



**HELA APPAREL HOLDINGS LIMITED AND ITS
SUBSIDIARIES**

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
31 DECEMBER 2021**

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REVIEW

Despite a challenging global environment, I am pleased to share that the Hela Group's strong performance in the first half of the current financial year continued into the third quarter. Year-to-date revenue now stands at LKR 41.6 Bn, an 88% increase compared to the corresponding period of the previous financial year, while Profit-After-Tax (PAT) reached LKR 1.1 Bn, a 173% year-on-year increase. Indeed, the year-to-date results now exceed the full year revenue and PAT figures for FY2020-21 of LKR 32.2 Bn and LKR 0.9 Bn respectively, demonstrating the strong recovery in the Group's performance following the initial impact of the COVID-19 pandemic.

On a quarterly basis, revenue increased by 43% in the third quarter compared to the corresponding quarter of the previous year – a continuation of the positive trend in sales volumes seen in the first half of the year. This reflects strong consumer demand conditions in the Groups's main markets in Europe and North America, as well as increased penetration with its major customers as a result of its strategic expansion initiatives, such as the establishment of partnered capacity in Tanzania and initial steps taken to establish operations in Egypt.

Strong revenue growth was offset by increased cost pressures during the quarter, particularly from global increases in commodity and freight prices. These eroded gross profit margins as a result of the time lag involved in passing on such external cost increases to the Group's customers. In addition, while the operational turnaround of the Group's second factory in Ethiopia (and first focused on the manufacturing of bras) was successfully completed in the third quarter, the significant sales growth and other ongoing expansion projects in Africa, notably the preliminary stages of establishing manufacturing in Egypt, contributed to a higher cost base during the quarter. As a result, PAT in the third quarter was LKR 452 Mn, compared to LKR 496 Mn in the corresponding quarter of the previous financial year, though this still exceeds the profit recorded in the first two quarters of the current year.

Looking ahead, the Group's order book remains strong and robust demand conditions are expected to persist as the impact of the pandemic continue to fade, though global inflationary pressures and continued supply chain disruptions are potential risk factors. Cost pressures are also expected to be alleviated as externally-driven increases are gradually passed through to the Group's customers. The management is further pursuing a number of initiatives to actively mitigate future cost pressures, including the localization of raw materials supply chains to reduce freight costs and increased operational efficiency through a range of cost management strategies. In addition, the expansions in the Group's footprint across Africa will positively impact both top and bottom line growth as these initiatives come to fruition and play a key role in sustaining the Group's growth momentum.

A. R. Rasiah
Chairman

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Note: We advise readers of these interim condensed financial statements to take note of the forward looking statements disclosure on the final page.

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES**Condensed statement of profit or loss**

(all amounts in Sri Lankan Rupees)

| | Group | | Company | |
|--|---------------------------------------|--------------------|---------------------------------------|--------------------|
| | Three months ended 31 December | | Three months ended 31 December | |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | 15,021,451,042 | 10,495,161,897 | - | - |
| Cost of sales | (12,956,904,727) | (8,725,849,436) | - | - |
| Gross profit | 2,064,546,315 | 1,769,312,461 | - | - |
| Distribution costs | (274,221,352) | (288,037,368) | - | - |
| Administrative costs | (1,095,359,544) | (793,885,666) | (3,777,524) | (1,356,625) |
| Other income | 53,622,211 | 78,276,921 | - | - |
| Other gains / (losses) - net | 28,839,819 | (13,206,048) | (27,667) | 4,937 |
| Operating profit / (loss) | 777,427,449 | 752,460,300 | (3,805,191) | (1,351,688) |
| Finance income | 2,468,758 | 668,855 | 6,442 | 6,657 |
| Finance costs | (323,912,352) | (245,964,415) | (13,779) | (11,443) |
| Finance costs - net | (321,443,594) | (245,295,560) | (7,337) | (4,786) |
| Share of net gain of joint ventures | 7,465,255 | - | - | - |
| Profit / (loss) before income tax | 463,449,110 | 507,164,740 | (3,812,528) | (1,356,474) |
| Income tax expense | (11,335,271) | (11,404,744) | - | - |
| Profit / (loss) for the period | 452,113,839 | 495,759,996 | (3,812,528) | (1,356,474) |
| Profit / (loss) is attributable to: | | | | |
| Owners of Hela Apparel Holdings Limited | 452,195,769 | 453,496,021 | (3,812,528) | (1,356,474) |
| Non-controlling interests | (81,930) | 42,263,975 | - | - |
| Profit / (loss) for the period | 452,113,839 | 495,759,996 | (3,812,528) | (1,356,474) |
| Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company | | | | |
| Basic / diluted earnings / (loss) per share | 0.97 | 45.35 | (0.01) | (0.14) |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES**Condensed statement of comprehensive income**

(all amounts in Sri Lankan Rupees)

| | Group | | Company | |
|--|---------------------------------------|--------------------|---------------------------------------|--------------------|
| | Three months ended 31 December | | Three months ended 31 December | |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit / (loss) for the period | 452,113,839 | 495,759,996 | (3,812,528) | (1,356,474) |
| Other comprehensive income: | | | | |
| <i>Items that will be reclassified to profit or loss</i> | | | | |
| Currency translation differences | (10,044,527) | (2,912,627) | 20,348,972 | (11,570,847) |
| Other comprehensive income for the period, net of tax | (10,044,527) | (2,912,627) | 20,348,972 | (11,570,847) |
| Total comprehensive income for the period | 442,069,312 | 492,847,369 | 16,536,444 | (12,927,321) |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Condensed statement of profit or loss

(all amounts in Sri Lankan Rupees)

| | Group | | Company | |
|--|-------------------------------|---------------------|-------------------------------|---------------------|
| | Nine months ended 31 December | | Nine months ended 31 December | |
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Revenue from contracts with customers | 41,586,070,094 | 22,166,101,763 | - | - |
| Cost of sales | (35,682,459,677) | (18,669,113,567) | - | - |
| Gross profit | 5,903,610,417 | 3,496,988,196 | - | - |
| Distribution expenses | (828,101,201) | (449,239,539) | - | - |
| Administrative expenses | (3,333,170,674) | (2,170,335,272) | (7,153,822) | (3,074,737) |
| Other income | 108,102,869 | 245,218,818 | - | - |
| Other gains / (losses) - net | 249,847,601 | 13,864,177 | (174,005) | (175,452) |
| Operating profit / (loss) | 2,100,289,012 | 1,136,496,380 | (7,327,827) | (3,250,189) |
| Finance income | 5,872,260 | 3,171,929 | 18,399 | 110,952 |
| Finance costs | (973,791,133) | (710,436,538) | (61,157) | (27,244) |
| Finance costs - net | (967,918,873) | (707,264,609) | (42,758) | 83,708 |
| Share of net loss of joint ventures | (22,778,439) | - | - | - |
| Profit / (loss) before income tax | 1,109,591,700 | 429,231,771 | (7,370,585) | (3,166,481) |
| Income tax expense | (33,937,772) | (35,033,056) | - | - |
| Profit / (loss) for the period | 1,075,653,928 | 394,198,715 | (7,370,585) | (3,166,481) |
| Profit / (loss) is attributable to: | | - | | |
| Owners of Hela Apparel Holdings Limited | 1,107,387,452 | 351,386,823 | (7,370,585) | (3,166,481) |
| Non-controlling interests | (31,733,524) | 42,811,892 | - | - |
| Profit / (loss) for the period | 1,075,653,928 | 394,198,715 | (7,370,585) | (3,166,481) |
| Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company | | | | |
| Basic / diluted earnings / (loss) per share | 2.38 | 35.14 | (0.02) | (0.32) |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES**Condensed statement of comprehensive income**

(all amounts in Sri Lankan Rupees)

| | Group | | Company | |
|--|--------------------------------------|--------------------|--------------------------------------|--------------------|
| | Nine months ended 31 December | | Nine months ended 31 December | |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit / (loss) for the period | 1,075,653,928 | 394,198,715 | (7,370,585) | (3,166,481) |
| Other comprehensive income: | | | | |
| <i>Items that will be reclassified to profit or loss</i> | | | | |
| Currency translation differences | 26,104,821 | (8,825,113) | 29,894,228 | 30,687,966 |
| Other comprehensive income for the period, net of tax | 26,104,821 | (8,825,113) | 29,894,228 | 30,687,966 |
| Total comprehensive income for the period | 1,101,758,749 | 385,373,602 | 22,523,643 | 27,521,485 |

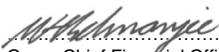
HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Condensed balance sheet

(all amounts in Sri Lankan Rupees)

| | Group | | Company | |
|--|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | 31 December 2021 (Unaudited) | 31 March 2021 (Audited) | 31 December 2021 (Unaudited) | 31 March 2021 (Audited) |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 3,635,950,250 | 3,560,886,307 | - | - |
| Investment property | 345,945,154 | 340,795,890 | - | - |
| Right-of-use assets | 571,169,411 | 562,667,370 | - | - |
| Intangible assets | 7,376,171,102 | 7,271,434,771 | 233,769 | 916,380 |
| Capital work-in-progress | 162,356,342 | 42,338,794 | - | - |
| Investment in subsidiaries | - | - | 1,254,945,137 | 1,236,265,748 |
| Investment in joint venture | 194,278,273 | - | - | - |
| Deferred tax assets | 124,270,870 | 290,374,861 | - | - |
| Other financial assets at amortised cost | 224,273 | 220,934 | - | - |
| Other assets | 57,583,509 | - | - | - |
| Total non-current assets | 12,467,949,184 | 12,068,718,927 | 1,255,178,906 | 1,237,182,128 |
| Current assets | | | | |
| Inventories | 7,572,793,327 | 5,453,106,060 | - | - |
| Trade receivables | 9,619,106,967 | 5,288,323,019 | - | - |
| Other financial assets at amortised cost | 1,122,293,759 | 911,737,155 | 754,844,455 | 737,872,187 |
| Other assets | 1,702,729,208 | 1,034,839,811 | - | - |
| Income tax receivables | 6,157,799 | 6,294,640 | 6,005,287 | - |
| Cash and cash equivalents | 2,679,189,540 | 1,896,512,633 | 4,893,360 | 2,173,914 |
| Total current assets | 22,702,270,600 | 14,590,813,318 | 765,743,102 | 740,046,101 |
| Total assets | 35,170,219,784 | 26,659,532,245 | 2,020,922,008 | 1,977,228,229 |
| EQUITY | | | | |
| Stated capital | 1,723,901,923 | 1,723,898,790 | 1,723,901,923 | 1,723,898,790 |
| Retained earnings / (accumulated losses) | 2,421,222,414 | 1,313,834,962 | (39,974,109) | (32,603,524) |
| Other reserves | 109,746,230 | 86,065,358 | 105,902,836 | 82,221,964 |
| Exchange equalization reserve | 531,873,760 | 505,768,939 | 230,816,778 | 200,922,550 |
| Capital and reserves attributable to owners of Helia | | | | |
| Apparel Holdings Limited | 4,786,744,327 | 3,629,568,049 | 2,020,647,428 | 1,974,439,780 |
| Non-controlling interests | 146,919,601 | 340,115,765 | - | - |
| Total equity | 4,933,663,928 | 3,969,683,814 | 2,020,647,428 | 1,974,439,780 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 3,455,090,147 | 2,063,220,376 | - | - |
| Deferred income tax liabilities | 189,079,998 | 357,485,792 | - | - |
| Lease liabilities | 556,799,194 | 548,511,446 | - | - |
| Employee benefit obligations | 510,482,858 | 436,902,553 | - | - |
| Total non-current liabilities | 4,711,452,197 | 3,406,120,167 | - | - |
| Current liabilities | | | | |
| Trade and other payables | 7,347,533,712 | 6,110,299,701 | 274,580 | 2,287,465 |
| Lease liabilities | 75,005,248 | 73,888,823 | - | - |
| Income tax liabilities | 11,510,640 | 1,675,718 | - | - |
| Borrowings | 18,091,054,059 | 13,097,864,022 | - | 500,984 |
| Total current liabilities | 25,525,103,659 | 19,283,728,264 | 274,580 | 2,788,449 |
| Total liabilities | 30,236,555,856 | 22,689,848,431 | 274,580 | 2,788,449 |
| Total equity and liabilities | 35,170,219,784 | 26,659,532,245 | 2,020,922,008 | 1,977,228,229 |
| Net assets per share | 4.62 | 362.94 | 1.95 | 197.44 |

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


 Group Chief Financial Officer
 Date: 1st February 2022

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 of Directors.


 Director
 Date: 1st February 2022


 Director
 Date: 1st February 2022

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Condensed statement of changes in equity

(all amounts in Sri Lankan Rupees)

Group

| | Attributable to owners of Hela Apparel Holdings Limited | | | | | | |
|--|---|-------------------|----------------|-------------------------------|---------------|---------------------------|---------------|
| | Stated capital | Retained earnings | Other reserves | Exchange equalization reserve | Total | Non-controlling interests | Total equity |
| Balance at 01 April 2020 | 1,723,896,190 | 582,924,827 | (1,023,579) | 197,799,649 | 2,503,597,087 | 230,749,488 | 2,734,346,575 |
| Profit for the year | - | 351,386,823 | - | - | 351,386,823 | 42,811,892 | 394,198,715 |
| Other comprehensive income | - | - | - | (8,825,113) | (8,825,113) | - | (8,825,113) |
| Total comprehensive income for the year | - | 351,386,823 | - | (8,825,113) | 342,561,710 | 42,811,892 | 385,373,602 |
| Balance at 31 December 2020 | 1,723,896,190 | 934,311,650 | (1,023,579) | 188,974,536 | 2,846,158,797 | 273,561,380 | 3,119,720,177 |
| Balance at 1 January 2021 | 1,723,896,190 | 934,311,650 | (1,023,579) | 188,974,536 | 2,846,158,797 | 273,561,380 | 3,119,720,177 |
| Profit for the year | - | 415,458,723 | - | - | 415,458,723 | 61,878,273 | 477,336,996 |
| Other comprehensive income | - | (35,935,411) | 4,866,973 | 316,794,403 | 285,725,965 | 4,676,112 | 290,402,077 |
| Total comprehensive income for the year | - | 379,523,312 | 4,866,973 | 316,794,403 | 701,184,688 | 66,554,385 | 767,739,073 |
| Issue of shares to employees under the ESOP - value of employee services | - | - | 82,221,964 | - | 82,221,964 | - | 82,221,964 |
| Share issue | 2,600 | - | - | - | 2,600 | - | 2,600 |
| Balance at 31 March 2021 | 1,723,898,790 | 1,313,834,962 | 86,065,358 | 505,768,939 | 3,629,568,049 | 340,115,765 | 3,969,683,814 |
| Balance at 1 April 2021 | 1,723,898,790 | 1,313,834,962 | 86,065,358 | 505,768,939 | 3,629,568,049 | 340,115,765 | 3,969,683,814 |
| Profit/ (loss) for the period | - | 1,107,387,452 | - | - | 1,107,387,452 | (31,733,524) | 1,075,653,928 |
| Other comprehensive income | - | - | - | 26,104,821 | 26,104,821 | - | 26,104,821 |
| Total comprehensive income for the period | - | 1,107,387,452 | - | 26,104,821 | 1,133,492,273 | (31,733,524) | 1,101,758,749 |
| NCI on business combination | - | - | - | - | - | (185,143,512) | (185,143,512) |
| Issue of shares to employees under the ESOP - value of employee services | - | - | 23,680,872 | - | - | 23,680,872 | 23,680,872 |
| Share issue | 3,133 | - | - | - | 3,133 | - | 3,133 |
| Balance at 31 December 2021 | 1,723,901,923 | 2,421,222,414 | 109,746,230 | 531,873,760 | 4,786,744,327 | 146,919,601 | 4,933,663,928 |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Condensed statement of changes in equity

(all amounts in Sri Lanka Rupees)

Company

| | Stated capital | Share based payments | Retained earnings / (accumulated losses) | Exchange equalization reserve | Total |
|---|-------------------|-------------------------|---|-------------------------------------|---------------|
| Balance at 1 April 2020 | 1,723,896,190 | - | (27,911,669) | 32,292,234 | 1,728,276,755 |
| Loss for the year | - | - | (3,166,481) | - | (3,166,481) |
| Other comprehensive income | - | - | - | 30,687,966 | 30,687,966 |
| Total comprehensive income for the year | - | - | (3,166,481) | 30,687,966 | 27,521,485 |
| Issue of shares to employees under the ESOP - value of employee services | - | - | - | - | - |
| Balance at 31 December 2020 | 1,723,896,190 | - | (31,078,150) | 62,980,200 | 1,755,798,240 |
| Balance at 1 January 2021 | 1,723,896,190 | - | (31,078,150) | 62,980,200 | 1,755,798,240 |
| Loss for the year | - | - | (1,525,366) | - | (1,525,366) |
| Other comprehensive income | - | - | - | 137,942,350 | 137,942,350 |
| Total comprehensive income for the year | - | - | (1,525,366) | 137,942,350 | 136,416,984 |
| Issue of shares to employees under the ESOP - value of employee services | - | 82,221,964 | - | - | 82,221,964 |
| Share issue | 2,600 | - | - | - | 2,600 |
| Balance at 31 March 2021 | 1,723,898,790 | 82,221,964 | (32,603,524) | 200,922,550 | 1,974,439,780 |
| Balance at 1 April 2021 | 1,723,898,790 | 82,221,964 | (32,603,524) | 200,922,550 | 1,974,439,780 |
| Loss for the year | - | - | (7,370,585) | - | (7,370,585) |
| Other comprehensive income | - | - | - | 29,894,228 | 29,894,228 |
| Total comprehensive income for the year | - | - | (7,370,585) | 29,894,228 | 22,523,643 |
| Issue of shares to employees under the ESOP - value of employee services | - | 23,680,872 | - | - | 23,680,872 |
| Share issue | 3,133 | - | - | - | 3,133 |
| Balance at 31 December 2021 | 1,723,901,923 | 105,902,836 | (39,974,109) | 230,816,778 | 2,020,647,428 |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Condensed statement of cash flows

(all amounts in Sri Lankan Rupees)

| | Group | | Company | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 December 2021 (Unaudited) | 31 December 2020 (Unaudited) | 31 December 2021 (Unaudited) | 31 December 2020 (Unaudited) |
| Profit / (loss) before income tax from continuing operations | 1,109,591,700 | 429,231,771 | (7,370,585) | (3,166,481) |
| Adjustments for: | | | | |
| Depreciation and amortisation | 360,051,661 | 313,163,530 | 755,497 | 849,891 |
| Net interest expenses | 973,791,133 | 710,436,538 | 60,513 | 27,059 |
| Issue of shares under employee share option plan | - | - | - | 2,589 |
| Retirement benefits obligations provision | 99,129,419 | 94,650,275 | - | - |
| Gain from NCI acquisition | (126,578,195) | - | - | - |
| Loss on sale of property, plant and equipment | 215,592 | 1,132,436 | - | - |
| Fair value adjustment to investment property | - | (14,088,855) | - | - |
| Share based payment expenses | 23,680,912 | 80,905,001 | 23,680,872 | 15,479,224 |
| Exchange difference | 2,368,107 | 10,188,896 | 805 | - |
| Changes in working capital | | | | |
| - (Increase) / decrease in inventories | (2,029,769,520) | (1,308,191,455) | - | - |
| - (Increase) / decrease in trade receivables | (4,235,180,577) | (397,819,630) | - | (19,927,010) |
| - Increase / (decrease) in trade and other payables | 1,140,681,906 | 1,295,934,416 | (2,039,886) | (1,668,996) |
| - (Increase) / decrease Other financial assets at amortised cost | (196,053,940) | 326,463,332 | (5,801,943) | - |
| - (Increase) / decrease Other assets | (649,844,560) | 203,723,925 | (5,982,303) | - |
| Cash (used in) / generated from operations | (3,527,916,362) | 1,745,730,180 | 3,302,971 | (8,403,724) |
| Retirement benefits obligations paid | (32,397,870) | (14,736,518) | - | - |
| Income tax paid | (23,933,342) | (11,404,744) | - | - |
| Interest paid | (971,429,256) | (98,853,105) | (125,499) | (143,313) |
| Net cash (outflow) / inflow from operating activities | (4,555,676,830) | 1,620,735,813 | 3,177,472 | (8,547,037) |
| Cash flows from investing activities | | | | |
| Net movement of property, plant and equipment and intangible assets | (498,107,991) | (90,184,277) | - | - |
| Interest received | 5,872,260 | 3,171,929 | 6,011 | 116,130 |
| Investments made in joint venture | (273,708,310) | - | - | - |
| NCI on business combination | (60,390,360) | - | - | - |
| Net cash (outflow) / inflow from investing activities | (826,334,401) | (87,012,348) | 6,011 | 116,130 |
| Cash flows from financing activities | | | | |
| Net borrowings | 6,133,247,981 | (1,075,341,553) | (506,675) | 465,443 |
| Net cash inflow / (outflow) from financing activities | 6,133,247,981 | (1,075,341,553) | (506,675) | 465,443 |
| Net increase/ (decrease) in cash and cash equivalents | 751,236,750 | 458,381,912 | 2,676,808 | (7,965,464) |
| Cash and cash equivalents at beginning of period | 1,896,512,633 | 1,803,918,370 | 2,173,914 | 9,826,393 |
| Currency translation differences | 31,440,157 | (365,787,649) | 42,638 | 312,985 |
| Cash and cash equivalents at end of period | 2,679,189,540 | 1,896,512,633 | 4,893,360 | 2,173,914 |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Notes to the condensed interim financial statements

1 General information

Hela Apparel Holdings Limited 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 limited liability Company incorporated on 11 October 2018 and is domiciled in Sri Lanka and bears the registration No.PB00205151 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.

2 Basis of preparation

The condensed interim financial statements for the period ended 31 December 2021 of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standard LKAS 34, 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2021.

3 Accounting policies

Accounting policies adopted are consistent with those used in the consolidated financial statements of Hela Apparel Holdings Limited for the year ended 31 March 2021.

4 Contingent liabilities

There has been no significant change in the nature of the contingencies and other commitments, which were disclosed as of 30th September in the Prospectus for the Initial Public Offering on the company, published on 28th December 2021.

5 Financial commitments

The Group has entered into a master service agreement with Attune Lanka (Private) Limited on 02 June 2021 to implement SAP S/4HANA Fashion ERP system. Further, End User License Agreement and SAP Delivered Support Agreement were entered into with SAP India (Private) Limited on 28 May 2021. The total cost of the implementation and the licensing amounts to LKR 436,419,353.

6 Events after the reporting period

The Board of Directors of Hela Apparel Holdings Limited ("Company") has taken a strategic decision to list the Company on the Colombo Stock Exchange ("the CSE") by way of an Initial Public Offering (IPO) via an Offer for Subscription (the Issue) on 12 January 2022. Through the Offer for Subscription of Two Hundred and Sixty Seven Million One Hundred and Eight Thousand Nine Hundred and Ninety Eight (267,108,998) Ordinary Voting Shares at LKR 15.00 per share, the Company aims to raise a total sum of LKR 4,006,634,970.

7 Covid impact and going concern

The Group has adequate resources to continue its operational existence for the foreseeable future and continues to adopt the going concern basis in preparing and presenting these financial statements. To counter the COVID-19 effect, the Group has evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected revenue streams, cost management, the ability to defer non-essential capital expenditure. The reserves and potential sources of financing facilities are strong enough to ensure the operational business to continue as least impacted. The Group believes that these cost savings, as well as its cash conservation measures will secure the Group's and Company's ability to continue as a going concern. From the Company perspective, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources through the operational and business activities of the subsidiary, Hela Clothing (Private) Limited to continue in operational existence for the foreseeable future.

8 Segmental Information

The Company has not disclosed segmental information as the Group is primarily engaged in the business of manufacturing apparel products for export, and is therefore considered to have only one operational segment.

9 Investments in joint venture

| | 2021 |
|-------------------------------|--------------------|
| At 1 April 2021 | - |
| Acquisition | 195,336,854 |
| Share of (loss) / profit | (22,778,438) |
| Exchange equalization reserve | 21,719,857 |
| At 31 December 2021 | 194,278,273 |

Nature of investment in joint venture 2021;

| Name of entity | Place of business /country of incorporation | Level of ownership |
|--|---|--------------------|
| Sumbiri Intimates Apparels (Private) Limited | Ethiopia | Direct |

Foundation Garments (Private) Limited (FDN), a direct subsidiary of the Company through its affiliate Hela Investment Holdings Limited, has acquired 24% shareholding of Sumbiri Intimates Apparels (Private) Limited ("the JV company") as at 31 December 2021. FDN jointly operates and manages the JV company with the other shareholders. According to the joint venture agreement, Hela Investment Holdings Limited is to increase the investment in share capital of the JV company up to 50%. Sumbiri Intimates Apparels (Private) Limited is identified as a joint venture investment based on the joint control clauses in the JV agreement.

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Notes to the condensed interim financial statements

10 Comparatives

Comparative figures, where necessary, have been adjusted to conform with the changes in presentation in the current period.

11 Seasonal or cyclical factors affecting the Group disclosure note;

The operations of the Group were not significantly affected by any seasonal or cyclical factors.

12 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in estimates and assumptions used in prior financial periods that may have a material effect in the current quarter and for the financial period to date.

In preparing the condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the sources of estimates uncertainty are consistent with the audited financial statements for the year ended 31 March 2021.

13 Stated capital

| | Company | | | |
|------------------------|----------------------|------------------|----------------------|------------------|
| | 31 December 2021 | 31 March 2021 | 31 December 2021 | 31 March 2021 |
| | Number of shares | Number of shares | Value (LKR) | Value (LKR) |
| A1 Preference Shares | - | 3,200,000 | - | 544,202,800 |
| A2 Preference Shares | - | 2,500,000 | - | 425,476,797 |
| A3 Preference Shares | - | 700,000 | - | 119,176,303 |
| A4 Preference Shares | - | 3,600,000 | - | 635,040,000 |
| B Ordinary Shares | - | 171 | - | 290 |
| C Ordinary Shares | - | 260 | - | 2,600 |
| Ordinary Voting Shares | 1,036,008,946 | - | 1,723,901,923 | - |
| | 1,036,008,946 | 10,000,431 | 1,723,901,923 | 1,723,898,790 |

(i) Movement in ordinary shares:

| | Number of shares | Value (LKR) |
|--|----------------------|----------------------|
| Opening balance 1 April 2020 | 10,000,171 | 1,723,896,190 |
| Issue of shares under the ESOP | 260 | 2,600 |
| Balance 31 March 2021 | 10,000,431 | 1,723,898,790 |
| Opening balance 1 April 2021 | 10,000,431 | 1,723,898,790 |
| Share issue (prior to share capital restructure) | 395 | 1,853 |
| Cancellation of existing shares due to share capital restructure | (10,000,826) | - |
| Share capital restructure to Ordinary Voting Shares | 1,005,409,973 | - |
| Share issues (Ordinary Voting Shares) | 30,598,973 | 1,280 |
| Balance 31 December 2021 | 1,036,008,946 | 1,723,901,923 |

Pursuant to the share capital reorganization on 02 September 2021, all multiple classes of issued shares (A1, A2, A3, A4 Preference Shares and B and C ordinary shares) were converted into a single class of ordinary voting shares.

(ii) The major shareholders of the Company are as mentioned below:

| Shareholder name | Number of | Value |
|--|----------------------|----------------------|
| Lesing Hela Limited | 614,256,956 | 1,104,367,280 |
| Tars Investments Lanka (Private) Limited | 235,498,562 | 430,895,150 |
| Dilanka Jinadasa | 133,656,266 | 188,634,247 |
| Other shareholders | 52,597,162 | 5,246 |
| Total share capital | 1,036,008,946 | 1,723,901,923 |

14 Earnings per share

The diluted earnings per share is the same as the basic earnings per share.

15 Net Assets per share

| | Group | | Company | |
|-----------------------------------|---------------------|------------------|------------------|------------------|
| | 31 December 2021 | 31 March 2021 | 31 December 2021 | 31 March 2021 |
| Net assets as of period end | 4,786,744,327 | 3,629,568,049 | 2,020,647,428 | 1,974,439,780 |
| Number of shares as of period end | 1,036,008,946 | 10,000,431 | 1,036,008,946 | 10,000,431 |
| Net assets per share (Rs.) | 4.62 | 362.94 | 1.95 | 197.44 |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Notes to the condensed interim financial statements

16 Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year.

| | Revaluation reserve | Share based payment reserve | Total |
|--|---------------------|--------------------------------|--------------------|
| Balance at 1 April 2021 | 3,843,394 | 82,221,964 | 86,065,358 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | - | - | - |
| ESOP - value of employee services | - | 23,680,872 | 23,680,872 |
| Balance at 31 December 2021 | 3,843,394 | 105,902,836 | 109,746,230 |

17 Effect of changes in composition of the Group

- (a) Hela Clothing (Private) Limited (direct subsidiary) disposed its ownership in Hela Kenya (Private) Limited to Foundation Garments (Private) Limited for a consideration of LKR 2,268,548,186 on 25 May 2021.
- (b) Foundation Garments (Private) Limited (indirect subsidiary) became the sole shareholder, holding 100% of share capital of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited with the acquisition of balance stake from John Stuart Bennett Manufacturing Limited.
- (c) Hela Kenya (Private) Limited (indirect subsidiary), changed its name to Hela Investment Holdings Limited with effect from 19 May 2021.
- (d) Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited), acquired 38,058 shares of Sumbiri Intimates Apparels (Private) Limited, a company incorporated and domiciled in Ethiopia for a consideration of LKR 195,336,854 on 31 May 2021.

Other than disclosed above, there has not been a change in the composition of the Group which was disclosed in the audited financial statements for the year ended 31 March 2021.

18 Presentation currency

Transactions 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 balance sheet 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 recognized in equity under exchange equalization reserves.

19 Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. The Group has trade receivables, trade payables and borrowings as financial instruments. The fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to the current market rates or the instruments are short-term in nature.

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Statement of profit or loss

(all amounts in US Dollars)

| | Group | | Company | |
|--|--------------------------------|---------------------|--------------------------------|---------------------|
| | Three months ended 31 December | | Three months ended 31 December | |
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Revenue from contracts with customers | 74,621,766 | 56,755,209 | - | - |
| Cost of sales | (64,365,760) | (47,187,210) | - | - |
| Gross profit | 10,256,006 | 9,567,999 | - | - |
| Distribution costs | (1,362,244) | (1,557,634) | - | - |
| Administrative costs | (5,441,397) | (4,293,135) | (18,766) | (7,336) |
| Other income | 266,378 | 423,302 | - | - |
| Other gains / (losses) - net | 143,267 | (71,415) | (137) | 27 |
| Operating profit / (loss) | 3,862,010 | 4,069,117 | (18,903) | (7,310) |
| Finance income | 12,264 | 3,617 | 32 | 36 |
| Finance costs | (1,609,093) | (1,330,114) | (68) | (62) |
| Finance costs - net | (1,596,829) | (1,326,497) | (36) | (26) |
| Share of net profit of joint ventures | 37,085 | - | - | - |
| Profit / (loss) before income tax | 2,302,266 | 2,742,620 | (18,939) | (7,335) |
| Income tax expense | (56,310) | (61,674) | - | - |
| Profit / (loss) for the period | 2,245,956 | 2,680,946 | (18,939) | (7,335) |
| Profit/ (loss) is attributable to: | | | | |
| Owners of Hela Apparel Holdings Limited | 2,246,363 | 2,452,393 | (18,939) | (7,335) |
| Non-controlling interests | (407) | 228,553 | - | - |
| Profit/ (loss) for the period | 2,245,956 | 2,680,946 | (18,939) | (7,335) |

Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company

| | | | | |
|---|------|------|--------|--------|
| Basic / diluted earnings / (loss) per share | 0.00 | 0.25 | (0.00) | (0.00) |
|---|------|------|--------|--------|

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES**Statement of comprehensive income**

(all amounts in US Dollars)

| | Group | | Company | |
|--|--------------------------------|---------------------|--------------------------------|---------------------|
| | Three months ended 31 December | | Three months ended 31 December | |
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Profit / (loss) for the period | 2,245,956 | 2,680,946 | (18,939) | (7,335) |
| Other comprehensive income: | | | | |
| Exchange differences on translation of foreign operations | (49,898) | (14,469) | - | - |
| Other comprehensive income for the period, net of tax | (49,898) | (14,469) | - | - |
| Total comprehensive income for the period | 2,196,058 | 2,666,477 | (18,939) | (7,335) |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Condensed statement of profit or loss

(all amounts in US Dollars)

| | Group | | Company | |
|--|-------------------------------|---------------------|-------------------------------|---------------------|
| | Nine months ended 31 December | | Nine months ended 31 December | |
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Revenue from contracts with customers | 206,586,300 | 119,868,731 | - | - |
| Cost of sales | (177,259,051) | (100,957,894) | - | - |
| Gross profit | 29,327,249 | 18,910,837 | - | - |
| Distribution expenses | (4,113,742) | (2,429,375) | - | - |
| Administrative expenses | (16,558,126) | (11,736,630) | (35,538) | (16,627) |
| Other income | 537,020 | 1,326,082 | - | - |
| Other gains / (losses) - net | 1,241,163 | 74,974 | (864) | (949) |
| Operating profit / (loss) | 10,433,564 | 6,145,888 | (36,402) | (17,576) |
| Finance income | 29,172 | 17,153 | 91 | 600 |
| Finance costs | (4,837,483) | (3,841,863) | (304) | (147) |
| Finance costs - net | (4,808,311) | (3,824,710) | (213) | 453 |
| Share of net loss of joint ventures | (113,156) | - | - | - |
| Profit / (loss) before income tax | 5,512,097 | 2,321,178 | (36,615) | (17,123) |
| Income tax expense | (168,592) | (189,450) | - | - |
| Profit / (loss) for the period | 5,343,505 | 2,131,728 | (36,615) | (17,123) |
| Profit / (loss) is attributable to: | - | - | - | - |
| Owners of Hela Apparel Holdings Limited | 5,501,147 | 1,900,212 | (36,615) | (17,123) |
| Non-controlling interests | (157,642) | 231,516 | - | - |
| Profit / (loss) for the period | 5,343,505 | 2,131,728 | (36,615) | (17,123) |
| Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company | | | | |
| Basic / diluted earnings / (loss) per share | 0.01 | 0.19 | (0.00) | (0.00) |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES**Condensed statement of comprehensive income**

(all amounts in US Dollars)

| | Group | | Company | |
|--|--------------------------------------|-------------|--------------------------------------|-------------|
| | Nine months ended 31 December | | Nine months ended 31 December | |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit / (loss) for the period | 5,343,505 | 2,131,728 | (36,615) | (17,123) |
| Other comprehensive income: | | | | |
| <i>Items that will be reclassified to profit or loss</i> | | | | |
| Currency translation differences | (58,160) | (47,724) | - | - |
| Other comprehensive income for the period, net of tax | (58,160) | (47,724) | - | - |
| Total comprehensive income for the period | 5,285,345 | 2,084,004 | (36,615) | (17,123) |

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Balance sheet

(all amounts in US Dollars)

| | Group | | Company | |
|---|------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| | 31 December 2021 (Unaudited) | 31 March 2021 (Audited) | 31 December 2021 (Unaudited) | 31 March 2021 (Audited) |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 17,995,531 | 17,890,305 | - | - |
| Investment property | 1,712,198 | 1,712,198 | - | - |
| Right-of-use assets | 2,826,908 | 2,826,906 | - | - |
| Intangible assets | 36,507,132 | 36,532,530 | 1,157 | 4,604 |
| Capital work-in-progress | 803,556 | 212,715 | - | - |
| Investment in subsidiaries | - | - | 6,211,142 | 6,211,142 |
| Investment in joint venture | 961,548 | - | - | - |
| Deferred tax assets | 615,058 | 1,458,877 | - | - |
| Other financial assets at amortised cost | 1,110 | 1,110 | - | - |
| Other assets | 285,000 | - | - | - |
| Total non-current assets | 61,708,041 | 60,634,641 | 6,212,299 | 6,215,746 |
| Current assets | | | | |
| Inventories | 37,480,281 | 27,397,035 | - | - |
| Trade receivables | 47,608,170 | 26,569,147 | - | - |
| Other financial assets at amortised cost | 5,554,606 | 4,580,673 | 3,735,977 | 3,707,155 |
| Other assets | 8,427,375 | 5,199,155 | 29,718 | - |
| Income tax receivables | 30,477 | 31,625 | - | - |
| Cash and cash equivalents | 13,260,203 | 9,528,299 | 24,219 | 10,922 |
| Total current assets | 112,361,112 | 73,305,934 | 3,789,914 | 3,718,077 |
| Total assets | 174,069,153 | 133,940,575 | 10,002,213 | 9,933,823 |
| EQUITY | | | | |
| Stated capital | 9,660,920 | 9,660,904 | 9,660,920 | 9,660,904 |
| Retained earnings | 12,417,970 | 6,916,823 | (215,219) | (178,604) |
| Other reserves | 575,337 | 457,698 | 555,153 | 437,514 |
| Exchange equalization reserve | 905,101 | 963,261 | - | - |
| Capital and reserves attributable to owners of Hela Apparel Limited | 23,559,328 | 17,998,686 | 10,000,854 | 9,919,814 |
| Non-controlling interests | 859,021 | 1,945,465 | - | - |
| Total equity | 24,418,349 | 19,944,151 | 10,000,854 | 9,919,814 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 17,100,394 | 10,365,858 | - | - |
| Deferred income tax liabilities | 935,820 | 1,796,050 | - | - |
| Lease liabilities | 2,755,785 | 2,755,785 | - | - |
| Employee benefit obligations | 2,526,550 | 2,195,049 | - | - |
| Total non-current liabilities | 23,318,549 | 17,112,742 | - | - |
| Current liabilities | | | | |
| Trade and other payables | 36,365,396 | 30,698,853 | 1,359 | 11,492 |
| Lease liabilities | 371,226 | 371,226 | - | - |
| Income tax liabilities | 56,970 | 8,419 | - | - |
| Borrowings | 89,538,663 | 65,805,184 | - | 2,517 |
| Total current liabilities | 126,332,255 | 96,883,682 | 1,359 | 14,009 |
| Total liabilities | 149,650,804 | 113,996,424 | 1,359 | 14,009 |
| Total equity and liabilities | 174,069,153 | 133,940,575 | 10,002,213 | 9,933,823 |
| Net assets per share | 0.02 | 1.80 | 0.01 | 0.99 |

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


.....
Group Chief Financial Officer

Date: 1st February 2022

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 of Directors.


.....
Director

Date: 1st February 2022


.....
Director

Date: 1st February 2022

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Corporate information

Name of Company

Hela Apparel Holdings Limited

Legal Form

Limited liability company incorporated under the Companies act No. 7 of 2007.

Date of Incorporation

11 October 2018

Company Registration Number

PB00205151

Accounting Period End

31 March 2021

Principal Activity of the Company

Providing consultancy and support services to group companies.

Registered Office

35, Balapokuna Road,
Colombo 06,
Sri Lanka.

Website

www.helaclotthing.com

Major Shareholders

Lesing Hela Limited
Tars Investment Lanka (Private) Limited
P L D Jinadasa

Secretaries

P W Corporate Secretarial (Private) Limited
3/17, Kynsey Road,
Colombo 08,
Sri Lanka.

Auditors

PricewaterhouseCoopers
100, Braybrooke Place,
Colombo 02,
Sri Lanka.

Bankers

- Bank of Ceylon
- Sampath Bank PLC
- National Development Bank PLC
- Union Bank of Colombo PLC
- Hatton National Bank PLC
- Standard Chartered Bank PLC
- Commercial Bank of Ceylon PLC
- DFCC Bank PLC

Principal Activities of the Group

- Manufacture of apparel for export market
- Provision of front-end services to foreign customers

Directors

A R Rasiah
P L D Jinadasa
Gayan Gunawardana
A Nanayakkara
T Peries
Patrick Schleiffer
A J Alderton
Shesan Khan (Alternate to A J Alderton)

Audit Committee

Gayan Gunawardana
A Nanayakkara
T Peries
Patrick Schleiffer
A J Alderton

Remuneration Committee

A Nanayakkara
A J Alderton
Gayan Gunawardana

Related Parties Transaction Review Committee

T Peries
A J Alderton
A Nanayakkara

Nomination Committee

A R Rasiah
A J Alderton
Patrick Schleiffer
T Peries

Direct Subsidiary

Hela Clothing (Private) Limited

Indirect Subsidiaries

Foundation Garments (Private) Limited
F D N Sourcing (Private) Limited
Jinadasa Bennett (Private) Limited
Foundation Bennett (Private) Limited
Alpha Textile (Private) Limited
Hela Investments Holdings (Private) Limited
Hela Investment Holdings Limited
Hela Indochine Apparel PLC
Hela Intimates EPZ Limited
Hela USA, Inc.

Joint Venture

Sumbiri Intimates Apparels (Private) Limited

HELA APPAREL HOLDINGS LIMITED AND ITS SUBSIDIARIES

FORWARD LOOKING STATEMENTS DISCLOSURE

These interim condensed financial statements contain certain forward-looking statements, which are provided for the purpose of presenting information about the management's current expectations and plans. Forward-looking statements are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying forward looking statements. As such, all statements pertaining to the expected financial position, business strategy, plans and prospects of the Hela Group are classified as forward-looking statements.

Such forward looking statements are based upon the management's current reasonable expectations and assumptions, and are subject to known and unknown risks, uncertainties and other factors including, but not limited to, regulatory changes in the sectors in which the Group operates and its ability to respond to them, the Group's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies in the countries that the Group operates in, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Group. Other specific risks are noted in Section 3.6.1. of the Prospectus for the Initial Public Offering of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by forward looking statements herein. Given the risks and uncertainties that may cause the Group's actual future results, performance or achievements to materially differ from that expected, expressed or implied by forward looking Statements in these financial statements, investors are advised not to place sole reliance on such statements.