hela

PROSPECTUS

INITIAL PUBLIC OFFERING

Hela Apparel Holdings Limited

LOCAL VALUES
GLOBAL VALUE

Hela Apparel Holdings Limited

PROSPECTUS

INVITATION TO INVEST IN THE INITIAL PUBLIC OFFERING

Through an 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 to raise a total sum of LKR 4,006,634,970

To be listed on the Main Board of the Colombo Stock Exchange

Issue Opens on 12 January 2022

Joint Managers and Financial Advisors to the Issue

CT CLSA Capital (Pvt) Ltd
(A CT Holdings Group and CLSA Group Company)
4-15, Majestic City,
10, Station Road,
Colombo 04

Capital Alliance Partners Limited
Level 5, "Millennium House",
46/58, Navam Mawatha,
Colombo 02

LOCAL VALUES
GLOBAL VALUE

We are a Sri Lankan multinational, headquartered in Colombo and driven to establish our presence globally through our world class solutions.

An expert in innovative value creation in the apparel sector across multiple product categories and geographies, Hela is pleased to announce an initial public offering of 20.5% of its ordinary voting shares to raise Rs. 4 Billion to fund key growth initiatives in Sri Lanka and support further expansion globally.

Hela at a glance

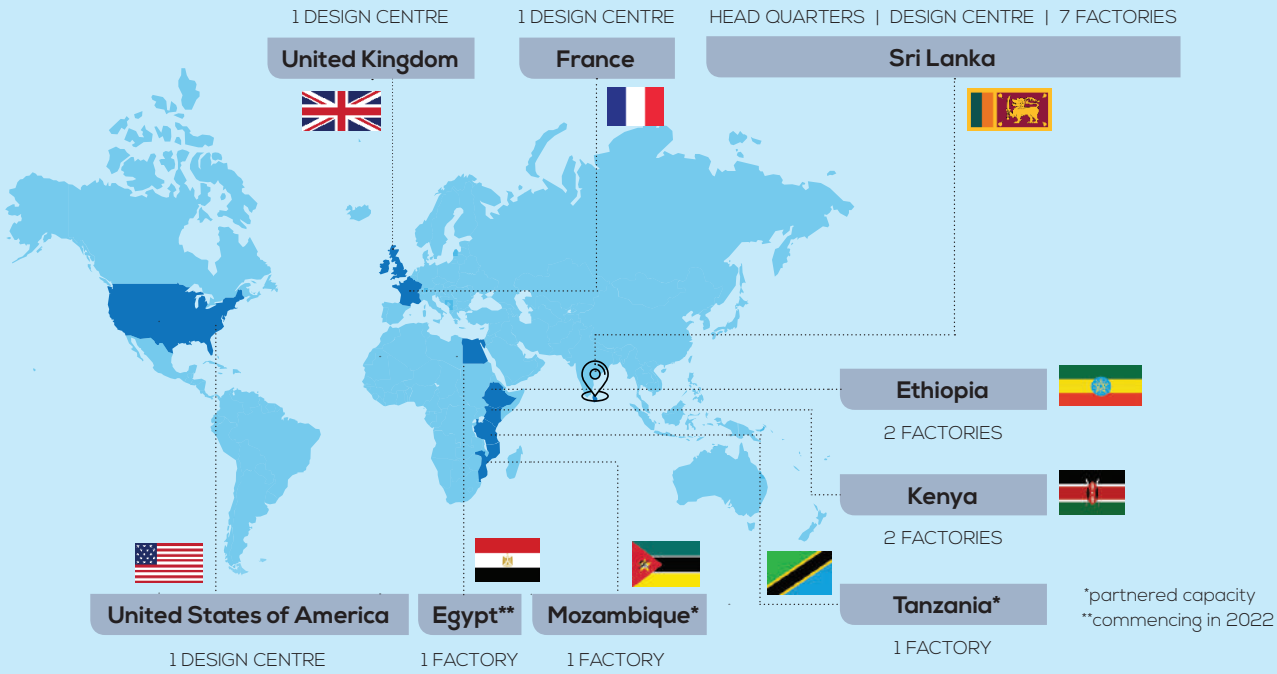
11 directly operated manufacturing facilities

4 design centres

6 manufacturing countries of origin

100% USD revenue

18,000+ employees



Hela IPO 2022

Rs. 15
per share

267,108, 998
ordinary voting shares on offer

20.5%
stake offered to the public

Rs. 19.5 Bn
Market Capitalisation

Rs. 4 Bn
Offer Size

Use of IPO Proceeds

25%
Fabric Mill Investment

15%
Investment in Hela's Digital Core

60%
Investment into Subsidiaries

- **50%** Balance Sheet Strengthening
- **10%** Productivity-Enhancing Capex

A portfolio of disruptive solutions from a player that thinks beyond cut-and-sew

Hela offers design to delivery solutions in fashion and medical apparel and has become an integral part of the value chains of an extensive client base in the United States, Europe and Asia.

The Company 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, providing everything from design to distribution services. By offering an attractive multicountry manufacturing offering, continuously testing new supply chain models to reduce delivery times, and fostering innovative collaborations, HELA is dedicated to ensuring customer gets the best solutions that exceed their requirements. This ensures that the Company's relationships are strategic, rather than transactional, and gives HELA a significant advantage over its competition.

OUR PRODUCT CATEGORIES

STRATEGIC CUSTOMER PORTFOLIO

TORRID
FASHION FOR SIZES 10 TO 30

CALVIN KLEIN

TOMMY HILFIGER

MICHAEL KORS

PUMA

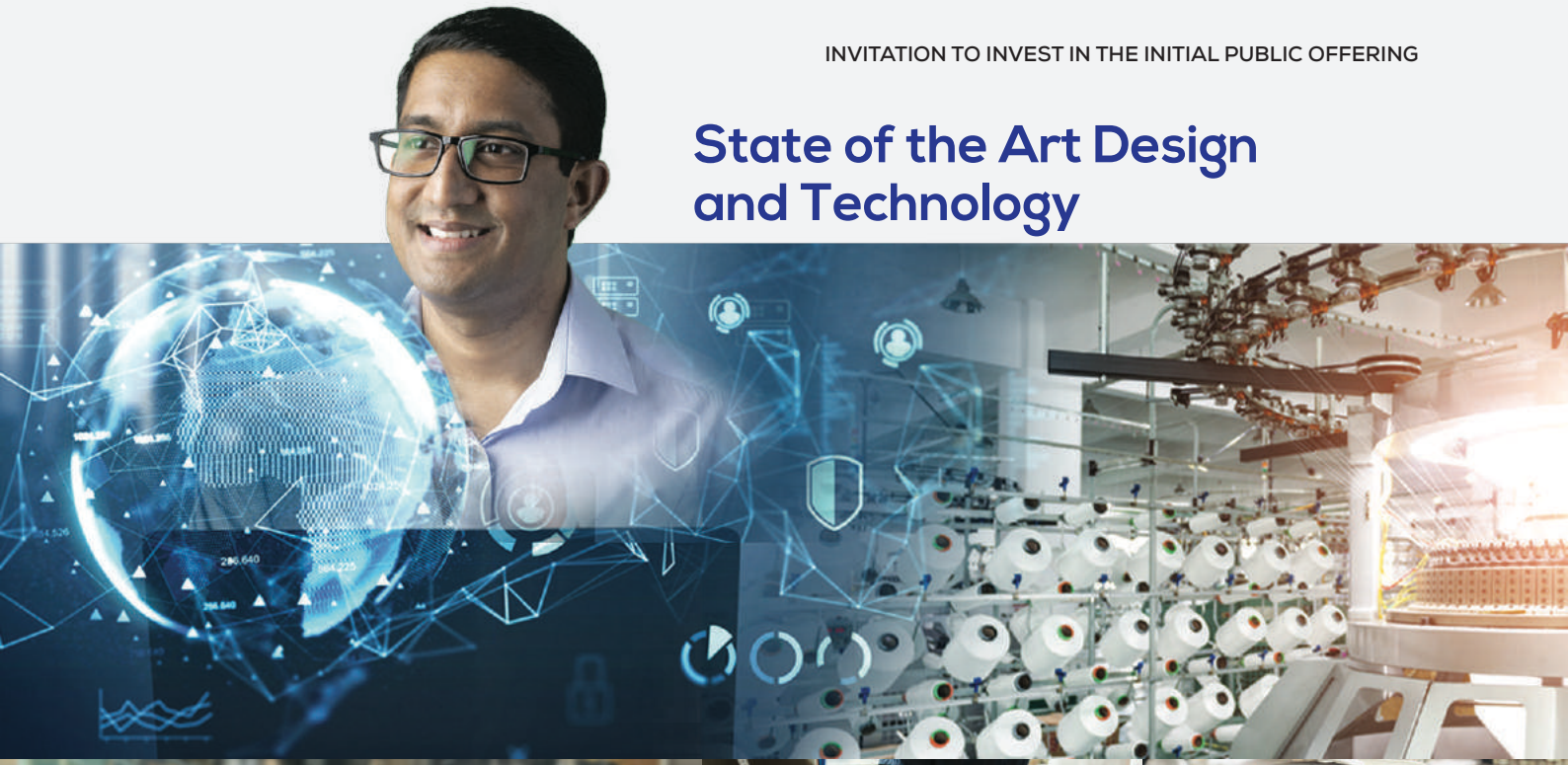
KARL LAGERFELD

ellesse

TESCO

VANITY FAIR

State of the Art Design and Technology



Design Studios in London, Paris, New York and Colombo

Manufacturing automation

Ability to replicate manufacturing excellence across geographies

Technical capability for complex manufacturing

Hela's Latest Innovations

Michael Kors Pinnacle
Moulded boxer shorts with gel print

Tommy Hilfiger Recycled Premium Essentials
Made from a fabric blend featuring recycled and organic cotton

Torrid One Size Panty
A smooth microfiber with 400% elongation in both length and width to fit all sizes

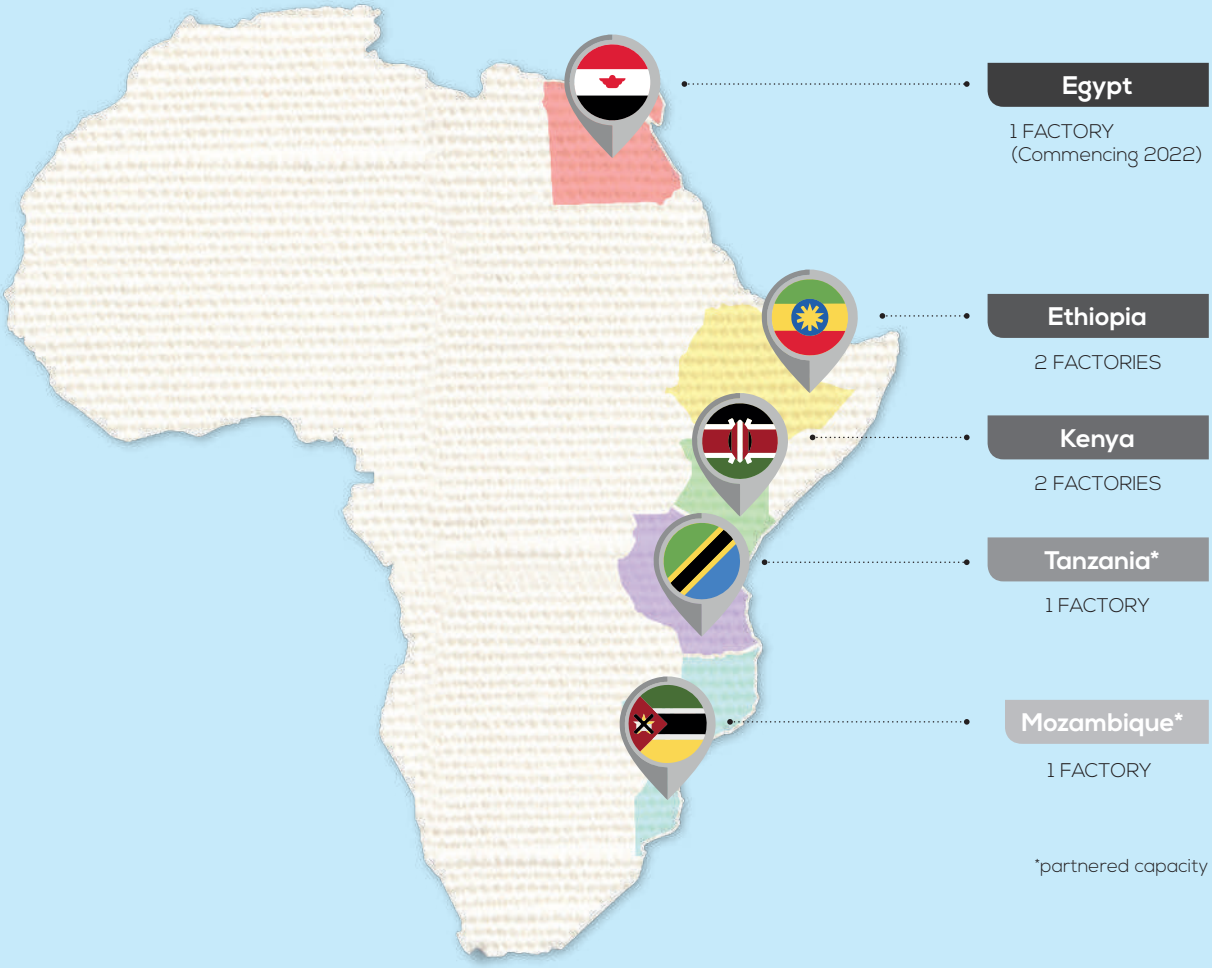
Calvin Klein Ultra Stretch
The four way stretch structure allows flexible fit for lounge pieces and is perfect for the new normal lifestyle – from WFH to workout mode

Spearheading Africa's apparel revolution

Africa is one of the next big destinations for apparel manufacturing and it's a place where Hela enjoys an early-mover advantage. The Company has been a pioneer in the rehabilitation of East Africa's apparel industry, entering Kenya in 2016, and its early successes on the continent have made Hela one of the region's largest apparel exporters.

Major global brands are migrating to the African continent to capitalize on its duty-free access to major markets, competitive cost base and the strong commitment of governments to develop the apparel sector. Hela has become a preferred partner for these brands, which are seeking reliable, established, and high-quality suppliers in the African region.

The company's next expansion in Africa will be in Egypt – offering a "nearshoring" solution with a well-developed local supply chain, as well as indefinite duty-free access to the US and Europe.



IMPACT COTTON

Hela is helping to lead the rehabilitation of textile supply chains in East Africa through its Impact Cotton initiative.

Focusing initially on Tanzania – one of the world's largest producers of organic cotton – this project aims to build linkages between cotton farmers, spinners, and textiles mills, to produce high-quality fabrics that can be used in Hela's manufacturing operations across the region. This project will allow Hela to provide customers with a comprehensive, transparent, and traceable African supply chain solution.

Organic Cotton from Tanzanian Farmers

Spinning in Tanzania

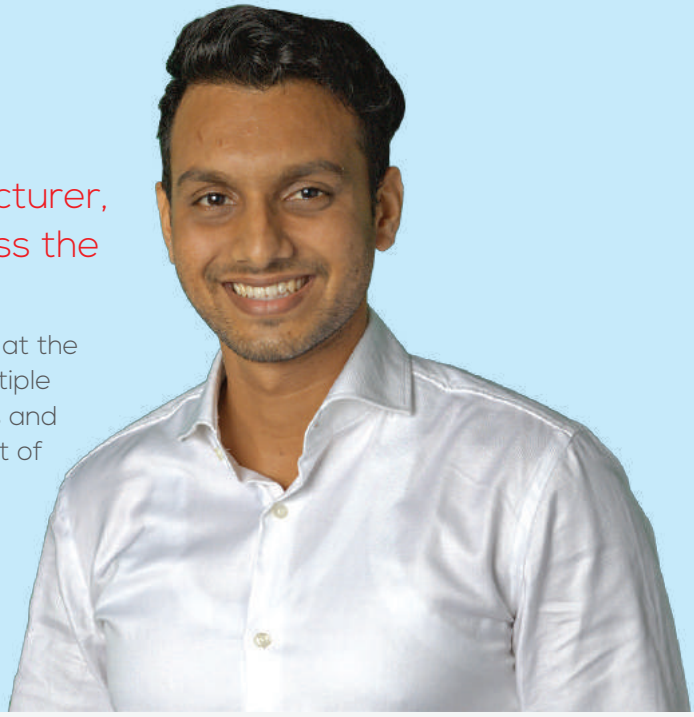
Knitting and Dyeing in Tanzania

Cut and Sew done by Hela in Kenya and Egypt

Building social capital

Hela is a social capital-focused manufacturer, driving inclusivity and sustainability across the apparel sector.

Its triple bottom line approach has ensured that Hela is at the forefront of sustainable manufacturing. Through its multiple CSR initiatives, Hela has helped empower its employees and the wider community; it has supported the development of recycled cotton among other innovations in sustainable textiles. It is also supporting the development of sustainable cotton sourcing in Africa to build an Africa-for-Africa supply chain and is on a net-zero carbon trajectory powered by smart energy and environment management systems.



A Sustainable and Ethical Apparel Manufactuter

Sustainability Award 2021
TESCO

Awarded for sustainability initiatives that were closely tied to Tesco's own values and strategies

Collaboration Award 2021
TESCO

Awarded for being the best solution provider across Tesco's supply chain

Most Sustainable Factory 2021
ASDA

Awarded for the high standards and exceptional practices built around sustainability at Hela's factories

Presidential Export Awards 2021

Awarded Best Exporter Award - Apparel (Medium Category)

Most Inclusive Employer Award 2019

Awarded by the Ethiopian Center for Disability and Development in recognition of efforts to nurture a culture of inclusivity

Highest Contribution 2019
PVH

Awarded for strategically collaborating with PVH on offering unmatched value to its brands, across multiple product categories

Presidential Export Awards 2019

Awarded the merit prize for Hela's contribution towards Sri Lanka's apparel exports

Global Human Rights Award 2016
PVH

Awarded for Hela's commitment towards empowering livelihoods for women and community uplift

18,000+
stable jobs with opportunities for progression to those in vulnerable communities across Sri Lanka & Africa

78%
of Hela Workforce is Female

30 years
Median Employee Age

4,000+
new jobs added between March 2020 and March 2021

ZERO Layoffs during Covid-19 Pandemic

FREE COVID 19 Vaccination guaranteed free of charge to all employees

Key Benefits for Team Members

Free transport and nutritious meals

Free medical care

Free child care at Hela Creche in Kenya

Employee upskilling training programmes

Special sewing models for disabled employees

Employee livelihood enhancement programmes

Hela Kenya provides 20L of drinking water to each employee every day, impacting thousands of families

Global Recycled Standard

GLOBAL ORGANIC TEXTILE STANDARD · GOTS ·

Supporting the development of recycled cotton and innovations in sustainable textiles

Circular Solutions
Supporting the development of recycled cotton yarns made from used clothing

Reclaimed fabric
Supported the development of a polyester fabric made from recycled PET bottles

Plant-based Fibres
Bio-degradable fabrics using fibres derived from plant-based sustainable sources

Tea Dye Colours
Natural tea pigments as an alternative solution to chemical dyes

POWERED BY THE SUN

6 FACTORIES
will use solar panels by end 2022

41% RENEWABLE ENERGY
in current energy mix

This Prospectus is dated 28 December 2021

RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

This Prospectus has been prepared from the information provided by Hela Apparel Holdings Limited, and from sources available to the public. The Directors of the Company, collectively and individually, having made all reasonable enquiries, confirm to the Joint Managers and Financial Advisors to the Issue, to the best of their knowledge and belief, that this Prospectus contains all information with respect to the Company, which is material in the context of the Issue; that the information contained herein is true and correct in all material respects and is not misleading; that there are no other material facts, the omission of which would, make any statement contained herein misleading; that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Hela Apparel Holdings Limited accepts responsibility for the information contained in this Prospectus. While Hela Apparel Holdings Limited has taken reasonable care to ensure full and fair disclosure of information, it does not assume any responsibility for any investment decisions made by investors based on information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments of the Company including the risks involved

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. An immediate market announcement will be made on the occurrence of such material changes (if any).

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard you should consult a Lawyer, Joint Managers and Financial Advisors to the Issue or any other Professional Advisor.

The Colombo Stock Exchange ("CSE") has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the shares which is decided solely by the Issuer.

All resident applicants should indicate their respective NIC number or Company Registration Number in the Application Form. The passport number may be indicated only if the Applicants do not have a NIC number.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares shall be directly uploaded to the CDS. All Applicants should indicate their CDS account number in the Application Form.

Applicants who do not have a CDS account are advised to open a valid CDS account prior to making the Application, in order to facilitate the uploading of allotted Shares to the CDS.

APPLICATIONS WHICH DO NOT CARRY A CDS ACCOUNT NUMBER, OR WHICH INDICATE AN INCORRECT/ INACCURATE CDS ACCOUNT NUMBER SHALL BE REJECTED AND NO ALLOTMENTS WILL BE MADE.

THE ALLOTTED SHARES SHALL BE CREDITED TO THE APPLICANT'S CDS ACCOUNT AS INDICATED IN THE APPLICATION FORM.

PLEASE NOTE THAT SHARE CERTIFICATES SHALL NOT BE ISSUED.

You may open a CDS account through any Member/Trading Member of the CSE as set out in Annexure 12 of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE mobile application can be downloaded from the Apple App Store (For Apple IOS Users) or the Google Play Store (For Google Android Users).

REGISTRATION OF THE PROSPECTUS

A copy of this Prospectus has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents were also attached to the copy of the Prospectus delivered to the Registrar General of Companies.

1) **The written consent of the Joint Managers and Financial Advisors to the Issue**

   The Joint Managers and Financial Advisors to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Joint Managers and Financial Advisors to the Issue and for the inclusion of their statements/declarations in the form in which it is included in the Prospectus.

2) **The written consent of the Registrars to the Issue**

   The Registrars to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Registrars to the Issue in the Prospectus.

3) **The written consent of the Auditors and Reporting Accountants to the Company**

   The Auditors and Reporting Accountants to the Company have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Auditors and Reporting Accountants to the Company and for the inclusion of their report/statements in the form and context in which it is included in the Prospectus.

4) **The written consent of the Lawyers to the Issue**

   The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Issue in the Prospectus.

5) **The written consent of the Bankers to the Issue**

   The Bankers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Bankers to the Company and the Issue in the Prospectus.

6) **The written consent of the Company Secretary**

   The Company Secretary has given and has not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Company Secretary in the Prospectus.

7) **The Declarations by the Directors**

   A declaration made by each of the Directors of the Company confirming that each of them have read the provisions of the Companies Act relating to the Issue of the Prospectus and that those provisions have been complied with.

Representation

No person is authorized to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

Registration of the Prospectus in jurisdictions outside Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investment.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute "Forward Looking Statements". These can be identified by the use of forward-looking terms 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 expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, 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 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. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Prospectus and its annexures are read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see future strategies, assumptions associated with the future strategies and risks associated with the future strategies in Sections 3.4, 3.5 and 3.6 respectively. For research report on the Company and Valuations please refer annexure 10.

Presentation of Currency Information and other Numerical Data

The financial statements of the Company and currency values of economic data or industry data will be expressed in Sri Lanka Rupees or United States Dollars (as applicable). Reference in the Prospectus to "LKR", "Rupees" and "Rs." are reference to the local currency of Sri Lanka. Reference to "USD" is with reference to the United States Dollars, the official currency of the United States of America.

Certain numerical figures in the Prospectus have been subject to rounding off adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and industry data used throughout this Prospectus are derived from the Central Bank of Sri Lanka and various other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Joint Managers and Financial Advisors to the Issue make any representation as to the accuracy of that information.

Inconsistencies between the contents of the Prospectus and the CSE Listing Rules

Where there are any inconsistencies between the contents of the Prospectus and the CSE Listing Rules, the CSE Listing Rules will prevail.

TABLE OF CONTENTS

ISSUE AT A GLANCE 1
CORPORATE INFORMATION 2
RELEVANT PARTIES TO THE ISSUE 5
GLOSSARY OF TERMS AND ABBREVIATIONS 6

1.0 THE ISSUE 10
1.1 INVITATION TO SUBSCRIBE 10
1.2 OBJECTIVES OF THE ISSUE 10
1.3 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE 22
1.4 NATURE OF THE NEW SHARES OFFERED 24
1.5 SHARE OFFER PRICE 24
1.6 LISTING 29
1.7 OPENING AND CLOSURE DATES OF THE SUBSCRIPTION LIST 30
1.8 BASIS OF ALLOTTMENT 31
1.9 COST OF THE ISSUE 33
1.10 BROKERAGE 33
1.11 MINIMUM SUBSCRIPTION AND UNDERWRITING 33
1.12 INSPECTION OF DOCUMENTS 34

2.0 PROCEDURE FOR APPLICATION 35
2.1 ELIGIBILITY TO INVEST 35
2.2 PROCEDURE FOR APPLICATION 35
2.3 SUBMISSION OF APPLICATIONS 39
2.4 ISSUE OPEN AND CLOSING 39
2.5 MINIMUM NUMBER OF SHARES 39
2.6 MODE OF PAYMENT 40
2.7 BANKING OF PAYMENTS 42
2.8 REJECTION OF APPLICATIONS 42
2.9 REFUNDS 43
2.10 DECLARATION TO THE CSE AND SECONDARY MARKET TRADING OF SHARES 44

3.0 THE COMPANY 45
3.1 ABOUT THE HELA GROUP 45
3.2 KEY VALUE OFFERINGS OF THE HELA GROUP 49
3.3 GROUP STRUCTURE 54
3.4 FUTURE STRATEGIES 55
3.5 ASSUMPTIONS ASSOCIATED WITH FUTURE STRATEGIES 57
3.6 RISKS ASSOCIATED WITH THE FUTURE STRATEGIES 58
3.7 IMPACT OF COVID-19 ON THE COMPANY AND ITS BUSINESS OPERATIONS 61
3.8 DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS 61

4.0 HUMAN RESOURCE 63
4.1 EMPLOYEES 63
4.2 GROUP CHIEF EXECUTIVE OFFICER 63
4.3 SENIOR MANAGEMENT 64
4.4 MANAGEMENT AGREEMENTS 67

5.0 CAPITAL STRUCTURE 68
5.1 STATED CAPITAL 68
5.2 FREE TRANSFERABILITY OF SHARES 76
5.3 DETAILS PERTAINING TO THE LOCKED-IN SHARES 78

6.0 CORPORATE GOVERNANCE 83
- 6.1 DIRECTORS 83
- 6.2 SUBCOMMITTIES 90
- 6.3 DIRECTORS' SHAREHOLDINGS IN THE COMPANY 91
- 6.4 DIRECTORS' INVOLVEMENT IN LITIGATION AND OFFENCES 92
- 6.5 DIRECTORS' INTERESTS 92
- 6.6 DIRECTORS' INTEREST IN ANY TRANSACTION RELATING TO PROPERTY OF THE ENTITY 93

7.0 OTHER DISCLOSURES 95
- 7.1 TAXATION 95
- 7.2 DIVIDEND POLICY 96
- 7.3 LITIGATION AND DISPUTES 96
- 7.4 CONTINGENT LIABILITIES 96
- 7.5 DETAILS OF BENEFITS PAID TO PROMOTERS 97
- 7.6 DETAILS OF COMMISSION PAID 97
- 7.7 MATERIAL CONTRACTS 98
- 7.8 TAKEOVER OFFERS 98
- 7.9 PERIODIC BUSINESS LICENCES 98
- 7.10 FINANCIAL HIGHLIGHTS 100
- 7.11 PARTICULARS OF DEBT AND LOAN CAPITAL 102
- 7.12 PRIOR EVENTS WHICH THE COMPANY HAS RECTIFIED: 106
- 7.13 RECENT AMENDMENTS MADE TO THE STATUTES/REGULATIONS APPLICABLE TO THE COMPANY 107
- 7.14 OTHER DISCLOSURES IN RELATION TO THE FINANCIAL STATEMENTS OF THE COMPANY 107

8.0 DECLARATIONS 110
- 8.1 DECLARATION BY THE DIRECTORS 110
- 8.2 DECLARATION BY THE COMPANY 111
- 8.3 DECLARATION BY JOINT MANAGERS AND FINANCIAL ADVISORS TO THE ISSUE 112

ANNEXURES 113

ANNEXURE 1 – DETAILS OF CAPITAL REORGANIZATION AND ALLOCATION, VESTING AND ISSUE OF SHARES UNDER THE ESOP 114

ANNEXURE 2 - ACCOUNTANT'S REPORT AND FIVE-YEAR SUMMARY 119

ANNEXURE 3 - AUDITED FINANCIAL STATEMENTS AS AT 31ST MARCH 2021 131

ANNEXURE 4 - UNAUDITED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021 191

ANNEXURE 5 – HELA CLOTHING (PRIVATE) LIMITED CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021 207

ANNEXURE 6 – FOUNDATIONS GARMENTS (PRIVATE) LIMITED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021 269

ANNEXURE 7 – HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021 318

ANNEXURE 8 – HELA INTIMATES EPZ LIMITED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021 335

ANNEXURE 9 – SUMBIRI INTIMATE APPAREL PLC AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 368

ANNEXURE 10 - RESEARCH REPORT 384

ANNEXURE 11 – INDEPENDENT CONFIRMATION ON THE IMPACT ON IPO INVESTORS OF SHARES ISSUED TO HELA APPAREL HOLDINGS ESOP AND OTHER SHAREHOLDERS WITHIN THE LAST 12 MONTHS 442

ANNEXURE 12 - COLLECTION POINTS 450

ISSUE AT A GLANCE

Issuer	Hela Apparel Holdings Limited
Type of Offer	Offer for Subscription
Number and Type of Securities to be Offered	267,108,998 Ordinary Voting Shares
Issue Price	LKR 15.00 per share
Amount to be Raised	LKR 4,006,634,970
Minimum Subscription per Application	Minimum subscription per Application is 100 Shares. Applications exceeding the minimum subscription should be in multiples of 100 Shares The minimum subscription of 100 Shares will be allotted to each successful Applicant
Opening of the Subscription List (Issue Opening Date)	12 January 2022
Closure of the Subscription List (Issue Closing Date)	02 February 2022
Earliest Closing Date	12 January 2022
Basis of Allotment	As described in Section 1.8 of this Prospectus
CSE Listing	To be listed on the Main Board of the CSE, subject to compliance with the CSE Listing Rules and the SEC Directives

* Maximum subscription per application is 267,108,998 Ordinary Voting Shares. Any excess amount over the maximum subscription will be refunded to the applicant.

CORPORATE INFORMATION

Issuer	Hela Apparel Holdings Limited
Date of Incorporation	11 October 2018
Place of Incorporation	Colombo, Sri Lanka
Legal Form	Incorporated in Sri Lanka on 11 October 2018 as a Private Limited Liability Company under the provisions of Companies Act No. 7 of 2007. The legal form of the company was changed from Private Limited to a Limited Company under provisions of the Companies Act No. 07 of 2007 on 7 September 2021 as evidenced by the certificate dated 23rd November 2021 issued by the Registrar General of Companies. Authority of Incorporation: Registrar General of Companies (ROC), Colombo
Company Registration Number	PB00205151
Registered Office and Current Place of Business	No. 35, Balapokuna Road, Colombo 6 Tel: +94 11 4385400
Board of Directors	Albert Rasakantha Rasiah (Board Chairman and Non-Executive Director) Panadura Liyanage Dilanka Jinadasa (Executive Director) Aroshi Nanayakkara (Independent Non-Executive Director) Gayan Priyanka Gunawardana (Independent Non-Executive Director) Trisha Sandrine Peries (Independent Non Executive Director) Alastair Alderton (Non-Executive Director) Patrick Schleiffer (Non Executive Director)
Company Secretary	P W Corporate Secretarial (Pvt) Ltd 3/17, Kynsey Road, Colombo 08. Tel : +94 11 4640360 - 3 Fax : +94 11 4740588
Auditors to the Company	PricewaterhouseCoopers 100, Braybrooke Place, Colombo 2, Sri Lanka Tel: +94 11 7719700, +94 11 7719838 Fax: +94 11 2303197
Bankers to the Company	Bank of Ceylon 01 Bank of Ceylon Mawatha, Colombo 01, Sri Lanka Tel: +94 11 2203325 Sampath Bank PLC No.110 Sir James Peris Mawatha, Colombo 02, Sri Lanka Tel: +94 11 4730113 National Development Bank PLC No 40 Nawam Mawatha, Colombo 02, Sri Lanka Tel: +94 11 244 8448

Bankers to the Company	Union Bank PLC 64 Galle Rd, Colombo 03, Sri Lanka Tel: +94 11 2 374 100 DFCC Bank PLC 73 W A D Ramanayake Mawatha, Colombo 02, Sri Lanka Tel: +94 11 2371371 Standard Chartered Bank No 37 York Street, Colombo 01, Sri Lanka Tel: +94 11 2480000 Nations Trust Bank PLC No 242, Union Place, Colombo 02, Sri Lanka Tel: +94 11 4313131 Hatton National Bank PLC Level 17, No. 479, T B Jayah Mawatha, Colombo 10, Sri Lanka Tel: +94 11 2462462 Commercial Bank of Ceylon PLC No.21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka Tel: +94 11 2486412 Commercial Bank of Ethiopia SNNPR-S, Hawassa City, Kebele 01, Hawassa Industrial Park, OSS Building, Ethiopia Tel: +251 46 212 1185 Absa Bank Kenya PLC Absa Bank Kenya PLC Headquarters Off Waiyaki Way Westlands PO Box 30120 00100, Nairobi, Kenya Tel: +254 20 4254000

CORPORATE INFORMATION

Bankers to the Company	Equity Bank Kenya Ltd 9th Floor, Equity Centre, Hospital Road, Upper Hil. P.O. Box 75104-00200 Nairobi, Kenya Tel: +254 763 063000 Co-operative Bank of Kenya Ltd Co-operative House, Haile Selassie Avenue, 48231 - 00100, Nairobi, Kenya Tel: +254 20 327 6000 Standard Chartered Bank Kenya Level 4, 48 Westland's Road P.O.Box 30003-00100 Nairobi, Kenya Tel: +254 20 329 3900 Mayfair CIB Bank Kenya Kamhouse, 14 Mwanzi Rd, Nairobi, P.O Box 2051-00606

RELEVANT PARTIES TO THE ISSUE

Joint Managers and Financial Advisors to the Issue	CT CLSA Capital (Pvt) Ltd # 4-15, Majestic City, 10, Station Road, Colombo 04, Sri Lanka Tel: +94 11 250 3523 Fax: +94 11 258 0181 and Capital Alliance Partners Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02, Sri Lanka Tel: +94 11 2317777 Fax: +94 11 2317788
Legal Advisors and Lawyers to the Issue	FJ&G de Saram, # 216, de Saram Place, Colombo 10, Sri Lanka. Tel: +94 11 4605181, Fax: +94 11 2669769, +94 11 4718220
Auditors and Reporting Accountants to the Issue	PricewaterhouseCoopers (Chartered Accountants) 100, Braybrooke Place, Colombo 02, Sri Lanka Tel: +94 117719700 Fax: +94 112303197
Registrars to the Issue	S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03. Tel: 94-11-2573485 Fax : 94-11-2573609
Bankers to the Issue	National Development Bank PLC 40, Navam Mawatha, Colombo 02, Sri Lanka Tel +94 11 244 8888 Fax +94 11 230 5031
Secretaries to the Issue	P W Corporate Secretarial (Pvt) Ltd 3/17, Kynsey Road, Colombo 08, Sri Lanka Tel : +94 11 4640360 - 3 Fax : +94 11 4740588

GLOSSARY OF TERMS AND ABBREVIATIONS

%	Percentage
AGOA	African Growth and Opportunity Act
AKFED	Aga Khan Fund For Economic Development
Applicant/s	Any investor who submits an Application Form under this Prospectus
Application Form, Application	The Application Form that constitutes part of this Prospectus through which the investors may apply for the New Shares
Articles of Association	Articles of Association of Hela Apparel Holdings Limited
ASDA	Asda Stores Ltd
Auditors and Reporting Accountants to the Company	PricewaterhouseCoopers (Chartered Accountants)
AWPLR	Average Weighted Prime Lending Rate
Bn	Billions
BOC	Bank of Ceylon
BOI	Board of Investment of Sri Lanka
c.	Approximately
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Private) Limited
CEFT	Customer Electronic Funds Transfer
CEO	Chief Executive Officer
COO	Chief Operating Officer
COMB	Commercial Bank Of Ceylon PLC
Companies Act	Companies Act No. 07 of 2007
Company	Hela Apparel Holdings Limited
CSE	Colombo Stock Exchange
DFCC	DFCC Bank PLC
Directors	The Directors for the time being of the Company, unless otherwise stated
EPS	Earnings Per Share
ERP	Enterprise Resource Planning System
ESOP	The Employee Share Ownership Plan of the Company

EU	European Union
FDN	Foundation Garment (Private) Limited
FDNS	FDN Sourcing (Private) Limited
FY18	Financial Year Ended 31 March 2018
FY19	Financial Year Ended 31 March 2019
FY20	Financial Year Ended 31 March 2020
FY21	Financial Year Ended 31 March 2021
FY22	Financial Year Ended 31 March 2022
FY23	Financial Year Ended 31 March 2023
FY24	Financial Year Ended 31 March 2024
FY25	Financial Year Ended 31 March 2025
FY26	Financial Year Ended 31 March 2026
GAI	Global Apparel Industries and Grand Asia Intertrade Pte. Lte
GDP	Gross Domestic Production
GM	General Manager
GoSL	Government of Sri Lanka
GSP	Generalised Scheme of Preferences
HCPL	Hela Clothing (Private) Limited
HELA	Hela Apparel Holdings Limited
HELA Group/ Group	The Company and the subsidiaries and associate companies of the Company that constitute the Hela group of companies
HELA Kenya	Hela Intimates EPZ Ltd
HIHL	Hela Investments Holdings Limited
Hela Indochine	Hela Indochine Apparel Private Limited Company
IIA	Inward Investment Account
IMF	International Monetary Fund
IPO	Initial Public Offering
Issue, Offer	An invitation to the public by the Company to subscribe to the Offered Shares to be issued via an offer for subscription as detailed in this Prospectus
Joint Managers and Financial Advisors to the Issue	CT CLSA Capital (Pvt) Ltd Capital Alliance Partners Limited

GLOSSARY OF TERMS AND ABBREVIATIONS

Lawyers to the Issue	FJ&G de Saram
LIBOR	London Inter-Bank Offered Rate
LKR	Sri Lankan Rupees
LTD/Ltd	Limited
M&A	Merger and Acquisition
Mn	Millions
MW	Mega Watt
N/A	Not Applicable
NAV	Net Asset Value
NAVPS	Net Asset Value Per Share
NDB	National Development Bank PLC
New Shares, Offered Shares	267,108,998 ordinary Voting Shares to be issued by the Company to the public at the Share Offer Price
NIC	National Identity Card
No.	Number
Offer Closing/Closure Date	The date of closure of the subscription list as set out in Section 2.3 of this Prospectus
Offer Opening Date	The date of opening of the subscription list as set out in Section 2.3 of this Prospectus
Ordinary Shares, Ordinary Voting Shares, Shares, Issued and Paid up Ordinary Shares	Ordinary shares of the Company, with the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in liquidation.
P/E	Price to Earnings Ratio
PACE	Personal Advancement & Career Enhancement Programme
PBV	Price to Book Value Ratio
PC	Partnered Capacity
PDF	Portable Document Format
PET	Polyethylene Terephthalate
PLC	Public Limited Company
POA	Power of Attorney
Prospectus	This Prospectus dated 28 December 2021 issued by the Company
PVH	PVH Corp

PVT	Private
Registrars to the Issue	S S P Corporate Services (Private) Limited
ROE	Return on Equity
RTGS	Real-time Gross Settlement
SAP	SAP SE
SBRI	Sumber Bintang Rejeki Indonesia
SEC	Securities and Exchange Commission of Sri Lanka
SGW	Safeguard Workwear EPZ Limited
Share Offer Price, Share Issue Price	The price at which the New Shares will be offered to the public, as detailed in this Prospectus i.e. LKR 15.00 per New Share
SIA	Sumbiri Intimate Apparel PLC
SLIPS	Sri Lanka Inter-bank Payment System
ST	Short Term
Stated Capital	The Stated Capital of Hela Apparel Holdings Limited
The Board, The Board of Directors	The Board of Directors of Hela Apparel Holdings Limited
Tn	Trillion
UK	United Kingdom
US	United States
USD / $	United States Dollars
VAT	Value Added Tax
VF	VF Corp
X	Times
YE	Year Ended
Foreign Investors	• Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; • Corporate bodies incorporated or established outside Sri Lanka; • Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); • Regional and country funds approved by the SEC • Please refer Section 2.1 for further information.

1. THE ISSUE

1.0 THE ISSUE

1.1 INVITATION TO SUBSCRIBE

Applications are invited from the public to subscribe for Two Hundred and Sixty Seven Million One Hundred and Eight Thousand Nine Hundred and Ninety Eight (267,108,998) new Ordinary Voting Shares at a Share Issue Price of Rupees Fifteen (LKR 15.00) per share payable in full on application on the terms and conditions set out in this Prospectus. The Issue will constitute an offer for Subscription, as detailed below:

Number of Shares	267,108,998 Ordinary Voting Shares
Percentage of Shares on Offer*	20.50% immediately upon the completion of the IPO
Price per Share	LKR 15.00
Issue Value	LKR 4,006,634,970

*Stake held by IPO investors will be diluted to 20% upon the issue of allocated Shares under the ESOP (refer section 5.1.3)

The minimum subscription shall be 100 Ordinary Voting Shares at LKR 15.00 per share and applications in excess of the minimum subscription should be in multiples of 100 Shares.

1.2 OBJECTIVES OF THE ISSUE

The Company intends to raise a sum of LKR 4,006,634,970 from the issue of the New Shares. The funds raised will be used for an investment in a fabric mill and contribute to the funding of a new Enterprise Resource Planning system, with the remainder invested in the subsidiaries of Hela. The funds injected into subsidiaries will be utilised to retire a portion of short-term debt and to invest in productivity-enhancing capital expenditure for the Company's manufacturing operations.

Objectives of the Issue	Reference	Amount Allocated (LKR)	Expected Utilization Timeline
Fabric Mill Investment	1.2.1	999,761,063	2nd Quarter FY23
Funding the Implementation of a New Enterprise Resource Planning (ERP) System	1.2.2	596,266,801	2nd Quarter FY23
Investment into Subsidiaries of the Group	1.2.3	2,410,607,106	4th Quarter FY22 – 3rd Quarter FY23
Of which: Retirement of Short-Term Debt	-	1,999,899,920*	4th Quarter FY22
Productivity-Enhancing Capital Expenditure	-	410,707,186*	4th Quarter FY22 to 3rd Quarter FY23
Total Funds Raised		**4,006,634,970**	

*Converted using CBSL indicative Exchange Rate of 199.99 as at 30 September 2021. LKR value of USD denominated debt & capex will change with the volatility of exchange rates.

The IPO proceeds will be utilized in compliance with the Rules set out under Section 9 of the CSE listing rules (as applicable). Further, upon the utilization of the IPO proceeds for each objective and also upon completion of each future project, the Company will make a market announcement via the CSE as per Section 8 of the CSE listing rules.

The objectives of the Issue do not amount to a Major Transaction in terms of Section 185 of the Companies Act No. 07 of 2007.

1.2.1 FABRIC MILL INVESTMENT

HELA intends to invest LKR 999,761,063 of the IPO proceeds in a fabric manufacturing mill in Sri Lanka with a daily production capacity of between 15 to 30 tonnes. The rationale for this objective is three-fold:

i. **Supply Chain Security:** Fabrics account for approximately 70% of the Group's raw material purchases and, as such, is the most important component of the Company's supply chain. This investment will provide a more reliable and consistent supply of fabrics for the Group's Sri Lankan operations, and thereby ensure that it maintains high levels of customer satisfaction

ii. **Development of Sector Expertis**e: As this would be the Group's first investment into fabric manufacturing, it will support the development of greater expertise and human capital in this sector, which can be leveraged in future supply chain investments

iii. **Additional Textile Solutions for Customer:** The inclusion of a fabric mill within the Group will allow closer coordination between Company's design team and a textile manufacturer to support the development of innovative textile solutions for the Group's customers, such as new sustainable fabrics

The investment is proposed to be made by means of an acquisition of an already operational fabric mill in Sri Lanka or an investment into a new fabric mill. It is also intended to be made as part of a consortium of investors who will hold the full or majority shareholding in the fabric mill project. This consortium will include HELA and at least one other partner who will be an experienced fabric manufacturer. This partner will be responsible for managing the operation of the fabric mill based on a management agreement to be negotiated following the finalisation of the target investment. HELA will provide visibility to the fabric mill on its future fabric demand on a regular basis to ensure sufficient capacity allocation to the Group's requirements. However, to ensure the fabric mill's viability as a standalone business, all purchases of fabric from the mill by companies in the HELA Group will be made on an arm's length basis and any excess capacity not provided to HELA or other shareholders of the proposed fabric mill will be offered to third party manufacturers on a competitive basis.

Potential targets with respect to this objective are at the preliminary stage of consideration and the investment amount has been determined based on initial discussions with potential targets and the company's preliminary understanding of the investment needed for the construction of a new fabric mill of the desired scale. The expected timeline for completion is in the first half of FY2023 and until such time as the funds are used, it will be invested in interest bearing financial instruments with an expected yield range of 4.5% to 6.5%. In the event the option of acquiring an already operational fabric mill is considered, an independent professional party would be engaged by HELA to advise on the acquisition process and the valuation of the target and all required due diligence procedures would be conducted.

1. THE ISSUE

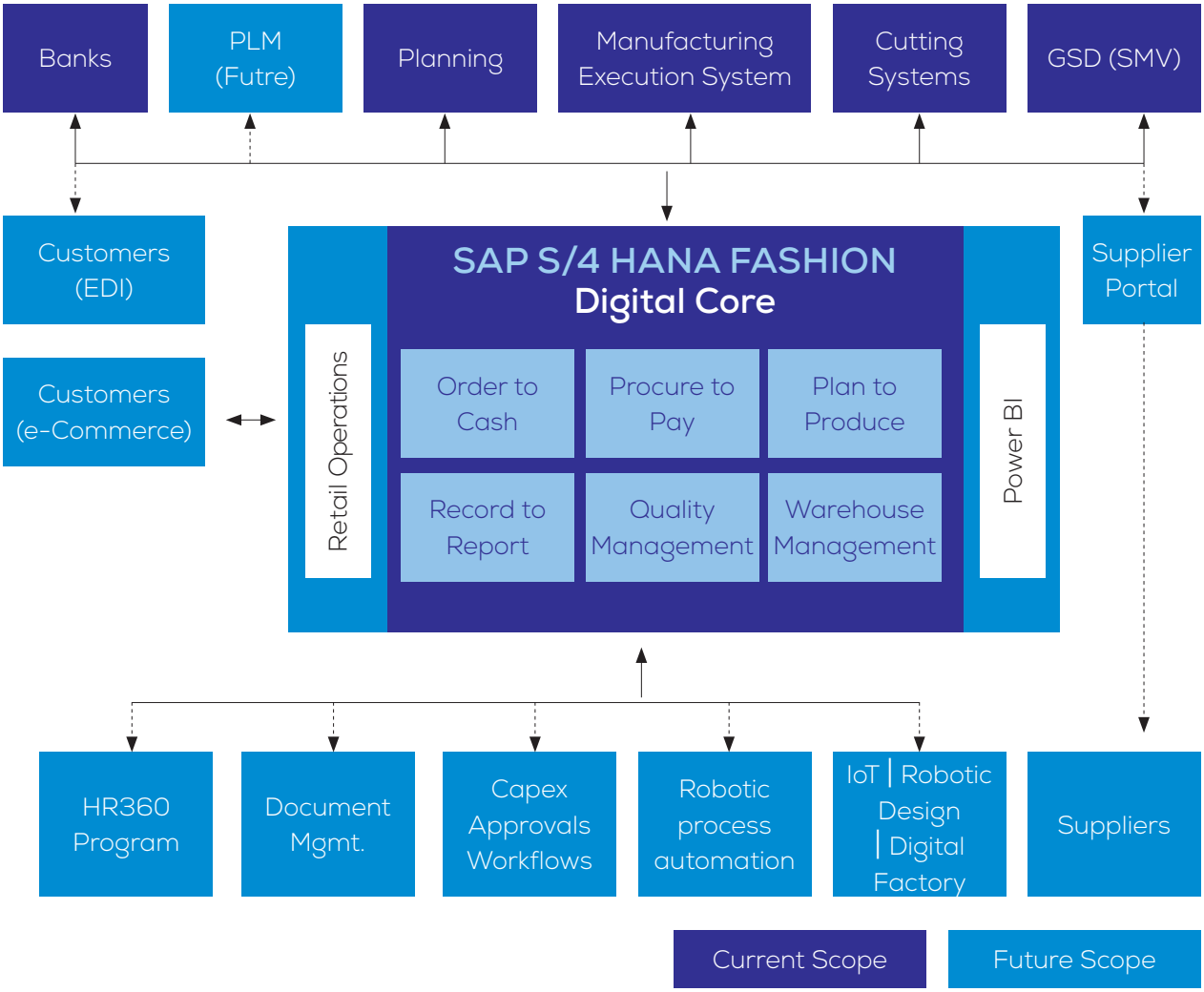
1.2.2 FUNDING THE IMPLEMENTAION OF AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

As part of HELA's digital transformation strategy, the Company will be implementing the SAP S/4 HANA Fashion Enterprise Resource Planning (ERP) system. The implementation of this system began in July 2021 and is expected to be completed in 2 years.

Currently the HELA Group uses 34 systems for its core operations and support services, including multiple different ERP solutions. These systems operate with minimum integration and hence provide insufficient support to the requirements of the core business. Furthermore, the current systems are not supportive of the management's strategy to expand both in terms of revenue and geographical footprint. Based on the Group's digital transformation strategy, the management has concluded that the most effective means of addressing this issue is the phasing out 9 of these systems and the integration of 6 existing applications with the SAP S/4 Hana Fashion ERP solution to create a streamlined 'Digital Core'. This will help to create consistency across the systems used for a particular function throughout the Group, reduce lead times, generate additional insights for decision making, support business growth and stability by streamlining processes, create data resilience and insights, and ensure disaster recovery for the systems most critical for operations and limit the impact of cyber vulnerabilities. The proposed system will also be readily extendible to incorporate additional functions in future, such as direct integration with customer and supplier systems.

Attune Lanka Pvt Ltd has been selected by management for the procurement and implementation of the said SAP S/4 HANA Fashion ERP System for an estimated total cost of LKR 645Mn. This provider was selected by the management after extensive evaluation of multiple potential vendors and consideration by the Board of Directors. LKR 596,266,801 of the IPO proceeds will be utilized to fund part of the total cost and the balance amount will be funded via internally generated funds of HELA. The funds for this objective will be paid by HELA to Attune Lanka Pvt Ltd (Attune Lanka Pvt Ltd is not a related party of the Company) upon completion, and funds are expected to be fully utilised by 2nd Quarter of FY23. Until such a time funds are used, it will be invested in interest bearing financial instruments with an expected yield range of 4.5% to 6.5%.

PLANNED INTEGRATION OF DIGITAL CORE



1.2.2 INVESTMENTS IN SUBSIDIRIARIES FOR SETTLEMENT OF DEBT AND INVESTMENT INTO CAPEX

Retirement of short-term debt in subsidiaries of the Company

The Company intends to utilize LKR 1,999,899,920 of the IPO proceeds to retire a portion of the short-term debt of the HELA Group. The majority of the debt to be settled was initially borrowed during the period between 2014 and 2019 to fund the increased working capital requirement of the HELA Group arising from its initial expansion into Africa during this period (although the Company was incorporated in 2018, the subsidiaries were in operation prior to that period). As the Group's operations in Kenya and Ethiopia are now consistently profitable, a significant portion of this financing is no longer required.

Initial discussions, regarding the settling of this debt have taken place with the respective financial institutions involved, and the loans specified are expected to be partially settled using the IPO proceeds. **These loans have been made to wholly-owned subsidiaries of the Company and therefore the relevant funding for their settlement will be provided via equity investments**

1. THE ISSUE

by the Company in Hela Clothing (Private) Limited, which will be utilized by Hela Clothing (Private) Limited to settle the relevant loans obtained by it and to invest in the equity of its subsidiary Foundation Garments (Private) Limited to facilitate the settlement of the relevant loans obtained by Foundation Garments (Private) Limited and its subsidiaries.

The partial retirement of these loans is expected to strengthen the balance sheet position of the HELA Group and in turn will support its future expansion plans. The debt-to-equity ratio of the Group as at 30 September 2021 is 4.55x. With the settlement of the loans indicated below, the debt-to-equity ratio is expected to improve to 2.13x by end of FY22. This will enhance the capability of the Group to source additional long-term debt funding for its expansion strategies (refer Future Strategies Section 3.4). Furthermore, the partial retirement of the specified loans is expected to lead to a reduction in the Group's finance cost of approximately USD 380,000 per year (subject to changes in LIBOR) and thereby increase the return to shareholders in the short to medium term.

The loans identified for settlement are denominated in USD and considering the current macro-economic conditions in Sri Lanka relating to foreign exchange, if Hela or its subsidiaries are unable to utilize the IPO proceeds for the settlement of the USD denominated loans under reference, it will, upon the Company making the necessary disclosures to the shareholders via CSE as referred to in Section 1.3.E below, instead use the funds to finance other LKR-denominated operating expenses of the HELA Group and divert a portion of its USD export proceeds to settling the identified loans (such operating expenses are yet to be identified). As per the Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021 issued by Monetary Board of Sri Lanka ("the current rules on conversion of export proceeds"), exporters such as HELA are required to mandatorily convert the residual of the export proceeds received in Sri Lanka into Sri Lankan Rupees upon utilising such proceeds for authorised payments, which includes debt servicing expenses and repayment of foreign currency loans (refer Section 7.13).

As the current macro-economic conditions in Sri Lanka relating to foreign exchange could delay the settlement of the identified debt, therefore the Company expects the debt settlement process to be completed by 4th Quarter FY22. Until such time as the funds are used, it will be invested in interest bearing financial instruments with an expected yield range of 4.5% to 6.5%.

Funding of productivity-enhancing capital expenditure in subsidiaries of the Company

The Company intends to utilize LKR 410,707,186 of the IPO proceeds on productivity-enhancing capital expenditure for the Group's manufacturing facilities. This capital expenditure would be focused on automation of certain processes to increase efficiency, reduce material wastage, and improve the Group's overall man-to-machine ratio. In particular, approximately half of the funds will be utilized for the purchase of equipment to automate fabric cutting operations in the majority of the Group's manufacturing facilities. A further amount will be spent on automated guided vehicles and conveyor belts to reduce unproductive labour time spent moving raw materials and finished good to and from the production floors. An additional component of the capital expenditure will go towards a minor expansion project at the Group's Thihariya manufacturing facility (construction of a mezzanine floor to increase production capacity) and a sustainability investment at the Ukuwela manufacturing facility (construction of a water treatment plant to allow the reuse of sewage water) necessary for future growth.

The capital expenditure indicated above has been estimated by the management of Hela based on current market prices for the equipment and the prevailing LKR to USD exchange rate. Further, Hela intends to secure quotations from suppliers for purchase of machinery and other equipment via a competitive bidding process upon raising the requisite funds through the Offer for Subscription.

The relevant capital expenditure will be made by subsidiaries of the Company and therefore the relevant funding for their settlement is intended to be provided via equity investments in these subsidiaries by their immediate parent company. As the majority of the machinery investment will be purchased from foreign suppliers who require payments in USD, if HELA or its subsidiaries are unable to convert the IPO proceeds to USD for this purpose, it will, upon the Company making the necessary disclosures to the shareholders via CSE as referred to in Section 1.3.E below, instead use the funds to finance other LKR-denominated operating expenses (such an operating expenses are yet to be identified) and divert a portion of its USD export proceeds to purchase the necessary machines. Such purchases are permitted under the current rules on conversion of export proceeds prior to any mandatory conversion to LKR (refer Section 7.13). With regard to overseas subsidiaries, equity investments in overseas subsidiaries are currently restricted until 2nd January 2022 as per the Order issued under Section 22 of the Foreign Exchange Act, No.12 of 2017, published in the Extraordinary Gazette Notifications No. 2234/49 dated 2 July, 2021, and the Company's intention is to make the necessary investments in its overseas subsidiaries, to facilitate the purchase of the required machines after these regulations expire and HELA is permitted to make the requisite outward equity investments.

The funds are expected to be utilised during 4th Quarter FY22 – 3rd Quarter FY23. Until such a time funds are used, it will be invested in interest bearing financial instruments with an expected yield range of 4.5% to 6.5%.

Details of the equity investments into subsidiaries of the Company are given below:

Hela Clothing (Private) Limited

Hela Clothing (Private) Limited is a limited liability company domiciled in Sri Lanka, incorporated on 29 July 1991 under the Companies Act No 17 of 1982, and re-registered under the Companies Act No. 07 of 2007 bearing the registration No. PV 2698. Its registered address is No. 35, Balapokuna Road, Colombo 06 and it is engaged in the business of manufacturing and selling apparel products for export. Hela Clothing (Private) Limited it also a holding company of other subsidiaries of the Hela Group and its Board of Directors are:

Director Name
Panadura Liyanage Dilanka Jinadasa
Albert Rasakantha Rasiah
Gayan Priyanka Gunawardana
Aroshi Nanayakkara
Warnakulasuriya Mahawaduge Shameen Ravindra Peiris
Moiz Hydery Adamally Rehmanjee
Sanath Perera Amaratunga

1. THE ISSUE

The performance of Hela Clothing (Private) Limited (Consolidated) for the financial year ended 31 March 2021 is given in the annexure 05.

A total of LKR 626Mn from the IPO proceeds will be invested in Hela Clothing (Private) Limited. The ultimate objective of the investment is to allocate LKR 577Mn of the IPO proceeds to settle debt and LKR 49Mn will be invested in productivity-enhancing capital expenditure.

The details of the short-term loan facilities to be settled are as follows:

Borrowing Entity	Financial Institution	Details of Facility		Outstanding Loan Amount as at 30-September-21 (USD) (Unaudited)	Amount Intended to be Settled via IPO	
		Type	Date First Obtained		USD	LKR*
Hela Clothing	National Development Bank	120 Day ST	6-Aug-19	880,000	276,074	55,211,963
Hela Clothing	Hatton National Bank	120 Day ST	16-Sep-19	8,069,071	2,607,362	521,446,319
Total				**8,949,071**	**2,883,436**	**576,658,282**

*Converted using CBSL indicative Exchange Rate of 199.99 as at 30 September 2021. LKR value of USD denominated debt will change with the volatility of exchange rates.

After the aforementioned settlement of debt, the company would settle the remaining borrowings through the cash flows generated by the company's business operations.

Approximately LKR 49Mn of the IPO proceeds is to be used to invest in productivity-enhancing capital expenditure of Hela Clothing (Private) Limited;

Legal Entity	Item Description	Type	Amount (LKR)
Hela Clothing	Automatic guided vehicles	Automation	19,999,900
	Mezzanine Floor	Expansion	3,999,980
	Hemming Machines	Automation	19,999,900
	Portable Treatment Plant	Sustainability	5,021,352
Total			**49,021,132**

As the IPO proceeds will be infused by Hela Apparel Holdings Limited to its fully owned subsidiary Hela Clothing (Private) Limited as equity capital, the Company will seek Related Party Transactions Review Committee approval prior to the disbursements of funds. The pre-IPO shareholding of 100% in Hela Clothing (Private) Limited held by Hela Apparel Holdings Limited will remain the same post IPO.

At the time of issuing any shares, the Board of Directors of each respective subsidiary will be required to decide the consideration for which the shares will be issued and to also opine that such consideration is fair and reasonable to the Company and to all existing shareholders. Upon finalising the same, the Company will make a market announcement to CSE disclosing the details of equity investments made using the IPO proceeds in each subsidiary.

Foundation Garments (Private) Limited

Foundation Garments (Private) Limited is a limited liability company domiciled in Sri Lanka, incorporated on 28th January 1988 under the Companies Act No 17 of 1982, and re-registered under the Companies Act No. 07 of 2007 bearing the registration No. PV 2646. Its registered address is No. 35, Balapokuna Road, Colombo 05 and it is engaged in the business of manufacturing and selling apparel products for export. The entirety of the shares of Foundation Garments (Private) Limited are held by Hela Clothing (Private) Limited. The Board of Directors of Foundation Garments (Private) Limited are:

Director Name
Panadura Liyanage Dilanka Jinadasa
Albert Rasakantha Rasiah
Gayan Priyanka Gunawardana
Aroshi Nanayakkara
Warnakulasuriya Mahawaduge Shameen Ravindra Peiris
Moiz Hydery Adamally Rehmanjee

The performance of Foundations Garments (Private) Limited (Consolidated) for the financial year ended 31 March 2021 is given in the annexure 06.

A total of LKR 1,560Mn from the IPO proceeds will be invested in Foundation Garments (Private) Limited. The ultimate objective of the investment is to use LKR 1,423Mn of the IPO proceeds to settle debt and LKR 137Mn will be invested in productivity-enhancing capital expenditure.

1. THE ISSUE

The details of the short-term loan facilities to be settled are as follows:

Borrowing Entity	Financial Institution	Details of Facility		Outstanding Loan Amount as at 30-September-21 (USD) (Unaudited)	Amount Intended to be Settled via IPO	
		Type	Date First Obtained		USD	LKR*
Foundation Garments	National Development Bank	120 Day ST	6-Aug-14	11,447,173	3,742,331	748,428,755
Foundation Garments	Bank of Ceylon	120 Day ST	1-Sep-16	11,198,349	2,147,239	429,426,380
Foundation Garments	DFCC Bank	120 Day ST	1-Nov-17	7,390,335	1,226,994	245,386,503
Total				**30,035,857**	**7,116,564**	**1,423,241,638**

*Converted using CBSL indicative Exchange Rate of 199.99 as at 30 September 2021. LKR value of USD denominated debt will change with the volatility of exchange rates.

After the aforementioned settlement of debt, the company would settle the remaining borrowings through the cash flows generated by the company's business operations.

Approximately LKR 137Mn of the IPO proceeds is to be used to invest in productivity-enhancing capital expenditure of Foundation Garments (Private) Limited;

Legal Entity	Item Description	Type	Amount (LKR)
Foundation Garments	Spreader	Automation	53,795,731
	Auto cutter	Automation	82,876,866
Total			**136,672,597**

The IPO proceeds will be infused by Hela Apparel Holdings Limited to its fully owned subsidiary Hela Clothing (Private) Limited as equity capital and Hela Clothing (Private) Limited will in turn use such funds to invest in the equity capital of its fully owned subsidiary Foundation Garments (Private) Limited. Since these are related party transactions, the Company will seek Related Party Transactions Review Committee approval prior to the disbursements of funds.

From the above transactions the existing shareholding percentages will remain the same, as each subsidiary is 100% held by their immediate parent company.

At the time of issuing any shares, the Board of Directors of each respective subsidiary will be required to decide the consideration for which the shares will be issued and to also opine that such consideration is fair and reasonable to the company and to all existing shareholders. Upon finalising the same, the Company will make a market announcement to CSE disclosing the details of equity investments made using the IPO proceeds in each subsidiary.

Hela Indochine Apparel Private Limited Company

Hela Indochine Apparel Private Limited Company is a limited liability company domiciled in Ethiopia, which received its initial commercial registration certification on 31st October 2016 issued pursuant to the Commercial Registration and Business Licensing Proclamation No. 769/2012 and bears the principal registration No. EIA-PC/01/005374/09. Its registered address is Hawassa Industrial Park, Plot No. 36, and it is engaged in the business of manufacturing and selling apparel products for export.

As per the Laws of Ethiopia there is no mandatory requirement to appoint Directors at the time of incorporation. The Company's Articles of Association permit for the appointment of a General Manager (GM) to (inter alia) manage the day to day affairs of the Company – and the GM so appointed is Rajapakse Liyanage Chamath Sirinath Rajapakse. Hela Clothing (Pvt) Ltd has also appointed Warnakulasuriya Mahawaduge Shameen Ravindra Peiris and Rajapakse Liyanage Chamath Sirinath Rajapakse as the Power of Attorney holders of Hela Clothing (Pvt) Ltd to represent Hela (as shareholder).

The performance of Hela Indochine Apparel Private Limited Company for the financial year ended 31 March 2021 is given in the annexure 07.

Approximately LKR 29Mn of the IPO proceeds is to be used to invest in productivity-enhancing capital expenditure of Hela Indochine Apparel Private Limited Company;

Legal Entity	Item Description	Type	Amount (LKR)
Hela Indochine	Spreader	Automation	11,337,266
	Automatic guided vehicle	Automation	17,278,272
Total			**28,615,538**

The IPO proceeds will be infused by Hela Apparel Holdings Limited to its fully owned subsidiary Hela Clothing (Private) Limited as equity capital, where Hela Clothing (Private) Limited will in turn use such funds to invest in its fully owned subsidiary Foundation Garments (Private) Limited. Foundation Garments (Private) Limited will invest the funds received from Hela Clothing (Private) Limited in Hela Investments Holdings Limited (Mauritius), which is a fully owned subsidiary of Foundation Garments (Private) Limited. As the final step in the transaction, Hela Investments Holdings Limited (Mauritius) will invest in Hela Indochine Apparel Private Limited Company after the restructure mentioned below. Since these are related party transactions, the Company will seek Related Party Transactions Review Committee approval prior to the disbursements of funds.

As part of the ongoing restructure of the Hela Group, the 49% stake held in Hela Indochine Apparel Private Limited Company will be purchased by Hela Investments Holdings Limited from the existing equity partner. Subsequently, the 51% stake held by Hela Clothing (Private) Limited will be transferred to Hela Investments Holdings Limited. As a result, Hela Investments Holdings Limited will hold 100% of the equity in Hela Indochine Apparel Private Limited Company. These transactions are expected to be completed by 31 December 2022 and the relevant acquisitions will be carried out using debt financing where necessary. The intended capital expenditure investment from and out of the IPO proceeds will be made following the completion of this restructuring.

1. THE ISSUE

Post above transactions, the existing shareholding percentages will remain the same, as each subsidiary is 100% held by their immediate parent company.

At the time of issuing any shares, the Board of Directors of each respective subsidiary will be required to decide the consideration for which the shares will be issued and to also opine that such consideration is fair and reasonable to the Company and to all existing shareholders. Upon finalising the same, the Company will make a market announcement to CSE disclosing the details of equity investments made using the IPO proceeds in each subsidiary.

Hela Intimates EPZ Limited

Hela Intimates EPZ Limited is a limited liability company domiciled in Kenya and incorporated on 31st March 2016 under the Companies Act, 2015 and bearing the registration No. PVT/2016/005309. Its registered address is L.R. No. 18474/111, L.R. No. 18474/112, and L.R. 18474/198, Athi River EPZ, Athi River, 00100, and it is engaged in the business of manufacturing and selling apparel products for export. The Board of Directors of Hela Intimates EPZ Limited are:

Director Name
Panadura Liyanage Dilanka Jinadasa
Warnakulasuriya Mahawaduge Shameen Ravindra Peiris

The performance of Hela Intimates EPZ Limited for the financial year ended 31 March 2021 is given in the annexure 08.

Approximately LKR 109Mn of the IPO proceeds is to be used to invest in productivity-enhancing capital expenditure of Hela Intimates EPZ Limited;

Legal Entity	Item Description	Type	Amount (LKR)
Hela Intimates EPZ	Automatic guided vehicle	Automation	22,797,720
	Auto cutter	Automation	32,636,736
	Spreader	Automation	17,005,899
	Ring Robot	Automation	36,788,321
Total			**109,228,676**

The IPO proceeds will be infused by Hela Apparel Holdings Limited to its fully owned subsidiary Hela Clothing (Private) Limited as equity capital, where Hela Clothing (Private) Limited will in turn use such funds to invest in its fully owned subsidiary Foundation Garments (Private) Limited. Foundation Garments (Private) Limited will invest the funds received from Hela Clothing (Private) Limited in Hela Investments Holdings Limited (Mauritius), which is a fully owned subsidiary of Foundation Garments (Private) Limited. As the final step in the transaction Hela Investments Holdings Limited (Mauritius) will invest in its fully owned subsidiary Hela Intimates EPZ Limited. Since these are related party transactions, the Company will seek Related Party Transactions Review Committee approval prior to the disbursements of funds.

From the above transactions the existing shareholding percentages will remain the same, as each subsidiary is 100% held by their immediate parent company.

At the time of issuing any shares, the Board of Directors of each respective subsidiary will be required to decide the consideration for which the shares will be issued and to also opine that such consideration is fair and reasonable to the Company and to all existing shareholders. Upon finalising the same, the Company will make a market announcement to CSE disclosing the details of equity investments made using the IPO proceeds in each subsidiary.

Sumbiri Intimate Apparel PLC

Sumbiri Intimate Apparel PLC is a limited liability company domiciled in Ethiopia, which received its initial commercial registration certification on 20th July 2017 issued pursuant to the Commercial Registration and Business Licensing Proclamation No. 980/2016 and bears the principal registration No. EIA-PC/01/005516/09. Its registered address is Hawassa Industrial Park, Plot No. 48, and it is engaged in the business of manufacturing and selling apparel products for export.

As per the Laws of Ethiopia there is no mandatory requirement to appoint Directors at the time of incorporation and, while the Company's Articles of Association permit for the appointment of Board of Directors, this has option has not yet been taken up by the shareholders. The Articles of Association also permit the appointment of a General Manager (GM) to (inter alia) manage the day to day affairs of the Company – and the GM so appointed is Weerasinha Kalugamage Ravi Roshan Jayathilaka. Hela has also appointed this individual as the Power of Attorney holder for Hela Investment Holdings Limited (Mauritius) to represent Hela (as shareholder).

The performance of Sumbiri Intimate Apparel PLC for the financial year ended 31 December 2020 is given in the annexure 09[1] .

Approximately LKR 87Mn of the IPO proceeds is to be used to invest in productivity-enhancing capital expenditure of Sumbiri Intimate Apparel Private Limited Company:

Legal Entity	Item Description	Type	Amount (LKR)
Sumbiri Intimate Apparel PLC	Auto cutter	Automation	53,497,610
	Shoulder strap	Automation	21,872,813
	Hook & Eye machines	Automation	11,798,820
Total			**87,169,243**

The IPO proceeds will be infused by Hela Apparel Holdings Limited to its fully owned subsidiary Hela Clothing (Private) Limited as equity capital and Hela Clothing (Private) Limited will in turn use such funds to invest in its fully owned subsidiary Foundation Garments (Private) Limited. Foundation Garments (Private) Limited will invest the funds received from Hela Clothing (Private) Limited in Hela Investments Holdings Limited (Mauritius), which is a fully owned subsidiary of Foundation Garments (Private) Limited. As the final step in the transaction Hela Investments Holdings Limited (Mauritius) will invest in Sumbiri Intimate Apparel PLC, where Hela Investments Holdings Limited (Mauritius) holds a 24% stake. Since these are related party transactions, the Company will seek Related Party Transactions Review Committee approval prior to the disbursements of funds.

[1] Hela acquired a 24% stake in Sumbiri Intimate Apparel PLC in May 2021, therefore performance reflected in the financial statement for financial year ended 31 December 2020 is before Hela's involvement with the entity. Sumbiri Intimate Apparel PLC's financial year was changed to 31 March 2021 from 31 December 2020 to align with Group accounting policies.

1. THE ISSUE

HELA is currently in the process of increasing its stake to 50% in Sumbiri Intimate Apparel PLC through its fully owned subsidiary, Hela Investments Holdings Limited. This is expected to be completed by 31 March 2022. The intended capital expenditure investment from and out of the IPO proceeds will occur following the completion of this process.

From the above transactions the existing shareholding percentages will remain the same, as each subsidiary is 100% held by their immediate parent company. The 50% shareholding in Sumbiri Intimate Apparel PLC held by Hela Investments Holdings Limited will remain the same, as joint venture partner would also contribute to capital expenditure investments of the entity, which will result in both parties retaining a 50% stake in the company.

At the time of issuing any shares, the Board of Directors of each respective subsidiary will be required to decide the consideration for which the shares will be issued and to also opine that such consideration is fair and reasonable to the Company and to all existing shareholders. Upon finalising the same, the Company will make a market announcement to CSE disclosing the details of equity investments made using the IPO proceeds in each subsidiary.

1.3 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE

A. Risk of cost overruns

An increase in the costs for objectives 1.2.1, 1.2.2 and 1.2.3 mentioned above would have a significant impact on the viability of each of the projects. To mitigate this risk, HELA will continuously monitor project costs to ensure they are within the estimated costs or that any cost increases are clearly justified. In the event that there are cost overruns due to unforeseen or unavoidable circumstances the additional costs will be funded via internally generated funds or debt. In specific relation to objective 1.2.2, the agreed fee with the consultants includes a 5% (i.e. LKR 27,158,584/=) contingency amount in case of a cost overrun.

B. Risk of delays in implementation of the projects and investing the funds in the intended timelines

HELA intends to commence utilizing the IPO proceeds as per the timelines indicated for each of the objectives above. However, there is a possibility of delays in investment of the funds for various reasons. For example, in relation to objective 1.2.1, there may be delays in identifying and finalizing the target fabric mill and unforeseen delays in the investment process, while for objective 1.2.3 new regulations on overseas investments or conversion of export process could delay the use of funds for USD-denominated expenditure. However, the Company does not currently foresee any adverse occurrences that may cause such deviations from the indicated timelines and would actively work to minimize any delays.

C. LKR depreciation against the foreign currencies

The depreciation of the LKR against the USD will affect objective 1.2.3 mentioned above. As the expenditures for the ultimate objectives will primarily be met in USD, any depreciation of the LKR between the raising of the IPO proceeds and the utilization of the proceeds as per the timeline will decrease the USD funds available for each of the mentioned objectives. However, as the Group's revenues are entirely denominated in USD, its revenues will increase in LKR terms to partially offset this impact in the event of a depreciation.

D. Legacy issues coming from the acquisition of an existing fabric mill

In relation to objective 1.2.1, HELA is evaluating both the option of acquiring an operational fabric mill or a greenfield project. In the event that HELA concludes that the acquisition of an operational fabric mill is the most feasible option, there is the risk of legacy issues in the already existing fabric mill to be passed on to HELA with the acquisition. The Company will ensure an independent buy-side M&A Advisor will be employed, and all required due diligence procedures are followed in order to minimize this risk.

E. Risk of not being able to invest IPO proceeds on a timely basis or in the objectives specified under Section 1.2

HELA does not intend to deviate from the objectives mentioned above when utilising the proceeds raised via the IPO. However, in the event HELA cannot proceed with the said objectives and utilise the allocated funds due to any adverse market conditions across its manufacturing footprint and customer base as a result of macroeconomic or political conditions (including the impact stemming from the ongoing global pandemic situation) at the time of investments or negative outcome of feasibility exercises in carrying out such investments, HELA would evaluate the next best alternative of investing such funds without undue delay, and make any necessary market announcements on the revised use of the IPO proceeds.

In the event proceeds raised via the Offer for Subscription is utilised for any purpose, other than the purposes mentioned above or any deviation from the stipulated time frame to achieve such objectives or any deviation from amount allocated for such objectives, the Company will make necessary disclosures to the shareholders via the CSE and include relevant disclosures in the Interim Financial Statements and Annual Report as appropriate. Further, the Company will take necessary steps to obtain the approvals of the relevant parties including the shareholders as appropriate at that point in time and make necessary disclosures as appropriate.

The Company will disclose the information pertaining to the utilisation of proceeds of the IPO in the Annual Report and Interim Financial Statements from the date of raising funds until the objectives are achieved and funds are fully utilised as per the template referred to below.

1. THE ISSUE

Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated upon the receipt of proceeds in LKR (A)	As a % of Total proceeds	Amount utilised in the objective LKR (B)	% of utilised against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg. whether lent to related party/s etc)
1.2.1	Fabric Mill Investment	999,761,063	2nd Quarter FY23	-	-	-	-	-
1.2.2	Funding the Implementation of a New Enterprise Resource Planning (ERP) System	596,266,801	2nd Quarter FY23	-	-	-	-	-
1.2.3	Investment into Subsidiaries of the Group	2,410,607,106	4th Quarter FY22 – 3rd Quarter FY23	-	-	-	-	-

In the event the proceeds of the issue are fully utilised in terms of the objectives disclosed in this prospectus between two financial periods, the Company shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first as per the above template.

1.4 NATURE OF THE NEW SHARES OFFERED

Two Hundred Sixty Seven Million One Hundred Eight Thousand Nine Hundred and Ninety Eight (267,108,998) Ordinary Voting Shares offered shall, upon allotment, rank equal and pari passu in all respects with the existing Ordinary Voting Shares of the Company and a New Share shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company after the allotment of the New Shares and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

1.5 SHARE OFFER PRICE

The Board of Directors has, after careful consideration, resolved that the Share Issue Price of Rupees Fifteen (LKR 15.00) per share for the New Shares being offered, is fair and reasonable to the Company and to all existing shareholders of the Company.

The Share Offer Price was determined by HELA in consultation with CT CLSA Capital (Pvt) Ltd and Capital Alliance Partners Limited (Joint Managers and Financial Advisors to the Issue) in accordance with the Research Report compiled by Capital Alliance Partners Limited and CT CLSA Capital (Pvt) Ltd in line with Rule 3.1.4 (c) of the CSE Listing Rules.

A summary of the Valuation Methods used to determine the Share Issue Price is as follows:

Valuation Method	Value per share (LKR)	Discount to the share offer price
Discounted Cash Flows	19.25[a]	22.1%
P/E Ratio – Forward	18.38[b]	18.4%

Source: Research Report

a Based on the sum of total number of shares in issue post IPO and unissued ESOP shares

b Based on the weighted average number of diluted ordinary shares for FY22E

The Share Issue Price of LKR 15.00 per share is at a 22.1% discount to the reference point Valuation, based on the Discounted Cash Flow valuation of LKR 19.25 per share. This IPO discount is provided to investors in order to provide a potential upside on the investment. A copy of the Research Report that includes the forecasted financials and the valuation methodologies is enclosed in Annexure 10 of this Prospectus.

The Net Asset Value per share of HELA as at 30 September 2021 was LKR 4.16 as per unaudited interim financial statements. This translates into a PBV of 3.60x based on the Share Issue Price.

THE INVESTORS ARE ADVISED TO READ THE FOLLOWING SUMMARY WITH THE RISK FACTORS INCLUDED IN SECTION 3.5.1 AND THE DETAILS ABOUT HELA AND ITS FINANCIAL STATEMENTS INCLUDED IN THIS PROSPECTUS.

1.5.1 QUALITATIVE FACTORS

a. Positioned in a large growth market

HELA is one of the fastest growing sustainable apparel manufacturers in the world and is well positioned to increase its share of the growing global apparel market. Despite a sharp drop in consumer spending across all discretionary product categories in early 2020 as a result of the initial phase of the COVID-19 pandemic, demand for apparel products has rebounded rapidly in key markets such as the US. While the recovery has been uneven across different countries due to sporadic surges in infections, it is expected to broaden and strengthen into 2022 as the rollout of vaccinations globally accelerates. As such, global spending on clothing is expected to regain most of the ground lost to the pandemic in 2021. What's more, global spending on clothing and footwear is expected to grow at a CAGR of c. 6.1% between 2021 and 2025 to exceed USD 2.5 Tn[2] as the world economy shakes off the effects the pandemic. This will be driven by the resumption of growth in population, disposable income and urbanization across developing economies, as well as robust demand in advanced economies. While the trend towards more responsible consumption will continue to gather steam, innovative solutions such as circular products using recycled fabrics are expected to continue driving consumer spending on apparel products.

[2]https://www.statista.com/forecasts/1161735/fashion-consumer-spending-forecast-in-the-world, (accessed on 24th November 2021)

1. THE ISSUE

b. Built on a culture of agility

HELA 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, providing everything from design to distribution services. By offering an attractive multicounty manufacturing offering, continuously testing new supply chain models to reduce delivery times, and fostering innovative collaborations, HELA is dedicated to ensuring customer gets the best solutions that exceed their requirements. This ensures that the Company's relationships are strategic, rather than transactional, and gives HELA a significant advantage over its competition.

c. Strong customer relationships

HELA is a trusted supplier to leading global brands, such as Tommy Hilfiger, Calvin Klein, and Michael Kors, and focuses on building strategic long-term relationships with its customers. Through its customer-centric and customised engagement models, the Company ensures the evolving needs of its customers are always met. These efforts include placing its employees in the head offices of its key customers to ensure HELA is responsive to their evolving requirements, and providing innovative design solutions based on the latest consumer trends. The Company's success in building strong customer relationships are demonstrated by the numerous awards it has received from leading global apparel brands.

d. Spearheading Africa's apparel revolution

As a pioneer in the rehabilitation of apparel manufacturing in East Africa, HELA has a strong presence and early-mover advantage in the region with 4 strategically located manufacturing plants – 2 in Kenya and 2 in Ethiopia. Since first establishing its presence in 2016, the Company's operations in Africa have grown rapidly and it now accounts for approximately 19% of total apparel exports from Kenya[3]. The region is on course to become a future hub for apparel manufacturing, due to the ongoing migration of the industry out of China, Africa's extensive duty free access to the US and European markets, and strong support from local governments for the development of the sector. Hela is in a unique position to capitalize on this trend as customers seek reliable, established and high-quality suppliers in the African region to enable them to gain the cost and duty benefits of sourcing from the region.

[3] In 2020, according to trade data from www.trademap.org (accessed on 24th November 2021), Kenya exported USD 307Mn worth of apparel and for the same period Hela exported apparel worth USD 57Mn. Hence, Hela's share of exports from Kenya is 19% in 2020.

e. A sustainable and ethical apparel manufacturer

Greater sustainability and inclusivity are increasingly important demands from global consumers and, as core values to HELA, the Company is well placed to capitalize on this trend. For example, c. 41% of the electricity used by the Hela group is already derived from renewable sources and this is set to increase with six of Hela's manufacturing facilities on course to produce solar power by the end 2022. HELA also meets, and often exceeds, the highest levels of labour and environmental compliance across it manufacturing facilities. The Group has also adopted several initiatives to improve the lives of its employees and ensure it is making a positive impact in the communities it operates in. This has been validated by awards such as Most Inclusive Employer in Ethiopia in 2019[4] and Most Sustainable Supplier for both Tesco[5] and ASDA in 2021[6] .

1.5.2 QUANTITATIVE FACTORS

A. HELA's Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Based on Reported Financials	Basic EPS (LKR)	Diluted EPS (LKR)	Return on equity	P/E Ratioc
31st March 2019[a]	-	-	-	-
31st March 2020[b]	0.89	0.89	28.07%	16.77
31st March 2021[b]	0.78	0.75[d]	21.95%	19.91
Two Financial Year Average EPS	0.84	0.82	n/a	18.21
3 months ended 30 September 2021[b]	0.46	0.45[e]	n/a	n/a

Source: HELA Audited financial statements

a The financial performance of the company for the financial year ended 31st March 2019 does not reflect the full financial year earnings, since Hela Apparel Holdings PLC was incorporated on 11 October 2018.

b Prior to the capital reorganization undertaken by HELA on 02 September 2021, the Company had six different classes of shares (refer section 5.1.2). A proforma adjustment was made to calculate the EPS for the financial year ended 31 March 2020, 31 March 2021 and 3 months ended 30 September 2021 based on the same share conversion rate used in the capital reorganisation

c P/E ratio of HELA is calculated based on the IPO issue price of LKR 15.00. The average P/E Ratio of 18.21 is calculated based on a 2-Year average Diluted EPS of LKR 0.82.

d Diluted EPS for 31st March 2021 includes 21,368,710 ordinary shares granted under the ESOP but not yet vested and 18,163,411 ordinary shares which have been allocated for ESOP which are yet to be granted or vested

e Diluted EPS for 30th September 2021 includes 14,263,616 ordinary shares granted under the ESOP but not yet vested and 18,163,411 ordinary shares which have been allocated for ESOP which are yet to be granted or vested

[4] https://www.sundaytimes.lk/200112/business-times/hela-clothing-recognised-as-most-inclusive-employer-of-the-year-in-ethiopia-386674.html (accessed on 24th November 2021)

[5] https://www.dailynews.lk/2021/08/11/business/256285/hela-clothing-receives-international-award-tesco (accessed on 24th November 2021)

[6] https://www.sundaytimes.lk/210606/business-times/hela-clothings-sustainability-recognised-with-most-sustainable-factory-award-by-asdas-george-445910.html (accessed on 24th November 2021)

1. THE ISSUE

$$\textbf{Earnings per Share (LKR)} = \frac{\text{Net profit as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

$$\textbf{Return on Equity (\%)} = \frac{\text{Net profit after tax, as restated}}{\text{Net assets as at the end of the year / period}}$$

B. HELA's P/E in relation to the Share Offer Price of LKR 15 per share

a. Based on Basic EPS of LKR 0.78 and diluted EPS of LKR 0.75 for the financial year ended 31st March 2021, the P/E ratio's are 19.1 times and 19.9 times respectively.

b. Based on two financial year average (FY20 – FY21) basic EPS of LKR 0.84 and average diluted EPS of LKR 0.82, the P/E ratio's are 17.9 times and 18.2 times respectively.

c. Industry P/E details are given below:

Particulars	Name of the peer entity	P/E Ratio* (Times)
Highest	Hayleys Fabric PLC	13.47
Lowest	Teejay Lanka PLC	12.13
	Industry Average	**12.80**

Source: www.cse.lk (accessed on 12th November 2021) and Bloomberg (accessed on 12th November 2021)
Sector Classification: Consumer Durables & Apparel
Market capitalisation as at 12th November 2021 and earnings are on a trailing twelve month basis as at 30th September 2021

C. HELA's Net Asset Value (NAV) per share and Price to Book Value (PBV) Ratio

a. Based on the NAV per share in the latest audited financial statements as at 31 March 2021 is LKR 3.68, the PBV ratio is 4.07 times[7].

b. Based on the NAV per share in the latest unaudited interim financial statements as at 30 September 2021 is LKR 4.16, the PBV ratio is 3.60 times.

c. Post IPO NAV per share is LKR 6.38, adjusted to reflect the NAV as at 30 September 2021 and Number of Shares in Issue assuming the full subscription of the Shares issued via the IPO. The PBV ratio is 2.35 times.

d. IPO offer price is LKR 15.00

[7]Prior to the capital reorganization undertaken by HELA on 02 September 2021, the Company had six different classes of shares (refer section 5.1.2). A proforma adjustment was made to calculate the NAV per share for the financial year ended 31 March 2021 based on the same share conversion rate used in the capital reorganisation. NAV per share disclosed in the Audited Financial statement is based on share structure prior to the restructure (refer section 7.14 additional notes) .

e. The range of the PBV ratio of industry peers is as given below:

Particulars	Name of the peer entity	P/E Ratio* (Times)
Highest	Hayleys Fabric PLC	3.21
Lowest	Teejay Lanka PLC	1.66
	Industry Average	**2.44**

Source: www.cse.lk (accessed on 12th November 2021) and Bloomberg (accessed on 12th November 2021)
Sector Classification: Consumer Durables & Apparel
*Market capitalisation as at 12th November 2021 and book values are as at 30th September 2021

D. Comparison of Accounting Ratios of the Industry

Peer comparison based on the 31 March 2021 audited financial statements is as follows:

Name of the peer entity	Basic EPS (LKR)	NAV Per Share (LKR)	P/E Ratio* (Times)	PBV Ratio* (Times)	ROE
Hayleys Fabric PLC	1.77	10.17	20.54	3.58	17.4%
Teejay Lanka PLC	3.04	24.78	13.88	1.70	12.0%

Source: www.cse.lk (accessed on 12th November 2021) and Bloomberg (accessed on 12th November 2021)
Sector Classification: Consumer Durables & Apparel
*Market capitalisation as at 12th November 2021 and book values and earnings are as at latest audited financial statements 31 March 2021

1.6 LISTING

This Offer comprises of Two Hundred and Sixty-Seven Million One Hundred and Eight Thousand Nine Hundred and Ninety Eight (267,108,998) Ordinary Voting Shares of the Company. If fully subscribed, the New Shares will amount to 20.50% of the Issued and Paid-up Ordinary Shares of the Company, immediately subsequent to the Offer.

An application has been made and approved in principle by the CSE for permission to deal in and for a listing of One Billion Three Hundred Three Million One Hundred Seventeen Thousand Nine Hundred Forty Four (1,303,117,944) Ordinary Voting Shares being the entirety of the Shares after the completion of the Offer. However, the CSE reserves the right to withdraw such approval granted for the listing of the Shares mentioned above, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

HELA has already complied with 2.1.2. (i) (a), (b) and (d) of the CSE Listing Rules. It is expected that the Company will meet the minimum public holding requirement set out in CSE Listing Rules 2.1.2. (i) (c), which requires that 20% of the total number of shares for which a listing is sought should be in the hands of a minimum number of 500 public shareholders on the completion of the Issue pursuant to which the listing of the entire Ordinary Shares of the Company will take place on the Main Board of the CSE. The current Pre IPO public holding (number of Pre IPO

shares held by the 'public' as a percentage of the total Pre IPO number of shares), as per the 'public' definition provided in the CSE listing rules is zero. If the Issue is fully subscribed by public shareholders, the shares offered via the IPO will amount to 20.50% of the total Issued and Paid-Up Ordinary Shares of the Company subsequent to the Issue. As all of the pre-IPO public shareholders will be locked in for a period after the IPO (refer section 5.3), this will result in a Post-IPO Public shareholding of 20.50%.

The shareholding percentages of the shareholders of the Company (including the shareholders who subscribe to Shares under the Offer) will be diluted upon the issue of Ordinary Shares under the ESOP. If the entirety of the 32,427,027 Ordinary Shares underlying the ESOP are issued in full, the percentage of the Offered Shares will be diluted to 20% of the total Issued and Paid Up Ordinary Shares of the Company.

In the event of an undersubscription where HELA is unable to meet the minimum public holding requirements set out in CSE Listing Rules 2.1.2 (i) (c), upon closure of the Offer, the Company would alternatively opt for a listing on the Diri Savi Board of the CSE, subject to meeting the minimum public holding requirement set out in CSE Listing Rules 2.1.2 (ii) (c). The CSE listing rules 2.1.2 (ii) (c) requires that 10% of the total number of shares for which a listing is sought should be in the hands of a minimum of 200 public shareholders, provided that the float adjusted market capitalization is less than LKR 1Bn. Upon the successful completion of the Issue, Ordinary Voting Shares of the Company will be listed on the Diri Savi Board of the CSE, subject to compliance with Rule 2.1.2 of the Listing Rules of the CSE.

The Independent Auditor's reports in the audited financial statements of HELA for the FY21 do not contain an emphasis of matter on going concern. Accordingly, HELA is in compliance with Rules 2.1.2 (i) (d) and 2.1.2 (ii) d of the CSE Listing Rules.

In the event the Issue is being undersubscribed and as a result, the Company is unable to fulfil the minimum public holding requirement as per Section 2.1.2 of the Listing Rules, the Company will return all monies received from the Applicants for subscription of Ordinary Voting Shares within Eight (08) Market Days from the Issue Closing Date and in such event the Ordinary Voting Shares of the Company will not be listed on the CSE.

1.7 OPENING AND CLOSURE DATES OF THE SUBSCRIPTION LIST

The Subscription List for the shares offered will open at 9.00 a.m. on 12 January 2022 and shall remain open for fourteen (14) market days until closure at 4.30 p.m. on 02 February 2022. In the event of an over subscription of the Offered Shares prior to the Issue Closing Date, the Company shall inform the CSE in writing immediately of such fact and the subscription list shall be closed on the same day at 4.30 p.m., with written notification to the CSE.

In the event that the Company decided to close the issue before full subscription, the Company shall inform the CSE in writing immediately of such fact and the subscription list shall be closed on the following day at 4.30 p.m., with written notification to the CSE.

1.8 BASIS OF ALLOTTMENT

As per Rule 2.1.1.(g) (i) of the CSE Listing Rules, in the event the size of the Issue is Rupees Three Billion (LKR 3Bn) or more, the applicant entity is required to determine the basis of allotting the shares in a fair and equitable manner, in consultation with the CSE.

As such, the basis of allotment determined by the Company in consultation with the CSE is as follows:

Investor Category	Percentage of Issue Allocated
Retail Individual Investors	15.50%
Unit Trusts Investors	10.00%
Group Employees and Directors	7.50%
Non-Retail Investors	67.00%
Total	**100.00%**

The Board of Directors reserves the right to preferentially allot up to 75.00% of the shares available for allotment under the Non-Retail Investor Category to identified investors (e.g. Foreign/Local Institutional Investors, Family Offices[8] and other High Net Worth Individuals) who apply through this category under the IPO.

However, in the event the size of the Issue is less than Rupees Three Billion (LKR 3Bn), the basis of allotting the shares will be as per the manner prescribed in Rule 2.1.1.(g) (ii) of the CSE Listing Rules. In this event, the basis of allotment will be as follows:

Investor Category	Percentage of Issue Allocated
Retail Individual Investors	40.00%
Unit Trusts Investors	10.00%
Group Employees and Directors	7.50%
Non-Retail Investors	42.50%
Total	**100.00%**

In the event issue is undersubscribed and amounts below Rs.3Bn, there will not be any preferential allotment.

In determining the basis of allotment within the Retail Individual Investor Category, individual investors who subscribe for a smaller number of shares shall be given priority.

'Retail Individual Investor' shall mean an individual investor who subscribes for a value of not more than Rupees Two Hundred Thousand (LKR 200,000). However, in the event the size of the issue is less than LKR 3Bn, a 'Retail Individual Investor' shall mean an individual investor who subscribes for a maximum of Three Thousand (3,000) Shares or a value of not more than Rupees Hundred Thousand (LKR 100,000), whichever is higher.

'Unit Trust Investors' includes growth or balanced Unit Trusts operated by Managing Companies licensed by the SEC to operate such Unit Trusts.

[8] A family office is a privately held company that handles investment management and wealth management for a wealthy family

1. THE ISSUE

However, in the event the size of the issue is less than LKR 3Bn, a 'Unit Trust Investors' shall include growth or balanced Unit Trusts operated by Managing Companies licensed by the SEC to operate such Unit Trusts, where such Unit Trust comprises of not less than Five Hundred (500) unit holders resident in Sri Lanka who together hold at least 50% of that fund. Please note that in the event the size of the issue is less than LKR 3Bn, the Company will examine whether the Applicants under Unit Trusts investor category comply with criteria defined by the SEC Directive dated 06th June 2011 (SEC/LEG/11/06/01) and CSE Listing Rule 2.1.1 (g) (ii) (b).

'Group Employees and Directors' shall constitute employees and Directors of HELA Group. Only the employees and Directors from the following companies in the HELA Group can apply under the 'Group Employees and Directors' Category:

I. Hela Apparel Holdings Limited (Sri Lanka)

II. Hela Clothing (Private) Limited (Sri Lanka)

III. Hela Investment Holdings Limited (Mauritius)

IV. Safeguard Workwear EPZ Limited (Kenya)

V. Hela Intimates EPZ Ltd (Kenya)

VI. Hela Indochine Apparel PLC (Ethiopia)

VII. FDN Sourcing (Private) Limited (Sri Lanka)

VIII. Hela USA Inc. (USA)

IX. Foundation Garments (Private) Limited (Sri Lanka)

X. Foundation Bennett (Pvt) Ltd (Sri Lanka)

XI. Jinadasa Bennett (Pvt) Ltd (Sri Lanka)

XII. Hela Investment Holdings (Pvt) Ltd (Sri Lanka)

XIII. Alpha Textiles (Private) Limited (Sri Lanka)

XIV. Sumbiri Intimate Apparel PLC

The basis of allotment for the Group Employees and Directors Category will be at the discretion of the Board of Directors of the Company.

'Non-Retail Investor' category will include investors who do not fall under the 'Retail Individual Investor', or the 'Unit Trusts investor' or 'Group Employees and Directors category'.

Immediately after the basis of allotment being decided by the Board of Directors of the Company an announcement will be made to the CSE. The Company will notify successful Applicants on their allotment within Ten (10) market days from the Closure Date.

In the event of an under-subscription in the Retail Individual Investors category, the Unit Trust Investors category shall, subject to the provisions of CSE Listing Rules, be given first priority in allotment of the under-subscribed shares.

In the event of an undersubscription in the Non-Retail Investor category, Retail Individual Investor category will be given first priority followed by Unit Trust Investor category in the allotment of the under-subscribed Shares.

However, if the issue size is less than LKR 3 Billion, the unit trust category will be given first preference if there is an undersubscription in the retail category.

1.9 COST OF THE ISSUE

The Directors of the Company estimate that the total cost of the Issue will be approximately LKR 80Mn, translating to 2% of the funds raised.

The above cost estimation includes the initial listing fees, fees payable to the Joint Managers and Financial Advisor to the Issue, Registrars to the Issue, Bankers to the Issue, Lawyers to the Issue, advertising and promotional agency, costs of postage, stamp duty and printing, and brokerage commission. These costs will be recovered from internally generated funds of the Company.

1.10 BROKERAGE

Brokerage at the rate of zero decimal five per centum (0.50%) will be paid by the Company in respect of the number of shares allotted on applications bearing the stamp of any member or trading member of the CSE or the Bankers to the Issue.

1.11 MINIMUM SUBSCRIPTION AND UNDERWRITING

No underwriting arrangement has been made by the Company for this Issue. Further in the opinion of the Directors of the Company, there is no minimum subscription required to be raised through this Issue. In the event the Offer is undersubscribed, the subscribers shall be allotted/ allocated in full and funds raised via the Offer for Subscription together with internally generated funds and/or external borrowings shall be utilised to meet the objectives as set out in Section 1.2 herein. If the offer is undersubscribed, the funds raised via the offer will be utilised according to following order of priority:

Objectives of the Issue	Reference	Amount Allocated (LKR)	Order of Priority
Fabric Mill Investment	1.2.1	999,761,063	2
Funding the Implementation of a New Enterprise Resource Planning (ERP) System	1.2.2	596,266,801	1
Investment into Subsidiaries of the Group	1.2.3	2,410,607,106	3
Total Funds Raised		**4,006,634,970**	

1. THE ISSUE

1.12 INSPECTION OF DOCUMENTS

Certified copies of the following documents will be available for inspection during normal business hours at the Registered Office of **Hela Apparel Holdings Limited being No. 35, Balapokuna Road, Colombo 06,** from the date hereof, until the Issue Closing Date or up to 14 market days from the date hereof, whichever is later.

a) Articles of Association

b) Material contracts and management agreements, if any

c) Reports, letters, valuations and statements by any expert, any part of which is extracted or referred to in this Prospectus

d) The audited accounts of the Company for five (5) financial years immediately preceding the publication of this Prospectus

The Prospectus and the Articles of Association of the Company will also be hosted on the Company's website **www.ipo.helaclothing.com** and CSE website **www.cse.lk** during the above mentioned period.

The Research Report prepared by the Joint Managers and Financial Advisors to the Issue will be hosted on the Company's website **www.ipo.helaclothing.com**, CSE website **www.cse.lk**, CT CLSA Capital (Pvt) Ltd website **www.ctclsa.lk/ctclsac** and Capital Alliance Partners Limited website **www.cal.lk** for a period of two (02) months commencing from the date of issuance of the final Prospectus.

2. PROCEDURE FOR APPLICATION

2.0 PROCEDURE FOR APPLICATION

2.1 ELIGIBILITY TO INVEST

Applications are invited from the following categories of applicants, **having a valid CDS account in the Central Depository Systems (Private) Limited (CDS Account):**

a) Citizens of Sri Lanka who are resident within Sri Lanka and are above 18 years of age.

b) Citizens of Sri Lanka resident outside of Sri Lanka and who are above 18 years of age.

c) Foreign Citizens who are above 18 years of age.

d) Companies, Corporations or Institutions incorporated or established within Sri Lanka.

e) Corporate bodies incorporated or established outside Sri Lanka.

f) Approved Provident Funds and approved contributory pension schemes registered / incorporated / established in Sri Lanka. Applications by these bodies must be in the name of the Trustee / Board of Management thereof, in order to facilitate the opening of the CDS Accounts.

g) Regional and Country funds approved by the SEC.

IMPORTANT - Joint Applicants should not apply through a separate Application Form either individually or jointly.

An Applicant who has made an Application under a Margin Trading Account should not apply on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Applications will NOT be accepted from individuals under the age of 18 years or if made in the names of Sole Proprietorships, Partnerships, Unincorporated Trusts or any Non-Corporate Bodies.

2.2 PROCEDURE FOR APPLICATION

The Prospectus and Application Form will be available free of charge from the collection points listed under Annexure 11 in this Prospectus. The Prospectus and the Application Form can also be downloaded from **www.cse.lk**, **www.ipo.helaclothing.com**, **www.ctclsa.lk/ctclsac** and **www.cal.lk**.

i. Via physical delivery

The Application Form should be legibly completed and be received by the Registrars to the Issue during the stipulated time period. Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

2. PROCEDURE FOR APPLICATION

ii. Via Hela Web Portal

The Prospectus and Application Form are available through Hela web portal **www.ipo.helaclothing.com**. The Hela IPO web portal can also be accessed through the websites **www.cse.lk**, **www.ipo.helaclothing.com**, **www.ctclsa.lk/ctclsac** and **www.cal.lk**. Applicants who intend to submit their Application Forms using this web portal may follow the instructions set out in the said web portal and forward their Applications as per the instructions given therein.

Applicants, except for the Applicants applying under the Group Employee and Director category, should apply only through one investor category (including joint Applicants) and would be permitted to submit only one Application form. Two or more Applications submitted by the same Applicant, except for the Applicants applying under the Group Employee and Director Category, either under the same category or different category will be construed as multiple Applications and will be rejected.

Only one Application should be made by an Applicant under the Group Employee and Director Category. Additionally, an Applicant may make a further Application (One [1] only) either under the Retail Individual Category or Non-Retail Category which will not be construed as multiple Applications and will not be rejected.

Joint Applicants should note that all parties in the Joint Application should either be residents of Sri Lanka or non-residents. An Applicant of a Joint Application will not be eligible to submit a separate Application either individually or jointly for the shares applied.

Applications by companies, corporations and other corporate bodies, registered/ incorporated/ established in Sri Lanka should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicants or as per the statutes governing them. In the case of Approved Provident Funds, Trust Funds and Approved Contributory Pension Schemes, the Applications should be in the name of the Trustees/ Board of Management.

The Application Forms may be signed by any party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. The original POA certificate should not be attached.

Applicants, who wish to apply through their Margin Trading Accounts, should submit the Application signed by the Margin Provider, requesting a direct upload of the Shares to the Applicant's Margin Trading Account in the CDS. The Margin Provider should indicate the relevant CDS Account number relating to the Margin Trading Account in the space provided in the Application Form. A "True copy" of the Margin Trading Agreement should be attached with the Application Form.

A foreign citizen must state his/ her Passport number in the space provided.

It should be noted that in the event the Applicant's CDS Account number is correctly stated in the Application Form all correspondence with such Applicant would be sent to the address given to the CDS by such Applicant.

Further, in the event the name or the address of the Applicant mentioned in the Application Form differs from the name or address given to the CDS by such Applicant in respect of the CDS Account mentioned in the Application Form, the name and the address given to the CDS by such Applicant in respect of the CDS Account mentioned in the Application Form will be considered as the name and address of such Applicant. Therefore, the Applicants must ensure that their name and address mentioned in the Application Form matches with the name and address given to the CDS in respect of the CDS Account mentioned in the Application Form.

The Applicant should absolve CSE and CDS for errors/omissions of the information recorded in the CDS Accounts if such errors/omissions were initiated by such Applicants.

As per the Directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited dated November 30, 2010, all Shares allotted shall be directly uploaded to the CDS Accounts. As such, all Applicants should indicate their CDS Account number in the Application Form. Applicants who do not have a CDS Account number are advised to open a valid CDS Account prior to submitting the Application in order to facilitate the uploading of relevant shares to their CDS Account.

Please note that upon the allotment of shares under this Issue, the allotted shares would be credited to the Applicant's CDS Account within twelve (12) Market Days from the closure of the Issue. Upon the completion of crediting of shares into the investors' CDS Accounts, the Company shall send a written confirmation to the shareholders within two (02) Market Days of crediting the CDS Accounts.

Please note that share certificates shall not be issued. Applications which do not carry the CDS Account number, which is not opened at the time of the closure of the subscription list or which indicate an incorrect/ inaccurate CDS Account number shall be rejected, and no allotment will be made. You can open a CDS account through any member/ trading member of the CSE as set out in Annexure 12 of this Prospectus.

Operation of a 'locked' balance in the CDS

Applicants have the option of having their Shares 'locked' in the CDS as described below.

Shares that are locked would not be available for trading purposes and would not be visible to the CDS participant. If the Applicant has not specified that his/her Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS Account.

For those shareholders who do not want to trade the securities, the CDS would provide a mechanism where securities can be 'locked' in the CDS Account. The CDS would maintain two balances for each CDS Account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done presently.

As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from an unauthorized sale by a broker.

2. PROCEDURE FOR APPLICATION

At the option and request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

Retail Individual and Non-Retail Investor Category

Applicants falling under the Retail Individual and Non-Retail Investor Categories should apply for the Shares on the **WHITE coloured Application Form** printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available from the collection points listed in Annexure 12 and can also be downloaded from www.cse.lk, www.ipo.helaclothing.com, www.ctclsa.lk/ctclsac and www.cal.lk. Exact size copies of the Application form printed on WHITE coloured paper as specified herein will also be permissible under the Retail Individual and Non-Retail Investor Categories.

Group Employee and Director Category

Applicants applying under the Group Employee and Director Category must apply for the shares only using the separate **BLUE coloured Application Form** printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will only be made available through HELA Group companies. Employees applying under this category shall be required to apply under their respective individual names using only the correctly coloured Application Form and should not apply as joint Applicants.

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee) for the full amount payable on the Application and the company seal/rubber stamp of the respective employer placed thereon should be submitted to Hela Apparel Holdings Limited., No. 35, Balapokuna Road, Colombo 6, for onward transmission to the Registrars to the Issue in accordance with Section 2.3.

Employees shall NOT submit Applications directly to the Registrars to the Issue. No photocopies of the coloured Application Form would be permissible and will not be permitted to send their Application directly via email.

Unit Trust Investor Category

Applications submitted under the Unit Trust Investors Category should accompany a written confirmation by the Trustee confirming that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 6, 2011 (Ref: SEC/LEG/11/06/01).

Applicants applying under the Unit Trust Investor Category must apply for the Shares using the separate **YELLOW coloured Application Form** printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available through the Joint Managers and Financial Advisors to the Issue, CT CLSA Capital (Pvt) Ltd., 4-15, Majestic City, 10 Station Road, Colombo 04 and Capital Alliance Partners Limited, Level 05, Millennium House, 46/58, Nawam Mawatha, Colombo 02.

The completed Application Forms should be submitted to the Joint Managers and Financial Advisors to the Issue who will forward the same to the Registrars to the Issue in accordance with Section 2.3 and will not be permitted to send their Application directly via email.

2.3 SUBMISSION OF APPLICATIONS

2.3.1 SUBMISSION OF APPLICATION VIA POST, COURIER OR DELIVERY BY HAND

The Application Form should be filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee or RTGS transfer only for physical applications. RTGS or CEFT or SLIPS only for Hela Web Portal) for the full amount payable. The Application should be enclosed in a sealed envelope marked **"Hela Apparel Holdings Limited – IPO"** on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the Registrars to the Issue at the following address, **prior to 4.30 p.m. local time** on the offer Closing Date.

S S P Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo 03.

Applications may also be handed over to the Joint Managers and Financial Advisors to the Issue, the Bankers to the Issue and its branches, members and trading members of the CSE as set out in Annexure 12, for onward transmission to the Registrars to the Issue.

In the case of investors applying under the Unit Trust Category the Application Forms should be submitted to the Joint Managers and Financial Advisors to the Issue who will forward the same to the Registrars to the Issue.

In the case of Applications dispatched by courier or post, such Applications should reach the Registrars to the Issue no later than 4.30 p.m. on the market day immediately following the Closure Date. Any Applications received after the above deadline shall be rejected even though the courier or post mark is dated prior to the Closure Date.

In the case of Applications dispatched by hand, such Applications should reach the Registrars to the Issue no later than 4.30 p.m. on the Closure Date. Any Applications received after the above deadline shall be rejected.

2.4 ISSUE OPEN AND CLOSING

The subscription list for the Offered Shares will open at 9.00 a.m. on 12 January 2021 and shall remain open for fourteen (14) market days until closure at 4.30 p.m. on 02 February 2021.

In the event of an over subscription of the Offered Shares prior to the date scheduled as the closing date of the period for subscription, the Company shall inform the CSE in writing immediately of such a fact and the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed with notification to the CSE.

2.5 MINIMUM NUMBER OF SHARES

The Application should be made for a minimum of hundred (100) Shares or in multiples of hundred (100) Shares thereof.

2. PROCEDURE FOR APPLICATION

Applications made for less than hundred (100) Shares or for a number which is not in multiples of hundred (100) shares will be rejected. The cheque or bank draft or bank guarantee or RTGS or CEFT or SLIPS transfer should be issued/carried out to the exact value of the number of shares applied for multiplied by the Share Issue Price. Cheques, bank drafts or bank guarantees or RTGS or CEFT or SLIPS transfers not conforming to the above requirement will be rejected at the outset.

2.6 MODE OF PAYMENT

Payment should be made separately in respect of each Application by way of a cheque or bank draft or bank guarantee drawn upon a licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka for physical applications and by way of RTGS or CEFT or SLIPS transfer directed through any licensed commercial bank operating in Sri Lanka for applications made via the Hela Web Portal. Remittances on Applications will be deposited in a separate bank account in the name of "Hela Apparel Holdings Limited–IPO".

Cash will not be accepted. Anyone wishing to pay cash should obtain a bank draft from any licensed commercial bank in Sri Lanka. Bank guarantees should be valid up to one (01) month from the date of opening of the Offer (i.e. 11 February 2021).

Payment for Applications for values below Rupees One Hundred Million (LKR 100,000,000/-) could be supported by only one cheque or bank draft or bank guarantee and by way of a single RTGS or CEFT or SLIPS transfer for payments made via Hela Web Portal. Any Applications with two or more cheques, bank drafts or bank guarantees or RTGS/CEFT/SLIPS transfers will be rejected at the outset in the event the value of such Application is below Sri Lankan Rupees One Hundred Million (100,000,000/-).

Please note, CEFT/SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL.

Payments for Applications for values above and inclusive of Sri Lankan Rupees One Hundred Million (LKR 100,000,000/-) will be permitted to submit multiple bank drafts (not cheques) drawn upon any licensed commercial bank operating in Sri Lanka or multiple bank guarantees issued by licensed commercial bank in Sri Lanka or single RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, each of which should be for values on the date of opening of the Issue.

Applicants using the Hela Web Portal can apply for any amount subject to the following requirements

1. Minimum subscription per Application is 100 Shares

2. Applications exceeding the minimum subscription should be in multiples of 100 Shares

Please follow the web link given below in order to get your Bank and Branch codes. **https://www.lankaclear.com/downloads/bank-branch-directory/**

2.6.1 CHEQUES OR BANK DRAFTS – RESIDENT SRI LANKAN INVESTORS

Cheques or bank drafts should be drawn on any licensed commercial bank in Sri Lanka and crossed "Account Payee Only" and made payable to "Hela Apparel Holdings Limited–IPO". Cheques or bank drafts accompanying Application Forms made for less than hundred (100) Shares or for a number which is not in multiples of hundred (100) Shares (as mentioned in Section 1.1) will not be sent for clearing and shall be returned via ordinary post at the risk of the Applicant, or in the case of joint Applicants, to the first named Applicant. In the event that cheques are not realized within three (03) market days from the day of presenting the same to the bank for clearing, the cheques will be returned, and no allocation of shares will be made to the investors.

Cheques must be honoured on the first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honoured on the first presentation will be rejected.

2.6.2 BANK GUARANTEES – RESIDENT SRI LANKAN INVESTORS

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 2.5 will be accepted. Bank guarantees will be presented to the respective banks only after the New Shares have been allotted. Bank guarantees should be issued by any licensed commercial bank in Sri Lanka and in favour of "Hela Apparel Holdings Limited – IPO" in a manner acceptable to the Company and payable on demand. Bank guarantees should be valid for a minimum of one (1) month from the date of opening of the Offer (i.e 11 February 2021).

2.6.3 RTGS TRANSFERS – RESIDENT SRI LANKAN INVESTORS

In case of RTGS transfers, such transfers should be made to the credit of **"Hela Apparel Holdings Limited–IPO"** for applications submitted via:

- Physical applications the account number bearing 101001069153 at National Development Bank PLC, Head Office - Corporate (Branch Code 900)
- Hela Web Portal account number 101001069161 at National Development Bank PLC, Head Office - Corporate (Branch Code 900)

with value on the Issue Opening Date (i.e. the funds to be made available to the above account). Applicants are required to indicate their NIC Number or CDS account number as payment reference for RTGS transfers.

2.6.4 CEFT/SLIP TRANSFERS – RESIDENT SRI LANKAN INVESTORS

In case of CEFT/SLIP transfers (only for Application made via Hela Web Portal), such transfers should be made to the credit of "Hela Apparel Holdings Limited–IPO" for applications submitted via;

- Hela Web Portal account number 101001069161 at National Development Bank PLC, Head Office - Corporate (Branch Code 900)

with value on the Issue Opening Date (i.e. the funds to be made available to the above account). Applicants are required to indicate their NIC Number or CDS account number as payment reference for CEFT/SLIPS transfers.

2. PROCEDURE FOR APPLICATION

2.6.5 FOREIGN CURRENCY REMITTANCE

This section is applicable to citizens of Sri Lanka who are above 18 years of age and resident overseas, corporate bodies incorporated or established outside Sri Lanka, global, regional or country funds approved by the SEC and foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age (i.e. Foreign Investors).

The above-mentioned Applicants should make their payments using one of the following methods as the case may be.

A Foreign Investor must invest through an Inward Investment Account (IIA) maintained with any licensed commercial bank in Sri Lanka. The procedure for arranging payments through an IIA is presented below:

A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market.

The intermediary may open an IIA, on the investor's behalf. In conjunction with the IIA, an account with the CDS must be opened.

In respect of global, regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.

Payment for shares should be made through a cheque, bank draft or unconditional bank guarantee or RTGS transfer against the funds in the IIA and made payable to "Hela Apparel Holdings Limited–IPO".

Cheques or bank drafts or bank guarantee or RTGS transfers should be endorsed by the issuing custodian bank, to the effect that, arrangements have been made to facilitate such payment to be made against funds available in the Applicant's IIA account. The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations set out in the Application and be accompanied by the Applicant's IIA statement.

2.7 BANKING OF PAYMENTS

All cheques, bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day after the Closure Date.

2.8 REJECTION OF APPLICATIONS

- Application Forms, which are incomplete in any way and/or are not in accordance with the terms and conditions specified in this Prospectus, will be rejected.

- Applicants, except for the Applicants applying under the Group Employee and Director category, should apply only through Retail Individual Investor or Unit Trust Investor or Non-Retail Investor categories (including joint Applicants) and would be permitted to submit only one Application form. Two or more Applications submitted by the same Applicant, except for the Applicants applying under the Group Employee and Director Category, either under the same category or different category will be construed as multiple Applications and will be rejected.

- If the CDS Account number is not indicated in the Application Form or is not opened at the time of the closure of the subscription list or the CDS number indicated in the application form is found to be inaccurate/ incorrect, the Application will be rejected and no allotments will be made.
- Applications with two or more cheques, bank drafts or bank guarantees will be rejected in the event the value of such Application is below Sri Lankan Rupees One Hundred Million (100,000,000/-).
- Applications made for less than One Hundred (100) shares or for a number which is not in multiples of One Hundred (100) shares will be rejected.
- Application Forms accompanied by cash will not be accepted.
- Applications delivered by hand after 4.30 p.m. on the Closure Date will be rejected.
- Applications received by post after 4.30 p.m. hours on the succeeding working day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.
- Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.
- In the event cheques are dishonoured/ returned on first presentation, the Application will be rejected.

The Board of Directors shall reserve the right to refuse any Applications or to accept any Applications in full or part.

2.9 REFUNDS

Where an Application Form is rejected, the cheque, bank draft or bank guarantee received in respect of the Application will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, application monies will be returned to the first named Applicant.

Where the Application Form is accepted and the cheque or the bank draft or bank guarantee is not honoured at the first presentation, the Application will also be rejected and the cheque, bank draft or bank guarantee will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, the cheque, bank draft or bank guarantee will be returned to the first named Applicant.

Where an Application is accepted only in part, the balance of the monies received on Application will be refunded.

Refunds on shares that have not been allotted or for Applications that have been fully rejected, will be refunded on or before the expiry of eight (8) market days from the Closure Date (excluding the date of Issue closure) as required by the CSE Listing Rules.

Applicants would be entitled to receive Interest at the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus Five Percent (5%) on any refunds not made within this period.

2. PROCEDURE FOR APPLICATION

Refunds via Sri Lanka Inter-bank Payment Systems (SLIPS) or via Real-time Gross Settlement (RTGS)

The refund payments only up to a maximum limit of Rupees Five Million (Rs 5.0 Million) will be made to the bank account specified by the Applicant through the Sri Lanka Inter-bank Payment System (SLIPS) (as per LANKACLEAR Operating instruction circular No. 11/2010 dated 25th Oct 2010) on or before the expiry of eight (8) market days from the Closure Date (excluding the closure date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of his bank account in the Application Form.

If the Applicant has provided accurate and complete details of his bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Sri Lanka Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.

In the event of refunds over Rupees Five Million (LKR 5,000,000/-), if the Applicant has provided accurate and complete details of his bank account in the Application, refunds will be made via RTGS.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the bank will make such refund payment to the Applicant by way of a cheque crossed "Account Payee only" and sent by ordinary post at the risk of the Applicant.

In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the Company together with the Registrars to the Issue will send the refund cheques to such Applicants at the earliest possible date and the Applicant should not hold the Company or the Registrars to the Issue accountable for such delays.

Refunds via a Crossed Cheque

If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the applicant. In the case of a joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.

2.10 DECLARATION TO THE CSE AND SECONDARY MARKET TRADING OF SHARES

The Company will submit to the CSE a Declaration on the market day immediately following the day on which Investors' CDS Accounts are credited with securities. Trading of Shares of the Company on the secondary market will commence on or before the third market day from the receipt of the Declaration of the Company by the CSE.

3. THE COMPANY

3.0 THE COMPANY

3.1 ABOUT THE HELA GROUP

Hela Apparel Holdings Limited (HELA) is the holding company for the HELA Group, founded and headquartered in Sri Lanka. The Group provides sustainable and ethical supply chain solutions to some of the world's leading apparel brands across the Intimate wear, Kids wear, Active wear and Medical wear product categories[9]. With 11 directly-operated factories across Sri Lanka and East Africa, design centers in key markets and a workforce of over 18,000 across the globe, HELA is among the companies leading the apparel industry in ethical and sustainable manufacturing practices. As one of the fastest growing apparel manufactures in Sri Lanka and a pioneer in developing the sector in East Africa, the Company is also a highly valued strategic partner for its customers. HELA added Medical Wear as an additional product category in FY22 via the establishment of Safeguard Workwear EPZ Limited (SGW) in Kenya and is well known for its customer centric and agile approach.

The Hela Vision

VISION
A global leader in providing sustainability focused disruptive solutions for the apparel industry

PURPOSE
To partner with customers for innovative value creation; while aiding them to gain market share and consumer engagement

STRATEGIC PILLARS			
Customer Centric	Cost Leadership	Supply Chain Agility & Integrity	Building Relationships

OUR VALUES					
Quality First	Innovation	Respect All Stakeholders	Continous Improvement	Persistence	System & Process Driven

Product Portfolio

The product portfolio of the HELA Group primarily consists of Intimate Wear, Kidswear, and Activewear. In FY22, the company forecasts Intimate wear to account for 67% of the Group's total revenue, while Activewear and Kidswear will account for approximately 13% and 20%, respectively. These product segments incorporate a number of different sub-categories, including lingerie, sleepwear, and athleisure, and are among the most resilient categories to fluctuations in consumer demand. For example, during the COVID-19 pandemic demand for Intimate wear and Kids wear rebounded more rapidly than other categories, such as formalwear. In addition, demand for Active wear benefits from the ongoing trend towards 'casualisation', which was further accelerated by the pandemic.

[9]Hela's main customers are PVH (the owning company of Calvin Klien & Tommy Hilfiger) and VF Corp, they are among the world's leading apparel brands. Refer the link for global ranking: https://fashionunited.com/i/top100/ (accessed 24th November 2021)

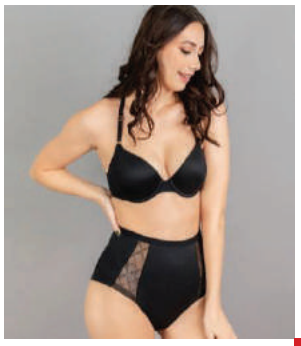
3. THE COMPANY

HELA added Medical Wear as an additional product category in FY22 via the establishment of Safeguard Workwear EPZ Limited (SGW) in Kenya (This company was incorporated as a 50% subsidiary of Hela Apparel Holdings on 18th August 2020 with a nominal share capital. However, it remained dormant prior to the signing of a joint venture agreement with the JV partner on 22 June 2021). This is a joint venture between the HELA Group and East African Combined Pharmaceutical Centre Limited, a subsidiary of IPS Kenya, which is the infrastructure and industrial development arm of the Aga Khan Fund for Economic Development (AKFED). SGW will focus on manufacturing world-class personal protective equipment for medical care professionals, with the intention of expanding into other workwear categories in future and will benefit from collaboration with the Aga Khan University Hospitals affiliated to AKFED.

Hela's Product Portfolio

INTIMATE WEAR

SLEEPWEAR
MEN'S UNDERWEAR
BRAS & PANTIES
LINGERIE



ACTIVE WEAR

PERFORMANCE WEAR
ATHLEISURE

KIDS WEAR

KIDS FASHION
KIDS SLEEPWEAR
SCHOOLWEAR

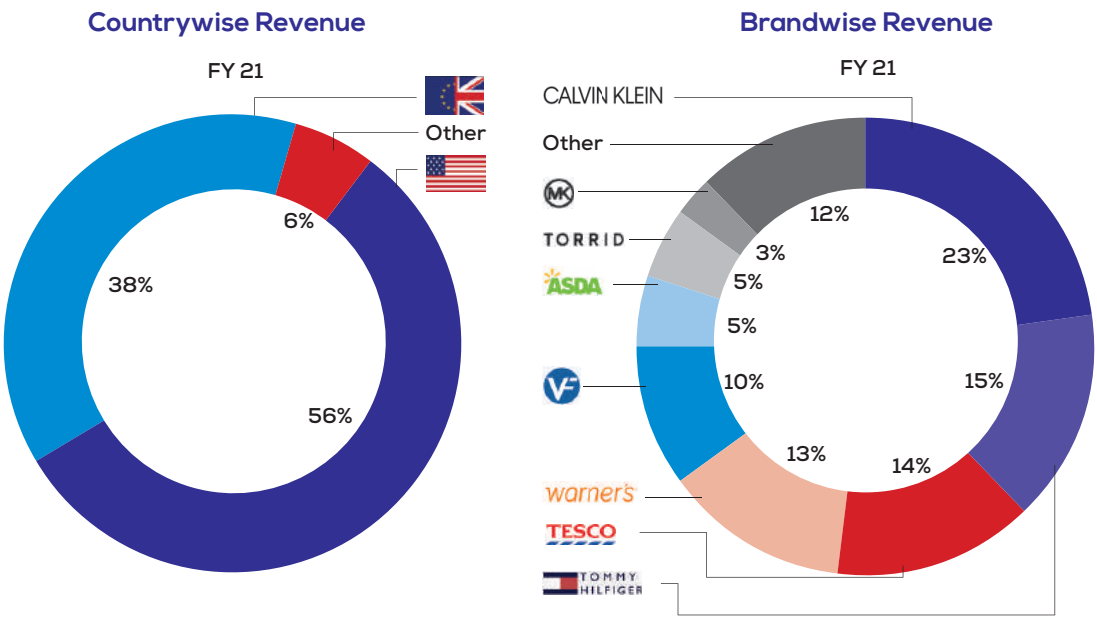
MEDICAL WEAR

PERSONAL
PROTECTIVE EQUIP.
WORKWEAR

Key Customers & Markets

The HELA Group caters to some of the world's leading apparel brands, including luxury & lifestyle brands such as Calvin Klein, Tommy Hilfiger, Michael Kors; and European supermarkets, including Tesco and ASDA. The Group follows a 'narrow but deep' strategy in selecting its key customers and focuses on building robust and profitable relationships, rather than pursuing a larger number of transactional relationships. As such, eight brands accounted for 88% of the Group sales in FY21. The remainder of sales reflect partnerships with emerging luxury and sports brands, such as Karl Lagerfeld and Ellesse, which are growing rapidly.

Geographically, Hela derived 56% of its revenue from US-based customers in FY21, with a further 38% from European customers and the remaining 6% from other regions, primarily Asia. This reflects the footprint of Hela's major customers and is expected to diversify over time as their presence in Asia grows and HELA adds new customers to its portfolio.



Source: Management Information

Global Footprint

The global footprint of the HELA Group spans 8 countries across Asia, Africa, Europe and North America. This enables HELA to provide its customers with a unique combination of solutions, including innovative design services, duty-free manufacturing, and sourcing advice, coordinated from its headquarters in Sri Lanka. Representation in its key customer's markets also mean it is always aware of evolving consumer trends and rapidly changing customer requirements.

Source: Management Information

3. THE COMPANY

HELA has 11 directly-operated manufacturing facilities located across 3 countries: 07 in Sri Lanka, 02 in Ethiopia and 02 in Kenya. This is supplemented by Partnered Capacity in Tanzania and Mozambique, where the Group is in the process of establishing long-term production agreements with third-party manufacturers. In addition, HELA intends to establish a manufacturing presence in Egypt in the coming months (refer Future Strategies Section 3.4).

HELA also operates four design centres in Sri Lanka, the US, UK, and France. These design centres lead the Group's product development work with the support of a team of designers and data scientists tracking consumer trends. They also ensure regular face-to-face interactions with the Group's key customers to maintain robust long-term relationships.

HELA's Production Facilities

Plant	Location	Sq.Ft.	Product Focus
Sri Lanka			
Hela Narammala	Kurunegala District	37,092	Intimates
Hela Uhumeeya	Kurunegala District	33,334	Intimates
Hela Palapathwala	Matale District	80,772	Intimates
Hela Mawathagama	Kurunegala District	76,492	Active
Hela Naula	Matale District	29,340	Kids
Hela Ukuwela	Matale District	26,167	Kids
Hela Thihariya	Gampaha District	72,789	Kids
Ethiopia			
Hela Indochine Apparel	Hawassa Industrial Park, Sidama	59,202	Intimates
Sumbiri Intimate Apparel*	Hawassa Industrial Park, Sidama	118,403	Intimates
Kenya			
Hela Intimates EPZ	Athi River Export Processing Zone, Machakos County	215,000	Intimates
Safeguard Workwear EPZ*	Athi River Export Processing Zone, Machakos County	30,050	Medical Wear

Source: Management Information *Joint Ventures

3.2 KEY VALUE OFFERINGS OF THE HELA GROUP

The key value offerings of the Hela Group are built on four major pillars; (i) A Culture of Speed & Agility; (ii) Strategic Customer Relationships; (iii) Spearheading Africa's Apparel Revolution[10]; (iv) Leadership in Sustainable and Ethical Manufacturing.

BUILT ON A CULTURE OF SPEED & AGILITY	STRONG CUSTOMER RELATIONSHIPS	SPEARHEADING AFRICA'S APPAREL REVOLUTION	A SUSTAINABLE AND ETHICAL APPAREL MANUFACTURER
An end-to-end solution driven apparel manufacturer who is integral in its customers' supply chain	Trusted supplier for leading global brands including Tommy Hilfiger, Calvin Klein, Michael Kors and VF Corp	Strategically located manufacturing facilities in Africa, capitalizing on the benefit each country has to offer	Winner of PVH's Global Human Rights award in 2016 & Ethiopia's Most Inclusive Employer award in 2019
A multi-country origin strategy meeting the varying needs of our customers	One of the largest vendors for PVH sleepwear and underwear and largest manufacturer for Michael Kors in men's underwear	One of the leading apparel manufacturers in Africa – c. 19% export share in Kenya[10]	Winner of most sustainable factory award and the sustainability award from ASDA and Tesco in 2021, respectively
Senior management with proven Africa experience and a core competency built on business turnarounds	Building long-term relationships with customers through strategic initiatives	One of the largest bra manufacturing plants in East Africa with technical capabilities to manufacture complex bras	Supporting the development of sustainable cotton sourcing in Africa, to build an Africa-for-Africa supply chain

[10]In 2020, according to trade data from www.trademap.org (accessed on 24th November 2021), Kenya exported USD 307Mn worth of apparel and for the same period Hela exported apparel worth USD 57Mn. Hence, Hela's share of exports from Kenya is 19% in 2020.

3. THE COMPANY

Built on a Culture of Speed & Agility

HELA 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, providing everything from design to distribution services. By offering an attractive multicounty manufacturing offering, continuously testing new supply chain models to reduce delivery times, and fostering innovative collaborations, HELA is dedicated to ensuring customer gets the best solutions that exceed their requirements. This ensures that the Company's relationships are strategic, rather than transactional.

As an example, HELA played the matchmaking role in the collaboration between a US Luxury Brand and a European Sports Brand, enabling the US luxury brand to enter a new market, and going above and beyond what apparel manufacturer normally offers to ensure its strategic role. This innovative collaboration will allow the US luxury brand to become a permanent participant in the sports segment in Europe and HELA is expected to benefit by receiving exclusive manufacturing rights for this product range once the partnership is formed.

Similarly, HELA's multi-country origin footprint means that it can offer a variety of solutions to meet the varying needs of its customers. For example, one of Hela's customers wanted to shift their underwear manufacturing to Kenya due to the duty benefits. The customer did not have to switch vendors as Hela already had factories in Kenya. Thus, Hela was able to offer both Sri Lanka's domain expertise and Kenya's duty concessions to the customer.

Duty and Lead Times based on Product Destination

		Sri Lanka	Kenya	Ethiopia
	Duty for Apparel Products*	EU – 0% US – 0-32%	EU – 0% US – 0%	EU – 0% US – 0%**
	Estimated Lead Times	EU 23-25 days US 21-25 days	EU 23 days US 28 days	EU 23 days US 25 days

Source: Management Information

* These rates reflect the duty charged on most apparel products exported to the US and EU from these countries, provided they meet the conditions of the relevant preferential trading arrangement (including rules of origin). However, please note that not all apparel products are duty free under these arrangements.

** On 2nd November 2021, the United States Government announced that Ethiopia will be terminated from the African Growth and Opportunity Act (AGOA) trade preference programme as of 1st January 2022, due to the ongoing conflict in Northern Ethiopia[11]. The reinstatement of trade preference will be subject to Ethiopia meeting the relevant statutory criteria and certain benchmarks provided by the Office of the United States Trade Representative (yet to be announced). However, the removal of AGOA trade preferences is not expected to significantly impact Hela's operations as the Company's primary customer for manufacturing in Ethiopia is a global brand and it intends to work with this customer to identify global products that will not be affected by loss of AGOA, as Ethiopia will continue to have duty free access to a large number of other markets (e.g. European Union, UK, Japan, Australia etc)

[11]https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/02/a-message-to-the-congress-on-the-termination-of-the-designation-of-the-federal-democratic-republic-of-ethiopia-ethiopia-the-republic-of-guinea-guinea-and-the-republic-of-mali-mali-as-beneficia/ (23rd November 2021)

As a result of its recent growth, HELA has also built a core competency and proven track record in turning distressed apparel manufacturers profitable across diverse locations. The company houses one of the most experienced and skilled turnaround leadership teams in the apparel industry who have been involved with multiple acquisitions over the past 5 years. While the company's first Kenyan manufacturing facility took 22 months to breakeven, the initial Ethiopian plant took only 13 months and the second plant just 8 months. This has further helped the company to gain trust among leading global fashion brands as a reliable apparel supply chain solution provider.

Strategic Customer Relationships

HELA is a trusted supplier to a number of leading global brands, such as Tommy Hilfiger, Calvin Klein, and Michael Kors, and focuses on building strategic long-term relationships with its customers. Through its customer-centric and customised engagement models, the Company ensures the evolving needs of its customers are always met. The strength of the Company's customer relationship enabled the group to minimize the impact from COVID-19 and bounce back within a period of 2-3 months to have one of the best financial performances of the Group's recent history. Refer Section 3.7 for further details on how HELA overcame the challenging impacts of the Covid-19 global pandemic.

HELA's customer engagement efforts include placing its employees in the head offices of its key clients to ensure it is responsive to their evolving requirements and providing innovative design solutions based on the latest consumer trends. The Company's success in building strong customer relationship is demonstrated by the fact that is amongst the largest vendors for its key customers in its primary product categories, as well as the numerous awards it has received from leading global apparel brands.

Spearheading Africa's Apparel Revolution

As a pioneer in the rehabilitation of apparel manufacturing in East Africa, HELA has a strong presence and early-mover advantage in the region with 4 strategically located manufacturing plants – 2 in Kenya and 2 in Ethiopia. HELA acquired its first manufacturing plant in Kenya in 2016, which was followed by an investment into an existing plant in Ethiopia in 2017. This was further strengthened in 2020 with the signing of an Investment Agreement to acquire 50% of Sumbiri Intimates Apparel PLC[12], one of the largest bra manufacturing plant in Ethiopia, followed by the establishment of a joint venture in Kenya in 2021 focusing on the production of medical personal protective equipment. Hela is now among the largest apparel manufacturers in Kenya, accounting for approximately 19% of apparel exports[13], and in FY22, almost 50% of the Hela Group's revenue is expected to be generated from Africa.

The region is on course to become a future hub for apparel manufacturing, due to the ongoing migration of the industry out of China, Africa's extensive duty-free access to the US, European and other markets, and strong support from local governments for the development of the

[12]HELA currently holds a stake of 24% in Sumbiri Intimates Apparel PLC, the Company is in the process of increasing its stake to 50% through its fully owned subsidiary, Hela Investments Holdings Limited. This is expected to be completed by the end of FY22

[13]This is an estimated figure based on publicly available trade data. In 2020, according to trade data from www.trademap.org (accessed on 24th November 2021), Kenya exported USD 307Mn worth of apparel and for the same period Hela exported apparel worth USD 57Mn. Hence, Hela's share of exports from Kenya is 19% in 2020.

sector. For example, HELA receives generous tax holidays due to its manufacturing facilities being located in Industrial Zones (refer 7.1.2). The Company is in a unique position to capitalize on the shift to Africa as customers seek reliable, established and high-quality suppliers in the African region to enable them to gain the cost and duty benefits of sourcing from the region. The Group is also aiming to further scale up its operations in Africa and is planning to lease a manufacturing plant in Egypt by early 2022 (refer Future Strategies 3.4).

A Sustainable and Ethical Apparel Manufacturer

HELA is a social capital-focused manufacturer that aims to drive inclusivity and sustainability across the apparel sector, which is an increasingly important demand from global consumers. This has been validated by awards such as the Most Inclusive Employer award in Ethiopia in 2019[14] and Most Sustainable Supplier awards for both Tesco[15] and ASDA in 2021[16]. The Company provides over 18,000 stable jobs with opportunities for progression to vulnerable communities, particularly women, across Sri Lanka and Africa and aims to make a lasting impact. HELA provides free transport, highly-nutritious meals and medical care to all its employees and operates a number of CSR initiatives including:

- **HELA Freshi** - To counter the shortage of clean drinking water in Kenya, HELA's Kenyan plant provides each team member with a 20 litre can of drinking water every day. To date the company has provided over 5mn litres to its employees positively affecting thousands of families.

- **HELA Creche** – HELA's Kenyan plant also provides free childcare for both day and night shifts employees with a capacity for over 100 children.

- **HELA Diriliya** – HELA is forming a Diriliya Club in every plant to empower and support team members in improving the lives of their families and uplifting them as heroes of our societies. These clubs will provide support to employees to gain additional skills and leverage the wider Hela network to support the development of additional income sources for their families. The Company is targeting the enrolment of 5% of the company's employees by 2023.

- **P.A.C.E.** – HELA has rolled out the Personal Advancement & Career Enhancement (P.A.C.E) programme, an evidence based comprehensive learning programme for female apparel workers that cover topics such as communication, problem solving and decision making, time and stress management, as well as water, sanitation and hygiene, health, and legal and financial literacy. Hela has rolled out P.A.C.E in all Sri Lankan plants and was the one of the first companies to commence this programme in Ethiopia. The company is targeting the certification of 5,690 employees as P.A.C.E graduates by 2023.

[14] https://www.sundaytimes.lk/200112/business-times/hela-clothing-recognised-as-most-inclusive-employer-of-the-year-in-ethiopia-386674.html (accessed on 01 November 2021)
[15] https://www.dailynews.lk/2021/08/11/business/256285/hela-clothing-receives-international-award-tesco (accessed on 01 November 2021)
[16] https://www.sundaytimes.lk/210606/business-times/hela-clothings-sustainability-recognised-with-most-sustainable-factory-award-by-asdas-george-445910.html (accessed on 01 November 2021)

Sustainability is also an integral part of operations at Hela. Key sustainability practices implemented by the Group include:

- **Harnessing the Power of the Sun** - 41% of the electricity used by the HELA group is already derived from renewable sources and this is set to increase with six of Hela's manufacturing facilities on course to produce solar power by the end 2022.

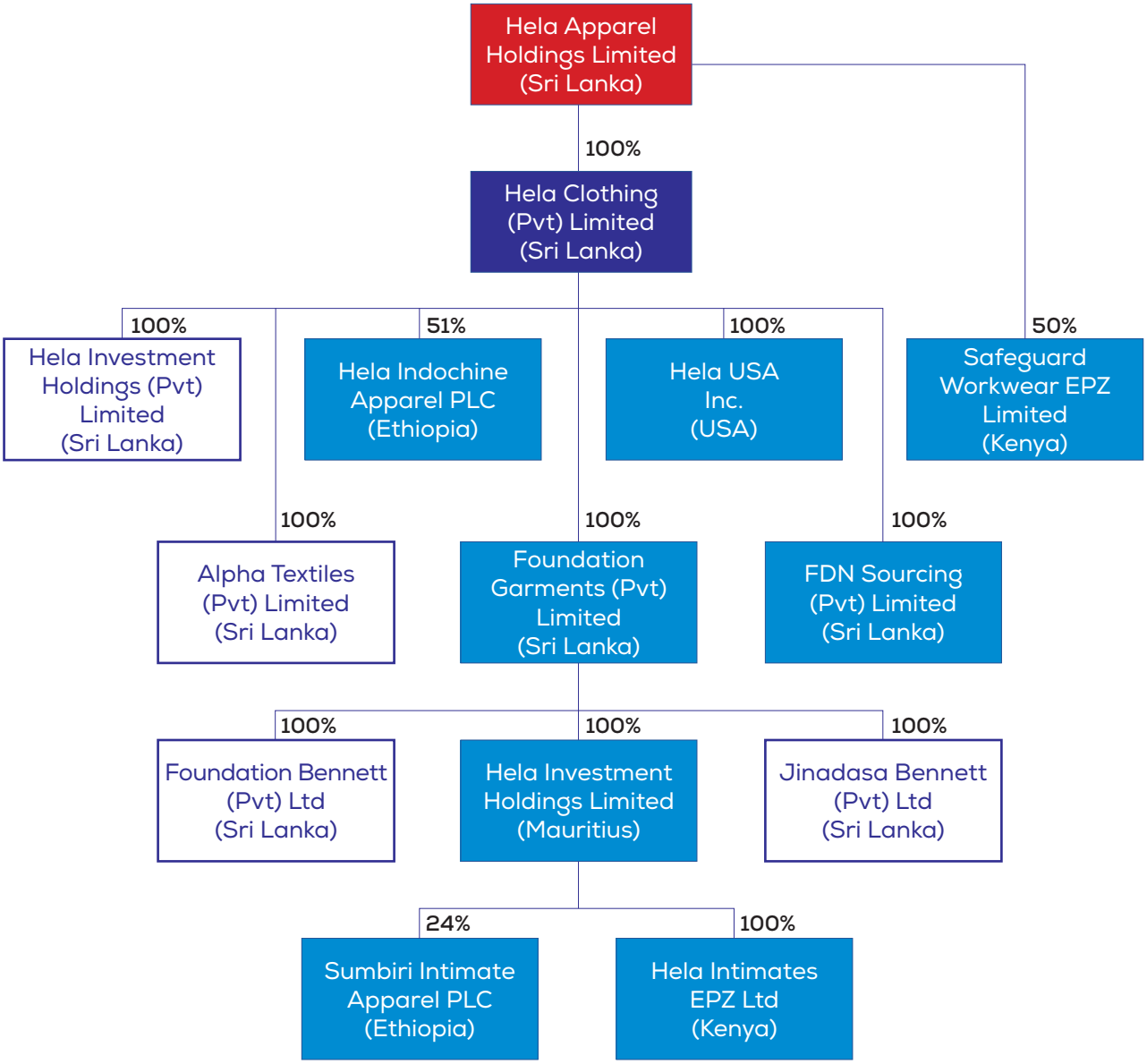
- **Circular Fabrics** - HELA is supporting the development of recycled cotton yarns made from used clothing in partnership with a Sri Lankan textile manufacturer. This has been rolled out with a number of Hela's customers as an additional 'circular' solution. In addition to this, Hela has also supported the development of a polyester fabric range made from recycled PET bottles branded as "RECLAIMED". The Company has demonstrated the viability of this product by manufacturing thousands of employee uniforms from this fabric

- **Sustainable Materials** – To address the environmental impact of producing cotton and petroleum based synthetic fabrics, HELA has partnered with an international fibre manufacturer to provide its customers with fabrics using fibres derived from plant based sustainable sources. These fibres are produced exclusively from sustainable raw materials, such as wood and seaweed, using methods that save both energy and resources, and are entirely biodegradable. Similarly, as an alternative solution to chemical dyes, which produce significant water pollution, HELA has introduced a process that uses natural tea pigments This is a partnership with Sri Lankan researchers and tea producers, and provides a range of colour options from Ceylon tea waste.

3. THE COMPANY

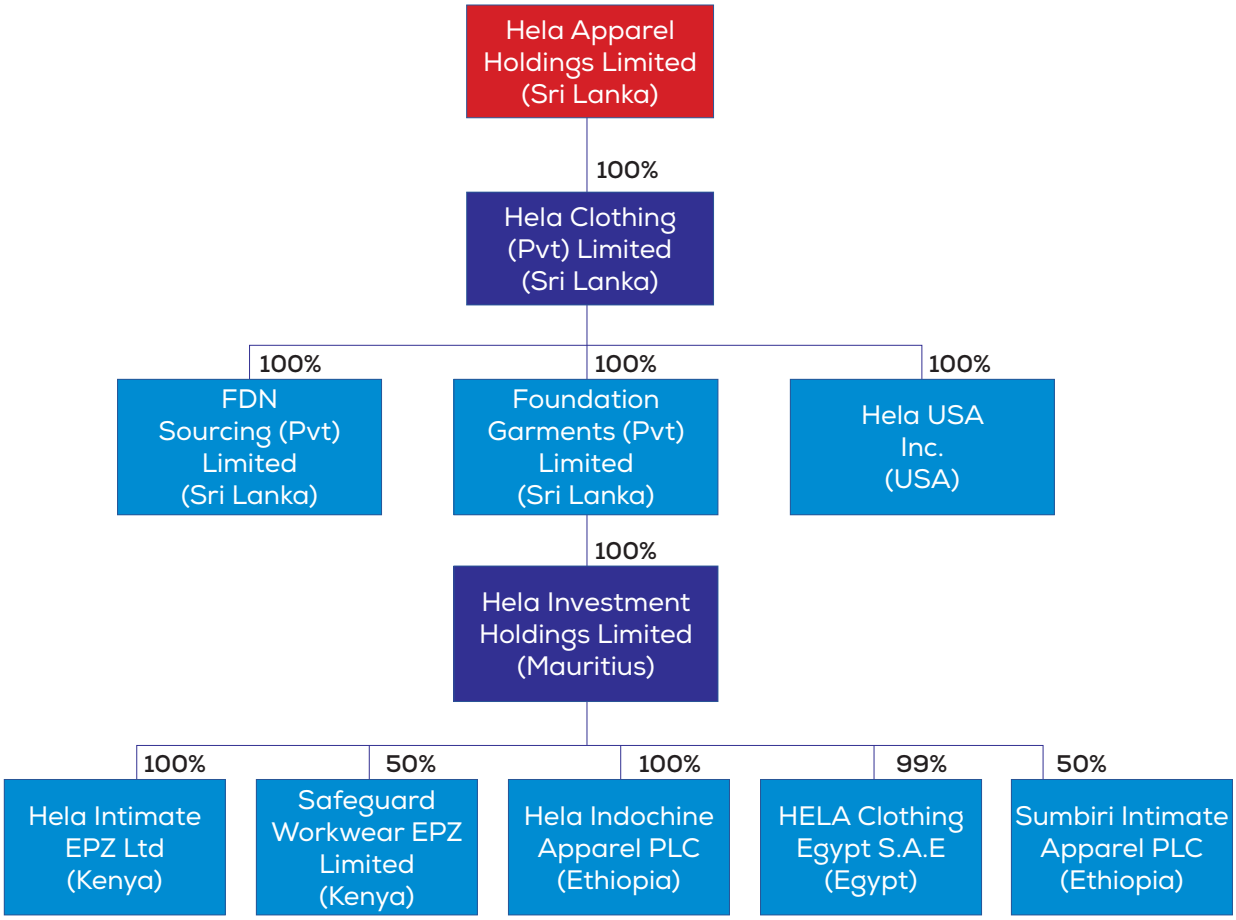
3.3 GROUP STRUCTURE

HELA Group Structure as of 30th September 2021



Note: White boxes are dormant companies that are being amalgamated with other group companies or being dissolved or disposed

HELA Future Group Structure



HELA is currently in the process of carrying out a group restructuring exercise. This is being carried out to achieve the following primary objectives:

1. Streamlining the group structure by amalgamating or striking off group companies that are dormant or do not serve a standalone function; and,

2. Bringing all African entities under an intermediary holding company in Mauritius (Hela Investments Holdings Ltd) in order to facilitate expansions in Africa through foreign currency borrowing.

3. The restructuring process is expected to be finalised by end of 2022

In addition, HELA is currently in the process of increasing its stake to 50% in Sumbiri Intimate Apparel PLC through its fully owned subsidiary, Hela Investments Holdings Limited. This is expected to be completed by the end of FY22.

3.4 FUTURE STRATEGIES

In light of the expected growth in demand for HELA's products, the Company intends to pursue several strategies as indicated below.

3. THE COMPANY

3.4.1 EXPANSION OF MANUFACTURING FOOTPRINT INTO EGYPT

HELA is planning to further expand its presence in the African region by establishing a new manufacturing facility in Egypt by early 2022. This is expected to be achieved through the lease of an existing facility and will enable the Company to offer an additional value proposition to its customers. In particular, Egypt provides a nearshoring opportunity with shipping times of as little as 3 days to Europe and 12 days to the US. This helps to address apparel brands increasing demands for speed in their manufacturing supply chains. In addition, Egypt benefits from indefinite duty-free access to the US, EU and UK markets, and has a well-developed textile supply chain.

3.4.2 DIVERSIFICATION IN PRODUCTS CATEGORIES, CUSTOMERS & DESTINATION MARKETS

HELA is pursuing the long-term diversification of its product categories, customers and destination markets as a means of expanding revenue and reducing vulnerability to country or customer-specific shocks. The establishment of Active wear and Medical wear as separate operational clusters are recent examples of this strategy and will help to drive both top and bottom line growth over the coming years. Similarly, through the signing of an Investment Agreement to acquire 50% of Sumbiri Intimate Apparel PLC in 2020[17] the Company has acquired additional technical capacity in bra manufacturing. The Company will continue to approach revenue diversification in a holistic manner to ensure sustainable revenue growth and may pursue further investments and acquisitions as part of this strategy.

3.4.3 BROADENING OF SERVICE OFFERING

HELA has evolved beyond a traditional 'cut & sew' apparel manufacturer to offer to a full range of value-added services to its customers, from design to logistics. The Company intends to continue pursuing this strategy with the addition of new supply chain models and service offerings, such as coordinating brands collaborations or acting as an intermediary with retail outlets. This will help to cement HELA's strategic importance to its customers and drive future growth in profitability by allowing the Company to capture a greater portion of the apparel value chain.

3.4.4 APPAREL SUPPLY CHAIN DEVELOPMENT IN AFRICA

HELA has supported the rehabilitation of apparel manufacturing in East Africa over the past decade, but the region's textile supply chain capabilities remain limited. As a result, the majority of the Company's raw materials must be imported from other regions, increasing lead times and costs. To address this, the Company intends to actively seek avenues to stimulate the development of the textile supply chain in the region. This may include supporting existing operators in the region that are currently focused on the local market to increase their capabilities to export standards or direct investments in supply chain facilities by HELA.

3.3.5 DIGITALISATION AND AUTOMATION OF KEY PROCESSES

Building on the creation of the Group's Digital Core and the investments in automation to be funded by the IPO proceeds, HELA plans to further expand its digitalisation efforts over the coming years. These will be focused on greater integration of the Company's systems with those of its customers and suppliers, as well as further investments in the automation of non-value adding processes in its manufacturing facilities. This will enable the offering of more innovative solutions and increase manufacturing efficiency.

[17]HELA currently holds a stake of 24% in Sumbiri Intimates Apparel PLC, the Company is in the process of increasing its stake to 50% through its fully owned subsidiary, Hela Investments Holdings Limited. This is expected to be completed by the end of FY22.

3.4.6 STRENGTHENING OF SUSTAINABILITY CREDENTIALS

HELA views the sustainability of both its operations and products as an essential part of its future strategies and contribution to the planet. As such, the company intends to pursue further initiatives to reduce the carbon footprint of it operations and offer more sustainable product solutions to its customers. As part of these efforts, HELA is currently working toward becoming a Certified B Corporation, which is a certification provided by a global non-profit organisation for meeting the highest standards of verified social and environmental performance, public transparency and legal accountability.

3.5 ASSUMPTIONS ASSOCIATED WITH FUTURE STRATEGIES

The following assumptions were made when developing the future strategies of the HELA group.

A. Growth and recovery of the apparel sector

Demand for apparel was significantly impacted by the COVID-19 pandemic as consumers reduced discretionary spending and lockdowns reduced access to traditional retail channels. However, following the initial demand shock, consumer spending on apparel products has rebounded in key global markets, most notably the US. While the recovery in demand is uneven across different countries and regions due to sporadic surges in infections, it is expected to broaden and strengthen into 2022 as the rollout of vaccinations globally accelerates. Going forward, global spending on clothing and footwear is expected to continue growing over the coming years driven by the resumption of growth in population, disposable income and urbanization across developing economies, as well as robust demand in advanced economies.

B. Demand for more sustainable apparel solutions

Consumers are increasingly seeking to purchase more sustainable and eco-friendly apparel items that incorporate sustainably-sourced materials. For example, 60% of consumers[18] in a recent McKinsey survey said that a brands' promotion of sustainability was an important factor in their purchasing decisions. This reflects greater awareness among consumers regarding issues like climate change, biodiversity loss, and pollution, and is likely to increase in the coming years as these issues become more pressing.

C. Shift in apparel sourcing away from China

China remains the world's top exporter of apparel products[19], but rising labour costs and concerns about the use of forced labour have encouraged apparel brands to increasingly consider alternative sourcing locations. Indeed, China's apparel exports have been declining since 2013[20]. This is expected to continue over the coming years as apparel manufacturers across Asia and Africa, leverage their advantages over China to win additional business.

D. Trend towards deeper partnerships between brands and manufactures

Apparel brands are increasingly moving away from transactional relationships in favour of deeper partnerships that bring greater agility and accountability. As a result, strategic suppliers with longer-term relationships are expected to take on more responsibilities, including co-design and quality control.

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[18]https://www.mckinsey.com/industries/retail/our-insights/survey-consumer-sentiment-on-sustainability-in-fashion (24th November 2021)

[19] trademap.org, (accessed on 24th November 2021)

[20]https://comtrade.un.org/data/, (accessed on 24th November 2021)

3. THE COMPANY

3.6 RISKS ASSOCIATED WITH THE FUTURE STRATEGIES

Prior to investing in the IPO, prospective investors should pay particular attention to the fact that the HELA Group, its business activities and future plans are subject to a number of risk factors which may be within or outside the control of the Management. The risk factors that follow may be considered material to investors in making an informed judgment on Company. If any of the considerations and uncertainties given below develop into actual events, the Company's business, financial conditions or results of operations and prospects could be negatively affected. Such an adverse effect could invariably lead to an unfavourable impact on the value of the Shares.

3.6.1 RISKS RELATING TO BUSINESS OPERATIONS AND FUTURE PLANS

COVID 19 PANDEMIC RELATED RISKS

The COVID-19 pandemic has resulted in a major economic downturn in most countries including the US, UK and Europe. This has negatively impacted both the supply and demand sides of apparel manufacturers globally. Further disruptions to economic activities in HELA's key markets, for example due to the emergence of new variants of the virus, could have an impact on the company's revenue growth.

Similarly, operational disruptions due to a resurgence of infections in HELA's manufacturing locations would have the potential to impact both revenue and profitability. However, as has been demonstrated throughout the pandemic, demand from HELA's customers has been resilient to fluctuations in consumer demand. In addition, HELA has rolled out vaccinations to their employees to minimize the possibility of further disruptions to its manufacturing operations.

POLITICAL AND ECONOMIC RISKS

Political and economic stability in the countries that HELA operates in is an important factor in the performance of the business. For example, political unrest or economic restrictions, such as changes to rules around foreign exchange transactions, may hamper the performance of the business and create additional costs. These risks are not uncommon in major apparel sourcing destinations and the Company works closely with its customers and local partners to regularly monitor such developments, and maintains contingency plans to mitigate the impact on its operations. It is also widening its global footprint to reduce the impact of political or economic instability in any one of its operating countries.

Concerns around the macroeconomic stability of Sri Lanka, in particular, have increased in recent years and the country's sovereign credit rating has been downgraded a number of times by international credit ratings agencies. While the majority of HELA's borrowing are denominated in US dollars, in the event these concerns continue to escalate, the interest rates the company faces may increase as they are linked to Sri Lanka's sovereign risk profile. Sri Lanka also faces the risk of losing its GSP+ benefits, which provides duty free access for apparel exports to the EU, due to human rights concerns. In FY21 approximately 15% of the Company's revenue was derived from products manufactured in Sri Lanka and exported to the EU. That said, the Sri Lankan apparel sector's success is built on more than cost competitiveness, including factors such as its technical expertise and ethical working practices, and the country did not experience a significant drop in apparel exports during earlier periods when the GSP+ benefit was revoked.

Similarly, products manufactured in Ethiopia accounted for 7.9% of the Group's revenue in FY21, and the recent conflict in Northern Ethiopia has raised concerns that it may also lose its duty benefits to key markets. For example, on 2nd November 2021 the United States government announced that it intends to terminate Ethiopia's trade preferences provided under AGOA with effect from 1 January 2022 as a result of the conflict. These benefits would be reinstated when Ethiopia meets the statutory eligibility requirements under AGOA and the company does not expect a major impact on revenue as Ethiopia remains duty free to a large number of markets including the European Union, UK, Canada, Australia, and China. In addition, while the conflict is currently largely confined to a region located approximately 1,000km away from the Company's manufacturing facilities and its operations have therefore been unaffected, disruptions could occur in the event the situation escalates. To mitigate this risk, the Company has developed extensive contingency plans, including alternative routes for import and export shipments; backup manufacturing capacity located outside Ethiopia, and is closely monitoring the situation to ensure the safety its employees.

SUPPLY CHAIN SECURITY AND AGILITY

Volatilities in the supply chains of almost all industries coupled with elevated freight costs have been key features of the global economy since the start of the pandemic and look set to continue for some time. In addition, there has been a tightening of supply in the global textile market as some customers have ruled out the use of Chinese cotton due to concerns around forced labour. Any disruption to HELA's supply chain negatively impacts operational performance and reduces profitability. The Company is actively pursuing a strategy to diversify its raw material sourcing base in order to mitigate this risk. In addition, Hela is planning to use a portion of the IPO proceeds to invest in a fabric mill in Sri Lanka, which would help it gain greater control over its supply chain.

RISK OF LOSS OF KEY RELATIONSHIPS

HELA maintains relationships with key brands that have been its customers for many years. Having well established relationships of this nature, can be beneficial for HELA in securing manufacturing contracts. However, such customer concentration can also be detrimental in the event of their poor performance or they opt to transfer business to alternative manufacturers for a reason outside of the Company's control.

To mitigate these risks, HELA has implemented internal controls such as obtaining credit reports on all customers during the customer onboarding stage and regularly monitors the financial performance of its key customers. It is also actively pursuing a strategy of customer diversification through engagement with emerging brands. In addition, the Company is constantly seeking to strengthen its customer relationships through long-term strategic engagements. By continuously testing new supply chain models to meet customer requirements and reduce delivery times, Hela is dedicated to ensuring customer gets the best solutions that exceed their requirements.

ORGANIZATIONAL RISKS

As in any company, there is a risk of losing key employees and management personnel that are integral parts of HELA's business and upcoming projects. To address this, the company has taken a number of steps to incentivise senior employee retention, including the introduction of an Employee Share Option Plan and regular training opportunities. Furthermore, the Company currently lacks a fully integrated ERP and digital management system to ensure the management has detailed visibility over all aspects of operations. This is an issue that HELA is

aiming to address through the creation its new Digital Core, which will be partly funded by the IPO proceeds.

EXCHANGE RATE RISK

The depreciation of the Sri Lankan Rupee, Kenyan Shilling or Ethiopian Birr would have a direct impact on the Company's profit margins due to an increase in operating costs. However, it should be noted that the revenue of the Company is denominated in US Dollars and acts as a natural hedge against this exchange rate risk.

INTEREST RATE RISK

HELA faces interest rates risk as it partially funds its working capital requirements and capacity expansions using USD denominated debt. HELA constantly monitors interest rates and adjusts the borrowing levels of each debt category depending on the direction of interest rates. The Company manages its working capital using Letters of Credit and uses short term loans to pay its suppliers for imported raw materials. As such, in an increasing interest rate environment, HELA may incur higher finance costs. HELA's Debt-to-Equity ratio as at 30 September 2021 was 4.55x, with short-term loans representing approx. 80% of total debt.

CAPITAL MARKET RELATED RISKS

NON-EXISTENCE OF PRIOR MARKET SHARES

There has being no public market for the Share Offering prior to the IPO and for this reason there can be no guarantee that an active market will be developed for the stock, or if developed, that it will be sustained and that the market price will not decline below the offer price.

PRICE VOLATILITY

The market price of the Company's shares may fluctuate in the secondary market due to a number of reasons. For this reason, the issue price of the company is not an indication of the market price of the company stock. The aforementioned fluctuation reason may be due to, but not limited to below mentioned factors.

- Risk of change in the scope or nature of operations
- Industry-wide changes
- Changes in tax laws
- Macroeconomic factors and external events
- Market sentiment and secondary market volatility
- Trading volumes

INVESTMENT RISK

Equity instruments may not be suitable for all investors and potential investors should possess the relevant knowledge and analytical skills for evaluation of an investment in the Company's shares. The risks and rewards should be weighted and investment decisions should be concluded. Furthermore, investor should have sufficient financial resources and liquidity to bear all of the risks of the investment, including where the settlement currency is different from the currency in which such investor's principal financial activities are denominated, especially in the instances where foreign investors are concerned.

3.7 IMPACT OF COVID-19 ON THE COMPANY AND ITS BUSINESS OPERATIONS

The COVID-19 pandemic disrupted supply chains and impacted businesses in an unprecedented manner. Apparel was not immune to these seismic changes, especially as repeated lockdowns moved consumers away from the high street and onto online platforms. Despite this, and thanks to HELA's strategic partnerships and diverse customer portfolio, the Company has managed to remain resilient in the face of uncertainty – even achieving many milestones during this period.

While all of the Group's factories in Sri Lanka were closed for approximately three weeks during the initial lockdowns in early 2020, subsequent lockdowns have largely allowed export-oriented companies to continue functioning with strict health and safety protocols in place. This has allowed HELA to ramp up capacity as needed to meet deadlines and take new orders at a time when other markets were starting to open up and pent-up demand saw a surge in retail sales. In addition, extensive discussions with the leadership of its customers helped HELA to better align itself with their rebound strategy. This also further cemented HELA as a strategic vendor and partly reflects the Company's focus on product categories that are generally resilient to economic downturns (i.e. intimates, kidswear, activewear), and specific channels that either saw an increase in demand during the pandemic or were likely to bounce back faster (i.e. supermarkets, e-commerce). The Company's multi-country footprint has also allowed it to spread production to locations that were less affected by the pandemic at any one time.

These factors along with the strong rebound in demand in 2H FY21 allowed Hela to improve profitability in FY21, compared to the previous year. Demand is expected to remain robust as the Company's major markets in Europe and North America return to normality thanks to extensive vaccine rollouts. The primary challenge for the Company remains disruption to manufacturing operations, across its global footprint, due to resurgent waves of the virus. But thanks to the prioritisation of apparel workers in the vaccine rollout in Sri Lanka and the accessibility of the vaccine in other operating countries, Hela has been able to vaccinate a majority of its global workforce. Once the vaccination process is completed disruptions to manufacturing operations are expected to be minimized going forward. The Company has also actively worked to diversify its global supply base, particularly in Africa, to reduce supply chain disruptions and mitigate risk going forward.

3.8 DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS

Degree of dependence on Key Customers

The Group's top 5 customers (in terms of USD sales value) contributed to 75% of sales in FY21, while its top 10 customers contributed to 93% of FY21 USD sales. The Company's growth will partially depend on its ability to successfully manage its relationships with these key customers. However, the Company has maintained strategic long-term partnerships with these brands and, therefore, it is unlikely for the Company to experience significant losses in revenue.

In addition, HELA's customer portfolio has been strategically chosen to ensure resilience to changes in economic conditions. Premium lifestyle brands (such as Calvin Klein, Tommy Hilfiger and Michael Kors) with multiple distributions channels (including ecommerce) and mass-market supermarket chains (such as Tesco and ASDA) are considered among the best performing apparel retailers in economic downturns. HELA has also implemented internal controls such as

obtaining credit reports on all customers during the customer onboarding stage and regularly monitors the financial performance of its key customers to ensure proactive management of any risks related to their financial health.

Furthermore, the HELA group is actively working to diversify its customer base and is building a pipeline of relationships with emerging brands to help drive future growth in revenue. This is being achieved by offering strategic supply chain models, increasing its production capacity and offering an attractive selection of manufacturing locations, which allows the Company to accommodate a wide range of customer requirements.

Degree of dependency on Suppliers

In order to meet the stringent quality parameters of its customers, the HELA Group relies on established suppliers of raw materials, such as fabrics, to produce apparel products. The Company maintains good relationships with all suppliers and in a large number of cases the selection of suppliers is at the discretion of the final customer. If the nominated supplier of a customer is not able to provide the necessary raw materials, Hela will suggest an alternative supplier. Upon customer consent (which would not be unreasonably withheld), Hela will proceed with ordering the raw materials for production. As such there unlikely to be a situation where customer will reject the sales orders. Nonetheless, HELA is also actively working to diversify its supplier base to ensure a robust supply chain and offer its customers alternative suppliers as an additional service offering.

4. HUMAN RESOURCE

4.0 HUMAN RESOURCE

4.1 EMPLOYEES

As of 30 September 2021, the HELA Group had 18,689 employees out of which 9,639 are employed in Sri Lanka, 4,448 in Ethiopia, and 4,602 in Kenya. 95% of the Group employees are at Non-Executive level and 74% are female.

Further, there are no labour unions within any of the entities or production facilities within the HELA Group.

4.2 GROUP CHIEF EXECUTIVE OFFICER

Group Chief
Executive Officer
Dilanka Jinadasa

Business Experience

Having graduated from University, Dilanka started his career at Zurich Insurance & Financial Services in the "Global Corporates" division based in Toronto, Canada.

At Hela, he was part of the leadership team that drove strategic customer relationships with some of the world's largest brand houses as well as driving operational performance across the group, propelling it to a USD 200 Mn business.

During his four-year tenure at Panasian Power PLC, Dilanka played a pivotal role in diversifying the energy mix and growing the renewable energy portfolio by over 300% towards 30MW.

The Group Chief Executive Officer has not been involved in:

- Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

4. HUMAN RESOURCE

4.3 SENIOR MANAGEMENT

Kidswear -
Chief Executive Officer
Sanath Amaratunga

Sanath is the CEO of Hela's Kidswear business and has over 23 years of apparel industry experience. He is the former Managing Director of Leading Lady Intimates (Licensee for Jones New York Intimates) where he was instrumental in setting up one of Sri Lanka's second seamless manufacturing operations. He also served as the Chief Operating Officer at Timex-Wacoal Lingerie, where he set up a bra cup manufacturing facility and digital fabric printing plant. Sanath has been a pioneer in introducing cutting edge technologies to meet the dynamic challenges within the industry, and brings with him global apparel operations experience, having worked in Hong Kong for Must Garments, overseeing their operations in Bahrain and Bangladesh. His drive for continuous improvement together with his proven track record in operational leadership have made Hela's Kidswear factories some of the most cost efficient in Sri Lanka.

Activewear -
Chief Executive Officer
Viraj Fernando

Viraj is the CEO of Hela's Activewear business and has over 20 years' experience in the industry. Throughout his career he has shown exceptional skill in understanding and meeting customer needs as well as constantly pursuing operational improvements and excellence. Viraj possesses a Bachelor of Finance and MBA in Marketing from the University of Colombo, as well as an Associate Diploma in Applied Computing from the Canberra Institute of Technology, Australia. He has also obtained a Management Certificate from the National University of Singapore and has received leadership training at the Creative Centre of Leadership in the US

Intimates -
Chief Executive Officer
Shameen Peiris

Shameen is the CEO of Hela's Intimatewear business and has over 20 years of experience in the industry, previously holding the positions of Chief Operating Officer for Hela Kidswear and Hela Africa. Shameen has given leadership to finance, commercial and planning functions during his tenure in the industry. He was instrumental in centralizing the Commercial Division of the Hela Group and setting up the Operational Finance Unit as COO. Prior to joining Hela, Shameen was the head of planning at MAS Intimates, where he was responsible for driving business strategy.

He possesses a well-rounded background which is underpinned by an MBA in Finance from the University of Colombo, and a Bachelor of Science (Special) Accountancy Degree from the University of Sri Jayawardenapura. He is an Associate Member of the Chartered Institute of Management Accountants UK (CIMA), the Institute of Chartered Ship Brokers UK (ICS) and is also a Certified Solution Consultant for SAP FI Accounting from SAP AG Knowledge Productization Services of Germany. Educational proficiencies aside, Shameen has had the opportunity to attend the Leadership Edge Program conducted by Wharton Business School, University of Pennsylvania USA, and both the Leadership Development Program and the Mergers and Acquisition program conducted by the National University of Singapore.

4. HUMAN RESOURCE

Group Chief Information and Process Officer
Ruwanthi Fernando

Ruwanthi is Hela's Group Chief Information and Process Officer and is leading the Company's digital transformation projects, including implementation of the SAP Digital Core and HR Digitalization. Having previously overlooked the delivery and value creation activity for all the digital transformational projects at N-able and held the role of CIO at EFL Global (a leading logistics company with over 20 locations globally), she has a vast experience in digital transformations. She has been in the tech space for over 25 years and amassed a gamut of experiences from delivering digital technology road maps, integrating supply chains, transportation systems and digital ecosystems in many companies. She was the Chief Information Officer of Associated Motorways (Private) Limited and held the position of Services Director, South East Asia New Markets at Microsoft.

Ruwanthi's stellar experience is built on a solid foundation of an MBA from the University of Western Australia, a post graduate diploma in computer science from the University of the South Pacific, and a BSc in Computer Science and Information Technology from the University of the South Pacific.

Group Chief Financial Officer
Moiz H. Rehmanjee

Moiz is Hela's Group Chief Financial Officer and has held a number of leadership roles in Sri Lanka as well as overseas in Forbes listed companies. He has a strong understanding of the strategic role finance plays in business and has over 20 years of experience in diverse industries and multinationals corporations in positions that cut across multiple functions and cross-border teams. His prior roles in leadership positions include, Finance Director, Reckitt Benckiser Philippines/Lanka; Chief Operating Officer, Teejay Lanka PLC; Financial Controller, Hemas Group; and Manager, KPMG.

Moiz is a member of Association of Chartered Certified Accountants (FCCA) UK, Institute of Chartered Accountants of Sri Lanka (ACA) and Chartered Institute Management Accountants (ACMA) – UK

Group Chief People Officer
Nadeesha Wijesingha

Nadeesha is Hela's Group Chief People Officer and has over 23 years of experience that cuts across multiple functions and roles commencing from Marketing; Sales and Human Resources; as well as holding global, regional, and local roles. She began her career with Unilever Sri Lanka in 1998 as a Management Trainee in Marketing and held many leadership positions over her diverse career such as Marketing Manager; Head of Customer Marketing; South Asia Capability building Manager for Supply Chain; Global Capability building manager for Procurement; Global HR Business Partner for Procurement; and lastly, just prior to joining Hela, Senior Leadership Development Manager and HR Business Partner for Marketing Sri Lanka. Since her transition to HR in 2012, Nadeesha has worked on leadership and cultural transformation initiatives including building high performing teams, improving cross functional team collaboration, tackling unconscious bias, and building equity, diversity, and inclusion in the workplace. She was a global champion of mental health in the workplace, a certified Mindfulness trainer and a certified leadership development coach for Unilever.

Nadeesha's stellar experience is founded and strengthened with a combination of qualifications and licenses. These include a BSc (Built Environment aka Architecture) from the University of Moratuwa where she gained a First-Class Honours, topping her batch, and an MBA from the University of Colombo. She also has an MA in Dev. Economics as a recipient of the USA Fulbright Scholarship. In addition, she is certified life coach and certified in behavioural profiling for DISC, Hogan, TetraMap.

4.4 MANAGEMENT AGREEMENTS

There are no management agreements presently in force or currently being considered by the Company.

5. CAPITAL STRUCTURE

5.0 CAPITAL STRUCTURE

5.1 STATED CAPITAL

The Stated Capital of the Company as at date of the prospectus 28 December 2021 is LKR 1,723,901,922.64 which constitute of monies received by the Company from the issue of A1 preference shares, A2 preference shares, A3 preference shares, A4 preference shares, B ordinary shares and C ordinary shares (On 2nd September 2021, through a reorganisation of the share capital, the Company converted all 6 classes of shares to Ordinary Voting Shares, please refer 5.1.2 for more details on the share capital reorganisation). The total number of issued ordinary voting shares of the Company is 1,036,008,946.

In the event of liquidation of the Company, the shareholders shall have the right to an equal share in any surplus assets of the Company available for distribution after paying all the creditors of the Company and all other claims and debts in accordance with the provisions contained in the Companies Act on liquidation.

5.1.1 LATEST SHAREHOLDER LIST

HELA shareholder list as at the date of this Prospectus:

Name of the Shareholder	No. of Shares	% of Ownership
Lesing Hela Ltd[21]	614,256,956	59.29
Tars Investments Lanka (Pvt) Ltd	235,498,562	22.73
Panadura Liyanage Dilanka Jinadasa	133,656,266	12.90
Dominic McVey	30,598,973	2.95
Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	4,855,743	0.47
Ranjith Sanath Perera Amarathunga	4,807,961	0.46
Albert Rasakantha Rasiah	4,273,743	0.41
Warshapperuma Arachchige Rajitha Gunawardhana	1,442,388	0.14
Pintherumahawaduge Shaminda Viraj Fernando	1,442,388	0.14
Yahan Chanidu Samarajeewa	1,068,435	0.10
Nissanga Warnapura	1,068,435	0.10
Wadu Thanthrige Sajeeka Gayani De Silva	1,068,435	0.10
Ajith Rohana Kumara Delay	694,483	0.07
Polwatte Gallage Nipuna Naroththama Dias	477,824	0.05
Rehan Ranjaka Joshua Perera	320,530	0.03
Harsha Guneratne	238,912	0.02
Weerakoon Mudiyanselage Ananda Weerakoon	238,912	0.02
Total	**1,036,008,946**	**100**

[21] Lesing Hela Ltd is a 100% subsidiary of Lesing Fourteen Limited.

5.1.2 THE REORGANISATION OF THE SHARE CAPITAL OF THE COMPANY

The shareholding structure of the Company referred to in Section 5.1.1 above is a result of a reorganization of the share capital carried out by the Company in preparation of the listing of its shares on the Colombo Stock Exchange, as more fully described hereunder (the "Capital Reorganization"). Prior to the Capital Reorganization, the Company had six different classes of shares in issue, namely, A1 Preference Shares, A2 Preference Shares, A3 Preference Shares, A4 Preference Shares, B Ordinary Shares and C Ordinary Shares. The details of such classes of shares are as follows:

A1 Preference Shares

The Company had 3,200,000 A1 Preference Shares in issue prior to the Capital Reorganization, each issued at a subscription price of the Sri Lankan Rupee equivalent of USD 1. The holders of these shares were as follows:

Name of the Shareholder	Number of A1 Preference Shares
Lesing Hela Ltd	1,600,000
Tars Investments Lanka (Private) Limited	1,600,000

A2 Preference Shares

The Company had 2,500,000 A2 Preference Shares in issue prior to the Capital Reorganization, each issued at a subscription price of the Sri Lankan Rupee equivalent of USD 1. These shares were held in the entirety by Lesing Hela Ltd.

A3 Preference Shares

The Company had 700,000 A3 Preference Shares in issue prior to the Capital Reorganization, each issued at a subscription price of the Sri Lankan Rupee equivalent of USD 1. These shares were held in the entirety by Panadura Liyanage Dilanka Jinadasa. These 700,000 A3 Preference Shares included the 1,000 ordinary shares held by Panadura Liyanage Dilanka Jinadasa which were converted to A3 Preference Shares in 2018.

A4 Preference Shares

The Company had 3,600,000 A4 Preference Shares in issue prior to the Capital Reorganization, each issued at a subscription price of the Sri Lankan Rupee equivalent of USD 1. The holders of these shares were as follows:

Name of the Shareholder	Number of A4 Preference Shares
Lesing Hela Ltd	2,306,250
Tars Investments Lanka (Private) Limited	900,000
Panadura Liyanage Dilanka Jinadasa	393,750

5. CAPITAL STRUCTURE

B Ordinary Shares

B Ordinary Shares was a class of shares created at the time the Company became the apex holding company of the Hela Clothing group by acquiring the entirety of the shares of Hela Clothing (Private) Limited on 19th November 2018, as part of a commercial arrangement between the Company and the shareholders from whom the Company purchased shares of Hela Clothing (Private) Limited. In addition to a cash payment, B Ordinary Shares were allocated as a part of the consideration for the share transfer, to certain transferors who agreed to receive a part of such consideration in the form of B Ordinary Shares. Pursuant thereto, the Company had 433 B Ordinary Shares in issue prior to the Capital Reorganization. The holders of such shares were as follows:

Name of the Shareholder	Number of B Ordinary Shares
Lesing Hela Ltd	167
Panadura Liyanage Dilanka Jinadasa	245
Harsha Guneratne	5
Weerakoon Mudiyanselage Ananda Weerakon	5
Polwatte Gallage Nipuna Naroththama Dias	10
Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	1

In terms of the said commercial arrangement pertaining to the Company's acquisition of Hela Clothing (Private) Limited as aforesaid, the Company also allocated for issuance, a further 565 B ordinary Shares to Monitane Holdings Limited (or any person nominated by it) and 75 B Ordinary Shares to Dominic McVey (or any person nominated by him) as per their entitlement under such arrangement. These B Ordinary Shares were issued immediately subsequent to the Capital Reorganization and were thereafter immediately converted to Ordinary Voting Shares.

All of the B Ordinary Shares were issued at the Sri Lankan Rupee equivalent of USD 0.01 per share.

C Ordinary Shares

The Company established the ESOP to grant share options to identified key employees of the Company and its subsidiaries entitling the grantees to subscribe to up to a total of 1,000 C Ordinary Shares, at a consideration of LKR 10 per each C Ordinary Share. The grantees were able to subscribe to the C Ordinary Shares only upon the right to such shares vesting on the grantees in the manner set out in the grant.

To date, the Company has granted share options in respect of 660 C Ordinary Shares to ten employees who are members of the senior management of the group, from and out of which 393 C Ordinary Shares vested and issued prior to the Capital Reorganization.

The A1 Preference Shares, A2 Preference Shares, A3 Preference Shares and A4 Preference Shares conferred on the holders thereof the right to an identified percentage of the voting rights in the Company under the articles of association of the Company in force as at the time of the Capital Reorganization ("Previous Articles") and the right to an identified amount of the distributions and proceeds from a listing, share sale, asset sale or winding up of the Company in the manner set out in the Previous Articles. The B Ordinary Shares and C Ordinary Shares did

not carry any voting rights but conferred on the holders thereof the right to an identified amount of the distributions and proceeds from a listing, share sale, asset sale or winding up of the Company in the manner set out in the Previous Articles.

Capital Reorganization

In order to facilitate the listing process, the Company proposed to reorganize its share capital prior to the listing so that the Company has only one class of shares, namely, Ordinary Voting Shares which would confer on the holder of each such ordinary share, the rights set out in section 49(2) of the Companies Act, viz., the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company on liquidation.

Further, the Previous Articles required that, immediately before a listing, the Company and the shareholders should enter into a reorganization of the share capital of the Company such that the number of shares that each shareholder would receive and hold in the Company pursuant to such reorganization would be determined on the basis that the pre-IPO equity value of the Company of US$ 80,140,714 would be distributed to the shareholders immediately prior to the listing (but following such reorganisation) based on their respective distribution rights identified in the Previous Articles. The number of Ordinary Voting Shares that each shareholder was entitled to receive pursuant to the reorganization was to be computed by dividing the equity value allocated to such shareholder in respect of each class of shares by the Share Issue Price and thereafter aggregating the resultant number of Ordinary Voting Shares allocated under each class.

Accordingly, on 2nd September 2021, the Company carried out the Capital Reorganization by (i) converting the A1 Preference Shares, A2 Preference Shares, A3 Preference Shares, A4 Preference Shares, B Ordinary Shares and C Ordinary Shares already issued by the Company to Ordinary Voting Shares and (ii) allocating the corresponding number of Ordinary Voting Shares in respect of (a) the allocated but unissued B Ordinary Shares to Monitane Holdings Limited and Dominic McVey, (b) C Ordinary Shares granted but not vested so far and (c) C Ordinary Shares allocated under the ESOP but not granted so far, so that the existing shareholders of the Company received and the persons who have been allocated the said unissued B Ordinary Shares and C Ordinary Shares became, subject to such persons fulfilling necessary legal and contractual requirements, entitled to receive, the Ordinary Voting Shares as and in the manner identified in Annexure 1 hereto.

The conversion of the A1 Preference Shares, A2 Preference Shares, A3 Preference Shares, A4 Preference Shares, B Ordinary Shares and C Ordinary Shares in issue into the corresponding number of Ordinary Voting Shares as set out in the Annexure 1 hereto (the "Relevant Number") was effected by the sub-division of shares in each class of shares into the Relevant Number of shares in such class (with any fractions of shares arising from such sub-division being disregarded in the entirety) and thereafter modifying the terms of issue of such sub-divided shares to be consistent with the rights set forth in section 49(2) of the Companies Act.

On 29th September 2021, Monitane Holdings Limited issued a letter of subscription to the Company nominating Dominic McVey as the person to whom the 565 B Ordinary Shares allocated to Monitane Holdings Limited should be issued. Pursuant to such nomination, Dominic McVey subscribed to 640 B Ordinary Shares (constituting of the 565 B Ordinary Shares allocated to Monitane Holdings Limited and the 75 B Ordinary Shares allocated to Dominic

5. CAPITAL STRUCTURE

McVey) on 30th September 2021. Immediately upon the issue of such 640 B Ordinary Shares to Dominic McVey, such shares were converted to 30,598,973 Ordinary Voting Shares being the Relevant Number of Ordinary Voting Shares identified in the Annexure 1 hereto.

With the completion of the Capital Reorganization, as aforesaid, the distribution of the pre-IPO equity value of the Company to shareholders and persons to whom entitlements to shares have accrued, that was envisaged in the Previous Articles of the Company, is now completed.

Pursuant to the completion of the Capital Reorganization and the conversion of all classes of shares of the Company to Ordinary Voting Shares, all issued shares of the Company belong to one class, namely, Ordinary Voting Shares, each of which confers on the holder thereof, (i) the right to one vote on a poll at a meeting of the Company on any resolution, (ii) the right to an equal share in dividends paid by the Company and (iii) the right to an equal share in the distribution of the surplus assets on liquidation and accordingly, all the special rights that were attached to the A1 Preference Shares, A2 Preference Shares, A3 Preference Shares, A4 Preference Shares, B Ordinary Shares and C Ordinary Shares prior to the Capital Reorganization are no longer applicable as those different classes of shares no longer exist.

5.1.3 EMPLOYEE SHARE OWNERSHIP PLAN OF THE COMPANY

As stated in Section 5.1.2 above, the Company established the ESOP on 31st July 2020 to grant share options to key employees entitling them to subscribe to up to a total of 1,000 C Ordinary Shares, at a consideration of LKR 10 per each C Ordinary Share. Out of such 1,000 C Ordinary Shares, 660 C Ordinary Shares have been granted, from and out of which 393 C Ordinary Shares were vested in the grantees and issued prior to the Capital Reorganization. Accordingly, the number of C Ordinary Shares granted but remaining unvested as at the Capital Reorganization was 267 and the number of C Ordinary Shares allocated under the ESOP but not granted as at the Capital Reorganization was 340.

In light of the Capital Reorganization and the proposed listing of the Company, the Company by special resolution of the shareholders passed on 7th September 2021, approved certain revisions to the ESOP, in order to ensure that the ESOP accords with provisions of Rule 5.6 of the Listing Rules and ceases to contain conditions and requirements which (i) will become obsolete once the Company is listed or (ii) are unusual in the context of listed company share ownership schemes. The main revisions are as follows:

(i) the reclassification of the shares underlying the ESOP as Ordinary Voting Shares and increase of the number of shares underlying the ESOP by multiplying (a) the C Ordinary Shares underlying the unvested grants held by each grantee, and (b) the C Ordinary Shares allocated and not granted yet, by the same conversion ratio adopted for the conversion of the issued C Ordinary Shares converted under the Capital Reorganization with the fractions of shares arising from such calculation being disregarded in the entirety;

(ii) conversion of the ESOP from a share option scheme to a share grant scheme, whereby the shares underlying each grant are to be issued to the grantees on the date of vesting of such shares in consideration of the services rendered by the grantees to the Company and/or its subsidiaries, without the grantees having to exercise the right to subscribe to the shares

The consideration for the issuance of Ordinary Voting Shares to the grantees upon the vesting of such shares is accordingly non-cash consideration (i.e. services rendered by them to the Company).

The corresponding number of Ordinary Voting Shares that now underlie the grants already made under the ESOP but not vested so far is 14,263,616 Ordinary Voting Shares. Out of such Ordinary Voting Shares, 6,837,989 Ordinary Voting Shares will vest in the grantees on 1st August 2022 and the balance 7,425,627 shares will vest in the grantees on 1st August 2023. Upon the full issuance of the 14,263,616 Ordinary Voting Shares referred to herein, the stated capital of the Company will increase by a sum of LKR 50,141,389, being the total cash value of the non-cash consideration for such shares, as determined in terms of section 58(2) of the Companies Act based on the aggregate fair value, as at the date of grant (i.e. 1st August 2020) of such shares (which amounted to 267 C Ordinary Shares prior to the Capital Reorganization). Such aggregate fair value of LKR 50,141,389 was ascertained pursuant to the following:

I. The initial grant under the ESOP of 660 C Ordinary Shares was made on 1st August 2020. The Company carried out a valuation to ascertain the total equity value of the Company as at 1st August 2020, for the purpose of determining the fair value of the 660 C Ordinary Shares granted on 1st August 2020;

II. Pursuant to such valuation, the total equity value of the Company as at 1st August 2020 was attributed to each share of the Company (including C Ordinary Shares) and the equity value attributed to one (1) C Ordinary Shares was USD 1,046.3892;

III. This equity value of USD 1,046.3892 was determined by the Company to be the fair value of one (1) C Ordinary Share as at 1st August 2020;

IV. The aggregate value of the 267 C Ordinary Shares as at 1st August 2020 was accordingly determined to be USD 279,385.91 (being the value computed by multiplying USD 1,046.3892 by 267);

V. The abovementioned aggregate fair value of LKR 50,141,389 is the Sri Lankan Rupees equivalent of USD 279,385.91 calculated at the prevailing exchange rate as at such time (i.e. LKR 179.47 per USD 1)

The 393 C Ordinary Shares issued to grantees under the ESOP prior to the Capital Reorganization were issued at a consideration of LKR 10 per each C Ordinary Shares (the aforementioned fair value of C Ordinary Shares had no relevance to such consideration). The increase to the stated capital of the Company from the issuance of such 393 C Ordinary Shares was accordingly LKR 3,930.

The number of Ordinary Voting Shares allocated but not granted under the ESOP is 18,163,411 Ordinary Voting Shares. The Company proposes to grant such shares to identified employees of the Company and/or subsidiaries after the listing of the Company. The total cash value of these 18,163,411 Ordinary Voting Shares will, for purposes of section 58(2) of the Companies Act, be deemed to be the volume weighted average price of such shares taking into consideration all transactions of Ordinary Voting Shares of the Company during the thirty (30) market day period immediately preceding the grant date. Upon the issue of such 18,163,411 Ordinary Voting

5. CAPITAL STRUCTURE

Shares, the stated capital of the Company will increase by the total cash value of such shares determined in the manner referred to in this paragraph.

The details pertaining to the allocation, vesting and issuance of shares under the ESOP both prior to and after the Capital Reorganization are set out in the Table 2 in Annexure 1.

The maximum number of underlying Ordinary Voting Shares to be issued under the ESOP will not exceed 5% of the total issued shares of the Company at any given time. None of the employees to whom shares have been issued or will be issued under the ESOP will acquire more than 1% of the of the total issued shares of the Company at any given time, unless approved by the shareholders by special resolution.

All of the Ordinary Voting Shares to be issued under the ESOP (including the 14,263,616 Ordinary Voting Shares to be vested and issued by 1st August 2023 and any further Ordinary Voting Shares that may be granted post listing from and out of the allocated 18,163,411 Ordinary Voting Shares) will be fully allotted and issued within 10 years from the date of establishment of the ESOP, viz., on or before 31st July 2030.

The Company or its subsidiaries will not, directly or indirectly, provide funds for the ESOP.

The terms of the revised ESOP are in conformity with the relevant laws including Rule 5.6 of the Listing Rules.

Upon the issuance in full of the aforementioned 32,427,027 Ordinary Voting Shares which are yet to be issued under the ESOP, the total number of shares of the Company will (on the assumption that the IPO will be fully subscribed and there will not be any other changes to the issued shares of the Company in the interim post IPO) increase to 1,335,544,971 Ordinary Voting Shares.

The shares to be issued in the future under the ESOP (e.g. 32,427,027 Ordinary Voting Shares) will be locked-in for 12 months from the date of issue as per item (iii) of the letter of approval of the SEC dated 7th October 2021.

5.1.4 SHARES ISSUED IN THE LAST TWO YEARS

The table below represents the shares issued during the period of two (2) years immediately preceding the date of this Prospectus.

Name of shareholder	Number of and class of shares issued	Date of Issue	Consideration per share	Number of Ordinary Voting Shares such shares have converted to
Albert Rasakantha Rasiah	80 C Ordinary Shares	9th October 2020	LKR 10	4,273,743
Warnakulasuriya Mahawaduge Shameen Ravindra Peiris	90 C Ordinary Shares	12th October 2020	LKR 10	4,807,961
Ranjith Sanath Perera Amarathunga	90 C Ordinary Shares	12th October 2020	LKR 10	4,807,961
Lesing Hela Limited	167 B Ordinary Shares	7th May 2021	LKR 1.99 (equivalent of USD 0.01)	7,979,671
Panadura Liyanage Dilanka Jinadasa	95 B Ordinary Shares	30th July 2021	LKR 1.99 (equivalent of USD 0.01)	4,539,334
Yahan Chanidu Samarajeewa	20 C Ordinary Shares	1st August 2021	LKR 10	1,068,435
Warshapperuma Arachchige Rajitha Gunawardhana	27 C Ordinary Shares	1st August 2021	LKR 10	1,442,388
Pintherumahawaduge Shaminda Viraj Fernando	27 C Ordinary Shares	1st August 2021	LKR 10	1,442,388
Ajith Rohana Kumara Delay	13 C Ordinary Shares	1st August 2021	LKR 10	694,483
Wadu Thanthrige Sajeeka Gayani De Silva	20 C Ordinary Shares	1st August 2021	LKR 10	1,068,435
Joshua Perera	6 C Ordinary Shares	1st August 2021	LKR 10	320,530
Nissanga Warnapura	20 C Ordinary Shares	1st August 2021	LKR 10	1,068,435
Dominic McVey	640 B Ordinary Shares	30th September 2021	LKR 2 (equivalent of USD 0.01)	30,598,973
Total				**64,112,737**

Please refer Section 5.1.2 for details on the Capital Reorganization. The Company did not carry out any other capital restructuring activities in the past 2 years.

5. CAPITAL STRUCTURE

5.1.5 TRANSFER OF SHARES IN THE LAST TWELVE MONTHS

The shares which had been acquired by way of transfer during the period of twelve (12) months immediately preceding the date on which the Initial Listing Application, are as follows::

Date	Transferor	Transferee	Number of shares transferred	Consideration (USD)	Number of Ordinary Voting Shares such shares have converted to
30th July 2021	Lesing Hela Ltd	Panadura Liyanage Dilanka Jinadasa	393,750 A4 Preference Shares	393,750	38,583,997

5.1.6 RE-PURCHASES OR REDEMPTIONS

The Company has not carried out any share re-purchase under sections 63, 64, 93 or 100 of the Companies Act, redemption of shares under sections 66 to 69 of the Companies Act or stated capital reduction exercises under section 59 of the Companies Act, in the two (2) years preceding the date of this Prospectus.

5.1.7 OUTSTANDING CONVERTIBLE DEBT SECURITIES

The Company has no outstanding Convertible Debt Securities as at the date of this Prospectus.

5.2 FREE TRANSFERABILITY OF SHARES

I. Subject to paragraph II below, any Pre-IPO shares held by public shareholders or non-public shareholders prior to the date of the Initial Listing Application, will be locked in for a period of 6 months from the date of listing of the shares of the Company, or 12 months from the date of the allotment, whichever is longer, as determined by the SEC as set out in its letter of approval dated 7th October 2021.

II. Any Pre-IPO shares held by public or non-public shareholders which have been allotted/issued/transferred to them after the date of the Company's application to the SEC to obtain approval for the listing or any shares to be issued by the Company during the lock-in periods determined by the SEC as set out in its letter of approval dated 7th October 2021, arising from existing agreements/arrangements/schemes/share subscriptions, if allotted/issued/transferred at a price below the Share Offer Price or the market price of shares of the Company, whichever is lower, will be locked-in for a period of 12 months from the date of the allotment/issue/transfer as determined by the SEC as set out in its letter of approval dated 7th October 2021.

    Please refer Section 5.3 for further details pertaining to the locked-in shares.

III. The New Shares offered via the IPO shall not be transferable by the shareholders during the period commencing from the date of allotment of the Offered Shares and up to the date of listing (excluding the date of listing) on the CSE.

IV. No Ordinary Voting Shares or other class of shares are subscribed or sold privately, in conjunction with the public issue of New Shares.

    Shares listed on the CSE shall be freely transferable and registration of the transfer of such listed Shares shall not be subject to any restriction, save and except as disclosed above.

5. CAPITAL STRUCTURE

5.3 DETAILS PERTAINING TO THE LOCKED-IN SHARES

Shareholding Structure

Given below is the shareholding structure of the Company as at the date of the Prospectus (Pre IPO) and subsequent to the issue (Post IPO) assuming a full subscription.

Name	Pre IPO		Post IPO	
	No. of Ordinary shares	%	No. of Ordinary shares	%
Lesing Hela Ltd	614,256,956	59.29	614,256,956	47.14
Tars Investments Lanka (Pvt) Ltd	235,498,562	22.73	235,498,562	18.07
Panadura Liyanage Dilanka Jinadasa	133,656,266	12.90	133,656,266	10.26
Dominic McVey	30,598,973	2.95	30,598,973	2.35
Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	4,855,743	0.47	4,855,743	0.37
Ranjith Sanath Perera Amarathunga	4,807,961	0.46	4,807,961	0.37
Albert Rasakantha Rasiah	4,273,743	0.41	4,273,743	0.33
Warshapperuma Arachchige Rajitha Gunawardhana	1,442,388	0.14	1,442,388	0.11
Pintherumahawaduge Shaminda Viraj Fernando	1,442,388	0.14	1,442,388	0.11
Yahan Chanidu Samarajeewa	1,068,435	0.10	1,068,435	0.08
Nissanga Warnapura	1,068,435	0.10	1,068,435	0.08
Wadu Thanthrige Sajeeka Gayani De Silva	1,068,435	0.10	1,068,435	0.08
Ajith Rohana Kumara Delay	694,483	0.07	694,483	0.05
Polwatte Gallage Nipuna Naroththama Dias	477,824	0.05	477,824	0.04
Rehan Ranjaka Joshua Perera	320,530	0.03	320,530	0.02
Harsha Guneratne	238,912	0.02	238,912	0.02
Weerakoon Mudiyanselage Ananda Weerakoon	238,912	0.02	238,912	0.02
IPO Shareholders	-	-	267,108,998	20.5
Total	**1,036,008,946**	**100**	**1,303,117,944**	**100**

The shareholding percentages given in the above will be further diluted upon the issue of Ordinary Voting Shares under the ESOP as referred to in Section 5.1.3 above. If the entirety of the 32,427,027 Ordinary Voting Shares underlying the ESOP are issued in full, the aggregate shareholding percentage of the IPO Shareholders will be diluted to 20% (assuming there are no other changes to the issued shares of the Company in the interim).

Locked in Shares Pre IPO

In compliance with the CSE Listing Rules, 2.1.1(d) and the determination of the SEC as set out in its letter of approval dated 7th October 2021, the shares mentioned below will be locked in and will not be available for trading as given below from the date of listing of the shares of the Company.

Shareholders	Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No. of Shares as a percentage of total number of Shares in Issue
Non-Public Shareholders:					
Lesing Hela Ltd	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	606,277,285	58.52%
		Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	7,979,671	0.77%
Tars Investments Lanka (Private) Limited	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	235,498,562	22.73%
Panadura Liyanage Dilanka Jinadasa	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	90,532,935	8.74%
		Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	38,583,997	3.72%
		Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	4,539,334	0.44%
Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	4,807,961	0.46%
		Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	47,782	0.00%
Albert Rasakantha Rasiah	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	4,273,743	0.41%
Ranjith Sanath Perera Amarathunga	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	4,807,961	0.46%
Pintherumahawaduge Shaminda Viraj Fernando	Non-Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	1,442,388	0.14%
Total Non-Public Shareholders	**Non-Public**			**998,791,619**	**96.41%**

5. CAPITAL STRUCTURE

Shareholders	Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No. of Shares as a percentage of total number of Shares in Issue
Public Shareholders:					
Dominic McVey	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	30,598,973	2.95%
Warshapperuma Arachchige Rajitha Gunawardhana	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	1,442,388	0.14%
Yahan Chanidu Samarajeewa	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	1,068,435	0.10%
Wadu Thanthrige Sajeeka Gayani De Silva	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	1,068,435	0.10%
Nissanga Warnapura	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	1,068,435	0.10%
Ajith Rohana Kumara Delay	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	694,483	0.07%
Polwatte Gallage Nipuna Naroththama Dias	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	477,824	0.05%
Rehan Ranjaka Joshua Perera	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	320,530	0.03%
Harsha Guneratne	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	238,912	0.02%
Weerakoon Mudiyanselage Ananda Weerakon	Public	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	238,912	0.02%
Total Public Shareholders	Public			37,217,327	3.59%
Total				**1,036,008,946**	**100.00%**

Pre IPO public holding (number of Pre IPO shares held by the 'public' as a percentage of the total Pre IPO number of shares), as per the 'public' definition provided in the CSE listing rules is zero.

The Company hereby confirms that the information furnished herewith shall remain unchanged until the date of listing.

Locked-in Shares – Post IPO:

Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No. of Shares as a percentage of total number of Shares in Issue
Non-Public (Other than shares issued or transferred in the last 12 months)	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	932,356,564	71.55%
Non-Public (Shares acquired by way of a transfer in the last 12 months)	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	38,583,997	2.96%
Non-Public (Shares issued in the last 12 months)	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	27,851,058	2.14%
Public (Shares issued in the last 12 months and after the submission of the application to the SEC)	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	30,598,973	2.35%
Public (Other Shares issued in the last 12 months)	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	5,662,706	0.43%
Public Public (Other than shares issued in the last 12 months)	Locked-in	12 months from the date of allotment or 06 months from date of listing, whichever is longer	955,648	0.07%
Public and Non-public (IPO Shares)	Locked-in	Not applicable	267,108,998	20.50%
Total			**1,303,117,944**	**100.00%**

Post IPO public holding (number of Post IPO shares held by the 'public' as a percentage of the total Post IPO number of shares), on the assumption that the parties who subscribe to the IPO shall be public shareholders (as per the 'public' definition provided in the CSE listing rules) is 20.50%.

5. CAPITAL STRUCTURE

SEC Approval for the Listing

On 08 September 2021, FJ&G de Saram (Lawyers to the Issue) on behalf of Hela submitted an application to SEC seeking approval to list the Company on CSE under the provisions of the SEC Act.

SEC from their letter dated 07 October 2021, granted approval to list the Company on CSE, subject to Hela obtaining an independent confirmation from a reputed, external firm of accountants (IRFA) confirming that the applicable comparable values arising from; shares allotted/issued/transferred/un-subscribed and granted in terms of ESOP and sub divided during last twelve (12) months are either equal or higher than the IPO price and such values will not lead to an undue gain to the existing shareholders at the expense of investing public.

Further, SEC required Hela to disclose above details and annex the report issued by the IRFA in to the prospectus. To meet the requirement stipulated by SEC, Hela assigned Messrs KPMG (Chartered Accountants) to provide an opinion on whether the price of the shares issued by Hela within the last 12 months including under ESOP is equal or higher than the Hela IPO price, and whether such values will not lead to an undue gain to the existing shareholders at the expense of the investing public. KPMG was also asked to review the share capital reorganization carried out by the Company on 02 September 2021.

From their report dated 02 November 2021, Messrs KPMG concluded there is no undue gain to the employee shareholders and the shareholders to whom B Ordinary Shares have been issued vis a vis and at the expense of the investing public. KPMG is also of the view that the capital reorganization, does not have any impact on the investing public (refer annexure 11 for the full report).

6. CORPORATE GOVERNANCE

6.0 CORPORATE GOVERNANCE

6.1 DIRECTORS

6.1.1 BOARD OF DIRECTORS

The Board of Directors of HELA comprises of seven (07) Directors of whom three (03) are Non-Executive Independent Directors, three (03) are Non-Executive Directors and one (01) is an Executive Director. At the date of this Prospectus, the composition of the Board of Directors is as follows:

Name of the Director	Designation
Albert Rasakantha Rasiah	Chairman, Non-Executive Director
Panadura Liyanage Dilanka Jinadasa	Executive Director
Aroshi Nanayakkara	Non-Executive Independent Director
Gayan Priyanka Gunawardana	Non-Executive Independent Director
Trisha Sandrine Peries	Non-Executive Independent Director
Alastair Alderton	Non-Executive Director
Patrick Schleiffer	Non-Executive Director

6. CORPORATE GOVERNANCE

6.1.2 PROFILES OF THE BOARD OF DIRECTORS

Albert Rasakantha Rasiah
Chairman (Non-Executive Director)

Business Experience

A. R. Rasiah possesses several decades of experience in finance and commerce at a senior level, both internationally and locally, being on the boards of several public and private companies in Sri Lanka as Executive and Non-Executive Director. Most recently, he was a Visiting Lecturer on Finance and Accounts for Nestle SA for the Africa-Asian and Oceanic Regions, travelling overseas extensively. He was also a Visiting Lecturer at The Institute of Chartered Accountants of Sri Lanka and for MBA students at the Post Graduate Institute of Management (PIM). He is a former President of the Benevolent Society of the Institute of Chartered Accountants of Sri Lanka and Immediate past Chairman of Sri Lanka Institute of Directors. He was also a former President of Tamil Union Cricket and Athletic Club. A keen sportsman who represented Sri Lanka at Table tennis, he has won national level titles at tennis and former Sri Lanka's junior No.1 at Badminton.

Other Directorships

- Alternate to Chairman- Gestetner of Ceylon PLC.
- Sunshine Tea Co Ltd.,
- Watawala Plantations Co Ltd.
- Clindata Lanka (Pvt) Ltd.
- Fintek Managements (pvt) Ltd.
- Certain E.B. Creasy Group of Companies.
- Non-Executive director to Hela Clothing (Pvt) Ltd, Foundation Garments (Pvt) Ltd, FDN Sourcing (Pvt) Ltd, Hela USA Inc., Hela Investment Holdings (Pvt) Ltd and Alpha Textiles (Pvt) Ltd.

Panadura Liyanage Dilanka Jinadasa
Group Chief Executive Officer & Executive Director

Business Experience

Having graduated from University, Dilanka started his career at Zurich Insurance & Financial Services in the "Global Corporates" division based in Toronto, Canada.

At Hela, he was part of the leadership team that drove strategic customer relationships with some of the world's largest brand houses as well as driving operational performance across the group, propelling it to a USD 200 Mn business.

During his four-year tenure at Panasian Power PLC, Dilanka played a pivotal role in diversifying the energy mix and growing the renewable energy portfolio by over 300% towards 30MW

Other Directorships

- Non-Executive Chairman of Alerics Dairy Product Ltd
- Non-Executive Director at Soul Coffee
- Executive director to Hela Intimates EPZ Ltd, Hela Clothing (Pvt) Ltd, Foundation Garments (Pvt) Ltd, FDN Sourcing (Pvt) Ltd, Hela USA Inc., Hela Investment Holdings (Pvt) Ltd and Alpha Textiles (Pvt) Ltd

6. CORPORATE GOVERNANCE

Aroshi Nanayakkara
Non-executive
Independent Director

Business Experience

Aroshi is a dynamic leader in the field of Strategic Planning, HR and Risk Management, having gathered extensive experience through her 25-year career. Ms. Nanayakkara commenced her career as a Corporate Banker, first at ABN AMRO Bank NV and later at Deutsche Bank AG Sri Lanka. She then moved from banking into the HR sphere by joining Eagle Insurance and the Delmege Group of Companies. She was Group Director Human Resource Development at Delmege while also serving on the Board of Delmege Interior Décor (Pvt) Ltd. Her next transition was into risk management where she joined the Brandix Group as Chief Risk Officer overlooking the functions of internal audit and compliance and finally, as CEO of Brandix Hangers (Pvt) Ltd.

Other Directorships

- Independent, Non-Executive Director of Sampath Bank PLC
- Independent, Non-Executive Director of Asian Hotels & Properties PLC
- CEO of the Global Consulting Company
- Senior Vice Chairperson & Board Director of Sri Lanka Institute of Directors
- Chair of the Women Directors' Forum
- Non-Executive director to Hela Clothing (Pvt) Ltd, Foundation Garments (Pvt) Ltd and FDN Sourcing (Pvt) Ltd

Alastair Alderton
Non-executive Director

Business Experience

Dr. Alastair Alderton is the Chief Executive Officer of Rianta Capital, a boutique multi-asset investment advisory firm based in London and Zurich. As part of his role as CEO he manages a global, diverse and dynamic investment portfolio in private equity, with a strong footprint in leading consumer-facing businesses and DTC retail. Alastair provides his strategic insights on various board mandates, including larger businesses such as Australian fashion retail company Forever New and a holding vehicle of European gym operator Viva Gym, as well as growth businesses such as the exclusive brand Chinti and Parker and digitally disruptive Venuescanner.

Alastair is not only a highly-experienced investment professional but also a Solicitor of the Senior Courts of England and Wales, with over a decade of previous transaction and advisory experience at Magic Circle law firm, Clifford Chance. Alastair holds a PhD in History from the University of Cambridge in addition to his Bachelors, Masters and Law School qualifications.

Other Directorships

- Viva Gym Holdings Limited (UK)
- Peach River Limited (UK)
- Broadway Limited (UK)
- Rianta Capital Limited (UK)
- Neonlake (UK)
- Mango River Advsisory Limited (UK)
- ADT Group Holdings
- PTY Ltd (Australia)
- Crowley Carbon (Ireland)
- Chinti & Parker (UK)
- Wearever (UK)
- One Oh Six Limited (UK)

6. CORPORATE GOVERNANCE

Gayan Priyanka Gunawardana
Non-executive
Independent Director

Business Experience

Currently CFO at listed renewable energy producer Panasian Power PLC, Gayan is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) with 5 years' experience at PwC UK in financial services and holds a BSc (Hons) from the University of Warwick in Engineering and Business Studies. He previously worked in Strategic Planning and Corporate Finance at Hela Clothing. He has over 12 years of experience in Leadership, Finance and Strategic planning with strong technical knowledge on accounting, audit and corporate governance. He has secured and executed several multimillion-dollar investments and transactions across multiple businesses and industries

Other Directorships

- Non-Executive director to Hela Clothing (Pvt) Ltd, Foundation Garments (Pvt) Ltd, FDN Sourcing (Pvt) Ltd, Hela USA Inc., Hela Investment Holdings (Pvt) Ltd and Alpha Textiles (Pvt) Ltd

Trisha Peries
Non-executive
Independent Director

Business Experience

Trisha currently functions as the Head of Economic Research services at Frontier Research (Pvt) Ltd, playing a key role in the development of its macroeconomic views catering to many of Sri Lanka's largest listed conglomerates, private equity funds and investment banks. She plays a key role in providing and executing strategic business decisions for the firm as well as leading initiatives to develop new opportunities within the economic product portfolio. She is also a member of the Board of Trustees to the CEPA Development Fund. Trisha is a CFA charter holder.

Other Directorships

- Director of Tars Investments Lanka (Pvt) Ltd.

Patrick Schleiffer
Non-executive Director

Business Experience

Patrick is private equity investment manager at Rianta Capital, a London and Zurich based investment advisory firm. In his role he is overseeing Rianta's private equity portfolio, which has a strong footprint in consumer facing businesses and technology. During his time at Rianta, Patrick has closed several cross-border transactions, ranging from the US, Germany, Spain, India, Australia and Sri Lanka. Prior work experience includes Obviam, the manager of the Swiss Investment Fund for Emerging Markets, where Patrick was focused on investments in healthcare, education and renewable energy in Africa and Latin America. Patrick is a CFA charter holder.

Other Directorships

- Director at ADT Group, the holding company of the Forever New Group, a Melbourne based female fashion brand with a global footprint

6. CORPORATE GOVERNANCE

6.2 SUBCOMMITTIES

Audit Committee

The Audit Committee is responsible for reviewing the function of the internal finance team and the Company's operational controls to ensure their effectiveness. The Audit Committee regularly reviews the performance of the Company through discussions with the Group CEO and the Senior Management, as well as reviewing the work carried out by the Internal Audit team. It also monitors all audit activities and ensures compliance with Financial Standards and Statutory regulations.

Mr Gayan Gunawardana is the Chairman of the audit Committee and he is a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Members of the HELA Audit Committee are as follows:

- Gayan Gunawardana – Chairman (Non-Executive Independent Director)
- Alastair Alderton (Non – Executive Non Independent Director)
- Patrick Schleiffer (Non – Executive Non Independent Director)
- Aroshi Nanayakkara (Non-Executive Independent Director)
- Trisha Sandrine Peries (Non-Executive Independent Director)

Remuneration Committee

The Remuneration Committee sets the guidelines for remuneration of the Company's Senior Management and recommends the remuneration payable to the Group CEO and the Executive Directors. The Remuneration Committee works closely with the Senior Management team in the development of the Performance Management Policies of the Company. The primary objective of the Remuneration Policy of the Company is to attract and retain a highly qualified and experienced workforce, while rewarding their performance. The remuneration committee is expected to meet annually.

Members of the HELA Remuneration Committee are as follows:

- Aroshi Nanayakkara – Chairman (Non-Executive Independent Director)
- Alastair Alderton (Non – Executive Non Independent Director)
- Gayan Gunawardana (Non-Executive Independent Director)

Related Party Transactions Review Committee

The objective of the Related Party Transactions Review Committee is to ensure that the interest of the shareholders as a whole are considered when entering into Related Party Transactions. The Related Party Transactions Review Committee meets at least once a quarter to review all applicable and proposed related party transactions through discussions with the Senior Management. The Related Party Transaction Review Committee also reviews previously approved related party transactions entered into by HELA in situations where a material change to the transaction has been proposed.

Members of the HELA Related Party Transaction Review Committee are as follows:

- Trisha Sandrine Peries – Chairman (Non-Executive Independent Director)
- Alastair Alderton (Non – Executive Non Independent Director)
- Aroshi Nanayakkara (Non-Executive Independent Director)

Nomination Committee

The objective of the nomination committee is to nominate directors to the board at the end of the tenure/resignation and or termination of the services of an existing director. The nomination committee will also nominate board members for various positions within the subcommittees of the board as and when required.

Members of the HELA Nomination Committee are as follows:

- A. R. Rasiah – Chairman (Non-Executive Director)
- Alastair Alderton (Non – Executive Non Independent Director)
- Patrick Schleiffer (Non – Executive Non Independent Director)
- Trisha Sandrine Peries (Non-Executive Independent Director)

6.3 DIRECTORS' SHAREHOLDINGS IN THE COMPANY

The shareholding of Directors in the Company as at the date of submission of the listing application to the Exchange is as follows:

Name of the Director	Designation	No. of Shares Held	Percentage (%)
Albert Rasakantha Rasiah	Chairman	4,273,743	0.41%
Panadura Liyanage Dilanka Jinadasa	Group CEO	133,656,266	12.90%

Post implementation of the ESOP in August 2020, Mr Albert Rasakantha Rasiah received 80 C class shares of HELA (Refer 5.1.3). The shares were vested on 1 August 2020 and issued on 9th October 2020 for a consideration of LKR 10 per share. After the reorganisation of share capital of the Company (Refer 5.1.2), C class shares were converted to Ordinary Voting shares. Hence, 80 C Class shares held by Mr Albert Rasakantha Rasiah was converted to 4,273,743 Ordinary Voting Shares.

Further Mr Panadura Liyanage Dilanka Jinadasa acquired 393,750 A4 preference shares on 30th July 2021 from Lesing Hela Ltd for a consideration of $393,750 (refer Section 5.1.5).

Other Directors of the Company have not made any sales and/or purchases of shares of HELA during the year immediately preceding the date of this Prospectus.

6. CORPORATE GOVERNANCE

6.4 DIRECTORS' INVOLVEMENT IN LITIGATION AND OFFENCES

No Director or a person nominated to become a Director of the Company has been involved in:

- Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.
- No such Director was the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

6.5 DIRECTORS' INTERESTS

Other than those disclosed in section 6.6, Directors of HELA hold no interests in any assets acquired, disposed or leased by the Company during the past two (02) years preceding the issue. Further, it is not proposed that the directors will hold any interest in assets to be acquired, disposed or leased during the two (02) years succeeding the issue.

There are no other contracts or arrangements in force at the date of the application (23 November 2021) in which a Director of the Company is materially interested in relation to the business of the Company, other than those given below:

Agreement between Rianta Capital Limited and Hela Apparel Holdings Limited

Alastair Alderton is a director of Rianta Capital Limited and Patrick Schleiffer is an employee of this company. Rianta Capital Limited is a party to a service fee agreement with the Company, pursuant to which it renders the following services to the Company:

(i) Providing commercial and strategic expertise on product, sourcing, financing and structuring and participation in the Company's advisory board meetings;

(ii) Assisting the Company, for and on behalf of Lesing Hela Ltd, in the monitoring of investments made in the Company by Lesing Hela Ltd.

In consideration of such services, the Company pays a fee (termed a monitoring fee) to Rianta Capital Limited. Payments made during last two years are disclosed in Section 7.5 and at the point of the Company's listing such service agreement will be terminated.

6.6 DIRECTORS' INTEREST IN ANY TRANSACTION RELATING TO PROPERTY OF THE ENTITY

Panadura Liyanage Dilanka Jinadasa was a director of the Lessor (Jinadasa Brothers Pvt Ltd) at the time of signing the below lease agreements.

#	Lessee	Property Address	Floor Area Leased (sq feet)	Date of Lease Agreement	Lease Commencement Date	Lease Expiration Date	Monthly Payment
73*	Foundation Garment (Private) Limited	No.35, Balapokuna Road, Colombo 6	17,902	7th February 2020	1st March 2020	28th February 2021	USD 17,288.57
74*	FDN Sourcing (Private) Limited	No.35, Balapokuna Road, Colombo 6	7,133	7th February 2020	1st March 2020	28th February 2021	USD 6,888.58
78*	Foundation Garment (Private) Limited	No.35, Balapokuna Road, Colombo 6	17,902	15th March 2021	1st March 2021	28th February 2026	Monthly rental payments vary across the term of the lease. Please see the rent tables below
79*	FDN Sourcing (Private) Limited	No.35, Balapokuna Road, Colombo 6	7,133	15th March 2021	1st March 2021	28th February 2026	
77	Foundation Garment (Private) Limited	No.12, Jayasinghe Road, Kirulapana	7,841	15th March 2021	1st April 2021	31st March 2023	

*Agreement 73 & 74 were replaced by Agreement 78 & 79 following expiration

Payments schedules show monthly rentals are disclosed below:

Lease no. 79 - No.35, Balapokuna Road, Colombo 6

Period	FDNS
Year	Rent per month (LKR)
01.03.2021 to 28.02.2022	1,069,950
01.03.2022 to 28.02.2023	1,150,196
01.03.2023 to 28.02.2024	1,236,461
01.03.2024 to 28.02.2025	1,329,196
01.03.2025 to 28.02.2026	1,428,885

6. CORPORATE GOVERNANCE

Lease no. 78 - No.35, Balapokuna Road, Colombo 6

Period	FDNS
Year	Rent per month (LKR)
01.03.202 1 to 28.02.2022	2,685,300
01.03.2022 to 28.02.2023	2,886,698
01.03.2023 to 28.02.2024	3,103,200
01.03.2024 to 28.02.2025	3,335,940
01.03.2025 to 28.02.2026	3,586,135

Lease no. 77 - No.12, Jayasinghe Road, Kirulapana

Period	FDNS
Year	Rent per month (LKR)
01.04.202 1 to 31.03.2022	175,000.00
01.04.2022 to 31.03.2023	188,125.00

7. OTHER DISCLOSURES

7.0 OTHER DISCLOSURES

7.1 TAXATION

7.1.1 Taxation applicable to the Company

A. Corporate Income Taxation

HELA is liable to pay corporate Income tax at 24%, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 (as amended).

B. Tax concessions or tax exemptions

The Company does not qualify for any tax concessions or tax exemptions as at the submission of the listing application.

However, Inland Revenue (Amendment) act, No.10 of 2021 provides a 50% tax concession for the years 2021/22 and a concessional corporate tax rate of 14% for the subsequent three (03) years, for companies that are listed on the CSE before 31 December 2021.

7.1.2 Taxation applicable to the companies within the HELA Group

The table below shows the tax concessions & tax exemptions (if applicable), income tax rates and other taxes applicable to the project companies within the HELA Group

Entity	Tax status	Tax Holiday Ending Date	Income Tax Rate Post Tax Holiday	Tax Rate Charged in FY21
Local Entities				
Hela Apparel Holdings Ltd	Non BOI	N/A	N/A	24%
Hela Clothing (Pvt) Ltd	BOI	N/A	N/A	14%
Foundation Garments (Pvt) Ltd	BOI	N/A	N/A	14%
FDN Sourcing (Pvt) Ltd	BOI	N/A	N/A	Exempt
Alpha Textiles (Pvt) Ltd *	Non BOI	N/A	N/A	24%
Hela Investment Holdings (Pvt) Ltd *	Non BOI	N/A	N/A	24%
Jinadasa Bennett (Pvt) Ltd *	BOI	N/A	N/A	24%
Foundation Bennett (Pvt) Ltd *	Non BOI	N/A	N/A	24%
Foreign entities				
Hela Intimates EPZ Ltd	N/A	31 Mar 2026	25.0%	N/A
Hela Indochine Apparel Plc	N/A	30 Jul 2028	30.0%	N/A
Hela Investment Holdings Private Ltd	N/A	N/A	N/A	3%
Hela USA, Inc	N/A	N/A	N/A	21%

* Dormant companies that do not have operations.

7. OTHER DISCLOSURES

7.2 DIVIDEND POLICY

HELA has not paid dividends for its Ordinary Shares prior to the date of this Prospectus.

However, going forward subject to the provisions of the Companies Act No. 7 of 2007 and the Articles of Associations of the Company, the Board of Directors may recommend and declare distributions to shareholders by way of dividends from and out of the profits of the Company. The dividend rate will be determined based on several factors, including but not limited to Company's earnings, future capital requirements and overall financial condition.

7.3 LITIGATION AND DISPUTES

The Company and the HELA Group has not been involved, nor is it currently involved in any legal, arbitration or mediation proceedings, which may have had significant effects on the HELA Group's financial position and profitability.

Further, there have been no penalties imposed by regulatory and state authorities on HELA in the recent past, as at the date of this Prospectus.

7.4 CONTINGENT LIABILITIES

Given below are the particulars of the guarantees and other material contingent liabilities of the HELA Group as at 30 September 2021.

Liability Due by	Guarantee or contingent liability taken on behalf of	Financial Institution	Liability Type	Amount
Hela Clothing	Hela Investment Holdings (Mauritius)	BOC	Corporate Guarantee	USD 10Mn
	Foundation Garments	BOC	Corporate Guarantee	USD 14Mn
Hela Apparel Holdings	Foundation Garments	BOC	Corporate Guarantee	USD 2.3Mn
Hela Clothing	Foundation Garments	DFCC	Corporate Guarantee	USD 8.25 Mn
Hela Apparel Holdings	Foundation Garments	NDB	Corporate Guarantee	USD 9.8 Mn
Hela Apparel Holdings	Hela Clothing	NDB	Corporate Guarantee	USD 4.2 Mn
Foundation Garments	Hela Clothing	Commercial Bank	Corporate Guarantee	USD 4.8Mn
Hela Apparel Holdings/Hela Clothing	Foundation Garments	People's Bank	Cross Corporate Guarantee	USD 5 Mn
Hela Apparel Holdings/Hela Clothing	Foundation Garments	People's Bank	Cross Corporate Guarantee	LKR 300 Mn

7.5 DETAILS OF BENEFITS PAID TO PROMOTERS

A monitoring fee is paid to the Company's major shareholders as agreed in the Investment Agreement dated 19th November 2018 and amended as a Supplementary Agreement signed on 31st July 2020. This has been paid on an intermittent basis over the past two years for rendering of monitoring services, as and when such amounts have been called for by the recipients as per their entitlements under the Investment Agreement. This fee arrangement will be terminated at the point of the Company's listing.

US$	FY21	H1 FY22
Lesing Hela Limited (paid to Rianta Capital Limited as referred to in Section 6.5)	97,223	215,634
Tars Investments Lanka (Pvt) Ltd	35,262	122,064
Panadura Liyanage Dilanka Jinadasa	9,620	46,464
Total	**142,105**	**384,161**

The major shareholders of HELA have also provided the following loans to subsidiaries of the Group to partially finance the investment in Sumbiri Intimate Apparel PLC. Under the loan agreement dated 05 January 2021, Subsidiaries are required to settle the due amounts within 12 months from the date of the agreement.

Shareholder	Borrower	Date	Amount (USD)	Interest Rate	Maturity
Panadura Liyanage Dilanka Jinadasa	Foundation Garments	1/5/2021	406,250	10%	12 Months
Tars Investments Lanka (Pvt) Ltd	Foundation Garments	1/5/2021	343,750	10%	12 Months
Lesing Hela	Hela Investment Holdings Limited	1/5/2021	500,000	10%	12 Months
Total			**1,250,000**		

7.6 DETAILS OF COMMISSION PAID

HELA has not paid any commission in the two (2) years preceding the Issue, neither are any commissions payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares of the Company apart from the brokerage payable on the IPO, as detailed in Section 1.10 of this Prospectus.

7. OTHER DISCLOSURES

7.7 MATERIAL CONTRACTS

The only material contract entered into with other parties by HELA within the preceding two (2) years other than those contracts entered into as part of the ordinary course of business is as follows:

Parties		Date of Agreement	Description
Hela Clothing (Private) Limited (HC)	Global Apparel Industries (Private) Limited ("GAI")	22nd December, 2020	Management Agreement whereby HC has undertaken to administer, operate, manage and maintain the garment factory of GAI (located in Ukuwela, Matale) wherein HC is entitled to the exclusive right to all profit and other income generating from the operation of the said factory.
Foundation Garments (Private) Limited (Foundation Garments) and Hela Investment Holdings Limited (HIHL)	Sumber Bintang Rejeki Indonesia (SBRI), Grand Asia Intertrade Pte. Ltd (GAI) and Sumbiri Intimate Apparel PLC (SIA)	22nd December 2020 (as amended by Addendum dated 10th May 2021)	Investment and Shareholders Agreement, to record the agreement between the parties with regard to (i) the investment by HIHL in SIA in Ethiopia to acquire 50% of the shares thereof and (ii) the joint management of SIA by Foundation Garments, HIHL, SBRI and GAI pursuant to HIHL acquiring shares of SIA.

7.8 TAKEOVER OFFERS

There have been no takeover offers by third parties in respect of the Company's shares during the past two years. Further, the Company currently has not made any takeover offers in respect of shares of a third party.

7.9 PERIODIC BUSINESS LICENCES

Other than for the (i) trade licences issued by local authorities to operating subsidiaries of the Company for the manufacture of apparel in the respective manufacturing facilities, wherever relevant as per the by-laws of such local authorities and (ii) the Environmental Protection Licences issued by the Central Environmental Authority for the carrying on of manufacturing activities at such facilities, there are no periodic licences issued to the HELA Group by regulatory bodies in order to carry out the main business of the Group. The expiry dates of such trade licences and Environmental Protection Licences are set forth in the table below.

Manufacturing Facility	Licence	Issuing Authority	Expiry Date
Narammala factory operated by Foundation Garments	Trade Licence	Narammala Pradeshiya Sabha	31st December 2021
	Environmental Protection Licence	Central Environmental Authority	16th January 2022
Naula Factory operated by Hela Clothing	Trade Licence	Naula Pradeshiya Sabha	31st December 2021
	Environmental Protection Licence	Central Environmental Authority	16th June 2021*
Palapathwela factory operated by Foundation Garments	Trade Licence	Matale Pradeshiya Sabha	31st December 2021
	Environmental Protection Licence	Central Environmental Authority	25th July 2021*
Uhumeeya factory operated by Foundation Garments	Trade Licence	Polgahawela Pradeshiya Sabha	31st December 2021
	Environmental Protection Licence	Central Environmental Authority	6th January 2022
Ukuwela factory operated by Hela Clothing	Trade Licence	Ukuwela Pradeshiya Sabha	31st December 2021
	Environmental Protection Licence	Central Environmental Authority	18th June 2021*
Mawathagama factory operated by Foundation Garments	Trade Licence	Not Applicable as this factory is located inside the Mawathagama EPZ	
	Environmental Protection Licence	Central Environmental Authority	17th December 2021*
Thihariya factory operated Hela Clothing	Trade Licence	Attangalla Pradeshiya Sabha	31st December 2021
	Environmental Protection Licence	Central Environmental Authority	28th June 2022

*Renewal applications for these Environmental Protection Licenses have been submitted and the BOI has issued letters to the company confirming receipt of the application and advising the company to treat the existing license as valid until such time as the application has been processed with the concurrence of the Environmental Protection Authority.

7. OTHER DISCLOSURES

7.10 FINANCIAL HIGHLIGHTS

Performance Summary for Financial Year 2020/21

INCOME INDICATORS		
LKR	FY20	FY21
Revenue	32,874,321,057	32,155,092,492
Gross Profit	6,996,160,102	6,065,467,624
Profit after tax	767,479,962	871,535,711
Gross Profit Margin	21.3%	18.9%
Net Profit Margin	2.3%	2.7%

BALANCE SHEET INDICATORS		
LKR	FY20	FY21
Debt to Equity Ratio	5.60	3.98
Interest coverage Ratio	1.69	1.85
Current Ratio	0.68	0.76
Current Assets	11,744,406,982	14,590,813,318
Current Liabilities	17,284,523,671	19,283,728,264
Working capital	**(5,540,116,689)**	**(4,692,914,946)**

Income Indicators

Following a period of sustained growth in the preceding years, the revenue of the HELA Group declined by 2.2% in FY21 to LKR 32,155 Mn as a result of the impact of the COVID-19 pandemic. In particular, demand from the Group's key customers dropped sharply in Q1 of FY21 and HELA's manufacturing facilities were closed for approximately three weeks during this period while strict new health & safety guidelines were implemented. However, a strong rebound in customer demand from Q2 onwards helped to largely offset the revenue lost during the first quarter.

Gross profit also declined by 13.3% in FY21, to LKR 6,065 Mn, as a result of both the fall in revenue and a reduction in margins. The gross profit margin decreased from 21.4% in FY20 to 18.9% in FY 21, due in part to requests for discounts from some customers during the initial phase of the pandemic. The Company's decision to retain the majority of its employees during Q1, despite the temporary closure of its manufacturing facilities, also contributed to margin reduction.

Despite the reduction in both revenue and gross profit, the Group's profit after tax increased by 13.6% to LKR 872 Mn in FY21 from LKR 767Mn in FY20[22] as a result of a 0.4%-pt improvement in the net profit margin. This reflects a number of cost control initiatives, such the reduction of machinery rental costs, a temporary reduction in Board Director fees, and the implementation a three day working week at the company's head offices, as well as the substantial reduction in foreign travel during this period.

[22]The profits recorded in FY21 and FY20 reflect a significant improvement from a loss of LKR 199 Mn in FY19. This reflects significant operational improvement and cost management initiatives implemented by the management.

Balance Sheet Indicators

The Company's working capital position improved by approximately LKR 800 Mn in FY21 as current assets rose by a larger margin than current liabilities during the year. This primarily reflects a significant increase in inventories as the company increased stocks of raw materials to mitigate the impact of global logistics disruptions, while customers similarly extended their delivery dates. Trade receivables also increased due to the extension of credit terms to key customers during the initial phase of the pandemic, though this was partially offset by the extension of credit terms with the Company's own suppliers.

The Company's debt-to-equity ratio improved from 5.60 in FY20 to 3.98 in FY21. This reflects the ongoing settlement of long-term debt by the Group and a decrease in short-term borrowing as a result of the reduced working capital requirement.

Performance Summary for the period ended 30 September 2021 (6 Months)

Income Indicators		
LKR	6 Months Ended 30 September 2020	6 Months Ended 30 September 2021
Revenue	11,809,013,277	26,380,874,384
Gross Profit	1,743,153,828	3,812,856,369
Profit after tax	(108,347,046)	619,661,513
Gross Profit Margin	14.8%	14.5%
Net Profit Margin	-0.9%	2.3%

Balance Sheet Indicators		
LKR	31st March 2021	30th September 2021
Debt to Equity Ratio	3.98	4.55
Interest coverage Ratio	0.82	2.04
Current Ratio	0.76	0.81
Current Assets	14,590,813,318	21,166,201,391
Current Liabilities	19,283,728,264	26,259,041,487
Working capital	**(4,692,914,946)**	**(5,092,840,096)**

7. OTHER DISCLOSURES

Income Indicators

The revenue of the HELA Group more than doubled in H1 FY22 to LKR 26,381 Mn, compared to LKR 11,809 Mn in H1 FY21. As mentioned above, H1 of FY21 was significantly impacted by the COVID-19 pandemic and the resultant drop in demand from the Company's customers. Demand recovered strongly in H2 FY21 and this momentum continued into H1 FY22.

Gross profits also rose significantly to LKR 3,813 Mn in H1 FY22 as a result of the recovery in revenue. There was a marginal decrease in the gross profit margin, from 14.8% in H1 FY21 to 14.5% in H1 FY22, as a result of a significant increase in logistics costs globally. The strong order book also led to increase in subcontracted production through third party manufactures, which contributed to the reduction in gross profit margin. Nonetheless, the dramatic increase in revenue and the various cost control initiatives implemented by the Company, drove a significant increase profit after tax to LKR 620 Mn in H1 FY22, compared to loss of LKR 108 Mn in H1 FY21.

Balance Sheet Indicators

The Company's working capital position deteriorated by approximately LKR 400 Mn between 31st March and 30th September as the increase in current liabilities outpaced that of current assets. This primarily reflects the increased working capital requirement as result of the rapid growth in sales, which has in turn been funded by an increase in short-term borrowing. As such, the debt-to-equity ratio increased from 3.98 to 4.55 during the same period

The Company's working capital position is expected to improve in future as disruptions to global logistics ease, which will support a reduction in total inventory days. Customer credit terms are also expected to be gradually reduced to pre-pandemic levels and the company is exploring the possibility of further improving credit terms with its suppliers. In addition, HELA is pursuing a number of initiatives to reduce its working capital cycle, such as sourcing raw materials from producers located closer to its manufacturing facilities, particularly in Africa. These factors are also expected to support a reduction in short-term borrowing.

7.11 PARTICULARS OF DEBT AND LOAN CAPITAL

7.11.1 Summary of Debt and Loan Capital of the HELA Group:

The balances given below are as per the unaudited interim financial statements dated 30th September:

Categorized to when it is Payable (LKR):	30 September 2021
Amount Payable Within 1 Year *	18,157,821,646
Amount Payable After 1 Year	1,385,821,287
Total Debt and Loan Capital	**19,543,642,933**

* Includes Bank Overdraft Balance of LKR 274,477,099

Categorized to Type of Debt (LKR):	30 September 2021	Composition
Long Term Loans	3,392,960,697	17.36%
Packing Credit Loans	12,037,555,231	61.59%
Bill Discounting Facilities	3,588,639,590	18.36%
Shareholder Loans	250,010,316	1.28%
Bank Overdraft	274,477,099	1.40%
Total Debt and Loan Capital	**19,543,642,933**	**100.00%**

Please refer section 3.5.1 for risks associated with an interest rate increase and its impact to the financials of the Company.

7.11.2 Particulars of Long Term Loans:

The balances given below are as per the unaudited interim financial statements dated 30th September

Borrower	Financial Institution	Date Borrowed	Term (Months)	Purpose of Loan	Interest rate p.a.	30 September 2021 (LKR)
FDN	BOC	21-May-2020	36	For CAPEX requirements	3.15% p.a. + 3M LIBOR (Floor Rate 4.25%)	77,468,878
	BOC	9-Jul-2020	24	Working Capital Financing	3.5% p.a. + 3M LIBOR	303,178,178
	Sampath	9-Feb-2017	91	Acquisition of Alpha Textiles Pvt Ltd	5% p.a. + 6M LIBOR	186,150,869
	Sampath	25-Nov-2020	18	Working Capital Financing	4% p.a.	21,480,941
	DFCC	7-Apr-2017	65	Acquisition of Eco Apparel	3.75% p.a. + 6M LIBOR	51,839,067
	Sampath	23-Aug-2017	6	Working Capital Financing	AWPLR+1.5%	120,078,011
	People's	23-Aug-2017	36	Working Capital Financing	5.50%	291,681,202
HCPL	HNB	11-Feb-2016	30	Acquisition of the remaining 49% shareholding in both FDNG & FDNS	4% + 3M LIBOR	774,805,766
	NDB	9-Nov-2015	62	For share repurchase to the main shareholder of Hela	5.1% pa + 6M LIBOR	204,316,228
	NDB	9-Nov-2015	62	Purchase of Disaster Recovery Servers & Sewing Machinery	5.1% + 6M LIBOR	48,352,877
	NDB	1-Nov-2019	72	Packing credit loan of USD 3Mn converted to a term loan	7% p.a.	558,361,684
	NDB	16-Jun-2020	18	Working Capital Financing	4% p.a	12,500,616
	NDB	16-Jun-2020	18	Working Capital Financing	11.25% p.a	87,504,374
	NDB	14-Oct-2020	18	Working Capital Financing	4% p.a	18,000,901
	COMB	12-Mar-2019	35	Restructuring of the outstanding balance of Loan No 2295099	4% + 3M LIBOR	355,240,584
	HNB	16-Jul-2019	48	Finance the SAP software project	5.5% + 3M LIBOR	144,808,849
HIHL	BOC	5-May-2017	60	For CAPEX requirements	4.5% p.a. + 3M LIBOR	137,191,672
						3,392,960,697

7. OTHER DISCLOSURES

7.11.3 Particulars of Short-Term Financing Facilities:

The following are the particulars of the short-term financing facilities of the HELA Group as per the unaudited interim financial statements 30 September 2021:

Borrower	Financial Institution	Type of Facility	Interest rate p.a.	30 September 2021 (LKR)
FDN	NDB	Packing Credit	5.5%	11,447,173
	Sampath	Packing Credit	4.00% + LIBOR (3 Month) - Floor rate 5%	5,983,000
	BOC	Packing Credit	2.9% + LIBOR (3 Month)	10,699,796
	DFCC	Packing Credit	3.5% + LIBOR (3 Month) Floor rate - 4%	7,390,335
	SCB	Packing Credit	3.35% + LIBOR (3 Month)	2,969,560
	People's	Packing Credit	5.8%	4,990,000
	BOC	Bill Discounting	1.75% + LIBOR (3 Month)	11,364,759
	COMB	Packing Credit	5.5% + 3 Months Libor	2,500,000
HCPL	NDB	Packing Credit	5.5%	880,000
	Sampath	Packing Credit	4.00% + LIBOR (3 Month)- Floor rate 5%	1,991,000
	HNB	Packing Credit	3.4%+Libor (1 Month)	8,069,071
	COMB	Packing Credit	5.5% + 3 Months Libor	1,000,000
HIHL	BOC	Packing Credit	4.5% + LIBOR (3 Month)	2,264,827
	BOC	Bill Discounting	4% + LIBOR (3 Month)	6,577,540
				78,127,063

7.11.4 Particulars on Mortgages and Charges on the Assets of the Entity:

Given below are the particulars of the assets of the HELA Group that have been mortgaged for its borrowing facilities. There are no other assets of the Group that are mortgaged as at the date of this Prospectus.

Company	Financial Institution	Assets Pledged	Mortgage Type	Legal Owner of Assets Pledged	Mortgage Amount (USD)
FDN	BOC	Machinery	Primary Mortgage	FDN	664,000
FDN	BOC	Corporate Guarantee of Hela Clothing (Pvt) Ltd & Personnel Guarantee of Mr Dilanka Jinadasa	Corporate Guarantee	HCPL	2,299,200
FDN	Sampath	Primary mortgage with a power of attorney over 100% unquoted ordinary shares of Alpha Textiles (Pvt) Ltd owned by Hela Clothing (Pvt) Ltd .Negative Pledge over all immovable and movable assets owned by Alpha Textiles (Pvt) ltd	Primary Mortgage	Alpha Textiles (Pvt) Ltd	2,000,000
FDN	DFCC	Eco Apparel and corporate Guarantee from Hela clothing (Pvt) Ltd	Primary Mortgage	Eco Apparel	1,250,000
FDN	People's	Corporate Guarantee from Hela Apparel Holdings & Hela Clothing	Corporate Guarantee	FDN	5,000,000
HCPL	NDB	Primary Mortgage over machinery already mortgaged to NDB, P/C/M over "Palapathwala" property already mortgaged to NDB & NTB for $560k	Primary Mortgage	HCPL	1,266,690
HCPL	NDB	Primary Mortgage over machinery and equipment already mortgaged to NDB.	Primary Mortgage	HCPL	299,952
HCPL	NDB	Same TL LD1530775030 mortgage of Palapathwala property has been extended	Primary Mortgage	HCPL	3,000,000
HCPL	COMB	Corporate Guarantee by Foundation Garments Pvt Ltd.	Corporate Guarantee	FDN	4,800,000
HCPL	HNB	Existing Mortgage Bond for USD 20.0 Mn over unquoted company shares of Foundation Garments (Pvt) Ltd and a Mortgage Bond by way of additional security over the ordinary shares of FDN Sourcing (Pvt) Ltd	Unquoted company shares of Foundation Garments (Pvt) Ltd	FDN	20,000,000
FDN	NDB	Concurrent Mortgage	Concurrent Mortgage	FDN	9,500,000
FDN	Sampath	Concurrent Mortgage	Concurrent Mortgage	FDN	6,000,000
FDN	BOC	Concurrent Mortgage	Concurrent Mortgage	FDN	7,000,000
FDN	DFCC	Concurrent Mortgage	Concurrent Mortgage	FDN	4,000,000
FDN	SCB	Concurrent Mortgage	Concurrent Mortgage	FDN	3,600,000
FDN	People's	Corporate Guarantee from Hela Clothing (Pvt) Ltd & Hela Apparel Holdings Ltd	Corporate Guarantee	HELA & HCPL	5,000,000

7. OTHER DISCLOSURES

Company	Financial Institution	Assets Pledged	Mortgage Type	Legal Owner of Assets Pledged	Mortgage Amount (USD)
FDN	COMB	Concurrent Mortgage	Concurrent Mortgage	HCPL	3,000,000
HCPL	NDB	Concurrent Mortgage	Concurrent Mortgage	HCPL	900,000
HCPL	Sampath	Concurrent Mortgage	Concurrent Mortgage	HCPL	2,000,000
HCPL	HNB	Concurrent Mortgage	Concurrent Mortgage	HCPL	8,500,000
HCPL	COMB	Corporate Guarantee from Foundation Garments (Pvt) Ltd	Corporate Guarantee	FDN	1,000,000
HIHL	BOC	Corporate Guarantee from Hela Clothing (Pvt) Ltd	Corporate Guarantee	HCPL	3,000,000
HIHL	BOC	Corporate Guarantee from Hela Clothing (Pvt) Ltd	Corporate Guarantee	HCPL	3,000,000
HIHL	BOC	Corporate Guarantee from Hela Clothing (Pvt) Ltd	Corporate Guarantee	HCPL	3,000,000

7.12 PRIOR EVENTS WHICH THE COMPANY HAS RECTIFIED:

Serious loss of capital

Both the Company and Company's predecessor (i.e. Hela Clothing (Pvt) Ltd) faced a serious loss of capital[23] situation in FY19 and FY18, while the Group also faced a similar situation in FY17. This reflects a period of substantial structural change for the company, particularly the establishment of its initial overseas subsidiaries in East Africa. These subsidiaries required an extended period to reach sufficient levels of revenue generation and profitability. However, the current management was successful in rectifying this situation through it strong customer relationships and a sustained focus on improving operational efficiencies, as is evidenced in the substantial growth in revenue and profits in subsequent financial years, even during the disruption caused by the COVID-19 pandemic. As such, the Company's equity position has increased by LKR 2,920 million since FY19 and it has not faced such a situation since this period.

Qualified audit opinion in FY18 for Hela Clothing (Pvt) Ltd

The auditors have provided a Qualified Opinion in the FY18 Consolidated Audited Financial Statements for Hela Clothing (Pvt) Ltd, as auditors were not appointed on a timely manner for one of its subsidiaries and therefore could not be present for the physical inventory count. On the subsequent financial audits, the Company ensured timely appointment of the auditors and it has also ensured the they have been present for the necessary physical inventory count. The Company has not received a Qualified Opinion from the Auditors in the any subsequent period.

Please refer to Section 3.3 of the Accountant's report for details of previous audit reports and financial statements.

[23] A Company faces a serious loss capital situation when the net assets of the company are less than half of its stated capital.

7.13 RECENT AMENDMENTS MADE TO THE STATUTES/REGULATIONS APPLICABLE TO THE COMPANY

Repatriation of export proceeds into Sri Lanka and conversion of such export proceeds to Sri Lanka Rupees

The Monetary Board of the Central Bank issued new Rules, as published in the Gazette Extraordinary No. 2251/42 dated 28 October 2021, in respect of repatriation of export proceeds into Sri Lanka and conversion of such export proceeds to Sri Lanka Rupees, repealing the existing Rules issued under the Monetary Law Act, No.58 of 1949. The new Rules are applicable for both exporters of goods and services in Sri Lanka.

The new Rules require exporters such as Hela to convert, the residual (remaining balance of such export proceeds received), into Sri Lanka Rupees, on or before the seventh (7th) day of the succeeding month, upon meeting following authorized payments.

- outward remittances in respect of current transactions;
- withdrawal in foreign currency notes, as permitted;
- debt servicing expenses and repayment of foreign currency loans;
- purchases of goods and obtaining services including one-month commitments; and
- payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received.

Accordingly, with the issuance of these Rules, exporters are able to meet all the expenditure relating to export of goods and services, out of their export proceeds.

7.14 OTHER DISCLOSURES IN RELATION TO THE FINANCIAL STATEMENTS OF THE COMPANY

Functional & Presentation Currency

The Company's financial statements disclosed as Annexures to this prospectus are prepared and presented in Sri Lankan Rupees (LKR), for the convenience of investors. The financial statements are initially prepared in US Dollars (USD) as this is the functional currency of the Company. The Directors of the Company are of the opinion that the use of USD as the functional currency provides information about the Company and its subsidiaries that is useful and reflects the economic substance of the underlying events and circumstances as the majority of the its transactions are defined in this currency. Please refer to Note 22 (c) of the Audited Financial Statements of the Company for FY21 (Annexure 3) for further details on the foreign currency translation in the financial statements.

Basis of Preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), relevant interpretations of the Standing Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC). Please note that Note 22 (a)-iii of the Audited Financial Statements of the Company for FY21 (Annexure 3) incorrectly refers to International Accounting Standards (IAS) and

7. OTHER DISCLOSURES

International Financial Reporting Standards (IFRS). This note should instead refer to the following standards and amendments applied for the first time for the annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to LKAS 1 and LKAS 8
- Definition of a Business – amendments to SLFRS 3
- Interest Rate Benchmark Reform – amendments to SLFRS 9, LKAS 39 and SLFRS
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. In addition, Note 11 (b)-ii and Note 22 (n), state that the Group applies the IFRS 9 simplified approach to measuring expected credit losses and income is recognized in accordance with IFRS 15. The correct references should be to SLFRS 09 and SLFRS 15, respectively. The Company will ensure to avoid such inconsistent reference to account standards in future financial statements.

Additional Disclosure on the Audited Financial Statements of the Company

Net assets per share for the Group have been reported as LKR 314.79 at 31st March 2020 and LKR 396.94 at 31st March 2021 in the Audited Financial Statements for FY21. This calculation includes minority interests in subsidiaries that should be deducted from total equity attributable to show the net assets attributable to the parent company shareholders. Excluding these minority interest, net assets per share for Group is LKR 250.36 at 31st March 2020 and LKR 362.94 at 31st March 2021.

Note 6 of the Audited Financial Statements for FY21 provides details of the financial assets and liabilities of the company. The numbers provided for the Group as of 31st March 2020 have been incorrectly listed in USD, rather than LKR and the amended tables with this information are shown below. The Company will ensure the inclusion of the correct information in future financial statements.

Financial assets at amortised cost (LKR)				
	Group		Company	
	2021	2020	2021	2020
Financial Assets				
Trade receivables	5,288,323,019	4,690,931,243	-	-
Other financial assets at amortised cost	911,958,089	557,356,394	737,872,187	655,699,765
Cash and cash equivalents	1,896,512,633	1,803,918,370	2,173,914	9,826,393
	8,096,793,741	7,052,206,007	740,046,101	665,526,158

Financial assets at amortised cost (LKR)				
	Group		Company	
	2021	2020	2021	2020
Financial liabilities				
Trade and other payables	6,110,299,701	4,306,507,081	2,287,465	3,702,417
(excluding non-financial liabilities)	622,400,269	407,441,874	-	-
Lease liability	15,161,084,398	14,914,664,536	500,984	10,543
	21,893,784,368	19,628,613,491	2,788,449	3,712,960

The Company's balance sheet includes a significant amount of intangible assets, the majority of which are classified as Goodwill. As part of the annual audit, the Company tests whether these assets have been impaired. Based on the impairment test performed, no additional provision for impairment of goodwill were recognised during FY21, since the recoverable amounts exceeded the carrying value. Please refer to Note 7 (b) (ii) in the Audited Financial statements of the Company for FY21 for additional notes.

8. DECLARATIONS

8.0 DECLARATIONS

8.1 DECLARATION BY THE DIRECTORS

27 December 2021

We, the undersigned being the Directors of Hela Apparel Holdings Limited, hereby declare and confirm that we have read the provisions of the Companies Act No.7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any amendments made thereto from time to time, have been complied with and after making all reasonable inquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful inquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

We further declare that the profit forecasts have been included in this Prospectus after due and careful inquiry of the information available with the Company and assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

Name of Director	Designation	Signature
Albert Rasakantha Rasiah	Chairman, Non-Executive Director	Sgd.
Panadura Liyanage Dilanka Jinadasa	Group CEO, Executive Director	Sgd.
Aroshi Nanayakkara	Non-Executive Independent Director	Sgd.
Gayan Priyanka Gunawardana	Non-Executive Independent Director	Sgd.
Trisha Sandrine Peries	Non-Executive Independent Director	Sgd.
Alastair Alderton	Non-Executive Non-Independent Director	Sgd.
Patrick Schleiffer	Non-Executive Non-Independent Director	Sgd.

8.2 DECLARATION BY THE COMPANY

27 December 2021

We, Hela Apparel Holdings Limited, having our Registered Office at No. 35, Balapokuna Road, Colombo 6, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all of the Ordinary Voting Shares issued by the Company, and those Ordinary Voting Shares are the subject of this issue. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the shares issued.

Signed by the duly authorized signatory of the Entity on this 27th day of December 2021

Sgd
Director & Authorised Signatory

8. DECLARATIONS

8.3 DECLARATION BY JOINT MANAGERS AND FINANCIAL ADVISORS TO THE ISSUE

CT CLSA Capital (PVT) LTD

We, CT CLSA Capital (Pvt) Ltd of # 4-15, Majestic City, 10, Station Road, Colombo 04, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Issue and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

The Common seal of CT CLSA Capital (Pvt) Ltd is affixed on 27 December 2021 at Colombo in the presence of two Directors.

Sgd
Director

Sgd
Director

Capital Alliance Partners Limited

We, Capital Alliance Partners Limited of Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Issue and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

The Common seal of Capital Alliance Partners Limited is affixed on 27 December 2021 at Colombo in the presence of two Directors.

Sgd
Director

Sgd
Director

PROSPECTUS

INITIAL PUBLIC OFFERING

Hela Apparel Holdings Limited

Annexures to the Prospectus for the Initial Public Offering of Hela Apparel Holdings Limited

ANNEXURE 1

DETAILS OF CAPITAL REORGANIZATION AND ALLOCATION, VESTING AND ISSUE OF SHARES UNDER THE ESOP

ANNEXURE - 1

ANNEXURE 1 – DETAILS OF CAPITAL REORGANIZATION AND ALLOCATION, VESTING AND ISSUE OF SHARES UNDER THE ESOP

Table 1 - Allocation of Ordinary Voting Shares under the Capital Reorganization

Class of Shares	Total number of Shares issued/ allocated prior to Capital Reorganization	Shareholders who held the issued Shares under each class prior to Capital Reorganization		Conversion Ratio adopted under the Capital Reorganization (in respect of shares held by/ allocated to each shareholder)	Ordinary Voting Shares held by each shareholder/ allocated to entitled persons, pursuant to the Capital Reorganization, as converted based on the Conversion Ratio		Total Number of Ordinary Voting Shares that Shares in each Class have been converted to under the Capital Reorganization (the Relevant Number)
		Shareholder	Number of Shares		Shareholder/entitled persons	Number of Shares	
A4 Preference Shares	3,600,000	Lesing Hela Ltd	2,306,250	97.9911	Lesing Hela Ltd	225,991,983	352,767,973
		Tars Investments Lanka (Private) Limited	900,000		Tars Investments Lanka (Private) Limited	88,191,993	
		Panadura Liyanage Dilanka Jinadasa	393,750		Panadura Liyanage Dilanka Jinadasa	38,583,997	
A1 Preference Shares	3,200,000	Lesing Hela Ltd	1,600,000	92.0666	Lesing Hela Ltd	147,306,569	294,613,138
		Tars Investments Lanka (Private) Limited	1,600,000		Tars Investments Lanka (Private) Limited	147,306,569	
A2 Preference Shares	2,500,000	Lesing Hela Ltd	2,500,000	93.1915	Lesing Hela Ltd	232,978,733	232,978,733
A3 Preference Shares	700,000	Panadura Liyanage Dilanka Jinadasa	700,000	119.0937	Panadura Liyanage Dilanka Jinadasa	83,365,565	83,365,565
B Ordinary Shares (issued as at 2nd September 2021)	433	Lesing Hela Ltd	167	47,782.4664	Lesing Hela Ltd	7,979,671	20,689,805
		Panadura Liyanage Dilanka Jinadasa	245		Panadura Liyanage Dilanka Jinadasa	11,706,704	
		Harsha Guneratne	5		Harsha Guneratne	238,912	
		Weerakoon Mudiyanselage Ananda Weerakon	5		Weerakoon Mudiyanselage Ananda Weerakon	238,912	
		Polwatte Gallage Nipuna Naroththama Dias	10		Polwatte Gallage Nipuna Naroththama Dias	477,824	
		Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	1		Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	47,782	

Class of Shares	Total number of Shares issued/ allocated prior to Capital Reorganization	Shareholders who held the issued Shares under each class prior to Capital Reorganization		Conversion Ratio adopted under the Capital Reorganization (in respect of shares held by/ allocated to each shareholder)	Ordinary Voting Shares held by each shareholder/ allocated to entitled persons, pursuant to the Capital Reorganization, as converted based on the Conversion Ratio		Total Number of Ordinary Voting Shares that Shares in each Class have been converted to under the Capital Reorganization (the Relevant Number)
		Shareholder	Number of Shares		Shareholder/entitled persons	Number of Shares	
B Ordinary Shares (allocated to Monitane Holdings Limited and Dominic McVey on 19th November 2018 and subsequently issued to Dominic McVey on 30th September 2021)	640			47,782.4664	Monitane Holdings Limited and Dominic McVey	30,598,973 (The 640 B Ordinary Shares issued to Dominic McVey on 30th September 2021 were immediately converted to 30,598,973 Ordinary Voting Shares)	30,598,973
C Ordinary Shares (issued as at 2nd September 2021)	393	Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	90	53,421.7997	Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	4,807,961	20,994,759
		Albert Rasakantha Rasiah	80		Albert Rasakantha Rasiah	4,273,743	
		Ranjith Sanath Perera Amarathunga	90		Ranjith Sanath Perera Amarathunga	4,807,961	
		Yahan Chanidu Samarajeewa	20		Yahan Chanidu Samarajeewa	1,068,435	
		Warshapperuma Arachchige Rajitha Gunawardhana	27		Warshapperuma Arachchige Rajitha Gunawardhana	1,442,388	
		Pintherumahawaduge Shaminda Viraj Fernando	27		Pintherumahawaduge Shaminda Viraj Fernando	1,442,388	
		Ajith Rohana Kumara Delay	13		Ajith Rohana Kumara Delay	694,483	
		Wadu Thanthrige Sajeeka Gayani De Silva	20		Wadu Thanthrige Sajeeka Gayani De Silva	1,068,435	
		Rehan Ranjaka Joshua Perera	6		Rehan Ranjaka Joshua Perera	320,530	
		Nissanga Warnapura	20		Nissanga Warnapura	1,068,435	

Class of Shares	Total number of Shares issued/ allocated prior to Capital Reorganization	Shareholders who held the issued Shares under each class prior to Capital Reorganization		Conversion Ratio adopted under the Capital Reorganization (in respect of shares held by/ allocated to each shareholder)	Ordinary Voting Shares held by each shareholder/ allocated to entitled persons, pursuant to the Capital Reorganization, as converted based on the Conversion Ratio		Total Number of Ordinary Voting Shares that Shares in each Class have been converted to under the Capital Reorganization (the Relevant Number)
		Shareholder	Number of Shares		Shareholder/entitled persons	Number of Shares	
C Ordinary Shares granted but not vested so far (entitlement is subject to vesting)	267	-	-	53,421.7997	Employees who hold the unvested grants	14,263,616	14,263,616
C Ordinary Shares allocated under the ESOP but not granted so far (entitlement is subject to grant and vesting)	340	-	-	53,421.7997	Employees to whom grants may be made by the Company post listing	18,163,411	18,163,411
Total Ordinary Voting Shares							**1,068,435,973**

The conversion of the A1 Preference Shares, A2 Preference Shares, A3 Preference Shares, A4 Preference Shares, issued B Ordinary Shares, issued C Ordinary Shares and the B Ordinary Shares allocated to Monitane Holdings Limited and Dominic McVey (which were issued in the entirety to Dominic McVey on 30th September 2021) into the Relevant Number of Ordinary Voting Shares as set out above was effected by the sub-division of shares in each class of shares into the Relevant Number of shares in such class (with any fractions of shares arising from such sub-division being disregarded in the entirety) and thereafter modifying the terms of issue of such sub-divided shares to be consistent with the rights set forth in section 49(2) of the Companies Act.

The conversion of the 267 C Ordinary Shares (granted but not vested so far) and the 340 C Ordinary Shares (allocated under the ESOP but not granted so far) into the Relevant Number of Ordinary Voting Shares was carried out through a revision of the terms of the ESOP, by (i) reclassifying the shares underlying the ESOP as Ordinary Voting Shares and (ii) increasing the number of shares underlying the ESOP by multiplying (a) the C Ordinary Shares underlying the unvested grants held by each grantee, and (b) the C Ordinary Shares allocated and not granted yet, by the same Conversion Ratio adopted for the conversion of the issued C Ordinary Shares.

ANNEXURE - 1

Table 2 - Details Of Allocation, Vesting And Issue of Shares Under The ESOP

Prior to the Capital Reorganization where underlying shares were C Ordinary shares	Total no. of shares available to be allocated to the employees at the creation of the ESOP (A)	1,000 C Ordinary Shares
	Total no. of allocated shares already granted to the employees (B)	660 C Ordinary Shares
	Total no. of granted shares already vested and issued to employees (C)	393 C Ordinary Shares
	Total no. of allocated shares not granted as at the Capital Reorganization (A)- (B)	340 C Ordinary Shares
	Total no. of granted shares not yet vested (B) – (C)	267 C Ordinary Shares
After the Capital Reorganization where the underlying shares have been reclassified as Ordinary Voting Shares	Total no. of shares available to be allocated to the employees at the creation of the ESOP (A) (The figures are based on the number of Ordinary Voting Shares that (i) the existing C Ordinary Shares were converted to under the Capital Reorganization, (ii) were allocated in respect of the granted but unvested C Ordinary Shares and (iii) were allocated in respect of the originally allocated C Ordinary Shares which are remaining to be granted)	53,421,786 Ordinary Voting Shares
	Total no. of allocated shares already granted to the employees (B)	35,258,375 Ordinary Voting Shares
	Total no. of granted shares already vested and issued to employees (C)	20,994,759 Ordinary Voting Shares
	Total no. of allocated shares not granted as yet (A)- (B)	18,163,411 Ordinary Voting Shares
	Total no. of granted shares not yet vested and issued (B) – (C)	14,263,616 Ordinary Voting Shares (Out of this 6,837,989 Ordinary Voting Shares will vest and be issued on 1st August 2022 and the balance 7,425,627 shares will vest and be issued on 1st August 2023)

ANNEXURE 2

ACCOUNTANT'S REPORT AND FIVE-YEAR SUMMARY

ANNEXURE - 2

Confidential

TJ/REF00025/2021

4 October 2021

The Board of Directors
Hela Apparel Holdings (Private) Limited,
No. 35, Balapokuna Road,
Colombo 06.

Dear Sirs

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF HELA APPAREL HOLDINGS (PRIVATE) LIMITED

1. INTRODUCTION

This report has been prepared for the inclusion in the prospectus in connection with the initial public offering of two hundred and sixty seven million one hundred and eight thousand nine hundred and ninety eight (267,108,998) ordinary voting shares of Hela Apparel Holdings (Private) Limited at the share offer price of Sri Lankan Rupees Fifteen (LKR 15.00).

We have examined the audited consolidated financial statements of Hela Apparel Holdings (Private) Limited for the three financial years ended 31 March 2019 to 31 March 2021 and Hela Clothing (Private) Limited for the three financial years ended 31 March 2017 to 31 March 2019 and report as given below.

2. INCORPORATION

Hela Apparel Holdings (Private) Limited ("the Company") is a limited liability company incorporated on 11 October 2018 and is domiciled in Sri Lanka and bears the registration No. PV00205151 under the Companies Act No.07 of 2007. The status of Hela Apparel Holdings was changed from a private limited company to a limited company upon the adoption of the new articles of association on 7 September 2021. The Company's status will further change to that of Publicly Listed Company with effect from the date of Listing. The address of the registered office is, No 35 Balapokuna Road, Colombo 06, Sri Lanka. The Company together with its subsidiaries carry on the business of manufacturing and selling of apparel for export markets.

The Company passed a special resolution of the shareholders on 7 September 2021 to convert the status of the Company to a publicly listed company.

3. FINANCIAL STATEMENTS

3.1 Five-Year Summary of Audited Financial Statements

A summary of the consolidated statements of profit or loss, comprehensive income, balance sheets, changes in equity and cash flows of the Company and its subsidiaries ("the Group") as at and for the financial years ended 31 March 2019, 31 March 2020 and 31 March 2021 and, of Hela Clothing (Private) Limited and its subsidiaries as at and for the financial years ended 31 March 2017, 31 March 2018 and 31 March 2019 based on the consolidated financial statements of the respective financial years are set out in Annexure I of this Accountant's Report.

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Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, Ms S Perera ACA, 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

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3.2 Audited Financial Statements for the year the ended 31 March 2021

Our audit report on the financial statements of the Company and the Group for the year ended 31 March 2021 together with such financial statements comprising the consolidated statements of profit or loss, comprehensive income, balance sheet, statement of changes in equity, statement of cash flows along with the accounting policies and notes thereon is in the Prospectus.

3.3 Audit Reports

We have audited the financial statements of the Hela Apparel Holdings (Private) Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the financial years ended 31 March 2019, 31 March 2020 and 31 March 2021 and of Hela Clothing (Private) Limited ("the Company") and its subsidiaries ("the Group") for the financial years ended 31 March 2017 and 31 March 2018. Unmodified audit opinions have been issued for the said financial years except in the financial year ended 2018 as given below;

Basis for qualified opinion on the consolidated financial statements of the Hela Clothing (Private) Limited Group

A subsidiary company of the Group did not engage an auditor until 8 August 2018 and thus the counting of physical inventories was not observed by the subsidiary company auditor at the end of the year. The subsidiary company's auditors were unable to satisfy themselves by alternative means concerning the inventory quantities held at 31 March 2018, which were included in the subsidiary company's statement of financial position at LKR 317,773,881. Consequently, the subsidiary company's auditors were unable to determine whether adjustments might have been necessary for the amount shown as inventory and the results shown in the statement of profit or loss and other comprehensive income of the subsidiary. Accordingly, we are unable to state whether the inventory balances in the consolidated financial statements as of 31 March 2018 and the consolidated results for the year then ended are fairly stated.

3.4 Accounting Policies

The financial statements of the Company and its subsidiaries ("the Group") for the financial years ended 31 March 2017 to 31 March 2021 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company and the Group are stated in detail in the audited financial statements of Hela Apparel Holdings (Private) Limited for the year 31 March 2021. The changes in the accounting policies of the Company since 31 March 2017 to 31 March 2021 are summarized below:

Financial year	Accounting policy changes
2016/2017	There were no material changes
2017/2018	There were no material changes
2018 / 2019	Except for the following there were no material accounting policy changes to the financial statements of 2018/2019. • SLFRS 9 Financial Instruments • SLFRS 15 Revenue from Contracts with Customers
2019/2020	Except for the following there were no material accounting policy changes to the financial statements of 2019/2020. • SLFRS 16 Leases
2020/2021	There were no material changes

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3.5 Dividends

Hela Clothing (Private) Limited paid dividends in respect of ordinary shares for the year ended 31 March 2017 as follows.

Financial year	Dividends paid (LKR)	Dividend per share (LKR)
2016/17	151,240,000	13.85

Hela Apparel Holdings (Private) Limited and Hela Clothing (Private) Limited had not paid any further dividends for the other financial years covered by this Accountant's Report.

3.6 Events Occurring After the Balance Sheet Date

As disclosed in the audited financial statements, the following events occurred subsequent to 31 March 2021;

1. Hela Clothing (Private) Limited (direct subsidiary) disposed its ownership in Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited) to Foundation Garments (Private) Limited for a consideration of LKR 2,268,548,186 on 25 May 2021.

2. Hela Kenya (Private) Limited (indirect subsidiary), changed its name to Hela Investment Holdings Limited with effect from 19 May 2021.

3. 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 the balance stake from John Stuart Bennett Manufacturing Limited.

4. Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited, acquired 24%of the share capital of Sumbiri Intimates Apparels (Private) Limited, a company incorporated and domiciled in Ethiopia for a consideration of LKR 89,784,000 on 31 May 2021.

In addition to the above, the following were also noted after the issue of the 31 March 2021 audited financial statements:

(a) A reorganization of the Company's share capital was approved through a shareholders' resolution dated 02 September 2021. Pursuant to the share capital reorganization, 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. Accordingly, the Company has 1,005,409,973 ordinary voting shares in issue.

(b) At the Extraordinary General Meeting (EGM) held on 7 September 2021, the shareholders of the Company approved the following proposals;

- Revision of the Employee Share Ownership Plan (ESOP) from a share option scheme to a share grant scheme. Accordingly, the consideration for the issue of shares shall be the services rendered by the grantees to the Company and/or its subsidiaries and no cash payment from the grantees shall be necessary for the issuance of ordinary voting shares upon vesting. Shares underlying the ESOP (either issued or to be issued in future) are converted on the same basis as mentioned above.

- As part of the Company's share capital reorganization, to issue a further 30,598,973 ordinary voting shares to a new shareholder, increasing the current number of shares in issue to 1,036,008,946. These shares were issued on 30 September 2021.

3.7 Restriction on use

This report is made solely for the purpose of the Board of Directors of the Company to include in the prospectus issued in connection with the initial public offering of two hundred and sixty seven million one hundred and eight thousand nine hundred and ninety eight (267,108,998) ordinary voting shares of Hela Apparel Holdings (Private) Limited at the share offer price of Sri Lankan Rupees Fifteen (LKR 15.00).

Yours truly

ANNEXURE I
Five year summary – Balance sheets
(All amounts in Sri Lankan Rupees)

As at 31 March	Hela Apparel Holdings (Private) Limited						Hela Clothing (Private) Limited*					
	2020/21		2019/20		2018/19		2018/19		2017/18		2016/17	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
ASSETS												
Non-current assets												
Property, plant and equipment	3,560,886,307	-	3,550,253,737	-	3,755,195,730	-	3,755,195,639	961,239,029	3,384,467,457	1,040,817,618	2,687,145,206	907,385,856
Investment property	340,795,890	-	301,789,884	-	286,363,864	-	286,363,864	-	239,805,044	-	196,999,931	-
Right-of-use assets	562,667,370	-	372,592,830	-	-	-	-	-	-	-		-
Intangible assets	7,271,434,771	916,380	6,730,946,023	1,672,423	6,674,902,931	-	5,318,802,246	9,934,130	3,056,190,177	32,001,562	2,986,318,227	35,822,404
Capital work-in-progress	42,338,794	-	78,488,423	-	51,636,762	-	51,636,762	-	61,598,923	-	162,788,153	-
Investment in subsidiaries	-	1,236,265,748	-	1,064,776,410	-	141,608,389	-	4,784,192,118	-	4,172,316,120	-	4,229,894,386
Pre-paid rentals	-	-	-	-	8,903,516	-	8,903,516	-	8,055,098	-	3,263,154	-
Other investments	-	-	-	-	-	-	-	-	-	-	1,512	-
Deferred tax assets	290,374,861	-	289,034,745	-	-	-	-	-	-	-	43,649,073	64,192,911
Other financial assets at amortised cost	220,934	-	201,776	-	694,028	-	694,028	1,798	1,549	1,549	-	1,512
Trade and other receivables	-	-	-	-	-	-	-	-	402,662	-	5,538,258	-
Held to maturity financial assets	-	-	-	-	-	-	-	-	106,323,211	-	92,459,515	-
Total non-current assets	**12,068,718,927**	**1,237,182,128**	**11,323,307,418**	**1,066,448,833**	**10,777,696,831**	**141,608,389**	**9,421,596,055**	**5,755,367,075**	**6,856,844,121**	**5,245,136,849**	**6,178,163,029**	**5,237,297,069**
Current assets												
Inventories	5,453,106,060	-	3,694,253,680	-	2,976,213,937	-	2,976,213,937	778,282,999	2,521,226,298	994,609,211	2,248,107,434	1,285,961,808
Trade and other receivables	6,200,060,174	737,872,187	5,248,085,861	655,699,765	5,866,668,848	911,867,041	5,866,668,848	2,059,210,743	6,423,914,059	2,268,303,455	4,998,416,816	2,379,907,196
Prepaid rentals	-	-	-	-	117,409	-	117,409	-	1,434,561	-	93,315	-
Finance lease receivables	-	-			-	-	-	-	-	-	587,265	-
Other assets	1,034,839,811	-	983,073,874	14,724	-	-	-	-	-	-	-	-
Income tax receivables	6,294,640	-	15,075,197	-	14,852,379	-	14,522,086	6,278,256	15,043,297	6,531,487	14,580,897	6,538,861
Cash and cash equivalents	1,896,512,633	2,173,914	1,803,918,370	9,826,393	937,545,884	6,863,482	930,682,378	50,045,712	882,477,601	383,279,710	907,726,600	754,456,959
Total current assets	**14,590,813,318**	**740,046,101**	**11,744,406,982**	**665,540,882**	**9,795,398,457**	**918,730,523**	**9,788,204,658**	**2,893,817,710**	**9,844,095,816**	**3,652,723,863**	**8,169,512,327**	**4,426,864,824**
Total assets	**26,659,532,245**	**1,977,228,229**	**23,067,714,400**	**1,731,989,715**	**20,573,095,288**	**1,060,338,912**	**19,209,800,713**	**8,649,184,785**	**16,700,939,937**	**8,897,860,712**	**14,347,675,356**	**9,664,161,893**
Equity												
Stated capital	1,723,898,790	1,723,898,790	1,723,896,190	1,723,896,190	1,039,658,636	1,039,658,636	1,215,852,075	1,215,852,075	1,215,852,075	1,215,852,075	1,215,852,075	1,215,852,075
Advance against share capital	-	-	-	-	-	-	911,539,971	911,539,971	-	-	-	-
Other reserves	86,065,358	82,221,964	(1,023,579)	-	-	-	613,352,227	561,770,633	607,662,107	561,770,633	413,721,293	370,204,644
Retained earnings/ (Accumulated losses)	1,313,834,962	(32,603,524)	582,924,827	(27,911,669)	(192,255,177)	5,760,451	(3,277,375,651)	(2,417,732,271)	(2,884,306,785)	(2,088,514,160)	(1,357,671,555)	(864,370,520)
Exchange equalization reserve	505,768,939	200,922,550	197,799,649	32,292,234	676,726	455,862	52,576,723	348,650,347	187,234,999	363,585,504	127,478,596	349,272,978
Non-controlling interest	340,115,765	-	230,749,488	-	201,070,346	-	184,374,622	-	78,443,213	-	126,686,562	-
Total equity	**3,969,683,814**	**1,974,439,780**	**2,734,346,575**	**1,728,276,755**	**1,049,150,531**	**1,045,874,949**	**(299,680,033)**	**620,080,755**	**(795,114,391)**	**52,694,052**	**526,066,971**	**1,070,959,177**
Non-current liabilities												
Borrowings	2,063,220,376	-	2,240,388,147	-	3,234,994,503	-	3,234,994,503	2,339,379,778	1,899,339,309	1,277,632,897	2,726,726,982	2,032,426,641
Deferred income tax liabilities	357,485,792	-	377,430,541	-	167,330,690	-	167,330,690	-	78,677,522	-	-	-
Lease liabilities	548,511,446	-	103,701,673	-	-	-	-	-	-	-	-	-
Other payable					-	-	-	-	154,870,000	154,870,000	302,480,000	302,480,000
Employee benefit obligations	436,902,553	-	327,323,793	-	246,254,619	-	246,254,619	92,214,925	206,655,121	129,236,382	188,657,381	130,204,028
Total non-current liabilities	**3,406,120,167**	**-**	**3,048,844,154**	**-**	**3,648,579,812**	**-**	**3,648,579,812**	**2,431,594,703**	**2,339,541,952**	**1,561,739,279**	**3,217,864,363**	**2,465,110,669**
Current liabilities												
Trade and other payables	6,110,299,701	2,287,465	4,306,507,081	3,702,417	4,431,328,685	430,080	4,430,898,603	2,481,472,840	3,061,474,961	2,464,538,458	2,673,809,316	1,814,985,867
Lease liabilities	73,888,823	-	303,740,201	-	-	-	-	-	-	-	-	-
Income tax liabilities	1,675,718	-	-	-	-	-	-	-	281,089	-	1,392,467	-
Borrowings	13,097,864,022	500,984	12,674,276,389	10,543	11,444,036,260	14,033,883	11,430,002,331	3,116,036,487	12,094,756,326	4,818,888,923	7,928,542,239	4,313,106,180
Total current liabilities	**19,283,728,264**	**2,788,449**	**17,284,523,671**	**3,712,960**	**15,875,364,945**	**14,463,963**	**15,860,900,934**	**5,597,509,327**	**15,156,512,376**	**7,283,427,381**	**10,603,744,022**	**6,128,092,047**
Total liabilities	**22,689,848,431**	**2,788,449**	**20,333,367,825**	**3,712,960**	**19,523,944,757**	**14,463,963**	**19,509,480,746**	**8,029,104,030**	**17,496,054,328**	**8,845,166,660**	**13,821,608,385**	**8,593,202,716**
Total equity and liabilities	**26,659,532,245**	**1,977,228,229**	**23,067,714,400**	**1,731,989,715**	**20,573,095,288**	**1,060,338,912**	**19,209,800,713**	**8,649,184,785**	**16,700,939,937**	**8,897,860,712**	**14,347,675,356**	**9,664,161,893**

* Hela Apparel Holdings (Private) Limited was incorporated on 11 October 2018. Therefore, the summary balance sheets for the financial years 2016/17, 2017/18 and 2018/19 relate to the consolidated and entity balance sheets of Hela Clothing (Private) Limited. Hela Clothing (Private) Limited was incorporated on 29 July 1991.

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Group Chief Financial Officer

Summarised financial information and its extraction from the audited financial statements, as set out in pages 1 to 7 is the responsibility of the Board of Directors

.....
Director
Date: 06-10-2021

.....
Director
Date: 06-10-2021

ANNEXURE I
Five year summary – Statements of profit or loss
(All amounts in Sri Lankan Rupees)

For the year ended 31 March	Hela Apparel Holdings (Private) Limited						Hela Clothing (Private) Limited					
	2020/21		2019/20		2018/19*		2018/19**		2017/18		2016/17	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Revenue	32,155,092,492	-	32,874,321,057	-	16,155,221,399	-	32,310,442,127	7,338,547,460	24,135,054,739	9,581,464,451	18,400,041,990	9,903,023,963
Gross profit	**6,065,467,624**	-	**6,996,160,102**	-	**2,653,580,147**	-	**5,307,159,622**	**1,114,135,164**	**3,522,940,100**	**799,615,224**	**2,329,697,249**	**642,906,027**
Distribution expenses	(598,519,088)	-	(590,653,279)	-	(348,137,108)	-	(696,274,216)	(59,631,258)	(505,546,694)	(128,415,543)	(511,680,933)	(184,460,330)
Administrative expenses	(3,835,455,289)	(4,359,032)	(4,570,881,965)	(2,299,389)	(2,061,067,499)	-	(4,121,331,956)	(1,081,231,246)	(4,066,507,908)	(1,591,142,851)	(3,023,164,533)	(1,191,386,166)
Net impairment losses on financial assets	(16,762,980)	-	(74,994,477)		-	-	-	-	-	-	-	-
Other income	262,843,784	-	142,728,187	-	74,930,690	-	149,861,044	15,160,947	76,707,336	33,264,109	33,445,676	67,388,710
Other gains/(losses) - net	82,449,589	(420,963)	85,477,075	(30,259,135)	147,567,572	-	295,135,145	34,092,366	84,816,532	(4,401,168)	(4,493,707)	(157,826,916)
Operating profit/(loss)	**1,960,023,640**	**(4,779,995)**	**1,987,835,643**	**(32,558,524)**	**466,873,802**	**(401,521)**	**934,549,639**	**22,525,973**	**(887,590,634)**	**(891,080,229)**	**(1,176,196,248)**	**(823,378,675)**
Finance (costs)/income - net	(1,047,924,366)	116,517	(1,168,507,012)	480,838	(552,220,372)	6,161,972	(1,116,764,691)	(378,317,497)	(615,955,927)	(312,866,321)	(379,746,462)	(267,459,177)
Profit/ (loss) before income tax	**912,099,274**	**(4,663,478)**	**819,328,631**	**(32,077,686)**	**(85,346,570)**	**5,760,451**	**(182,215,052)**	**(355,791,524)**	**(1,503,546,561)**	**(1,203,946,550)**	**(1,555,942,710)**	**(1,090,837,852)**
Income tax expense	(40,563,563)	(28,377)	(51,848,669)	(1,594,434)	(113,289,385)	-	(226,578,771)	-	(86,534,139)	(32,740,693)	137,788,309	68,365,794
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	(395,362,671)	-
Profit/(loss) for the year	**871,535,711**	**(4,691,855)**	**767,479,962**	**(33,672,120)**	**(198,635,955)**	**5,760,451**	**(408,793,823)**	**(355,791,524)**	**(1,590,080,700)**	**(1,236,687,243)**	**(1,813,517,072)**	**(1,022,472,058)**
Profit for the year attributable to:												
- Owners of the Parent	766,845,546	(4,691,855)	804,588,893	(33,672,120)	(192,255,177)	5,760,451	(396,032,266)	(355,791,524)	(1,539,555,657)	(1,236,687,243)	(1,782,179,942)	(1,022,472,058)
- Non-controlling interest	104,690,165	-	(37,108,931)	-	(6,380,778)	-	(12,761,557)	-	(50,525,043)	-	(31,337,130)	-
Profit/ (loss) for the year	**871,535,711**	**(4,691,855)**	**767,479,962**	**(33,672,120)**	**(198,635,955)**	**5,760,451**	**(408,793,823)**	**(355,791,524)**	**(1,590,080,700)**	**(1,236,687,243)**	**(1,813,517,072)**	**(1,022,472,058)**
Earnings/(loss)per share for profit/(loss) attributable to the equity holders of the Company:												
- Basic/diluted earnings/(loss) per share	76.68	(0.47)	100.57	(4.21)	(31.93)	0.96	(35.76)	(32.13)	(140.99)	(111.67)	(163.20)	(93.63)
- Dividends per share	-	-	-	-	-	-	-	-	-	-	13.85	13.85

Notes

*The consolidated financial performance presented for the year 31 March 2019 reflect financial performance of the Hela Apparel Holdings (Private) Limited and its subsidiaries for the period from the incorporation date (11 October 2018) which is approximately 05 months' performance

**Hela Clothing (Private) Limited's consolidated financial performance presented for the year 31 March 2019 is a full year consolidated and entity financial statements

Five year summary – Statements of comprehensive income
(All amounts in Sri Lankan Rupees)

For the year ended 31 March	Hela Apparel Holdings (Private) Limited						Hela Clothing (Private) Limited					
	2020/21		2019/20		2018/19*		2018/19**		2017/18		2016/17	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Profit/(loss) for the year	**871,535,711**	**(4,691,855)**	**767,479,962**	**(33,672,120)**	**(198,635,955)**	**5,760,451**	**(408,793,823)**	**(355,791,524)**	**(1,590,080,700)**	**(1,236,687,243)**	**(1,813,517,072)**	**(1,022,472,058)**
Other comprehensive income:												
Items that will be reclassified to profit or loss												
Currency translation differences	307,969,290	168,630,316	197,122,923	31,836,372	676,726	455,862	(134,658,276)	(14,935,157)	59,756,403	14,312,526	28,462,122	79,037,869
Items that will not be reclassified to profit or loss												
Gains on revaluation of land and buildings	11,414,868	-	14,021,704	-	-	-	12,280,470	-	237,947,667	225,748,872	-	-
Income tax relating to this item	(1,871,783)	-	(16,028,721)	-	-	-	(1,123,319)	-	(41,725,160)	(34,182,883)	-	-
Remeasurements of post-employment benefit obligations	(40,447,234)	-	(32,712,951)	-	-	-	3,842,987	26,573,413	13,750,663	12,568,265	85,375,217	69,741,059
Income tax relating to this item	4,511,823	-	3,304,062	-	-	-	(879,586)	-	(830,236)	(24,662)	(4,350,010)	(3,628,142)
Other comprehensive income for the year, net of tax	**281,576,964**	**168,630,316**	**165,707,017**	**31,836,372**	**676,726**	**455,862**	**(120,537,724)**	**11,638,256**	**268,899,337**	**218,422,118**	**109,487,329**	**145,150,786**
Total comprehensive income for the year	**1,153,112,675**	**163,938,461**	**933,186,979**	**(1,835,748)**	**(197,959,229)**	**6,216,313**	**(529,331,547)**	**(344,153,268)**	**(1,321,181,363)**	**(1,018,265,125)**	**(1,704,029,743)**	**(877,321,272)**

Notes

*The consolidated financial performance presented for the year 31 March 2019 reflect financial performance of the Hela Apparel Holdings (Private) Limited and its subsidiaries for the period from the incorporation date (11 October 2018) which is approximately 05 months' performance.

**Hela Clothing (Private) Limited's consolidated financial performance presented for the year 31 March 2019 is a full year consolidated and entity financial statements

Five year summary – Statements of cash flows
(All amounts in Sri Lankan Rupees)

For the year ended 31 March	Hela Apparel Holdings (Private) Limited						Hela Clothing (Private) Limited					
	2020/21		2019/20		2018/19*		2018/19**		2017/18		2016/17	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Cash flows from Operating activities												
Profit/(loss) before income tax from continuing operations	912,099,274	(4,663,478)	819,328,631	(32,077,686)	(85,346,571)	5,760,451	(182,215,052)	(355,791,524)	(1,503,546,561)	(1,203,946,550)	(1,951,305,381)	(1,090,837,852)
Adjustments for:												
Depreciation	563,395,159	-	485,253,660	-	237,326,091	-	474,652,183	183,176,386	282,947,050	189,115,415	361,533,901	158,895,244
Amortization	115,574,131	863,726	28,114,173	824,090	13,445,418	-	26,890,668	13,279,908	27,125,114	15,084,401	21,498,798	16,004,644
Amortization of right of use assets	236,738,804	-	251,213,306	-	-	-	-	-	-	-	-	-
Provision for retirement benefit	96,191,031	-	81,741,979	-	39,155,695	-	78,311,222	(2,370,015)	71,336,386	43,854,821	75,647,645	57,958,448
(Gains) / losses on sale of property, plant and equipment	952,805	-	11,195,436	-	(82,992,502)	-	(165,985,004)	(203,630,966)	153,212,321	(152,965,088)	11,931,891	(10,860,331)
Fair value adjustment to investment property	(14,318,199)	-	(6,892,076)	-	(3,714,070)	-	(7,428,141)	-	10,148,022	-	(898,918)	-
Non cash items relating to discontinued operation	-	-	-	-	-	-	-	-	-	-	3,981,803	-
Property plant and equipment write-off	-	-	-	-	-	-	-	-	(696,663)	-	3,499,138	-
Write-off assets/ liabilities net	-	-	-	-	-	-	-	-	(65,642,225)	-	-	-
Adjustments to property, plant and equipment	-	-	-	-	-	-	-	185,485	-	1,514,950	-	-
Write-off income tax receivable	-	-	-	-	-	-	-	-	-	162,524	-	-
Dividend income classified to cash flows from investing activities	-	-	-	-	-	-	-	-	-	(33,264,109)	-	-
Deferred expenses								5,969,102	-	-	-	-
Net interest expenses	1,047,924,366	(116,517)	1,168,507,014	(480,838)	552,220,373	(6,161,972)	1,116,764,691	378,317,496	(615,955,928)	312,866,321	379,746,462	267,459,177
Capital work in progress write off	-	-	-	-	-	-	-	-	-	-	9,925,122	-
Operating lease rent charged from prepaid lease amount	-	-	-	-	-	-	-	-	-	-	93,301	-
Provision for impairment of debtors	55,666,745	-	59,138,457	-	15,414,416	-	30,828,664	-	75,283,681	-	-	-
Issue of shares under employee share option plan	-	2,600	-	-			-	-		-	-	-
Impairment of investment in subsidiaries	-	-	-	-	-	-	-	-	(157,350,938)	157,350,938	-	-
Loss from disposal of subsidiary	-	-	-	-	-	-	-	-	-	15,318	192,070,323	175,782,644
Manager share issue	-	-	-	-	-	-	-	-	-	-	2,202	-
Share based payment expenses	82,222,006	15,731,201	-	-			-	-	-	-	-	-
Exchange difference	10,354,755	-	61,459,702	-	11,185,687	-	43,459,961	(1,582,416)	12,189,605	-	21,059,918	-
Changes in working capital												
- (Increase) / decrease in inventories	(1,329,486,730)	-	(675,350,156)	-	(21,982,106)		(45,873,452)	351,434,382	(248,960,390)	291,352,597	(790,822,074)	(437,734,738)
- (Increase) / decrease in trade and other receivables	(440,828,153)	19,931,125	(374,538,664)	315,566	733,426,418	(308,359)	1,471,526,898	1,237,124,339	(1,388,367,327)	111,603,741	(1,682,241,927)	(447,885,690)
- Increase / (decrease) in trade and other payables	1,317,030,166	(1,414,951)	(104,301,072)	3,272,337	211,484,548	401,521	632,117,452	(171,642,389)	248,104,267	498,572,634	1,177,470,720	849,899,835
Cash generated from/(used in) operations	**2,653,516,160**	**30,333,706**	**1,804,870,390**	**(28,146,531)**	**1,619,623,396**	**(308,359)**	**3,473,050,090**	**1,434,469,788**	**(3,100,173,587)**	**231,317,913**	**(2,166,807,076)**	**(461,318,619)**
Retirement benefits obligations paid	(38,889,482)	-	(33,432,238)	-	(16,157,868)	-	(32,315,568)	(25,041,691)	(40,428,032)	(35,383,967)	(25,257,414)	(19,790,196)
Income tax paid	(128,616,097)	-	(143,768,870)	(1,594,434)	(87,108,681)	-	(144,042,512)	1,217,992	(1,245,966)	-	(41,481,322)	(23,784,632)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(151,240,000)	(151,240,000)
Interest paid	(552,328,713)	(1,503)	(752,558,030)	(4,479)	(563,607,407)	(5,204)	-	(385,457,422)	(615,955,928)	(312,866,321)	(379,746,462)	(267,459,177)
Interest received	-	-	-	-	-	6,167,176	(1,127,204,408)	-	-	-	-	-
Net cash inflow/(outflow) from operating activities	**1,933,681,868**	**30,332,203**	**875,111,252**	**(29,745,444)**	**952,749,440**	**5,853,613**	**2,169,487,602**	**1,025,188,667**	**(3,757,803,513)**	**(116,932,375)**	**(2,764,532,274)**	**(923,592,624)**

Five year summary – Statements of cash flows (Contd)
(All amounts in Sri Lankan Rupees)

For the year ended 31 March	Hela Apparel Holdings (Private) Limited						Hela Clothing (Private) Limited					
	2020/21		2019/20		2018/19*		2018/19**		2017/18		2016/17	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Cash flows from investing activities												
Acquisition of subsidiary - net of cash acquired	-	-	-	-	(1,668,498,941)	-		-	-	-	-	-
Purchase of property, plant and equipment	(324,381,839)	-	(246,402,593)	-	(258,344,094)	-	(516,688,187)	(13,416,546)	(806,416,110)	(122,969,687)	(1,358,750,254)	(418,514,531)
Investment in held to maturity financial assets	-	-	-	-	-	-		-	-	-	(45,401,517)	-
Purchase of intangible assets	(3,393,640)	-	(10,904,317)	(2,472,269)	-	-	(1,692,084,530)	-	(18,205,443)	(10,454,841)	(87,682,828)	(29,308,274)
Proceeds from sales of property, plant and equipment	37,113,168	-	437,663	-	179,872,985	-	359,745,970	264,397,797	169,838,478	8,844,613	449,501,920	435,990,678
Proceeds from non controlling interest	-	-	-	-	-	-		-	-	-	14,925,296	-
Proceeds from sales of intangible assets	1,202,000	-	-	-	-	-	12,131,410	12,131,410	-	-	-	-
Repayment for finance leases	-	-	-	-	-	-		-	-	-	(1,031,589)	-
Proceeds from disposal of subsidiary, net of cash disposed	-	-	-	-	-	-		-	-	-	186,668,409	-
Amounts received from finance leases	-	-	-	-	-	-		-	-	-	1,687,196	-
Purchase of investment properties	(189,058)	-	-	-	-	-		-	-	-	-	-
Expenses incurred on capital work-in-progress	(20,975,619)	-	(64,211,265)	-	-	-	(45,853,309)	-	(15,968,433)	-	(169,920,431)	(93,442,925)
Proceeds from sales of intangible assets	-	-	-	-	6,065,789	-		-	-	-	-	
Disposal of subsidiary, net of cash disposed	-	-	-	-	-	-		-	32,919,556	-	-	(72,931,644)
Advances on investment	-	-	-	255,836,985	-	(911,536,750)		-	-	-	-	-
Investments made in subsidiaries	-	-	-	(923,168,021)	-	(132,205,025)		-	-	-	-	-
Proceeds from withdrawn fixed deposits							115,241,262	-	-	-	-	-
Amounts received from finance leases	-	-	-	-	-	-		-	989,696	-	-	-
Repayment for finance leases	-	-	-	-	-	-	(4,445,604)	-	(2,069,921)	-	-	-
Interest received	10,174,342	118,020	10,642,579	485,317	11,387,035	-	10,439,717	5,427,585	615,955,928	-	-	-
Dividend income from investment activities	-	-	-	-	-	-		-	-	33,264,109	-	-
Net cash (outflow)/inflow from investing activities	**(300,450,646)**	**118,020**	**(310,437,933)**	**(669,317,988)**	**(1,729,517,226)**	**(1,043,741,775)**	**(1,761,513,271)**	**268,540,246**	**(22,956,249)**	**(91,315,806)**	**(1,010,003,798)**	**(178,206,696)**
Cash flows from financing activities												
Proceeds from borrowings	36,116,860,608	-	46,978,044,018	(14,033,883)	-	14,033,883		9,737,983,454	3,370,840,019	10,420,705,197	16,546,853,187	1,499,361,143
Principal elements of lease payments	(262,137,919)	-	(244,550,004)	-	-	-		-	-	-	-	-
Repayment of borrowings	(37,112,003,894)	-	(46,936,972,828)	-	-	-	(940,656,722)	(11,249,965,618)	(956,076,953)	(11,082,529,956)	(13,250,801,099)	(512,489,489)
Issue of ordinary shares	-	-	-	-	-	1,039,658,636		-	-	-	-	-
Proceeds from advances received	-	-	694,798,490	684,237,554	970,664,214	-	964,233,162	-	-	-	-	-
Net cash (outflow)/inflow from financing activities	**(1,257,281,205)**	**-**	**491,319,676**	**670,203,671**	**970,664,214**	**1,053,692,519**	**23,576,440**	**(1,511,982,164)**	**2,414,763,066**	**(661,824,759)**	**3,296,052,088**	**986,871,654**
Net increase/(decrease) in cash and cash equivalents	**375,950,017**	**30,450,223**	**1,055,992,995**	**(28,859,761)**	**193,896,428**	**15,804,357**	**431,550,771**	**(218,253,251)**	**(1,365,996,696)**	**(870,072,940)**	**(478,483,984)**	**(114,927,666)**
Cash and cash equivalents at beginning of year	1,281,471,561	9,815,850	207,688,418	6,863,482	-	-	(236,677,600)	101,876,584	414,186,015	737,295,000	926,571,093	820,941,298
Currency translation difference	143,883,257	(38,593,143)	17,790,148	31,812,129	13,791,989	(8,940,875)	5,951,742	874,945	715,133,081	234,654,524	(33,901,094)	31,281,368
Cash and cash equivalents at end of year	**1,801,304,835**	**1,672,930**	**1,281,471,561**	**9,815,850**	**207,688,418**	**6,863,482**	**200,824,913**	**(115,501,722)**	**(236,677,600)**	**101,876,584**	**414,186,015**	**737,295,000**

Notes

*The consolidated cash flows presented for the year 31 March 2019 reflect cash flows of the Hela Apparel Holdings (Private) Limited and its subsidiaries for the period from the incorporation date (11 October 2018) which is approximately 05 months' performance

**Hela Clothing (Private) Limited's consolidated cash flows presented for the year 31 March 2019 is a full year consolidated and entity cash flow statements.

Five year summary – Statements of changes in equity
(All amounts in Sri Lankan Rupees)

Group

As at 31 March	Stated capital	Advances against share capital	Retained earnings / (accumulated losses)	Other reserves	Exchange equalization reserve	Total	NCI	Total equity
Hela Clothing Group								
Balance as at 1 April 2016	1,215,849,750	-	351,398,664	619,694,748	99,016,474	2,285,959,636	297,663	2,286,257,299
Loss for the year	-	-	(1,782,179,942)			(1,782,179,942)	(31,337,130)	(1,813,517,072)
Other comprehensive income	-	-	65,445,854	9,331,596	28,462,122	103,239,572	6,247,757	109,487,329
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	205,344,573	205,344,573
Acquisition of non-controlling interest	-	-	(56,401,182)	-	-	(56,401,182)	(53,866,301)	(110,267,483)
Transfer during the year	-	-	215,305,051	(215,305,051)	-	-	-	-
Dividends paid	-	-	(151,240,000)	-	-	(151,240,000)	-	(151,240,000)
Issue of ordinary shares	2,325	-	-	-	-	2,325	-	2,325
Balance as at 31 March 2017	**1,215,852,075**	-	**(1,357,671,555)**	**413,721,293**	**127,478,596**	**399,380,408**	**126,686,562**	**526,066,971**
Loss for the year	-	-	(1,539,555,657)	-	-	(1,539,555,657)	(50,525,043)	(1,590,080,700)
Other comprehensive income	-	-	12,920,427	193,940,814	59,756,403	266,617,644	2,281,694	268,899,338
Balance as at 31 March 2018	**1,215,852,075**	**-**	**(2,884,306,785)**	**607,662,107**	**187,234,999**	**(873,557,605)**	**78,443,213**	**(795,114,391)**
Loss for the year	-	-	(396,032,266)	-	-	(396,032,266)	(12,761,557)	(408,793,823)
Other comprehensive income	-	-	2,963,400	5,690,120	(134,658,276)	(126,004,756)	5,467,032	(120,537,724)
Advances received	-	911,539,971	-	-	-	911,539,971	-	911,539,971
Proceeds from share issues	-	-	-	-	-	-	113,225,934	113,225,934
Balance as at 31 March 2019	**1,215,852,075**	**911,539,971**	**(3,277,375,651)**	**613,352,227**	**52,576,723**	**(484,054,656)**	**184,374,622**	**(299,680,033)**
Hela Apparel Holdings Group								
Balance as at 18 October 2018	-	-	-	-	-	-	-	-
Loss for the period	-	-	(192,255,177)	-	-	(192,255,177)	(6,380,778)	(198,635,955)
Other comprehensive income	-	-	-	-	676,726	676,726	-	676,726
Non-controlling interest on business combination	-	-	-	-	-	-	207,451,124	207,451,124
Issue of ordinary shares	1,039,658,636	-	-	-	-	1,039,658,636	-	1,039,658,636
Balance as at 31 March 2019	**1,039,658,636**	-	**(192,255,177)**	**-**	**676,726**	**848,080,185**	**201,070,346**	**1,049,150,531**
Profit/(loss) for the year	-	-	804,588,893	-	-	804,588,893	(37,108,931)	767,479,962
Other comprehensive income	-	-	(29,408,889)	(1,023,579)	197,122,923	166,690,455	(983,438)	165,707,017
Advances capitalized	684,237,554	-	-	-	-	684,237,554	-	684,237,554
Non-controlling interest on business combination	-	-	-	-	-	-	67,771,511	67,771,511
Balance as at 31 March 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	-	-	766,845,546	-	-	766,845,546	104,690,165	871,535,711
Other comprehensive income	-	-	(35,935,411)	4,866,973	307,969,290	276,900,852	4,676,112	281,576,964
Employee Share Ownership Plan (ESOP) - value of employee services	-	-	-	82,221,964	-	82,221,964	-	82,221,964
Issue of shares to employees under ESOP	2,600	-	-	-	-	2,600	-	2,600
Balance as 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**

Five year summary – Statements of changes in equity
(All amounts in Sri Lankan Rupees)

Company

For the year ended	Stated capital	Advances against share capital	Retained earnings/ (accumulated losses)	Other reserves	Exchange equalization reserve	Total equity
Hela Clothing (Private) Limited						
Balance as at 1 April 2016	1,215,849,750		20,943,058	592,490,207	270,235,109	2,099,518,124
Loss for the year	-		(1,022,472,058)	-	-	(1,022,472,058)
Other comprehensive income	-		66,112,917	-	79,037,869	145,150,786
Transfer of the deferred tax on revaluation reserve	-		(4,799,028)	4,799,028	-	-
Transfer on disposal of property, plant and equipment	-		227,084,591	(227,084,591)	-	-
Dividends paid	-		(151,240,000)	-	-	(151,240,000)
Issue of ordinary shares	2,325		-	-	-	2,325
Balance as at 31 March 2017	**1,215,852,075**		**(864,370,520)**	**370,204,644**	**349,272,978**	**1,070,959,177**
Loss for the year	-		(1,236,687,243)	-	-	(1,236,687,243)
Other comprehensive income	-		12,543,603	191,565,989	14,312,526	218,422,118
Balance as at 31 March 2018	**1,215,852,075**		**(2,088,514,160)**	**561,770,633**	**363,585,504**	**52,694,052**
Loss for the year	-	-	(355,791,524)	-	-	(355,791,524)
Other comprehensive income	-	-	26,573,413	-	(14,935,157)	11,638,256
Advance against share capital	-	911,539,971	-	-	-	911,539,971
Balance as at 31 March 2019	**1,215,852,075**	**911,539,971**	**(2,417,732,271)**	**561,770,633**	**348,650,347**	**620,080,755**
Hela Apparel Holdings (Private) Limited						
Balance as at 18 October 2018	-	-	-	-	-	-
Profit for the period	-	-	5,760,451	-	-	5,760,451
Other comprehensive income	-	-	-	-	455,862	455,862
Issue of ordinary shares	1,039,658,636	-	-	-	-	1,039,658,636
Balance as at 31 March 2019	**1,039,658,636**	-	**5,760,451**	-	**455,862**	**1,045,874,949**
Loss for the year	-	-	(33,672,120)	-	-	(33,672,120)
Other comprehensive income	-	-	-	-	31,836,372	31,836,372
Advances capitalized	684,237,554	-	-	-	-	684,237,554
Balance as at 31 March 2020	**1,723,896,190**	-	**(27,911,669)**	-	**32,292,234**	**1,728,276,755**
Loss for the year	-	-	(4,691,855)	-	-	(4,691,855)
Other comprehensive income	-	-	-	-	168,630,316	168,630,316
Employee Share Ownership Plan (ESOP) - value of employee services	-	-	-	82,221,964	-	82,221,964
Issue of shares to employees under ESOP	2,600	-	-	-	-	2,600
Balance as at 31 March 2021	**1,723,898,790**	-	**(32,603,524)**	**82,221,964**	**200,922,550**	**1,974,439,780**

ANNEXURE 3

AUDITED FINANCIAL STATEMENTS AS AT 31ST MARCH 2021

ANNEXURE - 3

HELA APPAREL HOLDINGS (PRIVATE) LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
- 31 MARCH 2021

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS - 31 MARCH 2021

CONTENTS

	PAGE
Independent auditor's report	**1**
Financial statements	**3**
Statement of profit or loss	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7 - 8
Statement of cash flows	9
Notes to the consolidated financial statements	**10**
Significant changes in the current reporting period	11
How numbers are calculated	**12**
Revenue	13
Material profit or loss items	13
Other income and expense items	13
Income tax expense	14
Financial assets and financial liabilities	**15**
Non financial assets and liabilities	**18**
Equity	28
Cash flow information	31
Risk	**32**
Critical estimates, judgements and errors	33
Financial risk management	34
Capital management	38
Group structure	**39**
Business combinations	40
Interests in other entities	40
Unrecognised items	**43**
Contingent liabilities and contingent assets	44
Commitments	44
Events occurring after the reporting period	44
Other information	**45**
Related party transactions	46
Earnings / (loss) per share	46
General information	48
Going concern	48
Summary of significant accounting policies	48

Independent auditor's report
To the Shareholders of Hela Apparel Holdings (Private) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Hela Apparel Holdings (Private) Limited ("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 2021, 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 balance sheet as at 31 March 2021;
- the statement of profit or loss;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Board of Directors but does not include the financial statements and our auditor's report thereon. The annual report of the Board is expected to be made available to us after the date of this auditors report.

Our opinion on the financial statements does not cover the other information and we do not and will 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.

When we read the annual report of the board, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Independent auditor's report continued on page 2

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Independent auditor's report
To the Shareholders of Hela Apparel Holdings (Private) Limited (Contd)

Report on the audit of the financial statements (Contd)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism 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.

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.

16 August 2021
COLOMBO

CHARTERED ACCOUNTANTS

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Annual Financial Report - 31 March 2021

Financial statements

Statement of profit or loss	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7 - 8
Statement of cash flows	9
Notes to the financial statements	**10**

These financial statements are entity financial statements of Hela Apparel Holdings (Private) Limited. The financial statements are presented in Sri Lankan Rupees (LKR).

The Company is a limited liability company incorporated under the Companies act, No. 07 of 2007, and is domiciled in Sri Lanka.

The address of the registered office and the principal place of business is, No. 35, Balapokuna Road, Colombo 06.

The financial statements were authorised for issue by the Directors on 16 August 2021
The Directors have the power to amend and reissue the financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statement of profit or loss

(All amounts in Sri Lanka Rupees)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	**2021**	2020	**2021**	2020
Revenue from contracts with customers	2	**32,155,092,492**	32,874,321,057	**-**	-
Cost of sales		**(26,089,624,868)**	(25,878,160,955)	**-**	-
Gross profit		**6,065,467,624**	6,996,160,102	**-**	-
Distribution expenses		**(598,519,088)**	(590,653,279)	**-**	-
Administrative expenses		**(3,835,455,289)**	(4,570,881,965)	**(4,359,032)**	(2,299,389)
Net impairment losses on financial assets		**(16,762,980)**	(74,994,477)	**-**	-
Other income	4(a)	**262,843,784**	142,728,187	**-**	-
Other gains / (losses) - net	4(b)	**82,449,589**	85,477,075	**(420,963)**	(30,259,135)
Operating profit / (loss)		**1,960,023,640**	1,987,835,643	**(4,779,995)**	(32,558,524)
Finance income	4(e)	**10,174,342**	10,642,579	**118,020**	485,317
Finance costs	4(e)	**(1,058,098,708)**	(1,179,149,591)	**(1,503)**	(4,479)
Finance costs - net		**(1,047,924,366)**	(1,168,507,012)	**116,517**	480,838
Profit / (loss) before income tax		**912,099,274**	819,328,631	**(4,663,478)**	(32,077,686)
Income tax expense	5(a)	**(40,563,563)**	(51,848,669)	**(28,377)**	(1,594,434)
Profit / (loss) for the year		**871,535,711**	767,479,962	**(4,691,855)**	(33,672,120)
Profit / (loss) is attributable to:					
Owners of Hela Apparel Holdings (Private) Limited		**766,845,546**	804,588,893	**(4,691,855)**	(33,672,120)
Non-controlling interests		**104,690,165**	(37,108,931)	**-**	**-**
Profit / (loss) for the year		**871,535,711**	767,479,962	**(4,691,855)**	(33,672,120)
Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company					
Basic / diluted earnings / (loss) per share	19(a)	**76.68**	100.57	**(0.47)**	(4.21)

The notes on pages 11 to 57 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statement of comprehensive income

(All amounts in Sri Lanka Rupees)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
		2021	2020	**2021**	2020
Profit / (loss) for the year		**871,535,711**	767,479,962	**(4,691,855)**	(33,672,120)
Other comprehensive income:					
Items that will be reclassified to profit or loss					
Currency translation differences		**307,969,290**	197,122,923	**168,630,316**	31,836,372
Items that will not be reclassified to profit or loss					
Gain on revaluation of land and buildings	7(a)	**11,414,868**	14,021,704	**-**	-
Deferred income tax impact relating to revaluation	7(h)(ii)	**(1,871,783)**	(16,028,721)	**-**	-
Remeasurements of post-employment benefit obligations	7(j)	**(40,447,234)**	(32,712,951)	**-**	-
Deferred income tax impact relating to remeasurements of post-employment benefit obligations - gratuity	7(h)	**4,511,823**	3,304,062	**-**	-
Other comprehensive income for the year, net of tax		**281,576,964**	165,707,017	**168,630,316**	31,836,372
Total comprehensive income for the year		**1,153,112,675**	933,186,979	**163,938,461**	(1,835,748)

The notes on pages 11 to 57 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Balance sheet

(All amounts in Sri Lanka Rupees)

		Group		Company	
		As at 31 March		As at 31 March	
		2021	2020	**2021**	2020
ASSETS					
Non-current assets					
Property, plant and equipment	7(a)	**3,560,886,307**	3,550,253,737	**-**	-
Investment property	7(c)	**340,795,890**	301,789,884	**-**	-
Right-of-use assets	7(g)	**562,667,370**	372,592,830	**-**	-
Intangible assets	7(b)	**7,271,434,771**	6,730,946,023	**916,380**	1,672,423
Capital work-in-progress	7(d)	**42,338,794**	78,488,423	**-**	-
Investment in subsidiaries	14(a)	**-**	-	**1,236,265,748**	1,064,776,410
Deferred tax assets	7(h)	**290,374,861**	289,034,745	**-**	-
Other financial assets at amortised cost	6(b)	**220,934**	201,776	**-**	-
Total non-current assets		**12,068,718,927**	11,323,307,418	**1,237,182,128**	1,066,448,833
Current assets					
Inventories	7(i)	**5,453,106,060**	3,694,253,680	**-**	-
Trade receivables	6(a)	**5,288,323,019**	4,690,931,243	**-**	-
Other financial assets at amortised cost	6(b)	**911,737,155**	557,154,618	**737,872,187**	655,699,765
Other assets	7(f)	**1,034,839,811**	983,073,874	**-**	14,724
Income tax receivables		**6,294,640**	15,075,197	**-**	-
Cash and cash equivalents	6(c)	**1,896,512,633**	1,803,918,370	**2,173,914**	9,826,393
Total current assets		**14,590,813,318**	11,744,406,982	**740,046,101**	665,540,882
Total assets		**26,659,532,245**	23,067,714,400	**1,977,228,229**	1,731,989,715
EQUITY					
Stated capital	8(a)	**1,723,898,790**	1,723,896,190	**1,723,898,790**	1,723,896,190
Retained earnings / (accumulated losses)	8(c)	**1,313,834,962**	582,924,827	**(32,603,524)**	(27,911,669)
Other reserves	8(b)	**86,065,358**	(1,023,579)	**82,221,964**	-
Exchange equalisation reserve	8(d)	**505,768,939**	197,799,649	**200,922,550**	32,292,234
Capital and reserves attributable to owners of Hela Apparel Holdings (Private) Limited		**3,629,568,049**	2,503,597,087	**1,974,439,780**	1,728,276,755
Non-controlling interests		**340,115,765**	230,749,488	**-**	-
Total equity		**3,969,683,814**	2,734,346,575	**1,974,439,780**	1,728,276,755
LIABILITIES					
Non-current liabilities					
Borrowings	6(e)	**2,063,220,376**	2,240,388,147	**-**	-
Deferred income tax liabilities	7(h)	**357,485,792**	377,430,541	**-**	-
Lease liabilities	7(g)	**548,511,446**	103,701,673	**-**	-
Employee benefit obligations	7(j)	**436,902,553**	327,323,793	**-**	-
Total non-current liabilities		**3,406,120,167**	3,048,844,154	**-**	-
Current liabilities					
Trade and other payables	6(d)	**6,110,299,701**	4,306,507,081	**2,287,465**	3,702,417
Lease liabilities	7(g)	**73,888,823**	303,740,201	**-**	-
Income tax liabilities		**1,675,718**	-	**-**	-
Borrowings	6(e)	**13,097,864,022**	12,674,276,389	**500,984**	10,543
Total current liabilities		**19,283,728,264**	17,284,523,671	**2,788,449**	3,712,960
Total liabilities		**22,689,848,431**	20,333,367,825	**2,788,449**	3,712,960
Total equity and liabilities		**26,659,532,245**	23,067,714,400	**1,977,228,229**	1,731,989,715
Net assets per share		**396.94**	341.79	**197.43**	216.03

The notes on pages 11 to 57 are an integral part of these financial statements.

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: 16 August 2021

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: 16 August 2021

.....
Director
Date: 16 August 2021

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statement of changes in equity

(All amounts in Sri Lanka Rupees)

Group

	Attributable to owners of Hela Apparel Holdings (Private) Limited						
	Stated capital	Retained earnings / (accumulated losses)	Other reserves	Exchange equalisation reserve	Total	Non-controlling interests	Total equity
Balance at 01 April 2019	1,039,658,636	(192,255,177)	-	676,726	848,080,185	201,070,346	1,049,150,531
Profit for the year	-	804,588,893	-	-	804,588,893	(37,108,931)	767,479,962
Other comprehensive income	-	(29,408,889)	(1,023,579)	197,122,923	166,690,455	(983,438)	165,707,017
Total comprehensive income for the year	-	775,180,004	(1,023,579)	197,122,923	971,279,348	(38,092,369)	933,186,979
Advances capitalised	684,237,554	-	-	-	684,237,554	-	684,237,554
NCI on business combination	-	-	-	-	-	67,771,511	67,771,511
Balance at 31 March 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
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	**-**	**766,845,546**	**-**	**-**	**766,845,546**	**104,690,165**	**871,535,711**
Other comprehensive income	**-**	**(35,935,411)**	**4,866,973**	**307,969,290**	**276,900,852**	**4,676,112**	**281,576,964**
Total comprehensive income for the year	**-**	**730,910,135**	**4,866,973**	**307,969,290**	**1,043,746,398**	**109,366,277**	**1,153,112,675**
Employee Share Ownership Plan (ESOP) - value of employee services	**-**	**-**	**82,221,964**	**-**	**82,221,964**	**-**	**82,221,964**
Issue of shares to employees under the ESOP	**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**

The notes on pages 11 to 57 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED

Statement of changes in equity (Contd)

(all amounts in Sri Lanka Rupees)

Company

	Stated capital	Share based payments	Retained earnings / (accumulated losses)	Exchange Equalisation Reserve	Total
Balance at 1 April 2019	1,039,658,636	-	5,760,451	455,862	1,045,874,949
Loss for the year	-	-	(33,672,120)	-	(33,672,120)
Other comprehensive income	-	-	-	31,836,372	31,836,372
Total comprehensive income for the period	-	-	(33,672,120)	31,836,372	(1,835,748)
Issue of shares	684,237,554	-	-	-	684,237,554
Balance at 31 March 2020	1,723,896,190	-	(27,911,669)	32,292,234	1,728,276,755
Balance at 1 April 2020	**1,723,896,190**	**-**	**(27,911,669)**	**32,292,234**	**1,728,276,755**
Loss for the year	**-**	**-**	**(4,691,855)**		**(4,691,855)**
Other comprehensive income	**-**	**-**	**-**	**168,630,316**	**168,630,316**
Total comprehensive income for the year	**-**		**(4,691,855)**	**168,630,316**	**163,938,461**
Employee Share Ownership Plan (ESOP) - value of employee services	**-**	**82,221,964**	**-**	**-**	**82,221,964**
Issue of shares to employees under the ESOP	**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**

The notes on pages 11 to 57 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statements of cash flows

(All amounts are shown in LKR unless otherwise stated)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	2021	2020	2021	2020
Cash flows from operating activities					
Cash generated from/(used in) operations	9(a)	**2,653,516,160**	1,804,870,390	**30,333,706**	(28,146,531)
Retirement benefits obligations paid	7(j)	**(38,889,482)**	(33,432,238)	**-**	-
Income tax paid		**(128,616,097)**	(143,768,870)	**-**	(1,594,434)
Interest paid		**(552,328,713)**	(752,558,030)	**(1,503)**	(4,479)
Net cash inflow/ (outflow) from operating activities		**1,933,681,868**	875,111,252	**30,332,203**	(29,745,444)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(324,381,839)**	(246,402,593)	**-**	-
Purchase of intangible assets	7(b)	**(3,393,640)**	(10,904,317)	**-**	(2,472,269)
Purchase of investment properties	7(c)	**(189,058)**	-	**-**	-
Expenses incurred on capital work-in-progress	7(d)	**(20,975,619)**	(64,211,265)	**-**	-
Proceeds from sales of property, plant and equipment		**37,113,168**	437,663	**-**	-
Proceeds from sales of intangible assets	7(b)	**1,202,000**	-	**-**	-
Advances on investment		**-**	-	**-**	255,836,985
Interest received	4(e)	**10,174,342**	10,642,579	**118,020**	485,317
Investments made in subsidiaries		**-**	-	**-**	(923,168,021)
Net cash (outflow) / inflow from investing activities		**(300,450,646)**	(310,437,933)	**118,020**	(669,317,988)
Cash flows from financing activities					
Proceeds from borrowings		**36,116,860,608**	46,978,044,018	**-**	(14,033,883)
Principal elements of lease payments		**(262,137,919)**	(244,550,004)	**-**	-
Repayment of borrowings		**(37,112,003,894)**	(46,936,972,828)	**-**	-
Proceeds from advances received		**-**	694,798,490	**-**	684,237,554
Net cash (outflow) / inflow from financing activities		**(1,257,281,205)**	491,319,676	**-**	670,203,671
Net increase/ (decrease) in cash and cash equivalents		**375,950,017**	1,055,992,995	**30,450,223**	(28,859,761)
Cash and cash equivalents at beginning of year		**1,281,471,561**	207,688,418	**9,815,850**	6,863,482
Currency translation difference		**143,883,257**	17,790,148	**(38,593,143)**	31,812,129
Cash and cash equivalents at end of year	6(c)	**1,801,304,835**	1,281,471,561	**1,672,930**	9,815,850

The notes on pages 11 to 57 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

1	Significant changes in the current reporting period	11
How numbers are calculated		**12**
2	Revenue	13
3	Material profit or loss items	13
4	Other income and expense items	13
5	Income tax expense	14
6	Financial assets and financial liabilities	15
7	Non financial assets and liabilities	18
8	Equity	28
9	Cash flow information	31
Risk		**32**
10	Critical estimates, judgements and errors	33
11	Financial risk management	34
12	Capital management	38
Group structure		**39**
13	Business combinations	40
14	Interests in other entities	40
Unrecognised items		**43**
15	Contingent liabilities and contingent assets	44
16	Commitments	44
17	Events occurring after the reporting period	44
Other information		**45**
18	Related party transactions	46
19	Earnings / (loss) per share	46
20	General information	48
21	Going concern	48
22	Summary of significant accounting policies	48

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

1 Significant changes in the current reporting period

The financial position and performance of the Group and the Company were not particularly affected by any events or transactions during the reporting period:

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the Company and the Group, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.

(b) analysis and sub-totals

(c) Information about estimates and judgements made in relation to particular items.

2	Revenue	13
3	Material profit or loss items	13
4	Other income and expense items	13
5	Income tax expense	14
6	Financial assets and financial liabilities	15
7	Non financial assets and liabilities	18
8	Equity	28
9	Cash flow information	31

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

2 Revenue

	Group		Company	
	2021	2020	**2021**	2020
Export sales	**31,164,586,003**	28,066,455,485	**-**	-
Local sales	**353,407,063**	199,838,130	**-**	-
Revenue from rendering of services	**637,099,426**	4,608,027,442	**-**	-
	32,155,092,492	32,874,321,057	**-**	-

(i) Revenue recognition

Export sales

The Group manufactures and exports a range of apparel. Revenue is recognized at the point in time when the Group satisfies a performance obligation by transferring promised products to a customer. A product is transferred when the customer obtains control of that product, based on the agreement. The Group determines the transaction price to 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 terms mentioned in the agreement.

Local sales

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

Revenue from rendering of services

The Group provides subcontractor services to customers based on agreements. Revenue is recognized when the respective obligations in the contract are delivered to the customer and payment remains probable. Payment of the transaction price is due within the credit period terms mentioned in the agreement.

Interest income

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

Dividend income

Dividends income is recognized when the right to receive payment is established.

3 Material profit or loss items

The Group and the Company have identified an item which is material due to the significance of its nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group and the Company.

		Group		Company	
		2021	2020	**2021**	2020
Raw materials and consumables used		**16,015,084,516**	16,781,204,924	**-**	-
Staff costs	4(d)	**5,920,986,852**	7,042,076,939	**-**	-
Sub-contract/service charges		**3,736,029,043**	3,580,037,548	**-**	-

4 Other income and expense items

(a) Other income

	Group		Company	
	2021	2020	**2021**	2020
Rent income	**353,872**	4,318,587	**-**	-
Other Income	**262,489,912**	138,409,600	**-**	-
	262,843,784	142,728,187	**-**	-

(b) Other gains / (losses)

	Group		Company	
	2021	2020	**2021**	2020
Net foreign exchange gains/ (losses)	**84,736,509**	3,720,585	**(420,963)**	(30,259,135)
Net loss on disposal of property plant and equipment	**(952,805)**	(11,195,436)	**-**	-
Adjustment on the fair valuation of investment property	**14,318,199**	6,892,076	**-**	-
Loyalty income	**-**	85,405,415	**-**	-
Gain on lease modification	**7,719,413**	-	**-**	-
Impairment loss of fixed assets	**(23,371,727)**	-	**-**	-
Prior year adjustments	**-**	654,435	**-**	-
	82,449,589	85,477,075	**(420,963)**	(30,259,135)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

4 Other income and expense items (Contd)

(c) Breakdown of expenses by nature

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Raw materials and consumables used		**16,015,084,516**	16,781,204,924	**-**	-
Depreciation of PPE and ROU assets	7(a)	**800,133,963**	409,074,465	**-**	-
Amortisation of Intangible assets	7(b)	**115,574,131**	27,976,765	**863,726**	824,090
Professional charges		**24,027,038**	12,347,369	**1,797,738**	1,019,721
Directors' remuneration and emoluments		**156,970,788**	36,375,850	**-**	-
Staff costs	4(d)	**5,920,986,852**	7,042,076,939	**-**	-
Auditors' remuneration					
- Audit fees		**12,560,865**	11,639,727	**695,717**	364,570
- Non-audit fees		**508,351**	309,213	**-**	-
Repairs and maintenance expenditure		**92,785,363**	135,916,192	**-**	-
Insurance fees		**31,913,897**	-	**974,601**	-
Sub-contract/service charges		**3,736,029,043**	3,580,037,548	**-**	-
Travelling and advertising expenses		**366,092,150**	559,896,466	**-**	-
Rent expenses		**161,022,934**	420,956,940	**-**	-
Bank charges		**27,747,113**	25,182,743	**27,250**	48,012
Bad debts		**58,403,382**	59,138,457	**-**	-
Other expenses		**3,003,758,859**	1,937,562,601	-	42,996
Total cost of sales, distribution expenses and administrative expenses		**30,523,599,245**	31,039,696,199	**4,359,032**	2,299,389

(d) Staff costs

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
- Wages, salaries and bonus		**5,162,959,385**	6,403,571,744	**-**	-
- Defined contribution plans		**431,944,890**	435,979,913	**-**	-
- Defined benefit obligations	7(j)	**108,021,008**	81,788,461	**-**	-
- Share based payment expenses		**82,222,006**	-	**-**	-
- Other staff related costs		**135,839,563**	120,736,821	**-**	-
		5,920,986,852	7,042,076,939	**-**	-

(e) Finance income and costs

	Group 2021	Group 2020	Company 2021	Company 2020
Finance income				
- Interest income	**10,174,342**	10,642,579	**118,020**	485,317
Finance income	**10,174,342**	10,642,579	**118,020**	485,317
Finance costs				
- Bank overdraft interest	**(15,790,442)**	(47,015,204)	**(1,503)**	(4,479)
- Bank loan interest	**(420,218,245)**	(385,790,710)	**-**	-
- Bill discounting charges	**(175,228,187)**	(271,520,484)	**-**	-
- Finance lease interest	**(85,681,797)**	(41,142,849)	**-**	-
- Exchange gain / (loss) (unrealised)	**20,822,080**	(40,411,201)	**-**	-
- TR Loan Charges	**(375,399,384)**	(391,019,379)	**-**	-
- Other bank charges	**(6,602,733)**	(2,249,764)	**-**	-
Finance costs	**(1,058,098,708)**	(1,179,149,591)	**(1,503)**	(4,479)
Finance costs -net	**(1,047,924,366)**	(1,168,507,012)	**116,517**	480,838

5 Income tax expense

a) Income tax

	Group 2021	Group 2020	Company 2021	Company 2020
Current tax on profits for the year	**(57,130,908)**	(142,144,159)	**(28,377)**	-
Deferred tax	**19,211,708**	79,137,139	**-**	-
Adjustments for prior periods	**(4,322)**	(1,566,308)	**-**	(1,594,434)
Income tax charge / (release)	**(37,923,522)**	(64,573,328)	**(28,377)**	(1,594,434)
Income tax expense charge / (release)				
to profit or loss	**(40,563,563)**	(51,848,669)	**(28,377)**	(1,594,434)
to other comprehensive income	**2,640,041**	(12,724,659)	**-**	-
	(37,923,522)	(64,573,328)	**(28,377)**	(1,594,434)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

6 Financial assets and financial liabilities

This note provides information about the Group 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.

		Financial assets at amortised cost			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Financial assets					
Trade receivables	6(a)	**5,288,323,019**	25,805,541	**-**	-
Other financial assets at amortised cost	6(b)	**911,958,089**	8,475,240	**737,872,187**	655,699,765
Cash and cash equivalents	6(c)	**1,896,512,633**	9,923,635	**2,173,914**	9,826,393
		8,096,793,741	44,204,416	**740,046,101**	665,526,158

		Financial Liabilities at amortised cost			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Financial liabilities					
Trade and other payables (excluding non-financial liabilities)		**6,110,299,701**	23,690,764	**2,287,465**	3,702,417
Lease liability	7 (g)	**622,400,269**	407,441,874	**-**	-
Borrowings	6 (e)	**15,161,084,398**	82,047,885	**500,984**	10,543
		21,893,784,368	105,738,649	**2,788,449**	3,712,960

(a) Trade receivables

		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Trade receivables		**5,640,481,505**	5,099,462,706	**-**	-
Provision for impairment		**(352,158,486)**	(408,531,463)	**-**	-
		5,288,323,019	4,690,931,243	**-**	-

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 45 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11 (b) and 22 (i) respectively.

(ii) Fair values of trade receivables

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

(iii) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11 (a) and (b).

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

6 Financial assets and financial liabilities (Contd)

(b) Other financial assets at amortised cost

(i) Classification of 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.

Financial assets at amortised cost include the following:

		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Receivables from related parties		**-**	-	**19,931,125**	-
Other receivables		**1,095,758,790**	622,092,242	**717,941,062**	655,699,765
Provision for impairment		**(183,800,701)**	(64,736,948)	**-**	-
		911,958,089	557,355,294	**717,941,062**	655,699,765
		911,958,089	557,355,294	**737,872,187**	655,699,765
Non-current portion		**220,934**	201,776	**-**	-
Current portion		**911,737,155**	557,153,518	**737,872,187**	655,699,765
Total other financial assets at amortised cost		**911,958,089**	557,355,294	**737,872,187**	655,699,765

(ii) Impairment and risk exposure

Note 11 (b) sets out information about the impairment of financial assets and the Company's exposure to credit risk.

(iii) Fair values of trade and other receivables

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

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk and foreign currency risk can be found in note 11 (a) and (b).

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

6 Financial assets and financial liabilities (Contd)

(c) Cash and cash equivalents

Cash at bank and in hand consists of current account and savings account balances held in Foreign Currency Banking Units (FCBU) and local banks.

	Group		Company	
	2021	2020	**2021**	2020
Cash at bank and in hand	**1,303,373,035**	861,403,976	**1,561,866**	2,648,627
Deposits at call	**593,139,598**	942,514,394	**612,048**	7,177,766
	1,896,512,633	1,803,918,370	**2,173,914**	9,826,393

(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	**2021**	2020	**2021**	2020
Cash at bank and in hand		**1,896,512,633**	1,803,918,370	**2,173,914**	9,826,393
Bank overdraft	6(e)	**(95,207,798)**	(522,446,809)	**(500,984)**	(10,543)
		1,801,304,835	1,281,471,561	**1,672,930**	9,815,850

(ii) Classification as cash equivalents

Call deposits are presented as cash equivalents if they have held at call with bank. See note 22(h) for the Group's other accounting policies on cash and cash equivalents.

(d) Trade and other payables

		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Trade payables		**3,302,303,491**	2,092,196,365	**-**	-
Payable to related parties	18(e)	**-**	-	**1,025,056**	-
Accrued expenses		**869,315,361**	152,257,656	**-**	-
Other payables		**1,938,680,849**	2,062,053,060	**1,262,409**	3,702,417
		6,110,299,701	4,306,507,081	**2,287,465**	3,702,417

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		Company	
	2021	2020	**2021**	2020
Non-current				
Bank borrowings	**2,063,220,376**	2,240,388,147	**-**	-
	2,063,220,376	2,240,388,147	**-**	-
Current				
Bank borrowings	**13,002,656,224**	12,151,829,580	**-**	-
Bank overdraft	**95,207,798**	522,446,809	**500,984**	10,543
	13,097,864,022	12,674,276,389	**500,984**	10,543
Total borrowings	**15,161,084,398**	14,914,664,536	**500,984**	10,543

(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 11.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities

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

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment [note 7(a)]
  - intangible assets (note 7(b))
  - investment properties (note 7(c))
  - capital work-in-progress (note 7(d))
  - pre-paid rentals (note 7 (e))
  - leases (note 7(g))
  - other assets (note 7(f))
  - deferred income tax assets (note 7(g))
  - inventories (note 7 (h))
  - retirement benefit obligations (note 7(j))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(a) Property plant and equipment
Group

	Freehold land	Building													
	Cost / Valuation	Cost / Valuation	Leasehold building	Plant and machinery	Plant and machinery-embroidery	Motor vehicles	Motor cycles	Office equipment	Factory equipment	Air conditioning equipment	Electrical installations	Containers	Furniture and fittings	Computer hardware and communication equipment	Total
At 31 March 2019															
Cost or fair value	263,670,946	1,445,419,752	190,968,637	2,607,139,556	52,150,091	12,504,551	1,401,181	305,201,870	435,371,316	70,002,793	527,150,945	1,464,471	379,089,061	245,960,287	6,537,495,457
Accumulated depreciation	-	(182,167,427)	(40,098,277)	(1,116,108,680)	(51,598,285)	(6,989,905)	(1,401,181)	(155,586,694)	(343,299,871)	(59,189,261)	(263,102,059)	(1,464,471)	(230,745,970)	(199,930,408)	(2,651,682,489)
Exchange equalisation Reserve	(73,603)	(58,722,680)	-	(51,265,115)	-	(380,637)	-	(1,190,456)	(78,932)	-	162,000	-	(4,035,611)	(1,872,078)	(117,457,112)
Net book amount	263,597,343	1,204,529,645	150,870,360	1,439,765,761	551,806	5,134,009	-	148,424,720	91,992,513	10,813,532	264,210,886	-	144,307,480	44,157,801	3,768,355,856
Year ended 31 March 2020															
Opening net book amount	263,597,343	1,204,529,645	150,870,360	1,439,765,761	551,806	5,134,009	-	148,424,720	91,992,513	10,813,532	264,210,886	-	144,307,480	44,157,801	3,768,355,856
Additions	-	41,053,812	6,033,589	119,934,050	-	-	-	68,450,133	9,781,226	-	4,751,414	-	10,853,797	6,212,560	267,070,581
Transfer from work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	654,614	654,614
Reclassification	-	(2,851,171)	-	23,320,481	-	-	-	(20,469,310)	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	3,248,883	10,772,821	-	-	-	-	-	-	-	-	-	-	-	-	14,021,704
Disposals	-	-	-	(184,270,900)	-	-	-	(11,146,528)	(1,379,992)	-	-	-	-	-	(196,797,420)
Depreciation on disposals	-	-	-	179,211,169	-	-	-	4,948,479	1,004,493	-	-	-	-	-	185,164,141
Depreciation charge on revalued assets	-	(70,996,568)	(19,692,157)	(222,139,427)	(33,859)	(3,187,614)	-	(24,630,066)	(33,657,787)	(3,198,184)	(53,095,552)	-	(31,275,631)	(23,346,815)	(485,253,660)
Exchange equalisation Reserve	(11,176,837)	9,746,671	1,460,899	(2,565,741)	(395,973)	10,103	-	1,883,936	(1,608,525)	72,128	2,197,267	-	(1,765,297)	(820,710)	(2,962,079)
Closing net book amount	255,669,389	1,192,255,210	138,672,691	1,353,255,393	121,974	1,956,498	-	167,461,364	66,131,928	7,687,476	218,064,015	-	122,120,349	26,857,450	3,550,253,737
At 31 March 2020															
Cost or fair value	255,669,389	1,434,031,336	199,193,797	2,538,628,049	19,817,292	15,480,385	1,416,612	339,552,672	422,738,297	70,773,680	536,574,750	1,480,598	390,244,213	259,159,565	6,484,760,635
Accumulated depreciation	-	(241,776,125)	(60,521,106)	(1,185,372,656)	(19,695,318)	(13,523,887)	(1,416,612)	(172,091,308)	(356,606,370)	(63,086,204)	(318,510,735)	(1,480,598)	(268,123,864)	(232,302,115)	(2,934,506,898)
Net book amount	255,669,389	1,192,255,211	138,672,691	1,353,255,393	121,974	1,956,498	-	167,461,364	66,131,927	7,687,476	218,064,015	-	122,120,349	26,857,450	3,550,253,737
Year ended 31 March 2021															
Opening net book amount	**255,669,389**	**1,192,255,211**	**138,672,691**	**1,353,255,393**	**121,974**	**1,956,498**	**-**	**167,461,364**	**66,131,927**	**7,687,476**	**218,064,015**	**-**	**122,120,349**	**26,857,450**	**3,550,253,737**
Additions	**7,999,804**	**36,381,932**	**6,337,375**	**145,613,426**	**5,948,924**	**-**	**-**	**1,612,627**	**12,879,031**	**2,562,801**	**32,125,318**	**-**	**23,239,048**	**9,899,589**	**284,599,875**
Transfer from work-in-progress	**-**	**28,420,466**	**-**	**-**	**-**	**-**	**-**	**28,441,514**	**-**	**-**	**5,482,482**	**-**	**-**	**-**	**62,344,462**
Reclassification	**-**	**37,367,250**	**-**	**(20,989,902)**	**1,077,779**	**-**	**-**	**(57,254,942)**	**-**	**-**	**25,126,241**	**-**	**14,673,574**	**-**	**-**
Transferred (to) /from intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,752,783)**	**-**	**-**	**(324,931)**	**-**	**12,779**	**-**	**(19,064,935)**
Revaluation surplus	**5,099,481**	**6,315,387**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,414,868**
Disposals	**-**	**-**	**-**	**(91,883,487)**	**-**	**(1,465,102)**	**-**	**(432,051)**	**-**	**(1,041,132)**	**(528,271)**	**-**	**(344,476)**	**(118,772)**	**(95,813,291)**
Depreciation on disposals	**-**	**-**	**-**	**56,381,819**	**-**	**-**	**-**	**425,286**	**-**	**743,639**	**127,604**	**-**	**37,398**	**31,384**	**57,747,130**
Depreciation	**-**	**(73,322,957)**	**-**	**(303,722,694)**	**(6,613,633)**	**(557,588)**	**-**	**(45,323,830)**	**(40,685,905)**	**(3,478,208)**	**(50,774,927)**	**-**	**(27,119,051)**	**(11,796,366)**	**(563,395,159)**
Exchange equalisation Reserve	**19,338,939**	**98,004,601**	**13,541,615**	**97,885,824**	**35,007**	**66,192**	**-**	**10,245,386**	**4,635,343**	**658,221**	**20,970,787**	**-**	**6,948,819**	**468,886**	**272,799,620**
Closing net book amount	**288,107,613**	**1,325,421,890**	**158,551,681**	**1,236,540,379**	**570,051**	**-**	**-**	**86,422,571**	**42,960,396**	**7,132,797**	**250,268,318**	**-**	**139,568,440**	**25,342,171**	**3,560,886,307**
At 31 March 2021															
Cost or fair value	**288,107,613**	**1,640,520,972**	**219,072,787**	**2,669,253,910**	**26,879,002**	**14,081,475**	**1,416,612**	**303,412,423**	**440,252,671**	**72,953,570**	**619,397,203**	**1,480,598**	**434,773,957**	**269,409,268**	**7,001,012,061**
Accumulated depreciation	**-**	**(315,099,082)**	**(60,521,106)**	**(1,432,713,531)**	**(26,308,951)**	**(14,081,475)**	**(1,416,612)**	**(216,989,852)**	**(397,292,275)**	**(65,820,773)**	**(369,128,885)**	**(1,480,598)**	**(295,205,517)**	**(244,067,097)**	**(3,440,125,754)**
Net book amount	**288,107,613**	**1,325,421,890**	**158,551,681**	**1,236,540,379**	**570,051**	**-**	**-**	**86,422,571**	**42,960,396**	**7,132,797**	**250,268,318**	**-**	**139,568,440**	**25,342,171**	**3,560,886,307**

Property, plant and equipment include fully depreciated assets still in use with a cost of LKR 1,665,747,808 as at 31 December 2021 (2020 - LKR 316,093,590).

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(i) Revaluation, depreciation methods and useful lives

The valuation of the land and buildings of Foundation Bennett (Private) Limited (A subsidiary) was performed by an independant valuer (W.D.P. Rupananda) to determine the fair value of land and buildings as at 31 March 2021. The effective date of revaluation was 31 March 2021. The land and buildings are situated at Uhumeeya, Polgahawela Pradeshiya Sabha in the district of Kurunegala, and the extent of land is approximately 1.274 acres.

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by the external independent valuers, 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.

The principal revaluation assumption used in the calculation was in consideration of available information, location, condition of lands, cost of development and facilities available in the area. A freehold market value of Rs.210,000 per perch has been considered for the land.

(ii) 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:

	2021	2020
Freehold land		
Cost	**288,107,613**	255,669,389
Accumulated depreciation	**-**	-
Net book amount	**288,107,613**	255,669,389
Buildings		
Cost	**17,430,331**	15,918,838
Accumulated depreciation	**(6,100,576)**	(4,775,542)
Net book amount	**11,329,755**	11,143,296

(iii) Measuring freehold land and buildings at fair value

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2021				
Freehold land	**-**	**288,107,613**	-	**288,107,613**
Buildings	**-**	**1,325,421,890**	-	**1,325,421,890**
Total non-financial assets	**-**	**1,613,529,503**	**-**	**1,613,529,503**

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2020				
Freehold land	-	255,669,389	-	255,669,389
Buildings	-	1,192,255,211	-	1,192,255,211
Total non-financial assets	-	1,447,924,600	-	1,447,924,600

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. This is the case for unlisted equity securities.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(iv) Valuation techniques used to determine fair values

At the end of each reporting period, management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management consider information from a variety of sources including:

● Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
● Discounted cash flow projections based on reliable estimates of future cash flows
● Capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 2. The level 2 fair value of land held for capital appreciation has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the Malsiripura.

(b) Intangible assets

	Group			Company	
Non- current assets	**Goodwill**	**Softwares and licenses**	**Total**	**Softwares and licenses**	**Total**
At 1 April 2019					
Cost	6,549,167,533	346,001,546	6,895,169,079	-	-
Accumulated amortisation and impairment	-	(220,266,148)	(220,266,148)	-	-
Net book amount	6,549,167,533	125,735,398	6,674,902,931	-	-
Year ended 31 March 2020					
Opening net book amount	6,549,167,533	125,735,398	6,674,902,931	-	-
Amortisation charge	-	10,904,317	10,904,317	2,472,316	2,472,316
Disposals	-	(28,114,173)	(28,114,173)	(824,090)	(824,090)
Exchange equalization reserve	72,120,977	1,131,971	73,252,948	24,197	24,197
Closing net book amount	6,621,288,510	109,657,513	6,730,946,023	1,672,423	1,672,423
At 31 March 2020					
Cost	6,621,288,510	358,322,701	6,979,611,211	2,472,269	2,472,269
Accumulated amortisation and impairment	-	(249,859,789)	(249,859,789)	(824,090)	(824,090)
Exchange equalization reserve		1,194,601	1,194,601	24,244	24,244
Net book amount	6,621,288,510	109,657,513	6,730,946,023	1,672,423	1,672,423
Year ended 31 March 2021					
Opening net book amount	**6,621,288,510**	**109,657,513**	**6,730,946,023**	**1,672,423**	**1,672,423**
Additions	**-**	**8,901,868**	**8,901,868**	**-**	**-**
Transfer from PPE	**-**	**19,064,935**	**19,064,935**	**-**	**-**
Transfers from PPE - Amortization	**-**	**(5,502,215)**	**(5,502,215)**	**-**	**-**
Amortisation charge	**-**	**(115,574,131)**	**(115,574,131)**	**(863,726)**	**(863,726)**
Exchange equalization reserve	**628,690,943**	**4,907,348**	**633,598,291**	**107,683**	**107,683**
Closing net book amount	**7,249,979,453**	**21,455,318**	**7,271,434,771**	**916,380**	**916,380**
At 31 March 2021					
Cost	**6,621,288,510**	**137,624,316**	**6,758,912,826**	**2,472,269**	**2,472,269**
Accumulated amortisation and impairment	**-**	**(121,076,346)**	**(121,076,346)**	**(1,687,816)**	**(1,687,816)**
Exchange equalization reserve	**628,690,943**	**4,907,348**	**633,598,291**	**131,927**	**131,927**
Net book amount	**7,249,979,453**	**21,455,318**	**7,271,434,771**	**916,380**	**916,380**

Amortisation is wholly included in administrative expenses.

(i) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Computer software 3 years

Separately acquired software licenses are shown at historical cost.

See note 22 (q) for the other accounting policies relevant to intangible assets.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(ii) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its subsidiaries.

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.

	2021	2020
Hela Clothing (Private) Limited	**1,501,213,719**	1,371,034,113
Foundation Garments (Private) Limited	**3,760,329,438**	3,434,247,816
Hela Intimates EPZ Limited	**1,985,208,465**	1,813,058,655
Foundation Bennett (Private) Limited	**3,227,831**	2,947,926
	7,249,979,453	6,621,288,510

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

Based on the impairment test performed, no additional provision for impairment of goodwill was recognised during the year ended 31 March 2021 (2020 - Nil), since the recoverable amounts exceeded the carrying value.
The Group applies the following methods for VIU

(a) Discounted Cash Flow ('DCF') method

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

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

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

The following assumptions are applied in the VIU computation.

DCF method

- **EBITDA Margin**
  Projected EBITDA margin is determined based on the future revenue growth potentials of the subsidiaries.

- **Free Cash Flow (FCF)**
  FCF projections are based on EBITDA and Capital expenditure (Capex) 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.

Given below are the variables used for the impairment test for 31 March 2021 under DCF method

	31 March 2021
EBITDA margin	7.4%
Pre-tax discount rate	6.06%
Terminal growth rate	1.0%

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(c) Investment properties

	Group		Company	
	2021	2020	**2021**	2020
Opening balance at 1 April	**301,789,884**	286,363,864	**-**	-
Disposals	**(1,202,000)**	-	**-**	**-**
Additions	**189,058**	-	**-**	**-**
Transfers from property, plant and equipment	**-**	5,202,871	**-**	-
Net gain / (loss) on fair valuation	**10,786,242**	6,892,076	**-**	-
Exchange equalization reserve	**29,232,706**	3,331,073	**-**	-
Closing balance	**340,795,890**	301,789,884	**-**	-

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

		Group		Company	
		2021	2020	**2021**	2020
Rental income	4(a)	**353,872**	4,318,587	-	-
Direct operating expenses from property that generated rental income		**11,699,018**	8,939,401	-	-
Direct operating expenses from property that did not generate rental income		**386,948**	383,918	-	-

(iii) Measuring investment property at fair value

Investment properties, principally buildings are held for long-term rental earning 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 and independent valuer, Mr. W.D.P. Rupananda as at 31 March 2021. 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 reporting period.

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2021				
Investment Property	**-**	**340,795,890**	-	**340,795,890**
Total non-financial assets	**-**	**340,795,890**	**-**	**340,795,890**

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2020				
Investment Property	-	301,789,884	-	301,789,884
Total non-financial assets	-	301,789,884	-	301,789,884

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The Company'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. This is the case for unlisted equity securities.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(iv) Valuation techniques used to determine fair values

The Company obtains independent valuations for its investment properties at least annually.

At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management consider information from a variety of sources including:

- Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 2. The level 2 fair value of land held for capital appreciation has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the Malsiripura.

(d) Capital work-in-progress

	Group		Company	
	2021	2020	**2021**	2020
At 1 April	**78,488,423**	51,636,762	**-**	-
Expenditure incurred	**20,975,619**	64,211,265	**-**	-
Transferred to property, plant and equipment	**(62,344,462)**	(35,717,653)	**-**	-
Adjustments	**-**	(2,197,632)	**-**	-
Exchange equalization reserve	**5,219,214**	555,681	**-**	-
At 31 March	**42,338,794**	78,488,423	**-**	-

(e) Pre-paid rentals

Details of the movement of pre-paid lease premium in relation to the leasehold land for the year ended 31 March 2021 and 31 March 2020 are as follows;

	Group		Company	
	2021	2020	**2021**	2020
At beginning of year	**-**	9,020,926	-	-
Change in accounting policy	**-**	(9,020,926)	-	-
Amortisation charge	**-**	-	-	-
Adjustments	**-**	-	-	-
Exchange equalization reserve	**-**	-	-	-
At end of year	**-**	-	-	-
Current portion at 31 March	**-**	-	-	-
Non-current portion at 31 March	**-**	-	-	-

(f) Other assets

	Group		Company	
	2021	2020	**2021**	2020
Current				
Prepayments	**807,674,066**	890,302,815	**-**	14,724
Advances	**227,165,745**	92,771,059	-	-
	1,034,839,811	983,073,874	-	14,724
Non-current				
Prepayments	**-**	-	-	-
	-	-	-	-
	1,034,839,811	983,073,874	-	14,724

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(g) Leases

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group		Company	
Right-of-use assets	**2021**	2020	**2021**	2020
Land and buildings	**562,667,370**	372,592,830	**-**	-
	562,667,370	372,592,830	**-**	-
Lease liabilities				
Current	**73,888,823**	303,740,201	**-**	-
Non-current	**548,511,446**	103,701,673	**-**	-
	622,400,269	407,441,874	**-**	-

(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	
	2021	2020	**2021**	2020
Depreciation charge of right-of-use assets				
Land and building	**236,738,804**	250,343,175	-	-
	236,738,804	250,343,175	-	-
Interest expense (included in finance cost)	**85,551,750**	41,142,849	-	-
	85,551,750	41,142,849	-	-

The total cash outflow for leases in 2021 was LKR 262,137,919 (2020: LKR 244,550,004).

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group 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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

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

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.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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 LKR 939,650.

(h) Deferred income tax assets / (liabilities)

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable enacted or substantially enacted tax rates as at the balance sheet date.

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

	Group		Company	
	2021	2020	**2021**	2020
Deferred tax assets*	**290,374,861**	289,034,745	-	-
Deferred tax liabilities*	**(357,485,792)**	(377,430,541)	-	-
Deferred tax assets / (liabilities)	**(67,110,931)**	(88,395,796)	-	-

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

	Group		Company	
	2021	2020	**2021**	2020
Deferred tax liabilities				
At 1 April	**(364,581,422)**	(229,283,657)	-	-
Income statement charged/(credited)	**37,396,942**	(126,283,123)	-	-
Other comprehensive income	**(1,871,783)**	(5,102,368)	-	-
Exchange equalization reserve	**(28,429,529)**	(16,761,393)	-	-
At 31 December	**(357,485,792)**	(377,430,541)	-	-
Deferred tax assets				
At 1 April	**276,185,611**	61,952,787	-	-
Income statement charged/(credited)	**(20,825,275)**	207,218,555	-	-
Other comprehensive income	**4,511,824**	3,304,062	-	-
Exchange equalization reserve	**30,502,701**	16,559,341	-	-
At 31 December	**290,374,861**	289,034,745	-	-
Deferred tax assets/liabilities	**(67,110,931)**	(88,395,796)	-	-

* 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 either the same taxable entity.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(i) Inventories

	Group		Company	
	2021	2020	**2021**	2020
Raw materials	**2,128,069,400**	1,206,935,036	**-**	-
Work-in-progress	**2,743,173,858**	2,012,089,191	**-**	-
Finished goods	**498,507,025**	336,175,025	**-**	-
Goods in transit	**596,533,245**	229,128,782	**-**	-
Consumable stock	**-**	68,785,188	**-**	-
(-) Provision for slow moving stocks	**(513,177,468)**	(158,859,542)	**-**	-
	5,453,106,060	3,694,253,680	**-**	-

The costs of individual items of inventory are determined using weighted average costs. See note 22 (k) for the Group's other accounting policies for inventories.

(j) Employee benefit obligations

	Group		Company	
	2021	2020	**2021**	2020
Present value of unfunded obligation - gratuity	**436,902,553**	327,323,793	**-**	-
Liability in the balance sheet	**436,902,553**	327,323,793	**-**	-

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Group		Company	
	2021	2020	**2021**	2020
At beginning of year	**327,323,793**	246,254,619	**-**	-
Current service cost	**68,870,519**	57,511,059	**-**	-
Interest expense	**27,320,512**	24,230,920	**-**	-
Remeasurements:			**-**	-
Experience losses/(gains)	**5,186,611**	2,160,010	**-**	-
(Gains)/losses from change in demographic assumptions	**(1,869,957)**	1,661,974		
Losses from change in financial assumptions	**37,130,580**	28,890,967		
Benefits paid	**(38,889,482)**	(33,432,238)	**-**	-
Exchange difference	**11,829,977**	46,482	**-**	-
At end of year	**436,902,553**	327,323,793	**-**	-

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

	Group		Company	
	2021	2020	**2021**	2020
Current service cost	**68,870,519**	57,511,059	**-**	-
Interest expense	**27,320,512**	24,230,920	**-**	-
Foreign currency translation difference	**11,829,977**	46,482	**-**	-
	108,021,008	81,788,461	**-**	-

The gratuity liability of the Group is based on an actuarial valuation carried out by Messrs Willis Towers Watson India (Private) Limited, based on the data shared by the Company for the year ended 31 March 2021 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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

8 Equity

(a) Stated capital

	Company			
	2021	2020	**2021**	2020
	Number of shares	Number of shares	**Value (LKR)**	Value (LKR)
Ordinary shares	**10,000,431**	10,000,171	**1,723,898,790**	1,723,896,190
	10,000,431	10,000,171	**1,723,898,790**	1,723,896,190

All issued shares are fully paid.

(i) Movement in ordinary shares:

	Number of shares	**Value (LKR)**
Opening balance 1 April 2019	6,000,171	1,039,658,636
Share issuances	4,000,000	684,237,554
Balance 31 March 2020	10,000,171	1,723,896,190
Opening balance 1 April 2020	**10,000,171**	**1,723,896,190**
Share issuances under the ESOP	**260**	**2,600**
Balance 31 March 2021	**10,000,431**	**1,723,898,790**

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

Shareholder name	**Type of shares**	**Number of shares**	**Value**
Lesing Hela Limited	A2 Preference shares	2,500,000	425,476,797
	A4 Preference shares	2,700,000	476,280,000
	A1 Preference shares	1,600,000	272,067,650
Tars Investments Lanka (Private) Limited	A1 Preference Shares	1,600,000	272,135,150
	A4 Preference shares	900,000	158,760,000
Dilanka Jinadasa	A3 Preference shares	700,000	119,176,303
	B Ordinary Shares	150	254.0
Other shareholders	B Ordinary Shares	21	35.6
Employees	C Ordinary Shares	260	2,600
Total share capital		**10,000,431**	**1,723,898,790**

(b) 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. A description of the nature and purpose of each reserve is provided below the table.

	Revaluation reserve	**Share based payment reserve**	**Total**
Balance at 1 April 2019	-	-	-
Other comprehensive income	(1,023,579)	-	(1,023,579)
Total comprehensive income for the year	(1,023,579)	-	(1,023,579)
Balance at 31 March 2020	(1,023,579)	-	(1,023,579)
Balance at 1 April 2020	**(1,023,579)**	**-**	**(1,023,579)**
Other comprehensive income	**4,866,973**	**-**	**4,866,973**
Total comprehensive income for the year	**4,866,973**	**-**	**4,866,973**
Employee share options	**-**	**82,221,964**	**82,221,964**
Balance at 31 March 2021	**3,843,394**	**82,221,964**	**86,065,358**

Nature and purpose of other reserves

(i) Revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

(b) Other reserves (Contd)

(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 are 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. The exercise price is ten Sri Lankan Rupees per share and once granted the option remains exercisable for five years. C ordinary shares carry no voting rights and are not transferable without the consent of the main shareholders. The shares would be monetized for the holder in the event of an 'Exit', as defined in the Company's articles of association, which includes a sale or listing of the Company.

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

	2021	
	Exercise price in LKR per share option	**Number of options**
As at 1 April 2020	-	-
Granted during the year	**10**	**660**
Exercised during the year	**10**	**(260)**
As at 31 March		**400**
Vested and exercisable at 31 March 2021		-

Share options outstanding at the end of the year have the following expiry dates and exercise prices

Grant date	Expiry date	Exercise price in LKR per share	Share options as at 31 March 2021
1 August 2020	**31 July 2025**	**10**	**400**

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 recent 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 2021.

(a) exercise price: LKR 10
(b) grant date: 1 August 2020
(c) expiry date: 31 July 2025
(d) risk-free interest rate: 1.97%
(e) expected price volatility of the Company's shares: 36.92%*

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

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

(c) Retained earnings / (accumulated losses)

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

	Group		Company	
	2021	2020	**2021**	2020
Opening balance at 1 April	**582,924,827**	(192,255,177)	**(27,911,669)**	5,760,451
Net profit / (loss) for the year	**766,845,546**	804,588,893	**(4,691,855)**	(33,672,120)
Items of other comprehensive income recognised directly in retained earnings / (accumulated losses)				
- Remeasurement of post employment benefit obligations - gratuity	**(40,447,234)**	(32,712,951)	-	-
- Deferred taxation impact from remeasurements of post employment benefit obligations - gratuity	**4,511,823**	3,304,062	-	-
Closing balance at 31 March	**1,313,834,962**	582,924,827	**(32,603,524)**	(27,911,669)

(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 13 (b) (iii) to the accounting policies. The analysis of the exchange equalisation reserve arising from such translation is as follows:

	Group		Company	
	2021	2020	**2021**	2020
Stated capital	**199,007,542**	32,260,394	**199,007,543**	32,309,664
Other reserves	**5,034,851**	(15,112)	**4,860,820**	-
Non -controlling interests	**47,109,589**	17,109,905	**-**	-
Currency equalisation reserve	**191,727,469**	181,020,341	**-**	-
Retained earnings / (accumulated losses)	**62,889,488**	(32,575,879)	**(2,945,813)**	(17,430)
At end of year	**505,768,939**	197,799,649	**200,922,550**	32,292,234

The movement on the exchange equalization reserve is as follows:

	Group		Company	
	2021	2020	**2021**	2020
Opening balance at 1 January	**197,799,649**	676,726	**32,292,234**	455,862
Amount recognised in other comprehensive income				
Stated capital	**166,747,148**	32,210,786	**166,697,878**	32,263,526
Other reserves	**5,049,963**	(15,112)	**4,860,820**	-
Non -controlling interests	**29,999,684**	2,807,540	**-**	-
Currency equalisation reserve	**10,707,128**	181,020,341	**-**	-
Retained earnings / (accumulated losses)	**95,465,367**	(18,900,632)	**(2,928,382)**	(427,154)
	307,969,290	197,122,923	**168,630,316**	31,836,372
Balance as at 31 March	**505,768,939**	197,799,649	**200,922,550**	32,292,234

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

9 Cash flow information

(a) Cash generated from/ (used in) operations

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

		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Profit/ (loss) before income tax from continuing operations		**912,099,274**	819,328,631	**(4,663,478)**	(32,077,686)
Adjustments for:					
Depreciation	7(a)	**563,395,159**	485,253,660	**-**	-
Amortization of right of use assets		**236,738,804**	251,213,306	-	-
Amortization	7(b)	**115,574,131**	28,114,173	**863,726**	824,090
Provision for retirement benefit	7(j)	**96,191,031**	81,741,979	**-**	-
Gain / (loss) on sale of property, plant and equipment		**952,805**	11,195,436	**-**	-
Fair value adjustment to investment property	7(c)	**(14,318,199)**	(6,892,076)	**-**	-
Net interest expenses		**1,047,924,366**	1,168,507,014	**(116,517)**	(480,838)
Provision for impairment of debtors		**55,666,745**	59,138,457	**-**	-
Issue of shares under employee share option plan		**-**	-	**2,600**	-
Share based payment expenses		**82,222,006**	-	**15,731,201**	-
Exchange difference		**10,354,755**	61,459,702	**-**	-
Changes in working capital					
- (increase) / decrease in inventories		**(1,329,486,730)**	(675,350,156)	**-**	-
- (increase) / decrease in trade and other receivables		**(440,828,153)**	(374,538,664)	**19,931,125**	315,566
- increase / (decrease) in trade and other payables		**1,317,030,166**	(104,301,072)	**(1,414,951)**	3,272,337
Cash generated from / (used in) operations		**2,653,516,160**	1,804,870,390	**30,333,706**	(28,146,531)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Group		Company	
	2021	2020	**2021**	2020
Cash and cash equivalents	**1,896,512,633**	1,803,918,370	**2,173,914**	9,826,393
Borrowings – repayable within one year (including overdraft)	**(13,097,864,022)**	(12,674,276,389)	**(500,984)**	(10,543)
Borrowings – repayable after one year	**(2,063,220,376)**	(2,240,388,147)	**-**	-
Lease liabilities	**(622,400,269)**	(407,441,874)	**-**	-
Net debt	**(13,886,972,034)**	(13,518,188,040)	**1,672,930**	9,815,850
Cash and liquid investments	**1,896,512,633**	1,803,918,370	**2,173,914**	9,826,393
Gross debt – fixed interest rates	**(622,400,269)**	(407,441,874)	**-**	-
Gross debt – variable interest rates	**(15,161,084,398)**	(14,914,664,536)	**(500,984)**	(10,543)
Net debt	**(13,886,972,034)**	(13,518,188,040)	**1,672,930**	9,815,850

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Risk

This section of the notes discusses the Group's and the Company's exposure to various risks and shows how these could affect the Group's and the Company's financial position and performance.

10	Critical estimates, judgements and errors	33
11	Financial risk management	34
12	Capital management	38

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

Contents of the notes to the financial statements

10 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 9 together with information about the basis of calculation for each affected line item in the financial statements.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:
- Estimation of employee benefit obligations - gratuity (note 7 (j))
- Estimation of fair values of contingent liabilities (note 15)
- Estimation of current tax payable and current tax expense (note 5)
- Recognition of deferred tax asset for carried-forward tax losses
- Impairment of financial assets
- Estimation of provision for slow moving inventories
- Estimation of goodwill impairment
- Estimation of fair values of land and buildings and investment property

(b) Employee benefit obligations

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions, additional information is disclosed in Note 7(j).

(c) Contingent liabilities

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

(d) Provisions

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 Company's current best estimate.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 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.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in LKR	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Foreign exchange risk	Recognised financial assets and liabilities not denominated in (presentation currency) units.	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	Aging analysis Credit ratings	Diversification of bank deposits, Investment guidelines for held-to-maturity investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

(a) Market risk

(i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri 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 USD are affected by foreign exchange fluctuations through both translation risk and transaction risk. However the changes in foreign currency exchange rates may not materially affect the Group's materials purchased since most of the purchases are done in USD.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

Exposure

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

		2021	
	USD	**LKR**	**Other**
Trade receivables	**5,260,754,586**	**27,568,433**	**-**
Fixed deposits	**115,035,964**	**543,379**	**17,376,789**
Trade payables	**3,086,591,701**	**215,051,972**	**659,818**
Bank loan (including bank overdraft)	**15,161,084,398**	**-**	**-**

		2020	
	USD	**LKR**	**Other**
Trade receivables	4,669,248,161	21,683,082	-
Trade payables	2,080,148,169	11,465,955	582,241
Bank loan (including bank overdraft)	14,914,664,536	-	-

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognised in profit or loss.

	2021	2020
Net foreign exchange gains included in income statement	**84,736,509**	3,720,585
Total net foreign exchange gains recognised in profit before income tax	**84,736,509**	3,720,585

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. The said currency is the major currency in which Group's financial instruments are denominated after the Group's presentation and document currency - USD. 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	
	2021	2020
LKR/USD exchange rate – appreciation by 1% (2020 : 1%)	**(217,350,307)**	258,851,775
LKR/USD exchange rate – depreciation by 1% (2020 : 1%)	**217,350,307**	(258,851,775)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

(b) Credit risk

Credit risk arises from cash and cash equivalents, held-to-maturity investments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Credit quality
The credit quality of financial assets can be assessed by reference to external credit ratings;

	31 March 2021	31 March 2020
Cash at bank and short-term bank deposits		
Fitch Ratings:		
AAA(lka)	**33,713,395**	46,734,729
AA+ (lka)	**1,142,255,529**	1,095,880,726
AA(lka)	**-**	7,713,289
AA- (lka)	**395,594,189**	313,861,893
A+ (lka)	**8,686,106**	109,234,692
A- (lka)	**106,955,139**	78,742,188
A (lka)	**1,053,718**	1,922,869
BB+ (lka)	**159,322,762**	4,210,752
BBB-(lka)	**47,265,030**	144,281,694
No rating	**1,666,766**	1,335,538
	1,896,512,634	1,803,918,370

(i) Risk management

Credit risk is managed on the Company and the Group basis. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables (net of held). Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The Group place cash and cash equivalents with a number of creditworthy financial institutions. The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(ii) Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 March 2021 or 1 April 2020 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 2021 and 31 March 2020 was determined as follows for trade receivables:

	31 March 2021	31 March 2020
Loss allowance	**89,851,212**	(74,994,477)

The closing loss allowances for trade receivables as at 31 March 2021 reconcile to the opening loss allowances as follows:

	Trade receivables	
	31 March 2021	31 March 2020
Opening loss allowance as at 1 April	**(408,531,463)**	(328,815,004)
Decrease / (increase) in loss allowance recognised in profit or loss during the year	**89,851,212**	(74,994,477)
Exchange equalisation reserve	**(33,478,235)**	(4,721,982)
At 31 March	**(352,158,486)**	(408,531,463)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

(b) Credit risk (Contd)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) Other financial assets at amortised cost

On that basis, the loss allowance charge for the year ended 31 March 2021 and 1 April 2020 was determined as follows for other financial assets at amortised cost:

Group	**Other receivables**	
	2021	2020
Loss allowance	**(106,614,192)**	(63,800,296)

The closing loss allowances for other financials assets at amortised cost as at 31 March 2021 reconcile to the opening loss allowances as follows:

	Other receivables	
	31 March 2021	31 March 2020
Opening loss allowance as at 1 April	**(64,736,948)**	-
Decrease / (increase) in loss allowance recognised in profit or loss during the year	**(106,614,192)**	(63,800,296)
Exchange equalisation reserve	**(7,782,905)**	(936,652)
At 31 March	**(179,134,045)**	(64,736,948)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(c) Liquidity risk

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

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

(c) 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 2021						
Borrowings	**10,982,826,432**	**1,024,281,263**	**1,027,417,610**	**843,628,851**	**463,523,755**	**14,341,677,911**
Trade and other payables	**4,657,352,977**	**978,612,932**	**-**	**-**	**-**	**5,635,965,909**
Lease liability	**36,944,412**	**36,944,412**	**219,404,579**	**329,106,868**	**-**	**622,400,271**
	15,677,123,821	**2,039,838,607**	**1,246,822,189**	**1,172,735,719**	**463,523,755**	**20,600,044,091**
31 March 2020						
Borrowings	11,911,003,255	548,611,858	1,508,966,869	946,082,554	-	14,914,664,536
Trade and other payables	3,321,578,867	984,928,213	-	-	-	4,306,507,080
Lease liability	151,870,101	151,870,101	31,332,910	46,999,364	25,369,399	407,441,875
	15,384,452,223	1,685,410,172	1,540,299,779	993,081,918	25,369,399	19,628,613,491

12 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 balance sheet) less cash and cash equivalents.
divided by
Total 'equity' (as shown in the balance sheet).

The credit rating was unchanged and the gearing ratios at 31 March 2021 and 31 March 2020 were as follows:

	Notes	2021	2020
Total borrowings	4 (e)	**15,783,484,667**	82,047,885
Less: cash and cash equivalents	4 (c)	**(1,896,512,633)**	(9,923,635)
Net debt		**13,886,972,034**	72,124,250
Total equity		**3,629,568,049**	13,678,552
Net debt to equity ratio		**3.83**	5.27

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation

A list of significant subsidiaries is provided in note 14. This note also discloses details about the Group's equity accounted investments.

13	Business combination	40
14	Interests in other entities	40

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

(All amounts are shown in LKR unless otherwise stated)

13 Business combinations

(a) Summary of acquisitions

During the current financial year, the Company had not acquired any subsidiaries. The ownership interest held by the Group on all of its subsidiaries were disclosed in note 14(a).

14 Interests in other entities

(a) Company owned subsidiaries

The Group's principal subsidiaries at 31 March 2020 are set out below. Unless otherwise stated, they have 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.

		Investment	
Non- current assets - investments	**Ownership**	**2021**	2020
Hela Clothing (Private) Limited	**100%**	**1,236,265,748**	1,064,776,410
		1,236,265,748	1,064,776,410

(b) Fellow subsidiaries

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

		Ownership interest held by the Group		Ownership interest held by non-controlling interests		
Name of entity	**Place of business/ country of incorporation**	**2021**	2020	**2021**	2020	**Principal activities**
		%		**%**		
Hela Investments Holdings (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Providing consultancy and support services to the Group companies
Hela USA, Inc.	USA	**100%**	100%	**0%**	0%	Design and Marketing Office
Hela Kenya (Private) Limited	Mauritius	**100%**	100%	**0%**	0%	Engaged in the employment and trading services and to act as an investment holding company
Hela Indochine Apparel PLC	Ethiopia	**51%**	51%	**49%**	49%	Manufacture of garments for export market
Hela Intimates EPZ Limited	Kenya	**100%**	100%	**0%**	0%	Manufacture of garments for export market
Alpha Textile (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Dormant Company
Foundation Garments (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Manufacture of garments for export market
F D N Sourcing (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Provision of front-end services to foreign clients

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

14 Interests in other entities (Contd)

(b) Fellow subsidiaries (Contd)

	Place of business / country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities
		2021		2020		
Jinadasa Bennett (Private) Limited	Sri Lanka	**51%**	51%	**49%**	49%	Renting investment property for manufacturing purposes
Foundation Bennett (Private) Limited	Sri Lanka	**51%**	51%	**49%**	49%	Dormant Company

Notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

14 Interests in other entities (Contd)

(c) Non-controlling interests (NCI)

Summarised balance sheet	Hela Indochine Apparel PLC (Ethiopia)		Foundation Bennett (Private) Limited (Sri Lanka)		Jinadasa Bennett (Private) Limited (Sri Lanka)		Total	Total
31 December	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Current assets	**271,889,307**	66,702,541	**3,531,913**	3,531,913	**8,267,267**	7,968,164	**283,688,487**	78,202,618
Current liabilities	**(195,506,058)**	(187,347,371)	**(873,027)**	(512,086)	**(17,279,505)**	(23,586,726)	**(213,658,590)**	(211,446,183)
Current net assets	**76,383,249**	(120,644,830)	**2,658,886**	3,019,827	**(9,012,238)**	(15,618,562)	**70,029,897**	(133,243,565)
Non-current assets	**190,850,743**	191,878,489	**156,800,000**	149,000,000	**157,737,380**	158,311,889	**505,388,123**	499,190,378
Non-current liabilities	**-**	-	**(36,544,790)**	(34,672,790)	**(33,844,856)**	(32,424,787)	**(70,389,646)**	(67,097,577)
Non-current net assets	**190,850,743**	191,878,489	**120,255,210**	114,327,210	**123,892,524**	125,887,102	**434,998,477**	432,092,801
Net assets	**267,233,992**	71,233,659	**122,914,096**	117,347,037	**114,880,286**	110,268,540	**505,028,374**	298,849,236
Accumulated NCI	**148,335,735**	68,816,539	**57,606,324**	53,128,811	**134,173,706**	108,804,138	**340,115,765**	230,749,488

Summarised statement of comprehensive income	Hela Indochine Apparel PLC (Ethiopia)		Foundation Bennett (Private) Limited (Sri Lanka)		Jinadasa Bennett (Private) Limited (Sri Lanka)		Total	Total
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue	**970,877,013**	827,455,408	**-**	-	**-**	-	**970,877,013**	827,455,408
Profit / (loss) for the period	**223,817,489**	65,151,444	**(3,977,012)**	(4,781,690)	**4,611,746**	(1,041,903)	**224,452,223**	59,327,851
Other comprehensive income	**-**	-	**-**	-	**-**		**-**	-
								-
Total comprehensive income	**223,817,489**	65,151,444	**(3,977,012)**	(4,781,690)	**4,611,746**	(1,041,903)	**224,452,223**	59,327,851
								-
Profit/(loss) allocated to NCI	**104,379,141**	(34,255,432)	**(1,948,458)**	(2,343,102)	**2,259,482**	(510,398)	**104,690,165**	(37,108,932)
								-

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Unrecognised items

This section of the notes provides information about item that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

15	Contingent liabilities and contingent assets	44
16	Commitments	44
17	Events occurring after the reporting period	44

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(All amounts are shown in LKR unless otherwise stated)

15 Contingencies

(a) Contingent liabilities

There were no contingent liabilities outstanding as at the balance sheet date.

(b) Contingent assets

There were no material contingent assets as at the balance sheet date.

16 Commitments

The following letter of credits are outstanding as of balance sheet date.

		Group		Company	
Financial institution	**Nature**	**2021**	2020	**2021**	2020
National Development Bank PLC		**26,726,096**	9,528,362	**-**	-
Standard Chartered Bank PLC		**-**	-	**-**	-
Hatton National Bank PLC		**96,038,193**	95,738,254	**-**	-
Union Bank PLC		**-**	-	**-**	-
Bank of Ceylon		**-**	8,589,287	**-**	-
		122,764,289	113,855,903	**-**	-

17 Events after the reporting period

(a) Subsequent to the balance sheet date, Hela Clothing (Private) Limited (direct subsidiary) disposed its ownership in Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited) to Foundation Garments (Private) Limited for a consideration of LKR 2,268,548,186.

(b) Hela Kenya (Private) Limited (indirect subsidiary), changed its name to Hela Investment Holdings Limited with effect from 19 May 2021.

(c) 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.

(d) Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited, acquired 15,182 shares of Sumbiri Intimates Apparels (Private) Limited, a company incorporated and domiciled in Ethiopia for a consideration of LKR 89,784,000 on 31 May 2021.

Except as disclosed above, no other circumstances have arisen since the statement of financial position date which require adjustments to or disclosure in the financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18	Related party transactions	46
19	Earnings / (loss) per share	46
20	General information	48
21	Going concern	48
22	Summary of significant accounting policies	48

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

18 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 14(a).

(c) Key management personnel compensation

	Group		Company	
	2021	2020	**2021**	2020
Short-term employee benefits	**185,474,319**	36,375,850	-	-
Director fees	-	-	-	-
Share based payments		-	-	-
Post-employment benefits	-	-	-	-
	185,474,319	36,375,850	**-**	-

In addition to the above, 260 "C" Ordinary shares with an issue value of LKR 2,600 were issued to eligible Key Management Personnel (KMP) under the Employee Share Ownership Plan (ESOP).

(d) Transactions with other related parties

Purchase of services from:

		Group		Company	
	Relationship	**2021**	2020	**2021**	2020
Foundation Garments (Private) Limited	Subsidiary	**5,905,888**	2,508,564	**-**	-
Hela Intimates EPZ Limited	Subsidiary	**967,840**	-	**-**	-
		6,873,728	2,508,564	**-**	-

(e) Outstanding balances arising from sales / purchases of goods / services

		Group		Company	
	Relationship	**2021**	2020	**2021**	2020
(i) *Receivables from related parties*					
Foundation Sourcing (Private) Limited	Subsidiary	**-**	-	**150,621**	-
Hela Clothing (Private) Limited	Subsidiary	**-**	-	**4,592,710**	-
Foundation Garments (Private) Limited	Subsidiary	**-**	-	**15,187,794**	-
		-	-	**19,931,125**	**-**

		Group		Company	
	Relationship	**2021**	2020	**2021**	2020
(ii) *Payables to related parties*					
Hela Intimates EPZ Limited	Subsidiary	**-**	-	**1,025,056**	-
		-	-	**1,025,056**	-

19 Earnings / (loss) per share

(a) Basic earnings / (loss) per share

	Group		Company	
	2021	2020	**2021**	2020
From continuing operations attributable to the ordinary equity holders of Hela Apparel Holdings (Private) Limited	**76.68**	100.57	**(0.47)**	(4.21)
Total basic earnings per share attributable to the ordinary equity holders of Hela Apparel Holdings (Private) Limited	**76.68**	100.57	**(0.47)**	(4.21)

(b) Reconciliations of earnings used in calculating earnings / (loss) per share

	Group		Company	
	2021	2020	**2021**	2020
Profit/ (loss) from continuing operations attributable to the ordinary equity holders of Hela Apparel Holdings (Private) Limited	**766,845,546**	804,588,893	**(4,691,855)**	(33,672,120)
Profit is attributable to owners of Hela Apparel Holdings (Private) Limited	**766,845,546**	804,588,893	**(4,691,855)**	(33,672,120)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

19 Earnings / (loss) per share (Contd)

(c) Weighted average number of shares used as the denominator

	Group		Company	
	2021	2020	**2021**	2020
Weighted average number of the ordinary shares used as the denominator	**10,000,301**	8,000,171	**10,000,301**	8,000,171

(d) Diluted earnings / (loss) per share

	Group		Company	
	2021	2020	**2021**	2020
From continuing operations attributable to the ordinary equity holders of Hela Apparel Holdings (Private) Limited	**76.68**	100.57	**(0.47)**	(4.21)
Total diluted earnings / (loss) per share attributable to the ordinary equity holders of Hela Apparel Holdings (Private) Limited	**76.68**	100.57	**(0.47)**	(4.21)

(e) Reconciliations of earnings / (loss) used in calculating diluted earnings / (loss) per share.

	Group		Company	
	2021	2020	**2021**	2020
Profit/ (loss) from continuing operations attributable to the ordinary equity holders of Hela Apparel Holdings (Private) Limited	**766,845,546**	**804,588,893**	**(4,691,855)**	**(33,672,120)**
Profit/ (loss) is attributable to owners of Hela Apparel Holdings (Private) Limited	**766,845,546**	804,588,893	**(4,691,855)**	(33,672,120)

(f) Weighted average number of shares used as the denominator

	Group		Company	
	2021	2020	**2021**	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**10,000,301**	8,000,171	**10,000,301**	8,000,171
Adjustments for calculation of diluted earnings per share:				
Share options	**400**	-	**400**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**10,000,701**	8,000,171	**10,000,701**	8,000,171

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

20 General information

Hela Apparel Holdings (Private) Limited is engaged in providing consultancy and support services to Group companies. The Company is a limited liability company incorporated on 11 October 2018 and is domiciled in Sri Lanka and bears the registration No. PV00205151 under the Companies Act No.07 of 2007. The address of the registered office and the principal place of business is, No. 35, Balapokuna Road, Colombo 06.

Principal activity of the entities consolidated with the Company are disclosed in note 14 (a) and 14(b).

21 Going concern

In determining the basis of preparing the Financial Statements for the year ended 31 March 2021, based on available information, the Management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the Going Concern Basis. At the Balance Sheet date, the Group had an accumulated profit of LKR 1,313,834,962 and its total assets exceeds its total liabilities by LKR 3,969,683,814. The Group has adequate resources to continue in operational existence for the foreseeable future and continues to adopt the Going Concern Basis in preparing and presenting these financial statements. To counter the COVID-19 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.

22 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 Holding (Private) Limited and its subsidiaries.

(a) Basis of preparation

(i) Compliance with Sri Lanka Accounting Standards (SLFRS)

The financial statements of the Company and the Group 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 Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 10 to the financial statements.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments),certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale - measured at fair value less cost of disposal, and
- defined benefit pension plans - plan assets measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group [refer to note 22(j)].

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(i) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Hela Apparel Holdings (Private) Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements are prepared and presented in Sri Lankan Rupees (LKR), the currency of the primary economic environment in which the entity and its subsidiaries operate. The Directors of the Company and its subsidiaries are of the opinion that the use of USD as the functional currency provides information about the Company and its subsidiaries that is useful and reflects the economic substance of the underlying events and circumstances relevant to the Company and its subsidiaries as:

- 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 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 recognised in equity under exchange equalisation reserves.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(c) Foreign currency translation (Contd)

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 income 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 income 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 income tax asset is realised or the deferred income 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 7(g)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(g) 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.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(i) 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 6(a) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(k) 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 material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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 recognized 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.

(l) 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 balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(m) 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.

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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(m) Investments and other financial assets (Contd)

(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 is 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 12(b) for further details.

(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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(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, for rental to others, or for administrative purposes and are expected to be used during more than one year.

All property, plant and equipment other than land and buildings and plant and machinery is recorded at cost and stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Land, buildings and plant and machinery are shown at fair value based on a valuation performed by an external independent professional valuer. Where an item of property, plant and equipment is revalued, the entire class of such asset is revalued. Revaluations are made with sufficient regularity to ensure that their carrying value do not differ materially from their fair value at the date of the balance sheet.

Increases in the carrying amount arising on revaluation of land and buildings, plant and machinery is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

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 derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	As per agreement
Buildings	30 years
Leasehold improvements	10 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Computer hardware	5 years
Tools and molds	5 years
Factory and sports equipment	5 years
Electrical equipment and installations	10 years
Computer software	3

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 derecognized 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 derecognized.

When revalued assets are derecognised the amount included in revaluation reserve are transferred to retained earnings.

(p) Investment properties

The group's accounting policy for investment property is described in note 7(c)

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(q) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 7(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Trademarks, licences and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) 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.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) 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.

(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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(s) Borrowings (Contd)

Borrowings are removed from the balance sheet 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 balance sheet.

(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 independent actuaries.

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan defines an amount of pension 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 balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service cost. The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries 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 pension 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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(All amounts are shown in LKR unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(v) Employee benefits (Contd)

Past service costs are recognised immediately in income.

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 7(j) 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 owners of the Company, 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 8(a)).

Basic earnings / (loss) per share is calculated by dividing:

- the profit attributable to owners of the Company, 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 8(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.

ANNEXURE 4

UNAUDITED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2021

ANNEXURE - 4

HELA APPAREL HOLDINGS (PRIVATE) LIMITED
AND ITS SUBSIDIARIES

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 SEPTEMBER 2021

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021

CONTENTS **PAGE**

Condensed six months ended statement of profit or loss	1
Condensed six months ended statement of comprehensive income	2
Condensed three months ended statement of profit or loss	3
Condensed three months ended statement of comprehensive income	4
Condensed balance sheet	5
Condensed statement of changes in equity	6 - 7
Condensed statement of cash flows	8
Notes to the financial statements	9

These financial statements are condensed interim financial statements of Hela Apparel Holdings (Private) Limited. The financial statements are presented in Sri Lankan Rupees (LKR).

The Company is a limited liability company incorporated under the Companies Act, No. 07 of 2007, and is domiciled in Sri Lanka.

The address of the registered office and the principal place of business is, No. 35, Balapokuna Road, Colombo 06.

The financial statements were authorised for issue by the Directors on ……10 December…….. 2021
The Directors have the power to amend and reissue the financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Corporate information

Name of Company
Hela Apparel Holdings (Private) Limited

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

Date of Incorporation
11 October 2018

Company Registration Number
PV00205151

Accounting Period End
31 March 2021

Principal Activity - the Company
Providing consultancy and support services
to group companies.

Registered Office
35, Balapokuna Road,
Colombo 06,
Sri Lanka.

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

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

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

Directors
A R Rasiah
P L D Jinadasa
Gayan Gunawardana
A Nanayakkara
T Peries
Patrick Schleiffer
A J Alderton

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.
Sumbiri Intimates Apparels (Private) Limited

Principal Activities- the Group
- Manufacture of apparel for export market
- Provision of front-end services to foreign customers

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

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed statement of profit or loss

(all amounts in Sri Lankan Rupees)

	Group		Company	
	Three months ended 30 September		Three months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	**2021 (Unaudited)**	2020 (Unaudited)
Revenue from contracts with customers	**14,937,756,407**	7,762,641,759	**-**	-
Cost of sales	**(12,710,498,314)**	(6,325,996,650)	**-**	-
Gross profit	**2,227,258,093**	1,436,645,109	**-**	**-**
Distribution costs	**(208,711,407)**	(111,842,293)	**-**	-
Administrative costs	**(1,334,140,467)**	(835,476,463)	**(1,788,062)**	(1,364,697)
Other income	**34,858,095**	32,304,047	**5,800**	6,617
Other gains / (losses) - net	**68,070,716**	(5,290,037)	**(37,612)**	4,967
Operating profit / (loss)	**787,335,030**	516,340,363	**(1,819,874)**	(1,353,113)
Finance income	**-**	-	**-**	-
Finance costs	**(330,243,517)**	(248,789,101)	**(8,611)**	(11,511)
Finance costs - net	**(330,243,517)**	(248,789,101)	**(8,611)**	(11,511)
Share of net loss of joint ventures	**(9,509,012)**	-	**-**	-
Profit / (loss) before income tax	**447,582,501**	267,551,262	**(1,828,485)**	(1,364,624)
Income tax expense	**(11,181,734)**	(11,472,597)	**-**	-
Profit / (loss) for the period	**436,400,767**	256,078,665	**(1,828,485)**	(1,364,624)
Profit / (loss) is attributable to:				
Owners of Hela Apparel Holdings (Private) Limited	**461,102,920**	250,255,496	**(1,828,485)**	(1,364,624)
Non-controlling interests	**(24,702,153)**	5,823,169	**-**	-
Profit / (loss) for the period	**436,400,767**	256,078,665	**(1,828,485)**	(1,364,624)
Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company				
Basic / diluted earnings / (loss) per share	**0.45**	25.03	**(0.00)**	(0.14)

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed statement of comprehensive income

(all amounts in Sri Lankan Rupees)

	Group		Company	
	Three months ended 30 September		Three months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit / (loss) for the period	**436,400,767**	256,078,665	**(1,828,485)**	(1,364,624)
Other comprehensive income:				
Items that will be reclassified to profit or loss				
Currency translation differences	**(22,707,455)**	(3,366,033)	**(11,252,450)**	42,456,130
Other comprehensive income for the period, net of tax	**(22,707,455)**	(3,366,033)	**(11,252,450)**	42,456,130
Total comprehensive income for the period	**413,693,312**	252,712,632	**(13,080,935)**	41,091,506

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed statement of profit or loss

(all amounts in Sri Lankan Rupees)

	Group		Company	
	Six months ended 30 September		Six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	**2021 (Unaudited)**	2020 (Unaudited)
Revenue from contracts with customers	**26,380,874,384**	11,809,013,277	**-**	-
Cost of sales	**(22,568,018,015)**	(10,065,859,449)	**-**	-
Gross profit	**3,812,856,369**	1,743,153,828	**-**	**-**
Distribution expenses	**(379,254,367)**	(177,139,056)	**-**	-
Administrative expenses	**(2,392,990,080)**	(1,380,005,211)	**(3,352,827)**	(1,734,609)
Other income	**57,495,469**	172,836,867	**11,752**	106,685
Other gains / (losses) - net	**219,194,580**	27,792,438	**(145,022)**	(184,679)
Operating profit / (loss)	**1,317,301,971**	386,638,866	**(3,486,097)**	(1,812,603)
Finance income	**-**	-	**-**	-
Finance costs	**(645,205,482)**	(471,004,848)	**(46,919)**	(15,971)
Finance costs - net	**(645,205,482)**	(471,004,848)	**(46,919)**	(15,971)
Share of net loss of joint ventures	**(29,996,549)**	-	**-**	-
Profit / (loss) before income tax	**642,099,940**	(84,365,982)	**(3,533,016)**	(1,828,574)
Income tax expense	**(22,438,427)**	(23,981,064)	**-**	-
Profit / (loss) for the period	**619,661,513**	(108,347,046)	**(3,533,016)**	(1,828,574)
Profit / (loss) is attributable to:				
Owners of Hela Apparel Holdings (Private) Limited	**651,129,164**	(108,807,443)	**(3,533,016)**	(1,828,574)
Non-controlling interests	**(31,467,651)**	460,397	**-**	-
Profit / (loss) for the period	**619,661,513**	(108,347,046)	**(3,533,016)**	(1,828,574)
Earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company				
Basic / diluted earnings / (loss) per share	**0.63**	(10.88)	**(0.00)**	(0.18)

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed statement of comprehensive income

(all amounts in Sri Lankan Rupees)

	Group		Company	
	Six months ended 30 September		Six months ended 30 September	
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit / (loss) for the period	**619,661,513**	(108,347,046)	**(3,533,016)**	(1,828,574)
Other comprehensive income:				
Items that will be reclassified to profit or loss				
Currency translation differences	**16,902,139**	(53,942,393)	**9,545,257**	84,912,260
Other comprehensive income for the period, net of tax	**16,902,139**	(53,942,393)	**9,545,257**	84,912,260
Total comprehensive income for the period	**636,563,652**	(162,289,439)	**6,012,241**	83,083,686

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed balance sheet

(all amounts in Sri Lankan Rupees)

	Group		Company	
	30 September 2021	31 March 2021	**30 September 2021**	31 March 2021
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	**3,624,292,606**	3,560,886,307	**-**	-
Investment property	**342,456,722**	340,795,890	**-**	-
Right-of-use assets	**565,409,869**	562,667,370	**-**	-
Intangible assets	**7,306,651,714**	7,271,434,771	**461,223**	916,380
Capital work-in-progress	**-**	42,338,794	**-**	-
Investment in subsidiaries	**-**	-	**1,242,290,556**	1,236,265,748
Investment in joint venture	**174,910,945**	-	**-**	-
Deferred tax assets	**291,789,973**	290,374,861	**-**	-
Other financial assets at amortised cost	**222,011**	220,934	**-**	-
Total non-current assets	**12,305,733,840**	12,068,718,927	**1,242,751,779**	1,237,182,128
Current assets				
Inventories	**7,060,808,823**	5,453,106,060	**-**	-
Trade receivables	**9,125,706,266**	5,288,323,019	**-**	-
Other financial assets at amortised cost	**1,598,137,433**	911,737,155	**752,457,167**	737,872,187
Other assets	**1,073,870,891**	1,034,839,811	**811,269**	-
Income tax receivables	**6,074,504**	6,294,640	**-**	-
Cash and cash equivalents	**2,301,603,474**	1,896,512,633	**2,344,523**	2,173,914
Total current assets	**21,166,201,391**	14,590,813,318	**755,612,959**	740,046,101
Total assets	**33,471,935,231**	26,659,532,245	**1,998,364,738**	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)	**1,964,964,126**	1,313,834,962	**(36,136,540)**	(32,603,524)
Other reserves	**101,795,619**	86,065,358	**97,952,225**	82,221,964
Exchange equalization reserve	**522,671,078**	505,768,939	**210,467,807**	200,922,550
Capital and reserves attributable to owners of Hela Apparel Holdings (Private) Limited	**4,313,332,746**	3,629,568,049	**1,996,185,415**	1,974,439,780
Non-controlling interests	**123,504,602**	340,115,765	**-**	-
Total equity	**4,436,837,348**	3,969,683,814	**1,996,185,415**	1,974,439,780
LIABILITIES				
Non-current liabilities				
Borrowings	**1,385,821,287**	2,063,220,376	**-**	-
Deferred income tax liabilities	**356,670,233**	357,485,792	**-**	-
Lease liabilities	**551,184,558**	548,511,446	**-**	-
Employee benefit obligations	**482,380,318**	436,902,553	**-**	-
Total non-current liabilities	**2,776,056,396**	3,406,120,167	**-**	-
Current liabilities				
Trade and other payables	**8,015,676,164**	6,110,299,701	**2,179,323**	2,287,465
Lease liabilities	**74,248,912**	73,888,823	**-**	-
Income tax liabilities	**11,294,765**	1,675,718	**-**	-
Borrowings	**18,157,821,646**	13,097,864,022	**-**	500,984
Total current liabilities	**26,259,041,487**	19,283,728,264	**2,179,323**	2,788,449
Total liabilities	**29,035,097,883**	22,689,848,431	**2,179,323**	2,788,449
Total equity and liabilities	**33,471,935,231**	26,659,532,245	**1,998,364,738**	1,977,228,229
Net assets per share	**4.16**	362.94	**1.93**	197.44

The notes on pages 9 to 11 are an integral part of these financial statements.

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: 10-12-2021

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: 10-12-2021

.....

Director

Date:

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed statement of changes in equity

(all amounts in Sri Lankan Rupees)

Group

	Attributable to owners of Hela Apparel Holdings (Private) 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	-	(108,807,443)	-	-	(108,807,443)	460,397	(108,347,046)
Other comprehensive income	-	-	-	(53,942,393)	(53,942,393)	-	(53,942,393)
Total comprehensive income for the year	-	(108,807,443)	-	(53,942,393)	(162,749,836)	460,397	(162,289,439)
Issue of shares under Employees Share Ownership Plan	2,600	-	-	-	2,600	-	2,600
Balance at 31 September 2020	1,723,898,790	474,117,384	(1,023,579)	143,857,256	2,340,849,851	231,209,885	2,572,059,736
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**
Profit for the period	**-**	**651,129,164**	**-**	**-**	**651,129,164**	**(31,467,651)**	**619,661,513**
Other comprehensive income	**-**	**-**	**-**	**16,902,139**	**16,902,139**	**-**	**16,902,139**
Total comprehensive income for the period	**-**	**651,129,164**	**-**	**16,902,139**	**668,031,303**	**(31,467,651)**	**636,563,652**
NCI on business combination	**-**	**-**	**-**	**-**	**-**	**(185,143,512)**	**(185,143,512)**
Issue of shares to employees under the ESOP - value of employee services	**-**	**-**	**15,730,261**	**-**	**15,730,261**	**-**	**15,730,261**
Share issue	**3,133**	**-**	**-**	**-**	**3,133**	**-**	**3,133**
Balance at 30 September 2021	**1,723,901,923**	**1,964,964,126**	**101,795,619**	**522,671,078**	**4,313,332,746**	**123,504,602**	**4,436,837,348**

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) 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	-	-	(1,828,574)	-	(1,828,574)
Other comprehensive income	-	-	-	84,912,260	84,912,260
Total comprehensive income for the year	-	-	(1,828,574)	84,912,260	83,083,686
Issue of shares under Employees Share Ownership Plan	2,600	-	-	-	2,600
Balance at 30 September 2020	1,723,898,790	-	(29,740,243)	117,204,494	1,811,363,041
Balance at 31 March 2021	**1,723,898,790**	**82,221,964**	**(32,603,524)**	**200,922,550**	**1,974,439,780**
Loss for the year	**-**	**-**	**(3,533,016)**	**-**	**(3,533,016)**
Other comprehensive income	**-**	**-**	**-**	**9,545,257**	**9,545,257**
Total comprehensive income for the year	**-**	**-**	**(3,533,016)**	**9,545,257**	**6,012,241**
Issue of shares to employees under the ESOP - value of employee services	**-**	**15,730,261**	**-**	**-**	**15,730,261**
Share issue	**3,133**	**-**	**-**	**-**	**3,133**
Balance at 30 September 2021	**1,723,901,923**	**97,952,225**	**(36,136,540)**	**210,467,807**	**1,996,185,415**

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Condensed statements of cash flows

(all amounts in Sri Lankan Rupees)

	Group		Company	
	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)	**30 September 2021 (Unaudited)**	30 September 2020 (Unaudited)
Profit / (loss) before income tax from continuing operations	**642,099,940**	(84,365,982)	**(3,533,016)**	(1,828,574)
Adjustments for:				
Depreciation and amortisation	**255,342,469**	280,415,947	**460,404**	557,688
Net interest expenses	**540,367,553**	421,710,915	**(8,611)**	1,488
Retirement benefits obligations provision	**62,926,567**	(4,912,788)	**-**	-
Gain from NCI acquisition	**(125,980,080)**	-	**-**	-
Loss on sale of property, plant and equipment	**212,571**	-	**-**	-
Share based payment expenses	**15,712,689**	-	**15,712,649**	-
Exchange difference	**2,562,677**	-	**801**	-
Changes in working capital				
- (Increase) / decrease in inventories	**(1,583,815,635)**	(123,714,089)	**-**	-
- (Increase) / decrease in trade receivables	**(3,827,026,845)**	(258,246,112)	**-**	-
- Increase / (decrease) in trade and other payables	**1,876,019,098**	1,503,230,632	**(119,493)**	(2,876,861)
- (Increase) / decrease Other financial assets at amortised cos	**(683,113,160)**	553,569,568	**(11,004,638)**	(19,119,810)
- (Increase) / decrease Other assets	**(33,794,437)**	(661,806,888)	**(812,648)**	(113,168)
Cash (used in) / generated from operations	**(2,858,486,593)**	1,625,881,203	**695,448**	(23,379,237)
Retirement benefits obligations paid	**(19,298,551)**	(19,564,654)	**-**	-
Income tax paid	**(12,868,481)**	-	**-**	-
Interest paid	**(505,424,600)**	(350,792,044)	**(28,738)**	(1,447)
Net cash (outflow) / inflow from operating activities	**(3,396,078,225)**	1,255,524,505	**666,710**	(23,380,684)
Cash flows from investing activities				
Net movement of property, plant and equipment and intangible assets	**(301,466,445)**	(2,780,725)	**-**	(170,141)
Interest received	**3,456,130**	2,586,813	**5,982**	104,988
Invesments made in joint venture	**(175,208,279)**	(1,860)	**-**	-
NCI on business combination	**(60,105,000)**	-	**-**	-
Net cash (outflow) / inflow from investing activities	**(533,323,594)**	(195,772)	**5,982**	(65,153)
Cash flows from financing activities				
Net borrowings	**4,315,997,200**	(1,539,558,814)	**(504,281)**	(10,543)
Net cash inflow / (outflow) from financing activities	**4,315,997,200**	(1,539,558,814)	**(504,281)**	(10,543)
Net increase in cash and cash equivalents	**386,595,381**	(284,230,081)	**168,411**	(23,456,380)
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	**18,495,460**	43,034,877	**2,198**	15,884,385
Cash and cash equivalents at end of period	**2,301,603,474**	1,562,723,166	**2,344,523**	2,254,398

The notes on pages 9 to 11 are an integral part of these financial statements.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the condensed interim financial statements

1 General information

Hela Apparel Holdings (Private) 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.PV00205151 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 30 September 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 (Private) Limited for the year ended 31 March 2021.

4 Contingent liabilities

There were no contingent liabilities outstanding as at the balance sheet date.

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 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.

7 Events after the reporting period

No events have occurred since the balance sheet date and the approval of the these financial statements, that would require adjustments or disclosures in the financial statements.

8 Covid impact and going concern

The Group has adequate resources to continue in operational existence for the foreseeable future and continues to adopt the going concern basis in preparing and presenting these financial statements. To counter the COVID-19 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.

9 Investments in joint venture

	2021
At 1 April 2021	-
Acquisition	195,336,854
Share of (loss) / profit	(29,996,549)
Exchange equalization reserve	9,570,640
At 30 September 2021	**174,910,945**

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the condensed interim financial statements

9 Investments in joint venture (Contd)

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), the 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 30 September 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.

10 Comparatives

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

12 Seasonal or cyclical factors affecting the Group disclosure note;

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

13 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.

14 Stated capital

	Company			
	30 September 2021	31 March 2021	**30 September 2021**	31 March 2021
	Number of shares	Number of shares	**Value (LKR)**	Value (LKR)
A1 Prerence 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 30 September 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.

HELA APPAREL HOLDINGS (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the condensed interim financial statements

14 Stated capital (Contd)

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

Shareholder name	Number of shares	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**

15 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	-	**15,730,261**	**15,730,261**
Balance at 30 September 2021	**3,843,394**	**97,952,225**	**101,795,619**

16 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.

17 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 borrwings as financial instruments. The fair values are not materialy different to their carrying amounts, since the interest receivable/ payable is either close to the current market rates or the instruments are short-terms in nature.

ANNEXURE 5

HELA CLOTHING (PRIVATE) LIMITED CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021

ANNEXURE - 5

HELA CLOTHING (PRIVATE) LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
31 MARCH 2021

HELA CLOTHING (PRIVATE) LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
- 31 MARCH 2021

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS - 31 MARCH 2021

CONTENTS

CONTENTS	PAGE
Independent auditor's report	**1**
Financial statements	**3**
Statements of profit or loss	4
Statements of comprehensive income	5
Balance sheet	6
Consolidated statement of changes in equity	7
Company statement of changes in equity	8
Statements of cash flows	9
Notes to the financial statements	**10**
Significant changes in the current reporting period	11
How numbers are calculated	**12**
Revenue	13
Material profit or loss items	13
Other income and expense items	13
Income tax expense	15
Financial assets and financial liabilities	15
Non financial assets and liabilities	18
Equity	30
Cash flow information	32
Risk	**33**
Critical estimates, judgements and errors	34
Financial risk management	35
Capital management	39
Group structure	**40**
Business combinations	41
Interests in other entities	41
Unrecognised items	**44**
Contingent liabilities and contingent assets	45
Commitments	45
Events occurring after the reporting period	45
Other information	**46**
Related party transactions	47
Earnings per share	48
General information	49
Going concern	49
Summary of significant accounting policies	49

Independent auditor's report
To the Shareholders of Hela Clothing (Private) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Hela Clothing (Private) Limited ("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 2021, 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 balance sheet as at 31 March 2021;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Board of Directors but does not include the financial statements and our auditor's report thereon. The Annual Report of the Board is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 when it becomes available 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.

When we read the Annual Report of the Board, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Independent auditor's report continued on page 2

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Independent auditor's report
To the Shareholders of Hela Clothing (Private) Limited (Contd)

Report on the audit of the financial statements (Contd)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism 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.

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

16 August 2021
COLOMBO

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Annual Financial Report - 31 March 2021

Financial statements

Statement of profit or loss	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flows	9
Notes to the financial statements	**10**

These financial statements are entity financial statements of Hela Clothing (Private) Limited. The financial statements are presented in United States Dollars (USD).

The Company is a limited liability company incorporated under the Companies act, No. 07 of 2007, and is domiciled in Sri Lanka.

The address of the registered office and the principal place of business is, No. 35, Balapokuna Road, Colombo 06.

The financial statements were authorised for issue by the Directors on 16 August 2021
The Directors have the power to amend and reissue the financial statements.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statement of profit or loss

(all amounts in US Dollars)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	**2021**	2020	**2021**	2020
Revenue from contracts with customers	2	**171,101,434**	183,501,755	**42,282,041**	39,960,657
Cost of sales		**(138,826,291)**	(144,449,765)	**(34,619,154)**	(31,095,509)
Gross profit		**32,275,143**	39,051,990	**7,662,887**	8,865,148
Distribution costs		**(3,184,798)**	(3,296,978)	**(177,709)**	(395,143)
Administrative expenses		**(20,386,349)**	(25,098,894)	**(5,567,317)**	(6,116,875)
Net impairment losses on financial assets		**(89,198)**	(821,171)	**-**	-
Other income	4(a)	**1,398,626**	796,697	**210,966**	15,048
Other gains / (losses) - net	4(b)	**440,963**	646,030	**73,086**	34,531
Operating profit		**10,454,387**	11,277,674	**2,201,913**	2,402,709
Finance income	4(e)	**53,511**	56,697	**-**	2,015
Finance costs	4(e)	**(5,630,281)**	(6,581,891)	**(1,557,308)**	(1,853,329)
Finance costs - net		**(5,576,770)**	(6,525,194)	**(1,557,308)**	(1,851,314)
Profit before income tax		**4,877,617**	4,752,480	**644,605**	551,395
Income tax release/ (expense)		**(215,693)**	(280,515)	**17,308**	511,409
Profit for the year		**4,661,924**	4,471,965	**661,913**	1,062,804
Profit is attributable to:					
Owners of Hela Clothing (Private) Limited		**4,104,854**	4,679,104	**661,913**	1,062,804
Non-controlling interests		**557,070**	(207,139)	**-**	-
Profit for the year		**4,661,924**	4,471,965	**661,913**	1,062,804
Earnings per share for profit attributable to the equity holders of the Company					
Basic earnings per share		**0.04**	0.08	**0.01**	0.02

The notes on pages 10 to 58 are an integral part of these financial statements.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statement of comprehensive income

(all amounts in US Dollars)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	**2021**	2020	**2021**	2020
Profit for the year		**4,661,924**	4,471,965	**661,913**	1,062,804
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Currency translation difference		**(32,560)**	995,821	**-**	-
Gain on revaluation of land and buildings		**60,740**	78,268	**-**	-
Deferred income tax impact relating to revaluation	4(e)	**(9,960)**	(28,481)	**-**	-
Remeasurements of post-employment benefit obligations	7(i)	**(215,225)**	(182,601)	**(235,963)**	(51,579)
Deferred income tax impact relating to remeasurements of post-employment benefit obligations - gratuity	4(e)	**24,008**	18,443	**33,035**	7,221
Other comprehensive income for the year, net of tax		**(172,997)**	820,460	**(202,928)**	(44,358)
Total comprehensive income for the year		**4,488,927**	5,292,425	**458,985**	1,018,446

The notes on pages 10 to 58 are an integral part of these financial statements.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Balance sheet

(all amounts in US Dollars)

		Group		Company	
		As at 31 March		As at 31 March	
	Note	2021	2020	2021	2020
ASSETS					
Non-current assets					
Property, plant and equipment	7(a)	**17,890,305**	19,529,404	**4,630,158**	4,707,333
Investment property	7(c)	**1,712,198**	1,660,193	**-**	-
Right-of-use assets	7(g)	**2,826,906**	2,049,691	**659,857**	417,905
Intangible assets	7(b)	**28,985,645**	29,476,506	**9,280**	4,274
Capital work-in-progress	7(d)	**212,715**	431,777	**-**	-
Deferred tax assets	7(h)	**1,458,877**	1,590,025	**615,059**	518,630
Investment in subsidiaries	14(a)	**-**	-	**32,928,336**	27,034,721
Other financial assets at amortised cost	6(b)	**1,110**	1,110	**10**	10
Total non-current assets		**53,087,756**	54,738,706	**38,842,700**	32,682,873
Current assets					
Inventories	7(i)	**27,397,035**	20,322,663	**4,196,009**	5,601,941
Trade receivables	6(a)	**26,569,147**	25,805,541	**4,813,544**	1,696,402
Other financial assets at amortised cost	6(b)	**4,580,673**	3,066,090	**1,806,376**	2,798,100
Other assets	7(f)	**5,199,155**	5,408,042	**-**	-
Income tax receivables		**31,625**	82,931	**31,625**	34,425
Cash and cash equivalents	6(c)	**9,517,378**	9,869,580	**479,582**	1,606,296
Total current assets		**73,295,013**	64,554,847	**11,327,136**	11,737,164
Total assets		**126,382,769**	119,293,553	**50,169,836**	44,420,037
LIABILITIES					
Non-current liabilities					
Borrowings	6(e)	**10,365,858**	12,324,723	**7,118,217**	9,181,033
Deferred income tax liabilities	7(h)	**1,796,050**	2,076,304	**-**	-
Lease liabilities	7(g)	**2,755,785**	570,479	**594,161**	215,491
Employee benefit obligations	7(j)	**2,195,049**	1,800,659	**885,284**	643,837
Total non-current liabilities		**17,112,742**	16,772,165	**8,597,662**	10,040,361
Current liabilities					
Trade and other payables	6(d)	**30,785,583**	23,670,481	**16,660,795**	11,363,733
Lease liabilities	7(g)	**371,226**	1,670,922	**54,914**	251,966
Income tax liabilities		**8,419**	-	**-**	-
Borrowings	6(e)	**65,805,185**	69,723,104	**16,367,320**	14,827,988
Total current liabilities		**96,970,413**	95,064,507	**33,083,029**	26,443,687
Total liabilities		**114,083,155**	111,836,672	**41,680,691**	36,484,048
Net assets		**12,299,614**	7,456,881	**8,489,145**	7,935,989
EQUITY					
Stated capital	8(a)	**13,703,211**	13,703,211	**13,703,211**	13,703,211
Advance against share capital		**3,607,007**	3,607,007	**3,607,007**	3,607,007
Other reserve		**4,609,679**	4,229,976	**4,537,186**	4,443,015
Accumulated losses	8(b)	**(12,062,975)**	(15,976,612)	**(13,358,259)**	(13,817,244)
Currency translation reserve		**497,228**	529,788	**-**	-
Capital and reserves attributable to owners of Hela Clothing (Private) Limited		**10,354,150**	6,093,370	**8,489,145**	7,935,989
Non-controlling interests		**1,945,464**	1,363,511	**-**	-
Total equity		**12,299,614**	7,456,881	**8,489,145**	7,935,989

The notes on pages 10 to 58 are an integral part of these financial statements.

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

.....
Finance Chief Financial Officer
Date: 16 August 2021

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: 16 August 2021

.....
Director
Date: 16 August 2021

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Group Statement of changes in equity

(all amounts in US Dollars)

	Attributable to owners of Hela Clothing (Private) Limited							
	Stated capital	Advances against share capital	Other reserves	Retained earnings / (accumulated losses)	Currency equalisation reserve	Total	Non - controlling interests	Total equity
Balance at 01 April 2019	8,633,467	5,069,744	4,235,689	(20,337,453)	(466,033)	(2,864,586)	1,197,845	(1,666,741)
Change in accounting policy*	-	-	-	(154,105)	-	(154,105)	-	(154,105)
Restated balance at 01 April 2019	8,633,467	5,069,744	4,235,689	(20,491,558)	(466,033)	(3,018,691)	1,197,845	(1,820,846)
Profit for the year	-	-	-	4,679,104	-	4,679,104	(207,139)	4,471,965
Other comprehensive income	-	-	(5,713)	(164,158)	995,821	825,950	(5,490)	820,460
Total comprehensive income for the year	-	-	(5,713)	4,514,946	995,821	5,505,054	(212,629)	5,292,425
Advances received	-	3,607,007	-	-	-	3,607,007	-	3,607,007
Advances capitalised	5,069,744	(5,069,744)	-	-	-	-	-	-
NCI on business combination	-	-	-	-	-	-	378,295	378,295
Balance at 31 March 2020	13,703,211	3,607,007	4,229,976	(15,976,612)	529,788	6,093,370	1,363,511	7,456,881
Balance at 01 April 2020	**13,703,211**	**3,607,007**	**4,229,976**	**(15,976,612)**	**529,788**	**6,093,370**	**1,363,511**	**7,456,881**
Restated balance at 01 April 2020	**13,703,211**	**3,607,007**	**4,229,976**	**(15,976,612)**	**529,788**	**6,093,370**	**1,363,511**	**7,456,881**
Profit for the year	**-**	**-**	**-**	**4,104,854**	**-**	**4,104,854**	**557,070**	**4,661,924**
Employee share option plan	**-**	**-**	**353,806**	**-**	**-**	**353,806**	**-**	**353,806**
Other comprehensive income	**-**	**-**	**25,897**	**(191,217)**	**(32,560)**	**(197,880)**	**24,883**	**(172,997)**
Total comprehensive income for the year	**-**	**-**	**379,703**	**3,913,637**	**(32,560)**	**4,260,780**	**581,953**	**4,842,733**
Balance at 31 March 2021	**13,703,211**	**3,607,007**	**4,609,679**	**(12,062,975)**	**497,228**	**10,354,150**	**1,945,464**	**12,299,614**

*Refer to note 23 for changes in accounting policies during the year

The notes on pages 10 to 58 are an integral part of these financial statements.

HELA CLOTHING (PRIVATE) LIMITED

Statement of changes in equity

(all amounts in US Dollars)

	Notes	Stated capital	Advance against share capital	Other reserves	Accumulated losses	Total
Balance as at 1 April 2019		8,633,467	5,069,744	4,443,015	(14,835,690)	3,310,536
Profit for the year		-	-	-	1,062,804	1,062,804
Other comprehensive income		-	-	-	(44,358)	(44,358)
Total comprehensive income for the year					1,018,446	1,018,446
Advance against share capital		-	3,607,007	-	-	3,607,007
Transfers to share capital		5,069,744	(5,069,744)	-	-	-
Balance at 31 March 2020		**13,703,211**	**3,607,007**	**4,443,015**	**(13,817,244)**	**7,935,989**
Balance at 1 April 2020		**13,703,211**	**3,607,007**	**4,443,015**	**(13,817,244)**	**7,935,989**
Profit for the year		**-**	**-**	**-**	**661,913**	**661,913**
Other comprehensive income		**-**	**-**	**-**	**(202,928)**	**(202,928)**
Total comprehensive income for the year		**-**	**-**	**-**	**458,985**	**458,985**
Employee share option plan	6 (b)	-	-	**94,171**	-	**94,171**
Balance at 31 March 2021		**13,703,211**	**3,607,007**	**4,537,186**	**(13,358,259)**	**8,489,145**

The notes on pages 10 to 58 are an integral part of these financial statements.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Statements of cash flows

(all amounts in US Dollars)

		Group		Company	
		Year ended 31 March		Year ended 31 March	
	Notes	**2021**	2020	**2021**	2020
Cash flows from operating activities					
Cash generated from operations	9(a)	**14,163,167**	10,233,885	**7,271,491**	11,675,553
Retirement benefits obligations paid	7(i)	**(206,936)**	(186,616)	**(103,815)**	(66,520)
Income tax paid		**(684,232)**	(795,443)	**(1,507,912)**	-
Interest paid	4(e)	**(2,939,013)**	(4,200,692)	**(46,086)**	(1,768,247)
Net cash (outflow) / inflow from operating activities		**10,332,986**	5,051,134	**5,613,678**	**9,840,786**
Cash flows from investing activities					
Purchase of property, plant and equipment		**(1,726,078)**	(1,375,399)	**(452,656)**	(301,921)
Purchase of intangible assets	7(b)	**(18,058)**	(47,067)	**(11,092)**	-
Expenses incurred on capital work-in-progress	7(d)	**(111,614)**	(358,422)	**-**	-
Proceeds from sales of property, plant and equipment		**197,484**	2,443	**8,233**	8,054
Proceeds from sales of intangible assets		**6,396**	-	**-**	-
Interest received		**53,511**	56,697	**-**	2,015
Purchase of investment properties		**(1,006)**	-	**-**	-
Investments made in subsidiaries		**-**	-	**(5,893,615)**	(426,377)
Net cash (outflow) / inflow from investing activities		**(1,599,365)**	(1,721,748)	**(6,349,130)**	**(718,229)**
Cash flows from financing activities					
Proceeds from borrowings		**192,182,520**	262,227,576	**33,291,107**	50,801,125
Payments on lease liabilities		**(1,394,870)**	(1,365,060)	**132,223**	(284,921)
Repayment of borrowings		**(197,477,805)**	(261,920,267)	**(33,974,641)**	(57,390,075)
Proceeds from advances received		**-**	3,607,007	**-**	-
Net cash (outflow) / inflow from financing activities		**(6,690,155)**	2,549,256	**(551,311)**	(6,873,871)
Net in cash and cash equivalents		**2,043,466**	5,878,642	**(1,286,764)**	2,248,686
Cash and cash equivalents at beginning of year		**6,995,577**	1,116,935	**1,606,296**	(642,390)
Cash and cash equivalents at end of year	6(b)	**9,039,043**	6,995,577	**319,532**	1,606,296

The notes on pages 10 to 58 are an integral part of these financial statements.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

1	Significant changes in the current reporting period	11
How numbers are calculated		**12**
2	Revenue	13
3	Material profit or loss items	13
4	Other income and expense items	13
5	Income tax expense	15
6	Financial assets and financial liabilities	15
7	Non financial assets and liabilities	18
8	Equity	30
9	Cash flow information	32
Risk		**33**
10	Critical estimates, judgements and errors	34
11	Financial risk management	35
12	Capital management	39
Group structure		**40**
13	Business combinations	41
14	Interests in other entities	41
Unrecognised items		**44**
15	Contingent liabilities and contingent assets	45
16	Commitments	45
17	Events occurring after the reporting period	45
Other information		**46**
18	Related party transactions	47
19	Earnings per share	48
20	General information	49
21	Going concern	49
22	Summary of significant accounting policies	49

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

1 Significant changes in the current reporting period

The financial position and performance of the Group and the Company were not particularly affected by any events or transactions during the reporting period:

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the Company and the Group, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.

(b) analysis and sub-totals

(c) Information about estimates and judgements made in relation to particular items.

2	Revenue	13
3	Material profit or loss items	13
4	Other income and expense items	13
5	Income tax expense	15
6	Financial assets and financial liabilities	15
7	Non financial assets and liabilities	18
8	Equity	30
9	Cash flow information	32

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

2 Revenue

	Group		Company	
	2021	2020	**2021**	2020
Export sales	**165,830,820**	156,664,645	**40,419,115**	38,845,177
Local sales	**1,880,525**	1,115,480	**1,862,926**	1,115,480
Revenue from rendering of services	**3,390,089**	25,721,630	**-**	-
	171,101,434	183,501,755	**42,282,041**	39,960,657

(i) Recognising revenue from major business activities

Export sales

The Group manufactures and exports a range of apparel. Revenue is recognized at the point in time when the Group satisfies a performance obligation by transferring promised products to a customer. A product is transferred when the customer obtains control of that product, based on the agreement. The Group determines the transaction price to 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 terms mentioned in the agreement.

Local sales

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

Revenue from rendering of services

The group provides subcontractor services to customers based on agreements. Revenue is recognized at the point in time the control is passed to the customer, based on the agreement. Customer has to settle the obligation within the credit period terms mentioned in the agreement.

Interest income

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

Dividend income

Dividends income is recognized when the right to receive payment is established.

3 Material profit or loss items

The Group and the Company have identified an item which is material due to the significance of its nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group and the Company.

	Group		Company	
	2021	2020	**2021**	2020
Raw materials and consumables used	**85,212,450**	93,671,305	**26,283,628**	24,389,056
Staff costs	**30,783,522**	38,634,351	**7,426,667**	5,668,027
Sub-contract/service charges	**19,879,897**	19,983,475	**-**	-

4 Other income and expense items

(a) Other income

	Group		Company	
	2021	2020	**2021**	2020
Dividend income	**-**	-	**-**	-
Rent income	**1,883**	449,427	**-**	-
Other Income	**1,396,743**	347,270	**210,966**	547,175
	1,398,626	796,697	**210,966**	547,175

(b) Other gains / (losses)

	Group		Company	
	2021	2020	**2021**	2020
Impairment of investments in subsidiaries	**-**	-	**-**	(66)
Net foreign exchange gains	**453,132**	189,672	**27,078**	28,639
Net gains / losses on disposal of property plant and equipment	**(5,070)**	(62,492)	**4,932**	5,958
Gain on lease modification	**41,076**	-	**41,076**	-
Adjustment on the fair valuation of investment property	**76,189**	38,471	**-**	-
Loyalty income	**-**	476,726	**-**	-
Impairment loss of fixed assets	**(124,364)**	-	**-**	-
Prior year adjustments	**-**	3,653	**-**	-
	440,963	646,030	**73,086**	34,531

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

4 Other income and expense items (Contd)

(c) Breakdown of expenses by nature

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Raw materials and consumables used		**85,212,450**	93,671,305	**26,283,628**	24,389,056
Depreciation	7(a)	**2,997,899**	2,283,420	**526,529**	926,382
Amortisation of Intangible assets	7(b)	**610,389**	156,164	**6,086**	50,977
Professional charges		**127,851**	68,922	**-**	-
Directors' remuneration		**835,262**	203,047	**-**	203,047
Staff costs	4(d)	**30,783,522**	38,634,351	**7,426,667**	5,668,027
Auditors' remuneration					
- Audit fees		**78,755**	64,972	**21,635**	18,735
- Non-audit fees		**12,216**	1,726	**-**	-
Repairs and maintenance expenditure		**493,723**	758,673	**213,368**	284,963
Other staff related costs		**722,820**	673,943	**521,338**	453,796
Sub-contract/service charges		**19,879,897**	19,983,475	**-**	-
Travelling and advertising expenses		**1,948,024**	3,125,296	**177,709**	901,061
Rent expenses		**856,824**	2,349,747	**-**	-
Bank charges		**147,793**	140,568	**-**	-
Bad debts		**296,210**	330,106	**(205,551)**	148,805
Other expenses		**17,393,803**	10,399,922	**5,392,771**	4,562,678
Total cost of sales, distribution costs and administrative expenses		**162,397,438**	172,845,637	**40,364,180**	37,607,527

(d) Employee benefit expense

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
- Wages, salaries and bonus		**27,661,886**	35,765,694	**6,320,261**	4,842,506
- Defined contribution plans		**2,298,435**	2,433,604	**879,861**	679,618
- Defined benefit obligations	7(i)	**385,687**	435,053	**109,299**	145,903
- Employee share option plan expense		**437,514**	-	**117,246**	-
		30,783,522	38,634,351	**7,426,667**	5,668,027

(e) Finance income and costs

	Group 2021	Group 2020	Company 2021	Company 2020
Finance income				
- Interest income	**53,511**	56,697	**-**	2,015
Finance income	**53,511**	56,697	**-**	2,015
Finance costs				
- Bank overdraft interest	**(84,023)**	(262,410)	**(22,230)**	(18,857)
- Bank loan interest	**(2,236,036)**	(2,153,452)	**(1,485,212)**	(1,758,377)
- Bill discounting charges	**(932,412)**	(1,515,605)	**-**	-
- Finance lease interest	**(455,924)**	(229,656)	**(49,866)**	(76,095)
- Exchange (loss)/gain (unrealised)	**110,797**	(225,572)	**-**	-
- TR loan charges	**(1,997,549)**	(2,182,638)	**-**	-
- Other bank charges	**(35,134)**	(12,558)	**-**	-
Finance costs expensed	**(5,630,281)**	(6,581,891)	**(1,557,308)**	(1,853,329)
Finance costs -net	**(5,576,770)**	(6,525,194)	**(1,557,308)**	(1,851,314)

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

5 Income tax expense

a) Income tax

	Group		Company	
	2021	2020	**2021**	2020
Current tax on profits for the year	**304,001**	(793,437)	**(46,086)**	**-**
Deferred tax	**(102,379)**	441,737	**96,427**	**518,630**
Adjustments for prior periods	**23**	157	**-**	**-**
Income tax (release) / charged	**201,645**	(351,543)	**50,341**	**518,630**
Income tax expense (release) / charged;				
to profit or loss	**215,693**	(280,515)	**17,308**	511,409
to other comprehensive income	**(14,048)**	(71,028)	**33,035**	7,221
	201,645	(351,543)	**50,343**	518,630

6 Financial assets and financial liabilities

This note provides information about the Group and the Company's financial instrument, 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.

		Financial assets at amortised cost			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Financial assets					
Trade receivables	6(a)	**26,569,147**	25,805,541	**4,813,544**	1,696,402
Other financial assets at amortised costs	6(b)	**4,581,783**	8,475,242	**1,806,376**	2,798,100
Cash and cash equivalents	6(c)	**9,517,378**	9,869,580	**479,582**	1,606,296
		40,668,308	44,150,363	**7,099,502**	6,100,798

		Financial Liabilities at amortised cost			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Financial liabilities					
Trade and other payable (excluding non-financial liabilities)		**30,785,583**	23,670,481	**13,373,132**	11,794,908
Borrowings	6 (e)	**76,171,043**	82,047,827	**23,485,537**	24,009,021
		106,956,626	105,718,308	**36,858,669**	35,803,929

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

6 Financial assets and financial liabilities (Contd)

(a) Trade receivables

	Notes	Group		Company	
		2021	2020	**2021**	2020
Trade receivables		**28,338,432**	28,052,936	**5,667,642**	3,071,029
Provision for impairment		**(1,769,285)**	(2,247,395)	**(854,098)**	(1,374,627)
		26,569,147	25,805,541	**4,813,544**	1,696,402

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 45 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in notes 11 (b) and 22 (i) respectively.

(ii) Fair values of trade receivables

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

(iii) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11 (a) and (b).

(b) Other financial assets at amortised cost

(i) Classification of 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.

Financial assets at amortised cost include the following:

	Notes	Group		Company	
		2021	2020	**2021**	2020
Receivables from related parties	18 (e)	**-**	197,974	**60,010**	991,193
Provision for impairment		**-**	-	**-**	-
		-	197,974	**60,010**	991,193
Other receivables		**5,505,219**	3,379,574	**-**	-
Provision for impairment		**(923,436)**	4,897,694	**1,746,366**	1,806,907
		4,581,783	8,277,268	**1,746,366**	1,806,907
		4,581,783	8,475,242	**1,806,376**	2,798,100
Non-current portion		**1,110**	1,110	**-**	-
Current portion		**4,580,673**	8,474,132	**1,806,376**	2,798,100
Total other financial assets at amortised cost		**4,581,783**	8,475,242	**1,806,376**	2,798,100

(ii) Impairment and risk exposure

Note 11 (b) sets out information about the impairment of financial assets and the Company's exposure to credit risk.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

6 Financial assets and financial liabilities (Contd)

(b) Trade and other receivables (Contd)

(iii) Fair values of trade and other receivables

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

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk and foreign currency risk can be found in note 11 (a) and (b).

(c) Cash and cash equivalents

Cash at bank and in hand consists of current account balances held in Foreign Currency Banking Units (FCBU) and local banks.

	Group		Company	
	2021	2020	**2021**	2020
Cash at bank and in hand	**6,540,451**	4,724,148	**479,582**	1,606,296
Deposits at call	**2,976,927**	5,145,432	**-**	-
	9,517,378	9,869,580	**479,582**	1,606,296

(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	**2021**	2020	**2021**	2020
Cash at bank and in hand		**9,517,378**	9,869,580	**479,582**	1,606,296
Bank overdraft	6(e)	**(478,335)**	(2,874,003)	**(160,050)**	-
		9,039,043	6,995,577	**319,532**	1,606,296

(ii) Classification as cash equivalents

Call deposits are presented as cash equivalents if they have held at call with bank. See note 22(h) for the Group's other accounting policies on cash and cash equivalents.

(d) Trade and other payables

		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Trade payables		**16,591,155**	11,509,497	**1,333,953**	1,568,918
Payable to related parties	18(e)	**100,057**	36,720	**12,039,179**	6,155,055
Accrued expenses		**4,367,547**	837,593	**-**	-
Other payables		**9,726,824**	11,286,671	**3,287,663**	3,639,760
		30,785,583	23,670,481	**16,660,795**	11,363,733

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.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

6 Financial assets and financial liabilities (Contd)

(e) Borrowings

	Group		Company	
	2021	2020	**2021**	2020
Non-current				
Bank borrowings	**10,365,858**	12,324,723	**7,118,217**	9,181,033
	10,365,858	12,324,723	**7,118,217**	9,181,033
Current				
Bank borrowings	**65,326,850**	66,849,101	**16,207,270**	14,827,988
Bank overdraft	**478,335**	2,874,003	**160,050**	-
	65,805,185	69,723,104	**16,367,320**	14,827,988
Total borrowings	**76,171,043**	82,047,827	**23,485,537**	24,009,021

(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 11.

7 Non-financial assets and liabilities

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

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment [note 7(a)]
  - intangible assets (note 7(b))
  - investment properties (note 7(c))
  - capital work-in-progress (note 7(d))
  - pre-paid rentals (note 7 (e))
  - leases (note 7(f))
  - deferred income tax assets (note 7(g))
  - inventories (note 7 (h))
  - retirement benefit obligations (note 7(i))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(a) Property plant and equipment

Group

	Freehold land Cost / Valuation	Building Cost / Valuation	Leasehold building	Plant and machinery	Plant and machinery - embroidery	Motor vehicles	Motor cycles	Office equipment	Factory equipment	Air conditioning equipment	Electrical installations	Containers	Furniture and fittings	Computer hardware and communication equipment	Total
At 31 March 2019															
Cost or fair value	1,466,468	8,039,042	1,062,117	14,500,220	290,045	69,547	7,793	1,697,452	2,421,420	389,337	2,931,874	8,145	2,108,393	1,367,966	36,359,819
Accumulated depreciation	-	(1,013,167)	(223,016)	(6,207,501)	(286,976)	(38,876)	(7,793)	(865,332)	(1,909,343)	(329,195)	(1,463,304)	(8,145)	(1,283,348)	(1,111,960)	(14,747,956)
Currency translation difference	(73,603)	(326,600)	-	(285,123)	-	(2,117)	-	(6,621)	(439)	-	901	-	(22,445)	(10,412)	(726,459)
Net book amount	1,392,865	6,699,275	839,101	8,007,596	3,069	28,554	-	825,499	511,638	60,142	1,469,471	-	802,600	245,594	20,885,404
Year ended 31 March 2020															
Opening net book amount	1,392,865	6,699,275	839,101	8,007,596	3,069	28,554	-	825,499	511,638	60,142	1,469,471	-	802,600	245,594	20,885,404
Additions	-	229,159	33,679	669,462	-	-	-	380,974	54,598	-	26,522	-	60,585	34,678	1,489,657
Transfer from work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	3,654	3,654
Reclassification	-	(15,915)	-	130,173	-	-	-	(114,258)	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	18,135	60,133	-	-	-	-	-	-	-	-	-	-	-	-	78,268
Disposals	-	-	-	(1,028,585)	-	-	-	(62,219)	(7,703)	-	-	-	-	-	(1,098,507)
Depreciation on disposals	-	-	-	1,000,342	-	-	-	27,622	5,607	-	-	-	-	-	1,033,571
Depreciation charge on revalued assets	-	(396,297)	(109,920)	(1,239,964)	(189)	(17,793)	-	(137,483)	(187,875)	(17,852)	(296,375)	-	(174,578)	(130,320)	(2,708,646)
Currency translation difference	(4,523)	(17,574)	-	(94,556)	(2,209)	2	-	3	(12,463)	-	(14)	-	(16,804)	(5,859)	(153,997)
Closing net book amount	1,406,477	6,558,781	762,860	7,444,468	671	10,763	-	920,138	363,802	42,290	1,199,604	-	671,803	147,747	19,529,404
At 31 March 2020															
Cost or fair value	1,406,477	7,888,829	1,095,796	13,965,387	109,018	85,160	7,793	1,866,839	2,325,549	389,337	2,951,781	8,145	2,146,794	1,425,677	35,672,582
Accumulated depreciation	-	(1,330,048)	(332,936)	(6,520,919)	(108,347)	(74,397)	(7,793)	(946,701)	(1,961,747)	(347,047)	(1,752,177)	(8,145)	(1,474,991)	(1,277,930)	(16,143,178)
Net book amount	1,406,477	6,558,781	762,860	7,444,468	671	10,763	-	920,138	363,802	42,290	1,199,604	-	671,803	147,747	19,529,404
Year ended 31 March 2021															
Opening net book amount	**1,406,477**	**6,558,781**	**762,860**	**7,444,468**	**671**	**10,763**	**-**	**920,138**	**363,802**	**42,290**	**1,199,604**	**-**	**671,803**	**147,747**	**19,529,404**
Additions	**42,568**	**193,593**	**33,722**	**774,828**	**31,655**	**-**	**-**	**8,581**	**68,531**	**13,637**	**170,943**	**-**	**123,658**	**52,677**	**1,514,393**
Transfer from work-in-progress	**-**	**151,229**	**-**	**-**	**-**	**-**	**-**	**151,341**	**-**	**-**	**29,173**	**-**	**-**	**-**	**331,743**
Reclassification	**-**	**198,836**	**-**	**(111,690)**	**5,735**	**-**	**-**	**(304,661)**	**-**	**-**	**133,700**	**-**	**78,080**	**-**	**-**
Transferred to/from intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(99,786)**	**-**	**-**	**(1,729)**	**-**	**68**	**-**	**(101,447)**
Revaluation surplus	**27,135**	**33,605**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,740**
Disposals	**-**	**-**	**-**	**(488,924)**	**-**	**(7,796)**	**-**	**(2,299)**	**-**	**(5,540)**	**(2,811)**	**-**	**(1,833)**	**(632)**	**(509,835)**
Depreciation on disposals	**-**	**-**	**-**	**300,015**	**-**	**-**	**-**	**2,263**	**-**	**3,957**	**679**	**-**	**199**	**167**	**307,280**
Depreciation	**-**	**(390,161)**	**-**	**(1,616,148)**	**(35,192)**	**(2,967)**	**-**	**(241,174)**	**(216,495)**	**(18,508)**	**(270,180)**	**-**	**(144,304)**	**(62,770)**	**(2,997,899)**
Currency translation difference	**(28,694)**	**(86,810)**	**-**	**(90,027)**	**(5)**	**-**	**-**	**(206)**	**-**	**-**	**(2,002)**	**-**	**(26,463)**	**(9,867)**	**(244,074)**
Closing net book amount	**1,447,486**	**6,659,073**	**796,582**	**6,212,522**	**2,864**	**-**	**-**	**434,197**	**215,838**	**35,836**	**1,257,377**	**-**	**701,208**	**127,322**	**17,890,305**
At 31 March 2021															
Cost or fair value	**1,447,486**	**8,379,282**	**1,129,518**	**14,049,574**	**146,403**	**77,364**	**7,793**	**1,619,809**	**2,394,080**	**397,434**	**3,249,882**	**8,145**	**2,320,304**	**1,467,855**	**36,694,929**
Accumulated depreciation	**-**	**(1,720,209)**	**(332,936)**	**(7,837,052)**	**(143,539)**	**(77,364)**	**(7,793)**	**(1,185,612)**	**(2,178,242)**	**(361,598)**	**(1,992,505)**	**(8,145)**	**(1,619,096)**	**(1,340,533)**	**(18,804,624)**
Net book amount	**1,447,486**	**6,659,073**	**796,582**	**6,212,522**	**2,864**	**-**	**-**	**434,197**	**215,838**	**35,836**	**1,257,377**	**-**	**701,208**	**127,322**	**17,890,305**

Property, plant and equipment include fully depreciated assets still in use with a cost of USD 8,368,910 as at 31 December 2021 (2020 - USD 1,738,880).

Notes to the financial statements (Contd)

(In the notes all amounts are shown in US Dollars unless otherwise stated)

7 Non financial assets and liabilities (Contd)

(a) Property plant and equipment
Company

Non - Current	Freehold land	Building	Leasehold building	Plant and machinery	Plant and machinery - embroidery	Motor vehicles	Motor cycles	Office equipment	Factory equipment	Air conditioning equipment	Electrical Installations	Containers	Furniture and fittings	Computer hardware	Capital work-in-progress	Total
At 1 April 2019																
Cost or fair value	963,824	2,506,064	1,062,117	2,290,156	290,045	46,113	7,793	441,069	2,169,678	389,337	1,324,975	8,145	986,042	1,131,385	12,267	13,629,010
Accumulated depreciation	-	(454,345)	(223,016)	(1,946,719)	(286,976)	(32,663)	(7,793)	(373,444)	(1,745,857)	(329,195)	(943,396)	(8,145)	(884,014)	(1,047,291)	-	(8,282,854)
Net book amount	963,824	2,051,719	839,101	343,437	3,069	13,450	-	67,625	423,821	60,142	381,579	-	102,028	84,094	12,267	5,346,156
Year ended 31 March 2020																
Opening net book amount	963,824	2,051,719	839,101	343,491	3,069	13,450	-	67,572	423,821	60,142	381,579	-	102,028	84,094	12,267	5,346,157
Additions	-	16,733	33,679	161,162	-	-	-	3,059	54,598	-	8,563	-	8,027	16,100	-	301,921
Disposals	-	-	-	(13,817)	-	-	-	(3,131)	(7,703)	-	-	-	-	-	-	(24,651)
Depreciation charge	-	(154,967)	(109,920)	(178,622)		(11,528)	-	(32,878)	(174,253)	(17,852)	(134,984)	-	(39,028)	(72,350)		(926,382)
Depreciation on disposals	-	-	-	13,817	-	-	-	3,131	5,607	-	-	-	-	-	-	22,555
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,267)	(12,267)
Closing net book amount	963,824	1,913,485	762,860	326,031	3,069	1,922	-	37,753	302,070	42,290	255,158	-	71,027	27,844	-	4,707,333
At 31 March 2020																
Cost or fair value	963,824	2,522,797	1,095,796	2,437,501	290,045	46,113	7,793	440,997	2,216,573	389,337	1,333,538	8,145	994,069	1,147,485	-	13,894,013
Accumulated depreciation	-	(609,312)	(332,936)	(2,111,524)	(286,976)	(44,191)	(7,793)	(403,191)	(1,914,503)	(347,047)	(1,078,380)	(8,145)	(923,042)	(1,119,641)	-	(9,186,681)
Net book amount	963,824	1,913,485	762,860	325,977	3,069	1,922	-	37,806	302,070	42,290	255,158	-	71,027	27,844	-	4,707,332
Year ended 31 March 2021																
Opening net book amount	**963,824**	**1,913,485**	**762,860**	**325,977**	**3,069**	**1,922**	-	**37,806**	**302,070**	**42,290**	**255,158**	-	**71,027**	**27,844**	-	**4,707,332**
Additions	-	**147,989**	**33,722**	**57,642**	-	-	-	**14,068**	**68,531**	**13,637**	**70,062**	-	**21,283**	**25,722**	-	**452,656**
Disposals	-	-	-	**(132,167)**	-	-	-	**(2,218)**		**(5,540)**	-	-	-	**(632)**	-	**(140,557)**
Depreciation charge	-	**(80,269)**	**(115,831)**	**(42,941)**	-	**(1,922)**	-	**(26,344)**	**(175,823)**	**(18,508)**	**(39,137)**	-	**(11,728)**	**(14,026)**	-	**(526,529)**
Depreciation on disposals	-	-	-	**130,914**	-	-	-	**2,218**		**3,957**	-	-	-	**167**	-	**137,256**
Closing net book amount	**963,824**	**1,981,205**	**680,751**	**339,425**	**3,069**	-	-	**25,530**	**194,778**	**35,836**	**286,083**	-	**80,582**	**39,075**	-	**4,630,158**
At 31 March 2021																
Cost or fair value	**963,824**	**2,670,786**	**1,129,518**	**2,362,976**	**290,045**	**46,113**	**7,793**	**452,847**	**2,285,104**	**397,434**	**1,403,600**	**8,145**	**1,015,352**	**1,172,575**	-	**14,206,112**
Accumulated depreciation	-	**(689,581)**	**(448,767)**	**(2,023,551)**	**(286,976)**	**(46,113)**	**(7,793)**	**(427,317)**	**(2,090,326)**	**(361,598)**	**(1,117,517)**	**(8,145)**	**(934,770)**	**(1,133,500)**	-	**(9,575,954)**
Net book amount	**963,824**	**1,981,205**	**680,751**	**339,425**	**3,069**	-	-	**25,530**	**194,778**	**35,836**	**286,083**	-	**80,582**	**39,075**	-	**4,630,158**

Fully depreciated assets still in use, the cost of which amounted to USD 6,464,928 (2020 - USD 633,044) as at the balance sheet date.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(In the notes all amounts are shown in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(i) Revaluation, depreciation methods and useful lives

The valuation of the land and buildings of Foundation Bennett (Private) Limited (A subsidiary) was performed by an independent valuer (W.D.P. Rupananda) to determine the fair value of land and buildings as at 31 March 2021. The effective date of revaluation was 31 March 2021. The land and buildings are situated at Uhumeeya, Polgahawela Pradeshiya Sabha in the district of Kurunegala, and the extent of land is approximately 1.274 acres.

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by the external independent valuers, 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.

The principal revaluation assumption used in the calculation was in consideration of available information, location, condition of lands, cost of development and facilities available in the area. A freehold market value of Rs.210,000 per perch has been considered for the land.

(ii) 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:

	2021	2020
Freehold land		
Cost	**9,672**	9,672
Accumulated depreciation	-	-
Net book amount	**9,672**	9,672
Buildings		
Cost	**87,572**	87,572
Accumulated depreciation	**(30,650)**	(26,271)
Net book amount	**56,922**	61,300

(iii) Measuring freehold land and buildings at fair value

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2021				
Freehold land	-	**1,447,486**	-	**1,447,486**
Buildings	-	**6,659,072**	-	**6,659,072**
Total non-financial assets	-	**8,106,558**	-	**8,106,558**

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2020				
Freehold land	-	1,406,477	-	1,406,477
Buildings		6,558,781	-	6,558,781
Total non-financial assets	-	7,965,258	-	7,965,258

Level 1: The fair value of financial instruments traded in active markets (such trading and available-for-sale 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. This is the case for unlisted equity securities.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(In the notes all amounts are shown in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(iv) Valuation techniques used to determine fair values

At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management consider information from a variety of sources including:

- Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 2. The level 2 fair value of land held for capital appreciation has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the Malsiripura.

(b) Intangible assets

	Group			Company	
Non- current assets	**Goodwill**	**Softwares and licenses**	**Total**	**Softwares and licenses**	**Total**
At 1 April 2019					
Cost	28,882,464	1,924,368	30,806,832	1,048,838	1,048,838
Accumulated amortisation and impairment	-	(1,225,062)	(1,225,062)	(993,587)	(993,587)
Currency translation difference	-		-	-	-
Net book amount	28,882,464	699,306	29,581,770	55,251	55,251
Year ended 31 March 2020					
Opening net book amount	28,882,464	699,306	29,581,770	55,251	55,251
Additions	-	47,067	47,067	-	-
Amortisation charge	-	(152,331)	(152,331)	(50,977)	(50,977)
Closing net book amount	28,882,464	594,042	29,476,506	4,274	4,274
At 31 March 2020					
Cost	28,882,464	1,979,096	30,861,560	1,048,838	1,048,838
Accumulated amortisation and impairment	-	(1,385,054)	(1,385,054)	(1,044,564)	(1,044,564)
Net book amount	28,882,464	594,042	29,476,506	4,274	4,274
Year ended 31 March 2021					
Opening net book amount	**28,882,464**	**594,042**	**29,476,506**	**4,274**	**4,274**
Additions	**-**	**47,359**	**47,359**	**11,092**	**11,092**
Transfer from PPE	**-**	**101,447**	**-**	**-**	**-**
Transfers from PPE - Amortization	**-**	**(29,278)**	**-**	**-**	**-**
Amortisation charge	**-**	**(610,389)**	**(610,389)**	**(6,086)**	**(6,086)**
Closing net book amount	**28,882,464**	**103,181**	**28,913,476**	**9,280**	**9,280**
At 31 March 2021					
Cost	**28,882,464**	**742,848**	**29,625,312**	**1,059,930**	**1,059,930**
Accumulated amortisation and impairment	**-**	**(639,667)**	**(639,667)**	**(1,050,650)**	**(1,050,650)**
Net book amount	**28,882,464**	**103,181**	**28,985,645**	**9,280**	**9,280**

Amortisation is wholly included in administrative expenses.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(In the notes all amounts are shown in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(b) Intangible assets (Contd)

(i) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Computer software 3 years

Separately acquired software licenses are shown at historical cost.

See note 22 (q) for the other accounting policies relevant to intangible assets.

(ii) Impairment tests for goodwill

The Group undertakes an annual test for impairment of its subsidiaries.

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.

	2021	2020
Foundation garments (private) limited	**18,892,330**	18,892,330
Hela Intimates EPZ limited	**9,973,917**	9,973,917
Foundation Bennett (private) limited	**16,217**	16,217
	28,882,464	28,882,464

The recoverable amounts of Foundation garments (private) Limited's, Hela intimates EPZ Limited's and Foundation Bennett (private) Limited's CGUs are determined based on the Value In Use ('VIU') calculations.

Based on the impairment test performed, no additional provision for impairment of goodwill was recognised during the year ended 31 March 2021 (2020 - Nil), since the recoverable amounts exceeded the carrying value.

The Group applies the following methods for VIU

(i) Discounted Cash Flow ('DCF') method

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

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

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

The following assumptions are applied in the VIU computation.

DCF method

- **EBITDA margin**
  Projected EBITDA margin is determined based on expected growth potential in the group's subsidiaries.
- **Free Cash Flow (FCF)**
  FCF projections are based on EBITDA and Capital expenditure (Capex) 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 fixed telephony and broadband operation, television operation, device sales operation and digital commerce operation growth potential in Sri Lanka for the foreseeable future.

Given below are the variables used for the impairment test for 31 March 2021 under DCF method

	31 March 2021
EBITDA margin	7.4%
Pre-tax discount rate	6.5%
Terminal growth rate	1.0%

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(c) Investment properties

	Group		Company	
	2021	2020	**2021**	2020
Opening balance at 1 April	**1,660,193**	1,592,680	**-**	-
Disposals	**(6,396)**	-	-	-
Additions	**1,006**	-	-	-
Transfers from property, plant and equipment	**-**	29,042	**-**	-
Net gain / (loss) on fair valuation	**57,395**	38,471	-	-
Closing balance	**1,712,198**	1,660,193	**-**	-

(i) owner-occupied property

Investment property which has a fair value amounted to USD 1,059,583 were reclassified to property plant and equipment's as owner-occupied property during the period.

(ii) Amounts recognised in profit or loss in relation to investment properties

		Group		Company	
		2021	2020	**2021**	2020
Rental income	4(a)	**1,883**	449,427	-	-
Direct operating expenses from property that generated rental income		**62,252**	49,899	-	-
Direct operating expenses from property that did not generate rental income		**2,059**	2,143	-	-
Fair value gain recognised in other income					

(iii) Measuring investment property at fair value

Investment properties, principally buildings are held for long-term rental earning 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 and independent valuer, Mr. W.D.P. Rupananda as at 31 March 2020. 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 reporting period.

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2021				
Investment Property	**-**	**1,712,198**	**-**	**1,712,198**
Total non-financial assets	**-**	**1,712,198**	**-**	**1,712,198**

	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements At 31 March 2020				
Investment Property	-	1,660,193	-	1,660,193
Total non-financial assets	-	1,660,193	-	1,660,193

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The Company'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 trading and available-for-sale 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. This is the case for unlisted equity securities.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(c) Investment properties

(iv) Valuation techniques used to determine fair values

The Company obtains independent valuations for its investment properties at least annually.

At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management consider information from a variety of sources including:

- Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 2. The level 2 fair value of land held for capital appreciation has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the Malsiripura.

(d) Capital work-in-progress

	Group		Company	
	2021	2020	**2021**	2020
At 1 April	**431,777**	287,190	-	12,267
Expenditure incurred	**111,614**	358,422	-	-
Transferred to property, plant and equipment	**(331,743)**	(199,373)	-	-
Adjustments	**13,082**	(12,267)	-	(12,267)
Currency translation difference	**(12,015)**	(2,195)	-	-
At 31 March	**212,715**	431,777	-	-

(e) Pre-paid rentals

Details of the movement of pre-paid lease premium in relation to the leasehold land for the year ended 31 March 2021 and 31 March 2020 are as follows;

	Group		Company	
	2021	2020	**2021**	2020
At beginning of year	**-**	50,172	-	-
Change in accounting policy	**-**	(50,172)	-	-
Amortisation charge	**-**	-	-	-
Adjustments	**-**	-	-	-
Currency translation difference	**-**	-	-	-
At end of year	**-**	-	-	-
Current portion at 31 March	**-**	-	-	-
Non-current portion at 31 March	**-**	-	-	-

(f) Other assets

	Group		Company	
	2021	2020	**2021**	2020
Current				
Prepayments	**4,057,848**	4,897,694	-	81
Advances	**1,141,307**	510,348	-	-
	5,199,155	5,408,042	-	81
Non-current				
Prepayments	**-**	-	-	-
	-	-	-	-
	5,199,155	5,408,042	-	81

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(g) Leases

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group		Company	
Right-of-use assets	**2021**	2020	**2021**	2020
Land and building	**2,826,906**	2,049,691	**659,857**	417,905
	2,826,906	2,049,691	**659,857**	417,905
Lease liabilities				
Current	**371,226**	1,670,922	**54,914**	251,966
Non-current	**2,755,785**	570,479	**594,161**	215,491
	3,127,011	2,241,401	**649,075**	467,457

In the previous year, the Group recognised lease assets and lease liabilities in relation to leases that were classified as 'Operating leases' under LKAS 17 Leases.

(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	
	2021	2020	**2021**	2020
Depreciation charge of right-of-use assets				
Land and building	**1,259,718**	1,397,395	**512,635**	202,048
	1,259,718	1,397,395	**512,635**	202,048
Interest expense (included in finance cost)	**455,924**	229,656	**49,396**	74,881
	455,924	229,656	**49,396**	74,881

The total cash outflow for leases in 2021 was USD 1,394,870 (2020: USD 1,365,058).

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

The Group leases land and buildings. Lease contracts are typically made for fixed periods of 3 years for Kelaniya Central warehouse, 5 years for Kelaniya Plant and 10 years for Thihariya.

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

Until the 2019 financial year, the Group had only leases classified as operating lease. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(g) Leases (Contd)

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 Group's incremental borrowing rate is used, being the rate that the Group 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 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.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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.

(h) Deferred income tax assets / (liabilities)

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable enacted or substantially enacted tax rates as at the balance sheet date.

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

	Group		Company	
	2021	2020	**2021**	2020
Deferred tax assets				
Deferred tax asset to be recovered;				
- within 12 months	**1,458,877**	1,590,025	**1,048,900**	1,020,120
- after more than 12 months	**-**	-	**-**	-
	1,458,877	1,590,025	1,048,900	1,020,120
Deferred tax liabilities				
Deferred tax liability to be recovered;				
- within 12 months	-	-	**(433,841)**	(501,490)
- after more than 12 months	**(1,796,050)**	(2,076,304)	**-**	-
	(1,796,050)	(2,076,304)	(433,841)	(501,490)
Deferred tax assets / (liabilities) (net)	**(337,173)**	(486,279)	**615,059**	518,630

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(ii) The gross movement in deferred income tax liabilities are arose during the year without taking into consideration the offsetting of balances, is as follows:

Group	Property, plant and equipment	Retirement benefit obligation	Tax losses	Total
At 1 April 2019	(1,275,215)	119,939	224,626	(930,650)
Income statement credited / (charged)				
to profit or loss	(704,902)	78,385	1,078,292	451,775
to other comprehensive income	(28,481)	18,443	-	(10,038)
Currency translation difference	2,979	-	(345)	2,634
At 31 March 2020	(2,005,619)	216,767	1,302,573	(486,279)
At 1 April 2020	**(2,005,619)**	**216,767**	**1,302,573**	**(486,279)**
Income statement credited / (charged)				
to profit or loss	**198,994**	**17,801**	**(128,615)**	**88,180**
to other comprehensive income	**(9,960)**	**24,008**	**-**	**14,048**
Currency translation difference	**20,535**	**25,422**	**921**	**46,878**
At 31 March 2021	**(1,796,050)**	**283,998**	**1,174,879**	**(337,173)**

(i) Deferred tax assets

The analysis of each type of deductible temporary difference as at 31 December is as follows:

	2021	2020
The balance comprises temporary differences attributable to:		
Retirement benefit obligation	**283,998**	216,767
Tax losses	**1,174,879**	1,302,573
Total deferred tax assets	**1,458,877**	1,519,340

(ii) Deferred tax liabilities

The analysis of each type of taxable temporary differences as at 31 December is as follows:

	2021	2020
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**(1,796,050)**	(2,005,619)
Total deferred tax liabilities	**(1,796,050)**	(2,005,619)

(i) Inventories

	Group		Company	
	2021	2020	**2021**	2020
Raw materials	**10,691,667**	6,639,537	**1,509,429**	1,792,561
Work-in-progress	**13,782,023**	11,068,815	**1,885,437**	2,688,885
Finished goods	**2,504,557**	1,849,351	**849,996**	742,097
Goods in transit	**2,997,051**	1,260,473	**-**	-
Consumable stock	**-**	378,398	**-**	378,398
(-) Provision for slow moving stocks	**(2,578,263)**	(873,911)	**(48,853)**	-
	27,397,035	20,322,663	**4,196,009**	5,601,941

The costs of individual items of inventory are determined using weighted average costs. See note 22 (k) for the Group's other accounting policies for inventories.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

7 Non-financial assets and liabilities (Contd)

(j) Employee benefit obligations

	Group		Company	
	2021	2020	**2021**	2020
Present value of unfunded obligation - gratuity	**2,195,049**	1,800,659	**885,284**	643,837
Liability in the balance sheet	**2,195,049**	1,800,659	**885,284**	643,837

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Group		Company	
	2021	2020	**2021**	2020
At beginning of year	**1,800,659**	1,369,603	**643,837**	512,875
Current service cost	**366,469**	321,022	**108,958**	102,222
Interest expense	**145,376**	135,255	**50,248**	51,034
Remeasurements:				
Experience losses/(gains)	**27,599**	12,057	**181,254**	(151,490)
(Gains)/losses from change in demographic assumptions	**(9,950)**	9,277	**(13,986)**	9,277
Losses from change in financial assumptions	**190,789**	(16,094)	**68,697**	(16,094)
Benefits paid	**(206,936)**	(186,616)	**(103,815)**	(66,520)
Exchange difference	**(118,957)**	(21,206)	**(49,908)**	(7,353)
At end of year	**2,195,049**	1,800,659	**885,284**	643,837

The amounts recognised in the statement of comprehensive income are as follows:

	Group		Company	
	2021	2020	**2021**	2020
Current service cost	**366,469**	321,022	**108,958**	102,222
Interest expense	**145,376**	135,255	**50,248**	51,034
Foreign currency translation difference	**(118,957)**	(21,206)	**(49,908)**	(7,353)
	392,888	435,071	**109,298**	145,903

The gratuity liability of the Company and subsidiaries located in Colombo, Sri Lanka is based on an actuarial valuation carried out by Messrs Willis Towers Watson India (Private) Limited, based on the data shared by the company for the year ended 31 March 2020 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.

Significant actuarial assumptions used were as follows:

		2021	2020
1) Discount rate		**6%**	9%
2) Future salary increment rate -			
	Executive	**8%**	8%
	Staff	**8%**	8%
	Workers	**8%**	8%
3) Retirement age		**55 years**	55 years
4) Staff turnover -	Executive	**22%**	21%
	Staff	**35%**	28%
	Workers	**35%**	28%
	Managers	**21%**	20%
	Directors	**6%**	8%

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

8 Equity

(a) Stated capital

	Company			
	2021	2020	**2021**	2020
	Number of shares	Number of shares	**Value (USD)**	Value (USD)
Ordinary shares	**101,962,091**	101,962,091	**12,776,021**	12,776,021
Convertible ordinary shares	**262,476**	262,476	**927,190**	927,190
	102,224,567	102,224,567	**13,703,211**	13,703,211

All issued shares are fully paid.

(i) Movement in ordinary shares:

	Number of shares	**Value (USD)**
Opening balance 1 April 2019	11,074,930	8,633,467
Share issuances	91,149,637	5,069,744
Balance 31 March 2020	102,224,567	13,703,211
Opening balance 1 April 2020	**102,224,567**	**13,703,211**
Balance 31 March 2021	**102,224,567**	**13,703,211**

(ii) The shareholder of the Company is as mentioned below:

Shareholder name	**Number of shares**	**Value**
Hela Apparel Holdings (Private) Limited	**102,224,567**	**13,703,211**
Total share capital	**102,224,567**	**13,703,211**

(b) 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. A description of the nature and purpose of each reserve is provided below the table.

	Revaluation reserve	**General reserve**	**Share based payment**	**Total**
Balance at 1 April 2019	1,735,689	2,500,000	-	4,235,689
Other comprehensive income	(5,713)	-	-	(5,713)
Total comprehensive income for the year	1,729,976	2,500,000	-	4,229,976
Balance at 31 March 2020	1,729,976	2,500,000	-	4,229,976
Balance at 1 April 2020	**1,729,976**	**2,500,000**	**-**	**4,229,976**
Other comprehensive income	**25,897**	**-**	**-**	**25,897**
Total comprehensive income for the year	**25,897**	**-**	**-**	**25,897**
Share based payment expenses	**-**	**-**	**353,806**	**353,806**
Balance at 31 March 2021	**1,755,873**	**2,500,000**	**353,806**	**4,609,679**

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

8 Equity

(b) Other reserves (Contd)

Nature and purpose of other reserves

(i) Revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

(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 (Private) Limited (Parent Company) Employee Share Option Plan (ESOP) was approved by the company's Board of Directors in July 2021. 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 are 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. The exercise price is ten Sri Lankan Rupees per share and once granted the option remains exercisable for five years. C Ordinary Shares carry no voting rights and are not transferable without the consent of the main shareholders. The shares would be monetized for the holder in the event of an 'Exit', as defined in the company's articles of association, which includes a sale or listing of the company.

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

	2021	
	Average exercise price in $ per share option	**Number of options**
As at 1 April 2020	-	-
Granted during the year	**0.042**	**580**
Exercised during the year	**0.042**	**(180)**
Share options as at 31 March		**400**
Vested and exercisable at 31 March 2021		**-**

Share options outstanding at the end of the year have the following expiry dates and exercise prices

Grant date	Expiry date	Exercise price in $ per share	2021
1 August 2020	**31 July 2025**	**0.042**	**400**

Fair value of options granted

The assessed fair value at grant date of share options granted during the year ended 31 March 2021 was $ 677,696. 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 recent 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 2021.

(a) exercise price: $ 0.042
(b) grant date: 1 August 2020
(c) expiry date: 31 July 2025
(d) risk-free interest rate: 1.97%
(e) expected price volatility of the Company's shares: 36.92%*

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

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

8 Equity (Contd)

(c) Accumulated losses

Movement in retained earnings were as follows:

	Group		Company	
	2021	2020	**2021**	2020
Opening balance at 1 April	**(15,976,612)**	(20,337,453)	**(13,817,244)**	(14,697,501)
Net profit for the year	**4,104,854**	4,679,104	**661,913**	1,062,804
Change in accounting policy	**-**	(154,105)	**-**	(138,189)
Items of other comprehensive income recognised directly in retained earnings				
- Remeasurement of post employment benefit obligations - gratuity	**(215,225)**	(182,601)	**(235,963)**	(51,579)
- Deferred taxation impact from remeasurements of post employment benefit obligations - gratuity	**24,008**	18,443	**33,035**	7,221
Closing balance at 31 March	**(12,062,975)**	(15,976,612)	**(13,358,259)**	(13,817,244)

9 Cash flow information

(a) Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

		Group		Company	
	Notes	**2021**	2020	**2021**	2020
Profit / (loss) before income tax from continuing operations		**4,877,617**	4,752,480	**644,605**	551,395
Adjustments for:					
Depreciation	7(a)	**2,997,899**	2,708,646	**526,529**	926,382
Amortization of right of use assets		**1,259,718**	1,402,252	**(512,635)**	202,048
Amortization	7(b)	**610,389**	152,331	**6,086**	50,977
Provision for retirement benefit	7(i)	**511,845**	456,277	**109,299**	145,903
(Gain) / loss on sale of property, plant and equipment		**5,070**	62,492	**(4,932)**	(5,958)
Fair value adjustment to investment property	7(c)	**(76,189)**	(38,471)	**-**	-
Net interest expenses		**5,576,770**	6,525,194	**1,557,308**	1,851,314
Deferred expenses		**-**	-	**-**	21,425
Provision for impairment of debtors		**296,210**	330,106	**-**	**-**
Exchange difference		**68,182**	343,063	**-**	9,919
Share based payment expenses		**353,806**	-	**94,172**	-
ROU asset write-off		**-**	-	**270,683**	-
Impairment of investment in subsidiaries		**-**	-	**-**	66
Adjustments to property plant and equipment		**-**	-	**-**	12,267
Changes in working capital					
- (increase) / decrease in inventories		**(7,074,372)**	(3,769,749)	**1,212,964**	(1,273,337)
- (increase) / decrease in trade and other receivables		**(2,377,577)**	(2,090,655)	**(2,125,418)**	10,484,645
- increase / (decrease) in trade and other payables		**7,133,799**	(600,081)	**5,492,831**	(1,301,493)
Cash generated from operations		**14,163,167**	10,233,885	**7,271,491**	11,675,553

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Group		Company	
	2021	2020	**2021**	2020
Cash and cash equivalents	**9,517,378**	9,869,580	**479,582**	1,606,296
Borrowings – repayable within one year (including overdraft)	**(65,805,185)**	(69,723,104)	**(16,367,320)**	(14,827,988)
Borrowings – repayable after one year	**(10,365,858)**	(12,324,723)	**(7,118,217)**	(9,181,033)
Lease liabilities	**3,127,011**	2,241,401	**-**	-
Net debt	**(63,526,654)**	(69,882,849)	**(23,005,955)**	(36,890,567)
Cash and liquid investments	**9,517,378**	9,869,580	**479,582**	1,606,296
Gross debt – fixed interest rates	**3,127,011**	2,241,401	**-**	-
Gross debt – variable interest rates	**(76,171,043)**	(82,047,827)	**(23,485,537)**	(24,009,021)
Net debt	**(63,526,654)**	(72,178,247)	**(23,005,955)**	(36,890,567)

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

Contents of the notes to the financial statements

Risk

This section of the notes discusses the Group's and the Company's exposure to various risks and shows how these could affect the Group's and the Company's financial position and performance.

10	Critical estimates, judgements and errors	34
11	Financial risk management	35
12	Capital management	39

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

Contents of the notes to the financial statements

10 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 9 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:
- Estimation of employee benefit obligations - gratuity (note 7 (i))
- Estimation of fair values of contingent liabilities (note 15)
- Estimation of current tax payable and current tax expense (note 5)

(b) Employee benefit obligations

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions, additional information is disclosed in Note 7(i).

(c) Contingent liabilities

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

(d) Provisions

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 Company's current best estimate.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 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.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in USD	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Foreign exchange risk	Recognised financial assets and liabilities not denominated in (presentation currency) units.	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit Investment guidelines for held-to-maturity investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

(a) Market risk

(i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri 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 USD are affected by foreign exchange fluctuations through both translation risk and transaction risk. However the changes in foreign currency exchange rates may not materially affect the Group's materials purchased since most of the purchases are done in USD.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

Exposure

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

		2021	
	USD	**LKR**	**Other**
Trade receivables	**26,430,640**	**138,507**	**-**
Fixed deposits	**577,954**	**2,730**	**87,303**
Trade payables	**15,507,394**	**1,080,446**	**3,315**
Bank loan (including bank overdraft)	**75,692,708**	**-**	**-**

		2020	
	USD	**LKR**	**Other**
Trade receivables	2,951,747	119,282	-
Trade payables	1,502,639	63,076	3,203
Bank loan (including bank overdraft)	24,009,021	-	-

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognised in profit or loss.

	2021	2020
Net foreign exchange gains included in income statement	**450,894**	(28,639)
Total net foreign exchange gains recognised in profit before income tax	**450,894**	(28,639)

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. The said currency is the major currency in which Group's financial instruments are denominated after the Group's presentation and document currency - USD. 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	
	2021	2020
LKR/USD exchange rate – appreciation by 1% (2020 : 1%)	**94,525**	530
LKR/USD exchange rate – depreciation by 1% (2020 : 1%)	**(94,525)**	(530)

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

(b) Credit risk

Credit risk arises from cash and cash equivalents, held-to-maturity investments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Credit quality
The credit quality of financial assets can be assessed by reference to external credit ratings;

	31 March 2021	31 March 2020
Cash at bank and short-term bank deposits		
Fitch Ratings:		
AAA(lka)	**169,380**	257,095
AA+ (lka)	**5,738,824**	6,028,610
AA(lka)	**-**	42,432
AA- (lka)	**1,976,590**	1,672,548
A+ (lka)	**43,640**	600,917
A- (lka)	**537,355**	433,173
A (lka)	**5,294**	10,578
BB+ (lka)	**800,456**	23,164
BBB-(lka)	**237,465**	793,716
No rating	**8,374**	7,347
	9,517,378	9,869,580

(i) Risk management

Credit risk is managed on the Company and the Group basis. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables (net of held). Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The Group place cash and cash equivalents with a number of creditworthy financial institutions. The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(ii) Impairment of 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

On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 was determined as follows for trade receivables:

	31 March 2021	31 March 2020
Loss allowance	**(1,769,285)**	(2,247,395)

The closing loss allowances for trade receivables as at 31 March 2021 reconcile to the opening loss allowances as follows:

	Trade receivables	
	31 March 2021	31 March 2020
Opening loss allowance as at 1 April	**(2,247,395)**	(1,828,782)
Decrease / (increase) in loss allowance recognised in profit or loss during the year	**478,110**	(418,613)
At 31 March	**(1,769,285)**	(2,247,395)

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

(b) Credit risk (Contd)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) Other financial assets at amortised cost

On that basis, the loss allowance charge for the year ended 31 March 2021 and 31 March 2020 was determined as follows for other financial assets at amortised cost:

Group	**Other receivables**	
	2021	2020
Loss allowance	**(567,308)**	(356,128)

The closing loss allowances for other financials assets at amortised cost as at 31 March 2021 reconcile to the opening loss allowances as follows:

	Other receivables	
	31 March 2021	31 March 2020
Opening loss allowance as at 1 April	**(356,128)**	-
Decrease / (increase) in loss allowance recognised in profit or loss during the year	**(567,308)**	(356,128)
At 31 March	**(923,436)**	(356,128)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(c) Liquidity risk

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

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

11 Financial risk management (Contd)

(c) 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 2021						
Borrowings	**55,178,991**	**5,146,108**	**5,161,865**	**4,238,489**	**2,328,797**	**72,054,250**
Trade and other payables	**23,399,080**	**4,916,665**	**-**	**-**	**-**	**28,315,745**
Lease liability	**185,613**	**185,613**	**1,102,314**	**1,653,471**	**-**	**3,127,011**
	78,763,685	**10,248,385**	**6,264,179**	**5,891,960**	**2,328,797**	**103,497,006**
31 March 2020						
Borrowings	65,524,278	3,017,999	8,301,061	5,204,547	-	82,047,885
Trade and other payables	18,272,521	5,418,243	-	-	-	23,690,764
Lease liability	835,461	835,461	172,367	258,551	139,561	2,241,401
	84,632,260	9,271,703	8,473,428	5,463,098	139,561	107,980,050

12 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 balance sheet) less cash and cash equivalents.
divided by
Total 'equity' (as shown in the balance sheet).

The credit rating was unchanged and the gearing ratios at 31 March 2021 and 31 March 2020 were as follows:

	Notes	2021	2020
Total borrowings	4 (e)	**79,298,053**	82,047,885
Less: cash and cash equivalents	4 (c)	**(9,528,299)**	(9,923,635)
Net debt		**69,769,754**	72,124,250
Total equity		**17,998,686**	13,678,552
Net debt to equity ratio		**3.88**	5.27

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation

A list of significant subsidiaries is provided in note 14. This note also discloses details about the Group's equity accounted investments.

13	Business combinations	41
14	Interests in other entities	41

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

13 Business combinations

(a) Summary of acquisitions

During the current financial year, the Group had not acquired any subsidiaries, other than the investments made in newly incorporated subsidiaries. The ownership interest held by the Group on all of its subsidiaries were disclosed in note 14(a). Details about the acquisitions made by the Group in last financial year are given below.

14 Interests in other entities

(a) Subsidiaries

The Group's principal subsidiaries at 31 March 2020 are set out below. Unless otherwise stated, they have 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.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
		2021	2020	**2021**	2020	
		%	%	**%**	%	
Hela Investments Holdings (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Providing consultancy and support services to group companies
Hela USA, Inc.	USA	**100%**	100%	**0%**	0%	Design and marketing office
Hela Kenya (Private) Limited	Mauritius	**100%**	100%	**0%**	0%	Engaged in the employment and trading services and to act as an investment holding company
Hela Indochine Apparel PLC	Kenya	**51%**	51%	**49%**	49%	Engaging in manufacturing of wearing apparel including sports wear.
Hela Intimates EPZ Limited	Kenya	**100%**	100%	**0%**	0%	Manufacturers of apparel for export market
Alpha Textile (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Manufacturers of apparel for export market
Foundation Garments (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Manufacturers of apparel for export market
F D N Sourcing (Private) Limited	Sri Lanka	**100%**	100%	**0%**	0%	Provides front -end service to foreign clients

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

14 Interests in other entities (Contd)

(a) Material subsidiaries (Contd)

The investments made by the company in each of its subsidiaries are mentioned below.

	Company	
Non- current assets - investments	**2021**	2020
Foundation Garments (Private) Limited	**29,360,505**	23,475,961
FDN Sourcing (Private) Limited	**879,137**	879,137
Hela International Holdings (Private) Limited	**-**	-
Hela USA, Inc.	**122,775**	122,775
Hela Kenya (Private) Limited	**1,377,500**	1,377,500
Hela Indochine Apparel PLC	**1,188,419**	1,179,348
	32,928,336	27,034,721

(b) Indirect subsidiaries

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

	Place of business / country of incorporation	**Ownership interest held by the Group**		**Ownership interest held by non-controlling interests**		**Principal activities**
		2021	2020	**2021**	2020	
Jinadasa Bennett (Private) Limited	Sri Lanka	51%	51%	49%	49%	Manufacturing apparels
Foundation Bennett (Private) Limited	Sri Lanka	51%	51%	49%	49%	Manufacturing apparels

Notes to the financial statements

(All amounts are shown in US Dollars unless otherwise stated)

14 Interests in other entities (Contd)

(c) Non-controlling interests (NCI)

Summarised balance sheet	Hela Indochine Apparel PLC (Ethiopia)		Foundation Bennett (Pvt) Ltd (Sri Lanka)		Jinadasa Bennett (Pvt) Ltd (Sri Lanka)		Total	Total
31 December	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Current assets	**1,366,003**	366,941	**18,205**	19,427	**42,612**	43,828	**1,426,820**	**430,196**
Current liabilities	**(982,245)**	(1,030,627)	**(4,500)**	(2,817)	**(89,064)**	(129,735)	**(1,075,809)**	**(1,163,179)**
Current net assets	**383,758**	(663,686)	**13,705**	16,610	**(46,452)**	(85,907)	**351,011**	**(732,983)**
Non-current assets	**958,856**	1,055,553	**808,198**	819,550	**813,030**	870,769	**2,580,084**	2,745,872
Non-current liabilities	**-**	-	**(188,364)**	(190,712)	**(174,447)**	(178,347)	**(362,811)**	(369,059)
Non-current net assets	**958,856**	1,055,553	**619,834**	628,838	**638,583**	692,422	**2,217,273**	2,376,813
Net assets	**1,342,615**	391,867	**633,539**	645,448	**592,130**	606,515	**2,568,284**	1,643,830
Accumulated NCI	**981,940**	378,570	**289,421**	292,270	**674,104**	692,672	**1,945,465**	1,363,513

Summarised statement of comprehensive income	Hela Indochine Apparel PLC (Ethiopia)		Foundation Bennett (Pvt) Ltd (Sri Lanka)		Jinadasa Bennett (Pvt) Ltd (Sri Lanka)		Total	Total
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue	**5,166,163**	4,618,788	**-**	-	**-**		**5,166,163**	4,618,788
Profit for the period	**1,190,962**	363,670	**(21,160)**	(26,691)	**24,537**	(5,813)	**1,194,339**	331,166
Other comprehensive income	**-**	-	**-**	-	**-**		**-**	-
								-
Total comprehensive income	**1,190,962**	363,670	**(21,160)**	(26,691)	**24,537**	(5,813)	**1,194,339**	331,166
								-
Profit/(loss) allocated to NCI	**555,415**	(191,211)	**(10,368)**	(13,079)	**12,023**	(2,849)	**557,070**	(207,139)
								-

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Unrecognised items

This section of the notes provides information about item that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

15	Contingent liabilities and contingent assets	45
16	Commitments	45
17	Events occurring after the reporting period	45

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements (Contd)

(all amounts in US Dollars unless otherwise stated)

15 Contingencies

(a) Contingent liabilities

There were no contingent liabilities outstanding as at the balance sheet date.

(b) Contingent assets

There were no material contingent assets as at the balance sheet date.

16 Commitments

The following letter of credits are outstanding as of balance sheet date.

		Group		Company	
Financial institution	**Nature**	**2021**	2020	**2021**	2020
National Development Bank PLC		**134,275**	52,417	**-**	-
Hatton National Bank PLC		**482,507**	526,671	**526,671**	526,671
Bank of Ceylon		**-**	47,251	**-**	-
		616,782	626,339	**526,671**	526,671

17 Events after the reporting period

(a) Subsequent to the balance sheet date, Hela Clothing (Private) Limited disposed its ownership in Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited) to Foundation Garments (Private) Limited for a consideration of USD 11,370,029.

(b) Hela Kenya (Private) Limited (direct subsidiary), changed its name to Hela Investment Holdings Limited with effect from 19 May 2021.

(c) Foundation Garments (Private) Limited (direct 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.

(d) Hela Investment Holdings Limited (formerly known as Hela Kenya (Private) Limited, acquired 15,182 shares of Sumbiri Intimates Apparels (Private) Limited, a company incorporated and domiciled in Ethiopia for a consideration of USD 450,000 on 31 May 2021.

Except as disclosed above, no other circumstances/ events have arisen since the statement of financial position date which require adjustments to or disclosure in the financial statements.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18	Related party transactions	47
19	Earnings per share	48
20	General information	49
21	Going concern	49
22	Summary of significant accounting policies	49

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

18 Related party transactions

(a) Parent entities

The Group is controlled by the following entity:

Name	Type	Place of incorporation	Ownership interest	
			2021	2020
Hela Apparel Holdings (Private) Limited	Ultimate parent and controlling party	Sri Lanka	**100%**	100%

(b) Subsidiaries

Interests in subsidiaries are set out in note 14(a).

(c) Key management personnel compensation

	Group		Company	
	2021	2020	**2021**	2020
Short-term employee benefits	**986,933**	203,047	**92,818**	203,047
Director fees	-	-	-	-
Post-employment benefits	-	-	-	-
	986,933	203,047	**92,818**	203,047

In addition to the above, 260 "C" Ordinary shares of the parent company with an issue value of USD 14 were issued to eligible Key Management Personnel (KMP) under the Employee Share Ownership Plan (ESOP) of the parent company.

(d) Transactions with other related parties

Sale of goods to:

		Group		Company	
		2021	2020	**2021**	2020
Foundation Garments (Private) Limited	Cut & make charge	**-**	**-**	**309,868**	394,964
		-	-	**309,868**	394,964

Purchase of goods from:

		Group		Company	
		2021	2020	**2021**	2020
Foundation Garments (Private) Limited	Cut & make charge	**-**	-	**(46,914)**	(678,547)
Hela International Holdings (Private) Limited	Service fee	-	-	**-**	-
		-	-	**(46,914)**	(678,547)

Other transactions

		Group		Company	
		2021	2020	**2021**	2020
Foundation Garments (Private) Limited	Investment related	-	-	**(5,893,615)**	851,719
Foundation Garments (Private) Limited	Administration expenses	-	-	**(306,749)**	465,763
Foundation Garments (Private) Limited	Fund transfers	-	-	**(2,926,833)**	(5,719,548)
Foundation Garments (Private) Limited	Asset transfers	-	-	**1,583**	(143,340)
Foundation Garments (Private) Limited	Other	-	-	**-**	(11,500)
F D N Sourcing (Private) Limited	Fund transfers	-	-	**2,488,255**	1,597,785
F D N Sourcing (Private) Limited	Investment related	-	-	**-**	236,543
F D N Sourcing (Private) Limited	Expenses incurred on behalf of/paid	-	-	**(116,284)**	(31,645)
F D N Sourcing (Private) Limited	Other	-	-	**-**	11,500
Hela Investments Holding (Private) Limited	Administration expenses	-	-	**1,760**	1,677
Hela Indochine Apparel PLC	Fund transfers	-	-	**60,000**	-
Hela Intimates EPZ Limited	Administration expenses	-	-	**-**	568
Hela Apparel holdings (Private) Limited	Fund transfers	-	-	**-**	(1,711,368)
Hela Apparel holdings (Private) Limited	Investment related	-	-	**-**	1,711,368
Hela Apparel holdings (Private) Limited	Share based payment related expense			**(23,074)**	-
Hela Kenya (Private) Limited	Fund transfers	-	-	**-**	(524,000)
Hela Kenya (Private) Limited	Investment related	-	-	-	381,000

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

18 Related party transactions (Contd)

(e) Outstanding balances arising from sales / purchases of goods / services

	Group		Company	
	2021	2020	**2021**	2020
(i) *Receivables from related parties*				
GBX Trading FZC	**-**	-	**-**	821,801
Sumbiri Intimate Apparel PLC	**-**	2,806	**-**	-
Hela Kenya (Private) Limited	**-**	-	**10**	72,117
Africa Apparels EPZ Limited	**-**	62,082	**-**	-
Hela Indochine App. PLC	**-**	-	**60,000**	-
Hela Intimates EPZ C/A	**-**	-	**-**	97,275
Alltex EPZ Limited	**-**	133,086	**-**	-
	-	197,974	**60,010**	**991,193**

	Group		Company	
	2021	2020	**2021**	2020
(ii) Payables to related parties				
F D N Sourcing (Private) Limited	**-**	-	**3,369,144**	5,677,211
Foundation Garments (Private) Limited	**-**	-	**8,114,968**	-
Hela Intimates EPZ C/A			**10**	
Alpha Textiles (Private) Limited	**-**	-	**528,722**	472,823
Hela Investments Holdings (Private) Limited	**-**	-	**3,261**	5,021
Hela Apparel Holdings (Private) Limited	**100,057**	36,720	**23,074**	-
	100,057	36,720	**12,039,179**	**6,155,055**

There were no material related party transactions and balances other than those disclosed above.

19 Earnings per share

(a) Basic earnings per share

	Group		Company	
	2021	2020	**2021**	2020
From continuing operations attributable to the ordinary equity holders of Hela Clothing (Private) Limited	**0.04**	0.08	**0.01**	**0.10**
Total basic earnings per share attributable to the ordinary equity holders of Hela Clothing (Private) Limited	**0.04**	0.08	**0.01**	0.10

(b) Reconciliations of earnings used in calculating earnings per share.

	Group		Company	
	2021	2020	**2021**	2020
Profit from continuing operations attributable to the ordinary equity holders of Hela Clothing (Private) Limited	**4,104,854**	4,679,104	**661,913**	1,062,804
Profit is attributable to owners of Hela Clothing (Private) Limited	**4,104,854**	4,679,104	**661,913**	1,062,804

(c) Weighted average number of shares used as the denominator	Group		Company	
	2021	2020	**2021**	2020
Weighted average number of the ordinary shares used as the denominator	**102,224,567**	56,649,749	**102,224,567**	56,649,749

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

20 General information

Hela Clothing (Private) Limited manufacture and export ready made garments. The Company is a limited liability Company incorporated on 29 July 1991 under the Companies Act No 17 of 1982 and is domiciled in Sri Lanka and bears the registration No. PV 2698 under the Companies Act No. 07 of 2007. The address of the registered office and the principal place of business is, No. 35, Balapokuna Road, Colombo 06.

21 Going concern and assessment of impact of the COVID 19

In determining the basis of preparing the Financial Statements for the year ended 31 March 2021, based on available information, the Management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the Going Concern Basis. At the Balance Sheet date, the Group had an accumulated loss of USD 12,062,975, thus showing a serious loss of capital. The Group however has a positive net asset position of USD 12,299,614 and has recorded a net profit of USD 4,661,924 (2020 - 4,471,965) as at the Balance Sheet date. Based on the financial performance and future business plans, the Directors are in the view that the Group has adequate resources to continue in operational existence for the foreseeable future and to continue adopting 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.

22 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 Clothing (Private) Limited and its subsidiaries.

(a) Basis of preparation

(i) Compliance with Sri Lanka Accounting Standards (SLFRS)

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRSs"), Sri Lanka Accounting Standards ("SLFRSs"), 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 Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 10 to the financial statements.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments),certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale - measured at fair value less cost of disposal, and
- defined benefit pension plans - plan assets measured at fair value.

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group [refer to note 22(j)].

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(i) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Hela Clothing (Private) Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements are prepared and presented in United States Dollars (USD), the currency of the primary economic environment in which the entity and its subsidiaries operate. The Directors of the Company and its subsidiaries are of the opinion that the use of USD as the functional currency provides information about the Company and its subsidiaries that is useful and reflects the economic substance of the underlying events and circumstances relevant to the Company and its subsidiaries as:

- 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) Group companies

The results and financial position of the companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(c) Foreign currency translation (Contd)

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 income 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 income 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 income tax asset is realised or the deferred income 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 7(g)

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(g) 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.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(i) 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 6(a) for further information about the Group's accounting for trade receivables and note 11(b) for a description of the Group's impairment policies.

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(k) 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 material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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 recognized 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.

(l) 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 balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(m) 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.

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.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(m) Investments and other financial assets (Contd)

(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 is 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 12(b) for further details.

(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.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(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, for rental to others, or for administrative purposes and are expected to be used during more than one year.

All property, plant and equipment other than land and buildings and plant and machinery is recorded at cost and stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Land, buildings and plant and machinery are shown at fair value based on a valuation performed by an external independent professional valuer. Where an item of property, plant and equipment is revalued, the entire class of such asset is revalued. Revaluations are made with sufficient regularity to ensure that their carrying value do not differ materially from their fair value at the date of the balance sheet.

Increases in the carrying amount arising on revaluation of land and buildings, plant and machinery is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

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 derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	As per agreement
Buildings	30 years
Leasehold improvements	10 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Computer hardware	5 years
Tools and molds	5 years
Factory and sports equipment	5 years
Electrical equipment and installations	10 years
Computer software	3

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 derecognized 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 derecognized.

When revalued assets are derecognised the amount included in revaluation reserve are transferred to retained earnings.

(p) Investment properties

The group's accounting policy for investment property is described in Note 7(c)

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(q) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 7(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Trademarks, licences and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) 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.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) 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.

(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.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(s) Borrowings (Contd)

Borrowings are removed from the balance sheet 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 balance sheet.

(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 independent actuaries.

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan defines an amount of pension 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 balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service cost. The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries 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

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.

HELA CLOTHING (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in US Dollars unless otherwise stated)

22 Summary of significant accounting policies (Contd)

(v) Employee benefits (Contd)

Past service costs are recognised immediately in income.

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 7(j) 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) Employee share ownership plan

Under the Hela Employee Share Ownership Plan (ESOP), “c” ordinary shares of Hela Apparel Holdings (Private) Limited are granted to the eligible key management personnel of the Group. Further details are described in note 8(b)

(v) 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

A preference shares and 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 per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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 8(a)).

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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 8(a)).

(ii) Diluted earnings 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.

ANNEXURE 6

FOUNDATIONS GARMENTS (PRIVATE) LIMITED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021

ANNEXURE - 6

FOUNDATION GARMENTS (PRIVATE) LIMITED

FINANCIAL STATEMENTS
31 MARCH 2021

FOUNDATION GARMENTS (PRIVATE) LIMITED

FINANCIAL STATEMENTS
- 31 MARCH 2021

FOUNDATION GARMENTS (PRIVATE) LIMITED

FINANCIAL STATEMENTS - 31 MARCH 2021

CONTENTS

CONTENTS	PAGE
Independent Auditor's report	**1**
Annual financial report - 31 March 2021	**3**
Statement of comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	**8**
How numbers are calculated	**9**
Profit or loss	10
Balance sheet	12
Cash flows	25
Risk	**27**
Critical estimates, judgements and errors	28
Financial risk management	29
Capital management	32
Unrecognised items	**33**
Contingent liabilities and contingent assets	34
Commitments	34
Events occurring after the reporting period	34
Other information	**35**
Related party transactions	36
Earnings per share	38
Assets pledged as security	38
General information	39
Summary of significant accounting policies	39

Independent auditor's report
To the Shareholders of Foundation Garments (Private) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Foundation Garments (Private) Limited ("the Company") give a true and fair view of the financial position of the Company as at 31 March 2021, and of its 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, which comprise:

- the balance sheet as at 31 March 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Board of Directors but does not include the financial statements and our auditor's report thereon. The Annual Report of the Board is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 when it becomes available 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.

When we read the Annual Report of the Board, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 financial statements, management is responsible for assessing the Company'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 or to cease operations, or has no realistic alternative but to do so.

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

Independent auditor's report continued on page 2

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T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA, Ms W D A S U Perera ACA

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Independent auditor's report
To the Shareholders of Foundation Garments (Private) Limited (Contd)

Report on the audit of the financial statements (Contd)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

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.

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

16 August 2021
COLOMBO

FOUNDATION GARMENTS (PRIVATE) LIMITED

Annual financial report - 31 March 2021

Financial statements

Statement of comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	**8**

These financial statements are entity financial statements of Foundation Garments (Private) Limited. The financial statements are presented in United States Dollars (USD).

The Company is a limited liability Company incorporated under the Companies Act No 07 of 2007 and is domiciled in Sri Lanka. The address of the registered office and principal place of the business is,

Foundation Garments (Private) Limited
No 35, Balapokuna Road,
Colombo 06.

The financial statements were authorised for issue by the Directors on 16 August 2021. The Directors have the power to amend and reissue the financial statement.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Statement of comprehensive income

(All amounts in United States Dollars)

	Notes	**2021**	2020
Revenue from contracts with customers	1	**109,719,873**	122,924,640
Cost of sales of goods		**(96,379,991)**	(103,482,883)
Gross profit		**13,339,882**	19,441,757
Distribution costs		**(2,182,817)**	(2,901,835)
Administrative costs		**(7,346,167)**	(8,168,424)
Other income	2(a)	**198,745**	122,745
Other gains	2(b)	**36,117**	529,191
Operating profit		**4,045,760**	9,023,434
Finance income	2(c)	**52,796**	53,531
Finance costs	2(c)	**(3,237,140)**	(3,616,819)
Finance costs - net	2(c)	**(3,184,344)**	(3,563,288)
Profit before income tax		**861,416**	5,460,146
Income tax expense	3	**(229,598)**	(657,819)
Profit for the year		**631,818**	4,802,327
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	5(i)	**64,477**	(80,175)
Income tax relating to this item	5(j)	**(9,027)**	11,222
Other comprehensive income for the year, net of tax		**55,450**	(68,953)
Total comprehensive income for the year		**687,268**	4,733,374
Earnings per share for profit attributable to the equity holders of the Company			
Basic earnings per share	15	**0.01**	3.01

The notes on pages 8 to 45 from an integral part of these financial statements.

FOUNDATION GARMENTS (PRIVATE) LIMITED

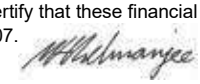
Balance sheet

(All amounts in United States Dollars)

	Notes	**2021**	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5(a)	**9,337,632**	9,343,373
Capital work in progress	5(c)	**15,279**	138,676
Investment properties	5(d)	**1,712,198**	1,660,193
Intangible assets	5(e)	**63,320**	536,381
Investment in subsidiaries	5(f)	**176,483**	1,008,332
Right-of-use assets	5(b)	**172,922**	166,868
Loans to related parties	14(f)	**790,287**	699,429
Total non-current assets		**12,268,121**	13,553,252
Current assets			
Inventories	5(g)	**16,196,320**	13,590,997
Trade receivables	4(a)	**15,833,893**	20,049,302
Other financial assets at amortised cost	4(b)	**36,813,853**	27,320,750
Income tax receivables		**-**	41,404
Other assets	5(h)	**58,833**	103,792
Cash and cash equivalents	4(c)	**5,861,826**	6,335,191
Total current assets		**74,764,725**	67,441,436
Total assets		**87,032,846**	80,994,688
LIABILITIES			
Non-current liabilities			
Borrowings	4(e)	**2,150,428**	1,332,766
Lease liabilities	5(b)	**145,724**	140,264
Deferred tax liabilities	5(j)	**738,785**	577,962
Employee benefit obligations	5(i)	**963,241**	904,518
Total non-current liabilities		**3,998,178**	2,955,510
Current liabilities			
Trade and other payables	4(d)	**17,444,586**	13,225,824
Borrowings	4(e)	**46,396,750**	52,684,518
Income tax payables		**8,419**	-
Lease liabilities	5(b)	**74**	70
Total current liabilities		**63,849,829**	65,910,412
Total liabilities		**67,848,007**	68,865,922
Net assets		**19,184,839**	12,128,766
EQUITY			
Capital and reserves			
Stated capital	6(a)	**5,995,509**	110,965
Other reserves	6(b)	**484,261**	-
Retained earnings	6(c)	**12,705,069**	12,017,801
Total equity		**19,184,839**	12,128,766

The notes on pages 8 to 45 from an integral part of these financial statements.

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



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Group Chief Financial Officer
Date: 16 August 2021

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: 16 August 2021

……

Director
Date: 16 August 2021

FOUNDATION GARMENTS (PRIVATE) LIMITED

Statement of cash flows

(All amounts in United States Dollars)

	Notes	**2021**	2020
Cash flows from operating activities			
Cash generated from / (used in) operations	7(a)	**2,512,126**	(1,093,063)
Retirement benefits obligations paid	5(i)	**(82,406)**	(106,242)
Interest received		**52,796**	-
Interest paid		**(3,237,140)**	(3,563,288)
Net cash outflow from operating activities		**(754,624)**	(4,762,593)
Cash flows from investing activities			
Payments for property, plant and equipment	5(a)	**(89,494)**	(589,907)
Proceeds from disposal of property plant and equipment		**180,456**	-
Payments for disposal of property plant and equipment		**-**	(5,610)
Payment for capital work in progress	5(c)	**(246,226)**	(119,190)
Payments for intangible assets	5(e)	**(951)**	(15,500)
Proceeds from investment properties		**6,396**	(13,127)
Payments for investment properties		**-**	-
Realisation of fixed deposits		**25,525**	-
Net cash outflow from investing activities		**(124,294)**	(743,334)
Cash flows from financing activities			
Proceeds from borrowings	4(e)	**156,753,090**	211,379,008
Repayment of borrowings	4(e)	**(160,290,249)**	(203,226,173)
Principal elements of lease payments		**-**	(61)
Issue of ordinary shares		**5,884,544**	-
Net cash inflow from financing activities		**2,347,385**	8,152,774
Net increase in cash and cash equivalents		**1,468,467**	2,646,847
Cash and cash equivalents at beginning of year		**4,386,800**	1,739,953
Cash and cash equivalents at end of year	4(c)	**5,855,267**	4,386,800

The notes on pages 8 to 45 from an integral part of these financial statements.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Statement of changes in equity

(All amounts in United States Dollars)

	Notes	Stated capital	Other reserves	Retained earnings	Total
Balance at 01 April 2019		110,965	-	7,284,427	7,395,392
Profit for the year	6(b)	-	-	4,802,327	4,802,327
Other comprehensive income	6(b)	-	-	(68,953)	(68,953)
Total comprehensive income for the year		-	-	4,733,374	4,733,374
Balance at 31 March 2020		110,965	-	12,017,801	12,128,766
Balance at 01 April 2020		**110,965**	**-**	**12,017,801**	**12,128,766**
Profit for the year	6(b)	**-**	**-**	**631,818**	**631,818**
Other comprehensive income	6(b)	**-**	**-**	**55,450**	**55,450**
Total comprehensive income for the year				**687,268**	**687,268**
Issue of shares		**5,884,544**	**-**	**-**	**5,884,544**
Amalgamation		**-**	**356,765**	**-**	**356,765**
Employee share ownership plan		**-**	**127,496**	**-**	**127,496**
Balance at 31 March 2021		**5,995,509**	**484,261**	**12,705,069**	**19,184,839**

The notes on pages 8 to 45 from an integral part of these financial statements.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Contents of the notes to the financial statements

How numbers are calculated		**9**
1	Revenue from contracts with customers	10
2	Other income and expense items	10
3	Income tax expense	11
4	Financial assets and financial liabilities	12
5	Non financial assets and liabilities	15
6	Equity	24
7	Cash flow information	25
Risk		**27**
8	Critical estimates, judgements and errors	28
9	Financial risk management	29
10	Capital management	32
Unrecognised items		**33**
11	Contingent liabilities and contingent assets	34
12	Commitments	34
13	Events occurring after the reporting period	34
Other information		**35**
14	Related party transactions	36
15	Earnings per share	38
16	Assets pledged as security	38
17	General information	39
18	Summary of significant accounting policies	39

FOUNDATION GARMENTS (PRIVATE) LIMITED

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.

(b) analysis and sub-totals.

(c) Information about estimates and judgements made in relation to particular items.

1	Revenue from contracts with customers	10
2	Other income and expense items	10
3	Income tax expense	11
4	Financial Assets and financial liabilities	12
5	Non financial assets and liabilities	15
6	Equity	24
7	Cash flow information	25

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

1 Revenue from contracts with customers

The Company derives the following types of revenue;

	2021	2020
Export sales	**108,112,449**	122,246,093
Deemed export sales	**1,607,424**	678,547
Total revenue from contracts with customers	**109,719,873**	122,924,640

(a) Accounting policies and significant judgements

(i) Sale of goods

The Company manufactures and exports a range of apparel. Revenue is recognized at the point in time when the Company satisfies a performance obligation by transferring promised products to a customer. A product is transferred when the customer obtains control of that product, based on the agreement. The Company determines the transaction price to 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 terms mentioned in the agreement.

2 Other income and expense items

This note provides a breakdown of the item included in "other income", "other gains / (losses)", "finance income and costs", "analysis of expenses by nature" and "employee benefit expenses". Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

(a) Other income

	2021	2020
Other income	**198,745**	122,745
	198,745	122,745

(b) Other gains

	2021	2020
Net foreign exchange gains	**114,477**	82,444
Net loss on disposal of property, plant and equipment	**(11,002)**	(68,450)
Loyalty Income	**-**	476,726
Impairment loss of fixed assets	**(124,753)**	-
Fair value adjustment to investment property	**57,395**	38,471
	36,117	529,191

(c) Finance income and costs

	2021	2020
Finance income		
Interest income	**52,796**	53,531
Finance income	**52,796**	53,531
Finance costs		
Bill discounting charges	**(932,412)**	(1,268,316)
Bank overdraft interest	**(61,785)**	(137,727)
Bank loan interest	**(210,754)**	(244,073)
TR loan charges	**(1,997,549)**	(1,948,133)
Interest for lease liabilities	**(18,143)**	(18,570)
Shareholder Loan Interest	**(16,497)**	-
Finance costs expensed	**(3,237,140)**	(3,616,819)
Net finance costs	**(3,184,344)**	(3,563,288)

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

2 Other income and expense items (Contd)

(d) Breakdown of expenses by nature

	Notes	2021	2020
Directors' remuneration and emoluments	14(c)	**547,377**	815,323
Auditors' remuneration			
- Audit		**28,007**	23,616
- Non audit		**634**	766
Depreciation on property, plant and equipment	5(a)	**1,184,071**	959,735
Amortization of intangible assets	5(e)	**581,498**	83,609
Depreciation of right of use assets	5(b)	**2,934**	3,820
Employee benefit expense	2(e)	**11,372,551**	14,668,609
Provision for impairment of debtors	9(b)(iii)	**133,319**	181,301
Bank charges		**86,706**	138,034
Travelling and advertising expenses		**758,519**	596,314
Other rent expenses		**601,457**	1,043,250
Machine rent		**701,061**	931,444
Cost of goods sold - exports		**58,950,666**	63,292,728
Repairs and maintenance expenses		**280,355**	390,774
Sub contracting cost		**19,879,897**	19,983,475
Impairment of intercompany receivable balances		**-**	200,388
Other expenses		**10,799,923**	11,237,796
Total cost of sales, distribution cost and administrative expenses		**105,908,975**	114,550,982

(e) Employee benefit expense

	Notes	2021	2020
Salaries, wages and bonus		**9,888,548**	13,010,020
Defined contribution plans		**1,091,024**	1,429,983
Defined benefit plans	5(i)	**205,606**	228,606
Share based payment expenses		**187,373**	-
		11,372,551	14,668,609

Average number of person employed by the Company		
- Full time	**4,304**	5,585

3 Income tax expense

This note provides an analysis of the Company's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Company's tax position.

In terms of the agreement entered into with the Board of Investment of Sri Lanka (BOI), Section 17 of the BOI Law No. 4 of 1978, the Company was exempted from income tax on its profits and income for a period of 10 years. However the Company has fully enjoyed said tax holiday and currently income tax is payable under the rate of 14% and 24% according to the Inland Revenue Act, on profits from export sales and other sources of income respectively. Tax on profits from local sales are based on currently applicable corporate tax rates.

(a) Income tax expense

	Notes	2021	2020
Current tax			
Current tax on profits for the year		**246,705**	779,974
Adjustments for current tax of prior periods		**8,904**	-
Total current tax expense		**255,609**	779,974
Deferred income tax			
Decrease/ (increase) in deferred tax assets	5(j)	**102,262**	(198,890)
(Increase) / decrease in deferred tax liabilities	5(j)	**(119,246)**	65,513
Total deferred tax benefit		**(16,984)**	(133,377)
Income tax expense		**238,625**	646,597

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

3 Income tax expense (Contd)

(a) Income tax expense (Contd)

	2021	2020
Income tax expense charge		
- to profit or loss	**229,598**	657,819
- to other comprehensive income	**9,027**	(11,222)
Total income tax expense	**238,625**	646,597

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2021	2020
Profit / loss before tax	**861,416**	5,460,146
Tax effect of :		
- Income subject to tax	**98,541**	5,471
- Income not subject to tax	**(203,461)**	(1,545,800)
- Expenses deductible for tax purposes	**(1,917,038)**	(2,131,271)
- Expenses not deductible for tax purposes	**2,919,633**	3,782,700
- Set off against losses	**-**	-
Taxable income	**1,759,091**	5,571,246
Tax at the rate of 14%	**245,667**	779,974
Tax at the rate of 24%	**1,038**	-
Current tax on profit for the year	**246,705**	779,974
Last year under provision	**8,904**	-
Deferred tax release for the year	**(16,984)**	(133,377)
Total Income tax expense	**238,625**	646,597

4 Financial assets and financial liabilities

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

- an overview of all financial instruments held by 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.

The Company holds the following financial instruments:

Financial assets	Notes	**2021**	2020
Financial assets at amortised cost			
Trade receivables	4(a)	**15,833,893**	20,049,302
Other financial assets at amortised cost	4(b)	**36,813,853**	27,320,750
Cash and cash equivalents	4(c)	**5,861,826**	6,335,191
		58,509,572	53,705,243

Financial liabilities	Notes	**2021**	2020
Liabilities at amortised cost			
Trade and other payable (excluding non-financial liabilities)	4(d)	**17,258,282**	12,828,417
Borrowings	4(e)	**48,547,178**	54,017,284
Lease liabilities	4(e)	**145,798**	140,334
		65,951,258	66,986,035

The Company's exposure to various risks associated with the financial instruments is discussed in note 9. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

4 Financial assets and financial liabilities (Contd)

(a) Trade receivables

	Notes	2021	2020
Current assets			
Trade receivables from contracts with customers		**16,718,528**	20,800,618
Loss allowance	9 (b) (ii)	**(884,635)**	(751,316)
		15,833,893	20,049,302

(i) Classification as trade receivables
Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 45 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 9(b)(iii).

(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 receivables and the Company's exposure to credit risk, market risk and liquidity risk can be found in note 9(a),(b) and (c).

(b) Other financial assets at amortised cost

(i) Classification of financial assets at amortised cost

The Company 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.

Financial assets at amortised cost include the following :

	2021	2020
Amounts due from related parties	**32,424,070**	24,390,574
Provision for impairment	**(200,388)**	(200,388)
	32,223,682	24,190,186
Fixed deposits	**667,987**	711,598
Other receivables	**3,922,184**	2,418,966
	36,813,853	27,320,750

(ii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(c) Cash and cash equivalents

Cash at bank and in hand consists of current account balances held at local banks and in hand balances.

	2021	2020
Current assets		
Cash at bank	**2,884,899**	1,188,921
Cash in hand	**116**	838
Deposits at call	**2,976,811**	5,145,432
	5,861,826	6,335,191

(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:

	Notes	2021	2020
Balances as above		**5,861,826**	6,335,191
Bank overdrafts	4(e)	**(6,559)**	(1,948,391)
Balance per statement of cash flow		**5,855,267**	4,386,800

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

4 Financial assets and financial liabilities (Contd)

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 18 (h) for the Company's other accounting policies on cash and cash equivalents.

(d) Trade and other payables

	Notes	**2021**	2020
Current liabilities			
Trade payables		**11,853,972**	6,956,788
Amounts due to related companies	14(e)(ii)	**825,732**	2,889,582
Payroll tax and other statutory liabilities		**186,304**	397,407
Accrued expenses and other payables		**4,578,578**	2,982,047
		17,444,586	13,225,824

Trade payables are unsecured and are usually paid within 45 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

	31 March 2021			31 March 2020		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Bank loans	**46,310,567**	**2,150,428**	**48,460,995**	50,654,537	1,247,798	51,902,335
Loan from Marsylka Manufacturing Lanka Limited	**79,624**	**-**	**79,624**	81,590	84,968	166,558
Lease liabilities	**74**	**145,724**	**145,798**	70	140,264	140,334
Total secured borrowings	**46,390,265**	**2,296,152**	**48,686,417**	50,736,197	1,473,030	52,209,227
Unsecured						
Bank overdrafts	**6,559**	**-**	**6,559**	1,948,391	-	1,948,391
Total unsecured borrowings	**6,559**	**-**	**6,559**	1,948,391	-	1,948,391
Total borrowings	**46,396,824**	**2,296,152**	**48,692,976**	52,684,588	1,473,030	54,157,618

(i) Secured liabilities and assets pledged as security

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 16.

(ii) Fair value

For the all of the borrowings, the fair values are not materially different from 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 except for the loan obtained from Marsylka Manufacturing Lanka Limited at zero interest rate where amortisation has been adjusted for.

(iii) Risk exposures

Details of the Company's exposure to risks arising from current and non-current borrowings are set out in note 9(c).

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities

This note provides information about 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 5 (a))
  - leases (note 5 (b))
  - capital work in progress (note 5 (c))
  - investment properties (note 5 (d))
  - intangible assets (note 5 (e))
  - investment in subsidiaries (note 5 (f))
  - inventories (note 5 (g))
  - other assets (note 5 (h))
  - employee benefit obligations (note 5 (i))
  - deferred income tax liabilities (note 5 (j))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (note 5(k)).

(a) Property, plant and equipment

	Buildings	Improvement in leasehold buildings	Plant and machinery	Office equipment	Computers	Electrical installation	Electrical Equipment and Installation	Factory and Sports equipment	Furniture and fittings	Tools and molds	Tools and equipment	Total
At 31 March 2019												
Cost	3,676,553	-	7,253,839	1,063,995	-	627,806	-	-	566,754	-	46,005	13,234,952
Accumulated depreciation	(367,826)	-	(2,304,671)	(362,504)	-	(218,515)	-	-	(206,964)	-	(45,388)	(3,505,868)
Net book amount	3,308,727	-	4,949,168	701,491	-	409,291	-	-	359,790	-	617	9,729,084
Year ended 31 March 2020												
Opening net book amount	3,308,727	-	4,949,168	701,491	-	409,291	-	-	359,790	-	617	9,729,084
Additions	66,330	-	422,067	89,088	-	3,859	-	-	8,563	-	-	589,907
Reclassification from CWIP	54,684	-	573	-	-	1,980	-	-	5,634	-	-	62,871
Reclassification to investment properties	(15,915)	-	-	-	-	-	-	-	-	-	-	(15,915)
Disposals	-	-	(1,014,768)	(59,088)	-	-	-	-	-	-	-	(1,073,856)
Depreciation on disposals	-	-	986,525	24,491	-	-	-	-	-	-	-	1,011,016
Depreciation charge	(159,842)	-	(624,139)	(74,834)	-	(50,804)	-	-	(50,014)	-	(102)	(959,735)
Closing net book amount	3,253,984	-	4,719,426	681,148	-	364,326	-	-	323,973	-	515	9,343,372
At 31 March 2020												
Cost	3,781,652	-	6,661,711	1,093,995	-	633,645	-	-	580,951	-	46,005	12,797,959
Accumulated depreciation	(527,668)	-	(1,942,285)	(412,847)	-	(269,319)	-	-	(256,978)	-	(45,490)	(3,454,587)
Net book amount	3,253,984	-	4,719,426	681,148	-	364,326	-	-	323,973	-	515	9,343,373
Year ended 31 March 2021												
Opening net book amount	**3,253,984**	**-**	**4,719,426**	**681,148**	**-**	**364,326**	**-**	**-**	**323,973**	**-**	**515**	**9,343,373**
Transfers within property, plant and equipments												
- Cost	**(656,509)**	**973,759**	**(206,555)**	**(978,159)**	**454,200**	**(631,916)**	**822,736**	**10,565**	**212,477**	**45,407**	**(46,005)**	**-**
- Accumulated depreciation	**50,244**	**(167,464)**	**94,801**	**378,546**	**(158,815)**	**269,319**	**(327,085)**	**(4,271)**	**(135,358)**	**(45,407)**	**45,490**	**-**
Additions	**-**	**-**	**15,262**		**19,888**	**-**	**12,028**	**2,758**	**39,558**		**-**	**89,494**
Amalgamation	**1,275,374**	**-**	**357,509**	**-**	**-**	**-**	**77,237**	**-**	**25,121**	**28,897**	**-**	**1,764,138**
Amalgamation depreciation	**-**	**-**	**(357,509)**	**-**	**-**	**-**	**(75,234)**	**-**	**(22,359)**	**(28,897)**	**-**	**(483,999)**
Transfers to / from Intangible assets	**-**	**-**	**-**	**(115,836)**	**16,050**	**(1,729)**		**-**	**68**	**-**	**-**	**(101,447)**
Transfers of amortisation to / from Intangible assets	**-**	**-**	**-**	**34,301**	**(4,991)**	**-**		**-**	**(32)**	**-**	**-**	**29,278**
Reclassification from CWIP	**5,273**	**40,331**	**-**	**-**	**12,854**	**-**	**5,644**	**-**	**8,223**	**-**	**-**	**72,325**
Disposals	**-**	**-**	**(356,757)**	**-**	**(81)**	**-**	**(2,811)**	**-**	**(1,833)**	**-**	**-**	**(361,482)**
Depreciation on disposals	**-**	**-**	**169,101**	**-**	**45**	**-**	**679**	**-**	**198**	**-**	**-**	**170,023**
Depreciation charge	**(128,307)**	**(107,279)**	**(622,060)**	**-**	**(184,509)**	**-**	**(71,345)**	**(6,187)**	**(64,384)**	**-**	**-**	**(1,184,071)**
Closing net book amount	**3,800,059**	**739,347**	**3,813,218**	**-**	**154,641**	**-**	**441,849**	**2,865**	**385,652**	**-**	**-**	**9,337,632**
At 31 March 2021												
Cost	**4,405,790**	**1,014,090**	**6,471,170**	**-**	**502,911**	**-**	**914,834**	**13,323**	**864,565**	**74,304**	**-**	**14,260,987**
Accumulated depreciation	**(605,731)**	**(274,743)**	**(2,657,952)**	**-**	**(348,270)**	**-**	**(472,985)**	**(10,458)**	**(478,913)**	**(74,304)**	**-**	**(4,923,355)**
Net book amount	**3,800,059**	**739,347**	**3,813,218**	**-**	**154,641**	**-**	**441,849**	**2,865**	**385,652**	**-**	**-**	**9,337,632**

Fully depreciated assets still in use, the cost of which amounted to USD 1,905,664 (2020 - USD 955,366) as at the balance sheet date.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(a) Property, plant and equipment (Contd)

(i) Depreciation methods and useful lives

All property, plant and equipment is recognised at historical cost less depreciation. 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:

- Buildings 30 years
- Improvement in leasehold buildings 10 years
- Plant and machinery 10 years
- Computers 5 years
- Electrical Equipment and Installation 10 years
- Factory and Sports equipment 5 years
- Furniture and fittings 10 years
- Tools and molds 5 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

See note 18 (l) for the other accounting policies relevant to property, plant and equipment.

(b) Leases

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021	2020
Right-of-use assets		
Lands	**172,922**	166,868
	172,922	166,868
Lease liabilities		
Current	**74**	70
Non-current	**145,724**	140,264
	145,798	140,334

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

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

	Notes	**2021**	2020
Depreciation charge of right-of-use assets			
Lands	2(d)	**2,934**	3,820
		2,934	3,820
Interest expense (included in finance cost)	2(c)	**18,143**	18,570
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2(d)	**21,161**	287,405

The total cash outflow for leases in 2021 was USD 18,226

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(b) Leases (Contd)

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

The Company leases lands. rental contracts are typically made for fixed period of 50 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.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 19 for details. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, 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 Company:

- 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 Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company 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.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(c) Capital work in progress

	2021	2020
Opening balance at 1 April	**138,676**	151,557
Additions	**246,226**	119,190
Transfers to intercompanies	**(260,975)**	(69,200)
Transfers to property plant and equipments	**(72,325)**	(62,871)
Transfers to intangible assets	**(35,317)**	-
Transfers to Investment Properties	**(1,006)**	-
Closing balance at 31 March	**15,279**	138,676

(d) Investment properties

	2021	2020
Non-current assets - at fair value		
Opening balance at 1 April	**1,660,193**	1,592,680
Disposals	**(6,396)**	-
Additions	**-**	13,127
Transfer from property, plant and equipment	**-**	15,915
Transfer from CWIP	**1,006**	
Net gain from fair value adjustment	**57,395**	38,471
Closing balance at 31 March	**1,712,198**	1,660,193

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

	2021	2020
Fair value gain recognised in other gains	**57,395**	38,471

(ii) Measuring investment property at fair value

Investment properties, principally buildings are held for long-term rental earning purpose and are not occupied by the Company. 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 the independent valuer, Mr. W.D.P. Rupananda as at 31 March 2021. Mr. W.D.P Rupananda is a fellow member of the institute of valuers of Sri Lanka. The contractors test approach was used to carry out the fair valuation of the investment property as at reporting period.

(iii) Significant estimate – fair value of investment property

Information about the valuation of investment properties is provided in note 5(k) below.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(e) Intangible assets

Non-current assets	Licenses	Computer software	Total
At 1 April 2019			
Cost	450,852	382,658	833,510
Accumulated amortisation	(133,405)	(95,615)	(229,020)
Net book amount	317,447	287,043	604,490
Year ended 31 March 2020			
Opening net book amount	317,447	287,043	604,490
Additions	-	15,500	15,500
Amortisation charge	(45,085)	(38,524)	(83,609)
Closing net book amount	272,362	264,019	536,381
At 31 March 2020			
Cost	450,852	398,158	849,010
Accumulated amortisation	(178,490)	(134,139)	(312,629)
Net book amount	272,362	264,019	536,381
Year ended 31 March 2021			
Opening net book amount	**272,362**	**264,019**	**536,381**
Transfers within intangible assets			
- Cost	**(450,852)**	**450,852**	**-**
- Accumulated amortisation	**178,490**	**(178,490)**	**-**
Additions	**-**	**36,268**	**36,268**
Transfers to / from Property, plant and equipments			
- Cost	**-**	**101,447**	**101,447**
- Amortisation	**-**	**(29,278)**	**(29,278)**
Amortisation charge	**-**	**(581,498)**	**(581,498)**
Closing net book amount	**-**	**63,320**	**63,320**
At 31 March 2021			
Cost	**-**	**986,725**	**986,725**
Accumulated amortisation	**-**	**(923,405)**	**(923,405)**
Net book amount	**-**	**63,320**	**63,320**

The total amortisation expense is included under administrative expenses.

(i) Amortisation methods and useful lives

The company amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Computer software 3 years

See note 18 (m) for the other accounting policies relevant to intangible assets.

(f) Investment in subsidiaries

	2021	2020
Cost		
Opening balance at 1 April	**1,008,332**	1,008,332
Share buy back	**(831,849)**	-
Closing balance at 31 March	**176,483**	1,008,332

The financial statements of the subsidiaries have not been consolidated in accordance with paragraph 4 of SLFRS 10 “Consolidated Financial Statements”, as the Company is a wholly-owned subsidiary of its ultimate parent, Hela Apparel holdings (Private) Limited, which produces consolidated financial statements available for public use that comply with Sri Lanka Accounting Standards

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(f) Investment in subsidiaries (Contd)

Details of entities in which the Company had control as at 31 March 2021 and 31 March 2020 are set out below. All entities are incorporated and domiciled in Sri Lanka.

	Percentage holding		Cost less impairment	
	2021	2020	**2021**	2020
Name of company				
Jinadasa Marsylka (Private) Limited	**0%**	100%	**-**	831,850
Jinadasa Bennett (Private) Limited (i)	**51%**	51%	**97,201**	97,201
Foundation Bennett (Private) Limited (i)	**51%**	51%	**79,281**	79,281
At the end of year			**176,482**	1,008,332

(i) Investment in subsidiaries

The Company has the full control over the operations of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited including strategic directions and economic decision making within the Board. As a results, the investments were considered as subsidiaries.

Details of the movement of each investment in subsidiary for the year ended 31 March 2021 is as follows:

	Cost			
	As at 1 April 2020	Addition	Share buy back	**As at 31 March 2021**
Name of company				
Jinadasa Marsylka (Private) Limited	831,850	-	(831,850)	**-**
Jinadasa Bennett (Private) Limited	97,201	-	-	**97,201**
Foundation Bennet (Private) Limited	79,281	-	-	**79,281**
At the end of year	1,008,332	-	-	**176,482**

(g) Inventories

	2021	2020
Current assets		
Raw materials	**7,155,385**	4,467,040
Work-in-progress	**6,951,701**	7,855,305
Finished goods at cost	**1,653,240**	350,129
Goods in transit	**2,912,095**	1,167,600
	18,672,421	13,840,074
Provision for obsolete inventory	**(2,476,101)**	(249,077)
	16,196,320	13,590,997

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 18 (j) for the Company's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 March 2021 amounted to USD 58,950,666 (2020 – USD 63,292,728). These were included in cost of sales.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(h) Other assets

	2021	2020
Other current assets		
Prepayments	**58,833**	103,792
	58,833	103,792

(i) Employee benefit obligations

(i) Defined benefit pension plans

The amounts recognised in the balance sheet and the movements in the defined benefit obligation over the year are as follows:

	2021	2020
Opening balance at 1 April	**904,518**	701,979
Current service cost	**193,101**	171,618
Interest cost	**73,387**	67,748
Costs transferred to related companies	**(4,523)**	-
Total amount recognised in profit or loss	**261,965**	239,366
Remeasurements :		
Gain from change in demographic assumptions	**5,244**	(10,182)
Loss / (gain) from change in financial assumptions	**89,618**	52,903
Experience losses	**(159,339)**	37,454
Total amount recognised in other comprehensive income	**(64,477)**	80,175
Exchange differences	**(60,882)**	(10,760)
Reimbursement of cost transferred to related companies	**4,523**	-
Benefit payments	**(82,406)**	(106,242)
Closing balance at 31 March	**963,241**	904,518

(ii) Actuaries information

The gratuity liability of the Company is based on an actuarial valuation carried out by Messrs. Willis Towers Watson India (Private) Limited, on 31 March 2021 principal place of the business is located at 130, Level 1 - Tower B, The Millenia, 1&2 Murphy Road, Ulsoor, Bengaluru - 560 008, India.

As at the last valuation date, the present value of the defined benefit obligation was comprised of amounts relating to 4304 active employees. Further, number of employees retiring within 20 years will be 1462.

The principal valuation assumptions used were as follows:

- Discount rate 6.6%
- Salary increment rate 8%
- Staff turnover rate
  - Staff and workers 32%
  - Executives 13%
  - Directors 10%
  - General managers and above and managers 10%

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(i) Employee benefit obligations (Contd)

(iii) Sensitivity of the defined benefit obligation to changes in the weighted principal assumptions

		Impact on defined benefit obligation			
	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	1%	Decrease by 4%	(39,939)	Increase by 4%	43,871
Salary escalation rate	1%	Increase by 4%	42,982	Decrease by 4%	(39,899)
Attrition rate	1%	Decrease by 1%	(7,422)	Increase by 1%	7,776

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods & types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(v) Risk exposure

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in government bond yields will increase plan liabilities.
Inflation risks	Some of the Company's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

(j) Deferred tax balances

The analysis of deferred tax balances are as follows:

	2021	2020
Opening balance at 1 April	**577,962**	711,339
Deferred tax assets	**102,262**	(198,890)
Deferred tax liabilities	**58,561**	65,513
	738,785	577,962

(i) Deferred tax assets

The balance comprises temporary differences attributable to:		
Tax losses	**-**	-
Retirement benefit obligation	**(8,221)**	(28,355)
Disallowed interest expense	**110,483**	(170,535)
Total deferred tax assets	**102,262**	(198,890)

Movements	**Tax losses**	**Retirement benefit obligation**	**Disallowed interest expense**	**Total**
At 1 April 2019	-	(98,275)	(267,132)	(365,407)
(Charged) / credited				
to profit or loss	-	(17,133)	(170,535)	(187,668)
to other comprehensive income	-	(11,222)		(11,222)
At 31 March 2020	-	(126,630)	(437,667)	(564,297)
At 1 April 2020	**-**	**(126,630)**	**(437,667)**	**(564,297)**
(Charged) / credited				
to profit or loss	**-**	**(17,248)**	**110,483**	**93,235**
to other comprehensive income	**-**	**9,027**	**-**	**9,027**
At 31 March 2021	**-**	**(134,851)**	**(327,184)**	**(462,035)**

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(j) Deferred tax balances (Contd)

(ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Property, plant and equipment	**(129,007)**	60,074
Capital gains	**5,187**	5,439
Right of use asset and lease creditor	**4,574**	-
Total deferred tax liabilities	**(119,246)**	65,513

Movements

	Right of use asset and lease creditor	Property, plant and equipment	Capital gains	Total
At 1 April 2019	-	1,011,500	65,246	1,076,746
(Charged) / credited				
to profit or loss	-	60,074	5,439	65,513
to other comprehensive income		-	-	-
At 31 March 2020	-	1,071,574	70,685	1,142,259
At 1 April 2020	**-**	**1,071,574**	**70,685**	**1,142,259**
(Charged) / credited				
to profit or loss	**4,574**	**(129,007)**	**5,187**	**(119,246)**
to other comprehensive income	**-**	**-**	**-**	**-**
Deferred tax from amalgamation	**(777)**	**178,584**	**-**	**177,807**
At 31 March 2021	**3,797**	**1,121,151**	**75,872**	**1,200,820**

(k) Recognised fair value measurements

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards.

At 31 March 2021	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties					
Land	5(d)	**-**	**545,475**	**-**	**545,475**
Building	5(d)	**-**	**1,166,723**	**-**	**1,166,723**
Total non-financial assets		**-**	**1,712,198**	**-**	**1,712,198**

At 31 March 2020	Notes	Level 1	Level 2	Level 3	Total
Investment properties					
Land	5(d)	-	508,428	-	508,428
Building	5(d)	-	1,151,765	-	1,151,765
Total non-financial assets		-	1,660,193	-	1,660,193

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between fair value hierarchy levels for recurring fair value measurements during the year.

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 Company 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 (for example, over-the-counter derivatives) 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. This is the case for unlisted equity securities.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

5 Non financial assets and liabilities (Contd)

(k) Recognised fair value measurements (Contd)

(ii) Valuation techniques used to determine fair values

The Company obtains independent valuations for its investment properties at least annually.

At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management consider information from a variety of sources including:

- Current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 2. The level 2 fair value of land held for capital appreciation has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the Malsiripura.

(iii) Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's investment properties at the end of every financial year. As at 31 March 2021, the fair values of the investment properties have been determined by W.D.P.Rupananda (Chartered valuation surveyor). The last independent valuation of these land and buildings was performed as at 31 March 2019.

6 Equity

(a) Stated capital

	2021 Shares	2020 Shares	**2021 USD**	2020 USD
Ordinary shares				
Fully paid	**109,621,124**	1,597,335	**5,995,509**	110,965
At 31 March 2021	**109,621,124**	1,597,335	**5,995,509**	110,965

(i) Movement in ordinary shares:

	Number of shares	**Value (USD)**
Opening balance 1 April 2020	1,597,335	110,965
Balance 31 March 2021	**109,621,124**	**5,995,509**

(ii) Ordinary shares

Ordinary shares are entitled to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

(b) Other reserves

The following table shows a breakdown of the balance sheet line item 'Other reserves' the movement in the reserve during the year. A description of the nature and purpose of each reserve is provided below the table.

	Share option reserve	**Amalgamation reserve**	**Total**
Opening balance 1 April 2020	-	-	-
Addition	-	**342,450**	**342,450**
Building revaluation from amalgamation	-	**14,315**	**14,315**
Employee share option plan	**127,496**	-	**127,496**
At 31 March 2021	**127,496**	**356,765**	**484,261**

Amalgamation reserve

Amalgamation reserve which is a reserve represents the amounts set aside from the amalgamation with Jinadasa marsylka (Private) Limited.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

6 Equity (Contd)

(c) Share based payments

(i) Share based payment reserve

The establishment of the Hela Apparel Holdings' (Ultimate Parent) Employee Share Ownership Plan (ESOP) was approved by the company's Board of Directors in July 2021. The ESOP is intended to provide key employees with a stake in the Company's future success and provide an additional incentive for employee retention. Options are 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. The exercise price is ten Sri Lankan Rupees per share and once granted the option remains exercisable for five years. C Ordinary Shares carry no voting rights and are not transferable without the consent of the main shareholders. The shares would be monetized for the holder in the event of an 'Exit', as defined in the company's articles of association, which includes a sale or listing of the company.

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

	2021	
	Average exercise price in $ per share option	**Number of options**
As at 1 April 2020	-	-
Granted during the year	**0.0420**	**170**
Exercised during the year	**0.0420**	**(90)**
As at 31 March		**80**
Vested and exercisable at 31 March 2021		**-**

Share options outstanding at the end of the year have the following expiry dates and exercise prices

Grant date	Expiry date	Exercise price in $ per share	Share options as at 31 March 2021
1 August 2020	**31 July 2025**	**0.0420**	**80**

(c) Retained earnings

Movements in retained earnings were as follows:

	Notes	2021	2020
Balance 1 April		**12,017,801**	7,284,427
Net profit for the period		**631,818**	4,802,327
Items of other comprehensive income recognised directly in retained earnings			
- Remeasurement of post employment benefit obligations, net of tax		**55,450**	(68,953)
Balance 31 March		**12,705,069**	12,017,801

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

7 Cash flow information

(a) Cash generated from / (used in) operations

	Notes	2021	2020
Profit before income tax		**861,416**	5,460,146
Adjustment for:			
Depreciation of property plant and equipment	5 (a)	**1,184,071**	959,735
Amortisation of intangible assets	5 (d)	**581,498**	83,609
Provision for employee benefit obligations	5 (h)	**205,606**	228,606
Finance costs - net	2 (c)	**3,184,344**	3,563,288
Fair value adjustment to investment property		**(57,395)**	(38,471)
opening balance adjustment on property plant and equipment		**-**	-
Depreciation of right of use assets		**2,934**	3,820
Net loss on disposal of property, plant and equipment		**11,002**	68,450
Impairment loss of fixed assets		**124,753**	-
Provision for impairment of debtors		**133,319**	181,301
Net foreign exchange gains		**(114,477)**	(82,444)
Employee benefit cost on employee share option plan		**127,496**	
Fair value adjustment to related party loans		**17,274**	36,420
Change in operating assets and liabilities:			
Decrease/ (increase) in trade receivables		**4,092,095**	(5,441,119)
Increase in inventories		**(2,605,323)**	(3,469,678)
Increase in other financial assets at amortize cost		**(9,350,972)**	(1,727,689)
Increase in other assets		**44,959**	(11,515)
Increase / (decrease) in trade and other payables		**4,069,526**	(907,522)
Cash generated from / (used in) operations		**2,512,126**	(1,093,063)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	Notes	2021	2020
Cash and cash equivalents	4 (c)	**5,861,826**	6,335,191
Borrowings (including overdraft)	4 (e)	**(48,547,178)**	(54,017,284)
Lease liabilities	4 (e)	**(145,798)**	(140,334)
Net debt		**(42,831,150)**	(47,822,427)

Cash and cash equivalents	4 (c)	**5,861,826**	6,335,191
Gross debt – fixed interest rates		**(57,157,606)**	(7,896,542)
Gross debt – variable interest rates		**8,464,630**	(46,261,076)
Net debt		**(42,831,150)**	(47,822,427)

FOUNDATION GARMENTS (PRIVATE) LIMITED

Risk

This section of the notes discusses the Company's exposure to various risks and shows how these could affect the Company's financial position and performance.

8	Critical estimates, judgements and errors	28
9	Financial risk management	29
10	Capital management	32

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

8 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 Company'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 7 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are;

- Estimation of current tax payable and current tax expense - note 3
- Estimation of fair values of investment properties - note 5(d)
- Estimation uncertainties and judgements made in relation to lease accounting – note 5(b)
- Estimation of defined benefit obligation - note 5(i)
- Impairment of financial assets
- Estimation of provision for slow moving inventories

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Employee benefit obligations

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions,

(c) Provisions

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 Company's current best estimate.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

9 Financial risk management

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in (presentation currency) units.	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Not available
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

(a) Market risk

(i) Foreign exchange risk

The Company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lanka Rupee (LKR), the Euro (EUR) and the Canadian Dollar (CAD). The Company's functional currency is USD, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, trade and other receivables, trade and other payables and borrowings are denominated in foreign currencies. Foreign currencies are used to settle purchases of machinery and equipment suppliers and certain other expenses.

The Company's financial statements which are presented in US Dollar (USD), are affected by foreign exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect the Company's pricing of product sold and purchases made in foreign currencies. In particular, strengthening of the Sri Lanka Rupee, Canadian Dollar and Euro against the US Dollar can have adverse effects on the Company's operating results.

Exposure

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

	31 March 2021				31 March 2020			
	LKR	**AUD**	**USD**	**CAD**	LKR	AUD	USD	CAD
Trade receivables	**19,225**	**-**	**15,814,668**	**-**	151,674	-	19,897,628	-
Fixed deposits	**2,730**	**15,627**	**577,954**	**71,676**	18,793	15,254	607,456	70,095
Trade payables	**1,066,565**	**-**	**10,787,407**	**-**	583,762	-	6,373,026	-
Borrowings (excluding lease liabilities)	**79,624**	**-**	**48,467,554**	**-**	505,298	-	53,511,986	-

The aggregate net foreign exchange gains recognised in profit or loss were:

	2021	2020
Net foreign exchange gains included in other gains - net	**114,477**	82,444
Total net foreign exchange gains recognised in profit before income tax for the year	**114,477**	82,444

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

9 Financial risk management (Contd)

(a) Market risk (Contd)

(i) Foreign exchange risk (Contd)

Sensitivity

As shown in the table above, the Company is primarily exposed to changes in LKR/USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from LKR denominated financial instruments.

	Impact on post tax profit	
	2021	2020
LKR/USD exchange rate – increase by 1% (2021 : 1%)	**(11,242)**	(9,186)
LKR/USD exchange rate – decrease by 1% (2021 : 1%)	**11,242**	9,186

(ii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Generally, the Company enters into long-term borrowings at floating rates. During 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in US dollars.

The Company's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

The exposure of the Company's borrowing to interest rate changes and the contractual re-pricing dates of the fixed interest rate borrowings at the end of the reporting period are as follows:

	2021	2020
Variable rate borrowings	**(8,464,630)**	46,261,076
Fixed interest rate – repricing dates	**57,157,606**	7,896,542
	48,692,976	54,157,618

An analysis by maturities is provided in note 9(c) below.

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted or with sound financial background are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

(ii) Security

For some trade receivables the Company may obtain security in the form of guarantees, letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

9 Financial risk management (Contd)

(b) Credit risk (Contd)

(iii) Impairment of financial assets

The Company has the following financial asset that are subject to the expected credit loss model:

- trade receivables for sales of inventory

While cash and cash equivalents are also subject to the impairment requirements of SLFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

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

	2021	2020
Opening loss allowance at 1 April	**751,316**	570,015
Increase in loss allowance recognised in profit or loss during the year	**133,319**	181,301
Closing loss allowance at 31 March	**884,635**	751,316

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 45 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at call of USD 2,976,811 (2020 – USD 5,145,432) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents (note 4(e)) on the basis of expected cash flows. This is generally carried out in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Maturities of financial liabilities

The tables below analyse the Company'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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
At 31 March 2021					
Non-derivatives					
Trade payables	**11,853,972**	**-**	**-**	**-**	**11,853,972**
Borrowings	**46,396,750**	**1,713,887**	**436,541**	**-**	**48,547,178**
Lease liabilities	**74**	**177**	**379**	**145,168**	**145,798**
Total non-derivatives	**58,250,796**	**1,714,064**	**436,920**	**145,168**	**60,546,948**
At 31 March 2020					
Non-derivatives					
Trade payables	6,956,788	-	-	-	6,956,788
Borrowings	52,684,518	1,029,761	303,005	-	54,017,284
Lease liabilities	70	173	530	139,561	140,334
Total non-derivatives	59,641,376	1,029,934	303,535	139,561	61,114,406

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

10 Capital management

(a) Risk management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that the Company 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 Company 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 Company monitors capital on the basis of the following gearing ratio:

Net debt as per note 7(b)
divided by
Total 'equity' (as shown in the balance sheet).

The credit rating was unchanged and the gearing ratios at 31 March 2021 and 31 March 2020 were as follows:

	Notes	**2021**	2020
Net debt	7 (b)	**42,831,150**	47,822,427
Total equity		**19,184,839**	12,128,766
Net debt to equity ratio		**223%**	394%

(b) Dividends

There were no dividends paid during the year ended 31 March 2021 (2020 - Nil)

FOUNDATION GARMENTS (PRIVATE) LIMITED

Unrecognised items

This section of the notes provides information about item that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

11	Contingent liabilities and contingent assets	34
12	Commitments	34
13	Events occurring after the reporting period	34

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

11 Contingent liabilities and contingent assets

(a) Contingent liabilities

There were no material contingent liabilities as at the balance sheet date.

(b) Contingent assets

There were no material contingent assets as at the balance sheet date.

12 Commitments

(a) Financial commitments

The Company is committed to pay approximately USD 25,855 per annum to BOI as ground rent for the premises occupied.

Financial institution	2021	2020
National Development Bank	**131,825**	52,417
Bank of Ceylon	**-**	47,251
	131,825	99,668

(b) Capital commitments

There were no material capital commitments outstanding as at 31 March 2021.

13 Events occurring after the reporting period

The Company became the sole shareholder, holding 100% of issued share capital of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited with the acquisition of balance stake from John Stuart Bennett Manufacturing Limited.

Except as disclosed above, no other circumstances have arisen since the statement of financial position date which require adjustments to or disclosure in the financial statements.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

14	Related party transactions	36
15	Earnings per share	38
16	Assets pledged as security	38
17	General information	39
18	Summary of significant accounting policies	39

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

14 Related party transactions

(a) Parent entity

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2021	2020
Hela Clothing (Private) Limited	Immediate parent	Sri Lanka	**100%**	100%
Hela Apparel Holdings (Private) Limited	Ultimate parent	Sri Lanka	**100%**	100%

(b) Subsidiaries

Interests in subsidiaries are set out in note 5 (f).

(c) Key management personnel compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2021	2020
Salaries and short-term employee benefits	**547,377**	815,323
	547,377	815,323

(d) Transactions with other related parties

The following transactions occurred with related parties:

(i) Sales of goods and services

	Relationship	**2021**	2020
Hela Clothing (Private) Limited	Immediate parent	**46,914**	678,547
		46,914	678,547

(ii) Purchase of goods and services:

	Relationship	**2021**	2020
Jinadasa Marsylka (Private) Limited	Subsidiary	**-**	39,607
Hela Clothing (Private) Limited	Immediate parent	**306,186**	395,746
Jinadasa Bennett (Private) Limited	Subsidiary	**37,116**	39,607
Hela Intimates (EPZ) Limited	Affiliate	**14,206,814**	14,858,762
Hela Indochine Apparel PLC	Affiliate	**5,084,775**	4,715,335
		19,634,891	20,049,057

(ii) Reimbursement received

	Relationship	**2021**	2020
Alpha Textiles (Private) Limited	Affiliate	**-**	-
Hela Clothing (Private) Limited	Immediate parent	**306,749**	-
Hela Kenya (Private) Limited	Affiliate	**-**	479,583
Jinadasa Bennett (Private) Limited	Subsidiary	**463**	1,516
Jinadasa Marsylka (Private) Limited	Subsidiary	**-**	1,516
Foundation Bennett (Private) Limited	Subsidiary	**377**	1,779
Hela Apparel Holdings (Private) Limited	Ultimate parent	**2,784**	13,800
Sumbiri Intimate Apparel PLC	Affiliate	**30,945**	-
		341,318	498,194

(ii) Reimbursement paid

	Relationship	**2021**	2020
Hela Clothing (Private) Limited	Immediate parent	**-**	454,263
Hela Intimates (EPZ) Limited	Affiliate	**2,837,914**	2,494,057
Hela Indochine Apparel PLC	Affiliate	**456,027**	521,605
Hela Kenya (Private) Limited	Affiliate	**31,465**	-
		3,325,406	3,469,925

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

14 Related party transactions

(d) Transactions with other related parties (Contd)

(iii) Fund transfers from related entities

	Relationship	**2021**	2020
Jinadasa Bennett (Private) Limited	Subsidiary	**5,155**	7,811
Jinadasa Marsylka (Private) Limited	Subsidiary	**-**	14,880
Hela Indochine Apparel PLC	Affiliate	**5,370,954**	4,703,326
Hela Clothing (Private) Limited	Immediate parent	**2,806,833**	5,642,113
Hela Intimates (EPZ) Limited	Affiliate	**16,843,881**	21,366,000
Hela Kenya (Private) Limited	Affiliate	**1,857,868**	-
		26,884,691	31,734,130

(iii) Fund transfers to related entities

	Relationship	**2021**	2020
Hela Kenya (Private) Limited	Affiliate	**-**	2,107,400
Hela Apparel Holdings (Private) Limited	Ultimate parent	**32,940**	1,328,616
		32,940	3,436,016

(iv) Payments for investment related transactions

	Relationship	**2021**	2020
Hela Indochine Apparel PLC	Affiliate	**-**	399,147
Hela Clothing (Private) Limited	Immediate parent	**5,893,615**	851,719
		5,893,615	1,250,866

(v) Receipts for investment related transactions

	Relationship	**2021**	2020
Hela Apparel Holdings (Private) Limited	Ultimate parent	**-**	1,278,096
Hela Indochine Apparel PLC	Affiliate	**9,071**	-
		9,071	1,278,096

(vi) Receipts for fixed asset transfers

	Relationship	**2021**	2020
Hela Clothing (Private) Limited	Immediate parent	**-**	143,340
Hela Intimates (EPZ) Limited	Affiliate	**-**	91,305
Hela Kenya (Private) Limited	Affiliate	**-**	38,983
Hela Indochine Apparel PLC	Affiliate	**173,636**	7,768
		173,636	281,396

(vii) Payments for fixed asset transfers

	Relationship	**2021**	2020
Hela Clothing (Private) Limited	Immediate parent	**1,583**	-
		1,583	**-**

(viii) Employee share option plan related reimbursements

	Relationship	**2021**	2020
Hela Apparel Holdings (Private) Limited	Ultimate parent	**59,877**	-
		59,877	**-**

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

(i) Amounts due from related parties :

	2021	2020
Jinadasa Bennett (Private) Limited	**111,528**	146,109
Alpha Textiles (Private) Limited	**3,162,485**	3,402,121
Hela Indochine Apparel PLC	**368,607**	431,461
Hela Intimates EPZ Limited	**20,009,649**	20,210,495
Hela Clothing (Private) Limited	**8,540,468**	-
Sumbiri Intimate Apparel PLC	**30,945**	-
	32,223,682	24,190,186

(ii) Amounts due to related parties :

	2021	2020
Foundation Bennett (Private) Limited	**31,725**	34,257
Jinadasa Marsylka (Private) Limited	**-**	71,798
Hela Kenya (Private) Limited	**512,256**	2,333,659
Hela Clothing (Private) Limited	**205,518**	413,148
Hela Apparel Holdings (Private) Limited	**76,233**	36,720
	825,732	2,889,582

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in United States Dollars unless otherwise stated)

(f) Loans to related parties

(i) Loans to Hela USA Inc

	2021	2020
Beginning of the year	**699,429**	-
Loans advanced	**75,627**	685,715
Interest charged	**15,231**	13,714
End of year	**790,287**	699,429

15 Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year and is calculated as follows:

	2021	2020
Profit attributable to ordinary shareholders of the Company	**631,818**	4,802,327
Weighted average number of the ordinary shares	**109,621,124**	1,597,335
Basic earnings per share (USD)	**0.01**	3.01

16 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2021	2020
Current		
Floating charge		
Inventory	**16,196,320**	13,590,997
Trade receivables	**15,833,893**	20,049,302
Financial assets at amortised cost	**500,000**	500,000
Total current assets pledged as security	**32,530,213**	34,140,299
Non-current		
Floating charge		
Property, plant and equipment	**3,366,348**	3,366,348
Investment properties	**1,712,198**	1,660,193
Total non-current assets pledged as security	**5,078,546**	5,026,541
Total assets pledged as security	**37,608,759**	39,166,840

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

17 General information

The Company is a limited liability company incorporated under the Companies Act No 17 of 1982 and is domiciled in Sri Lanka and bears the registration No. PV 2646 under the Companies Act No. 07 of 2007. The address of the registered office and the principal place of the business is located at No 35, Balapokuna Road Colombo 5. Foundation Garments (Private) Limited is engaged in the business of manufacturing and selling garments for the export market.

18 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these 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.

(a) Basis of preparation

(i) Compliance with Sri Lanka Accounting Standards (SLFRS)

The financial statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. 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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in note 10 to the financial statements.

(ii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'US Dollars' ('USD'), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates specified at the beginning of each month. 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. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

18 Summary of significant accounting policies (Contd)

(c) Going concern and assessment of the impact of the COVID 19 pandemic

The Directors have made an assessment of the Company's ability to continue as a going concern including the existing and the anticipated effects of COVID 19 pandemic on the Company. To counter the COVID-19 effect, the Company 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 Company believes that these cost savings, as well as its cash conservation measures will secure the Company's ability to continue as a going concern.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the Company's main types of revenue are explained in note 1.

(e) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the shareholders.

(f) 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. 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 income 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 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 income 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 income tax asset is realised or the deferred income 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

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

The Company may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Company 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.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

18 Summary of significant accounting policies (Contd)

(g) Impairment of assets

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 are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 4 (a) for further information about the Company's accounting for trade receivables and note 9 (b) for a description of the Company's impairment policies.

(j) Inventories

Raw material, work in progress and finished good inventories 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. Costs are assigned to individual items of inventory on the basis of standard costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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. Goods in transits are recognised at actual costs.

(k) Investments and other financial assets

(i) Classification

The Company 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.

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 company 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company 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.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

18 Summary of significant accounting policies (Contd)

(k) Investments and other financial assets (Contd)

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company 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 Company subsequently measures all equity investments at fair value. Where the company'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 company's right to receive payments is 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 Company's 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 Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 9(b) for further details.

(l) Property, plant and equipment

The Company's accounting policy for property, plant and equipment is explained in note 5(a). All 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.

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 Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

18 Summary of significant accounting policies (Contd)

(l) Property, plant and equipment (Contd)

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.

The depreciation methods and periods used by the Company are disclosed in note 5(a).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(m) Intangible assets

(i) 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 Company 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.

(ii) Software licences

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(iii) Amortisation methods and periods

Refer to note 5(e) for details about amortisation methods and periods used by the Company for intangible assets.

(n) Leases

The Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described in note 5(b).

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 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.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

18 Summary of significant accounting policies (Contd)

(p) 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.

Borrowings are removed from the balance sheet 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially 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 recognised in profit or loss in the period in which they are incurred.

(r) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company 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.

(s) 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 balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using yield rates at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

FOUNDATION GARMENTS (PRIVATE) LIMITED

Notes to the financial statements

(In the notes all amounts are shown in US Dollars unless otherwise stated)

18 Summary of significant accounting policies (Contd)

(s) Employee benefits (Contd)

(iii) Post-employment obligations

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

The liability or asset recognised in the balance sheet in respect of the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yield rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, all employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which the Company contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Other post-employment obligations

Some Companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(t) Contributed equity

Ordinary shares are classified as equity [note 6(a)].

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.

(u) 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.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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 if any [note 6 (a)].

(w) Comparatives

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

(x) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

ANNEXURE 7

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021

ANNEXURE – 7

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
AUDIT REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

TIBEBE MENGISTU CERTIFIED AUDIT FIRM
CHARTERED CERTIFIED ACCOUNTANTS (UK)
AUTHORIZED AUDITORS (ETH.)
ADDIS ABABA
ETHIOPIA

ANNEXURE – 7

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

CONTENTS

	Page
Statement of Management's responsibilities	3
Independent auditors' report	4
Financial statements:	
Profit and Loss statement	5
Statement of Financial Position	6
Statement of Change in Equity	7
Statement of Cash Flow	8
Notes to the Financial Statements	9-15

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

REGISTERED OFFICE

Region	SNNPRS
Zone	Sidama
Woreda	Awassa Vicinity
House No.	PLOT NO 36
P.O.Box	

MANAGEMENT

MR. Chamath Rajapakshe	General manager
Mr. Indika Yapage	Finance Manager

AUDITORS

Tibebe Mengistu Certified Audit Firm	Bole Sub City
Chartered Certified Accountants (UK)	Abyssinia Plaza
Authorized Auditors (ETH)	P.O.Box 110738
	Addis Ababa
	Ethiopia

BANKERS

Commercial Bank of Ethiopia	Hawassa

COMPANY REGISTRATION NUMBERS

Principal Registration Number	EIA-PC/01/005374/09
Tax Identification Number	0050977772
VAT Registration Number	11574580005

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Commercial Code of Ethiopia 1960 requires the management of the Company to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the entity as at the end of the financial year and of the operating results of the entity for that year. It also requires the management to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity. Management is also responsible for safeguarding the assets of the entity.

The management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in the manner required by the Commercial Code of Ethiopia,1960 and for such internal controls as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the entity and of its operating results. The management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Company by:

Finance Manager

General Manager

Hela Indochine Apparel plc
hela

Tibebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

Page 3

P.O.Box 797,Code 1065
Addis Ababa
Ethiopia
Tibebe Mengistu Certified Audit Firm
Chartered Certified
Accountants & Authorized Auditors

AUDITORS' REPORT TO THE SHAREHOLDERS OF HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY

We have audited the accompanying financial statements of Hela Indochine Apparel PLC., which comprise the Financial position as of 31 March 2021 the statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. As discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

OPINION

In our opinion, the financial statements present fairly the financial position of the Hela Indochine Apparel Private Limited Company as at 31 March 2021 and of its financial performance and its cash flows for the year then ended.

Tibebe Mengistu Certified Audit Firm
Charted Certified Accountants (UK)
Authorized Auditors (Eth.)

P.O.Box 292,Code 1065
Addis Ababa
Ethiopia
Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants & Authorized Auditors

18 June 2021
Addis Ababa
Ethiopia

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Addis Ababa, Behind Bole Medhanealem Church, Abyssinia Plaza, 6th Floor
Tel.0116 612005/0116 612029 Mob. 0911516027 P.O.Box 292 code1065
E-mail-tibebe@tibebemengistu.net - tibebemengistu@gmail.com - www.tibebemengistu.net

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Birr	2020 Birr
REVENUE -Export sales	2c	192,161,130.10	142,209,469
COST OF SELAS	3	124,753,958	102,584,977
GROSS PROFIT		67,407,172	39,624,492
OTHER INCOME		859,297	375,805
OPERATING EXPENSES		68,266,469	40,000,297
Selling and administrative	4	30,465,206	24,347,058
Unrealized Foreign Exchange (gain) / loss	2b	(4,121,228)	6,945,223
		26,343,978	31,292,281
OPERATING PROFIT / (LOSS)		41,922,491	8,708,016
PROVISION FOR PROFIT TAX	12	-	-
		41,922,491	8,708,016
BALANCE CARRIED FORWARD		(52,130,659)	(60,951,159)
Prior year adjustment		-	112,484
TRANSFER TO PROFIT AND LOSS ACCOUNT		(10,208,168)	(52,130,659)

Tibebe Mengistu Certified audit Firm
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Page 5

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Birr	31.03.2020 Birr
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2d,5	39,542,860	32,170,386
Pre-operational expenses	2e,6	73,723	2,450,392
		39,616,583	34,620,778
CURRENT ASSETS			
Trade and other receivables	7	17,845,995	10,334,087
Inventory - raw materials		-	471,528
Foundation Garments Pvt. Ltd		4,386,601	-
Hela Intimates EPZ Ltd.		1,914,948	-
Shareholders' account - GBX Trading FZE		811,317	469,836
Cash and Cash equivalents	8	31,479,616	759,738
		56,438,477	12,035,189
TOTAL ASSETS		96,055,061	46,655,966
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid up capital	9	65,680,300	64,983,400
Retained earning		(10,208,168)	(52,130,659)
		55,472,132	12,852,741
CURRENT LIABILITIES			
Trade and other payables	10	35,168,672	23,171,968
Payable to related companies	11	3,794,859	10,631,257
Shareholders' account-Hela Clothing Private LTD		1,619,397	-
		40,582,928	33,803,225
TOTAL EQUITY AND LIABILITIES		96,055,061	46,655,966

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HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Paid up Capital Birr	Retained Earning Birr	Total Birr
Balance as at 31 March 2019	38,591,200	(60,951,158.00)	(22,359,958)
Prior Period Adjustment	-	112,484.00	112,484
Capital incremental	26,392,200	-	26,392,200
Loss of the year	-	8,708,015.00	8,708,015
Balance as at 31 March 2020	64,983,400	(52,130,659)	12,852,741
Capital incremental	696,900	-	696,900
Profit of the year	-	41,922,491.19	41,922,491
Balance as at 31 March 2021	65,680,300	(10,208,168)	55,472,132

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Page 7

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Birr	2020 Birr
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	13	42,720,284	(21,436,702)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-	-
TAXATION		-	-
INVESTING ACTIVITIES			
Purchase of fixed assets		(12,697,305)	(4,564,213)
NET CASH (OUTFLOW) BEFORE FINANCING		30,022,979	(26,000,915)
FINANCING			
Capital increment		696,900	26,392,200
		30,719,879	391,285
INCREASE / (DECREASE) IN CASH	14	30,719,879	391,285

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HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1. BACKGROUND

Hela Indochine Apparel Private Limited Company is a company established in Ethiopia under Industrial Park Proclamation no.886/2015 of the Federal Democratic Republic of Ethiopia, Hawassa Industrial Park Plot No 36 (5,500m2), 47 (5,500m2), comprising a total building area of 11,000m2 for the ultimate objective of engaging in Manufacturing of wearing Apparel (Including Sport wears).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The preparation of the financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accounting disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on managements experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

b) Functional Currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional Currency'). The financial statements are presented in Ethiopian Birr which is the company's functional currency.

Transaction and Balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

C) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company when specific criteria have been met for each of the Company's activities.

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d) Property, plant and equipment

Property, plant and equipment are stated at cost less Accumulated depreciation. The company changes its depreciation policy in the year 2018. Depreciation is charged using straight line method to calculate carrying value, net of residual value over the estimated useful life of PPE.The useful lives have been determined based on the technical evaluation done by the management and are as follows:

	years
Buildings	20
Plant and machinery	10
Furniture's and fixtures	10
Computer and software	5
Office equipment	10

e) Preoperational expense

Preoperational expense is accumulated during the project period to be amortized at the rate of 25% per annum starting from the commencement of operation (i.e. April 2017).

f) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resource. Contingent liabilities are not recognize but are disclosed in the notes to the accounts . Contingent assets are neither recognized nor disclosed in the financial statements.

g) Related party balance and transaction

A party is related to an entity if, inter alia;

(i) directly, or indirectly through one or more intermediaries, the party;
a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
b) has an interest in the entity that gives it significant influence over the entity; or
c) has joint control over the entity;

(ii) the party is an associate of the entity.

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3. COST OF SALES

	Birr	2020 Birr
Direct Producation	746,050	1,027,682
Salary and wage	87,300,845	72,580,317
Repair and maintenance	2,273,333	2,553,555
Employees transport	10,225,548	6,027,412
Depreciation	4,123,970	3,649,981
Shade rent	8,613,226	5,827,291
Import cost	267,189	372,599
Written off inventory	471,528	1,822,151
Factory Cleaning	489,774	578,301
Food and Accommodation	7,655,987	6,243,548
Utilities	2,586,510	1,902,140
	124,753,958	102,584,977

4. ADMINISTRATIVE EXPENSE

Travel and perdiem	3,558,031	2,002,132
Office supplies and stationary	587,097	713,027
Communication	1,202,673	966,384
Fuel and lubricant	2,136,719	485,388
Vehicle rent	62,183	1,544,584
Accommodation	4,871,984	4,790,559
Other	588,198	355,550
Insurance	589,820	461,972
Penalty	64,643	178,613
Advertisement	1,925	825
Security service	495,975	409,291
Professional fee	540,860	570,749
Membership and subscription	1,648,356	709,674
Bank service charge	1,268,064	616,135
Gardening	7,061	15,360
Depreciation	1,200,862	1,718,733
Amortization	2,376,669	2,376,669
Loading and unloading	-	66,844
Donation	96,000	-
Export cost	9,168,087	6,364,568
	30,465,206	24,347,058

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5. PROPERTY, PLANT AND EQUIPMENT

	Balance at 31.03.2020 Birr	Addition Birr	Adjustment Birr	Balance at 31.03.2021 Birr
COST				
Furniture and equipment	6,155,996	1,082,244	-	7,238,240
Plant and Machinery	36,409,548	8,817,584	-	45,227,132
Building	1,819,671	-	-	1,819,671
Computer and software	2,806,953	740,736	-	3,547,690
Machineries in transit	1,002,257	2,056,741	-	3,058,997
	48,194,425	12,697,305	-	60,891,730
DEPRECIATION				
Furniture and equipment	2,628,500	628,778	-	3,257,277
Plant and Machinery	11,921,694	4,040,745	-	15,962,440
Building	164,853	83,224	-	248,077
Computer and software	1,308,992	572,084	-	1,881,076
	16,024,039	5,324,831	-	21,348,870
NET BOOK VALUE	32,170,386			39,542,860

6. PREOPERATIONAL EXPENSE

Expenditure	9,506,675	-	-	9,506,675
Amortization	7,056,283	2,376,669	-	9,432,952
	2,450,392			73,723

7. TRADE AND OTHER RECEIVABLES

	Birr	31.03.2021 Birr
Account Receivable local	2,814,295	1,669,047
Prepayment	6,289,326	4,690,135
VAT receivables	3,194,856	2,866,844
Work advance	5,037,336	830,969
Staff receivable	87,917	34,592
Salary advance	336,552	242,500
Withholding Tax	28,229	-
Excise Tax Payable 8%	57,485	-
	17,845,995	10,334,087

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8. CASH ON HAND AND AT BANK

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less and are available to the company without any restriction.

	Birr	31.03.2020 Birr
Cash in hand	21,620	13,200
Cash at bank		
Current account	10,615,194	28,820
USD account	20,842,802	717,718
	31,457,995	746,538
	31,479,616	759,738

9. SHARE CAPITAL

Share capital represents the value of 656,803 equity shares of Birr100 contributed by the shareholders of the company allotted as follows:

Hela Clothing Private LTD	33,496,953	46,073,712
GBX Trading FZE	32,183,347	18,909,688
	65,680,300	64,983,400

10. TRADE AND OTHER PAYABLES

Trade payables	2,343,181	957,902
Advance Collection For Export	7,048,083	11,598,707
Foreign suppliers	2,509,531	1,539,880
IPDC	46,752	46,752
Salary tax payable	692,698	554,572
Pension payable	620,344	438,563
Withholding tax payable	42,480	53,926
Sundry payables	10,276,092	3,550,248
Excise tax	-	1,589
Accruals	11,589,510	4,429,829
	35,168,672	23,171,968.39

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11. PAYABLE TO RELATED COMPANIES

	Birr	31.03.2020 Birr
Foundation Garments Pvt. Ltd (11a)	-	2,781,444
FDN Sourcing (Pvt) Ltd (11b)	3,090,582	1,760,140
Alpha Textile Pvt.Ltd	704,277	662,738
Hela Intimates EPZ Ltd. (11c)	-	5,426,935
	3,794,859	10,631,257

11.1 RELATED PARTY TRANSACTIONS

a) Foundation Garment Private Ltd.		
Reimbursement of expenses	-	2,781,444
b) FDN Sourcing Private Ltd.		
Reimbursement of expenses	3,090,582	1,760,140
c) Hela Intimates EPZ Ltd & Alpha Textile Pvt.Ltd		
Reimbursement of expenses	704,277	6,089,674

12. PROVISION FOR PROFIT TAX

Based on Ethiopian Investment Commission letter (Ref.no 11/E/P/H/103/296) , Hela Indochine Apparel Private Limited Company entitled to tax exemption from income tax for 6 years starting from the Company becomes operational (i.e 30 July 2018).Additional income tax exemption for 4 years granted by EIC due to the company exports 80% of its products abroad (Total exemption period 10 years).

Hela Indochine Apparel plc
hela

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Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants & Authorized Auditors
P.O.Box 202,Code 1065
Addis Ababa
Ethiopia

13. RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH (OUTFLOW)FROM OPERATING ACTIVITIES

	Birr	2020 Birr
Profit for the year	41,922,491	8,708,015
Prior year adjustment	-	112,484
Depreciation and amortization	7,701,500	7,745,382
Adjustment to fixed assets	-	(112,500)
Decrease in Shareholders account	(5,023,633)	(11,728,365)
(Decrease) in in Related party	(6,836,397)	(21,285,234)
(Increase) in trade and other receivables	(7,511,908)	(2,379,386)
(Decrease) / Increase in trade and other payables	11,996,704	(4,377,086)
Decrease in Inventory	471,528	1,879,987
Net cash inflow / (outflow) from operating activities	42,720,284	(21,436,702)

14. ANALYSIS OF THE BALANCE OF CASH AS SHOWN IN THE STATEMENT OF FINANCIAL POSITION

	Balance at 01.04.2020 Birr	Balance at 31.03.2021 Birr	Change in The Year Birr
Cash and Cash equivalents	759,738	31,479,616	30,719,878

Hela Indochine Apparel plc

Tibebe Mengistu Certified audit Firm
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Page 15

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Addis Ababa
Ethiopia
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ANNEXURE 8

HELA INTIMATES EPZ LIMITED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021

ANNEXURE - 8

HELA INTIMATES EPZ LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2021

CONTENTS

	PAGE
Company information	1
Report of the directors	2
Statement of directors' responsibilities	3
Report of the independent auditor	4 - 5
Financial statements:	
Profit and loss account	6
Balance sheet	7
Statement of changes in equity	8
Statement of cash flows	9
Notes	10 - 29
Schedule of direct costs	Appendix I
Schedule of operating expenditure	Appendix II

Hela Intimates EPZ Limited
Company information
For the year ended 31st March 2021

Board of directors	Warnakulasooriya Mahawaduge Shameen Ravindra Peiris* Panadura Liyanage Dialanka Jinadasa* *Sri Lankan
Company secretary	Coulson Harney LLP 5th Floor, ICEA Lion Centre, West Wing, Riverside Park, Chiromo Road, P.O. Box 10643 - 00100 Nairobi, Kenya.
Registered office	L.R. No. 18474/111, 18474/112 and 18474/198, Athi River EPZ, off Namanga Road P.O. Box 30500 - 00100 Athi River, Kenya.
Independent auditor	RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre, Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.
Principal bankers	Standard Chartered Bank Kenya Limited Industrial Area Branch, P.O. Box 30003 - 00100 Nairobi, Kenya. Co-operative Bank of Kenya Limited Kitengela Branch, P.O. Box 258 - 00242 Kitengela, Kenya. Equity Bank (Kenya) Limited Kitengela Branch, P.O. Box 364 - 00242 Kitengela, Kenya. Absa Bank (Kenya) PLC Lunga Lunga Branch, P.O. Box 18060 - 00500 Nairobi, Kenya.
Legal advisers	Coulson Harney LLP 5th Floor, ICEA Lion Centre, West Wing, Riverside Park, Chiromo Road, P.O. Box 10643 - 00100 Nairobi, Kenya.

The directors submit their report together with the audited financial statements for the year ended 31st March 2021.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Principal activities

The principal activities of the Company are that of manufacture and export of ready-made garments.

Recommended dividend

The directors do not recommend the declaration of a dividend for the year (2020: Nil).

Business review

The Company was fully operational under a manufacturing (C) model during the year under review. The Company was financed by the related companies -Hela Kenya (Private) Limited and Foundation Garments (Private) Limited. The Company made a profit of USD 4,154,208 (2019: USD 3,201,128) during the year. Full details of the financial position, results of operations and cash flows of the Company are set out in these financial statements.

During the year under review, the operations were largely affected by the COVID 19 pandemic. During the first quarter of the financial year, plant wasn't operating at full capacity. The normal operations resumed in July and after the end of second quarter, company received more orders than the available capacity. Though there were interruptions from the vessel delays due to the challenges in the global supply chain, company manage to perform better compared to the previous financial year.

Statement as to disclosure to the Company's auditor

With respect to each director at the time this report was approved:
(a) there is, so far as the director is aware, no relevant audit information of which the Company's auditor is unaware; and
(b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Terms of appointment of the auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of USD 8,000 has been charged to profit or loss in the year.

By order of the board

....
Director **Director**

Nairobi 21st June **2021**

Hela Intimates EPZ Limited
Statement of directors' responsibilities
For the year ended 31st March 2021

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on ....21st June..... 2021 and signed on its behalf by:

..... Director

..... Director

RSM

RSM Eastern Africa LLP
Certified Public Accountants

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Off Waiyaki Way, Westlands
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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HELA INTIMATES EPZ LIMITED

Opinion

We have audited the accompanying financial statements of Hela Intimates EPZ Limited (the 'Company'), set out on pages 6 to 29, which comprise the balance sheet as at 31st March 2021, the profit and loss account, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. 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, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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Registration number: LLP-3ATVXM
Partners: Ashif Kassam, Lina Ratansi, Nihla Mazrui, Elvis Ogeto

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RSM

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HELA INTIMATES EPZ LIMITED (CONTINUED)

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 ISAs 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 ISAs, 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company 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.

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.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **FCPA Ashif Kassam**, Practising Certificate No. 1126.

Kassam

for and on behalf of RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

.....25 June..... **2021**

206/2021

5

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

	Note	2021 USD	2020 USD
Revenue	5	18,854,478	22,346,011
Cost of sales		(12,898,941)	(15,074,518)
Gross profit		5,955,537	7,271,493
Other income	6	1,401,012	254,494
Administrative expenses		(925,152)	(1,577,203)
Establishment expenses		(1,887,453)	(2,581,231)
Finance costs	7	(389,736)	(166,425)
Profit for the year	8	4,154,208	3,201,128

Hela Intimates EPZ Limited
Financial statements
For the year ended 31st March 2021

BALANCE SHEET AT 31ST MARCH 2021

	Note	2021 USD	2020 USD
EQUITY			
Share capital	9	1,000	1,000
Accumulated losses		(7,452,986)	(11,607,194)
Total equity		(7,451,986)	(11,606,194)
Non-current liabilities			
Borrowings	10	36,289	-
Lease liabilities	17	2,015,900	209,057
		2,052,189	209,057
		(5,399,797)	(11,397,137)
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11	959,335	995,911
Right-of-use assets	12	1,994,127	1,455,602
Intangible assets	13	22,909	38,053
		2,976,371	2,489,566
Current assets			
Inventories	14	61,966	92,873
Trade and other receivables	15	13,633,084	10,001,990
Cash and cash equivalents	16	877,257	845,891
		14,572,307	10,940,754
Current liabilities			
Trade and other payables	18	22,548,285	23,361,150
Borrowings	10	83,952	47,443
Lease liabilities	17	316,238	1,418,864
		22,948,475	24,827,457
Net current liabilities		(8,376,168)	(13,886,703)
		(5,399,797)	(11,397,137)

The financial statements on pages 6 to 29 were authorised for issue by the board of directors on 21st June 2021 and were signed on its behalf by:

Director

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2021

	Share capital USD	Accumulated losses USD	Total USD
At 1st April 2019	1,000	(14,808,322)	(14,807,322)
Changes in equity			
Profit for the year	-	3,201,128	3,201,128
At 31st March 2020	1,000	(11,607,194)	(11,606,194)
At 1st April 2020	1,000	(11,607,194)	(11,606,194)
Changes in equity			
Profit for the year	-	4,154,208	4,154,208
At 31st March 2021	1,000	(7,452,986)	(7,451,986)

Hela Intimates EPZ Limited
Financial statements
For the year ended 31st March 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2021

	Note	2021 USD	2020 USD
Cash flows from operating activities			
Profit for the year		4,154,208	3,201,128
Adjustments for:			
Depreciation of property, plant and equipment	11	160,100	142,320
Depreciation of right-of-use assets	12	1,067,624	1,191,193
Amortisation of intangible assets	13	15,144	13,912
Loss on disposal	6	1,000	-
Interest expense	7	2,043	32,129
Interest expense - lease liabilities	7	387,693	134,296
Operating profit before working capital changes		5,787,812	4,714,978
Decrease/(increase) in:			
Trade and other receivables		(3,631,094)	(5,771,239)
Inventories		30,907	(80,123)
(Decrease)/increase in:			
Trade and other payables		(812,865)	3,097,519
Cash generated from operations			
Interest paid on overdraft	7	(2,043)	(32,129)
Interest paid on lease liabilities	7	(212,012)	(134,296)
Net cash generated from operating activities		1,160,705	1,794,710
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(131,320)	(572,523)
Proceeds from disposal of property, plant and equipment		6,795	-
Payments for right-of-use assets	17	(1,077,612)	(1,018,874)
Purchase of intangible assets	13	-	(12,400)
Net cash used in investing activities		(1,202,137)	(1,603,797)
Cash flows from financing activities			
Proceeds from borrowings		72,798	47,443
Increase in cash and cash equivalents		31,366	238,356
Cash and cash equivalents at start of year		845,891	607,535
Cash and cash equivalents at end of year	16	877,257	845,891

NOTES

1. General information

Hela Intimates EPZ Limited (the 'Company') is domiciled in Kenya where it is incorporated under the Kenyan Companies Act, 2015 as a private company limited by shares. The address of its registered office and principal place of business is set out on page 1.

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in United States Dollar, which is also the functional currency (see (c) below).

The financial statements comprise a profit and loss account (income statement), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses are recognised in the profit and loss account. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

b) New and revised standards

i) Adoption of new and revised standards

Three Amendments to standards became effective for the first time in the financial year beginning 1st April 2020 and have been adopted by the Company. None of the Amendments has had an effect on the Company's financial statements.

ii) New and revised standards that have been issued but are not yet effective

The Company has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st April 2020, and the Directors do not plan to apply any of them until they become effective. Note 22 lists all such new or revised standards and interpretations, with their effective dates, none of which is expected to have a significant impact on the Company's financial statements in the period of initial application.

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Company operates), which is United Stated Dollar.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise.

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Company's activities. It is recognised when it is probable that future economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

No revenue is recognised if there are significant uncertainity regarding recovery of the consideration due, associated costs or the possible return of goods or continued management involvement with the goods.

e) Other income

Other income represents the fair value of consideration received or receivable for the sale of rejected goods and personal protective equipment. It is recognised when it is probable that future economic benefits will flow to the Company and the amount of revenue can be measured reliably.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

f) Income tax

The Company operates under the Export Processing Zones Act and is not subject to corporate tax for the first ten years of operation effective from 1st April 2016. The Company was incorporated on 31st March 2016 under the Companies Act, 2015.

g) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

j) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

Classification

The Company classifies its financial instruments into the following categories:

i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured **at fair value through other comprehensive income.**

iii) All financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables were classified as at amortised cost:
- Trade and other liabilities were classified as at amortised cost.

Initial measurement

On initial recognition:
i) Trade receivables are measured at their transaction price.
ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Exchange gains and losses on monetary items are recognised in profit or loss.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The Company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Leases

Leases under which the Company is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

k) Leases (continued)

Leases under which the Company is the lessee (continued)

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

l) Post-employment benefit obligations

The Company and its employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Company's contributions are charged to the profit and loss account in the year to which they relate.

m) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

n) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the Company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

n) Property, plant and equipment (continued)

Depreciation is calculated using the straight line method to write down the cost amount of each asset to its residual value over its estimated useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

o) Intangible assets

Software licence costs and computer software that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life.

p) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, 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 to sell and value in use.

q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO).

r) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

3. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

NOTES (CONTINUED)

3. Significant judgements and key sources of estimation uncertainty (continued)

a) Significant judgements made in applying the Company's accounting policies

The judgements made by the directors in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) whether credit risk on financial assets has increased significantly since initial recognition.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment losses
Estimates made in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward looking information, and of losses given default.

4. Risk management objectives and policies

a) Financial risk management

The Company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risks.

i) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

For these purposes default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that default does not occur later than when a financial asset is 90 days past due.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk (continued)

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	Total
	USD	USD	USD	USD	USD
At 31st March 2021					
Other receivables	-	-	-	12,553,056	12,553,056
Cash at bank	877,257	-	-	-	877,257
Gross carrying amount	877,257	-	-	12,553,056	13,430,313
Loss allowance	-	-	-	-	-
Exposure to credit risk	877,257	-	-	12,553,056	13,430,313
At 31st March 2020					
Other receivables	-	-	-	9,243,756	9,243,756
Cash at bank	845,891	-	-	-	845,891
Gross carrying amount	845,891	-	-	9,243,756	10,089,647
Loss allowance	-	-	-	-	-
Exposure to credit risk	845,891	-	-	9,243,756	10,089,647

4. Risk management objectives and policies (continued) *[Tailor as appropriate]*

a) Financial risk management (continued)

i) Credit risk (continued)

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk
(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
(b) financial assets that are credit impaired at the balance sheet date;
(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of the trade receivables at the end of each year was as follows:

	Not past due USD	30 to 90 days past USD	90 to 180 days past USD	Over 180 days past USD	Total USD
At 31st March 2021	-	-	-	-	-
At 31st March 2020	-	-	-	-	-

The changes in the loss allowance during the year were as follows:

	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note above)			
		(a)	(b)	(c)	Total
	USD	USD	USD	USD	USD
Year ended 31st March 2021					
At start of year	-	-	-	-	-
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	(119,489)	(119,489)
At end of year	-	-	-	(119,489)	(119,489)
Year ended 31st March 2020					
At start of year	-	-	-	-	-
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	-	-
At end of year	-				

No impairment losses have been recognised on other receivables as the probability of default is considered insignificant.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month USD	Between 1-3 months USD	Between 3-12 months USD	Over 1 year USD
31st March 2021				
Trade and other payables	22,548,285	-	-	-
Lease liabilities	-	-	316,238	2,015,900
Borrowings	8,402	16,804	58,746	36,289
	22,556,687	16,804	374,984	2,052,189

	Less than one month USD	Between 1-3 months USD	Between 3-12 months USD	Over 1 year USD
31st March 2020				
Trade and other payables	23,361,150	-	-	-
Lease liabilities	-	-	1,418,864	209,057
Borrowings	11,596	34,787	1,060	-
	23,372,746	34,787	1,419,924	209,057

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The Company is not exposed to cash flow interest rate risk on its variable rate borrowings resulting from changes in market interest rates.

Currency risk

Currency risk arises on financial instruments denominated in other currencies. The Company has other receivables and trade payables that are denominated in other currencies.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

iii) Market risk (continued)

The significant exposure in respect of each currency is as follows:

	KSh USD	Total USD
Year ended 31st March 2021		
Other receivables	4,768	4,768
Cash and bank	668,088	668,088
Borrowings	120,241	120,241
Net exposure	793,097	793,097
Year ended 31st March 2020		
Other receivables	1,146,532	1,146,532
Cash and bank	774,454	774,454
Borrowings	57,431	57,431
Net exposure	1,978,417	1,978,417

Management consider that an appreciation of the United States Dollar against the Kenya Shilling of 1% or a depreciation of the United States Dollar against the Kenya Shilling of 1% in the year ending 31st March 2022 are both reasonably possible. If the United States Dollar was to appreciate/depreciate against the Kenya Shilling by the said percentages, with all other factors remaining constant, the post tax profit/(loss) and equity would be lower/higher by USD 7,931 (2020: USD 19,684).

b) Capital management

The Company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The Company is not subject to any external capital requirements.

	2021 USD	2020 USD
5. Revenue		
Export sales	18,854,478	22,346,011
6. Other income		
Other income	1,170,379	197,271
Loss on disposal	(1,000)	-
Net foreign exchange gain	231,633	57,223
	1,401,012	254,494
7. Finance costs		
Interest expense:		
Bank overdraft	-	32,129
Interest on bank loan	2,043	-
Interest on lease liability (Note 17)	387,693	134,296
Total interest expense for financial liabilities measured at amortised cost	389,736	166,425

NOTES (CONTINUED)

8. Profit for the year

	2021 USD	2020 USD
(a) Items charged		
The following items have been charged in arriving at profit for the year:		
Employee benefits expense (Note 8(b))	7,978,989	11,325,824
Operating lease rentals expense	33,269	327,639
Net foreign exchange loss/(gain)	231,633	57,223
Depreciation of property, plant and equipment	160,100	142,320
Depreciation of right-of-use assets	1,067,624	1,191,193
Amortisation of intangible assets	15,144	13,912
(b) Employee benefits expense		
The following items are included in employee benefits expense:		
Wages and salaries	7,897,100	11,226,117
Retirement benefit costs:		
- National Social Security Fund	81,889	99,707
	7,978,989	11,325,824

The average number of persons employed during the year, by category, were:

	Number	Number
Production	3,721	4,286
Sales and distribution	-	8
Management and administration	48	5
Total	3,769	4,299

9. Share capital

	Number of ordinary shares	Issued and fully paid up capital USD
At 1st April 2019 and 31st March 2020	100	1,000
At 1st April 2020 and 31st March 2021	100	1,000

The total number of authorised ordinary shares is 100 (2020: 100) with a par value of USD 10 each.

10. Borrowings

	2021 USD	2020 USD
The borrowings are analysed as follows:		
Non-current		
Bank loan	36,289	-
Current		
Insurance premium financing	62,810	47,443
Bank loan	21,142	-
	83,952	47,443
Total borrowings	120,241	47,443

NOTES (CONTINUED)

11. Property, plant and equipment

	Lease improvement USD	Plant and machinery USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Computers, copiers and faxes USD	Installations USD	Capital work-in-progress USD	Total USD
At 1st April 2019									
Cost or valuation	34,104	20,283	31,254	121,920	75,914	122,496	196,701	120,285	722,957
Accumulated depreciation	(6,705)	(2,732)	(16,148)	(37,055)	(19,732)	(44,518)	(30,359)	-	(157,249)
Net carrying amount	27,399	17,551	15,106	84,865	56,182	77,978	166,342	120,285	565,708
Year ended 31st March 2020									
Opening carrying amount	27,399	17,551	15,106	84,865	56,182	77,978	166,342	120,285	565,708
Additions	58,314	32,991	-	12,827	174,569	9,576	11,815	272,431	572,523
Capital work-in-progress capitalised	-	130,173	-	-	-	-	-	(130,173)	-
Depreciation charge	(5,847)	(8,038)	(6,265)	(26,375)	(29,720)	(25,293)	(40,782)	-	(142,320)
Closing carrying amount	79,866	172,677	8,841	71,317	201,031	62,261	137,375	262,543	995,911
At 31st March 2020									
Cost or valuation	92,418	183,447	31,254	134,747	250,483	132,072	208,516	262,543	1,295,480
Accumulated depreciation	(12,552)	(10,770)	(22,413)	(63,430)	(49,452)	(69,811)	(71,141)	-	(299,569)
Net carrying amount	79,866	172,677	8,841	71,317	201,031	62,261	137,375	262,543	995,911
Year ended 31st March 2021									
Opening carrying amount	79,866	172,677	8,841	71,317	201,031	62,261	137,375	262,543	995,911
Additions	-	87,698	-	1,446	30,971	5,725	5,480		131,320
Capital work-in-progress capitalised	151,229	-	-	-	82,141	-	29,173	(262,543)	-
Disposal	-	-	(7,796)	-	-	-	-	-	(7,796)
Depreciation charge	(18,026)	(18,357)	(1,045)	(13,543)	(59,887)	(26,535)	(22,707)	-	(160,100)
Closing carrying amount	213,069	242,018	-	59,220	254,256	41,451	149,321	-	959,335
At 31st March 2021									
Cost or valuation	243,647	271,145	-	136,193	363,595	137,797	243,169	-	1,395,546
Accumulated depreciation	(30,578)	(29,127)	-	(76,973)	(109,339)	(96,346)	(93,848)	-	(436,211)
Net carrying amount	213,069	242,018	-	59,220	254,256	41,451	149,321	-	959,335

Hela Intimates EPZ Limited
Financial statements
For the year ended 31st March 2021

NOTES (CONTINUED)

11. Property, plant and equipment (continued)

The annual depreciation rates used are as follows:

	Rate - %
Lease improvement	10.0
Plant and machinery	10.0
Motor vehicles	20.0
Furniture and fittings	10.0
Office equipment	20.0
Computers, copiers and faxes	20.0
Installations	10.0

12. Right-of use assets

	Buildings USD
Year ended 31st March 2020	
Opening carrying amount	-
Transferred from prepaid operating lease rentals (see below)	2,646,795
Depreciation charge	(1,191,193)
Closing carrying amount	1,455,602
Year ended 31st March 2021	
Opening carrying amount	1,455,602
Additions	1,606,149
Depreciation charge	(1,067,624)
Closing carrying amount	1,994,127

The Company leases various offices and warehouses. The leases of offices and warehouses are typically for periods of between 3 and 7 years, with no options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

For information on the related lease liabilities, see Note 17.

13. Intangible assets

Software costs	**2021 USD**	**2020 USD**
Cost		
At 1st April	53,978	41,578
Additions	-	12,400
At 31st March	53,978	53,978
Amortisation		
At 1st April	15,925	2,013
Charge for the year	15,144	13,912
At 31st March	31,069	15,925
Net book amount		
At 31st March	22,909	38,053

The annual amortisation rate used is 33.33%.

NOTES (CONTINUED)

14. Inventories	2021 USD	2020 USD
Goods in transit	61,966	92,873

15. Trade and other receivables

Advance payments	200,979	10,706
Less: provision for expected credit losses (see Note 3)	(119,489)	-
Net trade and other receivables	81,490	10,706
Refundable deposits	294,867	363,347
Advances to employees	2,585	11,745
Other receivables from related parties (Note 19(iii))	12,174,114	8,857,958
Prepayments	1,080,028	758,234
	13,633,084	10,001,990

No impairment losses have been recognised on other receivables as the probability of default is considered insignificant.

16. Cash and cash equivalents	2021 USD	2020 USD
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	877,257	845,891

17. Lease liabilities

Current	316,238	1,418,864
Non-current	2,015,900	209,057
	2,332,138	1,627,921

The total cash outflow for leases in the year was:

Payments of principal portion of the lease liability	1,077,612	1,018,874
Interest paid on lease liabilities	387,693	134,296
	1,465,305	1,153,170

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 12.

NOTES (CONTINUED)

21. Subsequent events

The Company's is currently undergoing a restructuring process. Hela Intimates EPZ Limited will be a fully owned subsidiary of Hela Apparel Holdings a company incorporated in Sri Lanka. This event has not resulted in any additional adjustments to the financial statements for the year ended 31 March 2021.

22. New and revised financial reporting standards

The Company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st April 2020.

Amendments to IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020)
The amendments, applicable to annual periods beginning on or after 1 June 2020, permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)
The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in
The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendment to IFRS 1 titled Subsidiary as a First-time Adopter (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)
The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)
The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)
The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

IFRS 17 *Insurance Contracts* (issued in May 2017)
The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Bank does not issue insurance contracts.

NOTES (CONTINUED)

22. New and revised financial reporting standards (continued)

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)
The amendments, applicable to annual periods beginning on or after 1 January 2023, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014)
The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

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Hela Intimates EPZ Limited
Supplementary information
For the year ended 31st March 2021

SCHEDULE OF DIRECT COSTS

1.1 DIRECT PRODUCTION COSTS	2021 USD	2020 USD
Salaries and wages	7,777,150	11,022,602
Reimbursements and direct production expenses	358,667	(4,148)
Licences	45,270	65,858
Generator fuel	9,634	8,534
Boiler fuel	213,051	406,905
Consumables	559,420	755,454
Repairs and maintenance	109,318	180,236
VM Management costs	2,795,813	1,420,455
Electricity and water	8,473	10,315
Factory cleaning	29,099	33,327
Expatriates air tickets and visa	64,860	169,777
Expatriates rent	84,633	73,834
Factory visit costs	35,725	16,916
Machine rent	675,387	776,028
Security	96,058	124,540
Depreciation of property, plant and equipment	36,383	13,885
	12,898,941	15,074,518

Appendix I

SCHEDULE OF OPERATING EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2021 USD	2020 USD
Employment:		
Salaries and wages	173,942	183,936
Casual wages	27,897	119,286
Expatriates visas and air tickets	17,041	18,415
Staff welfare	262,709	461,976
Bad debts written off	-	2,500
Expatriate internet expenses	3,827	3,753
Staff transport	38,008	83,780
Staff training	23,782	25,592
Total employment costs	547,206	899,238
Other administration expenses:		
Computer expenses	19,271	8,489
Internet and telephone expenses	45,402	68,265
Transport expenses	38,381	65,053
Printing and stationery	44,138	76,948
Advertising and sales promotion	1,747	27,907
Audit fees		
- Current year	7,622	9,000
Legal and professional fees	17,684	344,702
Secretarial fees	934	869
Bank charges and commissions	25,129	30,432
Provision for employee litigations	58,149	46,300
Increase in provision for credit losses	119,489	-
Total other administration expenses	377,946	677,965
Total administrative expenses	925,152	1,577,203
ESTABLISHMENT EXPENSES		
Rent and rates	33,269	327,639
Electricity and water	496,198	738,055
Depreciation of property, plant and equipment	123,717	128,435
Depreciation of right-of-use assets	1,067,624	1,191,193
Insurance expenses	151,501	181,997
Amortisation of intangible assets	15,144	13,912
Total establishment expenses	1,887,453	2,581,231

ANNEXURE 9

SUMBIRI INTIMATE APPAREL PLC AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

ANNEXURE - 9

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
AUDIT REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

TIBEBE MENGISTU CERTIFIED AUDIT FIRM
CHARTERED CERTIFIED ACCOUNTANTS (UK)
AUTHORIZED AUDITORS (ETH.)
ADDIS ABABA
ETHIOPIA

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

	Page
Independent Auditor's Report	3
Financial Statements:	
Statement of Financial Position	4
Profit and Loss Statement	5
Statement of Change in Equity	6
Statement of Cash Flow	7
Notes to the Financial Statements	8-14

P.O.Box 292,Code 1065
Addis Ababa
Ethiopia
Tilebe Mengistu Certified Audit Firm
Chartered Certified
Accountants & Authorized Auditors

SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

REGISTERED OFFICE

Region	SNNPRS
Zone	Hawassa City - Admin
Woreda	Hawassa City
Kebele	Hawassa Industrial Park
House No.	SH-48/HIP
P.O.Box	P.O. Box 1936
	Ethiopia

MANAGEMENT

MR. Rudyard Dela Cruz	General Manager
MR. Errol Delos Santos	Finance Manager

AUDITORS

Tibebe Mengistu & Co.	Bole Sub City
Chartered Certified Accountants (UK)	Abyssinia Plaza
Authorized Auditors (ETH)	P.O.Box 292 Code 11065
	Addis Ababa
	Ethiopia

COMPANY REGISTRATION NUMBERS

Principal Registration Number	EIA/PC/2/0000349/2010
Tax Identification Number	0054721638
VAT Registration Number	13146190005

P.O.Box 292,Code 1065
Addis Ababa
Ethiopia
Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants & Authorized Auditors

ANNEXURE – 9

ጥበበ መንግስቱ
የተፈቀደለት የኦዲት አገልግሎት
በቻርተር የተመስከረላቸው የሂሳብ አዋቂዎች (ዩናይትድ ኪንግደም)
የተፈቀደላቸው ኦዲተሮች (ኢትዮጵያ)

TIBEBE MENGISTU
CERTIFIED AUDIT FIRM
Chartered Certified Accountants (UK)
Authorized Auditors (Ethiopia)

AUDITORS' REPORT TO THE SHAREHOLDERS OF SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY

We have audited the accompanying financial statements of Sumbiri Intimate Apparel private P.L.C, which comprise the Financial position as of 31 December 2020 the statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. As discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

OPINION

In our opinion, the financial statements present fairly the financial position of the Sumbiri Intimate Apparel Private Limited Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended.

Tibebe Mengistu Certified Audit Firm
Charted Certified Accountants (UK)
Authorized Auditors (Eth.)

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06 May 2021
Addis Ababa
Ethiopia

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Page 3

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.2020 USD	31.12.2019 USD
REVENUE	2c	1,142,819	1,113,874
COST OF SERVICE			
Cost of sales		713,457	786,704
Insurance		2,202	2,146
Freight, Port Handling, Customs and Other Export Charges		155,153	104,333
Loading and unloading		143	289
Packaging materials		-	73
		870,956	893,545
GROSS LOSS		271,863	220,329
OTHER INCOME		204,046	511
		475,909	220,840
OPERATING EXPENSES			
Selling and administrative	3	1,196,513	1,121,858
OPERATING PROFIT / (LOSS)		(720,603)	(901,018)
Gain or loss due to change in foreign currency exchange rate		311,804	54,952
		(1,032,407)	(955,970)
PROVISION FOR PROFIT TAX	11	-	-
		(1,032,407)	(955,970)

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	31.12.2020 USD	31.12.2019 USD
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	2d,4	1,210,347	1,782,535
CURRENT ASSETS			
Inventory	5	12,330	42,039
Trade and Other Receivables	6	351,912	290,971
Cash and Cash Equivalents	7	351,722	99,348
		715,964	432,359
TOTAL ASSETS		1,926,311	2,214,894
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid Up Capital	8	3,000,000	3,000,000
Retained Earning		(3,228,053)	(1,905,802)
		(228,053)	1,094,198
LIABILITIES			
NON CURRENT LIABILITY			
Long Term Loan	9	1,485,000	650,000
CURRENT LIABILITIES			
Trade and Other Payables	10	579,364	470,696
Current Maturity of Long Tem Loan	9	90,000	-
		669,364	470,696
TOTAL EQUITY AND LIABILITIES		1,926,311	2,214,894

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Page 5

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Paid up Capital USD	Retained Earning USD	Total USD
Balance as at 31 December 2018	2,810,880	(949,832)	1,861,048
Capital Incremental	189,120	-	189,120
Loss for the Year	-	(955,970)	(955,970)
	-	-	-
Balance as at 31 December 2019	3,000,000	(1,905,802)	1,094,198
Prior Year Adjustments		(289,844)	(289,844)
Loss for the Year	-	(1,032,407)	(1,032,407)
Balance as at 31 December 2020	3,000,000	(3,228,053)	(228,053)

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 USD	2019 USD
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	12	(606,910)	(677,428)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-	-
TAXATION		-	-
INVESTING ACTIVITIES			
Purchase of Fixed Assets		(65,717)	(157,164)
NET CASH (OUTFLOW) BEFORE FINANCING		(672,627)	(677,428)
FINANCING			
Increase in Registered Capital		-	189,120
Term Loan		925,000	650,000
		925,000	839,120
		252,373	161,692
INCREASE IN CASH	13	252,373	161,692

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Page 7

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SUMBIRI INTIMATE APPAREL PRIVATE LIMITED COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. BACKGROUND

Sumbiri Intimate Apparel Private Limited Company is a company being established in Ethiopia under Industrial Park Proclamation no.886/2015 of the Federal Democratic Republic of Ethiopia, Hawassa Industrial Park Shed No 48 for the ultimate objective of engaging in Manufacturing of wearing Apparel for

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The preparation of the financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accounting disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on managements experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

b) Functional Currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional Currency'). The financial statements are measured in Ethiopian Birr which is the company's functional currency and translated to US Dollar as presentation currency.

Transaction and Balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

c) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company when specific criteria have been met for each of the Company's activities.

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d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in accordance with Federal Income Tax Proclamation number 979/2016 and the related Regulation, on the written down value for assets acquired before July 8,2016. Fixed assets acquired subsequent to July 2016 are depreciated on a straight line basis as indicated below:

For assets purchased before 8/7/2016	%
Computer and accessories	25
Other fixed assets	20
For assets purchased after 8/7/2016	%
Computer and accessories	20
Other fixed assets	15

e) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resource. Contingent liabilities are not recognize but are disclosed in the notes to the accounts . Contingent assets are neither recognized nor disclosed in the financial statements.

f) Related party balance and transaction

A party is related to an entity if, inter alia;

(i) directly, or indirectly through one or more intermediaries, the party:
a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
b) has an interest in the entity that gives it significant influence over the entity; or
c) has joint control over the entity;

(ii) the party is an associate of the entity.

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3. ADMINISTRATIVE EXPENSE

	2020 USD	2019 USD
Salary and benefit	520,769	500,263
Printing and stationery	10,006	14,227
Courier Expenses	4,893	2,349
Travel and immigration	3,418	11,750
Utilities (telephone, water and electric)	8,820	9,741
Waste Water Treatment Cost	11,036	-
Expatriate expenses	23,047	11,641
Safety and cleaning	12,649	14,849
House rent	37,821	29,525
Air ticket	23,086	14,597
Insurance	9,336	10,683
License and registration	95	13
Vehicle rental	228,958	201,197
Canteen Expenses	119,409	121,079
Fuel and lubricants	3,598	4,204
Membership Expenses	15,000	15,000
Professional fee	13,951	10,785
Garment Testing Fee	444	64
Repair and maintenance	9,880	14,037
Depreciation	52,436	79,205
Accommodation	1,802	7,098
Management service fee	16,500	16,500
Bank and finance cost charges	43,249	13,244
Brokers commission	-	792
Security and guards	14,722	16,079
Entertainment/Company Events Expenses	4,158	-
Recruitment Expenses	2,330	-
Subscription Expenses	354	-
Miscellaneous	4,746	2,936
	1,196,513	1,121,858

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4. PROPERTY, PLANT AND EQUIPMENT

COST	Balance at 01.01.2020 USD	Addition USD	Foreign Exchange Adjustment USD	Balance at 31.12.2020 USD
Machineries and Equipment's	1,695,444	39,991	(505,857)	1,229,578
Motor vehicle	34,604	-	(10,800)	23,804
Office furniture and equipment	122,232	589	(37,133)	85,687
Computer and accessories	16,619	1,920	(5,125)	13,414
Other Equipment's	54,875	1,857	(16,516)	40,216
Lease improvement	78,434	21,361	(33,184)	66,611
	2,002,207	65,717	(608,615)	1,459,309
DEPRECIATION				
Machineries and Equipment's	132,804	85,816	(65,619)	153,000
Motor vehicle	10,381	6,921	(5,400)	11,902
Office furniture and equipment	46,422	24,490	(21,585)	49,327
Computer and accessories	4,524	3,534	(2,374)	5,684
Other Equipment's	15,191	11,195	(7,861)	18,525
Lease improvement	10,350	6,297	(6,123)	10,525
	219,672	138,252	(108,962)	248,962
NET BOOK VALUE	1,782,535			1,210,347

5. INVENTORY AND WORK IN PROGRESS

	2020 USD	2019 USD
Inventory - Consumable Materials	12,330	-
Goods in transit	-	26
Work in progress	-	42,014
	12,330	42,039

6. TRADE AND OTHER RECEIVABLES

	2020 USD	2019 USD
VAT Receivable	32,029	67,862
Trade Receivable	228,827	111,955
Staff Receivable	501	248
Deposits and Prepayments	90,555	89,219
Sundry Debtors	-	21,687
	351,912	290,971

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Page 11

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7. CASH ON HAND AND AT BANK

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less and are available to the company without any restriction.

	2020 USD	2019 USD
Cash in hand	562	-
Cash at bank		
Current account	30,681	5,918
USD account	320,479	93,430
	351,159	99,348
	351,722	99,348

8. SHARE CAPITAL

Share capital represents the value of 81,877 equity shares at Birr 1,000 par value per share contributed by the shareholders of the company allotted in US Dollar as follows:

	No. Shares	Par Value USD	2020 USD	2019 USD
PT Sumber Bitang Rejeki	49,126	36.64	1,800,000	1,800,000
Grand Asia Intertrade PTE Ltd	32,751	36.64	1,200,000	1,200,000
	81,877		3,000,000	3,000,000

9. TERM LOAN

Long-Term Loan

Grand Asia Intertrade PTE Ltd	600,000	300,000
PT Sumber Bintang Rejeki	885,000	350,000
	1,485,000	650,000

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Current maturity of Long Term Loan	2020 USD	2019 USD
PT Sumber Bintang Rejeki	90,000	-
Total term loan	1,575,000	650,000

The company has entered in to the followings foreign loan agreement. All loans are approved by National Bank of Ethiopia

Lenders	Outstanding balance USD	Repayment date	Interest
1st Grand Asia Intertrade PTE Ltd	300,000	On or before 31 January 2023	LIBOR plus 3%
2nd Grand Asia Intertrade PTE Ltd	300,000	On or before 30 June 2024	LIBOR plus 3%
1st PT Sumber Bintang Rejeki	350,000	On or before 31 December 2023	LIBOR plus 3%
2nd PT Sumber Bintang Rejeki	400,000	On or before 31 December 2023	LIBOR plus 3%
3rd PT Sumber Bintang Rejeki	90,000	On or before 31 December 2021	LIBOR plus 2%
4th PT Sumber Bintang Rejeki	135,000	On or before 31 January 2022	LIBOR plus 2%
	1,575,000		

10. TRADE AND OTHER PAYABLES

Trade creditors	45,848	122,489
Accrued Payable	455,169	134,569
Other payable	4,460	204,457
Unclaimed salary	49,150	-
Withholding tax Payable	14,874	718
Pension Contribution Payable	5,828	5,050
Employment Income tax Payable	4,035	3,412
	579,364	470,696

11. PROVISION FOR PROFIT TAX

According to Federal Democratic Republic of Ethiopia Investment Regulation No. 312/2014 and Investment Regulation No. 270/2012, Sumbiri Intimate Apparel Private Limited Company is entitled to tax exemption from income tax for 6 years starting from the Company becomes operational on January 2018. Additional income tax exemption for 4 years granted for the reason that the company exports 80% of its products abroad.

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Page 13

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12. RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020 USD	2019 USD
(Loss) for the year	(1,032,407)	(955,970)
Adjustment to Property, plant and equipment	499,653	(43,584)
Depreciation	138,252	145,675
Prior period adjustment	(289,844)	18,574
(Increase) in trade and other receivables	(60,941)	(131,861)
Increase in trade and other payables	108,668	180,504
Decrease in Inventory	29,710	109,233
Net cash outflow from operating activities	(606,910)	(677,428)

13. ANALYSIS OF THE BALANCE OF CASH AS SHOWN IN THE FINANCIAL POSITION

	Balance at 01.01.2020 USD	Balance at 31.12.2020 USD	Change in the Year USD
Cash and Cash equivalents	99,348	351,722	252,373

14. CONTINGENT LIABILITIES

As per the information furnished to us and based on the audit work carried out the Company doesn't have contingent liability.

15. SUBSEQUENT EVENTS

The shareholders of the company agreed to increase the registered capital of the company by converting the following loans to equity during the shareholder's meeting on 03 March 2021;

Lenders	Loan Amount USD	Equivalent ET Birr Amount of Loan Birr
2nd Grand Asia Intertrade PTE Ltd	300,000.00	10,281,335.00
4th PT Sumber Bintang Rejeki	135,000.00	5,106,361.50
	435,000.00	15,387,696.50

Shareholders minutes of meeting for the conversion of loans to equity is authenticated and registered in Ethiopian Investment Commission on March 10, 2021.

No other material post balance sheet events that require adjustment or disclosure to the financial statements.

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ANNEXURE 10

RESEARCH REPORT

ANNEXURE - 10

Thursday, 25 November 2021
(Valuation date: Thursday, 30 September 2021)

Hela Apparel Holdings Limited

Research Report to
The Board of Directors and Shareholders of Hela Apparel Holdings Limited on the Proposed IPO

Prepared by

CAPITAL ALLIANCE PARTNERS LIMITED
Level 05, "Millennium House",
46/58, Nawam Mawatha,
Colombo 02,
Sri Lanka.

CT CLSA CAPITAL (PRIVATE) LIMITED
(A CT Holdings Group and CLSA Group Company)
#4-15, Majestic City,
10, Station Road,
Colombo 04,
Sri Lanka.

We, Capital Alliance Partners Limited ("CAL") and CT CLSA Capital (Private) Limited, hereby jointly declare that we possess the requisite expertise to perform reports of this nature involving a quoted company categorised under the GICS Sector Classification: Consumer Durables & Apparel.

We further jointly declare that the Research Report has been prepared in conformity with the disclosures stated in the 'Guidance Note' pertaining to the preparation of a Valuation/Research report.

ANNEXURE - 10

The Board of Directors,

Hela Apparel Holdings Limited,
No. 35,
Balapokuna Road,
Colombo 05,
Sri Lanka.

Dear Sir/Madam,

Valuation Report to the Board of Directors and Shareholders of Hela Apparel Holdings Limited on the proposed Initial Public Offering

We, Capital Alliance Partners Limited and CT CLSA Capital (Private) Limited, in the capacity of Joint Managers and Financial Advisors to the Initial Public Offering (IPO) of Hela Apparel Holdings Limited (hereinafter referred to as "Managers to the Issue"), wish to submit the enclosed Research Report in accordance with Section 3.1.4 (c) of the Listing Rules of the Colombo Stock Exchange.

Please find enclosed herewith the detailed Research Report for your reference.

Thank you,
Yours faithfully,

CAPITAL ALLIANCE PARTNERS LIMITED
Sgd
Vishnu Balachandran
Executive Vice President
Head of Investment Banking

CT CLSA CAPITAL (PRIVATE) LIMITED
Sgd
Zakir Mohamedally
Director
Chief Executive Officer

TABLE OF CONTENTS

Glossary of Terms 2

1 INTRODUCTION 4
- 1.1 Executive Summary 4
- 1.2 Background to the Assignment 5
- 1.3 Terms of Reference 5

2 OVERVIEW - HELA APPAREL HOLDINGS LIMITED 6

3 INDUSTRY OVERVIEW 9
- 3.1 Demand for Apparel Products 9
  - 3.1.1 Key Trends Driving Apparel Demand 10
- 3.2 Trends in Global Apparel Sourcing 13
- 3.3 Industry Status and Prospects by Country 15
  - 3.3.1 Sri Lanka 15
  - 3.3.2 Kenya 16
  - 3.3.3 Ethiopia 17

4 FINANCIAL FORECASTS AND ASSUMPTIONS 18
- 4.1 Forecasted Statement of Financial Performance 18
- 4.2 Forecasted Statement of Financial Position 22
- 4.3 Revenue Forecasts and Assumptions 24
- 4.4 Cost of Sales Forecasts and Assumptions 31
- 4.5 Selling and Distribution Expenses 39
- 4.6 Administration Expenses 40
- 4.7 Working Capital 40

5 VALUATION METHODOLOGY 42
- 5.1 Discounted Cash Flow (DCF) Method 42
- 5.2 P/E Relative 43

6 VALUATION RESULTS 44
- 6.1 Discounted Cash Flow (DCF) Valuation Method 44
  - 6.1.1 Valuation Summary based on DCF Method 44
  - 6.1.2 Hela Group – Excluding JVs 45
  - 6.1.3 Sumbiri Intimate Apparel PLC 46
  - 6.1.4 Safeguard Workwear EPZ Limited 47
- 6.2 Forward PER Valuation Method 49

7 RISKS 50

8 VALUE RECOMMENDATION 52

9 INDIVIDUALS MATERIALLY PARTICIPATING IN THE VALUATION ASSIGNMENT 53
- 9.1 CAL Team 53
- 9.2 CT CLSA Team 54

10 DISCLAIMER 55

GLOSSARY OF TERMS AND ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CAL	Capital Alliance Partners Limited
Capex	Capital Expenditure
Comps	Comparable Companies to Hela Apparel Holdings Limited
CM	Cut and Make
CSE	Colombo Stock Exchange
CT CLSA	CT CLSA Capital (Private) Limited
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest & Tax
EBIT (1 – T)	Tax Adjusted Earnings Before Interest & Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortization
EPS	Earnings per Share
ESOS	Employee Share Option Scheme
ETB	Ethiopian Birr
EV	Enterprise Value
FCFF	Free Cashflow to Firm
FOB	Free On Board
FY	Financial Year
IPO	Initial Public Offering
JV	Joint Venture
KES	Kenyan Shilling
LKR	Sri Lanka Rupee
LKR Bn	Sri Lanka Rupee (in billion)
LKR Mn	Sri Lanka Rupee (in million)
Managers to the Issue	CAL and CT CLSA as Joint Managers and Financial Advisors
Market Cap	Market Capitalisation

NAV	Net Asset Value
Ordinary Voting Shares	Ordinary Voting Shares of Hela Apparel Holdings Limited
PAT	Profit After Tax
P/BV	Price to Book Value
PER	Price to Earnings Ratio
Point Valuation	A single price point arrived at using a single basis
RM	Raw Material
Safeguard	Safeguard Workwear EPZ Limited
SEC	Securities & Exchange Commission of Sri Lanka
Shareholders	Shareholders of Hela Apparel Holdings Limited
SOTP	Sum of the Parts
Sumbiri	Sumbiri Intimates Apparel PLC
the Assignment	Provide an independent valuation to be included in the IPO Prospectus of Hela Apparel Holdings Limited
the Board	The Board of Directors of Hela Apparel Holdings Limited
TTM	Trailing Twelve Months
USD	United States Dollar
USD Bn	United States Dollar (in billion)
USD Mn	United States Dollar (in million)
USD Tn	United States Dollar (in trillion)
Valuation Date	Thursday, 30 September 2021
WACC	Weighted Average Cost of Capital
Hela	Hela Apparel Holdings Limited

1 Introduction

1.1 EXECUTIVE SUMMARY

CAL and CT CLSA valued Hela Apparel Holdings Limited ("Hela") by adopting two fundamental valuation methods: The Sum of the Parts ("SOTP") valuation using Discounted Cash Flow ("DCF") analysis and PER relative. Based on our primary valuation metric – the SOTP using DCF, we conclude the value of Hela is LKR 19.25 per share.

We would also like to bring to the reader's attention that the IPO price of LKR 15.00 per share is at a 22.1% discount to our reference point valuation, based on the DCF, of LKR 19.25. This IPO discount is provided to investors in order to provide a potential upside on the investment. In this case, the implied PER based on the expected FY22 earnings attributable to equity shareholders, of LKR 1,570 Mn, is at 10.54x[1].

Valuation Methodology	Price per Share (LKR)	Discount
Discounted Cash Flows	**19.25*[a]**	**22.1%**
PER – Forward	18.38**[b]	18.4%

a Based on the sum of total number of shares in issue post IPO and unissued ESOS shares

b Based on the weighted average number of diluted ordinary shares for FY22E

***The DCF value per share set out herein, is subject to the viability of the said forecasts/assumptions made in Section 4 of this Research Reports**

****The Market Based Valuation set out herein of the Company, is dependent upon the relative size of the peer entities identified under Section 6.2 of the Research Report, in comparison to the Company.**

However, we offer the following cautions to investors:

Point valuations are highly subjective. We considered a few methods to provide balance, but concluded that a DCF valuation was more appropriate vis-à-vis the available alternatives for the following reasons.

a. Hela has significant investments in several companies in Sri Lanka and overseas, consolidated as Subsidiaries and Joint Venture Partnerships, and is positioned to take advantage of the growth potential in Africa. Thus, we believe SOTP valuation using DCF analysis is the best model to grasp the full value of Hela as it captures the future potential and profitability of the Group.

b. We have considered a limited number of CSE-listed peers for our Forward PER valuation. The 'Consumer Durables and Apparel' Sector Peers as per the GICS classification on the CSE – includes Teejay Lanka PLC and Hayleys Fabric PLC – both of which are listed companies engaged in the manufacturing of fabrics. These companies are operationally comparable to Hela as they are in the apparel space, however, they are not directly comparable as both companies are placed in a different level when considering the value chain of the apparel sector. Both peers are involved in manufacturing of fabrics and textiles, whereas Hela manufactures garments which is the final product in the apparel sector value chain, making Hela much closer to the end-consumer. However, we have considered a Forward PER valuation as a secondary valuation method.

[1] Implied PER= IPO Price / FY22E Diluted EPS

We have used the Forward PER valuation method as opposed to trailing PER valuation method as profitability in FY21 was heavily impacted by the economic impact of the COVID-19 pandemic. Therefore, the FY21 results do not accurately reflect the Company's earnings capability.

c. The NAV was not considered as a valuation basis. Given the NAV of the individual companies is not directly related to the earnings capacity of the respective entities based on the nature of operations, we have not considered this valuation method.

1.2 BACKGROUND TO THE ASSIGNMENT

Hela is one of the fastest growing sustainable apparel manufacturing companies in the world. The company incorporates a competitive manufacturing footprint across 5 countries employing over 18,000 workers, as well as design offices in Sri Lanka, the United States, the United Kingdom and France. Hela has successfully built long-term strategic relationships with leading global apparel brands in the intimate wear, kidswear, activewear and medical wear product categories.

At this juncture, the Company hopes to publicly list its shares on the Colombo Stock Exchange by way of an IPO to raise a total of LKR 4,006,634,970. This will be used to fund and invest in the following projects:

Description		Fund Utilization (LKR)	Expected Utilization Timeline
Fabric Mill Investment		**999,761,063**	**2nd Quarter FY23**
Funding the Implementation of a New Enterprise Resource Planning (ERP) System		**596,266,801**	**2nd Quarter FY23**
Investment into Subsidiaries of the Group		**2,410,607,106**	**4th Quarter FY22 - 3rd Quarter FY23**
Of which:	Retirement of Short-Term Debt	1,999,899,920*	4th Quarter FY22
	Productivity-Enhancing Capital Expenditure	410,707,186*	4th Quarter FY22 - 3rd Quarter FY23
Total Funds Raised		**4,006,634,970**	

**Converted using CBSL indicative Exchange Rate of 199.99 as at 30 September 2021. LKR value of USD denominated debt & capex will change with the volatility of exchange rates.*

Thus, the Board of Directors of Hela have appointed us, as the Managers to the Issue, to conduct a valuation of Hela shares.

1.3 TERMS OF REFERENCE

Our terms of reference in respect to this Assignment involve presenting to the Board of Directors and Shareholders of Hela (the "Shareholders") the value of Hela shares at the point of the IPO.

2 Overview - Hela Apparel Holdings Limited

Hela Apparel Holdings Limited ("Hela") operates as the holding company for the Hela Group and provides sustainability-focused apparel supply chain solutions through its subsidiaries. Hela works closely with reputed global brands, from design to delivery, in the intimate wear, kidswear, activewear and medical wear product categories. With 11 directly-operated factories across Sri Lanka, Kenya and Ethiopia, as well as partnered capacity in Tanzania and Mozambique, and a workforce of over 18,000 across the globe, Hela is one of the world's leading apparel players with a focus on ethical and sustainable working practices.

Hela is known for its high-level of client orientation and capability of delivering value-added services beyond the basic 'cut and sew' services. As a result, in addition to manufacturing, Hela is constantly focusing on providing new value-added services to its clients. This has enabled the Company to maintain long-term relationships with key premium global brands such as Tommy Hilfiger, Calvin Klein, and Michael Kors, who consider Hela as a strategic partner, as evidenced through the multiple awards the company has won from these customers. The company is also adding a number of emerging brands such as Ellesse and Karl Lagerfeld to build a robust portfolio of global brands that will ensure a sustainable future demand pipeline.

In addition, Hela has an attractive multi-country origin manufacturing offering to meet the varying needs of its customers and is a pioneer in the rehabilitation of East Africa's apparel manufacturing sector. The Company entered East Africa in 2016 with the commencement of manufacturing in Kenya, which was closely followed by the establishment of a manufacturing facility in Ethiopia. This was further strengthened in 2020 with the signing of an Investment Agreement to acquire 50% of Sumbiri Intimates Apparel PLC, one of the largest bra manufacturing plants in East Africa, followed by the establishment of a joint venture in Kenya in 2021 focusing on the production of medical personal protective equipment. Hela is now among the largest apparel manufacturers in Africa, accounting for approximately 19%[2] of apparel exports in Kenya, and in FY22, 50% of the Hela Group's revenue is expected to be generated from Africa.

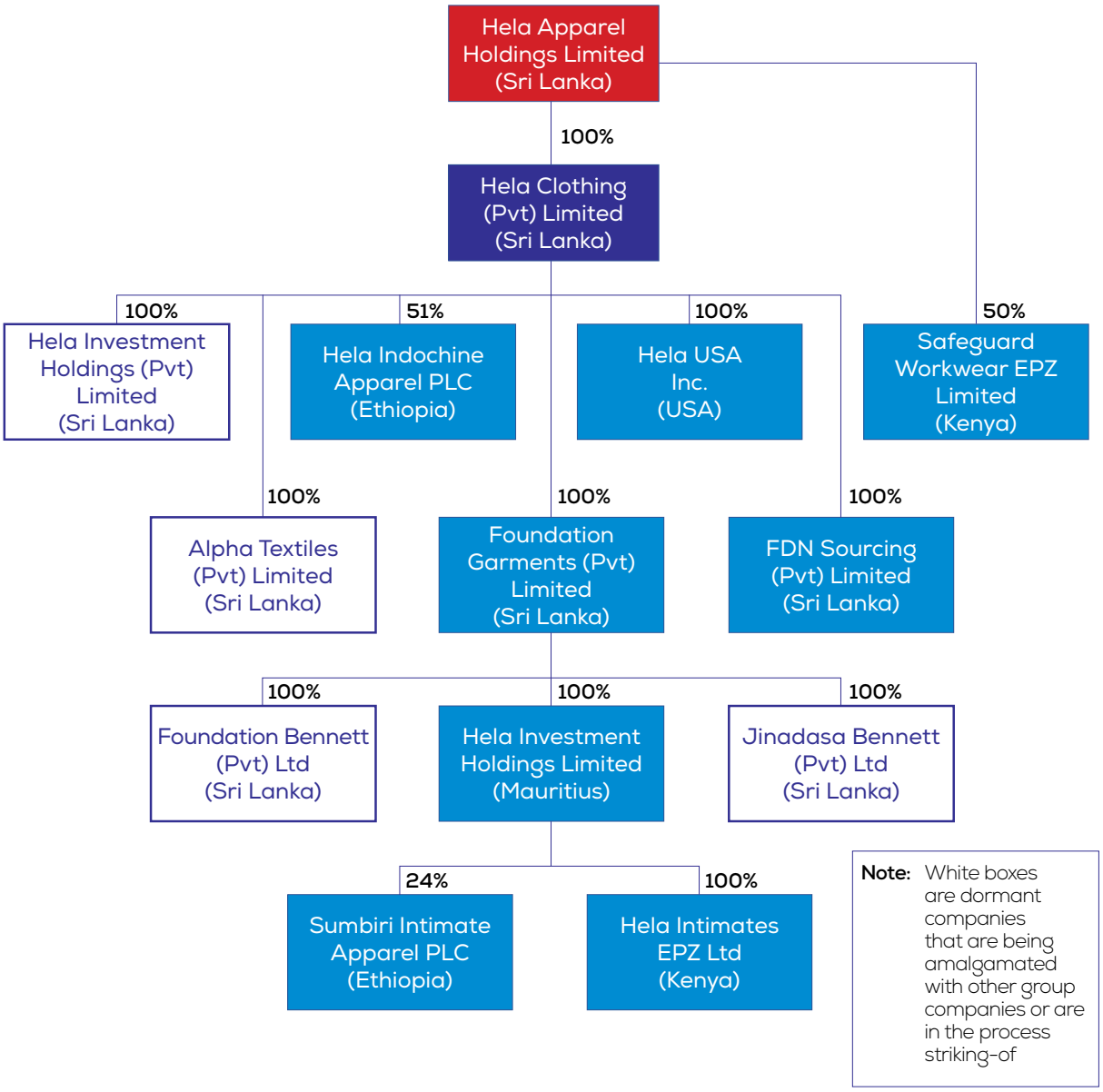
As a result of its recent growth, Hela has built a core competency and proven track record in turning distressed apparel manufacturers profitable across diverse countries. The company houses one of the most experienced and skilled turnaround leadership teams in the apparel industry who have been involved with multiple acquisitions over the past 5 years. While the company's first Kenyan manufacturing facility took 22 months to breakeven, the initial Ethiopian plant took only 13 months and the second plant just 8 months.

Hela's immediate expansion plans are focused on strengthening its manufacturing base in Sri Lanka, while pursuing further expansion opportunities in Africa. In particular, the company is pursuing the establishment of an additional manufacturing facility in Egypt by early 2022 to offer a nearshoring option for its customers with significantly reduced lead times for deliveries to Europe and North America.

[2]In 2020, according to trade data from www.trademap.org (accessed on 24th November 2021), Kenya exported USD 307Mn worth of apparel and for the same period Hela exported apparel worth USD 57Mn. Hence, Hela's share of exports from Kenya is 19% in 2020.

Hela Apparel Holdings Limited – Group Structure

Hela Group Structure as of 1st September 2021



Note:

- Sumbiri Intimate Apparel PLC ("Sumbiri") and Safeguard Workwear EPZ Ltd ("Safeguard") are two joint ventures ("JVs") Hela has entered into in December 2020 and June 2021 respectively. The two JVs are not consolidated under the Hela Group
- Hela is currently in the process of increasing its stake to 50% in Sumbiri through its fully owned subsidiary, Hela Investments Holdings Limited. This is expected to be completed by the end of FY22.

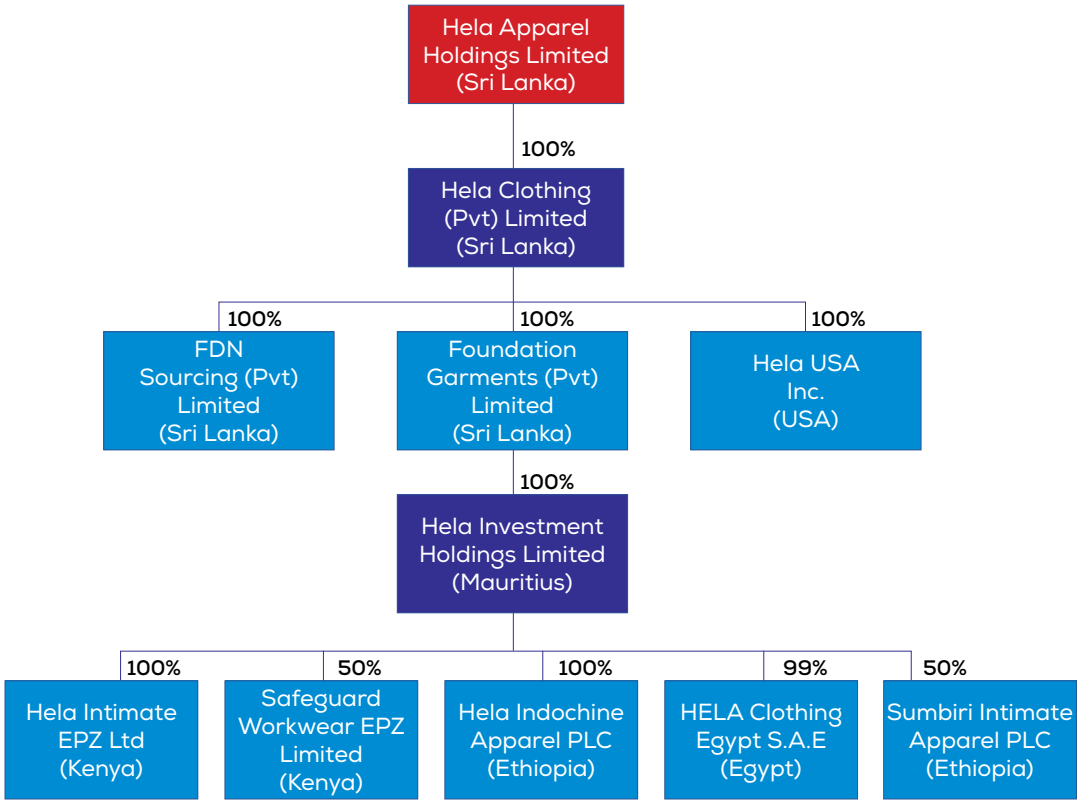
2 Overview - Hela Apparel Holdings Limited

Hela is currently in the process of carrying out a group restructuring exercise. This is being carried out to achieve the following primary objectives;

1) Streamlining the group structure by amalgamating or striking off group companies that are dormant or do not serve a standalone function.

2) Bringing all African entities under an intermediary holding company in Mauritius (Hela Investments Holdings Ltd) in order to facilitate expansions in Africa through foreign currency borrowing.

Upon completion of the proposed group restructuring process, the envisioned group structure of Hela is as follows.



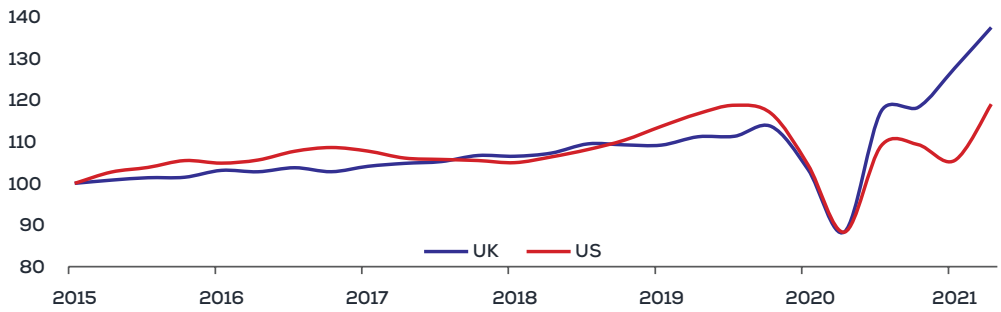
3 Industry Overview

3.1 DEMAND FOR APPAREL PRODUCTS

The collapse in global economic activity in early 2020 triggered by the COVID-19 pandemic and the resultant lockdowns drove a sharp drop in consumer spending across discretionary product categories, including apparel. In the US, household spending on clothing and footwear fell by more than 20% year-on-year in the second quarter of 2020 and the falls in particular apparel product categories, such as formalwear, were even larger as consumers adjusted to staying at home. However, following the initial demand shock, demand for apparel has rebounded rapidly in key markets. This is particularly the case in the developed world where extraordinary government stimulus policies have protected household income and supported spending, albeit with a shift in composition towards casual clothing and digital retail channels.

While the recovery in consumer demand is uneven across different countries and regions due to sporadic surges in infections, it is expected to broaden and strengthen into 2022 as the rollout of vaccinations globally accelerates. As such, while global spending on clothing and footwear fell by more than 10% in 2020, it is expected to recover most of this ground in 2021.

Household Consumption of Clothing & Footwear (Constant Prices, 2010 Q1=100)

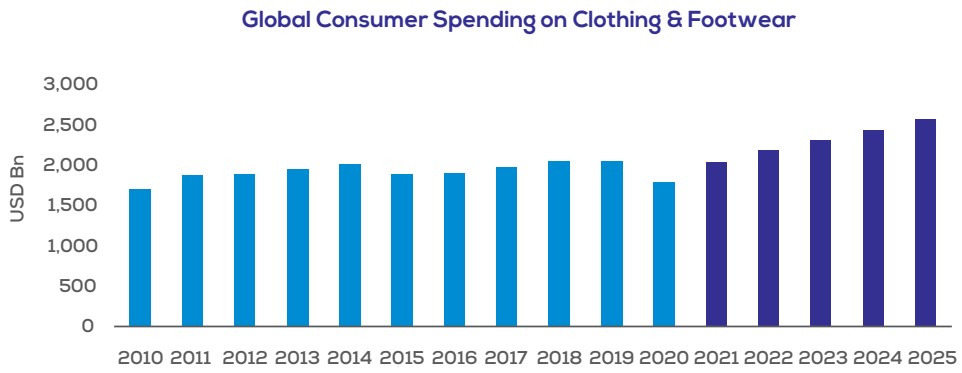


Source: US Bureau of Economic Analysis & UK Office for National Statistics[3]

Going forward, global spending on clothing and footwear is expected to grow at a CAGR of c. 6.1% between 2021 and 2025 to exceed USD 2.5 Tn as the world economy shakes off the effects of the pandemic[4]. This will be driven by the resumption of growth in population, disposable income and urbanization across developing economies, as well as robust demand in advanced economies. While the trend towards more responsible consumption will continue to gather steam, innovative solutions such as circular products using recycled fabrics are expected to continue driving consumer spending on apparel products.

[3]https://fred.stlouisfed.org/series/DCLORC1Q027SBEA, https://www.ons.gov.uk/, 24th November 2021
[4]https://www.statista.com/forecasts/1161735/fashion-consumer-spending-forecast-in-the-world, 24th November 2021

3 Industry Overview



Source: Statista[5]

3.1.1 Key Trends Driving Apparel Demand

The COVID-19 pandemic accelerated a number of existing trends in the global apparel industry and the changes this has triggered are likely to be sustained even as the effects of the pandemic fade. The shift towards the digitalization of industry and a greater focus on sustainability are the most pressing trends, but other changes in the expectations apparel brands have from their supply chain vendors will also play a key role in shaping the industry over the next decade.

Source: McKinsey State of Fashion Report 2021[6]

[5] https://www.statista.com/forecasts/1161735/fashion-consumer-spending-forecast-in-the-world, 24th November 2021
[6]https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2021/the-state-of-fashion-2021-vf.pdf, 24th November 2021

Digitalization

Adoption of digital tools soared during the pandemic across the apparel supply chain as alternatives to in-person interactions became essential. The shift to ecommerce platforms, in particular, had been ongoing for a number of years, but was turbocharged as it became the primary means for brands to reach their consumers. Similarly, apparel manufacturers increased their adoption of digital platforms to maintain regular communications with their customers as travel ground to a halt and the world shifted to working from home. Hela took a proactive approach to this change and accelerated the rollout of 3D design and sampling to reduce sampling lead times and avoid logistical bottlenecks in the delivery of physical samples.

Digitalization and automation of manufacturing processes is an additional aspect that saw renewed focus during the pandemic. Manufacturing facilities with higher levels of automation, and therefore a reduced requirement for human interactions, saw fewer disruptions. Such investments also allow for greater consistency in the final product, concentration of labour in more intricate value-adding processes, and help to reduce wastage from the manufacturing process [7]. This trend is likely to continue and, according to research carried out by Brother Machinery (Asia) Limited, around 75% of apparel manufacturers are planning to adopt artificial intelligence technologies to improve their supply chain's flexibility[8].

Keeping in line with the industry trends, Hela is planning to invest USD 2 Mn of the funds raised through the IPO in productivity enhancing automation machinery and other upgrades. In addition, a further USD 3 million of the IPO proceeds will help to fund the Company's new ERP system, which will create a future-proof digital core for Hela's operation that can be integrated with customer and supplier platforms.

Sustainability

Another important shift in consumer behaviour has been an increased focus on sustainability. Consumers are increasingly seeking to purchase more sustainable and eco-friendly apparel items that incorporate ethically-sourced materials. According to research conducted by Capgemini Research Institute, this has been more apparent post-COVID with a significant majority of consumers (c. 79%) changing their purchase preferences based on sustainability consideration[9]. This reflects greater awareness among consumers on issues such as climate change, biodiversity loss, pollution and the general well-being of the planet around us, which has fed through to their purchasing decisions. As a result, many apparel brands are increasingly focusing on producing more sustainable product lines and manufacturers have an important role to play.

[7]Nitish Varshney – Apparel Resources, 2021
[8]Shingo Kasumoto – YCP Solidiance, 2020
[9]How Sustainability is fundamentally changing consumer preferences – Capgemini Research Institute, 2020

3 Industry Overview

Sustainability is an integral part of operations at Hela, from sourcing to human resource management, and it is well placed to capitalize on this trend. For example, c. 41% of the electricity used by the Hela Group is already derived from renewable sources and this is set to increase with six of Hela's manufacturing facilities on course to produce solar power by the end 2022. Similarly, Hela is supporting the development of local apparel supply chain solutions in East Africa to reduce the environmental impact of transporting fabrics around the world. This will further cement Hela's position as one of the leading apparel manufacturers in Africa with a "Africa-for-Africa Supply Chain", which will also attract brands moving away from Far Eastern fabric.

Hela has also adopted several initiatives to improve the lives and communities of their employees. For instance, to counter shortage of clean drinking water – Hela Kenya provides each team member with a 20L can of drinking water per day as a part of the Hela Freshi project. To date, the company has provided over 5mn litres to its employees, positively affecting thousands of families. Furthermore, Hela was one of the first apparel manufacturers to roll out the Personal Advancement & Career Enhancement (P.A.C.E.) programme in Ethiopia, which is an evidence based comprehensive learning programme for female apparel workers that covers topics such as communication, problem solving and decision making, time and stress management, as well as water, sanitation and hygiene, health, and legal and financial literacy. The Company is targeting 5,690 P.A.C.E certified employees by 2023.

Other Key Tends

Speed - The need for manufacturers to offer greater flexibility and speed will continue, as brands place more emphasis on reducing inventories to increase full-price sell through. Fashion brands are expected to define clear, long-term ambitions, while demonstrating enough flexibility, speed and agility to navigate an uncertain short-term future. Further, efforts will be taken to reshape operating models to adapt to the faster pace of change and sustain those effective new working practices that have emerged from the pandemic. Brands will also focus on accelerating speed to market and on aligning launches and product drops with their customers' needs rather than the traditional fashion calendar. This will lead to a permanent change in how apparel manufacturers that supply to these fashion brands operate.

Deeper Partnerships - By exposing the vulnerability of procurement partners, the weakness of contracts and the risks of a concentrated supplier footprint, the COVID-19 pandemic accelerated many of the changes that fashion brand were already making to rebalance their supply chain. To mitigate future disruptions, fashion players are moving away from transactional relationships in favour of deeper partnerships that bring greater agility and accountability. As a result, strategic suppliers with longer-term relationships will also take on more responsibilities, including co-design and quality control.

Inclusive Culture - Consumer and brand pressure continues to push manufacturers to embrace more inclusive practices across their businesses, products and supply chains. With garment workers and other lower-paid workers operating at the sharp end of the pandemic, consumers have become more aware of the plight of vulnerable employees in the fashion value chain. As momentum for change builds alongside campaigns to end exploitation, consumers will expect companies to offer more dignity, security and justice to workers throughout the global industry. Apparel manufacturers who at the forefront of ethical working practices, such as Hela, stand to benefit from this trend.

Material revolution - Alternative materials and sustainable substitutes are on their way to adoption at large scale. The increasing emphasis on the use of sustainable material is also reflected in consumer sentiment. More than three in five consumers in a McKinsey survey[10] performed in May 2020 said brands' promotion of sustainability was an important factor in their purchasing decisions. In response, numerous companies are stepping up their sustainability efforts. Timberland is aiming to source all of its natural materials from regenerative agriculture by 2030, while British department store Selfridges has unveiled bold new sustainability goals, promising to stop stocking products that are not compliant with its new sourcing standards by 2025, and Allbirds has started labelling the carbon footprint of each of its products[11].

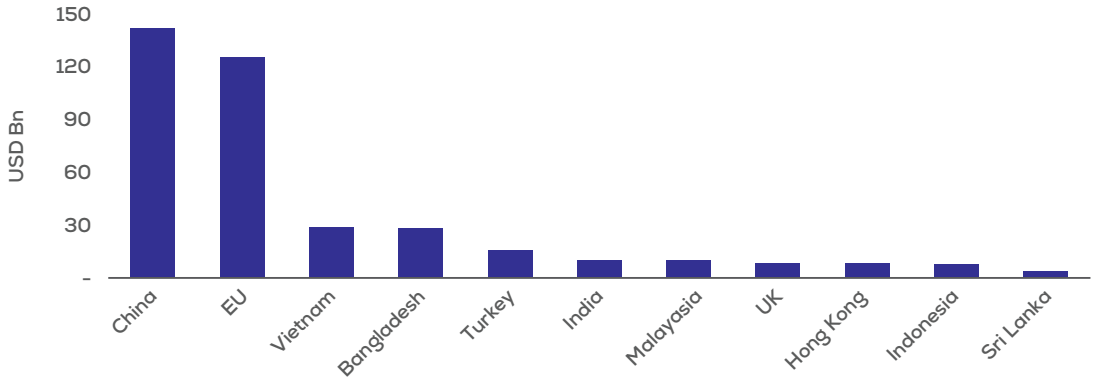
Casualization - The shift towards casual clothing was supercharged by the pandemic and is likely to remain a dominant force driving growth in the athleisure and loungewear segments. The casualization trend that was already in motion before the pandemic and accelerated throughout 2020 is likely to emerge as a dominant force across many fashion categories in 2021. Indeed, companies that were able to ride the surge in demand for casual or athletic clothing fared better than many expected. With more flexible working arrangements on the horizon for the year ahead, casualwear is only set to grow in importance for many fashion players.

Brand Consolidation – Performance polarization in the fashion industry accelerated during the pandemic as the gap widened between the best-performing companies and the rest. With some players already bankrupt and others kept afloat by government subsidies, M&A activity is likely to remain high in apparel industry as companies manoeuvre to take market share, unlock new opportunities and expand capabilities.

3.2 TRENDS IN GLOBAL APPAREL SOURCING

Asia remains the dominant supplier of apparel products to the world and China is the single largest apparel exporter, shipping over USD 120 Bn worth of finished garments in 2020[12]. Vietnam and Bangladesh have also emerged as key locations in global apparel sourcing, while the European Union maintains an important role – reflecting the importance of nearshoring.

Top 10 Apparel Sourcing Destinations Vs Sri Lanka (2020)



Source: Dr.Sheng Lu – University of Delaware, 2021[13]

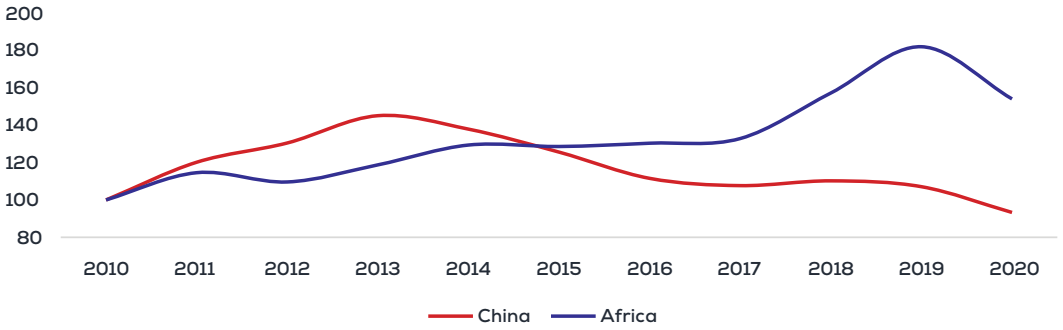
[10]https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2021/the-state-of-fashion-2021-vf.pdf, 24th November 2021
[11]https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2021/the-
[12]state-of-fashion-2021-vf.pdf, 24th November 2021
https://shenglufashion.com/tag/wto/, 24th November 2021
[13]https://shenglufashion.com/tag/wto/, 24th November 2021

3 Industry Overview

Two factors, in particular, have historically contributed to Asia's competitiveness as a preferred apparel sourcing base – price competitiveness and technical capability. Asia's large supply of labour, highly integrated regional supply chains and its vast production capacity have shaped its competitiveness in these two aspects.

However, many fashion brands are gradually diversifying their geographical sourcing bases. Reducing dependence on sourcing from China, catering to the increasing demand for speed to market, and fulfilling market expansion needs, are among the top-cited reasons for apparel companies' sourcing diversification strategies. As the direction of US-China relations becomes ever more concerning, U.S. fashion companies in particular have sought to accelerate the diversification of their sourcing mix from China. China's total apparel exports have been declining since 2013 and even though it remains the top apparel supplier for the U.S. market, in the first quarter of 2021 China's market shares fell to c. 32.1% in quantity (from c. 36.6% in 2020) and c. 20.2% in value (from c. 23.7% in 2020)[14]. Furthermore, the latest data suggests that concerns around the use of forced labour in textile supply chains is further damaging China's reputation as the world's foremost apparel sourcing destination. Measured by value, only c. 11.9% of U.S. cotton apparel came from China in April 2021, a new record low since the implementation of the US Customs and Border Protection agency's ban on any cotton and cotton apparel made in the Xinjiang region[15].

Apparel Exports Movement (Indexed to 100)



Source: AGOA.info[16], UN Comtrade[17]

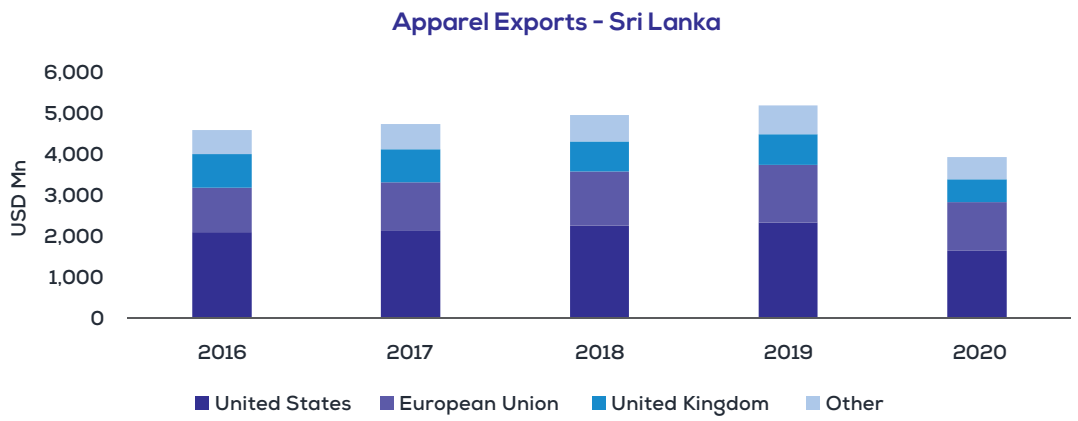
[14]Dr.Sheng Lu – University of Delaware, 2021
[15]Dr.Sheng Lu – University of Delaware, 2021
[16]https://agoa.info/data/apparel-trade.html, 24th November 2021
[17]https://comtrade.un.org/data/, 24th November 2021

With many suppliers moving away from China, other apparel manufacturing destinations, especially those in Asia and Africa are poised to benefit. Sub-Saharan Africa in particular is viewed as a potential future hub for apparel sourcing. The Africa Growth and Opportunity Act (AGOA) provides duty free access to the US with no restrictions on the use of imported fabrics. Similarly, Europe's GSP scheme and network of Economic Partnership Agreements allows uninhibited access to the European Union and UK markets. Many African countries also benefit from duty free access to other markets, including Canada, Australia and Japan. This allows apparel brands to make savings of up to 32% compared to sourcing from other regions. In addition, major African governments (including in Kenya and Ethiopia) have identified apparel manufacturing as crucial to their next stage of development and are pursuing a range of supportive polices. Hela is in a unique position to capitalize on this trend as customers seek reliable, established and high-quality suppliers in the African region to enable them to benefit from the cost and duty benefits of sourcing from the region.

3.3 INDUSTRY STATUS AND PROSPECTS BY COUNTRY

3.3.1 Sri Lanka

Over the last four decades, the Sri Lankan apparel industry has enjoyed significant growth and transformed itself to become one of the country's primary foreign exchange earners, accounting for c. 45% of the country total goods exports. The importance of the sector is further demonstrated by the fact that Sri Lanka has one of the highest apparel exports per capita rates of any exporting nation in the region and two of its three largest companies are apparel manufacturers[18]. This sector has succeeded in evolving from basic manufacturing to providing sophisticated solutions, offering creativity and expertise in BPO services, fashion, R&D, and innovation. The high level of technical and management skills in the local industry means that many Sri Lankans are being employed in other emerging apparel sourcing locations around the world.



Source: CBSL[19]

[18]Sri Lanka Export Development Board

[19]https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2020/en/15_Appendix.pdf, 24th November 2021

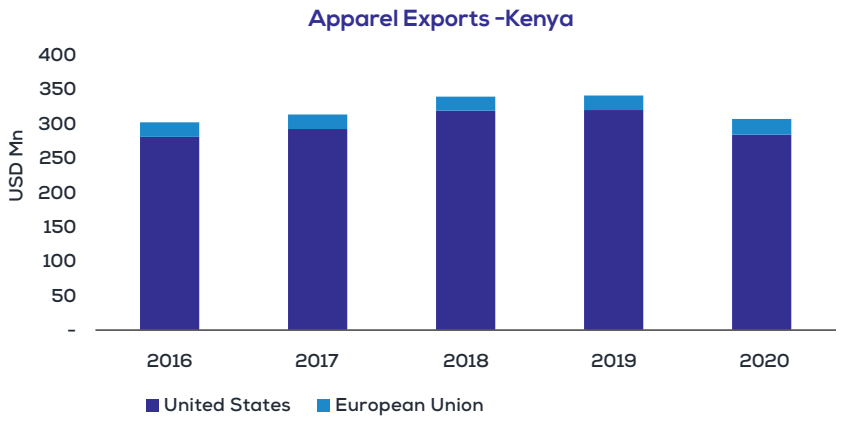
3 Industry Overview

Sri Lanka is particularly well known as an ethical and socially responsible sourcing location and is one of the only major apparel manufacturing countries in Asia to ratify all 27 ILO (International Labour Organization) conventions. The apparel sector in Sri Lanka is free of discrimination, sweatshop practices and child labour, and the guiding force behind this commitment to Ethical Business and Manufacturing is the home-grown "Garments Without Guilt" code that exceeds leading industry compliance standards.

Recently, concerns have been raised about the impact of potential loss of the GSP+ benefit, which provides duty concessions for Sri Lanka's apparel exports to EU. Apparel exports to the EU accounted for c. 30% of Sri Lanka's total apparel exports in 2020 and GSP+ provides apparel brands with a cost saving of up to 12% compared to sourcing from other locations without duty benefits. However, the Sri Lankan apparel sector's success is built on more than cost competitiveness, such as the factors mentioned above. Indeed, even though apparel is the main product category that benefits from GSP+, there was no major spike in exports to the EU between 2016 and 2019 following the reinstatement of GSP+ in May 2017. In addition, Sri Lanka's apparel exports to the US have continued to grow despite not having similar duty benefits to this market. As such, while it will affect some manufacturers significantly, the impact on the Sri Lankan apparel industry as a whole from the removal of GSP+ is likely to be subdued. It is also worth bearing in mind that Sri Lanka was already on course to lose the GSP+ benefit in the coming years due to its graduation to Upper-Middle Income status.

3.3.2 Kenya

Apparel production is the second biggest manufacturing activity in Kenya, providing a stable livelihood to approximately 200,000 households and generating over USD 300 Mn in export revenue. The US is the country's largest market, accounting for almost c. 91% of Kenya's apparel exports[20]. This is partially due to the duty-free access to the US market provided by AGOA, though Kenya also benefits from duty free access to the EU and UK markets.



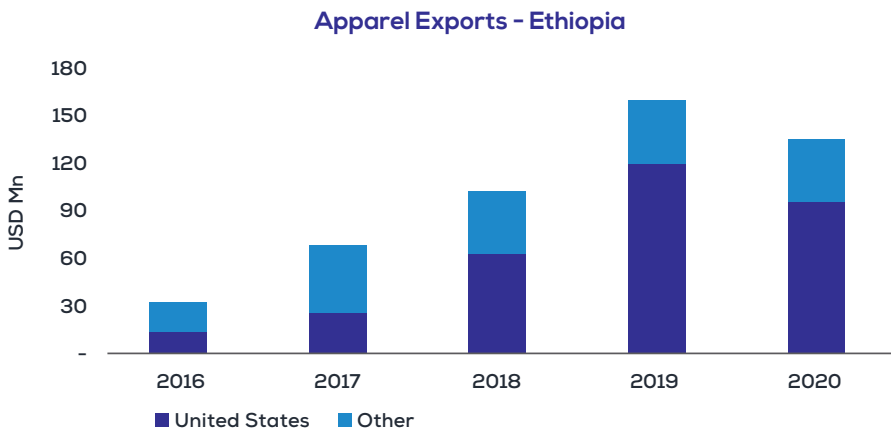
Source: UN Comtrade[21]

[20]https://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/PIGA/Kenya_CTA_4pager_20201102_web_pages.pdf, 24th November 2021
[21]https://comtrade.un.org/data/, 24th November 2021

In addition to duty benefits, Kenya's rapidly growing working-age population and reputation for political stability have made it an attractive location for apparel manufacturing. The Kenyan government is also keen to support the development of the sector to generate additional employment opportunities and offers a number of favourable incentives for investment through its network of Export Processing Zones and Special Economic Zones. Authorities are also prioritizing the development of the textile supply chain in the region as a means of generating greater value-added domestically.

3.3.3 Ethiopia

Apparel manufacturing is a relatively new industry to Ethiopia, but it has grown rapidly in recent years due to competitive labour rates, extensive duty-free benefits and strong government support. Ethiopia's apparel exports grew fivefold from just over USD 30 Mn in 2016 to over USD 150 Mn in 2019, before falling back slightly in 2020 due to the impact of the pandemic[22] . The US is the largest destination for Ethiopia's apparel exports, accounting for around 75% of shipments.



Source: UN Comtrade[23]

Ethiopia's large labour force and rapidly developing infrastructure have also helped to drive investor interest. In addition, it benefits from duty-free market access to the US via AGOA, as well as a number of other markets around the world, including the EU, UK, Australia, Japan & Canada. The Ethiopian government has high expectations on the prospects of the industry[24], and have shown support in the form of investment and tax incentives, as well as the construction of purpose-built industrial parks[25].

[22]https://comtrade.un.org/data/, 24th November 2021
[23]https://comtrade.un.org/data/, 24th November 2021
[24]MDS- The Global Fashion Business Journal
[25]Wazir Advisors – The Edge

4 Financial Forecasts and Assumptions

We have forecast the financial statements of Hela based on the audited accounts for the period ending 31st March 2021 while taking into consideration the actual results up to 30th September 2021. Key management inputs were also obtained in order to better understand the business operations of the Company. The forecasted financial performance considered the future outlook of the apparel sector in the post-COVID environment, which is illustrated in Section 3 – Industry Overview.

CT CLSA and CAL have established that the assumptions used in the forecasts and outlook given in this report are fair and reasonable to the best of our knowledge.

Both FY20 and FY21 performance of the Group were negatively impacted by the COVID-19 pandemic as a result of the company's key markets going into multiple lockdowns to curtail the spread of the virus, which affected consumer spending. However, Hela's robust and strategic customer relationships supported a rebound in demand across the second half of FY21. This has allowed the Company to add USD 4.6 Mn to its bottom-line and conclude the year with increased profitability.

The Company also incurred USD 1.3 Mn in additional costs as a result of the pandemic, such as increased spending on employee safety, which affected both FY21 and first quarter of FY22E profits. Despite these incremental expenses, Hela has achieved USD 7.7 Mn profits by the end of 30th September 2021 (TTM September 2021).

USD 000'	1Q FY21	2Q FY21	1Q FY22	2Q FY22	FY21	TTM September 2021
Revenue	21,383	41,730	57,406	74,558	171,101	239,952
Gross Profit	1,167	7,285	7,954	11,117	30,515	41,134
Operating Profit	(685)	2,776	2,030	3,930	10,429	14,299
Profit Before Tax	(1,860)	1,438	347	2,234	4,853	7,856
Profit for the Year	(1,926)	1,377	291	2,178	4,638	7,656
Gross Profit Margin	5.5%	17.5%	13.9%	14.9%	17.8%	17.1%
Operating Profit Margin	-3.2%	6.7%	3.5%	5.3%	6.1%	6.0%
Net Profit Margin	-9.0%	3.3%	0.5%	2.9%	2.7%	3.2%

4.1 FORECASTED STATEMENT OF FINANCIAL PERFORMANCE

Hela's current operations can be divided into four clusters based on their product focus and country of operation: (i) Intimates–Sri Lanka; (ii) Intimates–Ethiopia; (iii) Intimates–Kenya; and, (iv) Kidswear. Each cluster caters to different customer pillars as identified below:

- **North American Brands:** Established North American brands that have an extensive presence across multiple distribution channels;
- **Active Brands:** Sports and athleisure wear brands;
- **Lifestyle Brands:** Design-driven premium brands seeking to increase their market penetration;
- **Value Brands:** Mass-market brands focused on quality and price competitiveness.

The Company's product portfolio has also been diversifying in recent years and, due to the increased focus on Athleisure and Performance Wear within the Intimates cluster, Hela is in the process of establishing Activewear as a separate cluster from FY22. However, for the purposes of forecasting the financial performance of the Company, the Activewear cluster has been considered as part of Intimates-Sri Lanka and Intimates-Kenya. In addition to the four main operational clusters, Hela also has two joint venture partnerships in Africa which provide Hela with access to one of the largest bra manufacturing facilities in East Africa (through Sumbiri Intimate Apparel PLC) and the Medical Wear product category (through Safeguard Workwear EPZ Limited).

The statement of financial performance of the Hela Group has been forecasted based on each of the four clusters up to gross profit level, and the remaining line items have been forecasted at a group level. The two joint venture partnerships have been forecasted separately and the share of profits from the joint venture partnerships have been included in the Hela Group's final Forecasted Statement of Financial Performance as illustrated below.

We have used following key metrics which are widely used in the apparel sector in carrying out our valuation:

Total Standard Hours: The total amount of work achievable, at the expected level of efficiency, in a financial year.

Efficiency: Efficiency is calculated using the following formula.

$$\text{Efficiency} = \frac{\text{Standard Hours}}{\text{Clocked Hours}}$$

Clocked Hours: The total number of hours spent by available direct workers during the year.

Revenue Per Minute: Revenue per minute is calculated as follows,

$$\text{Revenue per minute} = \frac{\text{Total Revenue Earned by the Segment}}{\text{Standard Hours} \times 60}$$

4 Financial Forecasts and Assumptions

Hela Group

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**183,502**	**171,101**	**269,997**	**283,373**	**308,323**	**342,437**	**362,800**
Cost of Sales	(153,331)	(140,586)	(229,373)	(235,639)	(256,326)	(284,344)	(301,211)
Gross Profit	**30,171**	**30,515**	**40,624**	**47,735**	**51,997**	**58,093**	**61,589**
Distribution Costs	(3,297)	(3,185)	(5,020)	(5,179)	(5,634)	(6,258)	(6,630)
Administration Expenses	(17,052)	(18,738)	(21,290)	(22,814)	(23,149)	(24,051)	(25,311)
Other Income	797	1,399	511	536	583	648	687
Other gains/(losses) - net	477	439	692	727	791	878	930
Operating Profit	**11,096**	**10,429**	**15,518**	**21,005**	**24,588**	**29,310**	**31,265**
Finance Income	59	54	130	251	296	384	482
Finance Cost	(6,582)	(5,630)	(6,920)	(7,103)	(7,160)	(7,500)	(7,759)
Profit/(Loss) Before Tax	**4,573**	**4,853**	**8,727**	**14,153**	**17,724**	**22,194**	**23,988**
Share of Profit from JV	-	-	(146)	512	1,170	1,632	1,812
Net Profit/(Loss) Before Tax	**4,573**	**4,853**	**8,582**	**14,665**	**18,894**	**23,826**	**25,800**
Income Tax Expense	(289)	(215)	(480)	(1,376)	(1,724)	(2,158)	(2,333)
Profit for the Year	**4,284**	**4,638**	**8,102**	**13,289**	**17,170**	**21,668**	**23,467**
Profit attributable to:							
Owners of Hela	4,491	4,081	7,697	13,289	17,170	21,668	23,467
Non-Controlling Interests	(207)	557	405	-	-	-	-
Profit for the Year	**4,284**	**4,638**	**8,102**	**13,289**	**17,170**	**21,668**	**23,467**

Joint Venture - Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**3,633**	**4,158**	**4,644**	**5,140**	**6,026**
Cost of Sales	(3,359)	(3,177)	(3,408)	(3,593)	(4,244)
Gross Profit	**274**	**982**	**1,237**	**1,546**	**1,782**
Administration Expenses	(586)	(656)	(731)	(812)	(893)
Other Income	3	4	4	5	6
Operating Profit	**(308)**	**329**	**510**	**739**	**895**
Finance Income	-	-	-	-	-
Finance Cost	-	-	-	-	-
Profit/(Loss) Before Tax	**(308)**	**329**	**510**	**739**	**895**
Income Tax Expense	-	-	-	-	-
Profit for the Year	**(308)**	**329**	**510**	**739**	**895**

Joint Venture – Safeguard Workwear EPZ Limited

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**896**	**3,974**	**8,158**	**10,459**	**10,720**
Cost of Sales	(787)	(2,725)	(5,277)	(6,613)	(6,646)
Gross Profit	**109**	**1,249**	**2,881**	**3,846**	**4,074**
Distribution Costs	(136)	(477)	(979)	(1,255)	(1,286)
Administration Expenses	(26)	(36)	(38)	(40)	(42)
Other Income	-	-	-	-	-
Operating Profit	**(53)**	**736**	**1,864**	**2,551**	**2,745**
Finance Income	-	-	-	-	-
Finance Cost	(20)	(41)	(34)	(26)	(17)
Profit/(Loss) Before Tax	**(73)**	**695**	**1,830**	**2,525**	**2,728**
Income Tax Expense	-	-	-	-	-
Profit for the Year	**(73)**	**695**	**1,830**	**2,525**	**2,728**

4 Financial Forecasts and Assumptions

4.2 FORECASTED STATEMENT OF FINANCIAL POSITION

Hela Group

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Assets							
Non-Current Assets							
Property, Plant and Equipment	19,529	17,890	19,170	21,033	22,535	22,489	22,638
Investment Property	1,660	1,712	1,712	1,712	1,712	1,712	1,712
Right-of-use-assets	2,050	2,827	2,827	2,827	2,827	2,827	2,827
Intangible assets	37,028	36,533	38,522	38,623	37,923	37,457	37,146
Capital work-in-progress	432	213	213	213	213	213	213
Investment in JV	-	-	2,504	3,017	4,187	5,819	7,630
Deferred tax assets	1,590	1,459	1,459	1,459	1,459	1,459	1,459
Other financial assets	1	0	0	0	0	0	0
	62,290	**60,634**	**66,407**	**68,883**	**70,856**	**71,976**	**73,625**
Current Assets							
Inventories	20,323	27,397	42,732	38,735	42,136	46,741	49,514
Trade and other receivables	25,806	26,569	40,315	38,818	42,236	46,909	49,699
Other financial assets at amortised cost	8,474	4,582	7,493	7,860	8,544	9,478	10,036
Other assets	-	5,199	7,397	7,764	8,447	9,382	9,940
Income tax receivables	83	32	32	32	32	32	32
Cash and cash equivalents	9,924	9,528	14,935	16,249	24,535	34,803	45,095
	64,609	**73,307**	**112,904**	**109,458**	**125,930**	**147,345**	**164,315**
Total Assets	**126,899**	**133,941**	**179,311**	**178,341**	**196,786**	**219,321**	**237,940**
Equity							
Stated Capital	9,661	9,661	29,661	29,661	29,661	29,661	29,661
Revaluation reserve	(6)	20	20	20	20	20	20
Share based payment reserve	-	438	438	438	438	438	438
Currency translation reserve	996	963	963	963	963	963	963
Accumulated reserve	3,028	6,917	11,699	20,558	32,005	46,450	62,094
Other Reserves	-	-	-	-	-	-	-
NCI	1,364	1,945	-	-	-	-	-
Total Equity	**15,042**	**19,944**	**42,781**	**51,640**	**63,087**	**77,532**	**93,176**
Non-Current Liabilities							
Borrowings	12,325	11,506	11,547	13,884	12,088	7,902	6,898
Deferred Income Tax Liabilities	2,076	1,796	1,796	1,796	1,796	1,796	1,796
Lease Liabilities	570	2,756	2,756	2,756	2,756	2,756	2,756
Employee Benefit Obligations	1,801	2,195	2,622	3,039	3,475	3,949	4,426
	16,772	**18,253**	**18,721**	**21,475**	**20,115**	**16,404**	**15,876**
Current Liabilities							
Trade and other payables	23,691	30,699	40,999	41,769	44,735	48,849	51,456
Income tax liabilities	-	8	8	8	8	8	8
Lease Liabilities	1,671	371	371	371	371	371	371
Borrowings	69,723	64,665	76,430	63,077	68,470	76,156	77,053
	95,085	**95,744**	**117,809**	**105,226**	**113,584**	**125,385**	**128,888**
Total Equity & Liabilities	**126,899**	**133,941**	**179,311**	**178,341**	**196,786**	**219,321**	**237,940**

The stated capital in the Forecasted Statement of Financial Position has increased from FY21 to FY22 by USD 20 Mn due to the proceeds amounting to USD 20 Mn expected to be raised via the Initial Public Offering.

Joint Venture - Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Assets					
Non-Current Assets					
Property Plant and Equipment	2,378	2,278	2,183	2,091	2,003
	2,378	**2,278**	**2,183**	**2,091**	**2,003**
Current Assets					
Inventory	64	61	65	69	81
Trade Receivables	149	171	191	211	248
Cash and Cash Equivalents	384	438	488	1,053	2,013
	598	**670**	**745**	**1,333**	**2,342**
Total Assets	**2,976**	**2,948**	**2,927**	**3,424**	**4,346**
Equity					
Ordinary Shares	5,235	5,235	5,235	5,235	5,235
Retained Earnings	(3,537)	(3,208)	(2,698)	(1,959)	(1,064)
Total Equity	**1,698**	**2,027**	**2,537**	**3,276**	**4,171**
Non-Current Liabilities					
Long Term Loan	790	250	-	-	-
	790	**250**	**-**	**-**	**-**
Current Liabilities					
Trade Payables	138	131	140	148	174
Related Party Payables	-	-	-	-	-
Other Current Liabilities	350	540	250	-	-
	488	**671**	**390**	**148**	**174**
Total Equity & Liabilities	**2,976**	**2,948**	**2,927**	**3,424**	**4,345**

4 Financial Forecasts and Assumptions

Joint Venture - Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Assets					
Non-Current Assets					
Property, Plant & Equipment	576	537	654	697	672
	576	**537**	**654**	**697**	**672**
Current Assets					
Inventory	132	262	539	690	708
Trade Receivables	179	353	702	894	915
Cash & Cash Equivalents	253	614	1,630	3,686	6,305
	563	**1,229**	**2,871**	**5,270**	**7,928**
Total Assets	**1,140**	**1,766**	**3,525**	**5,967**	**8,600**
Equity					
Ordinary Shares	800	800	800	800	800
Retained Earnings	(73)	622	2,453	4,978	7,706
Total Equity	**727**	**1,422**	**3,253**	**5,778**	**8,506**
Non-Current Liabilities					
Borrowings	336	257	171	76	76
	336	**257**	**171**	**76**	**76**
Current Liabilities					
Trade Payable	5	8	15	18	18
Borrowings	72	79	87	95	-
	76	**86**	**101**	**114**	**18**
Total Equity & Liabilities	**1,140**	**1,766**	**3,525**	**5,967**	**8,600**

4.3 REVENUE FORECASTS AND ASSUMPTIONS

Total Group Revenue

The Hela Group recorded revenue of USD 171 Mn in FY21, a decline of c. 6.8% on the previous year, primarily reflecting the impact of the COVID-19 pandemic. In particular, the company's factories in Sri Lanka were shut down for a large part of April 2020 and operating at reduced capacity in the subsequent months as a result of reduced consumer demand, which had a significant impact on revenue generation during this period. Nonetheless, Hela's robust and strategic customer relationships supported a rebound in demand across the second half of the financial year. This allowed the company to add USD 4.6 Mn to its bottom-line in FY21 and conclude the financial year with increased profitability.

Continuing its strong performance in the second half of FY21, Hela has been able to secure its order pipeline up to December 2021, with USD 199 Mn worth of orders, and the Group is on course to record USD 270 Mn in top-line for FY22E. Total revenue of the Group is expected to grow at a 5-year CAGR of c. 7.7% during the forecast period.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Intimates							
Sri Lanka	72,421	54,387	77,766	79,069	92,716	111,472	116,340
Ethiopia	12,425	13,514	22,004	22,796	23,572	24,321	25,286
Kenya	60,420	60,393	113,756	118,026	123,523	132,201	142,139
Total Intimates	**145,267**	**128,293**	**213,526**	**219,891**	**239,811**	**267,993**	**283,765**
Kids wear	**37,715**	**41,546**	**53,532**	**56,352**	**58,461**	**60,606**	**62,789**
Sumbiri	**-**	**-**	**2,939**	**7,130**	**10,051**	**13,838**	**16,246**
Local Sales	**520**	**1,262**	**-**	**-**	**-**	**-**	**-**
Total Revenue	**183,502**	**171,101**	**269,997**	**283,373**	**308,323**	**342,437**	**362,800**

We have considered the growth in revenue for each cluster based on management expectations while taking into consideration the actual results up to 30th September 2021 when forecasting the Group's revenue.

Intimates – Sri Lanka

The Sri Lankan Intimates cluster manufactures under North American, Lifestyle, Active and Value brands. With the required labour growth and efficiency ramp up within the forecast period, the total available standard hours are expected to grow at CAGR of c. 9.3% from FY22E (this includes an expected absenteeism and labour turnover rate of 7.0%). Overall, revenue is expected to grow at a slightly faster CAGR of c. 10.6% from FY22E, which is primarily attributed to the shift in focus to high end and more complex products with higher revenue and earnings per minute. In particular, Value brands are expected to be discontinued in Sri Lanka due to the increased focus on Active brands and would be transferred to Kenya from FY22E.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
North American Brands	43,161	28,486	41,918	40,832	42,959	45,884	47,890
Active Brands	-	860	3,904	6,488	14,609	24,955	26,046
Lifestyle Brands	27,413	23,793	31,177	31,750	35,147	40,633	42,405
Value Brands	1,288	1,248	768	-	-	-	-
Others	560	-	-	-	-	-	-
Total Revenue	**72,421**	**54,387**	**77,766**	**79,069**	**92,716**	**111,472**	**116,340**

Number of direct workers: Implementation of double shifts in the Sri Lankan Intimates factories will require an increase in the employee headcount by 920 in FY22E and thereafter it is forecast to grow at c. 11.0% and c. 15.0% respectively in FY24E and FY25E due to the expansion of orders from existing customers and new Active brands that are expected to be added to customer portfolio from FY23E.

Efficiency Rate: The expansion of the Activewear customer portfolio would reduce the efficiency rate to 54.0% in FY22E due to the more complex nature of the products (vs. c. 55.0% in FY21). Efficiency is gradually expected to improve thereafter, from c. 54.0% in FY22E to c. 59.5% in FY26E, due to the development of skills and experience in these product categories over time.

4 Financial Forecasts and Assumptions

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	3,502	2,628	3,548	3,572	3,965	4,560	4,605
YoY Growth	-3.7%	-25.0%	35.0%	0.7%	11.0%	15.0%	1.0%
Efficiency	48.0%	55.0%	54.0%	54.0%	56.0%	57.5%	59.5%
Internal Standard Hours (000')	3,025	2,602	3,261	3,283	3,779	4,462	4,664
External Subcontract Hours (000')	89	138	172	173	199	237	241
Total Standard Hours (000')	**3,114**	**2,739**	**3,432**	**3,456**	**3,978**	**4,699**	**4,905**

Revenue Per Minute: The change in customer mix between North American, Lifestyle and Value brands and addition of active brands will grow overall revenue per minute by c. 14.1% YoY in FY22E and it is expected to gradually increase within the range of c. 1.0% to c. 1.9% during the remainder of the forecast period as a result of allocating more standard hours to high end customers. Brand-wise Revenue Per Minute is expected to remain constant from FY22E during the forecast period.

USD	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue Per Minute							
North American Brands	0.41	0.32	0.35	0.35	0.35	0.35	0.35
Active Brands	-	0.42	0.48	0.48	0.48	0.48	0.48
Lifestyle Brands	0.36	0.35	0.42	0.42	0.42	0.42	0.42
Value Brands	0.30	0.27	0.34	-	-	-	-
Others	0.28	-	-	-	-	-	-

Intimates – Ethiopia

The Ethiopian Intimates cluster manufactures undergarments for customers under the North American Brands cluster and currently operates on a double shift. With labour growth in FY22E and an efficiency ramp up within the forecast period, the total available standard hours are expected to grow at a CAGR of c. 3.5% from FY22E (this includes an expected absenteeism and labour turnover rate of 10.0%). Overall, revenue is expected to grow at a CAGR of c. 3.5% from FY22E. This is mainly due to changes in the customer mix with the inclusion of a higher revenue brands coupled with the expected improvements in efficiency.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
North American Brands	12,425	13,514	22,004	22,796	23,572	24,321	25,286
Total Revenue	**12,425**	**13,514**	**20,954**	**22,796**	**23,572**	**24,321**	**25,286**

Number of direct workers: Expected to grow c. 48.3% YoY in FY22E to 1,779 and remain at same level for the forecast period due to the existing manufacturing facility reaching full capacity.

Efficiency Rate: The three-year historic average of c. 49.0% is expected to ramp up to a range of 57.0% - 65.5% in the forecast period as employees become more efficient as a result of accumulated experience in the production of basic undergarments over multiple years.

Revenue Per Minute: Expected to grow by c. 4.9% YoY in FY22E and remain constant in the forecast period. The increase in FY22E is due to the addition of a new customer with higher revenue per minute relative to existing customers in the Ethiopian customer portfolio.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	1,132	1,200	1,779	1,779	1,779	1,779	1,779
YoY Growth	16.1%	6.0%	48.3%	0.0%	0.0%	0.0%	0.0%
Efficiency	46.0%	49.0%	57.0%	59.1%	61.1%	63.0%	65.5%
Internal Standard Hours (000')	1,101	1,243	1,930	2,000	2,068	2,133	2,218
Total Standard Hours (000')	**1,101**	**1,243**	**1,930**	**2,000**	**2,068**	**2,133**	**2,218**
Revenue Per Minute							
North American Brands (USD)	0.19	0.18	0.19	0.19	0.19	0.19	0.19

Intimates – Kenya

The Kenyan Intimates cluster manufactures clothing for the North American, Lifestyle, Active and Value brands and currently operates on a double shift. Given the required labour growth in the forecast period and an expected ramp up in efficiency, the total available standard hours are expected to grow at a CAGR of c. 5.9% from FY22E (this includes an absenteeism and labour turnover rate of 10.0%). Overall, revenue is expected to grow at a CAGR of c. 5.7% from FY22E. This is mainly attributable to the increased focus on Active brands while expanding the existing portfolio. Value brands are expected to decline by c. 78.0% as a result of discontinuation of an existing brand under this segment in the first half of FY22E. However, Kenya is expected to fulfil the demand of Value brands which were supplied through the Sri Lankan cluster starting from FY23E.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
North American Brands	35,174	28,571	62,020	54,440	56,849	60,068	64,584
Active Brands	-	-	32,713	42,635	43,952	45,772	49,213
Lifestyle Brands	224	4,053	13,640	11,168	12,078	13,544	14,562
Value Brands	24,849	24,457	5,383	9,782	10,644	12,817	13,780
Others	173	3,312	-	-	-	-	-
Total Revenue	**60,420**	**60,393**	**113,756**	**118,026**	**123,523**	**132,201**	**142,139**

Number of direct workers: Kenya's direct cadre is expected to increase by c. 41.0% in FY22E and rise gradually thereafter across the forecast period. The inclusion of Activewear in the existing production portfolio is one of the major drivers of the growth in direct workers.

Efficiency Rate: Following the change in customer/product mix and the addition of Activewear under the Kenyan cluster, the efficiency rate is expected to improve from c. 54.5% in FY22E to c. 59.5% in FY26E due to the accumulated experience of the factory workers over this period.

4 Financial Forecasts and Assumptions

Subcontract Hours: c. 19.5% of total standard hours for the cluster were subcontracted in FY21. Subcontracted hours are expected to increase to 37.5% in FY22E as an increased portion of orders from a major customer would be subcontracted, and will increase to 40.1% from FY23E onwards as the full order book from the same customer is expected to be subcontracted. This reflects the intention to specialize the Kenyan production facility in the manufacture of men's boxers and thereby achieve higher overall efficiency.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	2,970	2,724	3,841	3,863	3,901	4,190	4,316
YoY Growth	-7.5%	-8.3%	41.0%	0.6%	1.0%	7.4%	3.0%
Efficiency	56.0%	51.0%	54.5%	54.5%	56.0%	57.0%	59.5%
Internal Standard Hours (000')	3,143	2,625	3,561	3,581	3,716	4,063	4,368
External Subcontract Hours (000')	321	634	2,136	2,400	2,535	2,614	2,811
Total Standard Hours (000')	**3,464**	**3,259**	**5,697**	**5,981**	**6,251**	**6,677**	**7,179**

Revenue Per Minute – Changes in customer mix between North American, Lifestyle and Value brands, as well as the addition of Activewear, will grow overall revenue per minute by c. 7.8% YoY in FY22E and it is expected to remain stable thereafter.

USD	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue Per Minute							
North American Brands	0.33	0.35	0.35	0.35	0.35	0.35	0.35
Active Brands	-	-	0.29	0.29	0.29	0.29	0.29
Lifestyle Brands	0.36	0.40	0.41	0.41	0.41	0.41	0.41
Value Brands	0.25	0.27	0.29	0.33	0.33	0.33	0.33
Others	0.28	0.27	-	-	-	-	-

Kidswear

The Kidswear cluster manufactures apparel primarily for European customers. Given its expected labour growth in FY22E & FY23E and an efficiency ramp up in the forecast period, the total available standard hours are expected to grow at a CAGR of c. 4.1% from FY22E to FY26E (this includes an absenteeism and labour turnover rate of 7.0%). Overall, revenue is expected to grow at a CAGR of c. 4.1% from FY22E to FY26E as demand from the key customers of the Kidwear cluster remains stable and it reaches maturity.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
European Brands	37,715	41,546	53,532	56,352	58,461	60,606	62,789
Total Revenue	**37,715**	**41,546**	**53,532**	**56,352**	**58,461**	**60,606**	**62,789**

Number of direct workers: Expected to grow at c. 25.0% and c. 6.5% YoY in FY22E and FY23E respectively, due to an increase in demand for labour in expectation of the expected growth in orders. Hela is also expected to switch into a double shift operation in its Thihariya factory in order to accommodate the increase in labour requirement.

Efficiency Rate: Due to the introduction of new customers with less complicated designs, the efficiency rate is expected to ramp up gradually to c. 68.5% in FY22E and employee training & development would result in a further increase in the efficiency rate. As a result, the efficiency rate is expected to reach c. 75.0% in FY26E (vs. three-year historical average of c. 64.3%).

Revenue Per Minute: The Kidswear cluster had recorded steady sales, with revenue growing by c. 10.2% in FY21. Despite a slight reduction in revenue per minute in FY21, the Kidswear cluster has been able to maintain the same gross profit margin levels through production excellence. Therefore, we have assumed the revenue per minute achieved in FY21 will remain constant with Hela focusing more on maintaining similar gross profit margins over the forecast period.

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity							
Total No. of Direct Workers	1,494	1,934	2,418	2,576	2,601	2,627	2,654
YoY Growth	6.9%	29.5%	25.0%	6.5%	1.0%	1.0%	1.0%
Efficiency	61.0%	63.0%	68.5%	69.0%	71.0%	73.0%	75.0%
Internal Standard Hours (000')	1,640	2,194	2,818	3,024	3,143	3,264	3,387
External Subcontract Hours (000')	104	138	197	150	150	150	150
Total Standard Hours (000')	**1,744**	**2,331**	**3,016**	**3,174**	**3,293**	**3,414**	**3,537**
Revenue Per Minute							
European Brands (USD)	0.36	0.30	0.30	0.30	0.30	0.30	0.30

Joint Venture - Sumbiri Intimate Apparel PLC

The revenue of Sumbiri Intimate Apparel PLC is based on a Cut and Make ("CM") model where only the manufacturing costs will be accounted for under Sumbiri's revenue and the total revenue from sales to customers will be accounted by the joint venture partners (Grand Asia Intertrade Pte. Ltd, Sumber Bitang Rejeki and Hela Investment Holdings Ltd) based on the customers each firm brings in. The revenue transferred to Sumbiri is based on an agreed formula to ensure transparency among the JV partners.

Number of direct workers: Expected to grow at c. 8.9% on average throughout the forecast period as the factory has sufficient available capacity for expansion.

Efficiency Rate: Efficiency is expected to be lower compared to other clusters at c. 31.0% up to FY25E as Sumbiri produces relatively complex bras. However, with the familiarity gained amongst the workers in this product type, it is expected that efficiency will improve to c. 33.0% in FY26E.

4 Financial Forecasts and Assumptions

Revenue Per Minute: Revenue per minute is expected to be 0.35 in FY22E and grow by c. 3.2% in FY23E due to a change in the customer profile as Hela is expected to add more customers to the existing portfolio of Sumbiri going forward.

	FY22E	FY23E	FY24E	FY25E	FY26E
Total Capacity					
Total No. of Direct Workers	931	992	1,078	1,187	1,307
YoY Growth		6.5%	8.7%	10.1%	10.1%
Efficiency	30.0%	31.0%	31.0%	31.0%	33.0%
Internal Standard Hours (000')	583	641	697	768	900
Total Standard Hours (000')	**583**	**641**	**697**	**768**	**900**
Revenue Per Minute (USD)	**0.35**	**0.36**	**0.36**	**0.36**	**0.36**

We estimate CM revenue to range between c. 30.2% to c. 30.8% from FY22E to FY26E.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
FOB Revenue	12,109	13,764	15,140	16,676	19,553
CM Sale % of FOB Sale	30.0%	30.2%	30.7%	30.8%	30.8%
Revenue - CM Sale	**3,633**	**4,158**	**4,644**	**5,140**	**6,026**

Joint Venture – Safeguard Workwear EPZ Limited

Safeguard Workwear EPZ Limited is a joint venture entered in FY22 between the Hela Group and East African Combined Pharmaceutical Centre Limited, a subsidiary of IPS Kenya and the infrastructure and industrial development arm of the Aga Khan Fund for Economic Development (AKFED). This company focuses on the production of medical personal protective equipment (PPE) and other forms of medial wear. Production under Safeguard is more machine-driven than typical apparel manufacturing and, hence, production is limited to the number of machines available in the plant.

Demand for medical PPE is currently being driven by ongoing impact of the COVID-19 pandemic. However, Hela's medium-term objective is to fulfil the demand for protective wear by supplying to hospitals, pharmacies and medical universities in the African region and beyond. This includes sales to the Aga Khan University Hospitals affiliated to AKFED. Revenue per piece is marked at USD 1.27 and it is expected to remain constant during the forecast period.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Revenue	**896**	**3,974**	**8,158**	**10,459**	**10,720**
No. of pieces ('000)	706	3,129	6,424	8,235	8,441
Revenue Per piece (USD)	1.27	1.27	1.27	1.27	1.27

4.4 COST OF SALES FORECASTS AND ASSUMPTIONS

The cost of sales of the Group was forecast separately for each operational cluster and mainly comprises of raw material cost, labour cost, subcontract cost and production overheads. Cost of sales of the Group is expected to grow at a 5-year CAGR of c. 7.0% during the forecast period.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Intimates							
Sri Lanka	57,403	42,665	62,431	61,876	72,304	86,668	90,240
As a % of Sales	79.3%	78.4%	80.3%	78.3%	78.0%	77.7%	77.6%
Ethiopia	9,515	10,425	16,076	16,785	17,485	18,113	18,793
As a % of Sales	76.6%	77.1%	73.1%	73.6%	74.2%	74.5%	74.3%
Kenya	54,406	52,558	102,846	102,838	107,876	115,517	124,018
As a % of Sales	90.0%	87.0%	90.4%	87.1%	87.3%	87.4%	87.3%
Total Intimates	**121,323**	**105,648**	**181,353**	**181,499**	**197,666**	**220,298**	**233,052**
As a % of Sales	83.5%	82.3%	84.9%	82.5%	82.4%	82.2%	82.1%
Kids wear	**32,007**	**34,938**	**45,144**	**47,145**	**48,815**	**50,466**	**52,216**
As a % of Sales	84.9%	84.1%	84.3%	83.7%	83.5%	83.3%	83.2%
Sumbiri	**-**	**-**	**2,877**	**6,995**	**9,846**	**13,580**	**15,943**
As a % of Sales			97.9%	98.1%	98.0%	98.1%	98.1%
Total COS	**153,331**	**140,586**	**229,373**	**235,639**	**256,326**	**284,344**	**301,211**

We have considered both management input and the performance of each operational cluster within the Hela group in arriving at cost of sales assumptions.

4 Financial Forecasts and Assumptions

Intimates – Sri Lanka

Raw Material Cost: Active brands entail higher raw material cost relative to other brands. Thus, total raw material cost is forecast to be higher compared to historical financial years.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost							
North American Brands	21,167	14,682	22,635	21,232	22,339	23,860	24,903
As a % of Sales	49.0%	51.5%	54.0%	52.0%	52.0%	52.0%	52.0%
Active Brands	-	504	2,401	3,893	8,766	14,973	15,627
As a % of Sales		58.6%	61.5%	60.0%	60.0%	60.0%	60.0%
Lifestyle Brands	14,351	12,603	17,147	17,145	18,979	21,942	22,898
As a % of Sales	52.3%	53.0%	55.0%	54.0%	54.0%	54.0%	54.0%
Value Brands	842	773	484	-	-	-	-
As a % of Sales	65.4%	61.9%	63.0%				
Others	337	-	-	-	-	-	-
As a % of Sales	60.3%						
Total Direct Material Cost	**36,696**	**28,562**	**42,667**	**42,270**	**50,084**	**60,774**	**63,429**
Import Logistics Cost	**1,293**	**799**	**1,944**	**1,265**	**1,483**	**1,784**	**1,861**
As a % of Sales	1.8%	1.5%	2.5%	1.6%	1.6%	1.6%	1.6%
Total Raw Material Cost	**37,989**	**29,361**	**44,611**	**43,535**	**51,567**	**62,558**	**65,290**
As a % of Sales	**52.5%**	**54.0%**	**57.4%**	**55.1%**	**55.6%**	**56.1%**	**56.1%**

Annual Salary Increment: Considering the expected depreciation in the LKR against the USD, the salary cost per direct and indirect worker is expected to grow at c. 4.0% YoY in USD terms during the forecast period. We assume the indirect to direct worker ratio will reduce from 0.33 in FY22E to 0.30 in FY26E due to automation initiatives expected to be undertaken by Hela.

Production Overheads: Production overheads, which have averaged c. 7.6% of sales over the past three years, are expected to reduce to c. 3.9% by FY26E due to a gradual reduction in machine rent cost with the installation of additional machinery and lower fixed cost absorption relative to higher revenue growth.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Labour Cost							
Direct Labour Cost	**7,881**	**5,996**	**8,418**	**8,815**	**10,176**	**12,170**	**12,783**
No. of Direct Workers	3,502	2,628	3,548	3,572	3,965	4,560	4,605
Salary Per Worker (USD)	2,251	2,281	2,373	2,468	2,566	2,669	2,776
Annual Increment Rate	4.0%	1.4%	4.0%	4.0%	4.0%	4.0%	4.0%
Indirect Labour Cost	**5,190**	**3,346**	**4,698**	**4,919**	**5,483**	**6,353**	**6,458**
No. of Indirect Workers	930	871	1,176	1,184	1,269	1,414	1,382
Indirect : Direct Workers	0.27	0.33	0.33	0.33	0.32	0.31	0.30
Salary Per Worker (USD)	5,581	3,842	3,995	4,155	4,321	4,494	4,674
Annual Increment Rate	0.0%	-31.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Labour Cost	**13,072**	**9,342**	**13,116**	**13,734**	**15,658**	**18,523**	**19,241**
As a % of Sales	**18.0%**	**17.2%**	**16.9%**	**17.4%**	**16.9%**	**16.6%**	**16.5%**
Other Production Cost							
Production Overheads	**5,933**	**3,355**	**3,880**	**3,778**	**4,124**	**4,448**	**4,551**
As a % of Sales	8.2%	6.2%	5.0%	4.8%	4.4%	4.0%	3.9%
Subcontract Cost	**409**	**608**	**824**	**829**	**955**	**1,139**	**1,159**
Total Other Production Cost	**6,342**	**3,963**	**4,704**	**4,607**	**8.5,078**	**5,587**	**5,709**
As a % of Sales	**8.8%**	**7.3%**	**6.0%**	**5.8%**	**5.5%**	**5.0%**	**4.9%**

Changes in the customer mix, improvements in efficiency rates, reduction of indirect workers through the installation of auto-cutter machines and other automation initiatives would facilitate an improvement in GP by 50bps to an average of c. 21.6% in the forecast period (vs. the two-year historical average of 21.1%).

Intimates – Ethiopia

Raw Material Cost: Raw material cost is expected to decline marginally to an average of c. 52.2% of sales in the forecast period compared to the three-year average of c. 53.3%. This is due to a reduction in wastage of raw materials via gained experience in production.

Annual Salary Increment: Production incentives and additional costs due to double shifting are expected to result in a significant rise in labour cost in FY22E, with a steady increase of c. 9.0% thereafter. Despite a constant direct workers count; we have assumed a gradual reduction in indirect workers due to automation initiatives. Thus, the indirect to direct worker ratio is expected to reduce from 0.39 in FY22E to 0.30 in FY26E.

Production Overheads: Production overheads have been equivalent to c. 8.1% of sales during the past three years and are expected to be around 6.0% during the forecast period due to installation of additional machines, which eliminates the machine rent cost of USD 232,790.

4 Financial Forecasts and Assumptions

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost	**5,868**	**6,528**	**9,902**	**10,692**	**11,055**	**11,406**	**11,859**
As a % of Sales	47.2%	48.3%	45.0%	46.9%	46.9%	46.9%	46.9%
Import Logistics Cost	**690**	**751**	**1,540**	**1,231**	**1,273**	**1,313**	**1,365**
As a % of Sales	5.6%	5.6%	7.0%	5.4%	5.4%	5.4%	5.4%
Total Raw Material Cost	**6,558**	**7,278**	**11,442**	**11,923**	**12,328**	**12,720**	**13,224**
As a % of Sales	**52.8%**	**53.9%**	**52.0%**	**52.3%**	**52.3%**	**52.3%**	**52.3%**
Direct Labour Cost	**734**	**679**	**1,258**	**1,371**	**1,495**	**1,629**	**1,776**
No. of Direct Workers	1,132	1,200	1,779	1,779	1,779	1,779	1,779
Salary Per Worker (USD)	649	566	707	771	840	916	998
Annual Increment Rate	135.3%	-12.8%	25.0%	9.0%	9.0%	9.0%	9.0%
Indirect Labour Cost	**1,415**	**1,303**	**2,054**	**2,124**	**2,250**	**2,313**	**2,292**
No. of Indirect Workers	363	550	694	658	623	587	534
Indirect : Direct Workers	0.32	0.46	0.39	0.37	0.35	0.33	0.30
Salary Per Worker (USD)	3,898	2,369	2,961	3,227	3,614	3,940	4,294
Annual Increment Rate	39.6%	51.5%	25.0%	9.0%	12.0%	9.0%	9.0%
Total Labour Cost	**2,149**	**1,982**	**3,312**	**3,496**	**3,745**	**3,942**	**4,068**
As a % of Sales	**17.3%**	**14.7%**	**15.1%**	**15.3%**	**15.9%**	**16.2%**	**16.1%**
Total Other Production Cost	**807**	**1,165**	**1,321**	**1,367**	**1,412**	**1,451**	**1,501**
As a % of Sales	**6.5%**	**8.6%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**5.9%**

Changes in the customer mix, improvement in the efficiency rate, reduction of indirect workers with auto-cutter machines and zero machine rent cost will facilitate an improvement in the GP by 294bps to an average of 26.1% in the forecast period.

Intimates – Kenya

Raw Material Cost: While a change in specific customer mix is expected to lead to a drop in raw material costs for Lifestyle brands, overall raw material costs are expected to average around c. 60.2% of sales in the forecast period due to the addition of Active brands. Similarly, a decrease in the raw material cost of Value brands is expected as the customers transferred to the Kenyan cluster from Sri Lankan Intimates cluster have relatively low costs compared to brands catered through the Kenyan cluster in the past.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost							
North American Brands	15,966	19,212	15,657	35,972	30,370	31,725	33,535
As a % of Sales	52.7%	54.6%	54.8%	58.0%	55.8%	55.8%	55.8%
Active Brands	-	-	-	19,628	24,461	25,216	26,261
As a % of Sales				60.0%	57.4%	57.4%	57.4%
Lifestyle Brands	189	127	2,372	8,184	6,361	6,886	7,722
As a % of Sales	57.4%	56.4%	58.5%	60.0%	57.0%	57.0%	57.0%
Value Brands	15,152	14,976	15,545	3,499	6,016	6,546	7,882
As a % of Sales	61.5%	60.3%	63.6%	65.0%	61.5%	61.5%	61.5%
Others	457	106	2,147	-	-	-	-
As a % of Sales	30.2%	125.5%	6.6%				
Direct Material Cost	**31,763**	**34,421**	**35,721**	**67,282**	**67,208**	**70,374**	**75,400**
Import Logistics Cost	**1,560**	**1,820**	**292**	**4,436**	**2,951**	**3,088**	**3,305**
As a % of Sales	2.8%	3.0%	0.5%	3.9%	2.5%	2.5%	2.5%
Total Raw Material Cost	**33,323**	**36,241**	**36,013**	**71,719**	**70,158**	**73,462**	**78,705**
As a % of Sales	**60.0%**	**59.6%**	**63.0%**	**59.4%**	**59.5%**	**59.5%**	**59.5%**

Annual Salary Increment: Salary per direct and indirect worker is expected to grow at 5.0% YoY in the forecast period. The indirect to direct worker ratio is expected to reduce from 0.30 in FY22E and stabilize to 0.26 from FY23E onwards due to automation initiatives expected to be undertaken by Hela.

Production Overheads: Production overheads, which have averaged c. 8.8% of sales over the past three years, are expected to average 5.7% for the forecast period due to a gradual reduction in variable costs and other fixed overhead costs.

4 Financial Forecasts and Assumptions

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Labour Cost							
Direct Labour Cost	**6,433**	**5,090**	**7,536**	**7,958**	**8,440**	**9,517**	**10,293**
No. of Direct Workers	2,970	2,724	3,841	3,863	3,901	4,190	4,316
Salary Per Worker (USD)	2,166	1,869	1,962	2,060	2,163	2,271	2,385
Annual Increment Rate	-3.7%	-13.7%	5.0%	5.0%	5.0%	5.0%	5.0%
Indirect Labour Cost	**4,407**	**3,528**	**5,380**	**4,869**	**5,164**	**5,824**	**6,298**
No. of Indirect Workers	982	802	1,165	1,004	1,014	1,089	1,122
Indirect : Direct Workers	0.33	0.29	0.30	0.26	0.26	0.26	0.26
Salary Per Worker (USD)	4,487	4,399	4,619	4,850	5,093	5,347	5,615
Annual Increment Rate	-15.1%	-2.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Labour Cost	**10,840**	**8,618**	**12,916**	**12,828**	**13,604**	**15,341**	**16,591**
As a % of Sales	**17.9%**	**14.3%**	**11.4%**	**10.9%**	**11.0%**	**11.6%**	**11.7%**
Other Production Cost							
Production Overheads	**5,938**	**5,131**	**6,675**	**6,892**	**7,122**	**7,356**	**7,628**
As a % of Sales	9.8%	8.5%	5.9%	5.8%	5.8%	5.6%	5.4%
Subcontract Cost	**1,387**	**2,796**	**11,536**	**12,960**	**13,688**	**14,116**	**15,177**
Total Other Production Cost	**7,325**	**7,926**	**18,211**	**19,852**	**20,810**	**21,472**	**22,806**
As a % of Sales	**12.1%**	**13.1%**	**16.0%**	**16.8%**	**16.8%**	**16.2%**	**16.0%**

Rationalizing the customer mix, improvement in the efficiency rate, reduction of indirect workers with auto-cutter machines will support the growth in GP margin during the forecast period. However, increased sourcing through sub-contracting would reduce the GP margin to 9.6% in FY22E vs. 13.0% in FY21. It should be noted that in FY21, the Kenyan Intimates cluster achieved high mask sales amidst the pandemic which has resulted in higher margins. However, we have not assumed any mask sales for the forecast period due to the establishment of Safeguard Workwear EPZ Limited as a standalone company focusing on medical personal protective equipment.

Kidswear

Raw Material Cost: Raw material cost is forecast as a percentage of sales and the key products manufactured by the Kidswear cluster are not expected to change significantly. As such, raw material cost as a proportion of sales is expected to be in line with the historical years.

Annual Salary Increment: Considering the LKR to USD depreciation, salary per direct and indirect worker is expected to grow at c. 4.0% YoY in the forecast period. We have assumed the indirect to direct worker ratio would reduce from 0.35 in FY22E to 0.30 in FY26E due to automation initiatives.

Production Overheads: Production overheads have averaged c. 7.2% of sales over the past three years and are expected to reduce to c. 4.8% in FY26E due to a gradual reduction in machine rent cost through their replacement with owned machines. Production overheads also include worker transportation cost which is significantly higher during FY21 as Hela provided additional transportation facilities to employees to curb the spread of COVID-19 virus. Transportation costs are expected to decline as Sri Lanka returns to normalcy led by the vaccination drive.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost	**22,531**	**24,717**	**32,119**	**33,525**	**34,779**	**36,056**	**37,354**
As a % of Sales	59.7%	59.5%	60.0%	59.5%	59.5%	59.5%	59.5%
Import Logistics Cost	**537**	**603**	**803**	**789**	**818**	**848**	**879**
As a % of Sales	1.4%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%
Total Raw Material Cost	**23,068**	**25,320**	**32,922**	**34,314**	**35,598**	**36,904**	**38,234**
As a % of Sales	**61.2%**	**60.9%**	**61.5%**	**60.9%**	**60.9%**	**60.9%**	**60.9%**
Direct Labour Cost	**3,246**	**3,889**	**5,056**	**5,601**	**5,884**	**6,180**	**6,492**
No. of Direct Workers	1,494	1,934	2,418	2,576	2,601	2,627	2,654
Salary Per Worker (USD)	2,173	2,011	2,091	2,175	2,262	2,352	2,446
Annual Increment Rate	-14.1%	-7.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Indirect Labour Cost	**2,381**	**2,628**	**3,416**	**3,649**	**3,691**	**3,698**	**3,760**
No. of Indirect Workers	512	677	846	869	845	814	796
Indirect : Direct Workers	0.34	0.35	0.35	0.34	0.33	0.31	0.30
Salary Per Worker (USD)	4,650	3,882	4,037	4,198	4,366	4,541	4,723
Annual Increment Rate	-28.7%	-16.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Labour Cost	**5,627**	**6,517**	**8,471**	**9,251**	**9,575**	**9,879**	**10,251**
As a % of Sales	**14.9%**	**15.7%**	**15.8%**	**16.4%**	**16.4%**	**16.3%**	**16.3%**
Production Overheads	**2,952**	**2,699**	**2,803**	**2,860**	**2,922**	**2,963**	**3,012**
As a % of Sales	7.8%	6.5%	5.2%	5.1%	5.0%	4.9%	4.8%
Subcontract Cost	**360**	**402**	**947**	**720**	**720**	**720**	**720**
Total Other Production Cost	**3,312**	**3,101**	**3,750**	**3,580**	**3,642**	**3,683**	**3,732**
As a % of Sales	**8.8%**	**7.5%**	**7.0%**	**6.4%**	**6.2%**	**6.1%**	**5.9%**

Changes in customer mix, improvements in the efficiency rate, and a reduction of indirect workers will facilitate an improvement in the GP margin by 90bps to an average of c. 16.4% in the forecast period (vs. two-year historical average of c. 15.5%).

Joint Venture – Sumbiri Intimate Apparel PLC

Raw Material Cost: Raw material costs are expected to range between c. 64.2% to c. 65.0% of sales during the forecast period. Most raw materials are currently provided by customer-nominated suppliers, allowing limited space for price negotiation. However, it is expected that the supplier base will become more competitive over time and raw material costs as a percentage of sales will decline. Import logistics cost is assumed to be c. 4.0% of FOB revenue in FY22E and c. 3.3% of FOB revenue thereafter. Cut and make charge is expected to range between c. 30.0% to c. 30.8% of FOB revenue during the forecast period.

A portion of Sumbiri's raw material cost, import logistics cost and CM charge will be recorded directly under Hela's cost of sales of, while the remaining cost is attributable to the other Joint Venture Partners.

Labour cost: With the reduction in the indirect cadre due to the automation initiatives, labour cost out of FOB revenue will reduce from c. 15.4% in FY22E to 12.7% in FY26E.

4 Financial Forecasts and Assumptions

Production overheads: The production overhead cost is expected to reduce gradually to c. 9.0% in FY25E as a result of lower fixed cost absorption relative to increasing revenue where insurance for machines, rental and depreciation costs are fixed in nature.

The GP margin for Sumbiri is expected to increase from c. 7.5% in FY22E to 29.6% in FY26E with the addition of new customers and efficiency improvements.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Cost of Sales Attributable to Sumbiri					
Direct Labour Cost	**661**	**768**	**910**	**1,092**	**1,311**
No. of Direct Workers	931	992	1,078	1,187	1,307
Salary Per Worker (USD)	710	774	844	920	1,003
Annual Increment Rate	-	9.0%	9.0%	9.0%	9.0%
Indirect Labour Cost	**1,205**	**1,032**	**1,060**	**1,001**	**1,173**
No. of Indirect Workers	410	377	377	392	418
Indirect : Direct Workers	0.44	0.38	0.35	0.33	0.32
Salary Per Worker (USD)	2,941	3,206	3,494	3,809	4,152
Annual Increment Rate		9.0%	9.0%	9.0%	9.0%
Total Labour Cost	**1,866**	**1,800**	**1,969**	**2,093**	**2,484**
As a % of CM Sales	**49.3%**	**43.3%**	**42.4%**	**40.7%**	**41.2%**
Total Other Production Cost	**1,493**	**1,376**	**1,438**	**1,501**	**1,760**
As a % of CM Sales	**41.1%**	**33.1%**	**31.0%**	**29.2%**	**29.2%**

Joint Venture – Safeguard Workwear EPZ Limited

Raw Material Cost: Safeguard will initially produce medical respirators, which are high margin products relative to other apparel products. The production is also relatively machine driven, resulting in higher efficiencies and lower wastage of raw materials. As a result, raw material cost as a percentage of revenue in Safeguard is low compared to other clusters.

Direct Labour Cost: The number of direct workers is derived by assuming that for each line 18 workers are required per shift. Salary per worker is expected to grow at a constant c. 4% YoY in all forecast years except in FY23E where we have assumed a growth of c. 14%, a c. 10% higher growth to factor the increased labour cost due to the expected implementation of a double shift operation.

Indirect Labour Cost: As the plant size grows, the indirect to direct worker ratio is expected to decline from 0.5 to 0.3. Salary per worker is expected to grow at a constant c. 5% YoY in all forecast years except in FY23E where we assumed growth of c. 14%, a 9% higher growth due to the increased labour cost from the implementation of a double shift operation.

Production Overhead: With the increase in the scale of the business, the production overhead cost as a percentage of revenue is expected to decline. Therefore, we have assumed a decline from c. 27% to c. 10% between FY22E to FY26E as a result of lower fixed cost absorption relative to increasing revenue where factory and machine rental costs are fixed in nature.

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
Direct Material Cost	**359**	**1,514**	**3,107**	**3,983**	**4,083**
As a % of Sales	40.0%	38.1%	38.1%	38.1%	38.1%
Import Logistics Cost	**18**	**61**	**124**	**159**	**163**
As a % of Sales	5.0%	4.0%	4.0%	4.0%	4.0%
Total Raw Material Cost	**377**	**1,574**	**3,231**	**4,143**	**4,246**
As a % of Sales	**42.0%**	**39.6%**	**39.6%**	**39.6%**	**39.6%**
Direct Labour Cost	**50**	**193**	**401**	**521**	**542**
No. of Direct Workers	36	72	144	180	180
Salary Per Worker (USD)	2,347	2,675	2,782	2,893	3,009
Annual Increment Rate		14.0%	4.0%	4.0%	4.0%
Indirect Labour Cost	**118**	**362**	**666**	**799**	**787**
No. of Indirect Workers	18	29	50	58	54
Indirect : Direct Workers	0.50	0.40	0.35	0.32	0.30
Salary Per Worker (USD)	11,037	12,582	13,211	13,871	14,565
Annual Increment Rate		14.0%	5.0%	5.0%	5.0%
Total Labour Cost	**169**	**555**	**1,066**	**1,320**	**1,328**
As a % of Sales	**18.8%**	**14.0%**	**13.1%**	**12.6%**	**12.4%**
Total Other Production Cost	**242**	**596**	**979**	**1,150**	**1,072**
As a % of Sales	**27.0%**	**15.0%**	**12.0%**	**11.0%**	**10.0%**

Overall, the GP margin of the Safeguard operation is expected to be c. 12.2% in FY22E and increase to c. 38.0% by FY26E.

4.5 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of Hela consist primarily of sales commission, freight & travel expenses and other selling and distribution expenses. Selling and distribution expenses have been forecast as a percent of revenue and it is expected to grow at a CAGR of c. 7.2% and c. 75.4% for Hela and Safeguard respectively over the forecast years.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Hela Group - Excluding JVs	3,297	3,185	5,020	5,179	5,634	6,258	6,630
As a % of revenue	1.8%	1.9%	1.9%	1.8%	1.8%	1.8%	1.8%
Safeguard	-	-	136	477	979	1,255	1,286
As a % of revenue			15.2%	12.0%	12.0%	12.0%	12.0%

4 Financial Forecasts and Assumptions

4.6 ADMINISTRATION EXPENSES

The administrative expenses of Hela consist primarily of personnel cost, rent cost, depreciation & amortization charges and other general administrative expenses. The total administrative expenses of Hela are expected to grow at a CAGR of c. 4.4% in the forecast period while for Sumbiri and Safeguard it is expected to grow at a CAGR of c. 11.1% and c. 12.8% respectively.

Hela incurred a COVID related expense of USD 0.5mn in FY21 which includes the costs incurred for the care of employees that tested positive, sanitization and safety measures being taken amidst the pandemic. The provision for COVID related expenses is expected to be USD 1.5mn and USD 1mn for FY22E and FY23E respectively, due to expenses incurred to ensure all the employees are vaccinated in Kenya and Ethiopian similar to Sri Lanka, where vaccinations for employees were carried out free of charge. This also includes costs that may be incurred on intermediate care centres and hotels for employees that have test positive, as well as for sanitization measures.

USD 000'	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
Hela Group - Excluding JVs	17,052	18,738	21,290	22,814	23,149	24,051	25,311
YoY Growth	-25.7%	9.9%	13.6%	7.2%	1.5%	3.9%	5.2%
Sumbiri	-	-	586	656	731	812	893
YoY Growth	-	-	-	12.0%	11.5%	11.0%	10.0%
Safeguard	-	-	26	36	38	40	42
YoY Growth	-	-	-	40.0%	5.0%	5.0%	5.0%

4.7 WORKING CAPITAL

The working capital cycle has been forecast using the following assumptions.

Days	Hela	Sumbiri	Safeguard
Inventory	60	7	61
Receivables	50	15	30
Payables	53	15	1

Hela excluding JVs

Inventory days: Inventory days for Hela have averaged 52 over the past three years, but increased to 71 in FY21 due to the pandemic. While they are expected to reduce based on the expected normalisation in business conditions, we have forecast inventory dates to remain higher than the historical average at around 60 due to the Company's ongoing expansions.

Receivable days and Payable days: Both trade receivable days and payable days are expected to be in line with the three-year historical average.

Sumbiri

Inventory days: The required inventory would be maintained by the JV partner. Therefore, inventory days are expected to be lower than the Hela Group. We have assumed inventory days to be 7.

Receivable days and Payable days: Both trade receivable days and payable days are expected to be 15. The days are lower relative to Hela group because Sumbiri deals with the JV partners and orders are not directly with customers or suppliers.

Safeguard

Inventory days: Inventory days are expected to be 61 in line with the Hela Group.

Receivable days: Trade receivable days are expected to be 30 which is in line with credit period agreed with the Aga Khan hospital network.

Payable days: Credit is not granted by suppliers. Payable days are expected to be 1 considering the other payables.

5 Valuation Methodology

We considered the Discounted Cash Flow (DCF) valuation methodology as the primary valuation method in order to arrive at a fair value for Hela's shares based on the relevance and appropriateness of the DCF valuation methodology for a company that engages in manufacturing of apparel products. We have also considered the Forward PER valuation method as a secondary valuation method.

5.1 DISCOUNTED CASH FLOW (DCF) METHOD

A discounted cash flow (DCF) analysis was used in order to arrive at an intrinsic value for Hela. A DCF analysis can be used to measure a company's ability to generate future cash flows. A DCF method can capture a company's growth potential and provide a more reflective result of the entire value of a business. Free cash flow to equity (FCFE) was calculated using the following formula:

Earnings Before Interest and Tax x (1-tax rate)

+ Depreciation and Amortization

- Capital Expenditure

+ Working Capital Investment

- Interest Payments

+ Net Borrowings

= FCFE

In deriving an intrinsic value for Hela, the present value of FCFEs was calculated using the following:

$$V_0 = \left[\sum_{t=1}^{n} \frac{FCFE_t}{(1+Ke)^t} \right] + TVn$$

Where:

V_0 = Intrinsic Value in year 0

FCFEt = Free Cash flow to Equity in year t

Ke = Cost of Equity

TV_n = Present value of terminal value at year n

Further, the Gordon Growth Model (GGM) was used to derive TVn with the following formula:

$$TVn = \frac{FCFEn\ (1+g)}{(Ke-g) \times (1+Ke)^{n}}$$

Where:

g = Growth rate of FCFE

Ke = Cost of Equity

The discount rate used in the DCF calculation is the Cost of Equity (Ke) which captures the effect of equity capital when calculating the required rate of return. The following formula is used to calculate the Ke:

$$Ke = Rf + (ERP \times ß)$$

Where:

Rf = Risk Free Rate

ERP = Equity Risk Premium

ß = Beta

In arriving at the intrinsic value per share for Hela, the following formula was used:

$$\text{Intrinsic Value of Hela} = \frac{\text{(Present Value of FCFEs + Cash \& Cash Equivalents + Investment Property + Equity Value of JVs attributabe to Hela)}}{\text{Number of Shares in Issue (Post-IPO)}}$$

5.2 P/E RELATIVE

A P/E ratio measures a company's market value to its earnings. The relative value for Hela's shares using a P/E ratio would be calculated as follows:

$$\text{Implicit Value of Hela} = \text{(Earnings of Hela} * \frac{P}{E} \text{ Multiple)}$$

Where:

P/E Multiple: Weighted Average of the Peer Group P/E Multiple

Earnings = Profit Attributable to Equity Holders of Hela

In arriving at the value per share for Hela based on PER relative, the following formula was used:

$$\text{Value per share of Hela} = \frac{\text{Implicit Value of Hela}}{\text{Number of Shares in Issue (Post-IPO)}}$$

6 Valuation Results

This section details the assumptions used for the valuation and results based on the valuation methods described in Section 5 – Valuation Methodology.

6.1 DISCOUNTED CASH FLOW (DCF) VALUATION METHOD

6.1.1 Valuation Summary based on DCF Method

As at 30 September 2021	Valuation (USD 000')	Effective Holding	Effective Valuation (USD 000')
Post Money Equity Value of Hela- Excluding JVs	119,363	100%	119,363
Equity Value of Joint Ventures			
Sumbiri Intimate Apparel PLC	4,866	50%	2,433
Safeguard Workwear EPZ Limited	13,588	50%	6,794
Total Post Money Equity Value of Hela			**128,590**
LKR Valuation			
Exchange Rate*			199.9800
Post Money Valuation (LKR 000')			**25,715,395**
Sum of Total Number of Shares in Issue Post IPO & Unissued ESOS Shares			1,335,544,971
Value per share of Hela (LKR)			**19.25**

*USD/LKR rate as at 16th August 2021
Number of shares (Pre-IPO): 1,036,008,946
Number of shares offered through the IPO: 267,108,998
Number of unissued ESOS shares: 32,427,027

Based on the DCF analysis, the total equity value of Hela is LKR 25,715 Mn with LKR 19.25 per voting share.

6.1.2 Hela Group – Excluding JVs

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
	Explicit Period				
EBIT	9,636	21,073	24,603	29,310	31,265
Effective tax rate %	5.5%	9.7%	9.7%	9.7%	9.7%
EBIT (1-T)	9,106	19,023	22,210	26,459	28,225
Depreciation & Amortisation	3,206	5,853	5,753	5,512	5,381
CAPEX & Acquisition	(10,020)	(7,817)	(6,556)	(5,000)	(5,219)
Change in Working Capital	(2,670)	5,531	(5,220)	(7,033)	(4,072)
FCFF	(378)	22,590	16,187	19,938	24,315
Interest Payments	(3,505)	(6,412)	(6,464)	(6,771)	(7,005)
Net Borrowings	(8,363)	(11,016)	3,597	3,501	(108)
FCFE	(12,246)	5,162	13,320	16,668	17,203
Terminal Value	-	-	-	-	-
FCFE including Terminal Value	(12,246)	5,162	13,320	16,668	17,203
Discount factor	0.9366	0.8216	0.7207	0.6321	0.5545
Discounted CF	(11,470)	4,241	9,599	10,537	9,539

USD 000'	FY27E	FY28E	FY29E	FY30E	FY31E
	Implicit Period				
EBIT	32,951	34,071	34,277	34,963	35,487
Effective tax rate %	14.4%	14.4%	16.1%	16.1%	16.1%
EBIT (1-T)	28,216	29,175	28,769	29,345	29,785
Depreciation & Amortisation	5,333	5,546	5,713	5,827	5,915
CAPEX & Acquisition	(5,333)	(5,546)	(5,713)	(5,827)	(5,915)
Change in Working Capital	(4,275)	(4,446)	(4,580)	(4,671)	(4,741)
FCFF	23,940	24,728	24,190	24,674	25,044
Interest Payments	(5,998)	(5,998)	(5,879)	(5,879)	(5,879)
Net Borrowings	-	-	-	-	-
FCFE	17,942	18,730	18,311	18,795	19,165
Terminal Value	-	-	-	-	155,599
FCFE including Terminal Value	17,942	18,730	18,311	18,795	174,764
Discount factor	0.4864	0.4267	0.3743	0.3283	0.2880
Discounted CF	8,727	7,992	6,853	6,170	50,327

As at 30 September 2021	USD 000'
Total Discounted CF	102,516
Cash & Cash Equivalents	10,135
Investment Property	1,712
Amount Allocated for Acquisitions	5,000
Post Money-Equity Value of Hela – Excluding JVs	**119,363**

Key Assumptions	
Risk-Free Rate	1.97%
Beta	1.08
Equity Risk Premium	11.12%
Cost of Equity	14.00%
Terminal Growth	1.50%

Based on the DCF analysis, the total equity value of Hela Group excluding joint venture partnerships is USD 119.4 Mn.

6 Valuation Results

Sensitivity Analysis (USD 000')

		Cost of equity				
		13.0%	13.5%	**14.0%**	14.5%	15.0%
Terminal Growth Rate	0.5%	125,366	119,995	115,035	110,441	106,175
	1.0%	127,960	122,315	117,116	112,313	107,864
	1.5%	130,780	124,828	**119,363**	114,329	109,678
	2.0%	133,857	127,559	121,797	116,506	111,631
	2.5%	137,226	130,539	124,443	118,864	113,740

6.1.3 Sumbiri Intimate Apparel PLC

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
	Explicit Period				
EBIT	260	329	510	739	895
Effective tax rate %	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (1-T)	260	329	510	739	895
Depreciation & Amortisation	140	188	180	172	165
CAPEX & Acquisition	(1,364)	(88)	(84)	(80)	(77)
Change in Working Capital	(455)	(26)	(15)	(16)	(22)
FCFF	(1,419)	404	590	815	960
Interest Payments	-	-	-	-	-
Net Borrowings	-	(350)	(540)	(250)	-
FCFE	(1,419)	54	50	565	960
Terminal Value	-	-	-	-	-
FCFE including Terminal Value	(1,419)	54	50	565	960
Discount factor	0.9414	0.8342	0.7393	0.6551	0.5805
Discounted CF	(1,336)	45	37	370	558

USD 000'	FY27E	FY28E	FY29E	FY30E	FY31E
	Implicit Period				
EBIT	1,021	1,133	1,221	1,278	1,297
Effective tax rate %	0.0%	0.0%	30.0%	30.0%	30.0%
EBIT (1-T)	1,021	1,133	1,099	895	908
Depreciation & Amortisation	165	153	132	120	122
CAPEX & Acquisition	(88)	(98)	(105)	(110)	(112)
Change in Working Capital	-	-	-	-	-
FCFF	1,098	1,188	1,125	905	919
Interest Payments	-	-	-	-	-
Net Borrowings	-	-	-	-	-
FCFE	1,098	1,188	1,125	905	919
Terminal Value	-	-	-	-	8,218
FCFE including Terminal Value	1,098	1,188	1,125	905	9,137
Discount factor	0.5145	0.4559	0.4040	0.3580	0.3173
Discounted CF	565	542	455	324	2,899

As at 30 September 2021	USD 000'
Total Discounted CF	4,457
Cash & Cash Equivalents	409
Pre Money-Equity Value of Sumbiri	**4,866**
Hela's Stake	50%
Equity Value attributable to Hela	**2,433**

Key Assumptions	
Risk-Free Rate	1.97%
Beta	1.08
Equity Risk Premium	10.05%
Cost of Equity	12.85%
Terminal Growth	1.50%

Based on the DCF analysis, the total equity value of Sumbiri is USD 4.9 Mn.

Sensitivity Analysis (USD 000')

		Cost of equity				
		11.8%	12.3%	**12.8%**	13.3%	13.8%
Terminal Growth Rate	0.5%	5,242	4,923	4,631	4,363	4,116
	1.0%	5,386	5,050	4,744	4,463	4,205
	1.5%	5,544	5,189	**4,866**	4,571	4,301
	2.0%	5,718	5,341	5,000	4,689	4,405
	2.5%	5,911	5,509	5,146	4,818	4,519

6.1.4 Safeguard Workwear EPZ Limited

USD 000'	FY22E	FY23E	FY24E	FY25E	FY26E
	Explicit Period				
EBIT	(53)	736	1,864	2,551	2,745
Effective tax rate %	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (1-T)	(53)	736	1,864	2,551	2,745
Depreciation & Amortisation	64	60	73	77	75
CAPEX & Acquisition	(640)	(20)	(190)	(120)	(50)
Change in Working Capital	(306)	(302)	(618)	(340)	(39)
FCFF	(935)	473	1,129	2,168	2,731
Interest Payments	(20)	(41)	(34)	(26)	(17)
Net Borrowings	408	(72)	(79)	(87)	(95)
FCFE	(547)	361	1,017	2,056	2,619
Terminal Value	-	-	-	-	-
FCFE including Terminal Value	(547)	361	1,017	2,056	2,619
Discount factor	0.9414	0.8342	0.7393	0.6551	0.5805
Discounted CF	(515)	301	752	1,347	1,520

6 Valuation Results

USD 000'	FY27E	FY28E	FY29E	FY30E	FY31E
	Implicit Period				
EBIT	2,742	2,799	2,853	2,901	2,945
Effective tax rate %	0.0%	0.0%	0.0%	0.0%	25.0%
EBIT (1-T)	2,742	2,799	2,853	2,901	2,208
Depreciation & Amortisation	66	56	57	58	59
CAPEX & Acquisition	(55)	(56)	(57)	(58)	(59)
Change in Working Capital	(219)	(224)	(228)	(232)	(236)
FCFF	2,533	2,575	2,624	2,669	1,973
Interest Payments	(17)	(17)	(17)	(17)	(13)
Net Borrowings	(95)	(95)	(95)	(95)	(95)
FCFE	2,421	2,463	2,512	2,557	1,865
Terminal Value	-	-	-	-	16,683
FCFE including Terminal Value	2,421	2,463	2,512	2,557	18,548
Discount factor	0.5145	0.4559	0.4040	0.3580	0.3173
Discounted CF	1,246	1,123	1,015	915	5,885

As at 30 September 2021	USD 000'
Total Discounted CF	13,588
Cash & Cash Equivalents	-
Pre Money-Equity Value of Safeguard	**13,588**
Hela's Stake	50%
Equity Value attributable to Hela	**6,794**

Key Assumptions	
Risk-Free Rate	1.97%
Beta	1.08
Equity Risk Premium	10.05%
Cost of Equity	12.85%
Terminal Growth	1.50%

Based on the DCF analysis, the total equity of Safeguard is USD 13.6 Mn.

Sensitivity Analysis (USD 000')

Terminal Growth Rate	Cost of equity				
	11.8%	12.3%	**12.8%**	13.3%	13.8%
0.5%	14,206	13,528	12,904	12,327	11,792
1.0%	14,613	13,893	13,232	12,623	12,060
1.5%	15,058	14,290	**13,588**	12,943	12,349
2.0%	15,548	14,725	13,976	13,291	12,662
2.5%	16,090	15,204	14,401	13,670	13,002

6.2 FORWARD PER VALUATION METHOD

CT CLSA and CAL used the following Comparable Peers for the relative valuation of Hela. The peer group for Hela was selected based off the companies listed under the 'Consumer Durables and Apparel' industry group based on the GICS classification on the CSE.

The applicable ratios for the Comparable Peers are provided in the table below.

Listed Peer	Market Cap. (LKR Mn) *	PAT to Shareholders FY22E (LKR Mn)	No. of Shares	MPS (LKR)	EPS FY22E (LKR)	Forward Implied PER**
Teejay Lanka PLC	30,246	2,339	716,739,975	42.20	3.26	12.9
Hayleys Fabric PLC	15,124	1,174	415,481,776	36.40	2.83	12.9
Market Cap. Weighted Average PER						**12.9**

Source: Colombo Stock Exchange and Bloomberg
*Market Capitalization as at 12 November 2021 as per CSE Daily report
**Forward implied PER for peers are based on broker consensus from Bloomberg as at 12 November 2021

	(LKR Mn)
FY22E PAT Attributable to Shareholders	1,570
Market Cap. Weighted Average Peer PER	12.9x
Value of Hela	**20,282**
Weighted average number of diluted ordinary shares for FY22E	1,103,271,942
Value per Share of Hela (LKR)	**18.38**

Based on the Peer Weighted Average PER, the total equity value of Hela is LKR 20,282 Mn with a per share value of LKR 18.38 per share.

7 Risks

The future performance of Hela is subject to a number of risks that may or may not be within the control of the Company. Should any of the risks highlighted here materialise, it could have an adverse effect on the performance of the Company and its ordinary share price. This section highlights the main sources (but not necessarily all) of the risks faced by the Company.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has resulted in a major economic downturn in most parts of the world including the US, UK and Europe. This has negatively impacted both the supply and demand sides of apparel manufacturers globally. Further disruptions to economic activities in Hela's key markets, for example due to the emergence of new variants of the virus, could have an impact on the company's revenue growth. Similarly, operational disruptions due to a resurgence of infections in Hela's manufacturing locations would have the potential to impact both top and bottom line performance. However, as has been demonstrated throughout the pandemic, demand from Hela's customers has been resilient to fluctuations in overall consumer demand. In addition, Hela has rolled out vaccinations to their employees to minimize the possibility of further disruptions to its manufacturing operations.

SUPPLY CHAIN SECURITY

Volatilities in the supply chains of almost all industries coupled with elevated freight costs have been a key feature of the pandemic and look set to continue for some time. In addition, there has been a tightening of supply in the global textile market as some customers have ruled out the use of Chinese cotton as a result of concerns around the use of forced labour. Any disruption to Hela's supply chain negatively impacts operational performance and reduces profitability, and the company is actively pursuing a strategy to diversify its raw material sourcing base in order to mitigate this risk. In addition, Hela is planning to invest in a fabric mill in Sri Lanka, which would help it gain greater control over its supply chain.

LOSS OF STRATEGIC RELATIONSHIPS

Hela has built strong relationships with global apparel brands such as Tommy Hilfiger, Calvin Klein and Michael Kors. Any loss of these relationships would have a negative impact on the company's performance. However, Hela has been able to build long term relationships with its customers through strategic initiatives. By continuously testing new supply chain models to meet customer requirements and reduce delivery times, Hela is dedicated to ensuring customer gets the best solutions that exceed their requirements. Furthermore, to reduce risks, the company has also built a portfolio of global emerging brands to ensure a sustainable future demand pipeline.

FINANCIAL INSTABILITY OF CUSTOMERS

The financial health of its customers is paramount to every apparel manufacturer around the globe. The bankruptcy of a retail brand would have a direct impact on their performance due to the likelihood of delayed payments and underutilized production capacity. In order to manage this risk, Hela has implemented internal controls such as obtaining credit reports on all customers during the customer onboarding stage and regularly monitors the financial performance of its key customers.

LACK OF SYSTEM INTEGRATION

Hela currently uses 34 IT systems that operate with minimum integration and provide insufficient support to the requirements of the core business. Furthermore, the current systems are not supportive of the management's strategy to expand both in terms of revenue and geographical footprint. In order to better streamline its operations and aid with disaster recovery in the case of cyber-attacks, the Company is implementing the SAP S/4HANA Fashion Enterprise Resource Planning (ERP) system to create a 'Digital Core'. This will help to create consistency across the systems used for a particular function throughout the Group, reduce lead times, generate additional insights for decision making, support business growth and stability by streamlining processes, create data resilience and insights, and ensure disaster recovery for the systems most critical for operations.

INTEREST RATE INCREASES

Hela predominantly has US dollar denominated borrowings where the interest rates are linked to major international benchmarks, such as LIBOR. As a result, Hela would be negatively impacted in the event of an increase in the US interest rates as it would automatically trigger an increase in its financing costs. Considering the prevailing economic conditions, if Sri Lanka's sovereign risk increases, this would also lead to an increase in Hela's funding costs as it primarily borrows from Sri Lankan banks.

8 Value Recommendation

We summarise the rationale for our recommendation as follows:

- The DCF valuation indicates a price of LKR 19.25
- The Forward PER relative valuation indicates a price of LKR 18.38

CT CLSA and CAL conclude our valuation recommendation of LKR 19.25 a share of Hela based on our primary valuation metric – SOTP using DCF valuation.

9 Individuals Materially Participating in the Valuation Assignment

9.1 CAL TEAM

Deshan Pushparajah, CFA, FCMA, FCCA, BSc – Managing Director, Global Markets & Investment Banking

Deshan is an expert at public and private capital markets, both buy-side and sell-side M&A and enjoys the trust of an established network of clients in the local and international capital markets. He has been with the group since 2007 and has overseen the team through the changing post-conflict economic realities and has been instrumental in CAL emerging as a market leader in Equity capital markets and a considerable force in Debt capital markets. Deshan is a CFA charter holder (USA) and a Fellow Member of the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. He also holds a bachelor's degree in Applied Accounting from Oxford Brookes University, UK

Vishnu Balachandran, CFA, FCMA, BBA – Executive Vice President – Head of Investment Banking

Vishnu joined CAL in 2011 and has been a key driver in concluding many noteworthy M&A advisory transactions and debt issuances. Prior to joining CAL, he worked as an Equity Analyst at Amba Research, covering FMCG and retail markets in East Asia. Vishnu is a CFA charterholder (USA), an Associate Member of the Chartered Institute of Management Accountants (UK) and holds a Bachelor in Business Administration from the University of Colombo.

Rizny Faisal, CFA, ACMA, – Senior Vice President - Head of Equity Capital Markets and M&A

Rizny carries with him over 10 years of financial consultancy field experience in providing buy-side financial due diligence, financial valuation, vendor assistance and external audit and assurance services. He has provided transaction advisory services with a particular emphasis on financial due diligence reviews across a range of industries including hospitality, manufacturing, FMCG retail and distribution, power and energy, financial services, construction and apparel. He also has experience in a range of audit and assurance services, covering a diverse range of industries including hospitality, manufacturing, financial services, retail and distribution, FMCG and shipping. Rizny is a Chartered Financial Analyst and an Associate Member of the Chartered Institute of Management Accountants UK.

Udesh Rajeendra, BSc – Assistant Vice President - Investment Banking

Udesh joined CAL in 2016 and has been involved in a number of capital market transactions. He holds a Bachelor's in Economics and Management and a Diploma in Economics from the University of London.

Dakshitha Vithanage, BSc – Assistant Manager - Investment Banking

Dakshitha joined CAL in early 2018 and has been involved in a number of capital market transactions including M&A, Corporate restructuring and company listings. He holds a Bachelor's in Finance from the University of Sri Jayewardenepura and he is a Passed Finalist of the Chartered Institute of Management Accountants (UK).

Divyanjee Thrimanne, LLB – Analyst - Investment Banking

Divyanjee joined CAL in early 2021, prior to which she worked as an Analyst in the Corporate Finance and Valuation Consulting Division of PricewaterhouseCoopers. She holds a Bachelor's degree in Law from the University of Colombo and she is a Passed Finalist of the Chartered Institute of Management Accountants (UK). Divyanjee is an Attorney-at Law of the Supreme Court of Sri Lanka.

9 Individuals Materially Participating in the Valuation Assignment

9.2 CT CLSA TEAM

Zakir Mohamedally – Director | Chief Executive Officer

Zakir has over 15 years of experience in the fields of Corporate Finance, Assurance and Advisory and joined CT CLSA Group in 2007. Prior to joining the CT CLSA Group, he was working with PricewaterhouseCoopers Sri Lanka. Zakir is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) UK and is an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK. He is also a member of the Institute of Certified Management Accountants of Sri Lanka and holds a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

Ishan Eliyapura – Vice President

Ishan counts over 5 years' experience in Audit & Assurance and Investment Banking. Prior to joining CT CLSA Capital, he was attached to Ernst and Young Sri Lanka, a leading global firm of Chartered Accountants, where he held positions of Audit Trainee, Senior Accountant and Internal Audit Supervisor. He is a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and holds a B.Sc (Hons) in Business Management from the University College Dublin, Ireland.

Dushan Gomez – Vice President

Dushan has over 6 years of experience in the fields of Investment Banking and Equity Research. Prior to joining CT CLSA Capital, he was at NDB Investment Bank having played a key role in transactions ranging from M&A, IPOs, Private Placements, Debt Raisings, Corporate Restructurings and Other Advisory. Prior to this, he was attached to Moody's Analytics Knowledge Services (now Acuity Knowledge Partners) where he supported the research team of a large European brokerage covering the F&B sector. Dushan holds a MSc in Finance and Investment and BA (Hons) in Business Economics and Finance from the University of Nottingham UK.

Kalhara Kathriarachchi - Assistant Vice President

Kalhara counts over 5 years' experience in Consultancy and Investment Banking. Prior to joining CT CLSA Capital, he was attached to EQUILL (a venture capital fund) as Investment Lead. Prior to his stint at EQUILL, he was with the Transaction and Strategy division of Ernst and Young in Sri Lanka, where he engaged in M&A advisory services, share buyback transactions and other consultancy services. Kalhara holds a B.Sc. in Industrial Statistics (Special) from University of Colombo and a Masters of Financial Economics from University of Colombo. He is also a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and is currently a CFA level 3 candidate.

Venkadesh Ramraj – Senior Associate

Venkadesh has over 5 years of work experience in Deal Advisory and Financial Reporting. Prior to CT CLSA Capital, he held the position of Consultant in Transaction Services, KPMG, Sri Lanka. During his tenor in KPMG, he also participated in a three months secondment program in the Advisory division of KPMG, Maldives. Venkadesh is a Member of the Association of Chartered Certified Accountant (ACCA), UK and is currently reading for a MSc in Applied Finance at University of Sri Jayewardenepura.

Harini Wijayaratnam – Associate

Harini counts over 2.5 years of experience in Equity Research and Financial Analysis. Prior to joining CT CLSA Capital, she was attached to Asia Securities as a Research Analyst and has covered Leisure and Healthcare Sectors. Prior to her stint at Asia Securities, she was at Comtrust Asset Management where she functioned as a Financial Analyst. Harini holds a B.Sc. in Finance (Special) from University of Sri Jayewardenepura, a permanent affiliate of the Association of Chartered Certified Accountant (ACCA), UK and an Associate member of The Chartered Institute for Securities and Investments (CISI), UK. She is currently reading for International MBA at Birmingham City University, UK and Level 02 of CFA.

10 Disclaimer

Our analysis is based on information obtained from the audited financials, interim financial statements as at 30th September 2021 and additional information supplied by Hela management. We accepted all such information as accurate and acted with due care and consideration in preparing the report. In addition, nothing has come to our attention to indicate that the facts and data set forth in the report are incorrect. However, we assume no responsibility for errors or omissions in information furnished by Hela.

Neither CAL, CT CLSA nor any of its employees involved in this assignment have a financial interest in Hela. The fee for the preparation of this report is not contingent upon results reported.

We did not investigate either property titles or the directors' claims of Hela's ownership of said properties. Neither have we explored the possibility of liens or encumbrances lodged against the properties.

This report is for the use of the Board of Directors and shareholders of Hela for the purpose set out in Section 1.2 of this report and should not be used for any other purpose.

In carrying out this Assignment, analyses deemed to be appropriate and assessments that were possible and practical within the time available have been carried out. Financial information and market data from the CSE and Bloomberg have also been used for this Assignment.

The value recommendations given in this report are valid as at Thursday, 25 November 2021 and will be valid for a minimum period of 5 months from the date of issuance of the final Prospectus. A factor to be considered for this report is that the valuations carried out are done based on financial data released by Hela. Where the data provided were incomplete, we have used reasonable judgment.

ANNEXURE 11

INDEPENDENT CONFIRMATION ON THE IMPACT ON IPO INVESTORS OF SHARES ISSUED TO HELA APPAREL HOLDINGS ESOP AND OTHER SHAREHOLDERS WITHIN THE LAST 12 MONTHS

ANNEXURE – 11

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(Chartered Accountants)
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10th November 2021

The Board of Directors,
Hela Apparel Holdings Limited,
No. 35 Balapokuna Road,
Colombo 05.

Dear Sir/ Madam,

Independent confirmation on the impact on IPO investors of shares issued to Hela Apparel Holdings ESOP and Other Shareholders within the last 12 months

We have been requested to provide our opinion on whether the price of the shares issued by Hela Apparel Holdings Limited ("Hela" or ("the Company")) within the last 12 months including under the Employee Share Ownership Plan of Hela ("ESOP") is equal or higher than the Hela IPO price, and whether such values will not lead to an undue gain to the existing shareholders at the expense of the investing public. We have also been asked to review the capital reorganization carried out by the Company on 2nd September 2021.

Accordingly, the following transactions has been identified:

1. The issue of C Ordinary Shares under ESOP in October 2020;
2. The issue of B Ordinary Shares to Dilanka Jinadasa and Lesing Hela Limited in 2021;
3. The issue of C Ordinary Shares under ESOP in August 2021;
4. The issue of B Ordinary Shares to Dominic McVey in September 2021.

We have reviewed the following documentation in arriving at our conclusion:

- FJ&G de Saram's letter to SEC outlining classes of shares during the capital reorganization
- Research report prepared by Capital Alliance Partners and CT CLSA Capital
- Allocation of value and ordinary voting shares under the capital reorganization
- Certified extract of meeting minutes held on 17th August 2021
- Special resolution passed on 7th September 2021
- Certified extract of Board Resolution passed on 31st July 2020
- Certified extract of Board Resolution passed on14th May 2021
- Certified extract of Board Resolution passed on 30th July 2021
- Rules of the Hela Apparel Employee Share Ownership plan
- Draft IPO prospectus

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M D B Rajapakse ACA
M. N. M. Shameel ACA
C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B. K. D. T. N. Rodrigo ACA
Ms. C.T.H.N Perera ACA
Principals: S. R. I. Perera ACMA, LLB Attorney-at-Law, H. S. Goonewardene ACA, Ms.P.M.K. Sumanasekara FCA, W. A. A. Weerasekera CFA, ACMA, MRICS

- Audited financial statements for FY 2021
- Form 6 dated 20.01.21 for the issuance of 260 shares
- Previous articles of association of the Company which was replaced by the current articles of association on 7th September 2021

Based on our analysis, we note the following:

Capital reorganization

- The capital reorganization has been carried out on 2nd September 2021 in line with the provisions of the articles of association of the Company in force as at such time, by (i) converting all classes of shares of the Company including C Ordinary Shares and B Ordinary Shares into ordinary voting shares that confer on the holders thereof the rights set out in section 49(2) of the Companies Act No. 7 of 2007, (ii) allocating the corresponding number of ordinary voting shares in respect of the allocated but unissued B Ordinary Shares, C Ordinary Shares granted but not vested and C Ordinary Shares allocated under the ESOP and not granted so far, so that the existing shareholders of the Company received and the persons who have been allocated the said unissued B Ordinary Shares and C Ordinary Shares became, subject to such persons fulfilling necessary legal and contractual requirements, entitled to receive, the ordinary voting shares as and in the manner identified in Annexure 1 to the IPO prospectus.
- The conversion of the respective classes of shares into the corresponding number of ordinary voting shares as set out in Annexure 1 to the IPO prospectus was effected by the sub-division of shares in each class of shares into the relevant number of shares in such class (with any fractions of shares arising from such sub-division being disregarded in the entirety) and thereafter modifying the terms of issue of such sub-divided shares to be consistent with the rights set forth in section 49(2) of the Companies Act.

C Ordinary Shares

- The Company established the ESOP on 31st July 2020, entitling identified key employees of the Company and its subsidiaries (including persons who do not have a written employment contract with the Company but are involved in the management and operation of the Company either as directors or otherwise) to subscribe up to a total of 1,000 C Ordinary Shares at a consideration of Rs. 10.00 per share.
- The shares issued under the ESOP only conferred holders the right to an identified amount of distribution and proceeds from listing, share sale, asset sale or winding up and no voting rights.
- The share options for 660 C Ordinary shares have been granted to 10 employees who are members of the senior management of the Hela group, out of which 393 C Ordinary shares have been vested and issued, in October 2020 and August 2021 respectively, while 267 C Ordinary Shares remain to be vested (Appendix 1).
- 340 C Ordinary Shares out of the 1,000 C Ordinary Shares allocated to the ESOP are yet to be granted.
- The Company has revised its ESOP to ensure that the ESOP is in compliance with Rule 5.6 of the Listing Rules of the Colombo Stock Exchange and ceases to contain conditions

and requirements which will become obsolete once the Company is listed or are unusual in the context of listed company share ownership schemes. In terms of the capital reorganization, (i) the 660 C Ordinary Shares already issued under the ESOP have been converted at a ratio of 53,421.786 to ordinary voting shares and (ii) the 267 C Ordinary Shares granted and not vested so far, and the 340 C Ordinary Shares allocated but not granted so far have also been converted to ordinary voting shares at the same ratio of 53,421.786.

- The conversion ratio has been determined taking into account the pre-IPO equity value of the Company at USD 80,140,714.00 and the IPO price per share of Rs. 15.00.
- Based on the research report examined by us, the managers to the IPO have determined the fair value of a share of the Company as Rs 18.89 per share (as per a Discounted Cashflow based valuation) taking into account the total equity value of the Company as at 30th June 2021. The managers have, in determining such fair value of Rs. 18.89 per share, taken into account all of the shares of the Company including the shares that the C Ordinary Shares issued under the ESOP in the last 12 months have been converted to.
- Post IPO, the shares already issued to the employees under the ESOP account for 1.6% of the total outstanding shares of the Company. Upon the issuance of all of the shares which are allocated under the ESOP but not issued as yet, the shares issued to employees under the ESOP would account for 4.0% of the total outstanding shares of the Company.
- The shares of the holders of the ESOP will be locked-in for a period of 12 months from the date of the issue of shares or 6 months from the date of listing (whichever is longer) on the CSE, which should limit any immediate impact on trading volumes and share price.

B Ordinary Shares

- This special class of shares have been created at the time the Company became the apex shareholder of the Hela Clothing group by wholly owning shares of Hela Clothing (Pvt) Ltd ("HCL") on 19th November 2018, under a commercial agreement between the company and shareholders of HCL from whom the Company purchased shares of HCL.
- In the last twelve months the Company have issued B Ordinary Shares to Lesing Hela Ltd (167 shares) and Dilanka Jinadasa (95 shares) in May 2021 and July 2021 respectively. The Company further allocated 565 shares to Monitane Holdings Limited (or persons nominated by it) and 75 shares to Dominic McVey. On 29th September 2021, Monitane Holdings Limited had nominated Dominic McVey as the person to whom the 565 B Ordinary Shares should be allocated. Accordingly, Dominic McVey has subscribed to 640 B Ordinary shares on 30th September 2021 which has automatically converted to 30,598,973 ordinary voting shares. All the B Ordinary Shares issued in the last 12 months are reflected in Appendix 2.
- The B Ordinary shares have been issued at the Sri Lankan Rupee equivalent of USD 0.01 per share.
- Under the capital reorganization carried out on 2nd September 2021, all share classes have been converted to ordinary voting shares conferring on the holders thereof the rights set forth in section 49(2) of the Companies Act. The conversion ratio under the capital reorganization has been determined based on the pre-IPO equity value of the Company of USD 80,140,714.00 and the IPO share price.
- The necessary Board and shareholder resolutions have been passed to reflect the above.

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- Post IPO, the shares that the B Ordinary Shares (including the B Ordinary Shares issued in the last 12 months) have converted to under the capital reorganization account for 3.9% of the total outstanding shares of the Company.
- The aforesaid fair value of Rs. 18.89 per share has been determined by the managers to the IPO by taking into account all of the shares of the Company including the corresponding number of shares that the B Ordinary Shares issued in the last 12 months have been converted to.
- The shares which the B Ordinary Shares issued in the 12 months have converted to will be locked-in for a period of 12 months from the date of issue or 6 months from the date of listing (whichever is longer), which should limit any immediate impact on trading volumes and share price.

Conclusion

Taking the above information into consideration, and

— considering the contribution of the employees to the historical and future development of the Company;
— the terms of the ESOP being set in July 2020;
— the commercial agreement with regard to the B Ordinary Shares being reached in November 2018;
— the disclosures made in the prospectus (refer pages 63-67 and Annexure 1);
— the shares being locked in for a period post commencement of trading;
— the quantum of the shares issued under the ESOP being less than 5% of the total shares in circulation; and
— the quantum of the shares that the B Ordinary Shares have been converted to being less than 5% of the total shares in circulation.

we are of the opinion that there is no undue gain to the employee shareholders and the shareholders to whom B Ordinary Shares have been issued vis a vis and at the expense of the investing public.

We are also of the view that the capital reorganization, does not have any impact on the investing public.

Yours faithfully.

Shiluka Goonewardene
Principal – Deal Advisory
KPMG

Appendix 1

a)

Employee Share Ownership Plan (ESOP)					
	No. of shares	**% of ESOP**	**Price per share (LKR)***	**IPO price per share (LKR)**	**Discount to IPO price**
ESOP issued during the last twelve months (LTM)	20,994,759	39%	0.00	15.00	100%
C Ordinary shares to be vested	14,263,616	27%			
C Ordinary shares to be granted	18,163,411	34%			

*The ESOP grantees have paid LKR 10.00 per share for the C Ordinary Share, which upon conversion to Ordinary voting shares under the capital reorganization amounts to LKR 0.000187 per share.

b)

ESOP as a % of total number of ordinary shares post IPO	
Total number of C Ordinary shares issued upto October 2021	393
Total number of ordinary shares upon conversion	20,994,759
Total number of ordinary shares post IPO	1,303,117,944
ESOP as a % of total number of ordinary shares post IPO	1.6%

ESOP as a % of total number of ordinary shares post IPO and post full issuance of ESOP shares	
Total number of C Ordinary shares	1,000
Total number of ordinary shares upon conversion	53,421,786
Total number of ordinary shares post IPO	1,335,544,971
ESOP as a % of total number of ordinary shares post IPO	4.0%

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c)

C Ordinary shares				
Name of shareholder	**Designation**	**Years of Service**	**Number of C ordinary shares vested and issued**	**Share conversion**
Albert Rasakantha Rasiah	Chairman	3	80	4,273,743
Warnakulasuriya Mahawaduge Shameen Ravindra Peiris	CEO - Intimates	5	90	4,807,961
Ranjith Sanath Perera Amarathunga	CEO- Casual	6	90	4,807,961
Yahan Chanidu Samarajeewa	General Manager - Merchandising	6	20	1,068,435
Warshapperuma Arachchige Rajitha Gunawardhana	Director - Manufacturing - Intimates	5	27	1,442,388
Pintherumahawaduge Shaminda Viraj Fernando	Director - Marketing, Technical and supply chains - Intimates	4	27	1,442,388
Ajith Rohana Kumara Delay	Group Director - Quality assuarance	5	13	694,483
Wadu Thanthrige Sajeeka Gayani De Silva	Director - Design and product innovation	5	20	1,068,435
Rehan Ranjaka Joshua Perera	Deputy General Manager - Merchandising	5	6	320,530
Nissanga Warnapura	Director - Marketing (Strategic brands) - Intimates	2	20	1,068,435
C Ordinary shares not yet vested			267	14,263,616
C Ordinary shares not yet granted			340	18,163,411
			1000	**53,421,786**

Appendix 2

a)

B Ordinary shares issued in the last 12 months				
Name of shareholder	Number of B Ordinary Shares	Date of issue	Price per share (LKR)	Share conversion
Lesing Hela Ltd	167	7-May-21	1.99	7,979,671
Panadura Liyanage Dilanka Jinadasa	95	30-Jul-21	1.99	4,539,334
Dominic McVey	640	30-Sep-21	2.00	30,598,973
	902			**43,117,978**

b)

B Ordinary shares as a % of total number of ordinary shares post IPO	
Total number of B Ordinary shares issued upto October 2021	1,073
Total number of ordinary shares upon conversion	51,288,778
Total number of ordinary shares post IPO	1,303,117,944
Ordinary shares that the B Ordinary shares have converted to as % of total number of Ordinary shares post IPO	3.9%

c)

Shareholding structure				
Name of shareholder	Pre IPO		Post IPO	
	Number of Ordinary shares	%	Number of Ordinary shares	%
Lesing Hela Ltd	614,256,956	59.29%	614,256,956	47.14%
Tars Investments Lanka (Pvt) Ltd	235,498,562	22.73%	235,498,562	18.07%
Panadura Liyanage Dilanka Jinadasa	133,656,266	12.90%	133,656,266	10.26%
Dominic McVey	30,598,973	2.95%	30,598,973	2.35%
Warnakulasooriya Mahawaduge Shameen Ravindra Peiris	4,855,743	0.47%	4,855,743	0.37%
Ranjith Sanath Perera Amarathunga	4,807,961	0.46%	4,807,961	0.37%
Albert Rasakantha Rasiah	4,273,743	0.41%	4,273,743	0.33%
Warshapperuma Arachchige Rajitha Gunwardhana	1,442,388	0.14%	1,442,388	0.11%
Pintherumahawaduge Shaminda Viraj Fernando	1,442,388	0.14%	1,442,388	0.11%
Yahan Chanidu Samarajeewa	1,068,435	0.10%	1,068,435	0.08%
Nisanga Warnapura	1,068,435	0.10%	1,068,435	0.08%
Wadu Thanthrige Sajeeka Gayani De Silva	1,068,435	0.10%	1,068,435	0.08%
Ajith Rohana Kumara Delay	694,483	0.07%	694,483	0.05%
Polwatte Gallage Nipuna Naroththama Dias	477,824	0.05%	477,824	0.04%
Rehan Ranjaka Joshua Perera	320,530	0.03%	320,530	0.02%
Harsha Guneratne	238,912	0.02%	238,912	0.02%
Weerakoon Mudiyanselage Ananda Weerakoon	238,912	0.02%	238,912	0.02%
IPO Shareholders			267,108,998	20.50%
	1,036,008,946		**1,303,117,944**	

ANNEXURE 12

COLLECTION POINTS

ANNEXURE - 12

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

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Tel: +94 11 2 429 100
Fax: +94 11 2 429 199
E-mail: asl@ashasecurities.net

Acuity Stockbrokers (Pvt) Ltd.
No. 53, Dharmapala Mawatha, Colombo 3.
Tel: +94 11 2 206 206
Fax: +94 11 2 206 298 / 9
E-mail: sales@acuitystockbrokers.com

J B Securities (Pvt) Ltd.
No. 150, St. Joseph Street, Colombo 14.
Tel: +94 11 2 490 900
Fax: +94 11 2 430 070
E-mail: jbs@jb.lk

Lanka Securities (Pvt) Ltd
No. 228/1, Galle Road, Colombo 4.
Tel: +94 11 4 706 757 / +94 11 2 554 942
Fax: +94 11 4 706 767
E-mail: sales@acuitystockbrokers.com

Asia Securities (Pvt) Ltd.
4th Floor, Lee Hedges Tower, No. 349, Galle Road, Colombo 3
Tel: +94 11 7 722 000
Fax: +94 11 258 4864
E-mail: inquiries@asiasecurities.lk

Capital Trust Securities (Pvt) Ltd.
No, 42, Mohamed Macan Markar Mawatha, Colombo 3.
Tel: +94 11 2 174 174 / +94 11 2 174 175
Fax: +94 11 2 174 173
E-mail: inquiries@capitaltrust.lk

S C Securities (Pvt) Ltd.
5th Floor, No. 26B, Alwis Place, Colombo 3.
Tel: +94 11 4 711 000 / +94 11 4 711 001
Fax: +94 11 2 394 405
E-mail: itdivision@sampathsecurities.lk

CT CLSA Securities (Pvt) Ltd.
4-14, Majestic City, 10, Station Road, Colombo-4.
Tel: +94 11 2 552 290 - 4
Fax: +94 11 2 552 289
E-mail: info@ctclsa.lk

First Capital Equities (Pvt) Ltd.
No. 2, Deal Place, Colombo 3.
Tel: +94 11 2 639 898
Fax: +94 11 5 736 264
E-Mail: equity@firstcapital.lk

Bartleet Religare Securities (Pvt) Ltd.
Level "G", "Bartleet House", No. 65, Braybrooke Place, Colombo 2.
Tel: +94 11 5 220 200
Fax: +94 11 2 434 985
E-mail: info@bartleetstock.com

Nation Lanka Equities (Pvt) Ltd.
No.44, Guildford Crescent, Colombo 07.
Tel: +94 11 7898302
Fax: +94 11 2673355
E-mail: info@nlequities.com

TRADING MEMBERS OF THE COLOMBO STOCK EXCHANGE

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Level 5, "Millennium House", 46/58 Navam Mawatha, Colombo 2.
Tel: +94 11 2 317 777
Fax: +94 11 2 3177 88
E-mail: info@cal.lk

First Guardian Equities (Pvt) Ltd.
32nd Floor, East Tower, World Trade Centre, Colombo 1.
Tel: +94 11 5 884 400 (Hunting)
Fax: +94 11 5 884 401
E-mail: info@fge.lk

Candor Equities Ltd.
Level 8, South Wing, Millennium House, 46/58 Nawam Mawatha, Colombo 02.
Tel: +94 11 2 359 100
Fax: +94 11 2 305 522
E-mail: info.cel@candorh.com

Enterprise Ceylon Capital (Private) Limited.
No.73/1, Dharmapala Mawatha, Colombo 7
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Fax: -
E-mail:info@ecc.lk

Richard Pieris Securities (Pvt) Ltd.
No.310, High Level Road, Nawinna, Maharagama
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Email: communication@rpsecurities.com

LOLC Securities Limited
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Tel: +94 11 588 9889
Fax: +94 11 266 2883
E-Mail: info@lolcsecurities.com

SMB Securities (Pvt) Ltd.
No. 02, Gower Street, Colombo 5.
Tel: +94 11 4 388 138
Fax: +94 11 2670294
E-mail: info@smbsecurities.lk

Taprobane Securities (Pvt) Ltd.
2nd Floor, No. 10, Gothami Road, Colombo 08.
Tel: +94 11 5 328 200, +94 11 5 328 100
Fax: +94 11 5 328 177
E-mail: info@taprobane.lk

Softlogic Stockbrokers (Pvt) Ltd
Level 16, One Galle Face Tower, Colombo 02.
Tel: +94 11 7 277 000
Fax: +94 11 7 277 099
Email: ssb.inquiry@softlogic.lk

TKS Securities (Pvt) Ltd. (Inactivated Operations)
4th Floor, No. 245, Dharmapala Mawatha, Colombo 7.
Tel: +94 11 7 857 799
Fax: +94 11 7 857 857
E-mail: info@tks.lk

Navara Securities (Pvt) Ltd
No. 12B Gregory's Road, Colombo 7.
Tel: +94 11 2 358 700 / 20
Fax: +94 11 5 005 551
Email: info@navarasecurities.lk

ANNEXURE - 12

NDB Bank PLC Branches:

Branch Name	Telephone No.	Address
Akkaraipattu	067 7448000/1	No. 487, Main Street, Akkaraipattu
Akuressa	041 7448000/1	No. 21, Main Street, Akuressa
Aluthgama	0347448010/1	No. 267, Galle Road, Aluthgama
Ambalangoda	0917448000/1	No : 333 , Galle Road , Ambalangoda
Ambalantota	047 7448000/1	No. 127 , Main Street , Ambalantota
Ampara	063 7448000/1	No 75, D S Sennanayake Street, Ampara
Anuradhapura	025 7448000/1	522/C, Maithreepala Senanayake Mw, New Town, Anuradhapura
Athurugiriya	011 7448060/1	70/15A, Borella Road, Athurugiriya
Avissawella	036 7448000/1	No. 93, Ratnapura Road, Avissawella
Badulla	055 7448000/1	242, Lower Street, Badulla
Balangoda	0457448000/1	No 24 A, Barns Ratwatte Mawatha, Balangoda
Bandarawela	057 7448000/1	No : 317 , Main Street , Bandarawela
Battaramulla	011 7448090/1	No 245,Main Street,Battaramulla.
Batticaloa	065 7448000/1	No 16, Liyods Avenue, Batticaloa.
Boralesgamuwa	0117448063/4	No 39, Kesbawa Road, Boralesgamuwa
Borella	0117 448078/9	No: 31/5, Dr. N M Perera Mawatha, Borella
Chavakachcheri	0217448013/4	No. 1,3,5, Kandy Road, Chavakachcheri
Chenkalady	065 7448003/4	Trincomalee Road,Chenkalady.
Chilaw	032 7448000/1	50-52, Skyline Building, Colombo Road, Chilaw
Chunnakam	021 7448018/9	No: 30, K..K.S. road, Chunnakam
Colombo 7	011 7448004/5	103A, Dharmapala Mawatha, Colombo 7
Dambulla	066 7448000/1	No: 42, Kurunegala road, Dambulla
Digana	081 7448003/4	No 59/6 , Gonawala Road ,Digana.
Eheliyagoda	036 7448003/4	No: 153, Main street, Ehaliyagoda.
Elpitiya	091 7448003/4	No. 23, Ambalangoda Road , Elpitiya
Embilipitiya	047 7448003/4	No. 67, Pallegama , Embilipitiya
Fort	011 7448111/2	No, 39 , Canal Row , Colombo 01.
Galle	091 7448006/7	1/A,Abeysekara Building,Wakwella Road, Galle
Gampaha	033 7448000/1	153, Colombo Road, Gampaha
Gampola	081 7448000/1	No: 75, Nuwara Eliya Road, Gampola
Giriulla	037 7558010/1	No 86, Negombo Road Giriulla.

Branch Name	Telephone No.	Address
Hambanthota	047 7448006/7	No: 34, Wilmot street, Hambantota
Hanwella	036 7448006/7	No 130/C , Pahala Hanwella, Hanwella.
Havelock Town	0117 448006/7	117, Havelock Road, Colombo 05
Hendala	011 7448094/3	No 46A Hendala Road, Hendala
Hikkaduwa	091 7448009/10	No 245, Galle Road, Hikkaduwa.
Hingurakgoda	027 7558010/1	No 10, Airport Road , Hingurakgoda
Homagama	011 7448045/6	64A, Highlevel Road, Homagama
Horana	034 7448013/5	135, Panadura Road, Horana
Ja - Ela	011 7448075/6	No.121, Colombo Road, Ja-Ela
Jaffna	021 7448011/24	No 62/6, Stanley Road, Jaffna
Kadawatha	011 7448036/7	147, Kandy Road, Kadawatha
Kaduruwela	027 7558003/4	No 25, Batticaloa Road, Polonnaruwa
Kaduwela	011 7448081/2	No: 501/2, Awissawella Road, Kaduwela
Kahawatte	045 7448003/4	No 149, Main Street, Kahawatte
Kalmunai	067 7448003/4	No: 165, Batticaloa Road, Kalmunai
Kalutara	034 7448016/7	290. Galle Road, Kalutara South
Kandana	011 7448039/40	No.677, Negombo Road,Kandana
Kandy	081 7448015/6	No 133, Kotugodella Veediya, Kandy
Kandy City Centre	081 7448006/7	L 1 - 3 , Level 1 , Kandy City Center , No . 05 , Dalada weediya , Kandy
Katana	031 7448000/1	No.05, Koongashandiya, Katana
Katugastota	081 7448009/10	No 111, Kurunegala Road, Katugastota
Katunayake	011 7448096/7	No 745 , Baseline Road , Aweriwatta , Katunayaka
Kegalle	035 7448003/4	261/1, Kandy Road, Kegalle
Kekirawa	0257448003/4	No 61, Opposite Government Hospital, Main Street, Kekirawa
Kiribathgoda	011 7448033/4	No. 540, New Hunupitiya Road, Dalugama, Kelaniya
Kochchikade	031 7448003/4	No 96,Chilaw Road,Kochchikade.
Kohuwela	0117 448051/2	No. 143, S De S Jayasinghe Mawatha,Nugegoda.
Kollupitiya	011 7448018/9	No.321, Galle Road, Colombo 3
Kotahena	0117 448030/1	295, George R De Silva Mw, Co -13
Kottawa	011 7448099/100	365/1 A, High Level Road, Kottawa
Kuliyapitiya	037 7558003/4	No 133, Main Street, Kuliyapitiya

ANNEXURE - 12

Branch Name	Telephone No.	Address
Kurunegala	037 7558006/7	6, Rajapihilla Mw, K'Gala
Maharagama	011 7448015/6	108 A, Highlevel Road, Maharagama
Mahawewa	032 7448003/4	Chilaw Road, Mahawewa.
Mahiyanganaya	055 7448003/4	No: 02,New Town, Mahiyanganaya
Malabe	0117448049/8	760, New Kandy Road, Malabe
Manipay	021 7448021/2	No.260, Manipay Road, Manipay
Marine Drive	011 7448102/3	42, Sagara Road, Marine Drive, Colombo 4
Matale	066 7448003/4	No : 144 , Main Street , Matale
Matara	041 7448003/4	60, Uyanwatte Rd,Matara
Mathugama	034 7448022/3	No. 98, Agalawatta Road, Mathugama
Minuwangoda	011 7448084/5	No: 49, Negombo Road, Minuwangoda
Monaragala	055 7448006/7	No: 29, Pothuwil Road, Monaragala
Moratuwa	011 7448021/2	255, Galle Road, Idama, Moratuwa
Mount Lavinia	011 7448024/5	No 431/433, Galle Road, Mount Lavinia
Narahenpita	011 7448105/6	193 , Kirula Road , Narahenpita , Colombo 5.
Narammala	037 7558013/4	No 144, Kurunegala Road, Narammala
Nattandiya	032 7448006/7	No 82, Marawila Road, Nattandiya.
Nawalapitiya	054 7448000/1	No 70B, Gampola Road, Nawalapitiya
Nawam Mawatha	011 7448000/1	No 40, Nawam Mw, Colombo 02
Negombo	031 7448006/7	No. 121, St.Joseph Street, Negombo
Nelliady	021 7448012/27	109,Jaffna Road,Nelliady
Nikaweratiya	037 7558016/7	No:65, Puttalam Road,Nikaweratiya
Nittambuwa	033 7448003/4	No 496, Kandy Road, Nittambuwa
Nugegoda	011 7448009/10	152,Nawala Rd, Nugegoda
Nuwara Eliya	052 7448000/1	No 50/2 ,Siva Complex,Block C,Lawson Street, Nuwaraeliya
Old Moor Street	011 7448108/9	No : 311, Old Moor Street , Colombo 12
Panadura	038 7448000/1	No. 319, Galle Road, Panadura
Pelawatte	011 7448027/8	301, Pannipitiya Road, Battaramulla
Pettah	011 7448072/3	No, 137,133/1, Main Street, Colombo 11
Pilimathalawa	081 7448012/3	No: 240, Colombo Road. Pilimathalawa
Piliyandala	011 7448057/8	No 120 , Horana Road, Piliyandala.

Branch Name	Telephone No.	Address
Pitakotte	011 7448114/5	No 322B, Kotte Road, Pitakotte
Private Wealth Centre	011 7448087/8	No 135, Rainbow Business Centre, Bauddhaloka Mawatha, Colombo 04
Puttalam	032 7448009/10	104, Kurunegala Road, Puttalam
Rajagiriya	011 7448012/3	505, Srijayawardenapura Etul Kotte, Kotte
Ratmalana	011 7448066/7	No 151, Galle Road, Ratmalana
Ratnapura	045 7448006/7	No 211, Main Street, Rathnapura
Shangri-la	011 7448117/8	One Galle Face Mall, Premises no L 1 - 77, No 1 A, Colombo 02.
Tangalle	047 7448009/10	No 90A , Matara Road , Tangalle.
Thambuttegama	025 7448006/7	No 255A, Main Street, Thambuttegama
Thirunelveli	021 7448016/17	No, M102 , Palaly Road, Jaffna
Tissamaharama	047 7448012/3	No. 133 E , New Town , Tissamaharama
Trincomalee	026 7448000/1	No 91& 93, North Coast Road, Trincomalee
Uragasmanhandiya	091 7448012/3	No 131 , Main Street , Uragasmanhandiya
Vauniya	024 7448000/1	188, 190, 192 & 190/1, Kandy Road, Vavuniya.
Warakapola	035 7448000/1	No. 96 & 98 , Main Street , Warakapola
Wariyapola	037 7558019/20	Navinna Bldg, Puttlam Road, Wariyapola
Wattala	011 7448042/3	378A, Negombo Road, Wattala
Wellawatte	011 7448120/1	302, Galle Road, Colombo 6
Wennappuwa	031 7448009/10	No 204, Chilaw Road, Wennappuwa
Yakkala	033 7448006/7	65/5 B,Kandy Road,Yakkala

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