148	151
Total liabilities	135,173	136,664	148	151
Total equity and liabilities	170,184	179,449	21,012	23,236
Net assets per share attributable to owners of Hela Apparel Holdings PLC	0.03	0.03	0.02	0.02

Statement of Cash Flow

(All amounts in US Dollar Thousands)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
		Restated		
	2023	2022	2023	2022
Cash flows from operating activities				
Cash generated from/ (used in) operations	26,244	(13,966)	7,208	(16,254)
Retirement benefit obligations paid	(206)	(228)	-	-
Income tax paid	(113)	(116)	(22)	-
Interest paid	(11,309)	(6,628)	-	-
Net cash inflow/ (outflow) from operating activities	14,617	(20,938)	7,185	(16,254)
Cash flows from investing activities				
Purchase of property, plant and equipment	(7,432)	(6,482)	-	-
Purchase of intangible assets	(84)	(47)	-	-
Proceeds from sale of property, plant and equipment	1,688	7	-	-
Proceeds from sale of intangible assets	-	1	-	-
Interest received	79	223	8	156
Investment made in fixed deposits	(266)	-	-	-
Acquisition of non controlling interest	-	(300)	-	-
Investments made in subsidiaries	-	(1,494)	(10,964)	-
Net cash (outflow) / inflow from investing activities	(6,015)	(8,092)	(10,956)	156
Cash flows from financing activities				
Proceeds from borrowings	317,123	270,917	-	-
Repayment of borrowings	(327,891)	(252,994)		
Net proceeds form share issue	67	19,820	67	19,820
Principal elements of lease payments	(2,781)	(964)	-	-
Net cash (outflow)/ inflow from financing activities	(13,482)	36,780	67	19,820
Net (decrease)/ increase in cash and cash equivalents	(4,880)	7,750	(3,704)	3,722
Cash and cash equivalents at the beginning of the year	16,800	9,050	3,731	8
Cash and cash equivalents at the end of the year	11,920	16,800	27	3,731

Five Years Financial Summary - Group

(All amounts in Sri Lankan Rupees Thousands)

	Hela Apparel Holdings PLC					Hela Clothing (Private) Limited
		Restated				
Year ended 31 March	2023	2022	2021	2020	*2019	**2019
Income statement						
Group revenue	95,302,705	56,179,623	32,155,092	32,874,321	16,155,221	32,310,442
Gross profit	11,586,267	8,576,163	6,065,467	6,996,160	2,653,580	5,307,160
Operating (loss) / profit	630,447	2,256,917	1,960,024	1,987,836	466,580	934,550
(Loss) / profit before taxation	(3,424,916)	829,136	912,100	819,329	(85,347)	(182,215)
Income tax expense	(92,467)	248,471	40,564	51,849	113,289	226,579
(Loss) / profit after taxation	(3,332,449)	580,665	871,536	767,480	(198,636)	(408,794)
(Loss) / profit attributable to the equity holders of the parent	(3,498,318)	584,044	766,846	804,586	(192,255)	(396,032)
Statement of financial position						
Assets						
Non-current assets						
Property, plant and equipment	9,001,940	6,554,602	3,560,886	3,550,254	3,755,196	3,755,196
Right-of-use assets	2,742,171	740,821	562,667	372,593	-	-
Deferred tax assets	1,128,036	182,650	304,947	289,035	-	-
Other non current assets	12,805,784	11,685,407	7,654,791	7,111,426	7,022,501	5,666,400
Total non-current assets	25,677,931	19,163,480	12,083,291	11,323,307	10,777,697	9,421,596
Current assets	30,019,983	34,491,662	14,590,815	11,744,407	9,795,398	9,788,205
Total assets	55,697,914	53,655,142	26,674,106	23,067,714	20,573,095	19,209,801
Equity						
Capital and reserves						
Stated capital	5,719,672	5,696,037	1,723,899	1,723,897	1,039,659	1,215,852
Advance against share capital	-	-	-	-	-	911,540
Other reserves	801,734	141,032	86,065	(1,024)	-	613,352
(Accumulated losses) /retained earnings	(1,499,989)	2,080,020	1,313,835	582,925	(192,255)	(3,277,376)
Exchange equalisation reserve	6,120,592	4,725,105	505,769	197,800	677	52,577
Non-controlling interest	316,391	150,522	340,114	230,749	201,070	184,375
Total equity	11,458,400	12,792,716	3,969,682	2,734,347	1,049,151	(299,680)
Non-current liabilities						
Borrowings	1,804,131	2,574,365	2,063,220	2,240,388	3,234,995	3,234,995
Deferred tax liabilities	1,613,979	575,488	372,059	377,431	167,331	167,331
Lease liabilities	2,134,142	350,258	548,511	103,702	-	-
Employee benefit obligations	536,101	426,471	436,905	327,324	246,255	246,255
Total non-current liabilities	6,088,353	3,926,582	3,420,695	3,048,844	3,648,580	3,648,580
Current liabilities	38,151,161	36,935,898	19,283,729	17,284,524	15,875,365	15,860,901
Total liabilites	44,239,514	40,862,480	22,704,424	20,333,368	19,523,945	19,509,481
Total equity and liabilities	55,697,914	53,655,196	26,674,106	23,067,714	20,573,095	19,209,801

Five Years Financial Summary - Group

(All amounts in Sri Lankan Rupees Thousands)

	Hela Apparel Holdings PLC					Hela Clothing (Private) Limited
		Restated				
	2023	2022	2021	2020	*2019	**2019
Ratios and Statistics						
Annual growth in turnover	69.6%	74.7%	-2.2%	1.7%	-	33.9%
Gross profit margin	12.2%	15.3%	18.9%	21.3%	16.4%	16.4%
Net profit margin	-3.5%	1.0%	2.7%	2.3%	-1.2%	-1.3%
Gearing ratio (Times)	2.4	2.2	4.0	5.6	-	-48.9%
Return on Equity (ROE)	-29.4%	***7.2%	25.0%	79.7%	-	58.3%

**Hela Apparel Holding PLC was incorporated on 11 October 2018 and acquired 100% of the shares in Hela Clothing (Private) Limited on 19th November 2018. As such, Group figures for Hela Apparel Holdings PLC in FY 2018/19 reflect a partial view of the of the financial performance during this year. (Approximately 05 months')*

***Hela Clothing (Private) Limited's consolidated financial performance presented for the year 31 March 2019 is a full year consolidated financial statement.*

**** Hela Apparel Holding PLC was listed on the Colombo Stock Exchange in February 2022, with an equity raise of Rs. 4.1Bn.*

Investor Information

1. DISTRIBUTION OF SHAREHOLDERS

As at 31st March 2023	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	2,824	1,440,659	0.1	3	1,885	0	2,827	1,442,544	0.1
1,001 to 10,000 Shares	10,360	33,770,686	2.58	12	53,100	0	10,372	33,823,786	2.58
10,001 to 100,000 Shares	1040	30,209,980	2.31	9	195,857	0.01	1,049	30,405,837	2.32
100,001 to 1,000,000 Shares	146	45,573,809	3.48	2	594,412	0.05	148	46,168,221	3.53
Over 1,000,000 Shares	39	525,112,687	40.09	3	673,002,858	51.38	42	1,198,115,545	91.47
Total	14,409	636,107,821	48.56	29	673,848,112	51.44	14,438	1,309,955,933	100

2. CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	14,043	318,945,290
Institutional	395	991,010,643
	14,438	1,309,955,933

3. PUBLIC HOLDINGS

Public Holding as at 31 March	2023	2022
Issued Share Capital (No. of Shares)	1,309,955,933	1,303,117,944
Public Holding as a % of Issued Share Capital	22.65%	20.13%
Total Number of Shareholders	14,438	16,445
Number of Shareholders representing the Public Holding	14,418	16,421

Minimum Public Holding Requirement as per Listing Rules 7.14.1

	Float Adjusted Market Capitalisation - (LKR)	Public Holding (%)	No of Shareholders representing the public holding
Minimum Public Holding as at 31 March 2023	2,373,640,151	22.65%	14,418

The Company complies with the Minimum Public Holding required of the Main Board as per Option 5 of Section 7.14.1 (a) of the CSE Listing Rules

4. SHARE TRADING INFORMATION

	2023	2022
Market Value of Shares		
Last Traded Price on 31 March (LKR)	8.00	12.90
Highest Price (LKR)	15.30	22.00
Lowest Price (LKR)	7.90	12.50
Market Capitalisation on 31 March (LKR 000')	10,479,648	16,810,221
Share Trading		
No of Transactions During the Year	24,244	33,646
No of Shares Traded During the Year	109,771,724	115,641,164
Value of Shares Traded During the Year	1,257,838,511	2,051,977

5. SHAREHOLDER INFORMATION

List of 20 Major Shareholders as at 31 March		2023		2022	
		No. of Shares	%	No. of Shares	%
1	Lesing Hela Limited	614,256,956	46.89	614,256,956	47.14
2	Tars Investments Lanka Pvt Ltd	235,638,162	17.99	235,638,162	18.08
3	Mr. P.L.D. Jinadasa	137,276,656	10.48	135,932,066	10.43
4	David Pieris Holdings (Private) Limited	30,674,576	2.34	-	-
5	Mr. D.E.H. Mcvey	30,598,973	2.34	30,598,973	2.35
6	Citibank Newyork S/A Norges Bank Account 2	28,146,929	2,15	20,971,740	1.61
7	Mr. H.H. Abdulhusein	19,100,000	1.46	18,438,517	1.41
8	Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam	16,191,671	1.24	15,902,456	1.22
9	Deutsche Bank AG as Trustee To Assetline Income Plus Growth Fund	7,027,589	0.54	-	-
10	Akbar Brothers Pvt Ltd A/C No 1	6,000,000	0.46	6,000,000	0.46
11	Union Assurance PLC - Universal Life Fund	5,575,358	0.43	6,748,748	0.52
12	Mr. R.S.P. Amaratunga	5,007,961	0.38	4,907,961	0.38
13	Mr. D.M. Beruwalage	4,361,600	0.33	4,361,600	0.33
14	Mr. A.R. Rasiah	4,273,743	0.33	4,273,743	0.33
15	Magna Wealth (Pvt) Ltd	4,240,485	0.32	3,372,100	0.26
16	DFCC Bank Plc A/C No.02	4,000,000	0.31	-	-
17	Mr. W.A.R. Gunawardhana	3,546,155	0.27	-	-
18	California Link (Private) Ltd	3,050,572	0.23	-	-
19	Bank of Ceylon A/C Ceybank Unit Trust	2,945,200	0.22	2,945,200	0.23
20	Mr. Y.C. Samarajeewa	2,867,137	0.22	-	-
		1,164,779,723	88.93	1,104,348,222	84.75

5. SHAREHOLDER INFORMATION CONTD.

a. Directors Shareholding

Directors' Direct Shareholding	2023 No. of Shares	2022 No. of Shares
Mr. P.L.D. Jinadasa (Group CEO)	137,276,656	135,932,066
Mr. A.R. Rasiah (Chairman)	4,273,743	4,273,743
Ms. T.S. Peries	57,400	57,400
Ms. A. Nanayakkara*	-	619,100
Mr. G.P. Gunawardana	-	-
Dr. A. Alderton	-	-
Mr. P. Schleiffer	-	-
Mr. S. Khan	-	-
	141,607,799	140,882,309

**Resigned w.e.f 31st August 2022*

6. EMPLOYEE SHARE OWNERSHIP PLAN AS AT 31 MARCH 2023

Date of Grant	Employee Category	Shares Granted (A+B)	Status of Granted Shares as of 31 March 2023		Remaining shares allotted to Scheme that may be granted by the Board of Directors at a future date
			Vested & issued (A)	To be vested & issued on 1 August 2023 (B)	
1-Aug-2020	Senior Executives & Directors	35,258,375	27,832,748	7,425,627	18,163,411

Note:

6,837,989 ordinary voting shares were issued on 1 August 2022 and 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 Nations 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 114 - 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 13 - 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 100
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 136
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 74
Principle 4: the elimination of all forms of forced and compulsory labour;	- Refer Human and Social Capital - page 74
Principle 5: the effective abolition of child labour; and	- Refer Human and Social Capital - page 74
Principle 6: the elimination of discrimination in respect of employment and occupation.	- Refer Human and Social Capital - page 74

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 64
Principle 8: Undertake initiatives to promote greater environmental responsibility; and	- Refer Natural Capital – page 64
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	- Refer Natural Capital – page 64
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 125

Group Companies and Directorate

Name	Country of Incorporation	Relationship	Effective Holding		Principal Activity	Board Members
			FY 23	FY 22		
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
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 N Mohottige
Safeguard Workwear EPZ Limited	Kenya	Joint Venture	50%	50%	Manufacture of safety and medical products for export market	P L D Jinadasa G S M A Gulam K M H Dostmohamed N Mohottige
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 K D V L Koralearachchi D D M Arachchi

Glossary

CAPITAL EMPLOYED
Total Shareholders' funds plus debt and non-controlling interests

CURRENT RATIO
Current assets divided by current liabilities

DEBT TO EQUITY RATIO
Interest bearing borrowings including lease liabilities as a percentage of shareholders' funds and non-controlling interests

DEFERRED TAXATION
Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised

EARNINGS PER SHARE (BASIC)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period

EFFECTIVE RATE OF TAXATION
Tax expense divided by profit before tax

INTEREST COVER
Consolidated profit before interest and tax over interest expense

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of the period

NET ASSETS
Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end

NET DEBT
Total debt minus cash and short-term deposits

NOPAT
Net Operating Profit After Tax

NET PROFIT MARGIN
Profit after tax divided by total revenue

OPERATING PROFIT MARGIN
Operating Profit divided by total revenue

PRICE EARNINGS RATIO
Market price per share over diluted earnings per share

RETURN ON ASSETS
Profit after tax as a percentage of average total assets

RETURN ON CAPITAL EMPLOYED (ROCE)
Operating Profit as a percentage of average capital employed

RETURN ON EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds

TOTAL DEBT
Long and short-term loans, including overdrafts and lease liabilities

WORKING CAPITAL
Current assets minus current liabilities

GRI Content Index

Statement of use	Hela Apparel Holdings PLC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023
GRI 1 used	GRI 1: Foundation 2021

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	a. About this Report				
	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. Integrating 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				
	2-13 Delegation of responsibility for managing impacts	a. Corporate Governance				

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	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 > Employee Engagement> Relationships with Trade Unions				

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 Materiality	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 Materiality				
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. Our Socio-economic Impact > 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. Notes to the financial statement				
	201-4 Financial assistance received from government		Not Reported	Not Applicable		
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	a. Human and Social Capital > Remuneration Recognition and Rewards				
	202-2 Proportion of senior management hired from the local community	a. Our Socio-economic Impact b. Human and Social Capital			Employees from the locality are given prominence	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Our Socio-economic Impact				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	a. Our Socio-economic Impact				
	203-2 Significant indirect economic impacts	a. Our Socio-economic Impact				
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				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Corporate Governance				

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
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 behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not Reported	Not Material		
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Not Reported	Not Material		
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Notes to the financial statements				
GRI 207: Tax 2019	207-1 Approach to tax	a. 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. Notes to the financial statements				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Management Approach				
GRI 301: Materials 2016	301-1 Materials used by weight or volume		Not Reported	Information incomplete		
	301-2 Recycled input materials used		Not Reported	Information incomplete		
	301-3 Reclaimed products and their packaging materials		Not Reported	Information incomplete		
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Management Approach				
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		

GRI Content Index

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	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			
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital > Energy Management				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	a. Natural Capital> Water and Effluents				
	303-2 Management of water discharge-related impacts	a. Natural Capital> Water and Effluents				
	303-3 Water withdrawal	a. Natural Capital> Water and Effluents				
	303-4 Water discharge		Not Reported	Information incomplete		
	303-5 Water consumption		Not Reported	Information incomplete		
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital> Management Approach				
GRI 304: 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	Not Applicable		
	304-2 Significant impacts of activities, products and services on biodiversity		Not Reported	Not Applicable		
	304-3 Habitats protected or restored		Not Reported	Not Applicable		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not Reported	Not Applicable		
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital> Management Approach				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	a. Natural Capital> Managing Emissions				

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	305-2 Energy indirect (Scope 2) GHG emissions	a. Natural Capital> Managing Emissions				
	305-3 Other indirect (Scope 3) GHG emissions	a. Natural Capital> Managing Emissions				
	305-4 GHG emissions intensity		Not Reported	Information Incomplete		
	305-5 Reduction of GHG emissions	a. Natural Capital> Managing Emissions				
	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		
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Natural Capital> Management Approach				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	a. Natural Capital> Responsible Disposal of Waste				
	306-2 Management of significant waste-related impacts	a. Natural Capital> Responsible Disposal of Waste			No significant impact	
	306-3 Waste generated	a. Natural Capital> Responsible Disposal of Waste				
	306-4 Waste diverted from disposal		Not Reported	Information Incomplete		
	306-5 Waste directed to disposal		Not Reported	Information Incomplete		
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				
	308-2 Negative environmental impacts in the supply chain and actions taken	a. Relationship Capital				
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> Movements in the Team				

GRI Content Index

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	a. Human and Social Capital> Remuneration, Recognition and Rewards				
	401-3 Parental leave	a. Human and Social Capital> Pursuing Gender Equality> Parental leave			Maternity leave is provided as per regulations	
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	a. Human and Social Capital> Employee Engagement> Relationships with Trade Unions				
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				

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
	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 > Training and Development				
	404-2 Programs for upgrading employee skills and transition assistance programs	a. Human and Social Capital > Training and Development				
	404-3 Percentage of employees receiving regular performance and career development reviews	a. Human and Social Capital > Remuneration, Rewards and Recognition> Performance Management				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Corporate Governance				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	a. Corporate Governance				
	405-2 Ratio of basic salary and remuneration of women to men	a. Human and Social Capital > Remuneration, Rewards and Recognition			There is no gender bias in determining the remuneration of employees	
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Corporate Governance				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	a. Human and Social Capital > Diversity and Inclusion				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital				

GRI Content Index

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
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 > Employee Engagement> Relationships with Trade Unions				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social a. Capital Corporate Governance				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	a. Human and Social Capital			The Group maintains a zero child labour policy	
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Human and Social Capital and Corporate Governance				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	a. Human and Social Capital > Team Profile				
Security practices						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		Not Reported	Not Material		
Rights of Indigenous People						
GRI 3: Material Topics 2021	3-3 Management of material topics					
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. Relationship Capital				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	a. Relationship Capital> Building Community Relationships				
	413-2 Operations with significant actual and potential negative impacts on local communities	a. Natural Capital				

Gri Standard/ Other Source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	a. Relationship Capital				
	414-2 Negative social impacts in the supply chain and actions taken	a. Relationship Capital				
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics		Not Reported	Not applicable		
GRI 415: Public Policy 2016	415-1 Political contributions		Not Reported	Not applicable		
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. Natural Capital> Chemical Management				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	a. Relationship Capital				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	a. Relationship Capital				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	a. Relationship Capital				
	417-2 Incidents of non-compliance concerning product and service information and labeling	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		

Notes

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of Hela Apparel Holdings PLC will be held on Tuesday, 26 September 2023 at 3.30pm 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 2023 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 elect Mr. Shlomo Doron as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company;

1.4 To elect Mr. Shesan Khan as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company;

1.5 To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.

1.6 To authorise the Directors to determine donations for the year ending 31 March 2024 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 resolution as a special resolution for the amendment of the Articles of Association of the Company, for the purpose of (i) correcting a typographical error in paragraph (4) of Article 19, (ii) authorizing the chairperson/director and secretary of the Company to issue certified copies of meeting minutes and resolutions, (iii) allowing one director together with the company secretary to execute documents that are required by law to be in writing and be notarially attested, and (iv) removing the reference to a common seal, in the method of contracting:

"IT IS HEREBY RESOLVED THAT the Articles of Association of the Company be and are hereby amended as follows:

1. Paragraph (4) of Article 19 be deleted in the entirety and the following new paragraph be inserted in substitution thereof:

   "(4) No proxy is effective in relation to a meeting, unless a copy of the notice of appointment is given to the Company not less than forty-eight (48) hours before the start of the meeting."

2. The following new paragraph, numbered as paragraph (3), be inserted to Article 20 immediately after the existing paragraph (2) thereof:

   "(3) The chairperson/Director and the secretary of the Company is authorized to issue a copy of such minutes or any resolution of shareholders signed as duly certified and such certified copy shall be deemed to be a document duly authenticated by the Company."

3. Paragraph (2) of Article 29 be deleted in the entirety and the following new paragraph be inserted in substitution thereof:

   "(2) An obligation which if entered into by a natural person is required by law to be in writing signed by that person and be notarially attested, such obligation may be entered into by the Company by:

   (a) two (2) directors of the Company;

   (b) if there be only one (01) director, by that Director;

   (c) one (01) or more attorneys appointed by the Company; or

   (d) one (01) Director and the secretary of the Company."

4. Paragraph (3) of Article 29 be deleted in the entirety.

5. The following new paragraph, numbered as paragraph (3), be inserted to Article 41 immediately after the existing paragraph (2) thereof:

   "(3) The chairperson/Director and the secretary of the Company is authorized to issue a copy of such minutes or any resolution of the Board signed as duly certified and such certified copy shall be deemed to be a document duly authenticated by the Company."

By Order of the Board,
HELA APPAREL HOLDINGS PLC

(Ms) J Kuhanesan
Company Secretary

04 September 2023
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 3.30 pm on 24 September 2023.

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/her

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 Second Annual General Meeting of the Company to be held on 26 September 2023 at 3.30pm 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 elect Mr. Shlomo Doron as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company		
1.3	To elect Mr. Shesan Khan as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company		
1.4	To re-appoint Messrs PricewaterhouseCoopers, 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 2024 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 Three

....
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 or before 3.30 pm on 24 September 2023.

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
PricewaterhouseCoopers
100, Braybrooke Place,
Colombo 02, Sri Lanka

COMPANY REGISTRARS
SSP Corporate Services (Pvt) Ltd
101, Inner Flower Road,
Colombo 03, Sri Lanka

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon PLC
Commercial Bank of Ethiopia
DFCC Bank PLC
Equity Bank Kenya Limited
Hatton National Bank PLC
National Bank of Egypt
National Development Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Standard Chartered Bank PLC
Qatar National Bank
Standard Chartered Bank Mauritius Limited
Abu Dhabi Islamic Bank

PRINCIPAL ACTIVITIES OF THE GROUP
Manufacture of apparel for export markets and provision of front-end services to foreign customers

DIRECTORS
A R Rasiah
P L D Jinadasa
G P Gunawardana
A Nanayakkara (resigned wef 31 August 2022)
T S Peries
P Schleiffer
A J Alderton
S R Khan (appointed wef 5 October 2022)
S Doron (appointed wef 5 October 2022)

AUDIT & RISK 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
A R Rasiah
S Khan

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

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

JOINT VENTURES
Sumbiri Intimate Apparel Private Limited Company
Safeguard Workwear EPZ Limited

Designed & produced by
emagewise

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www.helaclothing.com