

Hela Apparel Holdings PLC | Annual Report 2024/25

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ABOUT THIS REPORT

This is the fourth Annual Report of Hela Apparel Holdings PLC published following the Company's listing on the Colombo Stock Exchange in February 2022, and presents an overview of its performance during the financial year ended 31 March 2025. The Report also provides an assessment of the Company's operating landscape, governance practices, risk management, and proactive response to the evolving market dynamics.

SCOPE AND BOUNDARY

This Report covers the operations of Hela Apparel Holdings PLC (hereinafter referred to as "the Company") and its subsidiaries and equity-accounted investees (hereinafter referred to as "Hela", "the Hela Group" or "the Group") for the period from 1 April 2024 to 31 March 2025.

It provides an overview of the Hela Group's performance, encompassing both financial and non-financial information. It also highlights the Group's core business – delivering sustainable, ethical, and innovative apparel solutions – and showcases its global reach. The Group adopts an annual reporting cycle and there have been no major restatements of financial or non-financial information unless otherwise stated.

The Hela Group is currently organised into two reportable segments, the Private Label Manufacturing Division (hereafter referred to as the "PLMD") and the Brand Licensing Division (hereafter referred to as the "BLD"). Given this operational structure, the non-financial information related to each division is presented separately. In addition, the PLMD ceased manufacturing operations in Ethiopia as of December 2024 and, as such, the non-financial information does include details of this operation unless otherwise stated.

REPORT & CONTENT

The content of this Annual Report has been structured for the purpose of informing stakeholders, including shareholders, suppliers, employees, and the wider community regarding the performance of the Hela Group in FY 2024/25, along with providing insights into its risk management and corporate governance practices.

To ensure regulatory compliance and clarity on the content presented in the Report, the Financial Statements contained herein have been prepared in accordance with the Sri Lanka Accounting Standards and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. The Corporate Governance Report is in accordance with the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

FORWARD-LOOKING STATEMENTS

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

COMBINED ASSURANCE

The Hela Group applies a combined assurance model in its reporting.

The contents of this Report has been reviewed and approved by the relevant business heads, the Group CEO, and the Audit & Risk Committee before seeking the approval of the Board of Directors. The financial statements have been independently audited by Deloitte Partners. Please refer to pages 80 to 81 for the report of the auditors.

BOARD RESPONSIBILITY

The Board of Directors of Hela acknowledges its responsibility for ensuring the completeness, accuracy and integrity of this Report. The Board confirms that it collectively reviewed the contents of the Report in conjunction with the assurance reports obtained from internal and external assurance providers, including assessments on risk and internal controls. On this basis, the Board remains satisfied that the Annual Report for FY 2024/25 provides an accurate assessment of the Group's performance for the financial year ended 31 March 2025.This Report was approved by the Board on 5 December 2025.

FEEDBACK

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



PDF Format



A concise Annual Report in print form

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

ABOUT US

Hela Apparel Holdings PLC is a socially responsible fashion conglomerate headquartered in Sri Lanka, with an expanding international footprint and a steadfast commitment to inclusivity, equity, and climate stability. With over three decades of industry expertise, the Group has evolved to operate across two strategically distinct yet synergistic divisions: the Private Label Manufacturing Division (PLMD), based in Sri Lanka with operations spanning multiple global markets; and the Brand Licensing Division (BLD), headquartered in the United Kingdom and established in January 2024.

Together, the PLMD and BLD position Hela to deliver comprehensive apparel solutions encompassing design, sourcing, manufacturing, brand management, and distribution. This integrated model enables greater agility, vertical alignment, and an enhanced value proposition for global fashion partners. While the two divisions operate independently with their own commercial structures and teams, strategic collaborations have unlocked mutual growth opportunities and deepened partnerships with leading retailers and brand owners.

Hela has been a pioneer in establishing apparel manufacturing operations in Africa, operating six production facilities across Sri Lanka, Kenya, and Egypt, alongside a strong presence in key markets including the UK, European Union, and US. The Group supports a global workforce of over 12,400 individuals, with a particular emphasis on empowering women and young people in underserved communities.

As a vocal advocate for responsible business, Hela has embedded sustainability throughout its operations. Flagship community initiatives such as Diriliya and Diridaruwo deliver long-term socio-economic value, while ongoing investments in renewable energy, waste reduction, and sustainable materials demonstrate the Group's commitment to climate resilience.



MISSION

Our mission is to help retailers create responsibly manufactured hero products by offering robust supply chain and brand management solutions that allow them to maintain optimum inventory at the most competitive retail price



PURPOSE

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

KEY PRINCIPLES ALIGNED WITH HELA'S FOCUS ON SOCIAL CAPITAL

INCLUSIVITY

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

EQUITY

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

CLIMATE STABILITY

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

HELA GROUP AT A GLANCE

The complementary strengths of the Private Label Manufacturing and Brand Licensing Divisions enable the Hela Group to provide comprehensive solutions to the fashion industry, encompassing design, sourcing, manufacturing, marketing, brand management, warehousing, and distribution.



Private Label Manufacturing Division



Brand Licensing Division

02 Specialised Business Divisions	**12,400+** Employee Base[1]	**15** Licensed and Owned Brands	**06** Country Footprint
06 Manufacturing Facilities	**03** Design Centres	**05** Products Showrooms	**01** Distribution Centre

[1] *As of 31 March 2025*

OUR GLOBAL PRESENCE



UNITED KINGDOM
BLD Headquarters
02 Showrooms
01 Distribution Centre
01 Design Centre

UNITED STATES OF AMERICA
01 Design Centre

EGYPT
01 Manufacturing Facility

GERMANY
03 Showrooms

KENYA
01 Manufacturing Facility

SRI LANKA
Group & PLMD Headquarters
04 Manufacturing Facilities
01 Design Centre

EXECUTIVE REVIEWS

CHAIRMAN'S MESSAGE

Dear Shareholders,

In presenting the Annual Report of Hela Apparel Holdings PLC for the financial year ended 31 March 2025, we reflect on a year marked by significant challenges and pivotal transformation. As the global operating environment grows ever more volatile, the steps taken to reshape the Hela Group during the year place resilience at the heart of its business model and, I believe, position it to deliver long-term value.

RESHAPING RESILIENCE

FY 2024/25 reinforced that global volatility is now the norm, rather than a temporary aberration. With seemingly intractable global conflicts multiplying and the international trading system undergoing significant realignment, there can be little doubt that the world is transitioning to a more multipolar system that will be marked by heightened volatility.

In this context, focusing on short-term resilience in the expectation that operating conditions will return to 'normal' is no longer sufficient. Rather, this transition demands business models that embed resilience in their foundations and position for the long-term trends that will reshape industries. This is the model we are building at Hela, and meaningful progress was made toward this goal during the year.

The most consequential step undertaken was the integration of Focus Brands as the foundation of the Group's Brand Licensing Division (BLD), following its acquisition in January 2024. This has extended the Hela Group's capabilities to brand management and licensing, allowing it to capture a greater portion of the fashion value chain and enhance demand stability.

Focus Brands was formally relaunched as Hela Brands on the first anniversary of the acquisition and has been bolstered by a revitalised management team, new brands licenses, and an optimised operational footprint. While it continues to operate as a standalone division, our focus is on building synergies with the Private Label Manufacturing Division (PLMD) to unlock enhanced value creation and resilience for the Group. A notable example of this is our successful partnership with Tesco, an established customer of the PLMD, through which two Hela Brands labels, Peter Werth and Fenchurch, are now being sold across Tesco stores in the UK.

We also embarked on a comprehensive restructuring of the PLMD to embed resilience into its operating model. This included optimising our global footprint by ceasing manufacturing operations in Ethiopia and divesting two of our six Sri Lankan manufacturing facilities, while streamlining support functions to align costs with the revised structure. These actions, though difficult – especially in saying farewell to valued employees – were essential for ensuring long-term competitiveness and sustainability of both the division and the broader Group.

FINANCIAL PERFORMANCE

While these initiatives lay the foundation for a more resilient future, we acknowledge that the Hela Group's financial performance fell significantly short of expectations in FY 2024/25. Consolidated revenue rose by 18.6% year-on-year to Rs. 83.4 Bn, reflecting the addition of the BLD for a full reporting period. However, operating conditions remained challenging, and the PLMD's restructuring exerted pressure on profitability. As a result, excluding non-cash impairment charges, the Group reported an operating loss of Rs. 15.7 Bn and a post-tax loss of Rs. 22.9 Bn.

The successful completion of a rights issue raising Rs. 1.6 Bn in October 2024 provided support to the Group's balance sheet. Nevertheless, the full year financial performance has weighed on key ratios. Further measures to strengthen the balance sheet are under discussion, including the restructuring of the Group's existing bank borrowings.

STEADFAST PURPOSE & GOVERNANCE

Despite the year's difficulties, Hela remains firmly committed to its social capital purpose – focused on inclusivity, equity, and climate stability. The validation of our greenhouse gas reduction targets by the Science Based Targets Initiative was a particularly important milestone, reinforcing our role in the fashion industry's transition to net zero. The Group's community empowerment programs also continued to positively impact our employees and their families, reflecting our unwavering commitment to responsible corporate citizenship.

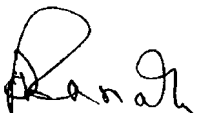
As the only listed apparel company on the Colombo Stock Exchange (CSE), Hela remains a standard bearer for transparency and corporate governance in the industry. We strived to ensure compliance with the CSE's enhanced corporate governance frameworks during the year, aligning the Group's policies and Board structures accordingly.

The composition of the Board of Directors was also refreshed in FY 2024/25. Mr. Shlomo Doron, Mr. Shesan Khan, Ms. Trisha Peries, and Mr. Patrick Schleiffer stepped down from their positions following extensive tenures. On behalf of the Board, I would like to take this opportunity to thank each of them for the invaluable contributions they have made to the Group. In addition, I am pleased to welcome Mr. Alexander Cockerham, Mr. Christopher Horn, and Mr. Aruna De Silva Muthumuni, as new Directors appointed in FY 2024/25, who bring vital global expertise in retail and manufacturing, which will be instrumental as we navigate an evolving landscape.

As part of an initiative aimed at strengthening the integration between the Private Label Manufacturing Division (PLMD) and the Brand Licensing Division (BLD) of the Group in the FY 2025/26, Mr Ray Evans, the CEO of the BLD namely Focus Brands Limited, UK was appointed to the Board as an Executive Director with effect from 16th September 2025.

In closing, I extend heartfelt thanks to all our employees – past and present – for their unwavering resilience and commitment. I'm equally grateful to my fellow Board members for their strategic guidance, and to our shareholders for their continued confidence. My sincere appreciation also goes to our customers, suppliers, financiers, bankers, and all other stakeholders who have stood by the Hela Group throughout this transformative year. Together, we are not merely turning a page; we are intentionally reshaping resilience, ensuring that our approach is strategic, disciplined, and deeply embedded in our operations.

I wish to inform all the shareholders of my intention to retire from the Directorate of Hela Apparel Holdings PLC with effect from 29 December 2025. Hence, I have informed the Company that I will not be seeking re-election at the forthcoming Annual General Meeting.



A. R. Rasiah
Chairman

5 December 2025

BOARD OF DIRECTORS

Mr. A.R. Rasiah
Chairman & Non-Executive Director
(Appointed w.e.f. 19 November 2018)
(Retiring w.e.f. 29 December 2025)

RPT NGC RC

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

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

Dr. Alastair Alderton
Co-Chairman &
Non-Executive Director
(Resigned w.e.f. 9 September 2025)

RPT NGC RC

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

In addition to his role as a Non-Executive Director on multiple boards, Dr. Alderton participates on advisory boards and investor committees of various private equity funds. He is a Solicitor of the Senior Courts of England and Wales, with a decade of transaction and advisory experience at Clifford Chance, and holds a PhD in History from the University of Cambridge. Appointed to the Board of Hela in 2021, Dr. Alderton's extensive executive experience across a range of companies and sectors brings a broad perspective to Board discussions. Alastair was appointed as Chairman of Focus Brands Limited in 2024.

Mr. Dilanka Jinadasa
Group CEO &
Executive Director
(Appointed w.e.f. 11 October 2018)

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

Mr. Jinadasa was part of the leadership team at Hela who transformed the business into an integrated apparel solution provider through the launch of its Brand Licensing Division, Hela Brands, a market leader in design, sourcing, distribution and promotion for sports fashion and lifestyle brands, based in the United Kingdom.

Mr. Alexander Cockerham
Non-Executive Director
(Appointed w.e.f. 27 December 2024)

AC RPT NGC

Mr. Alexander Cockerham is a Private Equity professional at Rianta Capital, a specialist fund focusing on retail, FMCG and apparel. In his role he works closely with the portfolio companies to ensure they are well supported and primed for future growth.

Previously, Mr Cockerham was a strategy consultant at PwC specialising in cost structure optimisation and in delivering long-term operational improvements for private sector organisations. In this role he successfully supported a number of high-profile FTSE 100 companies looking to modernise their operating model as part of a strategic transformation.

Mr. Cockerham's educational background includes a BA in Modern Languages from the University of Oxford as well as a Masters in Management from Manchester Business School.

Mr. Gayan Gunawardana
Independent Non-Executive Director
(Appointed w.e.f. 20 February 2019)

AC RPT NGC RC

As an Independent Non-Executive Director appointed to the Board of Hela in 2019, Mr. Gunawardana plays a crucial role in overseeing the Company's financial strategies, risk management and financial reporting. He currently serves as the Chair of the Audit & Risk Committee, the Related Party Transactions Review Committee, Nominations & Governance Committee, and the Remuneration Committee. He started his career at PwC UK in the financial services audit division, thereafter joining Hela in 2016 as the Manager of Strategic Planning and Corporate Finance. Subsequent to his tenure at Hela, he served as the Chief Financial Officer of Panasian Power PLC from 2019 to 2022.

With over a 15 years of audit and financial experience, Mr. Gunawardana brings significant expertise to Board discussions on financial planning and risk management. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a Bachelor's degree in Engineering and Business Studies from the University of Warwick. Currently, Gayan holds a senior finance role at a renewable energy IPP with activities in the United Kingdom, Europe and North America.

Mr. Christopher Horn
Non-Executive Director
(Appointed w.e.f. 27 December 2024)

RC

Mr. Christopher Murray Horn is a Chartered Accountant by profession, and his educational qualifications include a BA (Hons) from the University of Exeter. Mr. Horn also possess the FCA (Chartered Accountant – Fellowship of the ICAEW).

Mr. Horn has worked at KPMG during 2006-2012, at Investindustrial between 2012-2015 and at Rianta Capital from 2015 to date.

BOARD OF DIRECTORS

Mr. Aruna De Silva Muthumuni
Independent Non-Executive Director
(Appointed w.e.f. 27 December 2024)

AC RPT NGC RC

Mr. Aruna De Silva Muthumuni is a seasoned professional with over 25 years of leadership experience in the global apparel manufacturing industry. Throughout his career, he has held senior management roles in Sri Lanka, Bangladesh and Singapore, where he has demonstrated a strong capability to drive business growth, restructure organisations, and establish process-driven operations.

Mr. Muthumuni served as the CEO of Aitken Spence Garments in his last executive role and has held CXO level positions across several apparel manufacturing organisations, both locally and internationally, throughout his career. His expertise in establishing factories, driving organisational growth, and leading operational excellence are widely regarded as his key strengths.

Mr. Muthumuni completed his primary education at St. Joseph's College, Colombo, followed by executive education at the University of Moratuwa, the Clothing Industry Training Institute in Sri Lanka, and the NUS Business School in Singapore.

Mr. Ray Evans
Executive Director
(Appointment w.e.f 16 September 2025)

Mr. Ray Evans is an award winning CEO with a specialism in performance clothing and brand licensing. He has 30+ years' experience in sourcing sports apparel and building brands to drive market growth and revenues.

Leveraging his entrepreneurial capabilities, negotiation skills and ability to influence international stakeholders, he has built ventures that have enabled the successful licensing of sports and performance clothing brands to production locations worldwide.

Culturally sensitive, he values diversity, talent and inclusion, both inside and outside of the workplace, and has built many successful international teams championing and retaining talent.

Key areas of expertise include identifying consumer insights and designing cross functioning organisational structures, deploying innovative strategies to conceptualise, build and test new marketing and e-commerce initiatives and conducting due diligence strategies to secure new business and brand licensing categories.

He is particularly experienced in developing successful partnerships with brand owners, distributors, import and export organisations, sports clubs, high street and online retailers and manufacturers to create new brand license strategies and realise brand growth.

In a fast moving and constantly evolving sector where consumer aspirations are increasingly demanding, Mr. Ray's expertise, knowledge and contacts, plus his personal drive and passion set him apart as a much sought after CEO.

AC Audit & Risk Committee
RPT Related Party Transactions Review Committee
NGC Nomination & Governance Committee
RC Remuneration Committee

OPERATIONAL REVIEWS

OPERATING ENVIRONMENT

The global fashion industry experienced another challenging year in FY 2024/25 as the anticipated recovery in consumer demand proved sluggish. This was compounded by mounting global tensions and shifting trade policies in major markets. Given their widespread implications, these global realignments are expected to remain a key driver of the operating environment in the coming year.

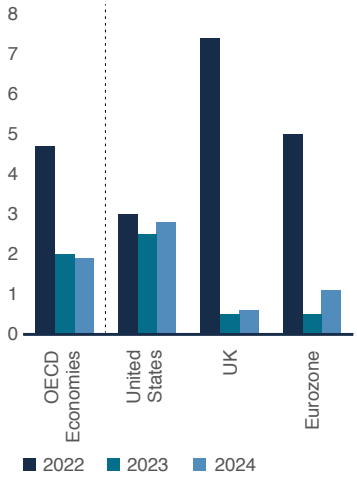
This section provides an overview of developments in the global apparel market during FY 2024/25, with a focus on the Hela Group's key markets (the US, UK and Eurozone), as well as the operating conditions in the countries where the Group's manufacturing facilities are located (Sri Lanka, Egypt and Kenya). Economic indicators referenced are based on the calendar year unless otherwise specified.

GLOBAL APPAREL MARKET

Demand Environment

Following the post-pandemic slowdown, economic growth among major advanced economies stabilised in FY 2024/25. GDP growth among OECD economies held steady at 1.8% in 2024, the same rate as recorded in the previous year. This was partly driven by a stabilisation in household consumption growth, with modest pickups recorded in the US, UK and Eurozone. Nonetheless, consumer spending growth remained below the levels recorded in 2022, particularly in the UK and Eurozone.

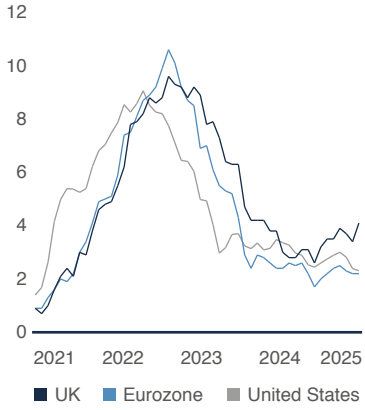
Real Household Consumption Growth (%y/y)



Source: OECD

While inflation moderated in most major economies during the year, it remained persistently above target. As such, to mitigate the risk of high inflation expectations becoming embedded, central banks proceeded cautiously in reducing their policy interest rates during the course of the FY 2024/25. This kept consumer incomes under pressure and limited the upside in the demand recovery.

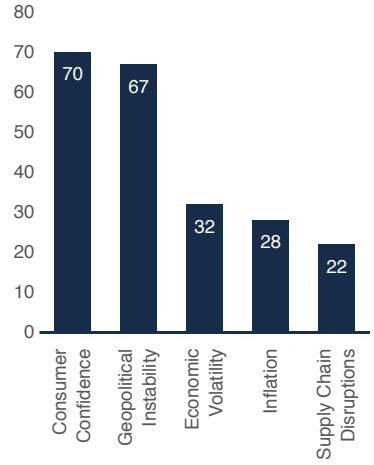
Consumer Price Inflation (%)



Source: OECD

Heightened political uncertainty presented a further headwind to household spending during the year as it weighed on consumer confidence. Elections took place across many of the world's largest economies, with changes in government in the US and UK signalling shifts in trade and fiscal policy. Indeed, over 65% of fashion executives surveyed by McKinsey highlighted subdued consumer confidence and geopolitical instability as the biggest risks to the industry in 2025.

Top Risks for the Apparel Sector in 2025 (%)



Source: BoF-McKinsey State of Fashion Executive Survey 2025

In this context, major fashion brands were increasingly focused on differentiation and pricing strategy as critical levers for growth and competitiveness. Approximately 65% of industry executives intended to broaden their product assortments across a wider range of price points in 2025, with the aim of capturing a more diverse customer base[2]. Digital innovation also remained a high priority, particularly in the areas of artificial intelligence, design personalisation and consumer engagement. This underscored a growing imperative to enhance customer experience and operational efficiency through technology.

Sustainability, once a central strategic pillar for the fashion industry, has seen a relative decline in emphasis. Fewer than 20% of fashion executives

[2]BoF-McKinsey State of Fashion Executive Survey 2025

identified it as one of their top three risks for growth in 2025[2], reflecting a reprioritisation towards margin preservation and short-term market share gains. Nonetheless, the long-term importance of environmental compliance and climate-related regulation is expected to re-emerge as a priority as increasingly stringent global disclosure requirements come into force.

IMPACT ON HELA

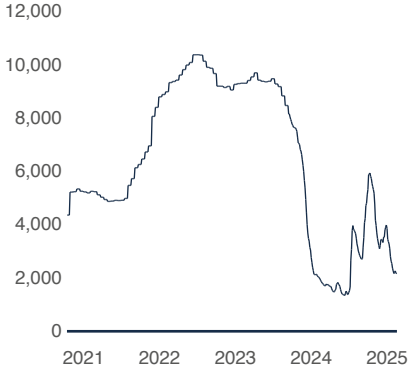
The muted recovery in consumer demand for apparel products impacted Hela's order book during the year and contributed to the decline in PLMD revenue. However, the Group's diversifying business model and the addition of the BLD helped to offset this, and is expected to enhance the Group's resilience to demand-side volatility over the medium term.

Supply Environment

Global supply chains were similarly buffeted by geopolitical developments throughout FY 2024/25. This renewed the industry's focus on supply chain diversification and resilience, though this process has been complicated by major changes announced in US trade policy.

Early in the year, the key concern was the continued disruption to shipping routes through the Red Sea as a result of the conflict in the Middle East. Most major shipping lines suspended sailings through the Suez Canal for much of the year. This contributed to a spike in global maritime freight prices, which averaged 88% higher in FY 2024/25 compared to the previous year. While still below their pandemic-era peak, increased freight prices were also accompanied by operational disruptions due to the diversion of ships via the Cape of Good Hope, which significantly extended transit times between Asia and Europe.

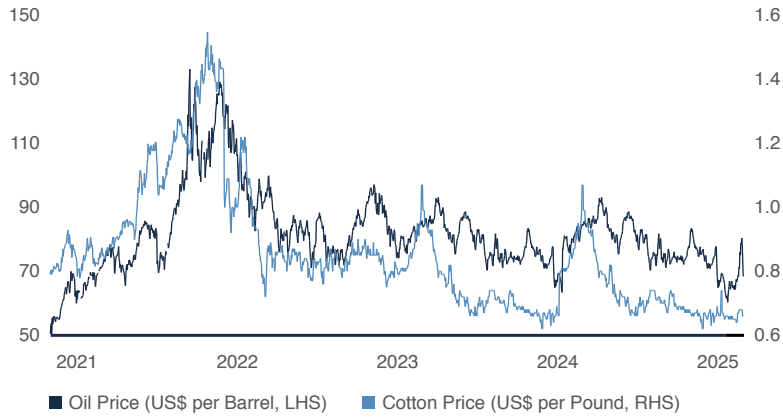
Composite Freight Rates (US$ per 40ft. Container)



Source: World Contrainer Index, Drewry Supply Chain Advisors

International commodity markets were also impacted by geostrategic events, though to a lesser extent as supply conditions for key resources remained favourable. Most notably for the apparel and textile sector, global oil and cotton prices averaged 5% and 16% lower, respectively, during FY 2024/25 compared to the previous year.

Global Oil & Cotton Prices



Sources: US Energy Information Administration; Macrotrends

Geopolitical tensions continued to drive shifts in the global sourcing patterns for the fashion sector, accelerating the transition away from a China-centric model to a more distributed, multi-regional sourcing framework. Between 2019 and 2023, the share of apparel and textile imports from China declined by 6 percentage points for the US and 3 percentage points for the European Union, and this trend was expected to have continued in 2024. This reflected both increasing sourcing costs in China, as well as its increasingly strained relationship with major markets.

While other major apparel producers in Asia were expected to be among the key beneficiaries of this shift in global sourcing patterns, significant changes in US trade policy announced immediately after the close of financial year have created a large degree of uncertainty. In April 2025, the new US administration under President Trump announced 'reciprocal' tariffs on almost all trading partners ranging from 10-49% to be levied in addition to existing product-level duties. The implementation of these tariffs was delayed until later in 2025 to allow time for negotiations between the US and its trading partners. Nonetheless, these events have led global fashion brands to reevaluate their sourcing strategies to ensure their agile positioning.

OPERATING ENVIRONMENT

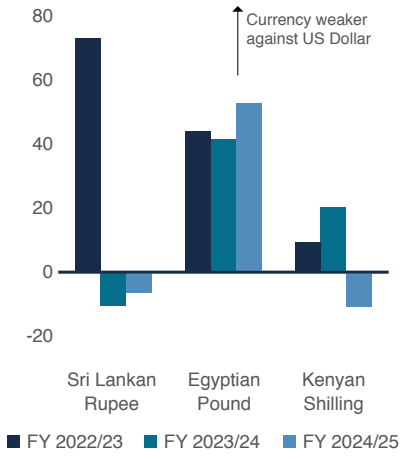
IMPACT ON HELA

Hela's diversified supply chain footprint, spanning Sri Lanka, Egypt and Kenya, positioned the Group advantageously during FY 2024/25. As the global apparel sector continued to shift away from distant and concentrated sourcing models, Hela's locations in South Asia and Africa aligned closely with shifting brand priorities focused on resilience, nearshoring, and supply chain agility.

OPERATING COUNTRY ENVIRONMENT

Economic stability across the Hela Group's manufacturing footprint broadly improved during FY 2024/25, as reform programmes laid the foundations for future growth. Nonetheless, the significant policy shifts associated with these reforms continued to influence the Group's cost base.

Annual Average Exchange Rate Movements vs. US Dollar (%)



Source: IMF

Sri Lanka's economy returned to growth in 2024, demonstrating a strong turnaround from the severe economic crisis experienced in 2022. Presidential and parliamentary elections were held during the year, resulting in a change of government. The new administration committed to maintaining the ongoing economic stabilisation programme and has largely completed the country's external debt restructuring. In this context, the Sri Lankan rupee appreciated by 6.3% against the US Dollar during FY 2024/25. While Kenya experienced episodes of political volatility and social unrest, the government remained broadly committed to its economic reform agenda. This bolstered investor confidence and the Kenyan Shilling recorded an appreciation of 10.9% against the US Dollar during the year.

In contrast, Egypt undertook a further sharp devaluation of its currency, contributing to a renewed spike in inflation. However, this was part of an IMF-backed effort to liberalise Egypt's foreign exchange regime and was intended to lay the groundwork for improved macroeconomic stability in the years ahead.

IMPACT ON HELA

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

OUTLOOK

Looking ahead, demand conditions in the global fashion industry remained resilient in the early part of FY 2025/26. Supply-side factors were also largely benign with global maritime freight prices moderating. However, the outlook has been clouded by the significant realignment underway in global trade policy being led by the US. While the eventual economic impact of these policy changes remains unclear, the global nature of fashion supply chains means its impact on the sector is likely to be a significant during the year ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

In FY 2024/25, the Hela Group advanced its transformation agenda amid a challenging global backdrop. The Private Label Manufacturing Division (PLMD) underwent a comprehensive restructuring to enhance agility, optimise costs, and deepen strategic partnerships, while the Brand Licensing Division (BLD) concentrated on integration and growth following the Focus Brands acquisition. Across both divisions, operations were streamlined, digital capabilities strengthened, and initiatives pursued to diversify revenue streams. Implemented in a difficult market, these measures have reinforced the Group's foundations, improved operational resilience, and positioned Hela to capitalise on emerging opportunities.

FINANCIAL REVIEW

The Hela Group recorded consolidated revenue of Rs. 83.4 Bn in FY 2024/25, marking an 18.6% year-on-year increase. This growth was primarily driven by the full-year contribution from the BLD, which added Rs. 27.4 Bn and accounted for 32.9% of Group revenue. This compared to a contribution of Rs. 6 Bn from the BLD in FY 2023/24 (equivalent to 8.2% of Group revenue), following the acquisition of Focus Brands Limited in the final quarter of that year.

Revenue from the PLMD totalled Rs. 55.9 Bn in FY 2024/25, representing a 13.3% decline compared to the previous year. This drop reflects both the challenging operating environment for the global apparel industry and the appreciation of the Sri Lankan Rupee against the division's largely US Dollar-denominated income. In US Dollar terms, the PLMD recorded a more moderate revenue contraction of 7.0% year-on-year.

The Group's gross profit rose by 60.9% to Rs. 9.9 Bn during the year, supported by the increase in revenue and a 310-basis point expansion in gross margins to 11.9%. The margin improvement was largely attributable to the structurally higher gross profit margins of the BLD's brand management business.

Excluding non-cash impairment charges, the Group recorded a consolidated operating loss of Rs. 6.3 Bn in FY 2024/25, compared to an operating profit of Rs. 1.7 Bn in the prior year. This was primarily due to the PLMD's operating loss of Rs. 6.3 Bn. Although the division achieved a 22.4% reduction in administrative expenses through cost optimisation measures, this was partly offset by increased distribution costs stemming from supply chain disruptions. Additionally, FY 2023/24 benefited from a significant one-off gain associated with acquisition of Focus Brands Limited, creating a challenging base for comparison. In contrast, the BLD posted a marginal operating loss of Rs. 12 Mn for FY 2024/25, reflecting the successful stabilisation of the division post-acquisition.

The Hela Group's profitability in FY 2024/25 was further affected by restructuring efforts initiated within the PLMD during the latter part of the year. This formed part of a broader turnaround strategy aimed at streamlining operations and enhancing long-term competitiveness. The key exceptional impacts are outlined below:

- As a prudent step to align asset values with the evolving structure of the PLMD, a non-cash impairment charge on financial assets and goodwill of Rs. 10 Bn was recorded during the year.
- The PLMD's manufacturing footprint was reevaluated with the aim of establishing an agile capacity base by reducing directly operated capacity and increasing the use of partnered capacity. As a result of this initiative and the particularly challenging operating environment in Ethiopia, the PLMD ceased its Ethiopian manufacturing operations in December 2024. The remaining costs attributable to these operations and impairment charges on local assets were recorded as exceptional items in the Group's financial accounts.
- In addition, two of the PLMD's six manufacturing facilities in Sri Lanka and a related warehouse property were identified for divestment. While this transaction was announced in June 2025, these assets were classified as assets held for sale for the purpose of Group's financial accounts.
- To align the division's cost base with its evolved structure, the PLMD also undertook a right-sizing exercise to optimise functional structures and eliminate inefficiencies from overlapping responsibilities. As a result, the PLMD's employee base was reduced and related employee compensation of Rs. 688 Mn was recorded during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Net finance expenses of the Hela Group remained elevated during FY 2024/25 at Rs. 4.1 Bn – a marginal 1.3% increase from the previous year – due to the continuation of high global interest rates for much of the year, as major central bank proceeded with reductions in their benchmark policy rates gradually. The Group's total borrowings (which are primarily denominated in US Dollars) remained largely steady during the year at Rs. 31.4 Bn.

Consolidated income tax expenses recorded a value of Rs. 1.2 Bn in FY 2024/25, compared to a positive value of Rs. 2.0 Bn in FY 2022/23.

Consequently, the Hela Group recorded an after-tax loss of Rs. 22.9 Bn in FY 2024/25. Profit attributable to equity holders recorded a similar loss of Rs. 22.6 Bn, with the reduced loss attributed to the non-controlling interests in the Group's subsidiaries in Ethiopia and Egypt.

In light of the significant restructuring measures undertaken during the year, the Group's financial performance is anticipated to improve in FY 2025/26. This is expected to be driven by an improvement in the performance of the PLMD, with further growth generated by the BLD. That said, the global operating environment remains highly challenging, particularly as of a result of the ongoing shifts in US trade policy and is a key source of uncertainty in the year ahead.

OPERATIONAL REVIEW

PRIVATE LABEL MANUFACTURING DIVISION (PLMD)

The Hela Group's PLMD remains central to the Group's global operations, delivering end-to-end apparel solutions that span design, development, sourcing, and manufacturing. With a footprint across South Asia and Africa, PLMD combines ethical manufacturing practices with advanced digital capabilities to meet the evolving demands of leading global brands.

During FY 2024/25, the division undertook a broad transformation agenda aimed at strengthening resilience, optimising operational efficiency, and reinforcing customer confidence. As such, the year was marked by structural consolidation, technology integration, and strengthened collaboration with the BLD.

The PLMD is overseen by the Board of Directors and the Group CEO, with implementation of the division's strategy led by the CEO-PLMD. All proposed capital investments or divestments undergo a rigorous evaluation process encompassing technical, financial, environmental, and social considerations to ensure alignment with Hela's broader strategic goals.

GLOBAL MANUFACTURING FOOTPRINT

The PLMD's global manufacturing footprint is structured to provide flexibility and responsiveness to the division's customer. While individual sites specialise in certain product categories, production can be reallocated between facilities through its hybrid manufacturing model, combining owned capacity with strategic partner manufacturing. This ensures adaptability to fluctuating demand and supports fulfilment across a range of products and order sizes. Each manufacturing location maintains rigorous quality controls, including preventive maintenance, weekly process audits, and ongoing operator training. Facilities are equipped with in-house technical training schools to ensure that skill development is integrated into the production model.

In the context of the challenging operating environment faced by the PLMD, the year under review was marked by a renewed focus on building operational resilience through both capability enhancement and cost rationalisation. As part of the restructuring of the PLMD, Hela undertook a recalibration of the division's global manufacturing footprint during FY 2024/25, optimising capacity allocation, streamlining asset ownership, and improving factory-level productivity. These actions were undertaken while maintaining the Group's core competencies in design-to-delivery execution.

As part of this transition, manufacturing operations in Ethiopia were ceased in December 2024 due to an increasingly challenging global and domestic operating environment. Elsewhere, the PLMD reevaluated its manufacturing footprint to build a more agile and resilient capacity model. This entailed the divestment of certain non-core assets, including the disposal of a warehouse and two of the division's six production facilities in Sri Lanka. In Kenya, the division's manufacturing facility was recalibrated through new local operational agreements, enabling greater flexibility in order fulfilment while ensuring disciplined cost structures and sustained product quality.

Following these strategic actions, the PLMD retains a competitive manufacturing footprint with six production facilities located across Sri Lanka, Kenya and Egypt. This is expected to be a particular asset for the division in light of the ongoing shifts in global trade policy, allowing it to present a range of manufacturing solutions to its customer. The reduction in the PLMD's owned manufacturing capacity is also not expected to be a constraint on the division's revenue, as it is intended to be supplemented by greater use of partnered capacity.

SRI LANKA

Hela Thihariya



Production Floor Space: **73,000 sq.ft.**

Annual Production Capacity (SAH): **1,080,000**

Hela Ukuwela



Production Floor Space: **26,000 sq.ft.**

Annual Production Capacity (SAH): **570,000**

Hela Palapathwala



Production Floor Space: **80,000 sq.ft.**

Annual Production Capacity (SAH): **870,000**

Hela Naula



Production Floor Space: **30,000 sq.ft.**

Annual Production Capacity (SAH): **600,000**

KENYA

Hela Kenya



Production Floor Space: **215,000 sq.ft.**

Annual Production Capacity (SAH): **1,500,000**

EGYPT

Hela Egypt



Production Floor Space: **276,000 sq.ft.**

Annual Production Capacity (SAH): **1,120,000**





His Excellency William Samoei Ruto - President of the Republic of Kenya, and Her Excellency Meg Whitman - U.S. Ambassador for Kenya, alongside other distinguished guests from the government of Kenya and the United States Agency for International Development (USAID), visited Hela's manufacturing facility in Kenya on the 23 April 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Digital Infrastructure and Innovation

The PLMD's manufacturing operations are underpinned by the division's "Digital Core", which supports both agility and precision across its global footprint. Centred on the cloud-based SAP S/4HANA Fashion ERP system, this platform seamlessly integrates a range of internal applications, customer-facing solutions, and AI-driven capabilities, enabling enhanced operational insight, improving the accuracy of production planning, and supporting more effective coordination between teams. These systems have strengthened operational control, while supporting more informed, data-driven decision making that contributes to timely order fulfilment and greater consistency in output.

At the same time, the Group's design teams continue to benefit from advanced 3D design platforms like V-Stitcher and Browzwear, which allow for virtual prototyping and real-time collaboration with customers. This has led to reduced sample lead times, improved development accuracy, and deeper engagement with global brand partners. Together, these digital capabilities are not only improving productivity, but are also elevating the customer experience and reinforcing Hela's competitive edge in a rapidly evolving manufacturing landscape.

Compliance and Product Certifications

During FY 2024/25, the division's manufacturing operations maintained compliance with a range of internationally recognised certifications related to social responsibility, environmental stewardship, and product quality and safety. These certifications not only strengthen internal systems and operational rigour but also offer stakeholders clear assurance of the Group's commitment to ethical, sustainable, and high-quality manufacturing practices.

HELA COMPLIANCE AND PRODUCT CERTIFICATIONS

Worldwide Responsible Accredited Production (WRAP)

WRAP is an independent, not-for-profit organisation that certifies lawful, humane, and ethical manufacturing operations across the world for sewn goods, apparel, textiles, and related industries.

Sedex Members Ethical Trade Audit (SMETA)

SMETA is the most widely used accreditation for social audits in the world, which assesses the working conditions of manufacturing facilities and supply chains.

The Higg Facility Environmental Module (FEM)

The Higg FEM tool assesses and standardises sustainability measures, and evaluates organisational environmental performances annually.

The Social & Labour Convergence Program (SLCP)

This programme provides the tools to capture accurate data about working conditions in global supply chains and is a converged assessment focused on supporting stakeholders to improve working conditions.

The Supplier Compliance Audit Network (SCAN)

SCAN is an industry trade association that ensures global compliance standards are achieved by reducing audit and operational redundancies for common supply chain stakeholders while maintaining confidentiality.

Intertek's Global Security Verification (GSV)

The Intertek GSV accreditation was established to assist importers and suppliers in evaluating their security procedures in accordance with international supply-chain security regulations.

OEKO-TEX 100

The OEKO-TEX 100 label certifies that every component of the product, from the fabric to the thread and accessories, has been rigorously tested against a list of up to 350 toxic chemicals, trusted worldwide.

Better Work

Better Work unites governments, global brands, factory owners, unions and workers to improve working conditions in the global apparel and footwear industry.

PVH Gold Vendor Accreditation

The PVH Gold Vendor Accreditation recognises an organisation's efforts to uphold the highest standards for its people and the environment as per the Corporate Social Responsibility standards of PVH Corp.

Global Organic Textile Standard (GOTS)

GOTS was developed to define globally recognised sustainable standards for organic textiles from harvesting to manufacturing. Textiles certified by GOTS provide a credible assurance to the end consumer.

Global Recycled Standard (GRS)

GRS is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions.

The Organic Content Standard (OCS)

OCS is an international, voluntary standard that provides chain of custody verification for materials originating on a farm certified to recognised national organic standards.

Regenagri

Regenagri is a global regenerative agriculture programme developed to enhance soil health, encourage biodiversity, reduce greenhouse gas emissions, and sequester carbon. It provides a framework for farms and organisations to transition to regenerative farming practices and offers certification to validate these efforts.

CUSTOMERS AND SUPPLY CHAIN

The PLMD maintains constant, multi-level engagement with its customers, from design to delivery. Regular performance assessments, feedback mechanisms, and collaborative development sessions ensure that the division remains aligned with evolving expectations. Compliance with customer-specific environmental and social standards remains a critical component of every partnership, while integration with digital systems offer real-time visibility and responsiveness across the supply chain.

Similarly, the PLMD's approach to supplier engagement prioritises partnerships over transactional relationships. It actively supports supplier capability-building, and adherence to the highest standards of environmental and ethical compliance. Strategic regionalisation and rationalisation efforts continue to deepen the division's network of long-term, transparent relationships with vetted suppliers.

Building Strategic Customer Partnerships

In FY 2024/25, Hela's PLMD customer engagement strategy evolved in line with the changing needs of the global fashion industry. Retailers and brands continued to face pressure from inflationary cost structures, heightened regulatory scrutiny, and growing consumer demand for environmental and social responsibility. Against this backdrop, the division's ability to offer end-to-end solutions from design and product development to ethical sourcing and on-time delivery from multiple global locations remained a key differentiator. The PLMD prioritised stability of its customer relationships and long-term value creation over aggressive expansion. It was a year that tested resilience rather than enabled growth, and the management focused on reinforcing trust, transparency and strengthening enduring partnerships.



Hela was proud to be a part of the 'Sourced Sri Lanka Fashion & Textile Trade Show' in London on 17-18 June 2024

The PLMD's product portfolio remained centred on three core categories: Intimates, Kidswear, and Sportswear. Europe and North America continued to serve as the division's key demand centres, particularly for high-street and mass-market brands. In response to ongoing volatility in the mid-tier fashion segment, the PLMD refined its commercial strategy to prioritise high-growth, value-driven areas such as licensed sportswear, supermarket labels, and apparel with strong ESG credentials. This realignment, combined with PLMD's reach across multiple distribution channels including supermarkets, e-commerce, and direct-to-consumer platforms strengthened customer access and broadened market presence in a rapidly evolving retail landscape.

Supply Chain Resilience

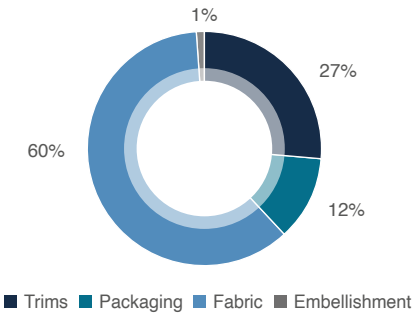
The PLMD's supply chain strategy in FY 2024/25 was focused on four core pillars: customer centricity, operational excellence, cost optimisation, and sustainability. Approximately 99% of the division's raw material purchases during the year related to core items, including fabrics, accessories, and packaging. These were procured across a diverse supplier base with 200 active partners, including corporates, small and medium enterprises, and local community partners.

To de-risk procurement and reduce lead times, the PLMD continued to focus on regionalising sourcing with anchor hubs in Sri Lanka and Africa. 68% of raw materials were sourced from the Indian Subcontinent, 7% from Africa and the Middle East, and 24% from the Far East in FY 2024/25. This proved vital in mitigating the risks posed by geopolitical unrest, particularly disruptions to maritime shipping in the Red Sea.

Strategic supplier rationalisation was also undertaken to consolidate volumes with key partners and strengthen upstream risk mitigation across the supply chain. This included enhancements to supplier selection and onboarding processes, reinforced compliance audits, and measures to improve order execution reliability. Focus was placed on building innovation pipelines with suppliers at the forefront of regenerative and circular material development, while ensuring business continuity through streamlined risk management in raw material sourcing. Regular audits, supplier scorecard reviews, and collaborative summits were conducted to align expectations, address performance gaps, and co-develop long-term roadmaps with strategic partners.

MANAGEMENT DISCUSSION AND ANALYSIS

Raw Material Purchases by Item in FY 2024/25 (% of Total)







Project M.A.R.S in partnership with the University of Moratuwa, a bold step to reimagine the future of fashion through innovation, responsibility, and purpose

Responsible Sourcing

Responsible raw material sourcing is integral to the PLMD's sustainability vision and meeting the growing demands of its customers. Across all regions, suppliers were required to adhere to the PLMD's Supplier Code of Conduct and were regularly assessed on labour rights, environmental standards, and quality performance.

The PLMD upheld a zero-tolerance policy towards non-compliance with its Supplier Code of Conduct during FY 2024/25. Due diligence and traceability mechanisms continued to evolve, integrating real-time monitoring capabilities across select product lines. Supplier development efforts during the year focused on ESG upskilling, digital onboarding, and joint innovation labs. As a result, the division's supplier ecosystem increasingly mirrors the Group's values and long-term ambition to lead in sustainable apparel solutions.

In FY 2024/25, approximately 60% of the division's raw materials were from sustainable or recycled sources, reflecting growing customer interest in regenerative cotton, organic fibres, and circular alternatives. The PLMD also maintains rigorous chemical stewardship, reducing dependency on harmful substances and replacing them with low-toxicity biological alternatives. All core fabric suppliers were OEKO-TEX certified, while 90% adhered to Zero Discharge of Hazardous Chemicals (ZDHC) and 86% were aligned with Higg FEM 4.0.

Innovation Through Partnerships

The PLMD deepened its focus on collaborative R&D during FY 2024/25, partnering with suppliers to develop breakthrough sustainable fabrics. Initiatives such as regenerative cotton supply chains in South Asia, bamboo and recycled yarn development in Turkey and Africa, natural dyed fabric, different textured fabric such as quilted, colour blocks dyeing solutions, and anti-odour innovations using bio-based inputs exemplify how Hela drives impact beyond compliance. These projects not only fulfil client requirements but also support farmers, reduce landfill waste, and shifts the needle on circularity.

Raw Material Innovation Partnerships in FY 2024/25

Hela deepened its commitment to circularity through two key partnerships in FY 2024/25. In Kenya, a strategic agreement with UpTex EA Ltd enabled the collection and recycling of 291 tonnes of textile offcut waste, achieving 100% diversion from landfill and incineration. UpTex processes include fabric segregation, textile-to-textile rejuvenation, and recycling into alternative products such as blankets and felting, while sustaining employment at their sorting centre. Simultaneously, Hela's 360° partnership with PurFi advanced its use of recycled fibre through textile-to-textile rejuvenation technology. High-quality yarns produced by PurFi are now used by Hela's supply chain partners, reinforcing the Group's commitment to sustainable material sourcing.[3]

[3] *While these partnerships were successfully implemented in FY 2024/25, the projects are not currently active.*

HUMAN CAPITAL

Hela remains committed to creating a workplace culture anchored in ethics, inclusivity, and high performance; principles that have long defined its identity. As global and local environments remain in flux, the year under review required a careful balance between maintaining cost discipline and safeguarding employment stability. While the restructuring of the PLMD's operations during the year required difficult decision in relation to the division's employee base, it continued to prioritise employee well-being, talent development, and organisational resilience.

The PLMD's human capital strategy is governed by the Board of Directors through the Remuneration Committee and implemented by the division's Human Resources Department (HR) under the Chief People Officer. The HR structure is built around a shared services model with decentralised execution through HR and Administrative Managers. The function operates across three pillars: Talent Management & Development, Employee Engagement & Internal Communications, and HR Services Delivery (including Compensation, Benefits and Compliance).

The PLMD's HR policy framework is periodically reviewed to ensure alignment with evolving socio-economic conditions and prevailing legal standards across its operations. Any updates are clearly communicated to all employees, with policy awareness reinforced through structured sessions. The division's policies adopt a strict zero-tolerance stance on sexual harassment, child labour, and forced labour, backed by robust mechanisms to protect human rights. Compliance with all key labour regulations across its countries of operation is rigorously maintained through well-established policies and dedicated HR functions at division and location levels.

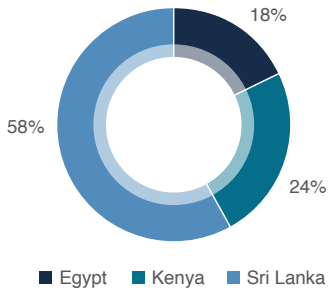
Employment & Talent Mobility

FY 2024/25 marked a year of organisational recalibration, as the PLMD underwent a strategic rightsizing exercise in response to shifting market demands, and the Group's transition to a leaner, partner-enabled operating model. These structural changes were critical to improving long-term competitiveness and cost efficiency across the business. While they involved several difficult decisions in relation to the division's employees, Hela remained committed to managing the process responsibly, prioritising compliance, and minimising social disruption wherever possible.

PLMD's most significant workforce-related activity during the year was the formal closure of its manufacturing operations in Ethiopia. This was executed in full alignment with local labour regulations and international best practices, with appropriate compensation, engagement mechanisms, and support provided to affected employees. In Sri Lanka, plans were initiated during the year to divest from two of the division's six manufacturing facilities in Sri Lanka, located in Mawathagama and Narammala. This transaction was announced in June 2025 and all employees were offered the opportunity to continue their employment under the new ownership, with no changes in the terms of their employment, no loss of accumulated benefits, and in full compliance with applicable labour laws. This move was part of the broader effort to streamline the Group's Sri Lankan footprint and drive greater capital efficiency. Executive headcount was also reduced in line with the revised operating structure, following a comprehensive review of central and regional functions.

At the close of the financial year, the PLMD maintained a total workforce of approximately 12,400 employees. While the year presented several operational challenges, the Group's approach to workforce management remained grounded in accountability, and a long-term view of value creation, ensuring that Hela continues to provide meaningful employment and development opportunities across its global footprint.

Employment by Country (31 March 2025, % of Total)



Employee Engagement & Well-being

In light of the restructuring measures undertaken by the PLMD and ongoing economic pressure on employees, the division placed significant emphasis on holistic engagement during FY 2024/25. Celebratory events, internal campaigns, and well-being activities played a vital role in boosting morale and reinforcing a sense of belonging.

Recognition initiatives such as the Hela Hero Spotlight, service milestone celebrations, and 5S productivity awards continued during the year. Motivational engagement was further driven through workshops, cultural festivals, creative showcases, commemorative events, Children's Day programmes, and blood donation initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Engagement Activities

Hela's Blood Donation Drive 2025





World Children's Day Celebrations 2024




Motivational Sessions with Industry Leaders




Celebrations and Competitions







Counselling Sessions and Promoting Mental Health

Hela places strong emphasis on the mental well-being of its employees, recognising it as a critical pillar of overall organisational health. To this end, the PLMD provides confidential counselling services, offering employees access to trained professionals for one-on-one sessions through an open-door policy. These services ensure that individual concerns are addressed in a safe, supportive, and professional environment. A key achievement during the year was the significant increase in mental health awareness sessions conducted across all manufacturing locations. These focused on stress management, emotional well-being, and resilience-building strategies. The inclusive and frequent nature of these programmes helped normalise conversations around mental health and equipped employees with practical tools to manage day-to-day challenges. In addition, the division piloted a clinically validated mental health screening tool at one facility to support early identification of emotional distress, including anxiety, depression, and general psychological dysfunction. This initiative is intended to be progressively rolled out across all sites in FY 2025/26.

The PLMD plans to further scale counselling services and introduce monthly thematic campaigns covering topics such as burnout prevention, work-life balance, and emotional self-care. Managers will also receive targeted training to create psychologically safe environments and respond effectively to team well-being. Feedback gathered from sessions will be used to tailor future interventions and maintain meaningful, ongoing engagement with mental health.





In honour of World Mental Health Day, Hela's team of counsellors hosted a series of impactful awareness and creative therapy sessions across our manufacturing facilities and head office

Occupational Health and Safety

Hela is committed to ensuring a safe, healthy, and supportive work environment for all employees, underpinned by rigorous adherence to occupational safety protocols. The PLMD's Employee Health and Safety (EHS) practices are aligned with applicable local and regional regulations and adhere to globally recognised standards, including WRAP and SEDEX certifications, along with specific customer requirements.

During FY 2024/25, oversight of social compliance across all Group operations was managed by a central compliance team, supported by Compliance Point Persons (CPPs) stationed at each manufacturing facility. These CPPs are responsible for convening monthly EHS Committees at their respective sites. Comprising cross-departmental representatives, the committees are tasked with identifying, addressing, and communicating workplace safety concerns, thereby ensuring the timely resolution of potential hazards. The CPPs along with the central compliance team are trained professionally on identifying hazards, conducting occupational risk assessments, and identifying adequate proactive, preventive control measures to safeguard the employees' occupational safety at work.

Comprehensive EHS trainings were conducted across all locations, covering a wide spectrum of topics such as bloodborne pathogens, working at heights, ergonomics, machinery operation and maintenance, electrical safety, and fire prevention. These efforts aim to instil a culture of safety awareness and responsibility across the organisation.

Occupational Health and Safety Record

Year	Number of reported accidents	Number of workers related ill health	Main causes of ill health	Worker related fatalities
FY 2022/23	11	13,097	Illnesses & minor accidents	0
FY 2023/24	1	9,351	Illnesses & minor accidents	0
FY 2024/2025	23	8,128	Illnesses & minor accidents	0

MANAGEMENT DISCUSSION AND ANALYSIS

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

- Emergency Preparedness and Equipment
- Certificates and Licenses
- Personal Protective Equipment
- Equipment and Machinery Safety
- Electrical Safety
- Personnel Safety
- Chemical Management
- Maintenance Safety
- Storage Tanks (Above Ground and Below Ground)
- Risk Assessment
- Training and Awareness
- Contractor EHS Management
- Factory Conditions
- EHS Committees
- Water and Sanitation Programmes
- Kitchen and Canteen Management
- Medical Room Operations
- Traffic and Vehicle Management
- Dormitory Standards

Key Workplace Hazards Under Monitoring

Physical Hazards	Potential slips, trips, and falls, manual handling and lifting injuries etc.	**Psychosocial Hazards**	Potential work related stress, stress from isolated work etc.
Chemical Hazards	Exposure to cleaning agents, pesticides, and other chemicals etc.	**Fire and Electrical Hazards**	Fire safety risks, electrical hazards from machinery and equipment maintenance etc.
Ergonomic Hazards	Repetitive motion injuries, improper lifting techniques etc.	**Noise and Vibration Hazards**	Potential prolonged exposure in manufacturing and logistic operations

Performance Management and Training

Investing in its people remained a top strategic priority for the PLMD in FY 2024/25, as the Group continued to advance its transformation agenda and long-term growth ambitions. Beyond enabling employees to perform in their current roles, the PLMD's learning, and development agenda is geared towards unlocking individual potential, strengthening talent pipelines, and facilitating sustainable career progression. Amidst a challenging period of organisational restructure, executive training needs were identified and reviewed primarily through the performance management system, where employee performance and career development plans were evaluated regularly.

During the year under review, Hela revamped its performance management framework by piloting a revised architecture for selected key roles at departmental level, in anticipation of the organisational restructuring necessitated by prevailing industry challenges. This included annual goal alignment, transparent review mechanisms, and improved KPI tracking features, designed to support performance transformation and foster accountability across the organisation. For non-executive employees, training was typically organised based on site-level needs. Segment-specific technical training remained a priority, especially within production environments. Integrated trainers continued to provide ongoing mentorship to sewing machine operators and other line-level staff. A series of mandatory training programmes were also conducted across the division, addressing compliance, safety, leadership, and operational excellence.

Learning and development initiatives were centrally coordinated by PLMD HR and implemented in partnership with country-level HR teams. In total, the division delivered 220,000+ hours of training across its operations during FY 2024/25.





'Ignite: The First Step Toward Great Leadership' training session for our first-time managers





Partnering with the International Labour Organisation on the GET Ahead (Gender and Entrepreneurship Together) programme designed to bridge gender barriers and uplift the business skills and knowledge of 20 young entrepreneurs in Sri Lanka



Hela was a part of the Kenya2Equal (K2E) project launched on the 30 May 2024

Industrial Relations & Employee Rights

Hela continues to uphold the fundamental right to freedom of association and maintains a policy of open and constructive dialogue with union representatives across its operational regions. At non-unionised sites, Employee Councils operate as effective platforms for employees to raise concerns and contribute to decision-making processes. All major operational changes are communicated, and collective agreements are observed in accordance with legal and ethical standards. Employee Councils comprise cross-functional representatives and actively encourage female participation to promote inclusivity and balanced representation

Throughout FY 2024/25, employee relations across the Group remained underpinned by a collaborative approach to workforce engagement. In Kenya, the Group maintained strong and positive relationships with recognised trade unions representing employees at its manufacturing facilities. Employee Councils at the division's manufacturing facilities in Sri Lanka and Egypt also continued to serve as vital channels for enhancing economic opportunity, ensuring employee voices are heard, and fostering social integration across the Group's operations.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMUNITY EMPOWERMENT

At Hela, social capital is not an abstract concept; it is an active force embedded in the Group's culture and operations. The PLMD's commitment to community empowerment is brought to life through strategic initiatives that uplift lives, bridge opportunity gaps, and enable its employees and their families to aspire beyond immediate livelihoods. Through flagship programmes such as Diriliya, Diridaruwo, and RISE, the division reinforces its role as a change agent in the communities where it operates, offering tangible pathways for economic empowerment, educational advancement, and sustainable career progression.

Amidst the challenging operating environment in FY 2024/25, the PLMD continued to implement these critical community empowerment initiatives. Key highlights during the year included over 100 participants graduating from IT and English course provided under the Diridaruwo Initiative and delivered in partnership with NIBM. In addition, the globally recognised RISE (Reimagining Industry to Support Equality) initiative was initiated within the division, with 19 internal participants undertaking the 'Train the Trainer' programme. Further details of the key initiatives implemented during the year are provided on the subsequent pages.



Hela was honoured with the Tesco Award for Communities at the Tesco Indian Sub-Continent Supplier conference in Bangalore, in recognition of the Group's outstanding social impact across multiple communities





In February 2025, Hela was invited to present its Gender Best Practices and Social Capital initiatives at the Tesco Supplier Conference for Pakistan and Sri Lanka





The Annual Social Capital Awards Ceremony was held in July 2024 at the Mawathagama Divisional Secretariat, celebrating the outstanding contributions of team members and project leads from Diriliya, Diridaruwo, and PACE initiatives across all Sri Lankan manufacturing locations

Diriliya

Transforming Mindsets and Empowering Entrepreneurs

Introduced in 2021, Diriliya was conceived to ignite an entrepreneurial spirit among PLMD employees and to develop critical business and vocational skills beyond the factory floor. The initiative supports the holistic transformation of employees, from skilled workers into independent income generators and community influencers.

Purpose: *To enhance the economic resilience of employees by redefining the role of apparel workers in society, as empowered individuals, creators of value, and respected contributors to the economy. The initiative also aims to foster meaningful connections between employees and leadership by creating shared purpose.*

Over 20,000 training hours have been delivered to date across key domains such as operations management, finance, quality assurance, legal compliance, marketing, and leadership. Complementary vocational programmes include skill-building in dressmaking, pottery, tailoring, and creative crafts, unlocking new channels of income generation and financial independence.

The programme has gone beyond training by actively connecting participants to market access. Product fairs were held at the PLMD's manufacturing facilities in Sri Lanka, providing participants with opportunities to generate direct sales, secure orders, and gain exposure to real-world entrepreneurial environments.



Product fairs were held across Hela facilities

The Diriliya initiative has supported the creation of over 1,000 entrepreneurs, with more than 80 new ventures developed in the past year alone. With women comprising 80% of participants, the programme has played a vital role in advancing female economic empowerment. One-on-one consultations were conducted with Diriliya members across all manufacturing sites, while 25 participants were selected to follow the Global Techno-Entrepreneurship course offered by NIBM, equipping them with advanced skills and digital business knowledge.



One-on-one consultations conducted with Diriliya members across manufacturing sites

MANAGEMENT DISCUSSION AND ANALYSIS

Diridaruwo

Nurturing Potential and Securing Futures

Founded in 2022, Diridaruwo reflects Hela's deep commitment to the long-term welfare of its employees by directly investing in the next generation, the children of its workforce. This scholarship and educational empowerment initiative ensures that promising students from underserved backgrounds receive the resources, support, and exposure they need to succeed.

Purpose: *To unlock the full potential of young scholars by providing equitable access to education, building critical skills, and empowering the next generation to break cycles of poverty and aspire towards meaningful careers.*

Funded through a strategic partnership between Hela and Tesco and administered by Berendina, a reputed Sri Lankan non-governmental organisation, Diridaruwo provides financial assistance for both secondary and undergraduate education. However, the programme is far more than a scholarship fund; it includes a robust ecosystem of support, from structured English and IT training to soft skills development and career planning workshops. A centralised digital database is used to monitor scholar performance, identify individual development needs, and ensure each student receives tailored support to stay aligned with their academic and career goals. To date, the programme has directly created over 50 employment opportunities.

Over 900 students have been supported with scholarships across secondary and tertiary education through the initiative. In partnership with NIBM, 100 participants were recognised during FY 2024/25 for successfully completing IT and English language courses at both certificate and advanced levels.

Career exposure is also a key focus. Over 90 recipients of the Diridaruwo Scholarship benefited from career guidance and soft skills training conducted by Berendina during the year, helping to build confidence and workplace readiness. The programme also facilitated 30 virtual mentoring sessions with prominent industry leaders, offering students first-hand insights and inspiration from across the professional landscape. To further strengthen support systems, parental awareness and guidance sessions were held at various Sri Lankan locations, ensuring families play an active role in their children's educational journeys.





One-on-one consultations conducted with Diriliya members across manufacturing sites




Berendina and Hela teamed up to host a career guidance session for 22 recipients of the Diridaruwo Scholarship who had recently completed their Advanced Level examinations. The session, led by professionals from both the Government sector and NAITA




40 Diridaruwo scholars took part in a Soft Skills Training & Career Guidance Programme. With the expertise of career counselling professionals provided by Berendina

RISE

Advancing Gender Equality through Training and Empowerment

Hela reinforced its commitment to gender equality through active engagement in the RISE (Reimagining Industry to Support Equality) programme, an international initiative aimed at advancing gender equity within the garment, footwear, and home textile supply chains.

The programme focuses on empowering women in the workplace, embedding gender-responsive practices into business operations, and fostering systemic change by enhancing women's agency, shifting gender norms, and strengthening capacity in areas such as financial literacy and sexual and reproductive health.

In January 2024, Hela was selected to participate in the RISE Training Specialist Programme, designed to build the capabilities of training professionals across the industry. The initiative places particular emphasis on the development of soft skills essential to cultivating inclusive and equitable work environments. Hela commenced its internal training journey by equipping selected employees with the necessary competencies to drive the programme forward. A comprehensive and interactive seven-day "Train the Trainer" programme was conducted between July and August 2024, engaging 19 participants from across the PLMD. The initiative represents a significant milestone in mainstreaming gender equality and fostering inclusive leadership within Hela. Awareness sessions were also held to introduce the RISE programme and reinforce its strategic importance.

ENVIRONMENTAL STEWARDSHIP

The PLMD's approach to environmental sustainability reflects a deep-rooted belief that business success and environmental responsibility are inextricably linked. Building on its legacy of ethical practices, the division remains steadfast in embedding sustainability across every aspect of its operations. Hela's "Only One Earth" philosophy guides its strategic efforts, as the division acknowledge the critical role it plays in protecting the environment, mitigating climate impact, and advancing the fashion industry's transition to net zero.

In FY 2024/25, global fashion supply chains experienced renewed scrutiny, as regulatory shifts and heightened consumer awareness drove greater demand for transparency, ethical sourcing, and climate accountability. Against this backdrop, Hela reinforced the PLMD's environmental sustainability framework, aligning operations with global best practices. The division's sustainability strategy is built around four key pillars: energy and emissions management, water conservation, circularity in production, and responsible waste handling. These initiatives are underpinned by the United Nations Sustainable Development Goals (SDGs), with particular emphasis on SDG 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 12 (Responsible Consumption and Production), and 13 (Climate Action).

Environmental Management Framework

The PLMD continues to align its environmental performance with internationally recognised best practices, adhering to a number of global standards and certifications. In FY 2024/25, the PLMD's Higg FEM scores averaged over 87% across its operations, and ISO 14064:2018 certification was maintained for the fourth consecutive year, reflecting the division's consistent commitment to emissions tracking and environmental stewardship. In addition to this, the division complies with mandatory environmental standards in its countries of operation and those outlined in its contractual obligations with global clients. These benchmarks form the foundation of the division's approach to environmental sustainability and monitoring.

The PLMD's sustainability agenda is spearheaded by a dedicated Sustainability Team and is overseen by the Head of Sustainability, who provides regular updates to the division's management and briefs the Board of Directors on key priorities under the "Only One Earth" strategy. This top-down commitment is complemented by the appointment of sustainability champions at each manufacturing site, ensuring on-ground ownership and consistent implementation of key initiatives.

A unified and systematic approach to environmental resource management is enabled through Hela's fully integrated Environmental Management System (EMS). The EMS embeds measurable performance indicators across key pillars such as energy, water, waste, and emissions enabling targeted

MANAGEMENT DISCUSSION AND ANALYSIS

action to enhance resource efficiency and reduce environmental impact. Environmental data is centrally monitored through Hela's internally developed Eco-Tracker system, which captures and consolidates site-specific metrics including energy consumption, water use, and waste generation. This data is regularly reviewed through performance dashboards made available to the leadership team. In instances where critical observations arise, detailed reports are submitted to the Audit and Risk Committee and subsequently presented to the Board by the Head of Sustainability, ensuring transparency and accountability in environmental management.

Environmental Frameworks Adhered to by the PLMD

Global Best Practices	Regulatory Framework Applicable to the Group	
• ISO 14064-1:2018 – GHG Emissions Reporting • Science Based Target Initiatives (SBTi) • Sustainable Development Goals (SDGs) • Climate Emergency Task Force (CETF) and Climate Ambition • Accelerator (CAA) Programs • Higg Facility Environment Module (FEM) • Global Organic Textile Standard (GOTS) • Global Recycle Standard (GRS) • Organic Content Standard (OCS) • Better Cotton Initiative (BCI) • Regenagri certificate • Life Cycle Assessment (LCA)	 Sri Lanka	National Environmental Act (Amendment) No. 53 of 2000
		Regulations by the Central Environmental Authority
		Board of Investment (BOI) Environmental Norms
		The Water Resourced Board Act No. 29 of 19
	 Kenya	Environment Management and Coordination (Amendment) Act, 2015
		The Environmental (Impact Assessment and Audit) Regulations, 2003 (revised 2012)
	 Egypt	Law No: 4 of 1994 – Issuance of Law in the Matter of Environment
		Environment Protection Law 4/1994 Amended by Law 9/2009
		Nature Protection Law 102/1983
		Law 48 for the year 1982 regarding the Protection of the Nile and Waterways from Pollution
		Law 202 for 2020 Promulgating the Waste Management Regulation Law

Energy Management

As an apparel manufacturer, energy consumption remains a critical area of environmental impact. In FY 2024/25, 1.4% of Group-wide emissions originated from Scope 1 sources, including stationary combustion and mobile fuel use. In this context, the PLMD continued to implement a comprehensive energy management strategy that integrates operational efficiency improvements, investments in renewable energy, and employee awareness campaigns. Key initiatives included LED retrofitting, optimised boiler operations using pre-heating technology, replacing diesel boilers with biomass alternatives, and introducing electric buggies for internal transport.

Additionally, solar panels installed across five locations supplied 1,364 MWh of clean energy annually. Factory layouts have been reconfigured to maximise natural lighting, and water-cooling systems were adopted in place of conventional air conditioning units. As a result, total energy consumption reduced by 2% during the year, while the PLMD's energy consumption per unit of production declined by 27%, reflecting the collective efforts across the organisation.

The PLMD aims to reduce energy consumption to 1 kWh per standard hour by 2026. Plans are also in place to implement carbon footprint mapping at product level to enhance emissions tracking and reporting accuracy.

Management of Renewable Energy

Since 2017, the PLMD has made sustained investments in renewable energy as part of its long-term commitment to environmental stewardship. These efforts have included the deployment of both solar and biomass energy solutions across its operational footprint.

During FY 2024/25, the Group generated 1,364 MWh of electricity through rooftop solar installations across five of its locations in Sri Lanka. Furthermore, three manufacturing facilities have transitioned from diesel to biomass boilers, reinforcing the Division's strategic ambition to expand the share of renewable energy within its energy mix and reduce its reliance on fossil fuels.

PLMD Energy Consumption (GJ)[4]

Energy type	FY 2022/23	FY 2023/24	FY 2024/25
Non-renewable energy			
Purchased electricity from grid	46,385	42,144	44,216
Diesel	16,630	9,453	4,645
Petrol	8	11	12
LPG	1,208	1,195	1,288
Renewable energy			
Biomass	22,657	20,585	22,094
Total	86,888	73,388	72,255

[4] Electricity generated through solar power is sold to the public electricity board and is not directly used for internal consumption.

Emissions Management

The PLMD also remains deeply committed to managing and minimising its environmental footprint, with particular emphasis on reducing greenhouse gas (GHG) emissions across all operations. Comprehensive annual assessments are conducted to measure Scope 1 (direct), Scope 2 (indirect), and Scope 3 (value chain) GHG emissions. The division has maintained ISO 14064-1:2018 certification for quantification and reporting of its GHG emissions for four consecutive years, including FY 2024/25, affirming its compliance with internationally recognised standards for GHG quantification and reporting. While the Group currently does not employ emission offset mechanisms, it remains focused on achieving tangible, long-term reductions at the source.

In FY 2024/25, the PLMD received validation of its GHG emissions reduction targets under the Science Based Targets initiative (SBTi), reinforcing its alignment with global climate action goals. Both short and long-term targets have been set to support the division's ambition of achieving net-zero emissions by 2050.

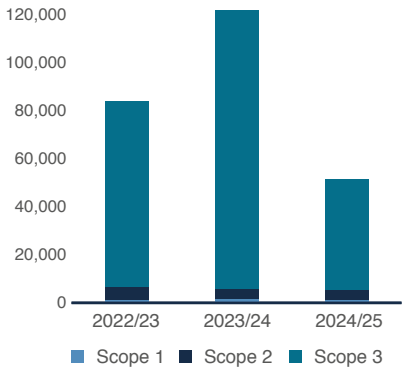
PLMD's Emission Reduction Targets

Overall Near Team Target

42%
GHG emission reduction by 2030 from baseline in FY 2021/22

Scope 1 & 2	Scope 3
42% GHG emission reduction from electricity and diesel consumption	**25%** reduction from upstream, downstream transportation, business travel and raw material

PLMD GHG Emission (CO_2e)



Through renewable energy use and improvements in fuel efficiency for employee transport, the PLMD successfully avoided approximately 1,248 CO_2e in emissions during the year. The Group is committed to achieving net-zero emissions by 2050, with interim targets focused on reducing reliance on fossil fuels, improving process efficiency, and supporting low-carbon procurement.

Emissions Reduction Initiatives:

A structured approach has been adopted to reduce GHG emissions and mitigate environmental impact. Key initiatives undertaken include:

- Continuous monitoring of emissions, ambient air quality, and noise levels to ensure full compliance with regulatory standards.
- Installation of solar photovoltaic systems across manufacturing facilities to increase renewable energy adoption.
- Revamping of ventilation systems at plants in Sri Lanka, Kenya, and Ethiopia to improve energy efficiency and air quality.
- Prompt corrective actions taken when emissions or noise levels from generators and boilers exceed permitted thresholds.

The Group's internal audits and operational processes place strong emphasis on early detection and corrective management of environmental risks, further strengthening its compliance posture and resilience.

Water and Effluents

Water stewardship is central to the PLMD's environmental strategy. Hela's manufacturing operations while relatively low in water intensity rely primarily on municipal and groundwater sources. Usage is monitored through the Eco Tracker platform, with a strong emphasis on conservation.

Effluents from canteens and sanitation facilities are treated onsite to meet stringent regulatory and customer-mandated standards. Water quality is tested bi-monthly, and no incidents of non-compliance were reported in FY 2024/25. A total of 111,625 m³ of water was recycled through effluent treatment and reused for secondary purposes such as gardening and sanitation during the year. As a result, total water consumption reduced by 9% between FY 2023/24 and FY 2024/25.

MANAGEMENT DISCUSSION AND ANALYSIS

Waste Management

Approximately 99% of the solid waste generated across the PLMD's manufacturing facilities is non-hazardous and is handled through the EMS framework. All waste is segregated and entrusted to licensed contractors for collection and disposal. Specialised handling processes are in place for branded fabric waste, which is incinerated in line with customer brand protection requirements.

A total reduction of 2% in fabric waste was achieved during the year, supported in part by the automation and digitisation of the fabric cutting process, which enhanced precision and minimised offcuts. Recyclable waste streams comprising fabric remnants, non-contaminated plastic, polythene, paper, and cardboard are collected and channelled for recycling through authorised partners. Meanwhile, contaminated and non-recyclable materials are responsibly diverted to waste-to-energy plants where feasible, ensuring environmentally sound disposal.

Repurposed packaging materials have been introduced in the division's warehouse operations, contributing to material circularity. While these currently represent less than 1% of total material usage, they form part of a broader effort to embed sustainable practices throughout the organisation. Resources such as glass bottles, plastic containers, and empty thread cones are routinely reclaimed and repurposed to extend product life and minimise waste. These practices collectively reinforce Hela's commitment to transitioning towards a circular economy and reducing its ecological footprint. Total solid waste generation from the PLMD reduced by 1% between 2023/24 FY & 2024/25 FY.

OPERATIONAL REVIEW

BRAND LICENSING DIVISION (BLD)



BLD Headquarters in Huddersfield, UK

The establishment of the BLD, following the acquisition of Focus Brands Limited in January 2024, marked a significant milestone in enhancing the Group's intellectual capital, expanding Hela's capabilities beyond manufacturing to include brand management and licensing. This development has enabled the Group to extend its systems, design capabilities, operational standards, and innovation practices to a new business vertical, creating synergies across the apparel value chain while strengthening its competitive positioning in the global marketplace.

The BLD operates as a standalone division within the Hela Group and is managed on a day-to-day basis by the CEO-BLD, who reports to the Group CEO and provides regular updates to the Board of Directors. Following the acquisition of Focus Brands, which served as the foundation for the division, the management's focus during FY 2024/25 was to ensure stability in its existing business, while also setting the foundations for future growth. The strategic mandate of the BLD is to build a sustainable and scalable global business centred on world-class brand partnerships, consumer engagement, and multi-channel distribution. At the heart of this strategy is a commitment to long-term value creation through the development of licensed and owned brands, underpinned by data-driven decision-making, superior design and product development, and an agile, market-responsive execution model.

INTEGRATION WITH THE HELA GROUP

The establishment of the BLD marked a pivotal shift in Hela's growth strategy, allowing the Group to engage with consumers more directly and build brand equity. Following the acquisition of Focus Brands Limited in January 2024 as the foundation of the division, the immediate focus was to integrate the existing structure of Focus Brands into the Group, while ensuring stability in its ongoing brand licensing business. Key management appointments were made early on in the year, with a focus on drawing on existing industry expertise in brand management roles. This recognised the different skill set required in the BLD, compared to PLMD, and was intended to promote stability. Additional Group management forums were also established to ensure effective oversight of the division and create opportunities for communication and collaboration across the Group.

The BLD's physical infrastructure was reevaluated during the year to ensure an optimised basis for future growth. Key developments during FY 2024/25 included the consolidation of the division's two UK distribution centres to a single modern location. This was intended to increase efficiency across the BLD's distribution services in the UK, supported by a partner warehouse in the European Union. In addition, the division's Finance and Administration function was centralised in a single location at the BLD's UK head office to strengthen communication and efficiency.

In recognition of its central place in the Hela Group, Focus Brands was formally relaunched as Hela Brands on the first anniversary of

its acquisition in January 2025. Following the first full year of operations within the Group, the BLD is now active in over 40 international markets, providing the Group with direct access to a broader global customer base and enabling forward integration into retail and consumer-facing channels. Supported by a team of 180 employees,130 based at its Huddersfield head office and 50 at the distribution centre in Biggleswade, the division is anchored in the UK and strengthened by a network of showrooms across the UK and Germany. This operational footprint complements Hela's longstanding reputation as a trusted partner in sustainable, ethical, and innovative apparel manufacturing.



BLD distribution centre in Biggleswade, UK

Fostering collaboration between the BLD and PLMD was a key strategic priority during FY 2024/25, with efforts focused on increasing the use of PLMD's manufacturing capabilities to support BLD's sourcing requirements and exploring cross-selling opportunities across their respective customer portfolios.
A key outcome of this integrated approach was the successful launch of the Peter Werth and Fenchurch collections in Tesco stores across the UK, which combined BLD's brand and retail expertise with PLMD's production strength. This nationwide rollout marked a significant milestone for Hela Brands, strengthening the Group's position in the UK's value retail segment while showcasing the commercial potential of a unified brand-manufacturing strategy. These efforts reflect Hela's broader ambition to build a more resilient, connected operating model that delivers value across the fashion value chain.

STRATEGIC BUSINESS DEVELOPMENTS IN FY 2024/25

The BLD manages a growing portfolio of licensed sports, fashion, and lifestyle brands. The division's strategic focus is on curating high-potential brands, optimising returns, and filling white-space opportunities in global markets through new brand and category additions. In addition to its licensed portfolio, BLD owns the intellectual property for a select range of emerging lifestyle fashion brands, each with strong potential for long-term value creation. These brands form the basis of Hela's owned brand strategy, with plans to expand their presence across wholesale, retail, and digital channels over the coming years.

The licensing market in FY 2024/25 was shaped by heightened competition, constrained retail shelf space, cautious prebooking budgets, and increasing consumer demands for value and sustainability. Buyers remained risk-averse in many regions, while the proliferation of brands created saturation in some categories. Nonetheless, Hela Brands remained focused on execution excellence and category leadership in sports, fashion, and lifestyle segments.

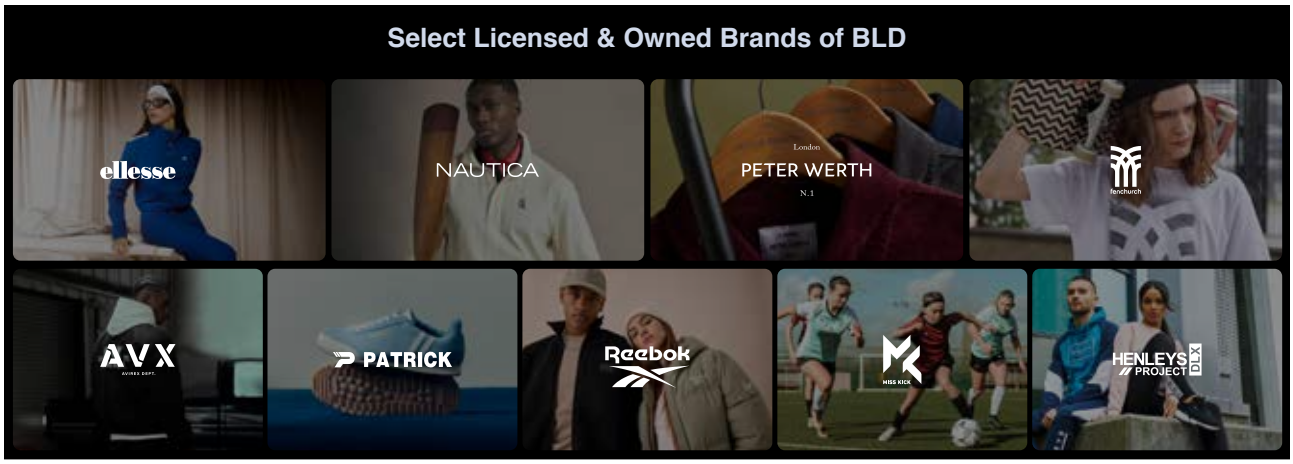
In its first full year of operations under the Hela umbrella, the BLD also made strong headway in establishing its identity and operational foundation. The division pursued a focused strategy to deepen its presence across high-potential territories including France, the Nordics, Iberia, Benelux, DACH, the UK, USA, and Australia.[5] A strategic emphasis was placed on the development of tier-one partnerships with internationally recognised licensors such as Authentic Brands Group and Pentland Brands. These relationships have laid the groundwork for long-term stability, portfolio diversification, and commercial scale.

During FY 2024/25, the BLD strengthened its brand portfolio by securing notable licensing agreements, including the expansion of the Reebok outerwear licence in the UK and Europe. The division's "Win with the Winners" strategy was instrumental in growing key brands such as Ellesse, which accounted for 80% of the division's revenues in FY 2024/25. In addition to Ellesse and Reebok, several new brands were added to the portfolio, including OEX, AVX, and MissKick, further diversifying the division's consumer reach and product offerings. Brand partnerships were enhanced by ongoing investment in product innovation, data-driven merchandising, and regional retail expansion strategies.

[5] Nordics refers to Denmark, Finland, Norway, and Iceland; Iberia refers to Spain and Portugal; Benelux refers to Belgium, the Netherlands, and Luxembourg; and, DACH refers to Germany, Austria, and Switzerland.

MANAGEMENT DISCUSSION AND ANALYSIS

The BLD also placed renewed emphasis on strengthening supplier partnerships as it scaled its presence across new markets and formats. All suppliers continued to be subject to social and environmental compliance audits, with sourcing decisions guided by ethical standards, commercial agility, and innovation readiness. This targeted, partnership-led approach allowed BLD to enhance product execution while maintaining its commitment to responsible sourcing.



Building a Strong International Licensed Business

The division's core focus in FY 2024/25 was the establishment of a fully integrated licensing model spanning design, sales, and distribution, capable of operating across wholesale, retail, and digital formats. The business expanded its footprint in tier-one markets through strategic distribution partner appointments for the Ellesse brand including Shop & Trade (Greece) and MIG (Poland). A Hela-managed subsidiary also continued to drive performance across the DACH region.

The relaunch of the Ellesse brand in Italy in late October marked a key milestone in Pentland Brands' elevation strategy. To support this repositioning, BLD hosted a dedicated retail partner launch event on 7 November 2024, reinforcing its commitment to strategic collaboration and improved gross margin performance. Additionally, the first Ellesse outlet store opened at Gretna Gateway Outlet Village, with further locations planned across the UK as part of the brand's retail expansion strategy.

However, the division operated in an exceptionally saturated brand landscape. Buyers remained risk-averse, faced with constrained retail shelf space and shrinking pre-book budgets. The competitive environment placed pressure on sell-through expectations and required the business to clearly demonstrate brand value, flexibility, and margin potential. To counter these dynamics, BLD adopted an open-book pricing approach, prioritised data-backed negotiations, and focused investments on brands with strong consumer recognition and commercial viability.

Direct-to-Consumer (DTC) Marketplace

Recognising the structural shift in global apparel retail, the division took the decision to introduce its brands onto the growing influence of digital marketplaces. Direct to Consumer (DTC) platforms offer scale, agility, and real-time access to consumer insights, allowing the division to replenish top-performing styles. A specialist marketplace team has been formed to drive stock integration and model fulfilment structures.

This enables a more responsive approach to demand fluctuations and strengthens alignment with wholesale partners. The full DTC Marketplace launch is scheduled for FY 2025/26 and will form a significant element of future revenue.

Way Forward

Looking ahead to FY 2025/26, the division will continue to build on its established brand foundation while expanding its footprint in key markets. The focus will be on accelerating the DTC marketplace strategy, enhancing consumer marketing, and unlocking new growth in high-margin territories. Further investments will be made in partner fulfilment models, brand-led storytelling, and digital commerce platforms, positioning Hela Brands to scale responsibly while reinforcing its commitment to innovation and consumer value. A key strategic priority will also be building further synergies with the PLMD, particularly in areas such as shared manufacturing capabilities, co-developed brand programmes, and integrated sourcing solutions to unlock greater operational efficiency and value creation across the Group.

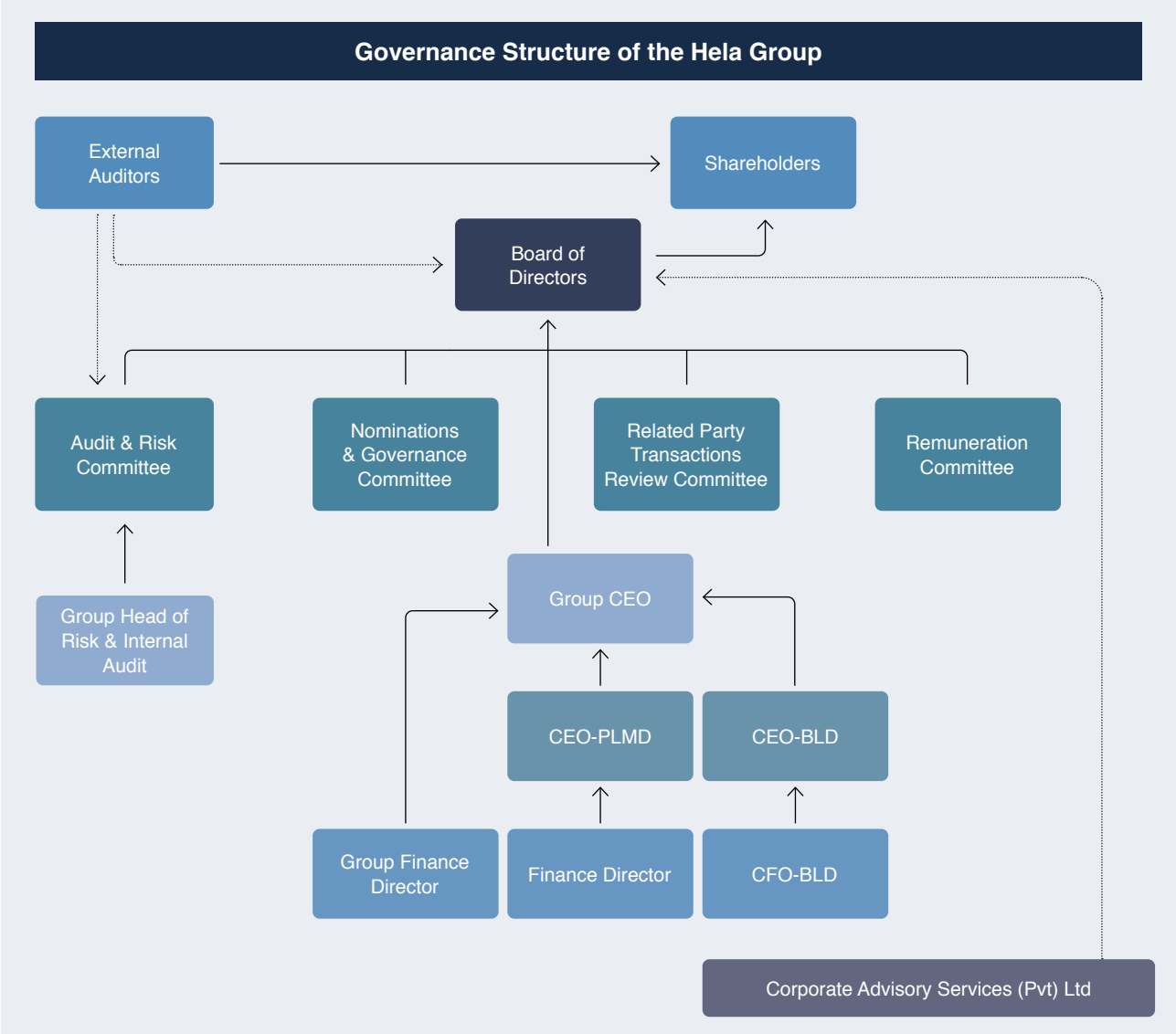
GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE REPORT

The Hela Group is committed to upholding the highest standards of corporate governance in line with the requirements of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. This report outlines the key governance practices exercised by the Group during FY 2024/25, demonstrating its ongoing commitment to maintaining effective board structures, risk management, and stakeholder accountability.

APPROACH TO GOVERNANCE

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



The following internal and external instruments supports the Hela Group's Governance Framework.

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

COMPLIANCE

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

The CEO of the PLMD provides and signs off compliance statements, which are then sent to the Board. During the Audit and Risk Committee (AC) meetings, a compliance statement is also submitted and tabled by the Internal Audit Team with any instances of non-compliance highlighted. The AC escalates these non-compliance issues to the Board, who then advises on the appropriate actions to be taken.

During FY 2024/25, there were no material instances of non-compliance with legal and statutory requirements by the Hela Group, including with the laws and regulations applicable to the jurisdictions in which it operates. In addition, no material fines or penalties for instances of non-compliance with laws and regulations were paid during the reporting period.

GOVERNANCE OF THE HELA GROUP IN FY 2024/25

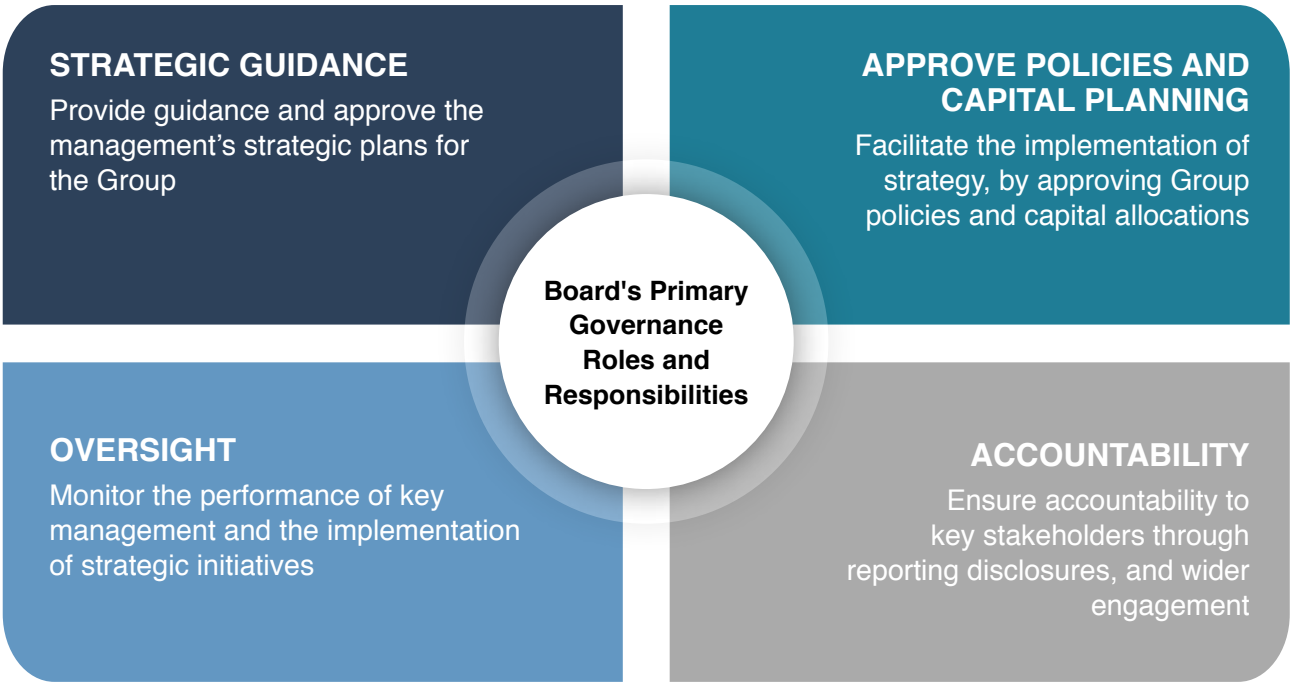
During FY 2024/25, the Board of Directors received comprehensive plans from the management aimed at revitalising the Group's business operations and delivering improved shareholder value. The Board challenged management's estimations and judgements, providing leadership to navigate a turbulent operating environment. They also dedicated significant time to assessing the risks to the Hela Group, evaluating their impact on stakeholders, and reviewing the proposed business plans presented by both the PLMD and BLD. The Board and Management remained guided by the Group's values and commitment to its purpose, and the insights of individual Directors greatly supported the Board's collective decision-making process.

In addition to the standard agenda items, the Board focused on the following key aspects during FY2024/25:

- Increasing oversight in the management of risks to the Group arising from the challenging operating environment, including evaluating business continuity plans.
- Deliberating on the restructuring of the PLMD as part of a wider strategic initiative to improve the Group's financial performance.
- Seeking independent expert opinions in relation to critical assumptions made by the management, particularly on issues related to impairment of goodwill.

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK & STRUCTURE



The Board of the Hela Group offers leadership and collectively oversees the governance, performance, strategy, and operations of the Group. It has assigned specific oversight duties to four Board Sub-Committees, with their mandates and compositions detailed on page 40. During the year, all committee mandates were reviewed to ensure compliance with relevant statutory and regulatory requirements, thereby ensuring their effectiveness in carrying out their responsibilities.

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

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

KEY BOARD RESPONSIBILITIES

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

AN EFFECTIVE BOARD

Board Composition

At the commencement of FY 2024/25, the Board comprised of eight (8) members, specifically:

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

On 27 December 2024, two representatives of Lesing Hela, Mr. S. Khan and Mr. P. Schleiffer, were replaced by Mr. A. S. Cockerham and Mr. C. M. Horn as Non-Executive Directors. On the same date, Mr. A. De Silva Muthumuni was appointed to the Board as an Independent Non-Executive Director.

Subsequent Board changes included the resignation of Mr. S. Doron on 6 March 2025, followed by the resignation of Ms. T. S. Peries on 31 March 2025. Additionally, Mr. A. R. Rasiah was reclassified as Chairman / Non-Executive Director with effect from 1 January 2025 and he will be retiring from the Directorate of Hela Apparel Holdings PLC w.e.f. 29 December 2025.

Dr. A. J. Alderton has resigned with effect from 9 September 2025 and Mr. R. Evans was appointed with effect from 16 September 2025.

Accordingly, as at the date of this Annual Report, the Board of Hela Apparel Holdings PLC comprises of the following members:

- Mr. A. R. Rasiah (Chairman / Non-Executive Director- Retiring w.e.f. 29 December 2025)
- Mr. P. L. D. Jinadasa (Group CEO and Executive Director)
- Mr. G. P. Gunawardana (Independent Non-Executive Director)
- Mr. A. S. Cockerham (Non-Executive Director)
- Mr. C. M. Horn (Non-Executive Director)
- Mr. A. De Silva Muthumuni (Independent Non-Executive Director)
- Mr. R. Evans (Executive Director)

Board Composition as at Date of Annual Report	
Chairman (Reclassified as a Non-Executive Director w.e.f. 1 January 2025)	1
Other Non-Executive Directors (Excluding Chairman)	2
Independent Non-Executive Directors	2
Executive Directors	2

The Board currently comprises of seven Directors including two Executive Directors, two Independent Non-Executive Directors, and three Non-Independent Non-Executive Directors. The three Non-Executive Directors apart from the Chairman of the Board are employees of Rianta Capital, the investment advisor to the Group's largest shareholder, Lesing Hela Limited.

The Board collectively brings together a diverse range of expertise, industry knowledge, and global perspectives, reflecting a strong blend of leadership experience across various sectors, including apparel manufacturing, finance, strategy, legal and international business. This diversity enables the Board to approach issues from multiple viewpoints, enhancing the quality and depth of discussions.

Members actively engage in constructive dialogue and robust debate, contributing their independent insights, while remaining aligned with the Group's strategic objectives. This collaborative yet independent dynamic ensures a well-rounded decision-making process that is both transparent and accountable.

The Board remains fully committed to upholding the highest standards of corporate governance, regulatory compliance, and ethical conduct. Through effective oversight and continuous engagement, it ensures that governance frameworks are not only maintained but also evolved in response to emerging risks and opportunities.

Brief profiles of each Board member are given on pages 6 to 8.

Board Diversity

The Hela Group ensures compliance with the Listing Rules of the Colombo Stock Exchange by maintaining a diverse and balanced Board structure. The Board comprises a mix of Executive and Non-Executive Directors, as well as Independent and Non-Independent Directors.

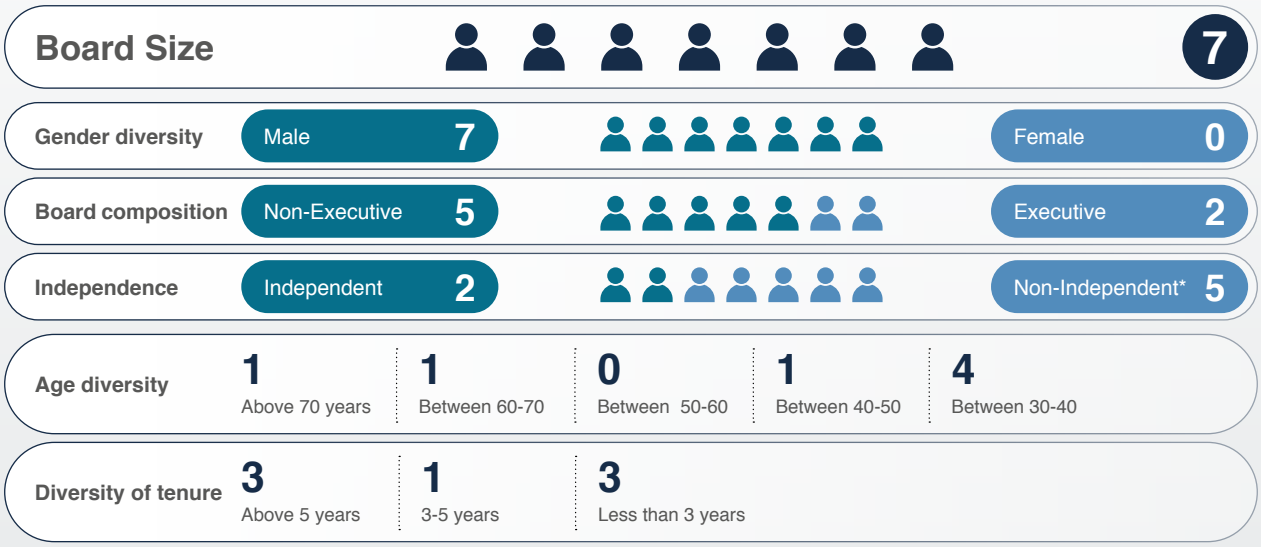
CORPORATE GOVERNANCE REPORT

Up to 31 March 2025, the Board also included gender diversity through the representation of both male and female Directors. Following the resignation of Ms. T. S. Peries, the sole female Director, the Board is currently assessing the potential to appoint female directors in order to restore and maintain gender balance in line with corporate governance best practices.

The diversity of the Board is further demonstrated through the varying ages and tenures of its members, as well as the diverse professional experiences they bring.

The composition of the Board is also structured to ensure a balance of power and the equitable distribution of decision-making authority among its members. This decentralised approach to governance promotes transparency, accountability, and effective oversight.

Board Demographics and Composition



Including Chairman who was re-classified as Non-Independent w.e.f. 1 January 2025.

Financial Acumen

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

Board Refreshment

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

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

Board Refreshments in FY 2024/25

New Appointments

The following Directors were appointed to the Board w.e.f. 27 December 2024:

Mr. A. S. Cockerham

Mr. C. M. Horn

Mr. A. De Silva Muthumuni

Resignations

Mr. P. Schleiffer - Resigned on 27 December 2024

Mr. S. Khan - Resigned on 27 December 2024

Mr. S. Doron - Resigned on 6 March 2025

Ms. T. S. Peries - Resigned on 31 March 2025

Re-appointments

The following Directors were re-appointed at the Annual General Meeting (AGM) held on 30 September 2024 in accordance with the Companies Act No. 7 of 2007:

Mr. A. R. Rasiah

Mr. S. Doron

Dr. A. J. Alderton's resigned with effect from 9 September 2025 and Mr. R. Evans was appointed with effect from 16 September 2025.

Director Appointments	Retirement/Resignations of Directors
• Directors are appointed by the Board through a formal and transparent process based on recommendations from the Nominations and Governance Committee. Newly appointed Directors are formally elected by shareholders at the subsequent Annual General Meeting. • The Nominations and Governance Committee evaluates the collective knowledge, experience, and diversity of the Board in relation to the Group's strategic plans before making recommendations for new appointments. • Declarations are obtained from all new Directors at the time of appointment and the Board concludes that they are fit and proper to serve as Directors. • Appointments are communicated to the Colombo Stock Exchange (CSE) and shareholders through immediate market announcements, which include a brief resume of the new Director.	• Directors may serve on the Board until they reach the age of seventy (70) years, in accordance with the provisions of the Companies No. 7 of 2007. In the event they exceed this age, they are subject to re-appointment by the shareholders at the following AGM. • Any resignations, retirements or removals of Directors, along with the reasons, are promptly communicated to the CSE through immediate market announcements.

BOARD MEETINGS

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

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

CORPORATE GOVERNANCE REPORT

BOARD SUB-COMMITTEES

Board Sub-Committee	Mandate	Composition (as at the date of the Annual Report)	No. of meetings held in FY 2024/25
Audit and Risk Committee Refer to pages 65 to 68 for the Report of the Audit and Risk Committee	Provide oversight on financial reporting, internal controls and functions relating to internal and external audit	Total Directors - 3 INED* - 2 NED - 1 ED - 0	09
Nominations and Governance Committee Refer to pages 74 to 76 for the Report of the Nominations and Governance Committee	Make recommendations to the Board on all new appointments and nominate Board members for Sub-Committee positions as needed, and ensures adherence to corporate governance principles in the organisation	Total Directors - 4 INED* - 2 NED - 2 ED - 0	04
Remuneration Committee Refer to pages 69 and 70 for the Report of the Remuneration Committee	Formulate and review the remuneration policies of the Group, set guidelines for remuneration of the Group's Senior Management, and recommend the remuneration payable to the Group CEO and Executive Directors	Total Directors - 4 INED* - 2 NED - 2 ED - 0	01
Related Party Transactions Review Committee Refer to pages 71 to 73 for the Report of the Related Party Transactions Review Committee	Assess all transactions with related parties to ensure they are treated on par with other stakeholders	Total Directors - 4 INED* - 2 NED - 2 ED - 0	04

*Including the Chairman of the Committee as at the date of this Annual Report

Current Board Sub-Committee Composition

Directors	Date of Appointment	Board	Audit and Risk Committee	Nomination and Governance Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. A. R. Rasiah - Chairman (NED)	19 November 2018	✓*	-	✓	✓	✓
Dr. A. J. Alderton (NED)	7 May 2021 (Resign w.e.f. 9 September 2025)	✓	-	✓	✓	✓
Mr. P. L. D. Jinadasa - Group CEO (ED)	11 October 2018	✓	-	-	-	-
Mr. G. P. Gunawardana (INED)	20 February 2019	✓	✓*	✓*	✓*	✓*
Mr. A. S. Cockerham (NED)	27 December 2024	✓	✓	✓	-	✓
Mr. C. M. Horn (NED)	27 December 2024	✓	-	-	✓	-
Mr. A. De Silva Muthumuni (INED)	27 December 2024	✓	✓	✓	✓	✓

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

The Company has ensured that it is compliant with Section 9.3.3. of the CSE Listing Rules and ensured that the Chairman of the Board was not the Chairman of any of the Board Sub-Committees from the date on which this Rule came into effect.

BALANCE OF POWER

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

Chairman	Group CEO
Role	Role
Leads the Board, maintaining good corporate governance and ensuring the Board works ethically and effectively	Accountable for the implementation of the Hela Group's strategic plan and driving performance
Responsibilities	Responsibilities
• Setting the ethical tone for the Board and Group • Setting the Board's annual work plan and meeting agendas, in consultation with the Company Secretary • Building and maintaining stakeholder trust and confidence • Ensuring effective participation of all Board members during Board meetings • Facilitating and encouraging discussions amongst all Directors of matters set before the Board and maintaining a balance of power between Directors • Monitoring the effectiveness of the Board	• Appointing and evaluating the performance of the senior management team, and ensuring appropriate succession planning • Formulating the Group's strategy for consideration and approval by the Board • Developing and proposing financial budgets that support the Group's long-term strategic goals to the Board • Monitoring and reporting to the Board on the performance of the Group, and its compliance with applicable laws and corporate governance principles • Establishing an organisational structure that aligns with and supports the Group's strategic objectives • Fostering a culture that is based on the Group's values • Ensuring that the Group operates within the approved risk appetite

COMPANY SECRETARY

The office of the Company Secretary is crucial to the effective functioning of the Board of Directors. Secretarial services to the Board were provided by Ms. Janseni Kuhanesan until 30 November 2024 and by Ms. Shenali De Silva until 24 September 2025. Corporate Advisory Services (Pvt) Ltd has been appointed as the company secretaries with effect from 24 September 2025.

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

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

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

DIRECTORS' INDEPENDENCE

Two of the Five Non Executive Directors of the Board as at the date of this Annual Report are considered independent, and meet the independence criteria outlined in the CSE Listing Rules. An annual independence assessment of Directors is conducted by the Board based on the annual declarations and other information provided by Non-Executive Directors. The Board is satisfied that no relationships or circumstances exist that could influence the Directors' judgement during the period under review.

DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Directors declare their business interests upon appointment and quarterly thereafter. These details are recorded in a Register maintained by the Company Secretary, which is available for inspection as per the Companies Act. Directors have no direct or indirect interest in any contract or proposed contract with a Group company, except as disclosed on page 158.

The Related Party Transactions Review Committee reviews and approves all relevant transactions, ensuring compliance with the relevant regulations and that the transactions are fair and in the best interest of the Hela Group. Related party transactions of the Group are disclosed in Note 22 to the financial statements on page 156.

CORPORATE GOVERNANCE REPORT

CONFLICT OF INTEREST

Directors exercise independent judgment, fostering constructive Board deliberations and objective evaluation of all matters brought before them. Directors promptly notify the Board of any conflicts of interest related to items of business or other directorships. They recuse themselves from discussions and decisions where conflicts may arise.

INFORMED DECISION MAKING

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

The Chairman ensures all Directors are adequately briefed on issues arising at Board meetings. Directors are also entitled to seek independent professional advice, facilitated through the Company Secretary, on a need basis. In addition, at the time of appointment to the Board, newly appointed Directors are apprised of the Group's business, given an opportunity to meet with KMPs and visit key operating sites. Board members may engage in professional development as they deem necessary to effectively fulfil their roles as Directors, and the Chairman/ Company Secretary attend forums organised by the CSE as and when required, and update the Board on relevant matters.

DELEGATION OF RESPONSIBILITY TO EXECUTIVE MANAGEMENT

The Board has delegated responsibility for implementing strategy, overseeing overall performance, and managing the daily affairs of the Group to the Group CEO. The Group CEO receives support from the respective CEOs and Management Committees of the PLMD and the BLD. The divisional Management Committees maintain transparency with the Board and promptly raises any concerns in appropriate forums.

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

RESPONSIBLE AND FAIR REMUNERATION

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

Remuneration Policy

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

Level and Make Up of Remuneration

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

The Remuneration Committee is responsible for advising the Board on Group remuneration policies. For details, please refer to the Remuneration Committee Report on pages 69 and 70. Remuneration recommendations are made considering job responsibilities, individual, team, and overall Group performance, as well as associated risk factors.

Non-Executive Directors' remuneration is determined by the entire Board based on the Remuneration Committee's recommendations. Directors receive a fee for their Board membership and an additional fee for committee participation, reflecting their role's time commitment and responsibilities, aligned with market practices. HR professionals are engaged as needed by the Board and the Remuneration Committee to support their responsibilities. Details of remuneration for Directors are disclosed on page 170 of this report.

APPRAISAL OF GROUP CEO

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

The Non-Executive Directors hold separate meetings to review the performance of the Group CEO and Independent Directors.

RESPONSIBLE CORPORATE CITIZENSHIP

As a social capital-focused company, the Board is committed to fostering an ethically conducive culture and demonstrating responsible business conduct. The Hela Group has zero tolerance towards sexual harassment, child labour and forced labour, amongst other ethical matters.

Respect for Human Rights

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

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

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

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

Diversity, Equal Opportunity, and Gender Parity

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

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

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

Responsible Branding

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

Company Policies

In accordance with the revised CSE Listing Rules, the Hela Group has undertaken a comprehensive review and enhancement of its internal governance framework. As part of this initiative, the Group has developed, refined, and formalised a series of key governance and operational policies to ensure alignment with international best practices in corporate governance, ethical conduct, risk management, sustainability, and stakeholder engagement.

These policies are accessible via the Company's official website (https://www.helaclothing.com/investors/corporate-information) underscoring Hela's unwavering commitment to transparency, accountability, and long-term value creation.

The following policies were formally adopted during the year and are currently in place:

- **Policy on Matters Relating to the Board of Directors**
  Outlines the roles, responsibilities, and expectations of the Board, including its structure, performance evaluation, and strategic oversight responsibilities.
- **Policy on Board Committees**
  Defines the composition, mandate, and operational procedures of Board-appointed committees, ensuring their effective contribution to governance, audit, remuneration, and other key areas.
- **Policy on Corporate Governance, Nominations, and Re-election**
  Establishes a framework for promoting strong governance practices, including criteria for the nomination, appointment, re-election, and succession planning of Board members.
- **Policy on Relations with Shareholders and Investors**
  Provides guidance on maintaining constructive, timely, and transparent communication with shareholders and the broader investment community, fostering trust and long-term relationships.

CORPORATE GOVERNANCE REPORT

- **Policy on Corporate Disclosures**
  Sets out the principles and procedures governing the disclosure of material information, ensuring compliance with regulatory requirements and promoting informed decision-making by stakeholders.
- **Policy on Code of Conduct**
  Defines the ethical standards and professional behaviour expected from all employees, directors, and officers, promoting a culture of integrity and responsible business conduct.
- **Policy on Compensation and Benefits**
  Outlines the Company's approach to fair, transparent, and performance-linked compensation practices that attract, motivate, and retain talent across all levels of the organisation.
- **Policy on Control of Internal Assets**
  Establishes internal control mechanisms and responsibilities for the safeguarding and proper utilisation of the Company's physical and digital assets.
- **Policy on ESG Sustainability**
  Articulates the Company's commitment to environmental stewardship, social responsibility, and ethical governance, integrating sustainability considerations into strategic and operational decision-making.
- **Policy on Risk Management**
  Defines the Company's risk management framework, including the identification, assessment, mitigation, and monitoring of key strategic, financial, and operational risks.
- **Policy on Anti-Bribery and Corruption**
  Reinforces a zero-tolerance stance towards bribery and corrupt practices, ensuring compliance with applicable laws and promoting a culture of ethical conduct across all business operations.
- **Policy on Whistleblowing**
  Provides secure and confidential channels for employees and stakeholders to report suspected misconduct or unethical behaviour without fear of retaliation.

These policies supplement the Group's existing internal policies, which include policies on grievance handling, non-discrimination, no forced labour, prevention of sexual harassment, and environmental health and safety.

All policies are subject to periodic review and continuous improvement to reflect changes in the regulatory landscape, business environment, and stakeholder expectations. Hela remains committed to strengthening its governance practices and upholding the highest standards of ethical conduct and corporate responsibility.

Grievance Handling Mechanism

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

Sustainability Governance

The Hela Group's commitment to sustainability remains steadfast, guided by its purpose: "To provide solutions to the stakeholders we serve through the principles of our focused social capital criteria centred on Equality, Inclusivity, and Climate Stability." The Board oversees environmental, social and governance (ESG) matters. The CFO periodically confirms compliance with ESG modules at Board meeting and presents a compliance statement to the Board. The compliance statement ensures the Board, as a whole, remains responsible for ESG compliance.

BOARD ACCOUNTABILITY

Risk Management and Internal Control

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

In response to an uncertain and challenging operating environment, the Board has intensified its oversight function in risk management. At the end of the year, a thorough assessment of the principal risks was conducted, and mitigating strategies were identified. For further information, please refer to the Risk Management Report on page 67.

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

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

Accountability & Audit

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

The Group's position and prospects have been discussed in detail in the following sections of this Annual Report:

- Chairman's Message page 5
- Management Discussion & Analysis pages 13 to 32
- Risk Management pages 55 to 58

INFORMATION TECHNOLOGY & CYBER SECURITY

The Board strongly recognises the strategic advantages of agility, scalability, and innovation that digital platforms bring to the Group. As part of the Hela Group's ongoing digital transformation, the US$ 4.8 million investment in the cloud-based SAP S/4HANA Fashion ERP system has now evolved into a fully embedded "Digital Core" for the organisation. This platform seamlessly integrates a range of internal applications, customer-facing solutions, and AI-driven capabilities, enabling enhanced operational insight and efficiency across the Group.

The focus during the year has also expanded to laying the foundation for the Group's Data & AI roadmap. Key priorities include the development of a structured data governance framework, initiation of a centralised data warehouse, and the creation of a reporting and analytics ecosystem to improve enterprise-wide visibility. Automation initiatives are being rolled out to streamline transactional processes, reduce manual intervention, and improve process efficiency. At the same time, work has begun on embedding AI-driven models into targeted operational areas such as supply chain forecasting, raw material management, and performance analytics. These initiatives are designed to ensure decision-makers across the organisation have timely, accurate insights, positioning Hela for data-driven decision-making, enhanced agility, and ensuring a competitive advantage.

Safeguarding the Information Systems

The SAP S/4HANA Fashion ERP system incorporates a robust, embedded cyber security framework. To ensure ongoing protection, independent third-party penetration testing and vulnerability assessments are conducted annually or as required. Preventive measures, such as geo-fencing – particularly in connection with the tablet devices used across factory operations - further strengthen security controls.

Cyber security remains a key governance priority, and regular updates are shared with the Board on IT and cyber security matters. Any identified risks or gaps are reviewed by the Audit and Risk Committee and escalated to the Board for strategic direction. This structured oversight ensures continuous monitoring, rapid response, and alignment with industry best practices in safeguarding the Group's digital assets.

Disaster Recovery and Management

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

GOVERNANCE OF GROUP COMPANIES

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

TAXATION

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

CORPORATE GOVERNANCE REPORT

RELATIONS WITH SHAREHOLDERS

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

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

- Annual General Meeting (shareholders only)
- Annual Report
- Interim Financial Statements
- A dedicated investor relations page on the Group's website
- Notification of key events through announcements vie the CSE
- Periodic Investor Forums: The Group CEO and the Investor Relations team host periodic forums with key investors. The Group CEO communicates feedback received from shareholders during these sessions to the wider Board.
- Shareholder Enquiries: Shareholders may also direct queries to the Board and Group Management through the Company Registrars. Contact details of the Company Registrars is +94 112 573 894.

Annual Report

The Annual Report is the key medium through which the Board presents a fair and balanced review of the Group's financial position, performance, and prospects. Before publication, compliance with all statutory requirements in relation to the Annual Report is confirmed by the Board. The Financial Statements are also reviewed and recommended by the Audit and Risk Committee, before being approved by the Board of Directors. To enhance credibility, external audit assurance is obtained in relation to the Financial Statements.

Constructive use of Annual General Meeting (AGM)

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

The 2024 AGM was held virtually, allowing all shareholders to submit questions to the Board and Management in real time.

Process for Annual General Meetings

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

Annex I: Statement of Compliance Pertaining to Companies Act No. 7 of 2007: Annual Report Disclosures

Mandatory Provisions – Fully Compliant

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

CORPORATE GOVERNANCE REPORT

Annex II: Statement of Compliance Under Section 7.6 of the Listing Rules of the Colombo Stock Exchange: Annual Report Disclosures

Mandatory Provisions – Fully Compliant

Reference	Requirement	Complied	Reference within the Report
(i)	Names of persons who were Directors of the Entity	Yes	Annual Report of the Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Us Annual Report of the Board of Directors
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held	Yes	Investor Information
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes	Investor Information
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes	Investor Information
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk Management Report
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Management Discussion & Analysis
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 18(c) to the Financial Statements
(ix)	Number of shares representing the Entity's stated capital	Yes	Investor Information
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Investor Information
(xi)	Financial ratios and market price information	Yes	Investor Information Five Years Financial Summary
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 18(a) - to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Notes to the Financial Statements
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	Investor Information
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Report
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Notes to the Financial Statements Annual Report of the Board of Directors

Annex III: Statement of Compliance Under Section 9 of the Listing Rules of the Colombo Stock Exchange: Corporate Governance

Mandatory Provisions – Fully Compliant

CSE Rule Reference	Corporate Governance Principles	Complied	Compliance Status/Reference within the Report
9.1.3	Statement confirming the extent of the compliance with the Listing Rules on Corporate Governance	Yes	Corporate Governance Report
9.2.2	Any waivers from Compliance with the Internal Code of business conduct and ethics or exemptions granted	Yes	Corporate Governance Report
9.2.3 (i)	List of Policies in place as per Rule 9.2.1. with reference to the website	Yes	Corporate Governance Report
9.2.3 (ii)	Any changes to policies adopted	Not applicable	No changes were made to the policies after they were duly approved by the Board and published on the websites of the Company and informed to CSE - Corporate Governance Report
9.3.1	Board Committees	Yes	Corporate Governance Report
9.3.2	Composition, responsibilities, and disclosures related to Board Committees	Yes	Board Committee Reports
9.3.3	Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees	Yes	Corporate Governance Report
9.4.1	Meeting Procedures	Yes	The Company maintains all records of resolutions passed at general meetings of the shareholders
9.4.2 (a)	The Policy on effective communication and relations with shareholders and investors	Yes	Corporate Governance Report
9.4.2 (b)	The contact person of such communication	Yes	Corporate Governance Report
9.4.2 (c)	The policy on relations with shareholders and investors on the process to make all directors aware of major issues and concerns of shareholders	Yes	Corporate Governance Report
9.4.2 (d)	Virtual/hybrid meetings	Yes	The Company conducts virtual general meetings in line with the guidelines issued by the CSE
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors.	Yes	Corporate Governance Report
9.6.1	Chairperson and CEO	Yes	Positions of Chairman and CEO are held by two separate individuals
9.6.4	Senior Independent Director	N/A	
9.7.1	Fitness of Directors and CEO	Yes	The Company ensures that the Directors and CEO at all times fulfil the fit and proper assessment criteria set out in the Listing Rules

CORPORATE GOVERNANCE REPORT

CSE Rule Reference	Corporate Governance Principles	Complied	Compliance Status/Reference within the Report
9.7.4	Fitness of Directors and CEO	Yes	The Directors and the CEO have provided the declaration confirming that they satisfy the fit and proper assessment criteria during the financial year and as of the date of such confirmation
9.7.5	Disclosure in the Annual Report that the Directors and CEO satisfy the Fit and Proper Assessment criteria	Yes	Corporate Governance Report
9.8.1	Minimum number of Directors	Yes	The Board comprises of seven Directors as of the reporting date
9.8.2	Independent Directors	Yes	Two out of the seven NEDs are independent
9.8.3	Independent Directors	Yes	All NEDs have submitted their confirmations on Independence.
9.8.5	Names of Directors determined to be independent	Yes	Corporate Governance Report
9.9	Alternate Directors	Not applicable	
9.10.2	Disclosure relating to Directors	Yes	Refer to the Corporate Governance Report
9.10.3	Disclosure relating to Directors	Yes	All changes to Board Committees were immediately informed to the Colombo Stock Exchange
9.10.4	Disclosure relating to Directors	Yes	Refer to the Board of Directors profiles, Annual Report of the Board of Directors, and Board Committee Reports
9.11	Nominations and Governance Committee	Yes	Refer Nominations and Governance Committee Report
9.12.	Remuneration Committee	Yes	Refer to Remuneration Committee Report and Note 14 to the Financial Statements
9.13	Audit Committee	Yes	Refer to the Audit and Risk Committee Report
9.14	Related Party Transactions Review Committee	Yes	Refer to the Related Party Transactions Review Committee Report and Annual Report of the Board of Directors
9.16	Additional Disclosures	Yes	Refer to the Annual Report of the Board of Directors
9.18.3	Disclosures relating to directors considered to be nevertheless independent	Not applicable	

Annex IV: Statement of Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Code Ref.	Requirement	Complied	Reference within the Report
A	**Directors**		
A.1	An effective Board should direct, lead and control the company		
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Board Meetings
A.1.2	Role and Responsibilities of the Board	Yes	Governance Framework & Structure
A.1.3	Act in accordance with laws of the Country. Independent professional advice	Yes	Compliance Informed Decision Making
A.1.4	Access to advice and services of the Company Secretary	Yes	Company Secretary
A.1.5	Independent judgement	Yes	Conflict of Interest
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Board Meetings
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Board Meetings
A1.8	Board induction and Training	Yes	Informed Decision Making
A.2	Chairman and CEO	Yes	Balance of Power
A.3	Chairman's role in preserving good corporate governance	Yes	Balance of Power
A.4	Availability of financial acumen	Yes	Board Composition
A.5	Board Balance	Yes	Board Composition
A.5.1	The Board should include a sufficient number of NEDs	Yes	Board Composition
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A	
A.5.3	Independence of Directors	Yes	Directors' Independence
A.5.4	Annual declaration of independence by Directors	Yes	Directors' Independence
A.5.5	Annual determination of independence of NEDs	Yes	Directors' Independence
A.5.6	Alternate Directors		N/A
A.5.7 & A.5.8	Senior Independent Directors		N/A
A.5.9	Annual meeting with NEDs	Yes	The Chairman meets with NED on an informal basis
A.5.10	Recording of dissent in minutes	Yes	Meetings
A.6	Supply of Information	Yes	Informed Decision Making
A.7	Appointments to the Board and Re-election	Yes	Board Refreshment
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	Yes	Nominations and Governance Committee Report
A.7.2	Annual assessment of Board composition	Yes	Board Refreshment
A.7.3	Disclosures on appointment of new directors	Yes	Board Refreshment
A.8	Directors to submit themselves for re-election	N/A	
A.9	Appraisal of Board and Sub-Committee Performances	No	A brief evaluation of the Board was conducted for the financial year 2024/25.
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meetings Attendance Membership in Committees
A.11	Appraisal of the CEO	Yes	Responsible and Fair Remuneration

CORPORATE GOVERNANCE REPORT

Code Ref.	Requirement	Complied	Reference within the Report
B.	**Directors' Remuneration**		
B.1	Establish a process for developing policy on executive and director remuneration.	Yes	Responsible and Fair Remuneration
B.2	Level and Make Up of Remuneration	Yes	Responsible and Fair Remuneration
B.3	Disclosures related to remuneration in the Annual Report • Remuneration Policy Statement • Aggregate Board remuneration paid • Remuneration Committee Report	Yes	Responsible and Fair Remuneration Note 14 to Financial Statements Remuneration Committee Report
C.	**Relations with Shareholders**		
C.1	Constructive use of the AGM & Other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)
C.2	Communication with shareholders	Yes	Communication with Shareholders
C.3	Disclosure of major and material transactions	Yes	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.
D.	**Accountability and Audit**		
D.1	Present a balanced and understandable assessment of the Company's financial position, performance, and prospects	Yes	Relations with Shareholders
D1.1	Balanced Annual Report	Yes	Relations with Shareholders
D.1.2	Balanced and understandable communication	Yes	Relations with Shareholders
D.1.3	CEO/CFO declaration	Yes	Required declarations are obtained from GCEO and CFO
D.1.4	Directors Report declarations	Yes	Annual Report of the Board of Directors on the Affairs of the Company
D.1.5	Financial reporting statement on Board responsibilities Statement on internal control	Yes	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control
D.1.6	Management Discussion & Analysis	Yes	Management Discussion & Analysis

Code Ref.	Requirement	Complied	Reference within the Report
D.1.7	Net Assets < 50%	Yes	In the event the net assets of the Company falling below 50% of Shareholders' Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.
D.1.8	Related Party Transactions report	Yes	Directors' Interest in Contracts with the Company
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Yes	Risk Management Report Report of the Audit and Risk Committee Directors' Statement of Internal Control
D.3	Audit Committee	Yes	Audit and Risk Committee Report
D.4	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee Report
D.5	Code of Business Conduct and Ethics	Yes	Code of Conduct
D.6	Corporate Governance Disclosures	Yes	Corporate Governance Report
E/F.	**Institutional Investors/Other Investors**		
	Institutional and other Investors	Yes	Relations with Shareholders
G.	**Internet of Things & Cybersecurity**		
	Internet of Things & Cybersecurity	Yes	Information Technology and Cyber Security
H.	**Principals of Sustainability Reporting**		
	Principals of Sustainability Reporting	Yes	Sustainability Governance

CORPORATE GOVERNANCE REPORT

Annex V: Board Meeting Attendance

Directors	07.05.24	29.05.24	13.08.24	26.09.24	09.10.24	12.12.24	18.12.24	11.02.25	25.02.25	24.03.25	No. of Meetings
Mr. A. R. Rasiah - Chairman (INED)	√	√	√	√	√	√	√	√	√	√	10/10
Mr. P. L. D. Jinadasa - Group CEO (ED)	√	√	√	√	√	√	√	√	√	√	10/10
Dr. A. J. Alderton (NED)	√	√	√	EX	√	√	EX	√	√	√	8/10
Mr. G. P. Gunawardana (INED)	√	EX	√	√	√	√	√	√	√	√	9/10
Ms. T. Peries**** (INED)	√	√	√	√	√	√	√	√	√	√	10/10
Mr. P. Schleiffer* (NED)	√	√	√	√	EX	EX	EX	-	-	-	4/7
Mr. S. Doron*** (NED)	√	√	√	√	√	√	√	√	EX	-	8/9
Mr. S. Khan* (NED)	EX	√	EX	EX	√	√	EX	-	-	-	3/7
Mr. A. S. Cockerham** (NED)	-	-	-	-	-	-	IN	√	√	√	3/3
Mr. C. M. Horn** (NED)	-	-	-	-	-	-	IN	√	√	√	3/3
Mr. A. De Silva Muthumuni** (IND)	-	-	-	-	-	-	-	√	√	√	3/3

EX - Excused

IN - Invitee

*Resigned on 27 December 2024

**Appointed w.e.f. 27 December 2024

*** Resigned on 05 March 2025

****Resigned on 31 March 2025

Annex VI: List of Other Directorships Held by Directors in Sri Lankan Companies

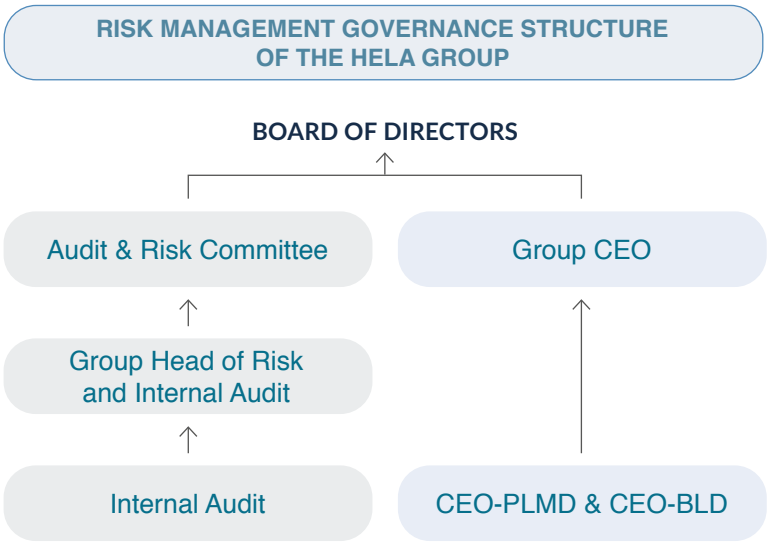
Director	Directorships in other companies	Position
Mr. A. R. Rasiah	Holds directorships in companies within the Group	Chairman / Non-Executive Director
	• Colombo Fort Land and Buildings PLC	Non-Executive Director
	• Gestetner of Ceylon PLC	Non-Executive Director
	• Fintek Managed Solutions (Private) Limited	Non-Executive Director
	• Clindata Lanka (Private) Limited	Non-Executive Director
	• York Hotel Managements Limited	Director
	• Darly Butler & Co Limited	Director
Mr. P. L. D. Jinadasa	Holds directorships in companies within the Group	Executive Director
	• Alerics Dairy Products Ltd	Non-Executive Director
	• Simply Fresh Food (Pvt) Ltd	Non-Executive Director
	• Soul Coffee Company (Pvt) Ltd	Non-Executive Director
Mr. G. P. Gunawardana	Holds directorship in companies within the Group	Independent Non-Executive Director
Dr. A. J. Alderton	Not applicable	Not applicable
Mr. A. De Silva Muthumuni	Holds directorship in a company within the Group	Independent Non-Executive Director
Mr. A. S. Cockerham	Not applicable	Not applicable
Mr. C. M. Horn	Not applicable	Not applicable
Mr. Ray Evans	Visionary Retail Limited	Executive Director

RISK MANAGEMENT REPORT

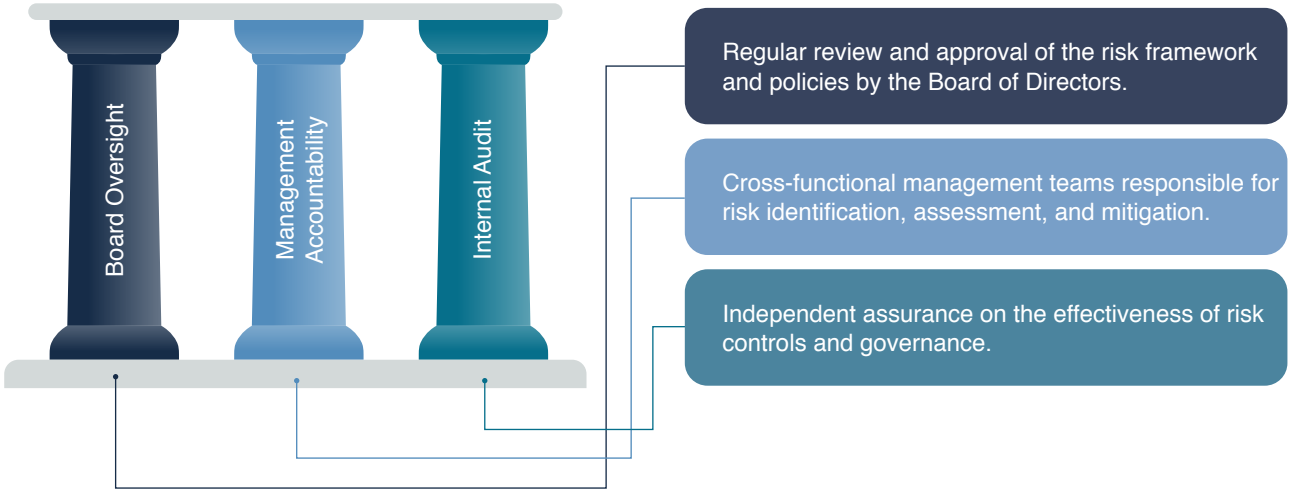
During FY 2024/25, the Hela Group navigated a highly dynamic and complex risk environment that demanded proactive management and strategic agility. Persistent geopolitical uncertainty, intensifying competition in key markets, evolving regulatory requirements, and ongoing supply chain disruptions were among the most significant risk factors during the year. In this context, the Board of Directors remained closely engaged, ensuring that the Group implemented effective mitigation strategies, safeguarded operational continuity, and pursued opportunities to strengthen resilience and competitiveness in a rapidly shifting global landscape.

RISK MANAGEMENT FRAMEWORK

Hela Apparel Holdings PLC is committed to a robust risk management culture, fully aligned with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. The Company's Board of Directors bears ultimate responsibility for risk management. Supported by the Audit and Risk Committees, the Board provides oversight and strategic direction, ensuring risk management is embedded across all levels of the Group's operations and decision-making processes.



Key Pillars of the Hela Group's Risk Governance Framework



RISK MANAGEMENT REPORT

RISK UNIVERSE

The Hela Group's approach to risk management encompasses a comprehensive and dynamic understanding of the diverse factors that could influence its operational effectiveness, strategic goals, and overall business performance. The Group's risk universe is structured to address a wide spectrum of potential challenges and opportunities across various domains as summarised in the table below.

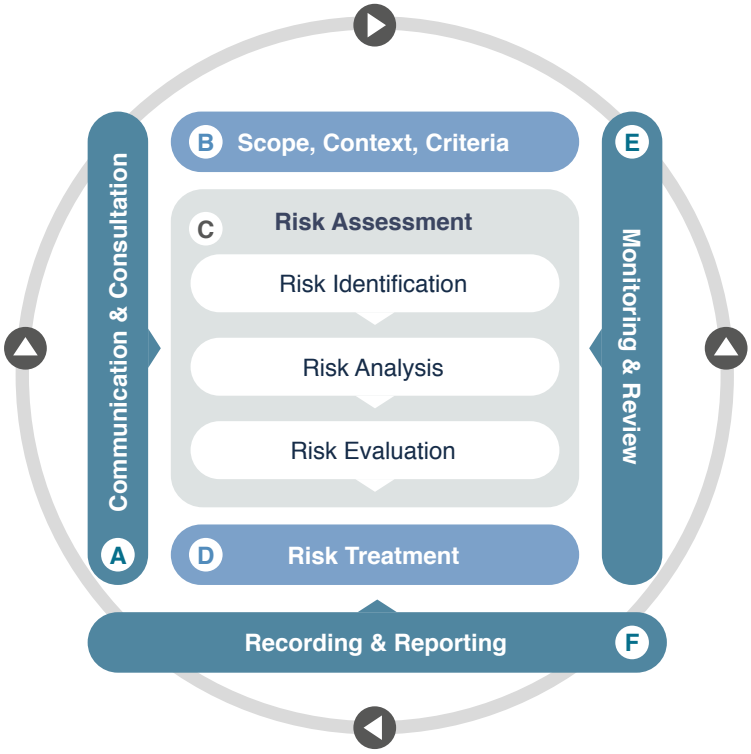
Risk Universe of the Hela Group

Risk Category	Description & Relevance
Market & Strategic	Volatility in global demand, intense competition, geopolitical and macroeconomic uncertainties.
Financial	Exposure to currency fluctuations, interest rate volatility, liquidity constraints, and credit risks.
Operational	Supply chain disruptions, capacity underutilisation, quality assurance, and business continuity threats.
Compliance & Regulatory	Changes in local/international regulations, trade policies, labour and environmental compliance.
Reputational	Brand and stakeholder trust, ethical practices, social responsibility, and ESG-related risks.
Technology & Cybersecurity	IT system failures, data breaches, and cyber threats impacting operations and stakeholder confidence.
Environmental	Risks arising from climate change, extreme weather events, resource scarcity (water, energy), and failure to adapt to or mitigate environmental impact.

RISK MANAGEMENT PROCESS

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

Hela Group Risk Management Process



1 Risk Identification and Assessment

- **Identification:** Risks are identified through structured risk mapping, management workshops, internal audits, and ongoing stakeholder engagement.
- **Assessment:** Risks are assessed based on likelihood and potential impact, using both qualitative and quantitative methods.
- **Prioritisation:** High-priority risks are escalated for immediate action, with ongoing monitoring of emerging and residual risks.

2 Risk Mitigation and Control Measures

Hela Apparel Holdings PLC adopts a multi-layered risk mitigation strategy, tailored to address both traditional and emerging risks impacting the global apparel sector and the Group's specific operating environment.

3 Monitoring, Reporting, and Assurance

Continuous Monitoring:

- Regular risk reviews by management and business units.
- Early warning systems for key risk indicators.

Reporting:

- Periodic risk reports to the Board and Audit Committee, highlighting material risks and mitigation status.

Independent Assurance:

- Internal Audit provides independent reviews of risk management effectiveness and internal controls.

EMERGING RISKS AND FORWARD-LOOKING STATEMENTS

The Group remains vigilant to new risks, including global economic shifts, supply chain volatility, regulatory changes, and technological disruptions. Management is committed to strengthening risk resilience and adapting strategies to safeguard sustainable growth and value creation for all stakeholders.

BOARD ASSURANCE AND ACCOUNTABILITY

The Board affirms that it has reviewed and is satisfied with the effectiveness of the risk management and internal control framework in place. The Group remains committed to continuous improvement, transparency, and responsible risk-taking in pursuit of its strategic objectives.

Hela Group Risk Landscape During FY 2024/25

Risk Area	Example Risk	Risk Assessment in FY 2024/25	Potential Impact on the Hela Group	Key Mitigation/Response
 Strategic and Market Risk	Demand volatility	High	Revenue and profit decline	• **Customer and Geographic Diversification:** Expanding into new markets and broadening the client base to reduce dependency on any single customer or region, mitigating risks from geopolitical tensions, trade restrictions, and shifting consumer demand. • **Agile Business Model:** Maintaining operational flexibility to quickly adapt production volumes, product mix, and sourcing strategies in response to market volatility, global demand shocks, or supply chain disruptions.

RISK MANAGEMENT REPORT

Risk Area	Example Risk	Risk Assessment in FY 2024/25	Potential Impact on the Hela Group	Key Mitigation/Response
 Financial Risk	Exchange rate and interest rate volatility	High	Profit margin pressure	• **Interest Rate and Inflation Management:** Monitoring global interest rate trends and inflationary pressures, particularly in key input markets (cotton, energy, logistics), and adjusting pricing and procurement strategies accordingly.
 Operational Risk	Supply chain shocks	High	Production delays	• **Supply Chain Resilience:** Multi-sourcing of raw materials and components to reduce reliance on single suppliers or regions, especially in light of global disruptions (e.g. Red Sea shipping crisis, pandemic aftershocks). • **Business Continuity Planning:** Comprehensive business continuity and disaster recovery plans, including scenario testing for natural disasters, political unrest, or cyber incidents. • **Quality Assurance and Traceability:** Enhanced end-to-end quality checks, and regular supplier audits to maintain product standards and meet evolving customer and regulatory requirements.
 Compliance and Reputational Risk	Regulatory changes; ESG lapses	Medium	Fines, business disruption, and brand damage	• **Sustainability and ESG Integration:** Implementation of robust ESG policies, including responsible sourcing, waste reduction, water and energy management, and transparent reporting to meet stakeholder and investor expectations. • **Ethical Sourcing and Social Compliance:** Regular audits of own and subcontractor facilities for compliance with labour, health and safety, and human rights standards, in line with global buyer requirements.
 Technology and Cybersecurity Risk	Cyber threats	High	Data loss, down-time	• **Cybersecurity Investment:** Upgraded IT infrastructure, multi-factor authentication, and employee awareness programs to counter rising threats of ransomware, data breaches, and supply chain cyberattacks. • **Digital Transformation:** Leveraging automation and cloud-based ERP to improve operational efficiency, decision-making, and resilience to technology disruptions.

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

GENERAL

The Directors of Hela Apparel Holdings PLC present to the Shareholders their Report together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2025.

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

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

CHANGES TO THE GROUP STRUCTURE

As part of a restructure of the Group, the complete ownership of Jinadasa Bennett (Private) Limited (JB) and Foundation Bennett (Private) Limited (FB), previously owned by Foundation Garments (Private) Limited, a sub-subsidiary of Hela Apparel Holdings PLC, were transferred to Q Collections Pte Ltd on 13 June 2025, as such JB and FB are no longer part of the Hela Group of companies.

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

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

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

FINANCIAL STATEMENTS OF THE COMPANY AND GROUP

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board are given on pages 84 and 85.

AUDITORS' REPORT

The Group's External Auditors, Messrs. Deloitte Partners, performed the audit on the Financial Statements for the year ended 31 March 2025. The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 80 and 81 as required by Section 168 (1) (c) of the Companies Act No. 7 of 2007.

ACCOUNTING POLICIES

A summary of the significant Accounting Policies adopted in the preparation of the Financial Statements is given from pages 92 and 93 of the Annual Report as required by Section 168 (1) (d) of the Companies Act No. 7 of 2007. There have been no changes in the accounting policies adopted by the Group during the year under review. The Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

REVENUE

The Total Revenue of the Group for the year ended 31 March 2025 was Rs. 83.4 Bn (FY 2023/24 – Rs. 70.2 Bn). An analysis of the income is given in Note 12 to the Financial Statements on page 107 of this Annual Report.

PROFIT AND APPROPRIATIONS

The loss before tax of the Group for the year ended 31 March 2025 was Rs. 21 Bn (FY 2023/24 – Rs -2.3 Bn) and the loss after tax for the year ended 31 March 2025 was Rs. 22.9 Bn (FY 2023/24 - Rs. -0.3 Bn). Whilst the Group loss attributable to equity holders of the parent was Rs. 22.6 Bn (FY 2023/24 - Rs. -0.3 Bn).

The details of Profit/Loss relating to the Group are given on page 82 of the Annual Report.

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

DIRECTORS

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

Name of Director	Designation
Mr. A. R. Rasiah (Retiring w.e.f. 29.12.2025)	Chairman/ Non-Executive Director
Dr. A. J. Alderton (Resigned w.e.f 09.09.2025)	Co-Chairman/ Non-Executive Director
Mr. P. L. D. Jinadasa	Group CEO/Executive Director
Mr. G. P. Gunawardana	Independent Non-Executive Director
Ms. T. S. Peries (Resigned on 31.03.2025)	Independent Non-Executive Director
Mr. A. S. Cockerham	Non-Executive Director
Mr. C. M. Horn	Non-Executive Director
Mr. A. De Silva Muthumuni	Independent Non-Executive Director
Mr. Ray Evans	Executive Director

RECOMMENDATION FOR ELECTION/ RE-APPOINTMENT

The Directors have recommended the election of Directors, Mr. A. S Cockerham, Mr. C. M. Horn and Mr. A. De Silva Muthumuni who were appointed to the Board w.e.f. 27 December 2024 and Mr. R. Evans who was appointed to the Board with effect from 16th September 2025. Accordingly resolutions will be placed before the shareholders in terms of Articles of Association and the Companies Act with regard to the said elections.

Mr. A.R. Rasiah who is over 70 years has informed of his intention to retire from the Directorate of Hela Apparel Holding PLC with effect from 29 December 2025. Hence, he has informed the Company that he will not be seeking re-election at the forthcoming Annual General Meeting.

DIRECTORS OF SUBSIDIARY, SUB-SUBSIDIARIES & JOINT VENTURE COMPANIES

The details of Directors of the Group's subsidiaries, sub-subsidiaries and joint venture companies are given in the Group Companies and Directorate on pages 172 and 173 of the Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 22 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities of Directors referred to herein.

INTERESTS REGISTER

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

DIRECTORS' REMUNERATION

The Directors' total remuneration is disclosed under Key Management Personnel compensation in Note 22 to the Financial Statements on page 158.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31 March 2025 and 31 March 2024 are shown in the table below:

Name of Director	Shareholding as at 31.03.2025	Shareholding as at 31.03.2024
Mr. A. R. Rasiah	5,309,801	4,273,743
Dr. A. J. Alderton	-	-
Mr. P. L. D. Jinadasa	191,728,960	148,531,300
Mr. G. P. Gunawardana	-	-
Ms. T. S. Peries (Resigned on 31.03.2025)	71,315	57,400
Mr. A. S. Cockerham (Appointed w.e.f. 27.12.2024)	-	-
Mr. C. M. Horn (Appointed w.e.f. 27.12.2024)	-	-
Mr. A. De Silva Muthumuni (Appointed w.e.f. 27.12.2024)	-	-

AUDITORS

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

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

A total amount of Rs. 0.1 Bn is payable by the Company to the Auditors for the year under review comprising Rs. 0.1 Bn as audit fees and Rs. 0.03 Bn for non-audit services.

The Auditors have expressed their willingness to continue in office. The Board has recommended that Messrs. Deloitte Partners, Chartered Accountants be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Details of payments to Auditors of subsidiary companies on account of audit fees and for permitted non-audit services are set out in Note 14 to the Financial Statements on page 109.

COMPANY SECRETARY

Ms. Janseni Kuhanesan functioned as the Company Secretary until 31st November 2024 and Ms. Shenali De Silva functioned as the Company Secretary until 24th September 2025. Corporate Advisory Services (Pvt) Ltd has been appointed as the Company Secretary w.e.f. from 24 September 2025.

STATED CAPITAL

The Stated Capital of the Company as at 31 March 2025 was Rs. 7.3 Bn represented by 1,636,746,787 Ordinary Voting Shares.

The Stated Capital of the Company as at 31 March 2024 was Rs. 5.7 Bn represented by 1,317,381,560 Ordinary Voting Shares.

SHAREHOLDINGS/ SHARE INFORMATION

The market value of an ordinary share of the Company as at 31 March 2025 was at Rs. 3.70 (31 March 2024 – Rs. 6.10). There were 13,844 shareholders registered as at 31 March 2025 (31 March 2024 – 13,855).

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 168 to 171 under the Investor Information section of this Annual Report.

SHAREHOLDERS

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

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

Details of the grants/vesting of Employee Share Ownership Plan (ESOP) is given under the Investor Information section found on page 170 of the Annual Report. The Company or its subsidiaries did not directly or indirectly fund the said ESOP.

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

The number of ordinary shares held by the Public as at 31 March 2025 was 23.18% of the Issued Capital of the Company. The minimum public holding requirement as at 31 March 2025 as per Section 7.13.1 (a) of the Listing Rules is as follows:

Name of Director	Float Adjusted Market Capitalisation - (LKR)	Holding (%)	No of Shareholders
Minimum Public Holding as at 31 March 2025	1,403,772,249	23.180	13,844

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

EMPLOYMENT POLICY

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

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

As at 31 March 2025, 13,824 persons were in employment in the Group (14,530 persons as at 31 March 2024).

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

CUSTOMERS

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

SUPPLIER POLICY

The Group recognises the vital role of its suppliers and takes proactive measures to foster and maintain strong working relationships with them.

RESERVES

The reserves of the Company with the movements during the year are given in Note 19 to the Financial Statements on page 147.

LAND HOLDINGS

The Group's land holdings referred to in Note 18(a) to the Financial Statements comprise the following:

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

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Note 18(a) to the Financial Statements on page 126.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31 March 2025 are given in Note 21 to the Financial Statements on pages 152 to 155.

DONATIONS

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

RISK MANAGEMENT

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

Specific steps taken by the Group in managing the risks are detailed in the section on Risk Management on page 55.

STATUTORY PAYMENTS

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

CONTINGENT LIABILITIES

Except as disclosed in Note 23 to the Financial Statements on page 159, there were no material Contingent Liabilities as at the Reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 25 to the Financial Statements on page 160, there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

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

The Corporate Governance Report on pages 34 to 54 explains the measures adopted by the Company during the year.

DIRECTORS' MEETINGS

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

The schedules of Directors' attendance at Board Meetings and at the Board Committee Meetings are appended in the Corporate Governance Report on pages 34 to 54.

BOARD SUB-COMMITTEES

The Audit and Risk Committee, Remuneration Committee, Nominations and Governance Committee and Related Party Transactions Review Committee function as Board sub-committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees as at the date of the Report is as follows.

AUDIT & RISK COMMITTEE

Mr. G. P. Gunawardana - Chairman

Mr. A. De Silva Muthumuni

Mr. A. S. Cockerham

REMUNERATION COMMITTEE

Mr. G. P. Gunawardana - Chairman

Mr. A. R. Rasiah (Retiring w.e.f. 29.12.2025)

Mr. C. M. Horn

Mr. A. De Silva Muthumuni

NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. G. P. Gunawardana - Chairman

Mr. A. R. Rasiah (Retiring w.e.f. 29.12.2025)

Mr. A. S. Cockerham

Mr. A. De Silva Muthumuni

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. G. P. Gunawardena - Chairman

Mr. A. R. Rasiah (Retiring w.e.f. 29.12.2025)

Mr. A. S. Cockerham

Mr. A. De Silva Muthumuni

The Related Party Transaction Review Committee assists the Board in reviewing all related party transactions in accordance with the requirement of Section 9 of the Listing Rules of the CSE. The Directors declare that during the year under review there were no related party transactions which required the shareholder approval or non-recurrent related party transactions which required immediate disclosure in accordance with Section 9 of the Listing Rules of the CSE other than those which have been already disclosed to the Market.

GOING CONCERN

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

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

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

RELATED PARTY TRANSACTIONS

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

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

The non-recurrent Related Party Transactions during the year ended 31 March 2025 are as follows:

Name of the Relates Party	Relationship	Value of Related Party Transactions as a % of the equity and as a % of Total Assets	Terms and Conditions of the Related Party Transactions	The rationale for entering into the transactions
Hela Clothing (Private) Limited	Direct Subsidiary	As % of Equity - 15% As % of Total Assets - 3%	Issuance of 159,281,640 shares at Rs. 10	Disbursement of the remaining proceeds of the Right Issue after deducting the cost of the Right Issue
Foundation Garments (Private) Limited	Indirect Subsidiary	As % of Equity - 15% As % of Total Assets - 3%	Issuance of 159,281,640 shares at Rs. 10	Settlement of banking facilities by Foundation Garments (Private) Limited
Foundation Garments (Private) Limited	Indirect Subsidiary	As % of Equity - 11% As % of Total Assets - 3%		Receivable capitalisation

There were no recurrent Related Party Transactions during the year ended 31 March 2025 are as follows:

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the Related Party Transactions entered into during the financial year	Aggregate Value of Related Party Transactions as % of Gross Revenue/ Income	Terms and Conditions of the Related Party Transactions
N/A	N/A	N/A	N/A	N/A	N/A

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility programmes, details of which are set out on pages 24 to 30 of this Report.

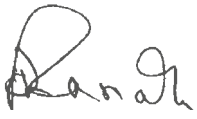
COMPLIANCE WITH LAWS AND REGULATIONS

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

ANNUAL GENERAL MEETING

The Notice of the Fourth Annual General Meeting of the Company appears on page 176.

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



A. R. Rasiah
Chairman



P. L. D. Jinadasa
Group CEO/Executive Director



Corporate Advisory Services (Pvt) Ltd
Company Secretaries

5 December 2025

AUDIT AND RISK COMMITTEE REPORT

INTRODUCTION

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

COMMITTEE MEMBERS

At the date of this Annual Report, the Members of the Committee are as follows:

- Mr. G. P. Gunawardana – Chairman / Independent Non-Executive Director
- Mr. A. S. Cockerham – Non-Executive Director (Appointed to the Committee w.e.f. 27 December 2024)
- Mr. A. De Silva Muthumuni – Independent Non-Executive Director (Appointed to the Committee w.e.f. 27 December 2024)

At the commencement of the financial year, the Committee comprised of Mr. G. P. Gunawardana (Independent Non-Executive Director), Dr. A. J. Alderton (Non-Executive Director), Mr. P. Schleiffer (Non-Executive Director), Ms. T. S. Peries (Independent Non-Executive Director), and Mr. A. R. Rasiah (Non-Executive Director).
The Committee was re-constituted twice from the commencement of the financial year up until the date of the Annual Report as follows:

Committee re-constituted w.e.f. 27.12.2024	Committee re-constituted w.e.f. 07.04.2025
Mr. G. P. Gunawardana (Chairman)	Mr. G. P. Gunawardana (Chairman)
Mr. A. De Silva Muthumuni	Mr. A. S. Cockerham
Dr. A. J. Alderton	Mr. A. De Silva Muthumuni
Mr. A. S. Cockerham	
Ms. T. S. Peries (Resigned on 31.03.2025)	

The majority of the members of the Committee have been independent throughout the year. The Chairman of the current Committee, is a member of a recognised professional accounting body. Other members of the current Committee have a broad range of appropriate skills and strong experience covering commercial, financial, and operational matters.

MEETINGS

The Committee met nine times during the year under review, aligning its agenda with the Group's financial calendar. Quarterly meetings were scheduled to coincide with the timeline for the release of interim financial statements and year-end results. Separate sessions were scheduled to discuss Internal Audit Reports. The Group Chief Executive Officer and Group Finance Director attended the meetings by invitation. The Group Head of Risk and Internal Audit, and other members of the Senior Management attended the meetings where internal audit reports were discussed. External Auditors attended meetings on request. The Company Secretary served as the Secretary to the Committee.

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

Name	10.05.24	22.05.24	10.07.24	13.08.24	07.11.24	12.11.24	10.12.24	11.02.25	19.02.25	Total
Mr. Gayan Gunawardana	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Dr. Alastair Alderton***	EX	EX	EX	✓	✓	✓	EX	✓	EX	4/9
Mr. Patrick Schleiffer*	✓	✓	✓	✓	✓	EX	✓	-	-	6/7
Ms. Trisha Peries**	✓	✓	✓	✓	✓	✓	✓	✓	EX	8/9
Mr. A R Rasiah***	✓	✓	✓	✓	✓	✓	✓	By invitation	By invitation	9/9
Mr. A S Cockerham ****	-	-	-	-	-	-	-	✓	✓	2/2
Mr. A De Silva Muthumuni*****	-	-	-	-	-	-	-	✓	✓	2/2

EX - Excused
* Resigned w.e.f. 27 December 2024
**Resigned w.e.f. 31 March 2025
*** Resigned as a member w.e.f. 07 April 2025
**** Appointed w.e.f. 27 December 2024
*****Appointed w.e.f. 07 April 2025

AUDIT AND RISK COMMITTEE REPORT

ROLE OF THE COMMITTEE

The Committee is appointed by the Board to monitor the financial integrity of the Group. In accordance with its terms of reference, the Committee's primary functions include:

- **Financial Reporting**
  - Monitoring the integrity of the Group's financial statements by reviewing significant financial reporting judgements contained in them before their submission to the Board.
  - Monitoring how external audits contributed to the integrity of financial reporting and informing the Board of the outcome.
  - Reviewing and challenging where necessary the consistency of, and changes to, accounting and treasury policies; whether the Group has followed appropriate accounting policies and made reasonable estimates and judgements.
  - Assessing the clarity and completeness of disclosures; significant adjustments resulting from the audit; and compliance with accounting standards.
- **Narrative Reporting**
  - Reviewing the Annual Report's content to ensure it is fair, balanced, and understandable, providing necessary information for shareholders to assess the Company's position, performance, business model, and strategy.
  - Assisting the Board in its robust assessment of the principal and emerging risks facing the Company's future prospects for disclosures required in the Annual Report.
  - Reviewing statements on going concern and viability to be included in the Annual Report.
- **Internal Financial Controls**
  - Reviewing the effectiveness of the Group's internal financial controls and risk management systems, including the policies and overall process for assessing established systems and corrective action taken by the management.
- **Whistleblowing and Fraud**
  - Reviewing the Group's arrangements for its employees to confidentially raise concerns about potential improprieties in financial reporting, financial management, or other matters.
  - Ensuring arrangements for independent investigation and follow up actions.
  - Reviewing policies, procedures, and controls for preventing and detecting fraud, bribery, money laundering, and ensuring compliance with legal and regulatory requirements.
- **Internal Audit**
  - Monitoring, reviewing, and assessing the effectiveness and independence of the Group's internal audit function in the context of the Group's overall risk management system.
  - Approving the internal audit function's remit, ensuring adequate resources and appropriate access to information.
- **External Audit**
  - Overseeing the relationship with the Group's external auditors, including audit rotation considerations.
  - Reviewing and monitoring the external auditor's independence and objectivity, agreeing the scope of their work and fees, assessing audit effectiveness, and approving non-audit services.
- **Assessment of Principal Risks**
  - Assisting the Board with its robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency, or liquidity.

ACTIVITIES DURING THE YEAR UNDER REVIEW

During FY 2024/25, the Committee exercised its oversight role to strengthen Hela's internal processes and upgrade its financial systems and technology, with a particular focus on enhancing the Company's control environment and reporting capabilities. The Committee also received and reviewed presentations and reports from the Group's senior management and internal audit team, consulting as necessary with the external auditors.

- **Monitoring the Integrity of Reported Financial Information**
  - During the year, the Committee reviewed the Group's interim results and annual report, ensuring that they were fair, balanced, and understandable, providing necessary information for shareholders. It considered important accounting issues, management's estimates and judgements, and the assumptions underlying the going concern and viability statements.
  - The Committee has considered factors such as whether the Annual Report includes descriptions of the business model, strategy, and principal risks which are sufficiently clear and detailed to enable users to understand their importance to the Company; whether the report is consistent throughout, with the narrative reflecting the financial statements and understanding of Directors during the year; that information is presented fairly, without omission of material information, and not in a manner which might mislead users.
  - Other key areas of concern for the Committee included any significant adjustments to financial reporting arising from the audit, tax contingencies, compliance with statutory tax obligations, and the Group's tax and treasury policies.
- **Key Estimates and Judgements**
  - The Committee engaged in discussions with management and the external auditor regarding the approach taken in assessing all key estimates and judgements. These discussions encompassed but were not limited to, revenue recognition; impairment of assets; provisions for impairment of assets; and valuation and useful life of acquired intangibles.
- **Internal Control and Risk Management**
  - The Committee reviewed management letters; internal audit reports, reports on internal financial control systems and risk management, business continuity plans, fraud reports, anti-bribery and corruption approaches, IT and cyber security reports and significant system implementations.
  - The Committee obtained confirmation statements from the CEO and the CFO (or their delegate) in relation to operational and finance matters.
  - The Committee is satisfied that the whistleblowing mechanisms in place are adequate and key issues have been reported.

INTERNAL AUDIT

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

The Committee is required to assist the Board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans. The Committee received regular reports on the results of internal audit's work and monitored the status of recommendations arising. The Committee reviewed annually the adequacy, qualifications, and experience of the Group's internal audit resources and the nature and scope of internal audit activity in the overall context of the Group's risk management system.

EXTERNAL AUDIT

During the year, the Committee reviewed the external audit plan and the findings of the external auditor from its review of the interim results and its audit of the consolidated financial statements.

It evaluated auditor independence, quality control processes, professional expertise, business knowledge, and the communication quality. The Committee reviewed the terms, responsibilities and scope of the audit, major issues and resolutions, accounting judgements, error levels and management's response to auditor recommendations. It was concluded that the relationship between the auditor and management was strong and open.

To fulfil its responsibility for oversight of the external audit process, the Committee reviewed the terms, areas of responsibility, associated duties, and scope of the audit as set out in the external auditor's engagement letter; the overall work plan and fee proposal; the major issues that arose during the course of the audit and their resolution; key accounting and audit judgements; the level of errors identified during the audit; and the content of and any recommendations made by the external auditor in their management letters and the adequacy of management's response.

AUDIT AND RISK COMMITTEE REPORT

The Committee reviews annually the appointment/ re-appointment of the auditors, taking into account the auditors' effectiveness and independence, and makes a recommendation to the Board accordingly. M/s. PwC has been the external auditor since 2019, and with the exit of PwC Sri Lanka from the PwC network, and rejoining Deloitte network in October 2023, Deloitte Partners act as the external auditors of the company and the current audit partner has been engaged since 2024. The Committee is satisfied with the external auditor's effectiveness and independence and has recommended to the Board that M/s. Deloitte Partners be reappointed as the Company's external auditors for 2025/26, taking into account the independence and objectivity of the external auditors. The Board accepted such a recommendation in accordance with applicable law and regulation.

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

CONCLUSION

The Company maintains robust internal control and risk management systems in relation to the Company's financial and non-financial reporting processes, including the Group's process for the preparation of consolidated financial statements. A review of the consolidated financial statements and the draft Annual Report was completed to ensure that the financial position and results of the Group are appropriately reflected therein. In addition to reviewing draft financial statements for publication quarterly and full year, the Committee examined the Company's financial and non-financial information, the effectiveness of internal controls relating to financial and non-financial reporting and disclosures, legal and compliance issues, and determining whether the Company's disclosures are accurate and adequate.



Gayan Gunawardana
Chairman
Audit and Risk Committee

5 December 2025

REMUNERATION COMMITTEE REPORT

INTRODUCTION

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

COMPOSITION OF THE COMMITTEE

All Directors bring significant professional expertise to their roles on the Committee, as detailed in the Director Biographies within this Annual Report. The Committee was re-constituted twice during the period commencing 01 April 2024 up to the date of the Annual Report as follows:

Committee Re-constituted w.e.f. 27 December 2024

Name	Nature of Directorship	Committee Status
Ms. T. S. Peries*	Independent Non-Executive	Chairperson
Mr. A. R. Rasiah	Independent Non-Executive (Reclassified as Non-Executive w.e.f. 01.01.2025)	Member
Mr. G. P. Gunawardana	Independent Non-Executive	Member
Dr. A. J. Alderton	Non-Executive	Member
Mr. C. M. Horn**	Non-Executive	Member

Committee Re-constituted w.e.f. 7 April 2025

Name	Nature of Directorship	Committee Status
Mr. G. P. Gunawardana***	Independent Non-Executive	Chairman
Mr. A. R. Rasiah	Non-Executive	Member
Dr. A. J. Alderton*****	Non-Executive	Member
Mr. C. M. Horn**	Non-Executive	Member
Mr. A. De Silva Muthumuni****	Independent Non-Executive	Member

*Resigned w.e.f. 31 March 2025

** Appointed to the Board and to the Committee w.e.f. 27 December 2024

*** Appointed as the Chairman of the Committee w.e.f. 7 April 2025

**** Appointed to the Committee w.e.f. 7 April 2025

***** Resigned w.e.f. 9 September 2025

Accordingly, as at the date of the Report, the Committee comprises of four Non-Executive Directors, out of which two are Independent.

The Company Secretary serves as the Secretary to the Committee.

MEETINGS

The Committee convened on 28 March 2025, with all members in attendance. Following the meeting, the Board was duly apprised of the Committee's deliberations and decisions. The Group Chief Executive Officer attends Committee meetings by invitation, except when matters relating to his own remuneration are being discussed. As required, the Chief People Officer, Group Senior Managers, and external HR consultants may also be invited to participate in meetings to provide relevant input.

The Committee operates in accordance with its Terms of Reference (TOR), which have been formally approved by the Board.

RESPONSIBILITIES

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

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

REMUNERATION COMMITTEE REPORT

The Committee ensures that remuneration structures and levels are set to attract and retain high-calibre individuals necessary at senior manager levels, motivating them to deliver strategy in the interests of shareholders and wider stakeholders. The Committee believes in a pay-for-performance approach, emphasising long-term remuneration to align management's interests with those of Hela's stakeholders. Remuneration levels and awards are based on individual contributions to the Company against the backdrop of its financial performance, considering comparable companies in size and complexity.

ACTIVITIES OF THE COMMITTEE

The Committee periodically reviews the remuneration payable to Executive Director, Group Chief Executive Officer and equivalent positions. The Remuneration Policy of the Company remains aligned with the delivery of the business strategy, supports the recruitment and retention of high-calibre international talent, and continues to meet the expectations of shareholders and the broader governance community.

Taking into account the financial position of the Hela Group and the right-sizing exercise initiated as a result, the Committee deliberated on the headcount reduction undertaken during the financial year under review. In light of these considerations, the Committee recommended that the annual salary increment be temporarily withheld, with a review to be conducted in the following financial year.

REMUNERATION PRINCIPLES AT HELA

The approach to setting executive remuneration at Hela is guided by the Group's remuneration principles, and the Policy on Compensation and Benefits which aim to balance risk and reward, cost and sustainability, and competitiveness and fairness. Hela's strategy emphasises sourcing of world class talent and developing them as leaders. This presents certain challenges, particularly in light of higher pay benchmarks in other regions and the growing international mobility of senior talent.

Long-term value creation for shareholders and a strong pay-for-performance remain central to Hela's remuneration policy and practices. The ability to attract and nurture a diverse mix of international talent with varied backgrounds, skills, and capabilities is critical to the Group's growth and success. Remuneration is a key lever in attracting and retaining top-tier talent to lead Hela's global operations. This is balanced with the need to ensure remuneration packages are appropriate and fair within the broader context of the business and its wider workforce. The objective remains to offer market-competitive pay in return for delivering high performance aligned with the Company's strategic goals.

Following a review of the remuneration policy, the Committee remains satisfied that it continues to be appropriate to the business needs and strategy of the Group.

CONCLUSION

Whilst the organisation is navigating a period of financial constraint, it nevertheless continues to place a strong emphasis on employee retention and fair remuneration. This commitment reflects the Group's belief that its people are integral to the long-term success of the Group. By maintaining a focus on competitive and equitable compensation, even during challenging times, the organisation aims to preserve workforce morale, foster loyalty, and mitigate the risk of losing key talent. These efforts are aligned with the Group's broader strategic priorities of ensuring operational continuity, sustaining organisational capability, and building a resilient foundation for future growth.



Gayan Gunawardana
Chairman
Remuneration Committee

5 December 2025

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

INTRODUCTION

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

COMPOSITION

The Committee was re-constituted twice within the period commencing 1 April 2024 up to the date of the Annual Report as follows:

Committee Re-constituted w.e.f. 27 December 2024

Name	Nature of Directorship	Committee Status
Mr. G. P. Gunawardana	Independent Non-Executive	Chairman
Mr. A. R. Rasiah	Independent Non-Executive (Re-classified as Non-Executive w.e.f. 01.01.2025)	Member
Ms. T. S. Peries*	Independent Non-Executive	Member
Dr. A. J. Alderton	Non-Executive	Member
Mr. A. S. Cockerham**	Non-Executive	Member

Committee Re-constituted w.e.f. 7 April 2025

Name	Nature of Directorship	Committee Status
Mr. G. P. Gunawardana	Independent Non-Executive	Chairman
Mr. A. R. Rasiah	Non-Executive	Member
Dr. A. J. Alderton****	Non-Executive	Member
Mr. A. S. Cockerham**	Non-Executive	Member
Mr. A. De Silva Muthumuni***	Independent Non-Executive	Member

*Resigned on 31 March 2025

**Appointed w.e.f. 27 December 2024

*** Appointed to the Committee w.e.f. 7 April 2025

**** Resigned w.e.f. 9 September 2025

As of the date of this report, the RPTR Committee comprises of four Non-Executive Directors out of which two are Independent. The Chief Executive Officer of the Group attend the meetings of the RPTR Committee by invitation. The Company Secretary served as the Secretary to the RPTR Committee.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

MEETINGS

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

Name	22.05.24	13.08.24	12.11.24	11.02.25	Total
Mr. G. P. Gunawardana	✓	EX	✓	✓	3/4
Dr. A. J. Alderton*****	EX	✓	✓	✓	3/4
Mr. P. Schleiffer*	✓	✓	EX	-	2/3
Ms. T. S. Peries**	✓	✓	✓	✓	4/4
Mr. A. R. Rasiah	✓	✓	✓	✓	4/4
Mr. A. S. Cockerham***	-	-	-	✓	1/1
Mr. A. De Silva Muthumuni****	-	-	-	-	-

EX - Excused

* Resigned on 27 December 2024

** Resigned w.e.f. 31 March 2025

*** Appointed w.e.f. 27 December 2024

**** Appointed to the Committee w.e.f. 7 April 2025

***** Resigned w.e.f. 9 September 2025

RESPONSIBILITIES

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

1. **Review of Related Party Transactions:**
   Reviewing all transactions with related parties (as defined by LKAS 24), including Directors, key management personnel, and their close family members. Ensuring that such transactions are conducted at arm's length and on terms that are no less favourable than those available to unrelated parties.

2. **Approval of Related Party Transactions:**
   Approving all related party transactions above the thresholds specified in Section 9.14.5 of the Listing Rules of the CSE, except the exempted transactions listed under Section 9.14.10 of the Listing Rules. Ensuring that such transactions are in the best interests of the Company and its shareholders.

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

4. **Disclosure of RPTs:**
   Ensuring that all RPTs are disclosed in the Company's annual report and financial statements in accordance with applicable laws and regulations.

5. **Review of Terms of Reference:**
   Reviewing the Terms of Reference (TOR) of the RPTR Committee annually and recommending any amendments to the Board as appropriate.

ACTIVITIES DURING THE YEAR UNDER REVIEW

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

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

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

During the year under review, the Committee reviewed and recommended to the Board, the investment in Hela Clothing (Pvt) Ltd and Foundation Garments (Private) Limited subsequent to the share issuances from the Rights Issue of Hela Apparel Holdings PLC.

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

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

DECLARATION

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



Gayan Gunawardana
Chairman
Related Party Transactions Review Committee

5 December 2025

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

INTRODUCTION

The Nominations and Governance Committee ("the Committee") formerly known as the Nomination Committee, is tasked with identifying and recommending qualified individuals to serve in leadership positions within the Hela Group. In terms of the amended Listing Rules of the Colombo Stock Exchange, the Committee was renamed as the "Nominations and Governance Committee" w.e.f. 18 September 2024 and the scope of the Committee was expanded in order to include governance aspects as required by the said Listing Rules.

ROLE AND COMPOSITION OF THE COMMITTEE

The Committee is responsible for:

- Reviewing the structure, size, composition and competencies of the Board and Board Sub-Committees, all directorships in the Group, and senior management, and making recommendations on these areas.
- Developing an overall talent strategy for senior leadership positions, with a focus on encouraging diversity in leadership.
- Overseeing succession planning for members of the Senior Management.
- Ensuring proper nomination and election processes are in place, and that such processes are followed.
- Obtaining contribution and commitment of Directors in relation to matters falling within the purview of the Committee.
- Guiding the Board and the management on induction and training programmes.
- Engaging Board assessment.
- Ensuring that a proper governance framework is in place and policy development is undertaken.

The Committee makes recommendations to the Board regarding appointments to both the Board and executive positions. The Committee operates according to its Terms of Reference mandated by the Board. The Chair and the members bring diverse perspectives and expertise, and work diligently to ensure a fair and transparent nomination process, adhering to best corporate governance practices.

The Committee was re-constituted thrice during the period from 1 April 2024 up to the date of the Annual Report as follows:

Committee re-constituted w.e.f. 18.09.2024	Committee re-constituted w.e.f. 27.12.2024	Committee re-constituted w.e.f. 04.04.2025
Ms. T. S. Peries (Chairperson)*	Ms. T. S. Peries (Chairperson)*	Mr. G. P. Gunawardana (Chairman)
Dr. A. J. Alderton	Mr. A. R. Rasiah**	Mr. A. R. Rasiah
Mr. P. Schleiffer	Dr. A. J. Alderton	Dr. A. J. Alderton
Mr. A. R. Rasiah**	Mr. A. S. Cockerham	Mr. A. S. Cockerham
	Mr. A. De Silva Muthumuni	Mr. A. De Silva Muthumuni

Accordingly, details of the members of the Committee as at the date of the Report are as follows:

Name	Nature of Directorship	Status of Membership	Date of Appointment to the Committee
Mr. G. P. Gunawardana	Independent Non-Executive	Chairman (Appointed as Chairman w.e.f. 04.04.2025)	4 April 2025
Mr. A. R. Rasiah	Non-Executive Director	Member	19 November 2018
Dr. A. J. Alderton***	Non-Executive Director	Member	7 May 2021
Mr. A. S. Cockerham	Non-Executive Director	Member	27 December 2024
Mr. A. De Silva Muthumuni	Independent Non-Executive	Member	27 December 2024

* Resigned on 31 March 2025

** Reclassified as a Non-Executive Director w.e.f. 1 January 2025

*** Resigned w.e.f. 9 September 2025

Whilst two members of the Committee are Independent Non-Executive Directors, two members are Non-Independent Non-Executive Directors. The Chair of the Committee has been an Independent Director throughout.

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

TERMS OF REFERENCE (TOR)

The Committee operates according to a TOR drafted in line with the Code of Best Practices issued jointly by the Securities & Exchange Commission of Sri Lanka and the Chartered Institute of Sri Lanka, and the amended Listing Rules on Corporate Governance of the Colombo Stock Exchange.

MEETINGS

The Committee held four (4) meetings during the year and the attendance of the members at the said meetings was as follows:

Name	08.04.2024	18.09.2024	28.10.2024	17.12.2024	Total no. of meetings
Mr. A. R. Rasiah*	✓	✓	✓	✓	4/4
Ms. T. S. Peries**	✓	✓	✓	✓	4/4
Dr. A. J. Alderton******	✓	✓	✓	✓	4/4
Mr. P. Schleiffer***	✓	EX	✓	✓	3/4
Mr. A. S. Cockerham****	-	-	-	-	-
Mr. A. De Silva Muthumuni****		-	-	-	-
Mr. G. P. Gunawardana*****		-	-	-	-

* Chairman of the Committee until 18 September 2024

** Appointed as Chairperson w.e.f. 18 September 2024 and resigned w.e.f. 31 March 2025

*** Resigned w.e.f. 27 December 2024

**** Appointed w.e.f. 27 December 2024

***** Appointed to the Committee as Chairman w.e.f. 4 April 2024

****** Resigned w.e.f. 9 September 2025

RECRUITMENT AND ELECTION PROCEDURES

The Committee operates under formal policies, one of which is the Policy on Corporate Governance, Nominations and Re-election. This Policy governs the appointment, re-election, and re-appointment of directors, and complies with the requirements as set out in the applicable Listing Rules on Corporate Governance. In formulating its recommendations for the Board of Directors, the Committee considers a broad range of factors including the candidate's background, skill set, experience, ability to express independent judgment, and capacity to participate in a variety of topics, including sustainability and societal matters. The candidate's ability to devote sufficient time to the Company and their potential contribution towards the Board's diversity objectives are also considered.

Any Director who has reached the age of 70 years must be re-appointed at the next AGM in accordance with the Companies Act No. 07 of 2007. Further, new Directors appointed by the Board must be elected at the next Annual General Meeting (AGM) to continue in office, in accordance with the Company's Articles of Association. For directors being considered for re-appointment/ election, the Committee makes its recommendation to the Board after evaluating such director's ongoing commitment of time, attendance record, and active contribution to Board proceedings. Their expertise is reviewed in the context of the Board's skills matrix and the strategic direction of the Company. Accordingly, the Committee recommended the re-appointment/ election of the following directors to be appointed by the shareholders at the next AGM scheduled to be held on 29 December 2025.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

BOARD DIVERSITY

Diversity in experience, skills, age, and gender is essential to effective governance and high-performing decision-making. A well-rounded Board composition brings a broad range of perspectives that enhances the quality of discussions, promotes balanced decision-making, and strengthens the Board's ability to oversee the Company's strategic direction. The Committee actively considers these diversity factors when making nominations or recommendations to the Board. The Committee additionally ensures that the independence/ non-independence and the fit and proper criteria of directors are evaluated.

INDUCTION AND TRAINING

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

BOARD AND BOARD SUB-COMMITTEE EVALUATIONS

Periodic evaluations on the Board and the Sub-Committees are conducted in order to measure the effectiveness of their performance.

KEY ACTIVITIES

Making Recommendations on Board and Board Sub-Committee Composition

The Committee reviewed and made recommendations for the appointment of members to the Board and to the Board Sub-Committees as and when required.

Accordingly, during the year under review, the Committee recommended the appointments of Mr. A. S. Cockerham and Mr. C. M. Horn as Non-Independent Non-Executive Directors to replace Mr. S. Khan and Mr. P. Schleiffer who resigned from the Board. Additionally, the Committee recommended the appointment of Mr. A. De Silva Muthumuni as an Independent Non-Executive Director, The Committee was satisfied that all three Director nominees possessed the required knowledge, skills, experience and qualifications required to be appointed to the Board, and that they were fit and proper to perform the functions of a Director, whilst Mr. A. De Silva Muthumuni met the independence criteria as stipulated in the Listing Rules.

With the Committee being renamed as the Nominations and Governance Committee on 18 September 2024, the Committee was re-constituted to align with the Listing Rules of the CSE, and the TOR of the Committee was expanded to include the necessary Corporate Governance aspects as well. In line with the subsequent changes that took place, the Committee recommended the reconstitution of the remaining Board Sub-Committees as and when required.

Identification and Evaluation of Candidates for Senior Management Positions

The Committee employed various methods to identify potential candidates for senior positions within the Company, and such candidates were evaluated based on their qualifications, expertise, integrity, and alignment with the Company's values and strategic objectives.

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

Revising the TOR of the Committee

In aligning with the Listing Rules on Corporate Governance, whilst the scope of the Committee was expanded, the Terms of Reference of the Committee was reviewed and revised accordingly.

CONCLUSION

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

The Board has been updated on any amendments to the Listing Rules on Corporate Governance and on any other applicable regulations and laws, as and when required, and the Group has complied with the applicable rules on Corporate Governance.



Gayan Gunawardana
Chairman
Nominations and Governance Committee

5 December 2025

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

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

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

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

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

By Order of the Board

Hela Apparel Holdings PLC



Corporate Advisory Services (Pvt) Ltd
Company Secretaries

5 December 2025

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INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF HELA APPAREL HOLDINGS PLC

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Hela Apparel Holdings PLC (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

We do not express an opinion on the accompanying financial statements of the Company and the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

As detailed in Note 2 (a) to the financial statements, the Group and the Company incurred operating losses of LKR 15.7 Bn and LKR 54.3 Mn respectively, for the year ended 31 March 2025. The net loss for the year ended 31 March 2025 amounted to LKR 22.9 Bn for the Group and LKR 54.4 Mn for the Company. As of that date, the accumulated losses of the Group and the Company amounted to LKR 24.4 Bn and LKR 2.4 Bn, respectively. The Group reported a net liability position of LKR 11.0 Bn as at 31 March 2025 and as at the same date, the Group and the Company recorded net current liability positions of LKR 20.4 Bn and LKR 174.8 Mn, respectively. Additionally, the Group's current liabilities exceeded its total assets by LKR 6.6 Bn as at 31 March 2025. The Group also reported net cash outflows from operating activities amounting to LKR 4.4 Bn for the year ended 31 March 2025.

In addition, as at 31 March 2025, the Group had significant overdue trade payables, restricted cash balances due to lender covenants, arrears in loan instalments and breaches of financial covenants with a bank. As at the same date, the Company and its subsidiaries had provided corporate guarantees amounting to LKR 38.2 Bn for borrowings of across the Group entities.

Nevertheless, the management has prepared the financial statements of the Group and of the Company on a going concern basis, which is highly dependent on the successful implementation of the management's plans as summarised below in responding to the events and conditions as stated above.

1. **Implementation of Proposed Debt Restructuring Exercise**

   In addressing the loan installments in arrears and covenant breaches, as disclosed in Note 17(f) to the financial statements, the Group has initiated discussions with banks to restructure short-term debt of approximately LKR 18.6 Bn, as disclosed in Note 2(a) to the financial statements. The banks have provided in-principle approval for a draft term sheet relating to the restructuring of LKR 15.1 Bn of this debt, which is to be formalised upon fulfilment of restructuring conditions by the Group, including an equity injection of LKR 681.6 Mn from the majority shareholders of the Company as a pre-restructuring condition. We were unable to obtain sufficient appropriate audit evidence regarding the timing of the formalisation of the proposed debt restructuring and the shareholders' commitment to the equity injection as at the date of our report.

2. **Implementation of the Proposed Fundraising Exercise**

   The Group is engaged in discussions with strategic investor groups regarding a potential funding of LKR 3.0 – 4.4 Bn. As the negotiations are ongoing and no binding commitment exists as at the date of this report, we were unable to obtain sufficient appropriate audit evidence to assess the feasibility or timing of this planned fundraising.

C S Manoharan FCA, T U Jayasinghe FCA, M D B Boyagoda FCA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, N R Gunasekera FCA, M S J Henry FCA, M M R Hilmy FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, M M M Manzeer FCA, L A C Tillekeratne ACA, D C A J Yapa ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

3. **Future Cash-flow Projections**

   Management's assessment of future cash-flow projections incorporates key assumptions regarding revenue growth, EBITDA margins, and working capital levels. We were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of some of the key assumptions used in cash-flow projections. Further, the achievement of these projections depends on the expected funding and operational efficiencies arising from operational restructuring.

The events and conditions described above indicate multiple uncertainties that are significant and pervasive to the financial statements as a whole and cast significant doubt on the Group's and the Company's ability to continue as a going concern. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine whether the going concern basis of accounting is appropriate or whether any adjustments may be required to the financial statements, and therefore, we are unable to form an audit opinion.

Other Matter

The accompanying financial statements of the Company and the Group presented in Sri Lankan Rupees ("LKR financial statements") have been derived from the financial statements of the Company and the Group for the year ended 31 March 2025, which are presented in USD, the Company's and the Group's functional currency. We expressed a disclaimer of opinion on those USD financial statements on 05 December 2025.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements of the Company and the consolidated financial statements of the Group in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

Report on Other Legal and Regulatory Requirements

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, which relate to uncertainties regarding the Group's and the Company's ability to continue as a going concern, we were unable to obtain sufficient appropriate audit evidence to determine whether the financial statements of the Company and the Group give a true and fair view in accordance with Sections 151 and 153 of the Companies Act No. 07 of 2007.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3015.



CHARTERED ACCOUNTANTS
COLOMBO

5 December 2025

STATEMENT OF PROFIT OR LOSS

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

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2025	2024	2025	2024
Revenue from contracts with customers	12	83,362,707	70,288,945	-	-
Cost of sales	14	(73,435,402)	(64,119,066)	-	-
Gross profit		9,927,305	6,169,879	-	-
Distribution expenses	14	(4,495,832)	(2,915,833)	(488)	-
Administrative expenses	14	(11,909,404)	(11,429,832)	(86,876)	(17,716)
Net impairment loss on financial assets	10(c)	(697,811)	(20,652)	-	-
Net impairment loss on intangible assets	18(d)	(8,681,876)	(5,186)	-	-
Other income	13(a)	671,767	363,647	-	-
Other (losses) / gains	13(b)	(512,497)	9,555,956	33,100	(966)
Operating (loss) / profit		(15,698,348)	1,717,979	(54,264)	(18,682)
Finance income	13(c)	185,942	112,076	57	83
Finance costs	13(c)	(4,246,309)	(4,118,845)	(152)	(24)
Finance (costs) / income - net	13(c)	(4,060,367)	(4,006,769)	(95)	59
Exceptional items:					
Impairment losses from discontinued operations	10 (ç)	(618,547)	-	-	-
Expense from employee compensation scheme	18 (i)	(688,472)	-	-	-
Share of loss of equity accounted investees, net of tax	21(d)	-	(42,734)	-	-
Loss before income tax from continuing operations		(21,065,734)	(2,331,524)	(54,359)	(18,623)
Income tax (expenses) / reversal	15(a)	(1,210,312)	1,982,628	(17)	53
Loss for the year from continuing operations		(22,276,046)	(348,896)	(54,376)	(18,570)
Discontinued operations					
Loss after tax for the year from discontinued operations and assets held for sale	7 (a)	(626,023)	-	-	-
Loss for the year		(22,902,069)	(348,896)	(54,376)	(18,570)
Loss is attributable to: (continuing operations):					
Equity holders of the parent		(22,277,238)	(373,276)	(54,376)	(18,570)
Non-controlling interests		1,192	24,380	-	-
		(22,276,046)	(348,896)	(54,376)	(18,570)
Loss is attributable to: (discontinued operations):					
Equity holders of the parent		(358,191)	-	-	-
Non-controlling interests		(267,832)	-	-	-
		(626,023)	-	-	-
Loss for the year		(22,902,069)	(348,896)	(54,376)	(18,570)
Loss per share attributable to the equity holders of the Company (Continuing operations)					
Basic loss per share	16(a)	(15.65)	(0.28)	(0.04)	(0.01)
Diluted loss per share	16(b)	(15.45)	(0.28)	(0.04)	(0.01)
Loss per share attributable to the equity holders of the Company (Discontinued operations)					
Basic loss per share	16(a)	(0.25)	-	-	-
Diluted loss per share	16(b)	(0.25)	-	-	-

Figures in brackets indicate deductions.

The accounting polices and notes on pages 90 to 160 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2025	2024	2025	2024
Loss for the year		(22,902,069)	(348,896)	(54,376)	(18,570)
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations		53,406	(995,869)	(128,831)	(543,801)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Transfers of classification of investment property to property, plant and equipment		-	(96,020)	-	-
Transfer of revaluation surplus on classification of property, plant and equipment to investment property	18(a)(i)	-	360,608	-	-
Remeasurements of post-employment benefit obligations	18 (h)	12,429	(144,696)	-	-
Deferred income tax impact relating to remeasurements of post-employment benefit obligations	18(f)(ii)	1,742	35,803	-	-
Other comprehensive income / (loss) for the year, net of tax		67,577	(840,174)	(128,831)	(543,801)
Total comprehensive loss for the year		(22,834,492)	(1,189,070)	(183,207)	(562,371)
Total comprehensive loss is attributable to:					
Equity holders of the parent		(22,567,852)	(1,211,990)	(183,207)	(562,371)
Non-controlling interests		(266,640)	22,920	-	-
Total comprehensive loss for the year		(22,834,492)	(1,189,070)	(183,207)	(562,371)

Figures in brackets indicate deductions.

The accounting polices and notes on pages 90 to 160 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

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

	Notes	Group		Company	
		As at 31 March		As at 31 March	
		2025	2024	2025	2024
ASSETS					
Non-current assets					
Property, plant and equipment	18 (a)	4,366,537	6,768,862	-	-
Right-of-use assets	18 (b)	3,105,541	3,986,043	-	-
Investment property	18 (c)	598,000	1,256,500	-	-
Intangible assets	18 (d)	1,762,799	2,195,924	22,226	26,354
Goodwill	18 (d)	2,235,131	10,965,652	-	-
Deferred tax assets	18 (f)(i)	1,743,230	3,074,839	-	-
Investment in subsidiaries	21 (a)	-	-	7,837,275	6,341,683
Investments in equity accounted investees	21 (d)	-	226,134	-	-
Other financial assets at amortised cost	17 (c)	178	602,548	-	-
Total non-current assets		13,811,416	29,076,502	7,859,501	6,368,037
Current assets					
Inventories	18 (g)	7,204,459	8,478,114	-	-
Other assets	18 (e)	3,543,431	3,067,359	11,575	2,834
Trade and other receivables	17 (a)	14,085,099	15,266,312	147	22,073
Income tax receivables		291,973	284,437	55	73
Other financial assets at amortised cost	17 (c)	249,670	257,507	-	-
Cash and cash equivalents	17 (d)	4,371,122	8,314,419	3,534	5,058
Total current assets excluding assets classified as held for sale		29,745,754	35,668,148	15,311	30,038
Assets directly associated with assets held for sale and discontinued operations	17 (b)	2,202,673	-	-	-
Total assets		45,759,843	64,744,650	7,874,812	6,398,075
EQUITY					
Stated capital	19 (a)	7,377,504	5,780,678	7,377,504	5,780,678
Accumulated losses	19 (c)	(24,390,466)	(1,710,444)	(2,373,785)	(2,319,409)
Exchange equalisation reserve	19 (d)	4,967,469	4,914,063	2,587,139	2,715,970
Other reserves	19 (b)	1,233,869	1,233,869	93,841	93,841
Net assets attributable to owners of the Company		(10,811,624)	10,218,166	7,684,699	6,271,080
Non-controlling interests		(151,780)	56,096	-	-
Total equity		(10,963,404)	10,274,262	7,684,699	6,271,080

	Notes	Group		Company	
		As at 31 March		As at 31 March	
		2025	2024	2025	2024
LIABILITIES					
Non-current liabilities					
Borrowings	17 (f)	327,660	4,322,054	-	-
Lease liabilities	18 (b)	2,079,251	3,134,053	-	-
Deferred tax liabilities	18 (f)(i)	1,135,567	1,476,608	-	-
Employee benefit obligations	18 (h)	816,003	735,923	-	-
Total non-current liabilities		4,358,481	9,668,638	-	-
Current liabilities					
Trade and other payables	17 (e)	19,845,891	16,012,782	190,113	120,427
Income tax liabilities		26,772	156,929	-	-
Lease liabilities	18 (b)	1,233,595	1,064,156	-	-
Borrowings	17 (f)	30,986,880	27,567,883	-	6,568
Total current liabilities excluding liabilities relating to assets held for sale		52,093,138	44,801,750	190,113	126,995
Liabilities directly associated with assets held for sale and discontinued operations	17 (b)	271,628	-	-	-
Total liabilities		56,723,247	54,470,388	190,113	126,995
Total equity and liabilities		45,759,843	64,744,650	7,874,812	6,398,075
Net (liabilities) / assets per share attributable to owners of the Company		(6.61)	7.76	4.70	4.76

The accounting polices and notes on pages 90 to 160 are an integral part of these financial statements.

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

Navodya Premaratne
Group Finance Director

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

A R Rasiah
Director

P L D Jinadasa
Director

5 December 2025
Colombo

STATEMENT OF CHANGES IN EQUITY

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

Group	Notes	Attributable to equity holders of the parent					Non-controlling interests	Total equity
		Stated capital	Accumulated losses	Other reserves	Exchange equalisation reserve	Total		
Balance as at 1 April 2023		5,754,575	(1,534,488)	801,331	6,120,591	11,142,009	316,391	11,458,400
(Loss) / profit for the year		-	(373,276)	-	-	(373,276)	24,380	(348,896)
Other comprehensive income								
Currency translation differences		-	-	-	(995,869)	(995,869)	-	(995,869)
Transfer of revaluation surplus on classification of property, plant and equipment to investment property	18 (a)(i)	-	-	600,218	(239,610)	360,608	-	360,608
Transfer of deferred income tax impact on revaluation gain arising from the transfer of property, plant and equipment to investment property		-	108,182	(108,182)	-	-	-	-
Transfers of classification of investment property to property, plant and equipment		-	(29,001)	(94,510)	28,951	(94,560)	(1,460)	(96,020)
Remeasurement of post-employment benefit obligations	18 (h)	-	(144,696)	-	-	(144,696)	-	(144,696)
Deferred income tax impact relating to remeasurement of post-employment benefit obligations	18 (f)(ii)	-	35,803	-	-	35,803	-	35,803
Total comprehensive (loss) / income for the year		-	(402,988)	397,526	(1,206,528)	(1,211,990)	22,920	(1,189,070)
Transactions with owners:								
Reclassification	19 (c)	-	227,032	56,183	-	283,215	(283,215)	-
Issue of shares under employee share option plan	19 (b)	26,103	-	(26,103)	-	-	-	-
Employee share option plan - value of employee services	19 (b)	-	-	4,932	-	4,932	-	4,932
Balance as at 31 March 2024		5,780,678	(1,710,444)	1,233,869	4,914,063	10,218,166	56,096	10,274,262
Balance as at 1 April 2024		5,780,678	(1,710,444)	1,233,869	4,914,063	10,218,166	56,096	10,274,262
(Loss) / profit for the year - continuing operations		-	(22,277,238)	-	-	(22,277,238)	1,192	(22,276,046)
Loss for the year- discontinued operations		-	(358,191)	-	-	(358,191)	(267,832)	(626,023)
Other comprehensive income								
Currency translation differences		-	-	-	53,406	53,406	-	53,406
Remeasurement of post-employment benefit obligations	18 (h)	-	12,429	-	-	12,429	-	12,429
Deferred income tax impact relating to remeasurement of post-employment benefit obligations	18 (f)(ii)	-	1,742	-	-	1,742	-	1,742
Total comprehensive (loss) / income for the year		-	(22,621,258)	-	53,406	(22,567,852)	(266,640)	(22,834,492)
Transactions with owners:								
Reclassification	19 (c)	-	(58,764)	-	-	(58,764)	58,764	-
Issue of shares	19 (a)	1,596,826	-	-	-	1,596,826	-	1,596,826
Balance as at 31 March 2025		7,377,504	(24,390,466)	1,233,869	4,967,469	(10,811,624)	(151,780)	(10,963,404)

Figures in brackets indicate deductions.

The accounting polices and notes on pages 90 to 160 are an integral part of these financial statements.

Company	Notes	Stated capital	Accumulated losses	Share based payments	Exchange equalisation reserve	Total
Balance as at 1 April 2023		5,754,575	(2,300,839)	115,012	3,259,771	6,828,519
Loss for the year		-	(18,570)	-	-	(18,570)
Other comprehensive loss		-	-	-	(543,801)	(543,801)
Total comprehensive loss for the year		-	(18,570)	-	(543,801)	(562,371)
Employee share option plan - value of employee services	19 (b)	-	-	4,932	-	4,932
Issue of shares under employee share option plan	19 (a)(i)	26,103	-	(26,103)	-	-
Balance as at 31 March 2024		5,780,678	(2,319,409)	93,841	2,715,970	6,271,080
Balance as at 1 April 2024		5,780,678	(2,319,409)	93,841	2,715,970	6,271,080
Loss for the year		-	(54,376)	-	-	(54,376)
Other comprehensive loss		-	-	-	(128,831)	(128,831)
Total comprehensive loss for the year		-	(54,376)	-	(128,831)	(183,207)
Issue of shares	19 (a)	1,596,826	-	-	-	1,596,826
Balance as at 31 March 2025		7,377,504	(2,373,785)	93,841	2,587,139	7,684,699

Figures in brackets indicate deductions.

The accounting polices and notes on pages 90 to 160 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

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

	Notes	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2025	2024	2025	2024
Cash flows from operating activities					
Cash generated from operations	20 (a)	32,841	719,282	32,335	47,602
Retirement benefit obligations paid	18 (h)	(147,592)	(127,621)	-	-
Income tax paid		(165,151)	(208,429)	-	(610)
Interest paid	13 (c)	(4,089,073)	(3,890,244)	(153)	(24)
Net cash (used in) / generated from operating activities		(4,368,975)	(3,507,012)	32,182	46,968
Cash flows from investing activities					
Purchase of property, plant and equipment	18 (a)	(388,518)	(632,580)	-	-
Purchase of intangible assets	18 (d)	(2,460)	(267,925)	-	(31,981)
Proceeds from sale of property, plant and equipment		-	85,621	-	-
Investment made in equity accounted investees	21 (d)	(5,564)	-	-	-
Interest received	13 (c)	185,942	112,076	57	83
Payment for acquisition of subsidiaries	21 (a)	-	-	(1,607,230)	(31,949)
Acquisition of shares in subsidiaries	9 (a)	-	3,989,804	-	-
Net cash (used in) / generated from investing activities		(210,600)	3,286,996	(1,607,173)	(63,847)
Cash flows from financing activities					
Proceeds from borrowings	17 (f)	93,441,434	186,439,334	-	-
Repayment of borrowings	17 (f)	(93,425,751)	(179,122,425)	-	-
Net proceeds from share issue	19 (a)	1,596,826	-	1,596,826	-
Lease rentals paid during the year	18 (b)	(1,308,368)	(989,351)	-	-
Net cash generated from financing activities		304,141	6,327,558	1,596,826	-
Net (decrease) / increase in cash and cash equivalents		(4,275,434)	6,107,542	21,835	(16,879)
Cash and cash equivalents at the beginning of the year		7,982,780	3,901,127	(1,510)	8,803
Currency translation difference		(141,572)	(2,025,889)	(16,791)	6,566
Cash and cash equivalents at the end of the year	17 (d)	3,565,774	7,982,780	3,534	(1,510)

Figures in brackets indicate deductions.

The accounting polices and notes on pages 90 to 160 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

CORPORATE AND GROUP INFORMATION

1 CORPORATE INFORMATION

The Group is currently organised into two reportable segments, the Private Label Manufacturing Division and the Brand Licensing Division. The operations of the Brand Licensing Division are carried out of by the Company's fully owned subsidiary, Hela Brands Limited, and its subsidiaries. The other companies in the Group carry out the activities of the Private Label Manufacturing Division. Each segment is managed by a Chief operating decision maker who acts as segment manager, the performance of each segment is monitored by the Group Chief operating decision maker, and strategic decisions are made on the basis of segment operating results.

Name of the entity	Place of business	Principle activities
Hela Clothing (Private) Limited	Sri Lanka	Manufacturing garments for export market
Foundation Garments (Private) Limited	Sri Lanka	Manufacturing garments for export market
F D N Sourcing (Private) Limited	Sri Lanka	Providing front end services
Hela Intimates EPZ Limited	Kenya	Manufacturing garments including subcontractor services for export market
Alpha Textile (Private) Limited	Sri Lanka	Dormant Company
Jinadasa Bennett (Private) Limited	Sri Lanka	Dormant Company
Foundation Bennett (Private) Limited	Sri Lanka	Dormant Company
Hela Brands Limited	Mauritius	Investment holding company
Hela Investment Holdings Limited	Mauritius	Engaged in employment and trading services and to act as an investment holding company
Hela USA Inc.	USA	Design and marketing office for inter-companies
Hela Indochine Apparel Private Limited Company	Ethiopia	Engaged in manufacturing of garments including sportswear
Hela Clothing Egypt SAE	Egypt	Manufacturing garments including subcontractor services for export market
Hela Indochine ETH Trading FZCO	UAE	Dormant Company
Focus Brands Limited	UK	Brand licensing services
Focus Group Holdings Limited	UK	Brand licensing services
Focus Italy S.r.l	Italy	Brand licensing services
Hela Brands Limited	UK	Brand licensing services
Focus International NL BV	Netherlands	Brand licensing services
Focus International GMBH	Germany	Brand licensing services
Focus Sports & Leisure International Limited	UK	Dormant Company
Focus Equipment Limited	UK	Dormant Company

Consolidated Financial Statements

The consolidated financial statements for the year ended 31 March 2025, comprise “the Company” referring to Hela Apparel Holdings PLC (HAH) as the holding company and “the Group” referring to the companies whose financial statements have been consolidated therein.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 March 2025 were authorised for issue by the Directors on 5 December 2025.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors’ Responsibility on page 78 in the Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

BASIS OF PREPARATION AND OTHER MATERIAL ACCOUNTING POLICIES

2 BASIS OF PREPARATION

(a) Going concern

During the financial year ended 31 March 2025, the expected recovery in consumer demand for apparel was weaker than anticipated. Although inflation eased in major economies, interest rates continued to strain household incomes, limiting spending. Geopolitical uncertainty, including many national elections during the year, affected consumer confidence and spending. Ongoing disruptions to global shipping, especially through the Red Sea, led to higher freight costs. Substantial changes in US trade policy announced at the end of the financial year added further uncertainty to the ongoing shifts in global apparel sourcing patterns.

As a result, for the year ended 31 March 2025, the Group and the Company reported operating losses of LKR 15.7 Bn (2024 – operating profit of LKR 1.7 Bn, which included a gain on bargain purchase of LKR 9.6 Bn) and LKR 0.1 Bn (2024 – LKR 0.1 Bn), respectively. The net loss for the year ended 31 March 2025 amounted to LKR 22.9 Bn for the Group (2024 – a net loss of LKR 0.4 Bn, which included a gain on bargain purchase of LKR 9.6 Bn) and LKR 0.1 Bn for the Company (2024 – LKR 0.1 Bn).

As at 31 March 2025, the accumulated losses of the Group and the Company amounted to LKR 24.4 Bn (2024 – LKR 1.7 Bn) and LKR 2.4 Bn (2024 – LKR 2.3 Bn), respectively. The Group reported a net liability position of LKR 11 Bn as at 31 March 2025, compared to a net assets position of LKR 10.3 Bn in the previous year. As at the same date, the Group and the Company recorded net current liability positions of LKR 20.4 Bn (2024 – LKR 9.1 Bn) and LKR 0.2 Bn (2024 – LKR 0.1 Bn), respectively. Additionally, the Group's current liabilities exceeded its total assets by LKR 6.6 Bn as at 31 March 2025. For the year ended 31 March 2025, the Group also reported net cash outflows from operating activities amounting to LKR 4.4 Bn (2024 – a net outflow from operating activities of LKR 3.5 Bn).

In addition, the Group had overdue external borrowings and covenant breaches (Note 17(f)), restricted cash pledged against invoice discounting facilities (Note 17(d)). The Group carried LKR 12.3 Bn in trade payables as at 31 March 2025, part of which was overdue despite subsequent partial settlements. In addition, the Company and its subsidiaries, individually and collectively, have issued corporate guarantees totalling LKR 38.2 Bn (Note 23).

These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's and Groups' ability to continue as a going concern and consequently, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the Management and Board of Directors have prepared the financial statements on a going concern basis in view of the following factors which mitigate the financial and operational challenges:

- **Borrowing restructuring:** The Group's short term borrowings of approximately LKR 15.1 Bn out of LKR 18.6 Bn proposed for restructuring (representing 60% of the total short-term borrowings of LKR 31 Bn) have received in-principle approval from the lending banks to be restructured over a nine-year period at reduced interest rates, including a one-year grace period on principal repayments, subject to formalisation upon the Group's fulfilment of the restructuring conditions. Negotiations for the restructuring of the remaining LKR 3.3 Bn are currently ongoing.
- **Strategic and other investments:** The Group is engaged in advanced discussions with strategic investor groups for additional funding of LKR 3-4.4 Bn during the second half of FY 2025/26. In addition, the majority shareholders have indicated their commitment to a capital contribution of LKR 0.7 Bn, which will be injected into the Company's subsidiaries. These potential funds have been considered in the management's going concern assessment for the Group and are expected to provide equity support to the Company's subsidiaries.
- **Cost restructure:** As part of its overall restructuring strategy, the Group has implemented rigorous cost-reduction initiatives, leading to a decrease in selling, general, and administrative expenses, which is expected to strengthen the Group's profitability in the coming years.

Management's assessment of future cash-flow projections: Management has prepared detailed cash-flow projections covering a period of at least twelve months from the date of approval of these financial statements, incorporating key assumptions regarding revenue growth, EBITDA margins, and working capital levels. These projections incorporate the anticipated benefits from the proposed debt restructuring, expected equity infusions, cost-reduction measures, and other operational initiatives. Accordingly, these projections indicate that the Group and Company will have adequate cash flows to meet its obligations as and when they fall due over the assessment period.

Funds from Subsidiary disposals: Subsequent to the statement of financial position date, a subsidiary of the group, Foundation Garments (Private) Limited has disposed of its two subsidiary companies. The total consideration for the transaction was LKR 2.7 Bn, resulting in a gain of LKR 0.8 Bn.

The going concern status across subsidiaries and joint ventures was also assessed. Material uncertainties exist for several entities, including Hela Clothing (Private) Limited, Foundation Garments (Private) Limited, FDN Sourcing (Private) Limited, Hela Intimates EPZ Limited, Hela Investment Holdings Limited and Hela Clothing Egypt SAE.

(b) Compliance with Sri Lanka Accounting Standards (LKASs / SLFRSs)

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRSs"), Sri Lanka Accounting Standards ("LKASs"), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's and the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in note 4 to the financial statements.

(c) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Investment property – measured at fair value
- Defined benefit plans – actuary valued and recognised at present value
- Land and buildings measured at fair value
- Financial assets and liabilities – measured at fair value / amortised cost
- Assets and liabilities held for sale – measured at lower of fair value and carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

BASIS OF PREPARATION AND OTHER MATERIAL ACCOUNTING POLICIES (CONTD.)

2 BASIS OF PREPARATION (CONTD.)

(d) Foreign currency translation

Functional and presentation currency

The functional currency of the Group and Company is US Dollars (USD) as it is the currency of the primary economic environment in which the entities of the Group operate. The USD was determined to be the functional currency because;

- It is the currency that mainly influences sales prices for goods and services which are denominated and settled in USD
- It is the currency that mainly influences material costs of providing goods and services, the currency in which such costs are denominated and settled in USD.

The consolidated financial statements are presented in Sri Lankan rupees (LKR) which is the Group and Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in 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 other gains or losses. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains / (losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation from functional currency to presentation currency

Transactions and balances measured in US Dollars are translated to Sri Lanka rupees based on the LKAS 21, "The Effects of Changes in Foreign Exchange Rates", as follows:

(a) Assets and liabilities presented including comparatives are translated at the closing rate existed at the date of each statement of financial position presented.

(b) Income and expense items for all periods presented (i.e. including comparatives) are translated at an annual average exchange rate applicable for respective years.

(c) Stated capital and revaluation reserve is translated at the exchange rate existed at the date of transaction.

(d) All resulting exchange differences are recognised in equity under exchange equalisation reserves.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Summary of material accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented within each note have been applied consistently by the Group.

Other material accounting policies not covered within individual notes

Following accounting policies which have been applied consistently by the Group, are considered to be material but are not covered in any other sections.

(a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- expected to be settled in normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period, or
- no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

(b) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of;

- the amount determined in accordance with the expected credit loss model under SLFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of SLFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(c) 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.

Other borrowing costs are expensed in the period in which they are incurred.

(d) Provisions

Provisions for legal claims, service warranties and make obligations attached to goods 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

BASIS OF PREPARATION AND OTHER MATERIAL ACCOUNTING POLICIES (CONTD.)

4 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

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

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in note 4(a) together with information about the basis of calculation for each affected line item in the financial statements.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- estimation of the current tax expense and deferred tax (note 15 (a)) and note 18 (f)
- classification of financial assets and liabilities (note 17)
- impairment of financial assets (note 17 (iv))
- estimation of fair values of land and buildings (note 18 (a))
- useful lives of property, plant and equipment (note 18 (a))
- estimation uncertainties and judgements made in relation to lease accounting (note 18 (b))
- useful lives of intangible assets (note 18 (d))
- estimation of fair value of investment properties (note 18 (c))
- impairment assessment of goodwill (note 18 (d)(v))
- estimation of defined benefit obligations (note 18(h))
- assets and liabilities held for sales and discontinued operation (note 17(6))

(b) Contingent liabilities

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

(c) Provisions

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

5 NEW AND AMENDED ACCOUNTING STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME DURING THE CURRENT YEAR

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1: Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to LKAS 7 and SLFRS 7 - Supplier Finance Arrangements
- Amendment to SLFRS 16 - Lease liability in a Sale and Leaseback
- Amendment to SLFRS S1 - Sustainability related Financial Information
- Amendment to SLFRS S2 - Climate related Disclosures

6 NEW AND REVISED ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The Following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendment to LKAS 21 - Lack of Exchangeability
- Amendments to SLFRS 9 and 7 - Financial Instruments and disclosure
- Amendments to SLFRS 18 - Presentation and Disclosure in Financial Statements
- Annual improvements to IFRS – Volume 11
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

7 OPERATING SEGMENTS

Accounting policy

The Hela Group's internal organisation and management is structured based on operating segments which are determined by the nature of their principal business activities. The measurement policies the Group uses for segmental reporting under SLFRS 8 are the same as those used in its financial statements.

The Group is currently organised into two reportable segments, the Private Label Manufacturing Division and the Brand Licensing Division. The operations of the Brand Licensing Division are carried out of by the Company's fully owned subsidiary, Hela Brands Limited, and its subsidiaries. The other companies in the Group carry out the activities of the Private Label Manufacturing Division. Each segment is managed by a Group Chief operating decision maker who acts as segment manager, the performance of each segment is monitored by the Group Chief operating decision maker, and strategic decisions are made on the basis of segment operating results.

(a) Summarised statement of profit or loss

For the year ended 31 March	Private Label Manufacturing Division		Brand Licensing Division		Group	
	2025	2024	2025	2024	2025	2024
Revenue	55,937,744	64,538,784	27,424,963	5,750,161	83,362,707	70,288,945
Gross profit	4,391,941	4,601,144	5,535,364	1,568,735	9,927,305	6,169,879
Depreciation and amortisation	(1,902,542)	(1,883,002)	(452,091)	(103,482)	(2,354,633)	(1,986,484)
Operating expenses	(82,949,300)	(66,165,629)	(5,234,516)	(10,333,270)	(88,183,816)	(76,498,899)
Finance income	77,165	112,076	108,777	-	185,942	112,076
Finance loss	(4,160,094)	(4,088,580)	(86,215)	(30,265)	(4,246,309)	(4,118,845)
Operating (loss) / profit	(15,547,105)	(7,586,339)	(151,243)	9,304,318	(15,698,348)	1,717,979
Loss before tax	(20,937,053)	(11,605,577)	(128,681)	9,274,053	(21,065,734)	(2,331,524)
Income tax reversal / (charge)	(1,183,379)	1,995,260	(26,933)	(12,632)	(1,210,312)	1,982,628
(Loss) / profit for the year from continuing operations	(22,120,432)	(9,610,317)	(155,614)	9,261,421	(22,276,046)	(348,896)
Discontinued operations						
Revenue	263,258	-	-	-	263,258	-
Operating expenses	(889,281)	-	-	-	(889,281)	-
Loss after tax for the year from discontinued operations and non-current assets held for sale	(626,023)	-	-	-	(626,023)	-
Loss for the year of the Group	(22,746,455)	(9,610,317)	(155,614)	9,261,421	(22,902,069)	(348,896)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

7 OPERATING SEGMENTS (CONTD.)

Loss after tax for the year from discontinued operations and assets held for sale

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

This loss reflects the net (loss) / profit attributable to Sumbiri Intimate Apparel Private Limited Company, Hela Indochine Apparel Private Limited Company, Foundation Bennett (Private) Limited, and Jinadasa Bennett (Private) Limited.

(b) Summarised statement of financial position

As at 31 March	Private Label Manufacturing Division		Brand Licensing Division		Group	
	2025	2024	2025	2024	2025	2024
ASSETS						
Non-current assets	10,581,111	26,389,492	3,230,305	2,687,010	13,811,416	29,076,502
Current assets	20,406,850	20,987,987	11,541,577	14,680,161	31,948,427	35,668,148
Total assets	30,987,961	47,377,479	14,771,882	17,367,171	45,759,843	64,744,650
LIABILITIES						
Non-current liabilities	2,682,218	7,871,832	1,676,263	1,796,806	4,358,481	9,668,638
Current liabilities	47,922,453	37,120,830	4,442,313	7,680,920	52,364,766	44,801,750
Total liabilities	50,604,671	44,992,662	6,118,576	9,477,726	56,723,247	54,470,388

(c) Segment assets

As at 31 March	Private Label Manufacturing Division		Brand Licensing Division		Group	
	2025	2024	2025	2024	2025	2024
Segment assets						
Additions to property, plant and equipment	341,585	630,731	46,933	1,849	388,518	632,580
Additions to right of use assets	95,081	78,748	307,967	-	403,048	78,748
Additions to intangible assets	2,460	267,925	-	-	2,460	267,925
	439,126	977,404	354,900	1,849	794,026	979,253

(d) Following is a summary of cash flows (used in) / generated from operating segments

For the year ended 31 March	Private Label Manufacturing Division		Brand Licensing Division		Group	
	2025	2024	2025	2024	2025	2024
Net cash flow (used in) / generated from operating activities	(2,380,365)	(3,959,189)	(1,988,610)	452,177	(4,368,975)	(3,507,012)
Net cash flow (used in) / generated from investing activities	(138,116)	(663,171)	(72,484)	3,950,167	(210,600)	3,286,996
Net cash flow generated from / (used in) financing activities	1,821,120	4,328,009	(1,516,979)	1,999,549	304,141	6,327,558
Net (decrease) / increase in cash and cash equivalents	(697,361)	(294,351)	(3,578,073)	6,401,893	(4,275,434)	6,107,542

Cash flow generated from / (used in) discontinued operations included under the statement of cash flows:

As at 31 March	Private Label Manufacturing Division		Brand Licensing Division		Group	
	2025	2024	2025	2024	2025	2024
Net cash flow (used in) / generated from operating activities	(136,603)	-	-	-	(136,603)	-
Net cash flow (used in) / generated from investing activities	249	-	-	-	249	-
Net (decrease) / increase in cash and cash equivalents	(136,354)	-	-	-	(136,354)	-

8 BASIS OF CONSOLIDATION

Accounting policy

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2025. The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

8 BASIS OF CONSOLIDATION (CONTD.)

Accounting policy

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership of subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

(e) Joint arrangements

Under SLFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Hela Apparel Holdings PLC has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Interests in joint ventures are accounted for using the equity method [note 21 (d)], after initially being recognised at cost in the consolidated statement of financial position.

(f) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

9 BUSINESS COMBINATIONS AND GOODWILL

Accounting policy

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, above all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in profit or loss. The Group elects on a transaction by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the income statement, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

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

9 BUSINESS COMBINATIONS AND GOODWILL (CONTD.)

(a) Acquisition of Focus Brands Limited during the year ended 31 March 2024

Following the sales and purchase agreement executed on 24 January 2024, Hela Brands Limited, a company incorporated in Mauritius and a wholly owned subsidiary of Hela Apparel Holdings PLC acquired 100% ownership of Focus Brands Limited, a fully owned subsidiary of JD Sports Fashion PLC for a consideration of LKR 3,259 Mn (GBP 8 Mn).

Fair value of the identifiable assets acquired and liabilities assumed is as follows;

(LKR '000')	Notes	2024
ASSETS		
Property, plant and equipment	18(a)	582,918
Right of use assets	18(b)	2,177,225
Intangible assets	18(d)	806,178
Trade and other receivables		3,494,573
Inventories		4,960,041
Cash and cash equivalents		5,211,805
Other current assets		309,850
LIABILITIES		
Lease liabilities	18(b)	(2,177,225)
Current liabilities		(2,526,000)
Total identifiable net assets at fair value		12,839,365
Purchase consideration		3,259,160
Gain on bargain purchase recognised in other gains	13(b)	9,580,205

Details of the purchase consideration is as follows;

Purchase consideration	
Cash paid	1,222,185
Deferred consideration	2,036,975
Total purchase consideration	3,259,160

Net cash (outflow) / inflow arising on acquisition;

Cash consideration	(1,222,185)
Less; Cash and cash equivalent balance acquired	5,211,805
Total	3,989,620

The acquired business contributed revenue of LKR 5,750 Mn and net loss of LKR 0.2 Mn to the Group for the period from 24 January 2024 to 31 March 2024. If the acquisition had occurred on 1 April 2023, consolidated pro-forma revenue and profit for the year ended 31 March 2024 would have been LKR 36,458 Mn and LKR 77 Mn respectively.

10 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

(a) Derivatives

(i) Initial recognition and subsequent measurement

To hedge its foreign currency risks, the Group employs derivative financial instruments such as forward currency contracts. Derivative financial instruments are initially recorded at fair value on the date a derivative contract is entered and are then remeasured at fair value. When the fair value of a derivative is positive, it is recorded as a financial asset and financial liabilities with a negative fair value.

The Group formally designates and reports the hedge connection to which it desires to apply hedge accounting, as well as the risk management objective and strategy for implementing the hedge, at the start of the hedge. This process comprises the identification of the hedge instrument, the nature of the risk being hedged, and how the Group achieves hedge effectiveness.

Hedge accounting will be effective upon satisfying the below criteria;

- The hedged item and the hedging instrument have an economic relationship.
- The value changes that arise from that economic relationship are not "dominated by the effect of credit risk".
- The hedge ratio arising from the hedging relationship has the same value as that produced by the quantity of the hedged.

(ii) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months. The Group classified derivatives as current assets.

(iii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives see note 10(a)(i).

(iv) Amounts recognised in profit or loss

The following amounts were recognised in profit or loss in relation to derivatives:

	Group	
	2025	2024
Net gain on foreign currency forwards included in other (losses) / gains [Note 13 (b)]	-	(322,517)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10 FINANCIAL RISK MANAGEMENT (CONTD.)

(b) Market risk

(i) Foreign exchange risk

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

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

Exposure

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

	2025					
	AUD	EURO	Birr	GBP	USD	LKR
Trade and other receivables	-	-	-	5,573,920	8,503,527	7,652
Trade and other payables	-	-	-	(3,643,961)	(12,530,085)	(3,671,845)
Other financial assets at amortised cost	-	-	-	-	249,848	-
Borrowings (including bank overdraft)	-	-	-	-	(28,515,351)	(2,799,189)
Cash and cash equivalents	-	-	-	1,697,741	2,411,142	262,239
Lease liabilities	-	-	-	(2,104,559)	(1,035,943)	(172,344)
Net exposure		-	-	1,523,141	(30,916,862)	(6,373,487)

	2024					
	AUD	EURO	Birr	GBP	USD	LKR
Trade and other receivables	4,444	-	-	-	15,221,776	40,092
Trade and other payables	-	(2,418)	(59,099)	(18,786)	(12,551,702)	(3,380,777)
Other financial assets at amortised cost including derivatives	-	-	-	-	859,832	223
Borrowings (including bank overdraft)	-	-	-	-	(28,911,081)	(2,978,856)
Cash and cash equivalents	-	-	-	-	8,174,866	139,553
Lease liabilities	-	-	-	-	(4,262,296)	64,087
Net exposure	4,444	(2,418)	(59,099)	(18,786)	(21,468,605)	6,115,678

Amounts recognised in profit or loss

During the year, net foreign exchange loss of LKR 392 Mn (2024 - a gain LKR 263 Mn) were recognised in profit or loss.

Sensitivity

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

	Impact on post tax loss	
	2025	2024
USD/LKR exchange rate – appreciation by 1%	225,011	3,524
USD/LKR exchange rate – depreciation by 1%	(220,555)	(3,454)

(ii) Interest rate risk

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

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

Sensitivity

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

	2025	
	USD interest rate	
	Decrease by 1%	Increase by 1%
Group impact on post tax loss	(3,536,976)	4,163,266

(c) Credit risk

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

(i) Credit quality

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

For the year ended 31 March	2025	2024
Fitch Ratings:		
AAA(lka)	700	95,060
AA+ (lka)	-	2,879
AA- (lka)	44,589	586,495
A+ (lka)	1,694,168	-
A- (lka)	275,377	85,709
A (lka)	855,408	7,450,283
B+ (lka)	918,229	-
BBB+ (lka)	-	5,292
BBB- (lka)	159	6,260
CCC+	578,874	-
No rating	3,618	82,441
	4,371,122	8,314,419

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

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

10 FINANCIAL RISK MANAGEMENT (CONTD.)

(c) Credit risk (Contd.)

(ii) Impairment of trade receivables

The Group applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2025 or 1 April 2024 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 2025 and 31 March 2024 was determined as follows for trade receivables:

	Group	
	2025	2024
Age Category		
0 - 60 days	13,904,352	14,444,944
61-120 days	673,070	96,720
121-180 days	309,151	78,533
181-240 days	42,629	47,538
More than 241 days	47,516	125,520
Gross carrying value of trade receivables	14,976,718	14,793,255
Allowance for expected credit losses	(994,202)	(260,565)
Net trade receivables after the allowances for expected credit losses	13,982,516	14,532,690

On that basis, the loss allowance as at 31 March 2025 and 31 March 2024 was determined as follows for both trade receivables:

	Current	61-120 days	121-180 days	More than 180 days past due	Total
31 March 2025					
Expected loss rate	0.15%	87.10%	97.72%	94.19%	
Gross carrying amount – trade receivables	13,904,352	673,070	309,151	90,145	14,976,718
Loss allowance	20,976	586,231	302,090	84,904	994,202

	Current	61-120 days	121-180 days	More than 180 days past due	Total
31 March 2024					
Expected loss rate	0.03%	30.00%	68.96%	100.00%	
Gross carrying amount – trade receivables	14,444,944	96,720	78,533	173,058	14,793,255
Loss allowance	4,334	29,016	54,157	173,058	260,565

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

Group	Trade receivables	
	2025	2024
Charged to the statement of profit or loss	(697,811)	(20,652)

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

	Trade receivables	
	2025	2024
As at 1 April	(260,565)	(285,520)
Increase in loss allowance recognised in profit or loss during the year	(697,811)	(20,652)
Unused amount reversed on trade receivables	-	237,349
Exchange equalisation reserve	(35,826)	(191,742)
As at 31 March	(994,202)	(260,565)

(iii) Impairment losses from discontinued operations

Group has discontinued its Ethiopian operations. Accordingly, Hela Indochine Apparel Private Limited Company (HIA) and Sumbiri Intimate Apparel (Private) Limited (SIA) companies has discontinued and all receivable in relation to HIA and SIA categorised under exceptional items and disclosed as a separate line item.

	Notes	Group	
		2025	2024
Net reduction in related party receivables		254,367	-
Impairment of investment in joint venture	21 (d)	110,429	-
Receivable from joint investor		253,751	-
		618,547	-

(d) Liquidity risk

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

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10 FINANCIAL RISK MANAGEMENT (CONTD.)

(d) Liquidity risk (Contd.)

(i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Less than 6 months	Between 6 month and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flow
31 March 2025						
Borrowings	12,394,752	18,592,128	196,596	131,064	-	31,314,540
Trade and other payables	12,105,994	7,739,897	-	-	-	19,845,891
Lease liabilities	640,142	634,945	822,297	1,700,144	70,816	3,868,344
Liabilities directly associated with assets held for sale and discontinued operations	271,628	-	-	-	-	271,628
	25,412,516	26,966,970	1,018,893	1,831,208	70,816	55,300,403
31 March 2024						
Borrowings	11,027,153	16,540,730	2,593,232	1,728,822	-	31,889,937
Trade and other payables	9,767,797	6,244,985	-	-	-	16,012,782
Lease liabilities	662,645	434,691	1,739,508	830,182	646,046	4,313,072
Liabilities directly associated with assets held for sale and discontinued operations	-	-	-	-	-	-
	21,457,595	23,220,406	4,332,740	2,559,004	646,046	52,215,791

11 CAPITAL MANAGEMENT

(a) Risk management

The Group's objectives when managing capital are to;

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

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

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

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

The credit rating was unchanged and the gearing ratios at 31 March 2025 and 31 March 2024 were as follows:

For the year ended 31 March	Notes	2025	2024
Total borrowings	17 (f)	31,314,540	31,889,937
Less: Cash and cash equivalents	17 (d)	(4,371,122)	(8,314,419)
Net debt		26,943,418	23,575,518
Total equity		(10,811,624)	10,218,166
Non-controlling interest		(151,780)	56,096
Net debt to equity ratio		N/A	2.31

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Any dividend declaration should be informed to the bank in advance
- Any changes in key management personnel should be informed to the bank with immediate effect

12 REVENUE FROM CONTRACT WITH CUSTOMERS

Accounting policy

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

	Group		Company	
	2025	2024	2025	2024
Export revenue	76,688,363	67,695,580	-	-
Local revenue	-	64,735	-	-
Sub-contracting revenue	6,674,344	2,528,630	-	-
	83,362,707	70,288,945	-	-

Inter-segment revenue has been eliminated for the Group.

Revenue recognition

Export revenue

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

Local revenue

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

Sub-contracting revenue

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

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13 OTHER INCOME AND EXPENSE ITEMS

Accounting policy

(a) Other income

Other income and expenses are recognised on an accrual basis.

	Group		Company	
	2025	2024	2025	2024
Sundry income	671,767	363,647	-	-
	671,767	363,647	-	-

(b) Other (losses) / gains

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the profit or loss statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

	Notes	Group		Company	
		2025	2024	2025	2024
Net foreign exchange (losses) / gains		(391,976)	262,986	33,100	(966)
Fair value loss on derivatives	10 (a)(i)	-	(322,517)	-	-
(Losses) / net gains on disposal of property, plant and equipment		(145,021)	4	-	-
Gain on the fair valuation of investment property	18 (c)	24,500	35,278	-	-
Gain on bargain purchase from the acquisition of Focus Brands Limited	9 (a)	-	9,580,205	-	-
		(512,497)	9,555,956	33,100	(966)

(c) Finance income and costs

Finance income comprises interest income on funds invested. Finance costs comprise interest expense on borrowings that are recognised in profit or loss.

	Notes	Group		Company	
		2025	2024	2025	2024
Finance income					
Interest income on deposits		185,942	112,076	57	83
Finance income		185,942	112,076	57	83
Finance costs					
Bank overdraft interest		(56,127)	(55,059)	(152)	(24)
Bank loan interest		(681,176)	(1,107,755)	-	-
Bill discounting charges		(1,497,417)	(850,773)	-	-
Lease interest	18 (b)(ii)	(157,236)	(228,601)	-	-
Trust receipt loan interest		(1,801,343)	(1,823,740)	-	-
Shareholder loan interest		(49,916)	-	-	-
Other bank charges		(3,094)	(52,917)	-	-
Finance costs		(4,246,309)	(4,118,845)	(152)	(24)
Finance (costs) / income - net		(4,060,367)	(4,006,769)	(95)	59

14 LOSS BEFORE TAX

Accounting policy

Expenditure recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the profit or loss.

For the purpose of presentation of the statement profit or loss, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

Loss before tax is stated after charging all expenses including the following;

	Notes	Group		Company	
		2025	2024	2025	2024
Directors' and key management personnel remuneration and emoluments	22	882,903	703,530	-	2,464
Auditors' remuneration					
- Audit fees		137,858	48,875	5,334	5,083
- Non-audit fees		30,226	1,676	-	-
Raw materials and consumables used		56,054,394	51,345,261	-	-
Depreciation of property, plant and equipment	18 (a)	885,686	907,680	-	-
Amortisation of right-of-use assets	18 (b)	1,135,075	843,767	-	-
Amortisation of intangible assets	18 (d)	333,872	235,037	3,727	3,998
Professional charges		522,734	709,457	67,364	1,620
Employee benefit expenses		15,635,297	14,455,548	-	-
Repairs and maintenance expenditure		582,452	401,574	-	-
Insurance fees		288,722	193,655	9,854	3,918
Travelling and advertising expenses		2,868,391	389,810	488	-
Rent expenses		764,556	755,594	-	-
Bank charges		225,803	169,578	597	9
Import charges		2,463,650	2,789,780	-	-
Export charges		2,290,343	1,407,564	-	-
Provision made for non moving inventories	18 (g)(ii)	1,557,485	149,656	-	-
Provision for impairment of trade receivables	10 (c)(ii)	697,811	20,652	-	-
Provision for impairment of other assets	18 (e)	164,953	159,461	-	-
Provision for impairment - non trade receivables from related parties	17 (a)	61,334	161,609	-	-
Provision for impairment - other receivables	17 (a)	20,953	-	-	-
Other expenses		2,933,951	2,635,619	-	624
Total cost of sales, distribution expenses, administrative expenses and net impairment loss on financial assets		90,538,449	78,485,383	87,364	17,716

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14 LOSS BEFORE TAX (CONTD.)

Employee benefit expenses

	Notes	Group		Company	
		2025	2024	2025	2024
Salaries, wages and bonus		14,008,788	13,040,752	-	-
Defined contribution plans		795,281	799,966	-	-
Defined benefit obligations	18 (h)	179,904	182,339	-	-
Post employment benefits	18 (h)	42,408	17,694	-	-
Share based payment expenses		-	4,932	-	-
Other staff related costs		608,916	409,865	-	-
Total of staff costs		15,635,297	14,455,548	-	-
Average number of employees employed by the Group during the year.		13,824	14,530	-	-

The movement of defined benefit plan provision are as follows;

	2025	2024
Balance as at 1 April	17,694	-
During the year charge	42,408	17,694
Balance as at 31 March	60,102	17,694

15 INCOME TAX EXPENSE

Accounting policy

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Accounting policy

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

a) Income tax

Income tax and deferred tax have been provided as per the new rates legislated per the Inland Revenue (Amendment) Act No 45 of 2017. Other than disclosed in above, the Group has below tax implications on income tax and deferred tax in respective jurisdiction.

	Applicable tax rates	
	2025	2024
Sri Lanka	30%	30%
United States of America	20%	20%
Ethiopia	30%	30%
Republic of Mauritius	3%	3%
Kenya	25%	25%
Egypt	22.5%	22.5%
United Kingdom	25%	25%

Hela Intimates EPZ Kenya operates under the Export Processing Zones Act and is not subject to corporate tax for the first ten years of operation, effective from 1st April 2016. The Company was incorporated on 31st March 2016 under the Companies Act.

Hela Indochine Apparel Private Limited Company is entitled to a tax exemption from income tax for 6 years, starting from the year in which the Company became operational (i.e.,30 July 2018). An additional income tax exemption for 4 years was granted by the Ethiopian Investment Commission because the Company exports 80% of its products abroad, resulting in a total exemption period of 10 years.

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15 INCOME TAX EXPENSE (CONTD.)

a) Income tax (Contd.)

	Group		Company	
	2025	2024	2025	2024
Current tax on profits for the year	(38,957)	(197,461)	(17)	(25)
Deferred tax (expense) / reversal during the year	(1,172,575)	2,228,893	-	-
Adjustments for tax of prior periods	2,962	(13,001)	-	78
Income tax (expense) / reversal	(1,208,570)	2,018,431	(17)	53
Income tax reversal / (expense)				
to profit or loss	(1,210,312)	1,982,628	(17)	53
to other comprehensive income	1,742	35,803	-	-
Income tax (expense) / reversal	(1,208,570)	2,018,431	(17)	53

b) Numerical reconciliation of income tax expense to prima facie tax payable

	Group		Company	
	2025	2024	2025	2024
Loss before income tax expense (excluding gain on bargain purchase in previous year)	21,065,734	11,911,729	54,359	18,623
Tax calculated at effective tax rate of Group 20% (2024 - 11%) and Company 30% (2024 - 30%)	(3,095,966)	2,465,975	16,308	(5,587)
Tax effect of:				
Income not subject to tax	(272,846)	360,017	520	-
Income subject to tax	-	(56,148)	-	-
Expenses not deductible for tax purpose	1,541,379	(1,804,920)	(18,044)	6,811
Expenses deductible for tax purpose	(831,608)	230,952	1,199	(1,093)
Tax losses for the year carried forward	2,620,084	(1,429,140)	-	-
Adjustments for current tax of prior periods	2,962	(13,001)	-	(78)
Deferred tax reversal for the year	(1,172,575)	2,264,696	-	-
Income tax (expense) / reversal	(1,208,570)	2,018,431	(17)	53

16 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to the equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

	Group		Company	
	2025	2024	2025	2024
Loss attributable to equity holders of the Company Continuing operations	(22,277,238)	(373,276)	(54,376)	(18,570)
Discontinued operations	(358,191)	-	-	-
Loss attributable to ordinary equity holders of the parent for basic loss per share	(22,635,429)	(373,276)	(54,376)	(18,570)
Weighted average number of the ordinary shares used as the denominator [Note 19(a)] (In Thousands)	1,423,837	1,317,382	1,423,837	1,317,382
Loss per share attributable to equity holders of the Company (Continuing operations)	(15.65)	(0.28)	(0.04)	(0.01)
Loss per share attributable to equity holders of the Company (Discontinued operations)	(0.25)	-	-	-

(b) Diluted 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.

	Group		Company	
	2025	2024	2025	2024
Loss attributable to equity of holders of the parenting	(22,635,429)	(373,276)	(54,376)	(18,570)
Weighted average number of ordinary shares used as the denominator [Note 19(a)] (In thousands)	1,442,000	1,335,545	1,442,000	1,335,545
Diluted loss per share attributable to the equity holders of the Company - Continued operations	(15.45)	(0.28)	(0.04)	(0.01)
Diluted loss per share attributable to the equity holders of the Company - Discontinued operations	(0.25)	-	-	-

(c) Weighted average number of shares used as the denominator

	Group		Company	
	2025	2024	2025	2024
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,423,837	1,317,382	1,423,837	1,317,382
Adjustments for calculation of diluted loss per share (In thousands) Share options (In thousand)	18,163	18,163	18,163	18,163
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share (In thousands)	1,442,000	1,335,545	1,442,000	1,335,545

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17 FINANCIAL ASSETS AND LIABILITIES

Financial instruments

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. This assessment is referred to as the Solely Payment of Principle and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments are established.

Changes in the fair value of financial assets at FVPL are recognised in other gains / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 10(c) for further details.

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

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

		Group		Company	
Financial assets	Notes	2025	2024	2025	2024
Financial assets at amortised cost					
Trade and other receivables	17 (a)	14,085,099	15,266,312	147	22,073
Other financial assets at amortised cost	17 (c)	249,848	860,055	-	-
Cash and cash equivalents	17 (d)	4,371,122	8,314,419	3,534	5,058
		18,706,069	24,440,786	3,681	27,131

		Group		Company	
Financial liabilities	Notes	2025	2024	2025	2024
Liabilities at amortised cost					
Trade and other payables	17 (e)	19,845,891	16,012,782	190,113	120,427
Liabilities directly associated with assets held for sale and discontinued operations	17 (b)	271,628	-	-	-
Borrowings	17 (f)	31,314,540	31,889,937	-	6,568
Lease liabilities	18 (b)	3,312,846	4,198,209	-	-
		54,744,905	52,100,928	190,113	126,995

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17 FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See below for further information about the Group's accounting for trade receivables and note 10(c) for a description of the Group's impairment policies.

		Group		Company	
Financial assets	Notes	2025	2024	2025	2024
Trade receivables		14,976,718	14,793,255	-	-
Provision for impairment	10 (c)(ii)	(994,202)	(260,565)	-	-
Non trade receivables from related parties	22	292,002	251,042	147	22,073
Provision for impairment - non trade receivables from related parties	22	(292,002)	(230,668)	-	-
Other receivables		123,536	713,248	-	-
Provision for impairment - other receivables		(20,953)	-	-	-
		14,085,099	15,266,312	147	22,073

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within 45 days and therefore classified as current. The Group's impairment and other accounting policies for trade receivables are outlined in notes 10(c).

(ii) Fair values of trade receivables

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

(iii) Impairment and risk exposure

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

(b) Assets and liabilities directly associated with assets held for sale and discontinued operations

Accounting policy

Assets and liabilities directly associated with assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Accounting policy

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are presented separately in the statement of profit or loss. The post-tax results of discontinued operations are shown as a single amount on the face of the statement of profit or loss, distinct from the results of continuing operations. The comparative figures are restated to reflect the classification of operations as discontinued

Assets and liabilities of a discontinued operation classified as held for sale are presented separately in the statement of financial position. These are measured at the lower of carrying amount and fair value less costs to sell.

Assets and liabilities associated with assets and liabilities held for sale and discontinued operations are related to Hela Indochine Apparel Private Limited Company, investment property jointly owned by Foundation Bennett (Private) Limited and Jinadasa Bennett (Private) Limited, and fixed assets of Foundation Garments (Private) Limited two plants, which are proposed to be sold during the 2025/26 financial year and are made up as follows:

	Notes	2025	2024
Assets directly associated with assets held for sale and discontinued operations			
Transfer from property plant and equipment	18 (a)	1,419,655	-
Right-of-use assets	18 (b)	38,674	-
Transfer from investment properties	18 (ç)	744,344	-
		2,202,673	-
Liabilities directly associated with assets held for sale and discontinued operations			
Lease liabilities on right-of-use assets	18 (b)	38,674	-
Trade and other payables		232,954	-
		271,628	-
Net assets and liabilities directly associated with assets held for sale and discontinued operations		1,931,045	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

17 FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(c) Other financial assets at amortised cost

Accounting policy

The Group classifies its other financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(i) Classification of other financial assets at amortised cost

Group

Other financial assets at amortised cost include the following:

	2025			2024		
	Current	Non-current	Total	Current	Non- current	Total
Fixed deposits	249,670	-	249,670	257,507	-	257,507
Term loan	-	178	178	-	602,548	602,548
	249,670	178	249,848	257,507	602,548	860,055

(d) Cash and cash equivalents

Accounting policy

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Cash at bank consists of current accounts and savings accounts balances held in Foreign Currency Banking Units (FCBU) and local banks.

	Group		Company	
	2025	2024	2025	2024
Cash at bank and in hand	1,998,075	7,137,314	2,589	4,314
Deposits at call	2,372,102	1,177,020	-	659
Money market accounts	945	85	945	85
	4,371,122	8,314,419	3,534	5,058

The Group's cash and cash equivalents amounted to LKR 4.4 Bn which includes call deposits of subsidiary companies amounting to LKR 0.6 Bn. In accordance with lender requirements, 1% margin of bill purchased/negotiated/invoice discounted is required to be maintained in a deposit account. These deposits have been secured against the invoice discounting facility, remain restricted during the loan period.

(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	Group		Company	
		2025	2024	2025	2024
Cash and cash equivalents	17 (d)	4,371,122	8,314,419	3,534	5,058
Bank overdraft	17 (f)	(805,348)	(331,639)	-	(6,568)
Cash and cash equivalents at end of the year		3,565,774	7,982,780	3,534	(1,510)

(e) Trade and other payables

Accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	Notes	Group		Company	
		2025	2024	2025	2024
*Trade payables		12,267,547	6,796,984	-	-
Payable to related parties	22	-	-	118,424	91,442
Accrued expenses		5,095,077	4,827,582	44,971	5,464
**Other payables		2,483,267	4,388,216	26,718	23,521
		19,845,891	16,012,782	190,113	120,427

*Trade payables are unsecured and are usually paid within 30 days of recognition.

**Other payable consist of payable to non trade suppliers, EPF, ETF and statutory liabilities including taxes etc.

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

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17 FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(f) Borrowings

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

For the year ended 31 March		Group		Company	
Total Borrowings including lease liabilities	Note	2025	2024	2025	2024
At the beginning of the year		36,088,146	29,958,447	6,568	-
Cash movements					
Loans obtained		93,441,434	186,439,334	-	6,568
Repayments (Leases and loans)		(94,734,119)	(180,111,776)	(6,568)	-
Non cash movement (Leases)					
Additions		403,048	2,248,333	-	-
Disposals		(76,256)	-	-	-
Adjustment / transfers		(61,023)	99,206	-	-
Interest expense		157,236	228,601	-	-
Exchange equalisation reserve		(591,080)	(2,773,999)	-	-
At the end of the year		34,627,386	36,088,146	-	6,568
Total Borrowings					
Borrowings under non-current liabilities		327,660	4,322,054	-	-
Borrowings under current liabilities					
Bank borrowings		29,760,893	26,720,189	-	-
Shareholder loan	22	420,639	516,055	-	-
Bank overdraft		805,348	331,639	-	6,568
		30,986,880	27,567,883	-	6,568
Total borrowings		31,314,540	31,889,937	-	6,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

17 FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(f) Borrowings (Contd.)

Company	Nature of facility	Interest rate and security	Security	2025
Hela Clothing (Private) Limited	Long term	Fixed rate	Mortgage over the properties (refer note 23)	364,803
Hela Investment Holdings Limited	Short term loan	6 months secured overnight financing rate +		1,788,702
Hela Investment Holdings Limited	Short term loan	8.5% with Internal rate of return of 13.45%		923,894
Hela Clothing (Private) Limited	Short term loan	6 months LIBOR +		66,607
Hela Clothing (Private) Limited	Short term loan	6 months LIBOR +		15,588
Hela Clothing (Private) Limited	Short term loan	Fixed rate		457,412
Hela Clothing (Private) Limited	Short term loan	3 months LIBOR + 5.5%		345,738
Hela Clothing Egypt SAE	Short term loan	Fixed rate		868,064
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		1,350,759
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		3,466,932
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		1,184,203
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		1,915,233
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		2,473,187
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		1,881,270
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		1,927,685
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		289,339
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate +		883,115
Foundation Garments (Private) Limited	Short term loan	3 months LIBOR +		178,235
Foundation Garments (Private) Limited	Short term loan	3 months secured overnight financing rate		403,689
Hela Investment Holdings Limited	Short term loan	3 months LIBOR +		1,967,920
Hela Investment Holdings Limited	Short term loan	3 months LIBOR +		1,583,419
Hela Investment Holdings Limited	Short term loan	Fixed rate		740,868
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		265,788
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		2,281,873
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		288,939
Hela Clothing (Private) Limited	Short term loan	AWPLR +		1,450,400
Hela Clothing (Private) Limited	Short term loan	3 months secured overnight financing rate		1,145,530
Total borrowings				30,509,192

(i) Fair value

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

(ii) Unutilised bank facilities

Unutilised bank facilities of the Group including trade facilities and bank overdrafts amounted to LKR 10,952 Mn as of 31 March 2025 and LKR 10,107 Mn as of 31 October 2025.

(iii) The interest rate exposure of the borrowings of the Group was as follows:

	2025	2024
Total borrowings:		
at floating rates	28,883,393	29,071,512
at fixed rates	2,431,147	2,818,425
	31,314,540	31,889,937

(iv) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2025	2024
3 months or less	28,883,393	29,071,512
	28,883,393	29,071,512

(v) Covenants

The Group's borrowings, classified as short-term liabilities at the reporting date, are subject to various financial covenants.

During the current financial period, the Group breached multiple covenants stipulated in its loan agreements to which the Group had a loan balance of LKR 3.1 Bn as at 31 March 2025. The lenders have been notified of the breach, and as at the date of these financial statements, the Group is engaged in discussions with the respective financial institutions to renegotiate the loan terms, including possible facility restructuring.

The breach of these covenants may, at the lender's discretion, result in the loans becoming repayable on demand. As such, the portion of the loans previously classified as non-current has been reclassified as current liabilities in the statement of financial position.

The Group's ability to amend and restructure the loan terms is subject to ongoing negotiations and there remains uncertainty as to the outcome. Group management believes it is probable that the terms will be renegotiated and restructured in a manner that will allow the Group to continue meeting its obligations.

Subsequent to the reporting date, all lending institutions, except for the international financial institutions Avishkar and Norfund, provided their written consent to the proposed debt restructuring arrangement and formally approved the revised terms of the borrowings.

For further details, refer to Note 2 (a) — Going Concern.

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18 NON-FINANCIAL ASSETS AND LIABILITIES

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

- specific information about each type of non-financial assets and non-financial liabilities
  - Assets and liabilities directly attributable to held for sale (Note 17(b))
  - property, plant and equipment (Note 18(a))
  - leases (Note 18(b))
  - investment property (Note 18(c))
  - intangible assets (Note 18(d))
  - other assets (Note 18(e))
  - deferred income tax assets/ (liabilities) (Note 18(f))
  - inventories (Note 18(g))
  - employee benefit obligations (Note 18(h))
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved (Note 4)

(a) Property, plant and equipment

Accounting policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes and are expected to be used during more than one year.

Freehold land and buildings are shown at fair value based on a valuation performed by an external independent professional valuer. Where freehold land and buildings are revalued, the entire class of such asset is revalued. Revaluations are made with sufficient regularity to ensure that their carrying value do not differ materially from their fair value at the date of the statement of financial position.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Category of fixed asset	Useful life
Buildings	30 years
Leasehold improvements	10 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Computer hardware	5 years
Tools and molds	5 years
Factory and sports equipment	5 years
Electrical equipment and installations	10 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

When revalued assets are derecognised the amount included in revaluation reserve are transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) Property, plant and equipment (Contd.)

(i) Group:

	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Office equipment
Year ended 31 March 2024						
Opening net book amount	458,500	1,703,200	1,892,242	2,345,241	-	90,312
Reclassification	(67,667)	672,082	(907,463)	254,397	-	-
Adjustment on investment properties			360,608			
Additions	-	27,938	124,342	278,543	-	4,276
Acquisition of Focus Brands Limited	-	-	-	461,431	46,220	-
Transfer from work-in-progress	-	-	84	21,031	-	9,028
Transfer to intangible assets						
Transfer to Investment property	(67,667)	-	(636,083)	-	-	-
Disposals	-	-	-	(235,539)	(792)	-
Depreciation on disposals	-	-		235,539	-	-
Depreciation charge for the year	-	(74,548)	(116,435)	(474,514)	(1,926)	(26,658)
Exchange equalisation reserve	(28,687)	(174,230)	(82,499)	(231,215)	(2,533)	(6,425)
Closing net book amount	294,479	2,154,442	634,796	2,654,914	40,969	70,533
As at 31 March 2024						
Cost or fair value	294,479	2,634,224	1,051,953	5,027,825	58,393	365,126
Accumulated depreciation	-	(479,782)	(417,157)	(2,372,911)	(17,424)	(294,593)
Net book amount	294,479	2,154,442	634,796	2,654,914	40,969	70,533
Year ended 31 March 2025						
Opening net book amount	294,479	2,154,442	634,796	2,654,914	40,969	70,533
Additions	-	7,724	20,143	278,245	-	2,276
Transfer from work-in-progress	-	-	1,190	14,312	-	-
Reclassification	-	-	62,811	(40,648)	-	-
Depreciation on reclassification	-	-	(15,990)	(13,148)	-	-
Transfer to asset held for sale [Note 17 (b)]	-	(1,005,695)	(45,153)	(264,148)	-	-
Disposals - cost	-	-	-	(351,415)	(19,092)	-
Disposals - accumulated depreciation	-	-	-	263,514	7,330	-
Depreciation charge for the year	-	(65,024)	(118,557)	(451,555)	(6,521)	(23,173)
Impairment on discontinued operation (Note 20 (a))	-	(12,943)	-	(84,847)	-	-
Exchange equalisation reserve	(4,729)	(56,895)	(9,610)	(176,702)	196	(1,005)
Closing net book amount	289,750	1,021,609	529,630	1,828,522	22,882	48,631
As at 31 March 2025						
Cost or fair value	289,750	1,566,415	1,081,334	4,402,622	39,497	366,397
Accumulated depreciation	-	(544,806)	(551,704)	(2,574,100)	(16,615)	(317,766)
Net book amount	289,750	1,021,609	529,630	1,828,522	22,882	48,631

(ii) Property, plant and equipment that have been fully depreciated and continue to be in use by the Group are as follows;

As at 31st March	Group	
	2025	2024
Cost of fully depreciated assets	1,600,492	1,413,459

	Factory equipment	Air conditioning equipment	Electrical installations	Containers	Furniture and fittings	Computer hardware and communication equipment	Capital work-in progress	Total
	71,929	7,348	347,464	-	332,000	187,166	1,566,538	9,001,940
	81,547	-	(56,099)	-	18,301	(44,265)	49,167	-
								360,608
	62,514	-	65,726	-	27,040	25,574	16,627	632,580
	-	-	-	-	75,267	-	-	582,918
	-	-	10,579	-	1,452	4,917	(47,091)	-
							(1,457,187)	(1,457,187)
	-	-	-	-	-	-	-	(703,750)
	-	-	-	-	(5,844)	(8,217)	(73,241)	(323,633)
	-	-	-	-	567	1,906	-	238,012
	(38,976)	-	(57,268)	-	(78,702)	(38,653)	-	(907,680)
	(11,854)	(586)	(25,554)	-	(29,627)	(22,582)	(39,154)	(654,946)
	165,160	6,762	284,848	-	340,454	105,846	15,659	6,768,862
	727,471	78,946	813,240	1,481	753,617	464,574	15,659	12,286,988
	(562,311)	(72,184)	(528,392)	(1,481)	(413,163)	(358,728)	-	(5,518,126)
	165,160	6,762	284,848	-	340,454	105,846	15,659	6,768,862
	165,160	6,762	284,848	-	340,454	105,846	15,659	6,768,862
	1,652	-	25,759	-	39,465	5,435	7,819	388,518
	-	-	-	-	-	-	(15,502)	-
	(31,787)	-	2,175	-	7,449	-	-	-
	31,925	-	(452)	-	(2,335)	-	-	-
	(687)	-	(78,156)	-	(22,801)	(3,015)	-	(1,419,655)
	-	-	-	-	(77,002)	(924)	-	(448,433)
	-	-	-	-	64,948	248	-	336,040
	(39,426)	(6,694)	(59,714)	-	(79,278)	(35,744)	-	(885,686)
	-	-	-	-	(16,250)	-	-	(114,040)
	(2,419)	(68)	(3,900)	-	(2,239)	(1,518)	(180)	(259,069)
	124,418	-	170,560	-	252,411	70,328	7,796	4,366,537
	694,230	78,878	759,118	1,481	682,239	464,552	7,796	10,434,309
	(569,812)	(78,878)	(588,558)	(1,481)	(429,828)	(394,224)	-	(6,067,772)
	124,418	-	170,560	-	252,411	70,328	7,796	4,366,537

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18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) Property, plant and equipment (Contd.)

(iii) Revaluation of freehold land and buildings

The valuation of the land and buildings located at Palapathwala, which is owned by Hela Clothing (Private) Limited (a subsidiary of the Group) was performed by an independent valuer (W.D.P. Rupananda - Chartered Valuation Surveyor) to determine the fair value of land and buildings as at 31 March 2023. The effective date of revaluation was 31 March 2023.

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

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

Location	Ownership	Land / Buildings	No. of buildings	Extent	Basis Used	Value (LKR thousands)
Palapathwala	Hela Clothing (Private) Limited	Buildings	8	96,972 sq. ft	Depreciated Replacement Cost	1,180,000
Palapathwala		Land	-	2A-2R-00.00P	Market Value	320,000
						1,500,000

(iv) Significant unobservable inputs and relationships to fair value

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

Location of property	Method of valuation	Extent	Range of estimates for unobservable inputs	Total revalued amounts (LKR thousands)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Palapathwela	Land Market Approach (price per perch of land)	2A-2R-00.00P	LKR 800,000 per perch	320,000	Price per perch of land	The estimated fair value would increase/ (decrease) if price per perch is higher/ (lower)
	Buildings DRC value (replacement cost)	96,972 Sq. Ft	LKR 18,057 per sq.ft less depreciation of 33%	1,180,000	Replacement cost per square feet	The estimated fair value would increase/ (decrease) if replacement cost per square feet increase/ (decrease)
					Depreciation rate	The estimated fair value would increase/ (decrease) if depreciation rate per square feet (decrease)/ increase

Given the change in use of the Uhumeeya property, as a capital appreciation property the property was transferred from owner occupied property to investment property during the year ended 31 March 2024.

Measurement of fair value of land has been categorised as level 3 of the fair value hierarchy under 18 (j) based on the inputs to the valuation techniques used.

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

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

	2025	2024
Freehold land		
Net book amount	288,108	288,108
Freehold buildings		
Cost	17,430	17,430
Accumulated depreciation	(8,453)	(7,872)
Net book amount	8,977	9,558

(vi) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in statement of profit or loss.

(b) Right of use assets and lease liabilities

Accounting policy

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(b) Right of use assets and lease liabilities (Contd.)

Accounting policy

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise with any lease asset which value is less than USD 5,000 (FY 25 - LKR 1.5 Mn)

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to right-of-use assets:

Right-of-use assets

	Group leasehold land & buildings
Year ended 31 March 2024	
Opening net book amount	2,742,171
Acquisition of ROU assets (Net) from Focus Brands Limited	2,177,225
Additions	78,748
Adjustments	140,790
Amortisation during the year	(843,767)
Exchange equalisation reserve	(309,124)
Closing net book amount	3,986,043
As at 31 March 2024	
Cost	6,919,692
Accumulated amortisation	(2,933,649)
Net book amount	3,986,043

Right-of-use assets

	Notes	Group leasehold land & buildings
Year ended 31 March 2025		
Opening net book amount		3,986,043
Additions		403,048
Disposal		(214,825)
Amortisation on disposals		116,778
Transfer to asset held for sale	17(b)	(38,674)
Adjustments		47,245
Amortisation during the year		(1,135,075)
Exchange equalisation reserve		(58,999)
Closing net book amount		3,105,541
As at 31 March 2025		
Cost		7,057,487
Accumulated amortisation		(3,951,946)
Net book amount		3,105,541

Lease liability movement during the year is as follows:

	Notes	Group		Company	
		2025	2024	2025	2024
At the beginning of the year		4,198,209	2,782,495	-	-
Acquisition of ROU liability from Focus Brands Limited acquisition		-	2,177,225	-	-
Additions		403,048	71,108	-	-
Finance charge on lease liabilities	13 (c)	157,236	228,601	-	-
Disposals		(76,256)	-	-	-
Transfer to asset held for sale	17 (b)	38,674	-	-	-
Rentals paid during the year		(1,308,368)	(989,351)	-	-
Exchange equalisation reserve		(99,697)	(71,869)	-	-
At the end of the year		3,312,846	4,198,209	-	-
Current		1,233,595	1,064,156	-	-
Non-current		2,079,251	3,134,053	-	-
		3,312,846	4,198,209	-	-

(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	
	2025	2024	2025	2024
Amortisation charge of right-of-use assets	1,135,075	843,767	-	-
Interest expense (included in finance cost)	157,236	228,601	-	-
	1,292,311	1,072,368	-	-

The total cash outflow for leases in 2025 was LKR 1,308 Mn (2024: LKR 989 Mn).

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

18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(c) Investment property

Accounting policy

Basis of measurement

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the statement of profit or loss in the year in which they arise.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted for using accounting policy for property, plant and equipment.

(i) Valuation details of investment property

		Group		Company	
For the year ended 31 March	Notes	2025	2024	2025	2024
As at 1 April		1,256,500	559,700	-	-
Net gain on fair valuation	13 (b)	73,500	35,278	-	-
* Transfer from property, plant and equipment		-	703,750	-	-
** Transfer to asset held for sale	17 (b)	(744,344)	-	-	-
Exchange equalisation reserve		12,344	(42,228)	-	-
As at 31 March		598,000	1,256,500	-	-

* The Group reclassified Uhumeeya property as investment property which was previously classified under property plant and equipment.

** The Group classified Uhumeeya property as asset held for sale with a view of selling the property to a third party which includes LKR 49,000,000 revaluation gain recorded under gain or loss from discontinued operations in 2024/25.

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

Fair value of the investment property is ascertained by annual independent valuations carried out by an independent valuer, Mr. W.D.P. Rupananda as at 31 March 2025. Mr. W.D.P Rupananda is a fellow member of the Institute of Valuers of Sri Lanka. The market value approach and replacement cost basis were used to carry out the fair valuation of the investment property as at the reporting period. In determining the fair value, the current conditions of the buildings, future usability and estimates of market prices for similar properties with appropriate adjustments for size and location has been considered.

Investment property was appraised in accordance with SLFRS 13 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The market value has been used as the fair value.

The changes in fair value are recognised in profit or loss. The determined fair values of investment properties were based on the open market value method.

(ii) Significant unobservable inputs and relationships to fair value

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

Location of property	Method of valuation	Extent	Range of estimates for unobservable inputs	Estimated price per perch and sq.ft. (LKR in thousands)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Uhumiya property (jointly owned by Foundation Bennett (Private) Limited and Jinadasa Bennett (Private) Limited	Land Market Approach (price per perch of land)	3A-0R-23.50P	LKR 166,000 per perch	LKR 330,000	Price per perch of land	The estimated fair value would increase/ (decrease) if: price per perch is higher/ (lower).
	Building DRC value (replacement cost)	55,492 Sq.ft	LKR 566,000 per sq.ft less depreciation of 39%	LKR 10,216	Replacement cost per square feet	The estimated fair value would increase/ (decrease) if: replacement cost per square feet increase/ (decrease)
					Depreciation rate	The estimated fair value would increase/ (decrease) if: depreciation rate per square feet (decrease)/ increase
Melsiripura [owned by Foundation Garments (Private) Limited]	Land Market Approach (Price per perch of land)	2A-3R-24P	LKR 54,219 per perch	LKR 350,000	Price per perch of land	The estimated fair value would increase/ (decrease) if: price per perch is higher/ (lower).
	Building DRC value (Replacement cost)	38,850 Sq. Ft.	LKR 37,950 per sq.ft less depreciation of 36%	LKR 385,000	Replacement cost per square feet	The estimated fair value would increase/ (decrease) if: replacement cost per square feet increase/ (decrease)
					Depreciation rate	The estimated fair value would increase/ (decrease) if: depreciation rate per square feet (decrease)/ increase

Uhumiya property has been classified as assets held for sale as of 31 March 2025 as it is highly probable for sale during next 12 months.

Measurement of fair value of investment property has been categorised as level 3 of the fair value hierarchy under note 18 (j) based on the inputs to the valuation techniques used.

(d) Intangible assets

Accounting policy

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to statement of profit or loss in the year in which the expenditure is incurred.

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

18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(d) Intangible assets (Contd.)

Accounting policy

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash- generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets useful lives

	Years
ERP system	8 Years
Other software	3 Years
License agreement	5 Years
Customer contract	5 Years

Purchased software

Purchased software is recognised as intangible assets and is amortised on a straight line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of expected future usage of related ERP systems.

Customer contracts

The Group can demonstrate its ability to command economic advantages from customer relationships, these relationships are considered distinct and can be acknowledged as intangible assets. Focus Brands Limited (FBL) maintains stable and manageable customer relationships with several brands including Zalando SE, TJX UK and True Alliance Brands Pty Ltd which are long term contractual or legal arrangements that provide an economic benefit as of the valuation date meet the identifiability" criteria.

License & agreements

License agreements represent an intangible asset for Focus Brands Limited (FBL) that generates future economic benefits by allowing Focus Brands Limited to sell branded clothing through their ability to use intellectual property owned by the Licensors. FBL has strategically secured license agreements from reputable entities such as Avirex, Ellesse, Farah, Nautica, Nautica Competition and Patrick. These agreements signify legal right for FBL to utilise and promote the respective brand names while enhancing sales of their core products.

Brand name

The Group has recognised an intangible asset for Fenchurch, Henleys, Peter Werth, and Yogi brands from the acquisition of Focus Brands Limited. These brands have been assessed for meeting the required criteria for recognition and duly recognised as intangible assets.

Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

As at 31 March	Group						Company	
	Customer contracts agreements	License	Own brand	Goodwill	ERP system and other software	Total	ERP system	Total
Year ended 31 March 2024								
Opening net book amount	-	-	-	11,921,295	36,268	11,957,563	-	-
Additions	-	-	-	-	267,925	267,925	31,981	31,981
Transfer from property plant & equipment	-	-	-	-	1,457,187	1,457,187	-	-
Addition from Focus Brands Limited acquisition	92,208	163,791	550,179	-	-	806,178	-	-
Disposals - cost	-	-	-	-	(2,319)	(2,319)	-	-
Disposals - accumulated amortisation	-	-	-	-	2,319	2,319	-	-
Amortisation charge	-	-	-		(235,037)	(235,037)	(3,998)	(3,998)
Impairment charge	-	-	-	(5,186)	-	(5,186)	-	-
Exchange equalisation reserve	(5,368)	(9,537)	(32,036)	(950,457)	(89,656)	(1,087,054)	(1,629)	(1,629)
Closing net book amount	86,840	154,254	518,143	10,965,652	1,436,687	13,161,576	26,354	26,354
As at 31 March 2024								
Cost	92,208	163,791	550,179	6,621,289	1,903,956	9,331,423	34,453	34,453
Accumulated amortisation / impairment	-	-	-	(5,186)	(387,099)	(392,285)	(6,647)	(6,647)
Exchange equalisation reserve	(5,368)	(9,537)	(32,036)	4,349,549	(80,170)	4,222,438	(1,452)	(1,452)
Net book amount	86,840	154,254	518,143	10,965,652	1,436,687	13,161,576	26,354	26,354
Year ended 31 March 2025								
Opening net book amount	86,840	154,254	518,143	10,965,652	1,436,687	13,161,576	26,354	26,354
Additions	-	-	-	-	2,460	2,460	-	-
Amortisation charge	(17,194)	(30,542)	-	-	(286,136)	(333,872)	(3,727)	(3,727)
Impairment charge	-	-	(74,955)	(8,606,921)	-	(8,681,876)	-	-
Exchange equalisation reserve	(1,290)	(2,290)	608	(123,600)	(23,786)	(150,358)	(401)	(401)
Closing net book amount	68,356	121,422	443,796	2,235,131	1,129,225	3,997,930	22,226	22,226
As at 31 March 2025								
Cost	92,208	163,791	550,179	6,621,289	1,906,416	9,333,883	34,453	34,453
Accumulated amortisation / impairment	(17,194)	(30,542)	(74,955)	(8,612,107)	(673,235)	(9,408,033)	(10,374)	(10,374)
Exchange equalisation reserve	(6,658)	(11,827)	(31,428)	4,225,949	(103,956)	4,072,080	(1,853)	(1,853)
Net book amount	68,356	121,422	443,796	2,235,131	1,129,225	3,997,930	22,226	22,226

Intangible assets that have been fully amortised and continue to be in use by the Group are as follows:

As at 31 March	Group	
	2025	2024
Cost of fully amortised intangible assets	20,137	20,465

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18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(d) Intangible assets (Contd.)

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iv) Amortisation methods and periods

Refer to note 18(d) for details about amortisation methods and periods used by the Group for intangible assets. Amortisation is wholly included in administrative expenses.

(v) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment tests for goodwill

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

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

	2025	2024
Hela Clothing (Private) Limited	2,235,131	2,271,609
Foundation Garments (Private) Limited	-	5,690,062
Hela Intimates EPZ Limited	-	3,003,981
	2,235,131	10,965,652

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

Based on the impairment test performed for the year ended 31 March 2025, the Group recognised an impairment of LKR 3,003,981 on goodwill attributable to Hela Intimates EPZ Limited and LKR 5,690,062 on goodwill attributable to Foundation Garments (Private) Limited.

The Group applies the following method for VIU calculations.

Impairment tests for own brands

Brand valuation derives its value from its presence in the market and acceptance from its customers, which is reflected in its sales and profitability. Based on the analysis, it noted that Brand Licensing division expected a slow growth from owned brands due to declining of consumption patterns of end consumers. Due to a reduction in the number of active brands and a decline in revenue projections, an impairment of brand value recognised in the statement of profit or loss amounting to LKR 75 Mn.

Discounted Cash Flow (DCF) method

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

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

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

The following assumptions are applied in the VIU computation.

- EBITDA

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

- Free cash flow (FCF)

FCF projections are based on EBITDA and working capital projections.

- Pre-tax discount rate

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

- Terminal growth rate

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

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18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(d) Intangible assets (Contd.)

For the significant CGUs, given below are the variables used for the impairment test for 31 March 2025 under DCF method;

	Hela Clothing (Private) Limited		Foundation Garments (Private) Limited		Hela Intimates EPZ Limited	
	2025	2024	2025	2024	2025	2024
EBITDA	10.13%	10.52%	8.00%	7.00%	23.49%	16.61%
Pre-tax discount rate	13.47%	11.23%	13.47%	11.23%	13.47%	11.23%
Terminal growth rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(e) Other assets

	Group		Company	
	2025	2024	2025	2024
Current				
Prepayments	404,929	251,601	11,575	2,834
Advances	2,123,896	1,902,778	-	-
Refundable deposits	250,541	149,479	-	-
Other receivables	1,238,812	1,073,295	-	-
(-) Impairment/ expected credit loss	(474,747)	(309,794)	-	-
	3,543,431	3,067,359	11,575	2,834

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

Group	Other receivables	
	2025	2024
As at 1 April	(309,794)	(150,333)
Increase in loss allowance recognised in profit or loss during the year	(164,953)	(159,461)
As at 31 March	(474,747)	(309,794)

Group	Other receivables	
	2025	2024
Charged to the statement of profit or loss	(164,953)	(159,461)

Other receivable balance includes VAT receivable amount of LKR 122,474,343 related to Egypt operation and bank guarantee of LKR 258,046,170 provided in relation to Egypt operations.

(f) Deferred tax assets / (liabilities)

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

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

	Group		Company	
	2025	2024	2025	2024
Deferred tax assets*	1,743,230	3,074,839	-	-
Deferred tax liabilities*	(1,135,567)	(1,476,608)	-	-
Deferred tax asset - net	607,663	1,598,231	-	-

*Offsetting deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

	Group		Company	
	2025	2024	2025	2024
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Tax losses	879,778	1,843,320	-	-
Retirement benefit obligations	212,388	198,478	-	-
Carried forward finance cost	-	419,802		
Right of use assets - lease liabilities	63,254	95,206		
Inventory/ bad debt/ bonus & reward provisions	587,810	518,033	-	-
Total deferred tax assets	1,743,230	3,074,839	-	-

	Group		Company	
	2025	2024	2025	2024
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Property, plant and equipment	930,635	1,009,569	-	-
Deferred tax effect on land valuation	122,098	334,910	-	-
Right of use assets	82,834	132,129	-	-
Total deferred tax liabilities	1,135,567	1,476,608	-	-

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18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(f) Deferred tax assets / (liabilities) (Contd.)

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

	Group		Company	
	2025	2024	2025	2024
Deferred tax liabilities				
As at 1 April	(1,476,608)	(1,613,979)	-	-
Profit or loss charged	117,525	66,242	-	-
*Transfer to liabilities held for sale	201,752	-	-	-
Adjustment on investment asset recognition	-	(40,462)	-	-
Exchange equalisation reserve	21,764	111,591	-	-
As at 31 March	(1,135,567)	(1,476,608)	-	-

* Deferred tax recognition on investment property of Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited transferred to liabilities held for sale.

	Group		Company	
	2025	2024	2025	2024
Deferred tax assets				
As at 1 April	3,074,839	1,128,036	-	-
Profit or loss charged / (reversed)	(1,291,842)	2,126,848	-	-
Other comprehensive income	1,742	35,803	-	-
Exchange equalisation reserve	(41,509)	(215,848)	-	-
As at 31 March	1,743,230	3,074,839	-	-

Deferred tax movement - item wise

	2025	
	Profit or loss	OCI**
Deferred tax liabilities		
Property, plant and equipment	(78,934)	-
Deferred tax effect on land valuation	(212,812)	-
Right of use assets	(49,295)	-
Total deferred tax liabilities	(341,041)	-
Deferred tax assets		
Tax losses	(963,542)	-
Right of use assets	(31,952)	-
Carried forward finance cost	(419,802)	-
Retirement benefit obligations	12,168	1,742
Bad Debt, inventory & bonus provision	69,777	-
Total deferred tax assets	(1,333,351)	1,742
Deferred tax assets - net	992,310	(1,742)

	2024	
	Profit or loss	OCI**
Deferred tax liabilities		
Property, plant and equipment	(353,250)	-
Deferred tax effect on land valuation	150,088	-
Right of use assets	65,791	-
Total deferred tax liabilities	(137,371)	-
Deferred tax assets		
Tax losses	1,418,282	-
Carried forward finance cost	61,348	-
Retirement benefit obligations	383,999	35,803
Bad Debt, inventory & bonus provision	(47,835)	-
Right of use assets	95,206	-
Total deferred tax assets	1,911,000	35,803
Deferred tax liabilities - net	(2,048,371)	(35,803)

** Other comprehensive income

(g) Inventories

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory provisions are recognised in cases where the expected net realisable value of inventory is lower than its carrying amount, including provisions for obsolete, slow moving stock and waste. The provision is based on periodical reviews performed by the Group. All inventory provisioning requires a level of judgement on how the condition of inventory is impacted by spoilages, shelf – life of products and other industry factors.

Inventory	Basis of valuation
Raw materials, machinery spares and other inventories	Standard cost method
Finished goods inventories and work-in-progress	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(g) Inventories (Contd.)

(i) As at 31 March	Group		Company	
	2025	2024	2025	2024
Raw materials	2,819,631	2,759,603	-	-
Work-in-progress	2,701,978	2,205,176	-	-
Finished goods	3,968,724	3,825,101	-	-
Goods in transit	723,932	1,173,911	-	-
(-) Provision for inventories	(3,009,806)	(1,485,677)	-	-
	7,204,459	8,478,114	-	-

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

(ii) Provision for inventories

	Group		Company	
	2025	2024	2025	2024
Balance as at 1 April	1,485,677	1,461,278	-	-
Provision made during the year	1,557,485	149,656	-	-
Exchange equalisation reserve	(33,356)	(125,257)	-	-
Balance as at 31 March	3,009,806	1,485,677	-	-

(h) Employee benefit obligations

Accounting policy

(i) Short-term obligations

Liabilities for salaries and wages, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Defined benefit plan - gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No.12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary.

A defined benefit plan is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised past service cost. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the yield rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The current service cost of the defined benefit plan, recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past service costs are recognised immediately in statement of profit or loss.

Gains and losses on remeasurement and changes in assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(iii) Defined contribution plan

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(iv) Voluntary retirement scheme

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.

	Group	
	2025	2024
Employee benefit obligations from actuarial valuation	755,901	735,923
Employee benefit obligations from other plans	60,102	-
	816,003	735,923

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

	Group	
	2025	2024
At beginning of the year	735,923	536,101
Current service cost	105,355	89,210
Interest cost on benefit obligation	74,549	93,129
Actuarial losses/ (gains) in other comprehensive income	(12,429)	144,696
Experience losses	(15,609)	1,183
(Gains) / losses from change in demographic assumptions	(544)	14,268
Losses from change in financial assumptions	3,724	129,245
Benefits paid	(147,592)	(127,621)
Exchange equalisation reserve	95	408
At end of the year	755,901	735,923

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

18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(h) Employee benefit obligations (Contd.)

(iv) Voluntary retirement scheme (Contd.)

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

	Group	
	2025	2024
Current service cost	105,355	89,210
Interest expense	74,549	93,129
	179,904	182,339

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

The significant actuarial assumptions were as follows:

		Group	
		2025	2024
Discount rate		10.62% - 8.79%	11.20%
Salary growth rate		8.00%	10.00%
Staff turnover rate:	Executive	25% to 33%	24% to 19%
	Staff and workers	11% to 60%	58% to 7%
	GM / Managers	18% to 32%	20% to 12%
	Directors	2% to 60%	26% to 4%

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

Group	Impact on defined benefit obligation					
	Increase / (decrease) in obligation			Increase / (decrease) in obligation		
	Decrease by	2025	2024	Increase by	2025	2024
Discount rate	1%	16,536	3,979	1%	(15,605)	(19,626)
Salary growth rate	1%	(16,012)	(2,679)	1%	16,683	21,439
Attrition rate	1%	1,333	42	1%	(1,345)	(619)

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

	2025	2024
Hela Clothing (Private) Limited	2.4 years	3.4 years
Foundation Garments (Private) Limited	2 years	3.4 years
Foundation Sourcing (Private) Limited	6 years	3.4 years

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

	Group	
	2025	2024
Less than a year	312,654	176,718
Between 1 - 2 years	193,020	217,888
Between 2 - 5 years	261,222	351,137
Over 5 years	120,449	444,270
	887,345	1,190,013

(h) Employee benefit obligations (Contd.)

Post employment benefit recognised in Hela EPZ Kenya

As per section 31 of the agreement between Hela Intimates EPZ Limited and Tailors and Textiles Workers Union, it is required to calculate post employment benefit for employees who serving for more than 5 years. Accordingly, every employee is eligible for 16 day salary for completing each year of service.

	2025	2024
Post employment benefit recognised	60,102	17,694

The movement of defined benefit plan provision are as follows:

	2025	2024
Balance as at 1 April	17,694	-
During the year charge	42,408	17,694
Balance as at 31 March	60,102	17,694

(i) Expense from employee compensation scheme

Expense includes employee compensation costs incurred in relation to the restructuring of the Group's operations. The expense arises from employee compensation schemes implemented across Foundation Garments (Private) Limited, Hela Clothing (Private) Limited, FDN Sourcing (Private) Limited, and Hela Kenya EPZ Limited and is made up as follows;

	Group	
	2025	2024
Foundation Garments (Private) Limited	294,029	-
Hela Clothing (Private) Limited	66,292	-
F D N Sourcing (Private) Limited	286,064	-
Hela Kenya EPZ Limited.	42,087	-
	688,472	-

(j) Recognised fair value measurements

Fair value hierarchy

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

As at 31 March 2025		Group			
	Notes	Level 1	Level 2	Level 3	Total
Non-financial assets					
Property, plant and equipment					
- freehold land	18 (a)	-	-	289,750	289,750
- freehold buildings	18 (a)	-	-	1,021,609	1,021,609
Investment property	18 (c)	-	-	598,000	598,000
		-	-	1,909,359	1,909,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

18 NON-FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(j) Recognised fair value measurements (Contd.)

As at 31 March 2024	Notes	Group			
		Level 1	Level 2	Level 3	Total
Non-financial assets					
Property, plant and equipment					
- freehold land	18 (a)	-	-	294,479	294,479
- freehold buildings	18 (a)	-	-	2,154,442	2,154,442
Investment property	18 (c)	-	-	1,256,500	1,256,500
		-	-	3,705,421	3,705,421

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

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

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

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

19 EQUITY

(a) Stated capital

Accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Company			
	2025	2024	2025	2024
	Number of shares	Number of shares	Value LKR	Value LKR
Ordinary shares	1,636,746,787	1,317,381,560	7,377,504	5,780,678
	1,636,746,787	1,317,381,560	7,377,504	5,780,678

All issued shares are fully paid.

(i) Movement in ordinary shares:

	Number of shares	Value LKR
Balance as at 1 April 2023	1,309,955,933	5,754,575
Share issue related to employee share option plan	7,425,627	26,103
Balance as at 31 March 2024	1,317,381,560	5,780,678
Balance as at 1 April 2024	1,317,381,560	5,780,678
Right issue of ordinary shares	319,365,227	1,596,826
Balance as at 31 March 2025	1,636,746,787	7,377,504

(b) Other reserves

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

	Group				Company	
	Revaluation reserve	Share based payment reserve	Other reserves	Total	Share based payment reserve	Total
Balance as at 1 April 2023	655,794	115,012	30,525	801,331	115,012	115,012
Transfer of revaluation surplus on classification of property, plant and equipment to investment property	600,218	-	-	600,218	-	-
Transfer of deferred income tax impact on revaluation gain arising from the transfer of property, plant and equipment to investment property	(108,182)	-	-	(108,182)	-	-
Share based payment expenses	-	4,932	-	4,932	4,932	4,932
Issue of shares	-	(26,103)	-	(26,103)	(26,103)	(26,103)
Transfers from retained earnings						
- Re-classification	261,582	-	(299,909)	(38,327)	-	-
- Transfers on Investment property classification	600,218	-	(600,218)	-	-	-
Balance as at 31 March 2024	2,009,630	93,841	(869,602)	1,233,869	93,841	93,841
Balance as at 1 April 2024	2,009,630	93,841	(869,602)	1,233,869	93,841	93,841
Balance as at 31 March 2025	2,009,630	93,841	(869,602)	1,233,869	93,841	93,841

Nature and purpose of other reserves

(i) Revaluation reserve

The revaluation reserve is used to record surpluses and deficits on the revaluation of property, plant and equipment. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

(ii) Share-based payment reserve

The share-based payments reserve is used to recognise:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19 EQUITY (CONTD.)

(b) Other reserves

(ii) Share-based payment reserve (Contd.)

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

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

	2025	2024
	Number of shares	Number of shares
As at 1 April	-	7,425,627
Exercised during the year	-	(7,425,627)
No. of unvested shares granted as at 31 March	-	-

Details of the shares underlying the Employee Share Option Scheme as of 31 March 2025 are as follows;

Date of Grant	Employee Category	Shares Granted	Shares vested and issued as of 31 March 2024	Remaining share allotted to scheme that may be granted by the Board of Directors at a future date
1-Aug-20	Senior Executives and Directors	35,258,375	35,258,375	18,163,411

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

Fair value of share options granted

The assessed fair value at grant date of share options granted during the year ended 31 March 2021 was LKR 131.5 Mn. The fair value at grant date was determined by the independent valuer, CT CSLA using the Binomial Option Valuation Model that takes into account the exercise price, exercise period, the impact of dilution (where material), the equity value at the grant date and, the risk-free interest rate for the term of the option, the volatilities of the peer companies. A equity transaction executed on 31 July 2020 was used in determining the equity value of the Company as at 01 August 2020, the grant date.

Following inputs were used for the options valuation model in determining the grant date fair value of the share options granted during the year ended 31 March 2024.

(a) grant date is: 01/08/2020 [2020/21 F/Y]

(b) expiry date: 31 July 2025

(c) risk-free interest rate: 1.97%

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

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

(iii) Other reserves

Other reserve category includes reserve allocated for the amalgamation of Jinadasa Marsylka (Private) Limited, general reserve allocated in Focus Brand Limited and legal reserve allocated in Hela Indochine Apparel Private Limited Company.

(c) (Accumulated losses) / retained earnings

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

	Notes	Group		Company	
		2025	2024	2025	2024
Opening balance as at 1 April		(1,710,444)	(1,534,488)	(2,319,409)	(2,300,839)
Net loss for the year		(22,635,429)	(373,276)	(54,376)	(18,570)
Items of other comprehensive income recognised directly in (accumulated losses)/ retained earnings					
Remeasurement of post employment benefit obligations - gratuity	18(h)	12,429	(144,696)	-	-
Deferred taxation impact on remeasurement of post employment benefit obligations - gratuity	18(f)	1,742	35,803	-	-
Items recognised directly in retained earnings					
Transfers from translation reserve to retained earnings		-	227,032	-	-
Transfer of deferred income tax impact on revaluation gain arising from the transfer of property, plant and equipment to investment property		-	108,182	-	-
Transfers to non controlling interest from retained earnings		(58,764)	-	-	-
Transfers of classification of investment property to property, plant and equipment		-	(29,001)	-	-
Closing balance as at 31 March		(24,390,466)	(1,710,444)	(2,373,785)	(2,319,409)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 EQUITY (CONTD.)

(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 analysis of the exchange equalisation reserve arising from such translation is as follows:

	Group		Company	
	2025	2024	2025	2024
Stated capital	7,377,504	5,780,678	7,377,504	5,780,678
Other reserves	1,233,869	1,233,869	93,841	93,841
Non -controlling interests	(151,780)	56,096	-	-
Currency equalisation reserve	4,967,469	4,914,063	2,587,139	2,715,970
Accumulated losses	(24,390,466)	(1,710,444)	(2,373,785)	(2,319,409)
As at end of year	(10,963,404)	10,274,262	7,684,699	6,271,080

The movement on the exchange equalisation reserve is as follows:

	Group		Company	
	2025	2024	2025	2024
Balance as at 1 April	4,914,063	6,120,591	2,715,970	3,259,771
Amount recognised in other comprehensive income				
Currency translations impact on revaluation surplus attributable to transfer of property, plant and equipment to investment property	-	(239,610)	-	-
Currency equalisation reserve	53,406	(995,869)	(128,831)	(543,801)
Transfers on investment property classification	-	28,951	-	-
	53,406	(1,206,528)	(128,831)	(543,801)
Balance as at 31 March	4,967,469	4,914,063	2,587,139	2,715,970

20. CASH FLOW INFORMATION

(a) Cash generated from / (used in) operations

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

	Notes	Group		Company	
		2025	2024	2025	2024
Loss before income tax expense from continuing operations		(21,065,734)	(2,331,524)	(54,359)	(18,623)
Loss before tax from discontinued operations		(626,023)	-	-	-
Loss before income tax		(21,691,757)	(2,331,524)	(54,359)	(18,623)
Adjustments for:					
Depreciation of property plant and equipment	18 (a) (i)	885,686	907,680	-	-
Impairment provision for property plant and equipment	18 (a) (i)	114,040	-	-	-
Amortisation of right of use assets	18 (b) (ii)	1,135,075	843,767	-	-
Amortisation of intangible assets	18 (d)	333,872	235,037	3,727	3,998
Impairment of intangible assets	18 (d)	8,681,876	5,186	-	-
Provision for employee benefit obligations	18 (h)	179,904	182,339	-	-
Loss / (gain) on sale of property, plant and equipment	13 (b)	145,021	(4)	-	-
Gain on the fair valuation of investment property	18 (c)	(24,500)	(35,278)	-	-
Provision for impairment of other assets	18 (e)	164,953	159,461	-	-
Net interest expenses / (income)	13 (c)	4,060,367	4,006,769	95	(59)
Provision for impairment of trade receivables	10 (c)(ii)	697,811	20,652	-	-
Fair value gain on derivatives	10 (a)(i)	-	(322,517)	-	-
Provision for impairment - other receivables	17 (a)	(20,953)	-	-	-
Realised exchange (gain) / loss		(346,327)	19,498	-	-
Provision for slow moving inventories	18 (g)(i)	1,557,485	149,654	-	-
Expense charged under ESOP	19 (b)	-	4,932	-	-
Gain on bargain purchase	9 (a)	-	(9,580,205)	-	-
Share of loss of equity accounted investees, net of tax	21 (d)	107,512	42,734	-	-
Changes in working capital					
(increase) / decrease in inventories		(283,830)	8,093,240	-	-
(increase) / decrease in trade and other receivables		617,537	(1,225,237)	13,186	(10,206)
increase in trade and other payables		3,719,069	(456,902)	69,686	72,492
Cash generated from operations		32,841	719,282	32,335	47,602

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21 INTERESTS IN OTHER ENTITIES

(a) Investment in subsidiaries

Accounting policy

Investment in subsidiaries are initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in the statement of profit or loss. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

The Group's principal subsidiaries at 31 March 2025 are set out below. Unless otherwise stated, each subsidiary has share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

	Investment			
	Place of business/ country of incorporation	Ownership	2025	2024
Hela Clothing (Private) Limited	Sri Lanka	100%	7,807,670	6,309,734
Hela Brands Limited	Mauritius	100%	29,605	31,949
			7,837,275	6,341,683

Details of the movement of investment in subsidiaries for the year ended 31 March 2025 and 2024 is as follows;

	Group		Company	
	2025	2024	2025	2024
Cost				
At the beginning of year	-	-	6,341,683	6,853,540
Issue of shares to employees under the ESOP	-	-	-	4,932
Additions	-	-	1,607,230	31,949
Exchange equalisation reserve	-	-	(111,638)	(548,738)
At the end of year	-	-	7,837,275	6,341,683

(b) Fellow subsidiaries

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

Name of entity	Place of business / country of incorporation	Immediate parent	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
			2025	2024	2025	2024
Hela USA Inc.	USA	Hela Clothing (Private) Limited	100%	100%	-	-
Hela Indochine Apparel Private Limited Company	Ethiopia		51%	51%	49%	49%
Alpha Textile (Private) Limited	Sri Lanka		100%	100%	-	-
Foundation Garments (Private) Limited	Sri Lanka		100%	100%	-	-
F D N Sourcing (Private) Limited	Sri Lanka		100%	100%	-	-
Hela Indochine ETH Trading FZCO	UAE		50%	50%	50%	50%
Hela Investment Holdings Limited	Mauritius	Foundation Garments (Private) Limited	100%	100%	-	-
Hela Intimates EPZ Limited	Kenya		100%	100%	-	-
Jinadasa Bennett (Private) Limited	Sri Lanka		100%	100%	-	-
Foundation Bennett (Private) Limited	Sri Lanka		100%	100%	-	-
Hela Clothing Egypt SAE	Egypt		99%	99%	1%	1%
Focus Group Holdings Limited	UK	Hela Brands Limited	100%	100%	-	-
Focus Italy S.r.l	Italy		100%	100%	-	-
Hela Brands Limited	UK		100%	100%	-	-
Focus International NL BV	Netherlands		100%	100%	-	-
Focus International GMBH	Germany		100%	100%	-	-
Focus Sports & Leisure International Limited	UK		100%	100%	-	-
Focus Equipment Limited	UK		100%	100%	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

21 INTERESTS IN OTHER ENTITIES (CONTD.)

(c) Non-controlling interests (NCI)

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the statement of profit or loss and other comprehensive income and as a component of equity in the statement of financial position, separately from equity attributable to owners of the Company. The following table summarises the information relating to Hela Indochine Apparel Private Limited Company and Hela Clothing Egypt SAE that has material non-controlling interest, before any intra-group eliminations.

Summarised statement of financial position

	Hela Clothing Egypt SAE		Hela Indochine Apparel Private Limited Company (Ethiopia)		Total	
31 March	2025	2024	2025	2024	2025	2024
Current assets	791,776	1,353,980	9,366	847,541	801,142	2,201,521
Current liabilities	(2,011,005)	(2,785,015)	(310,585)	(605,688)	(2,321,590)	(3,390,703)
Net current (liabilities) / assets	(1,219,229)	(1,431,035)	(301,219)	241,853	(1,520,448)	(1,189,182)
Non-current assets	1,007,670	1,283,606	-	365,976	1,007,670	1,649,582
Non-current liabilities	(206,723)	(398,064)	-	-	(206,723)	(398,064)
Net non-current assets	800,947	885,542	-	365,976	800,947	1,251,518
Net (liabilities) / assets	(418,282)	(545,493)	(301,219)	607,829	(719,501)	62,336
Accumulated NCI	(4,183)	(13,859)	(147,597)	348,681	(151,780)	334,822

Summarised statement of comprehensive income

	Hela Clothing Egypt SAE		Hela Indochine Apparel Private Limited Company (Ethiopia)		Total	
Year ended 31 March	2025	2024	2025	2024	2025	2024
Revenue	4,403,808	2,062,771	263,258	1,655,679	4,667,066	3,718,450
Profit / (loss) for the year	119,180	(1,016,708)	(744,488)	70,504	(625,308)	(946,204)
Profit / (loss) allocated to NCI	1,192	(10,167)	(364,799)	34,547	(363,607)	24,380

(d) Investments in equity accounted investees

Accounting policy

A associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture is accounted for using the equity method.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in other comprehensive income statement. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating activities.

The movement of investments accounted using equity method are as follows;

	2025	2024
Balance as at 1 April	226,134	288,325
Investment during the year	5,564	-
Share of loss of equity accounted investees, net of tax	(107,512)	(42,734)
Exchange equalisation reserve	(13,757)	(19,457)
(-) Provision for impairment	(110,429)	-
Balance as at 31 March	-	226,134

During the year Sumbiri Intimate Apparel (Private) Limited discontinued its operations in Ethiopia and there is no likelihood to restart its normal course of business. Accordingly, recoverability of the remaining investment value is made zero and fully impaired the remaining investment balance in the Group.

Nature of investment in joint ventures and associates;

Name of entity	Place of business / country of incorporation	Ownership interest held by the Group
Sumbiri Intimate Apparel (Private) Limited Company	Ethiopia	27%
Safeguard Workwear EPZ Limited	Kenya	50%

Hela Investment Holdings Limited, an indirect subsidiary of the Group, has acquired 27% shareholding of Sumbiri Intimate Apparel (Private) Limited Company ("the JV company") as at 31 March 2025. Foundation Garments (Private) Limited (indirect subsidiary) jointly operates and manages the JV company with the other shareholder. According to the joint venture agreement, Hela Investment Holdings Limited is to increase the investment in share capital of the JV company up to 50%. Sumbiri Intimate Apparel (Private) Limited is identified as a joint venture investment based on the joint control clauses in the JV agreement.

Hela Apparel Holdings PLC holds 50% shareholding of Safeguard Workwear EPZ Limited ("the JV company") as at 31 March 2025. The Group jointly operates and manages the JV company with the other shareholder. According to the joint venture agreement, Safeguard Workwear EPZ Limited is identified as a joint venture investment based on the joint control clauses in the JV agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

22 RELATED PARTY TRANSACTIONS

Accounting policy

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business on an arm's length basis with the related entities.

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non recurrent related party transactions

The Company made an announcement on 18th November 2024 with reference to Right issue 2024- Utilisation of proceeds and connected share issuance in subsidiaries namely, Foundation Garments (Private) Limited and Hela Clothing (Private) Limited. Details of the transaction is as follows.

Investor	% shareholding of investor prior share issuance	Subsidiary	Investment Amount (LKR thousands)	Number of shares issued	% shareholding of investor following share issuance
Hela Apparel Holdings PLC	100%	Hela Clothing (Private) Limited	1,592,851,640	159,285,164	100%
Hela Clothing (Private) Limited	100%	Foundation Garments (Private) Limited	2,800,411,647	280,041,164	100%

Other than disclosed above, there were no non-recurrent related party transaction of which the aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group's Consolidated Audited Financial Statements as at 31 March 2024, which requires additional disclosures in this Annual report under Colombo Stock Exchange Listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive Issued under Section 13 (C) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2024 Audited Financial Statements, which requires additional disclosures in the 2024/25 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Amounts due from related parties

	Notes	Group		Company	
		2025	2024	2025	2024
Subsidiaries		-	-	147	22,073
Equity accounted investee of ultimate parent		292,002	251,042	-	-
Provision for impairment - non trade receivables from related parties		(292,002)	(230,668)	-	-
		-	20,374	147	22,073

Accounting policy

Amounts due to related parties

	Group		Company	
	2025	2024	2025	2024
Subsidiaries	-	-	118,424	91,442
Equity accounted investee of ultimate parent	-	-	-	-
	-	-	118,424	91,442

Amount due from related parties

	Group		Company	
	2025	2024	2025	2024
Subsidiaries				
Hela Clothing (Private) Limited	-	-	-	21,926
Foundation Sourcing (Private) Limited	-	-	147	147
	-	-	147	22,073
Equity accounted Investees of ultimate parent				
Sumbiri Intimate Apparel (Private) Limited	245,586	203,200	-	-
Safeguard Workwear EPZ Limited	46,416	47,842	-	-
(-) Provision for impairment	(292,002)	(230,668)	-	-
	-	20,374	-	-

Amount due to related parties

	Group		Company	
	2025	2024	2025	2024
Subsidiaries				
Hela Clothing (Private) Limited	-	-	18,114	-
Foundation Garments (Private) Limited	-	-	70,705	61,354
Hela Brands Limited	-	-	29,605	30,088
	-	-	118,424	91,442
Equity Accounted Investee of ultimate parent				
Sumbiri Intimate Apparel (Private) Limited	-	-	-	-
	-	-	-	-

	Group		Company	
	2025	2024	2025	2024
Loan from shareholders				
Shareholders of ultimate parent company	420,639	516,055	-	-
	420,639	516,055	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

22 RELATED PARTY TRANSACTIONS (CONTD.)

Key management personnel compensation

	Group		Company	
	2025	2024	2025	2024
Short-term employee benefits	882,903	703,530	-	2,464
	882,903	703,530	-	2,464

In addition to the above, 7,425,627 ordinary shares were issued to eligible key management personnel during the year ended 31 March 2024.

The Group carried out transactions in the ordinary course of business at arm's length basis with the following related entities.

	Group		Company	
For the year ended 31st March	2025	2024	2025	2024
(i) Transaction with Related Parties				
Subsidiaries				
Investment during the period	-	-	(1,607,230)	-
Purchase of property plant and equipment	-	-	-	(31,981)
Companies under common control				
Purchase of goods	(101,487)	(81,504)	-	-
Shareholders of ultimate parent company loan received	409,807	-	-	-
	308,320	(81,504)	(1,607,230)	(31,981)

23 CONTINGENT LIABILITIES

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

The following are the corporate guarantees provided by the Company and its subsidiaries as of 31 March 2025.

Corporate guarantees given by	Guarantee or contingent liability accepted on behalf of	Financial Institution	Nature of liability	2025 (LKR In Millions)
Foundation Garments (Private) Limited	Hela Investment Holdings PLC	NDB	Corporate Guarantee - USD	296
		BOC	Corporate Guarantee - USD	1,185
			Corporate Guarantee - USD	1,778
	Hela Clothing Egypt SAE	NDB	Corporate Guarantee - USD	296
	Hela Clothing (Private) Limited	HNB	Corporate Guarantee - USD	135
		DFCC	Corporate Guarantee - USD	1,185
		Commercial Bank	Corporate Guarantee - USD	1,422
		NTB	Corporate Guarantee - USD	2,223
Foundation Garments (Private) Limited and Hela Intimates EPZ Limited	Hela Investment Holdings Limited	Aavishkaar	Corporate Guarantee - USD	1,482
		Norfund	Corporate Guarantee - USD	4,462
Hela Apparel Holdings PLC	Foundation Garments (Private) Limited	NDB	Corporate Guarantee - USD	2,911
		DFCC	Corporate Guarantee - USD	889
	Hela Clothing (Private) Limited	DFCC	Corporate Guarantee - LKR	1,200
		NDB	Corporate Guarantee - LKR	1,260
		Commercial Bank	Corporate Guarantee - USD	296
		HNB	Corporate Guarantee - USD	919
		NTB	Corporate Guarantee - LKR	2,500
Hela Clothing (Private) Limited	Foundation Garments (Private) Limited	Sampath Bank	Corporate Guarantee - USD	593
		Commercial Bank	Corporate Guarantee - USD	889
		DFCC	Corporate Guarantee - USD	889
			Corporate Guarantee - USD	889
			Corporate Guarantee - USD	2,074
			Corporate Guarantee - USD	889
		BOC	Corporate Guarantee - USD	3,112
			Corporate Guarantee - USD	68
			Corporate Guarantee - LKR	25
	Hela Investment Holdings Limited	BOC	Corporate Guarantee - USD	889
			Corporate Guarantee - USD	889
			Corporate Guarantee - USD	296
Hela Clothing (Private) Limited and Hela Apparel Holdings PLC	Foundation Garments (Private) Limited	Peoples Bank	Corporate Guarantee - USD	1,926
			Corporate Guarantee - LKR	300
Total				38,167

As at 31 March 2025, the Company and its subsidiaries have provided corporate guarantees on behalf of other entities within the Group in respect of borrowings obtained from financial institutions, amounting in aggregate to LKR 38.1 Bn. In the event of default by the respective entities, the Company and its subsidiaries that issued the corporate guarantees would be liable to settle the obligations under these guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

24 CAPITAL AND OTHER COMMITMENTS

There were no capital / financial commitments as at 31 March 2025.

25 EVENTS AFTER THE END OF REPORTING PERIOD

No events have occurred since the date of statement of financial position and the approval of these financial statements, which would require adjustments to, or disclosure in, the financial statements except for the points highlighted below.

1 Transfer of two manufacturing plants of the Group and sale of two subsidiary companies

Pursuant to a share and asset sale and purchase agreement entered between the subsidiary companies of the Group (Foundation Garments (Private) Limited, Jinadasa Bennett (Private) Limited and Foundation Bennett (Private) Limited) and Q Collection Pte. Ltd (an overseas investor), the Group transferred two of its manufacturing plants located in Narammala and Mawathagama to Jinadasa Bennett (Private) Limited, on 03 June 2025. The transfer included movable assets, business contracts, and employees who consented to the transfer. The consideration for the transfer amounted to LKR 2.1 Bn.

Under the same agreement, the Group completed the sale of 100% of its shareholding in Jinadasa Bennett (Private) Limited to which the two plants had been transferred prior to the sale and Foundation Bennett (Private) Limited to Q Collection Pte. Ltd on 13 June 2025 for a total consideration of LKR 0.6 Bn.

Both transactions were carried out as part of a group-wide restructuring plan. Negotiations regarding key terms, including the transaction structure and conditions precedent, were in progress as at the reporting date of 31 March 2025. However, the legal completion of the transactions, comprising the transfer of the Narammala and Mawathagama plants to Jinadasa Bennet (Private) Limited and the subsequent disposal of the Group's entire shareholding in Jinadasa Bennet (Private) Limited and Foundation Bennett (Private) Limited to Q Collection Pte. Ltd, occurred after the reporting date.

2 Completion of bank debt restructuring and approval of capital infusion by shareholders and strategic investors

Subsequent to the reporting date, the Group successfully completed the restructuring of its existing bank borrowings amounting to LKR 15.1 Bn subject to fulfilment of conditions applicable to restructuring proposals which primarily include capital infusion by existing shareholders and additional capital infusion by prospective investors as detailed below. The restructuring arrangement was finalised with the lending banks during the first half of the financial year 2025/2026. Under the revised terms, the facilities carry an interest rate of SOFR + 1% for the first two years of the restructuring period, after which a mutually agreed reasonable interest rate will apply. The total repayment tenure is nine (9) years, including a one-year grace period for principal repayment.

In addition, during the second half of the financial year 2025/2026, the Group anticipates a capital infusion of approximately LKR 1 Bn from its existing shareholders, along with an additional investment ranging between LKR 3 Bn and LKR 4.4 Bn from a prospective strategic investor. The proposed capital infusion plan has already received the approval of the shareholders.

These developments are considered non-adjusting subsequent events for the financial statements for the year ended 31 March 2025, as they relate to conditions that arose after the reporting date and do not provide additional evidence of conditions existing as at that date.

Other than disclosed above, there have been no events subsequent to the reporting date, which require adjustments to, or disclosure in, the financial statements.

SUPPLEMENTARY INFORMATION

STATEMENT OF PROFIT OR LOSS

(All amounts in United States Dollars)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2025	2024	2025	2024
Revenue from contracts with customers	279,585,292	219,786,837	-	-
Cost of sales	(246,290,686)	(200,494,216)	-	-
Gross profit	33,294,606	19,292,621	-	-
Distribution expenses	(15,078,307)	(9,117,531)	(1,636)	-
Administrative expenses	(39,942,252)	(35,739,994)	(291,372)	(55,398)
Net impairment loss on financial assets	(2,340,346)	(64,577)	-	-
Impairment loss on goodwill and intangible assets	(29,117,633)	(16,217)	-	-
Other income	2,253,000	1,137,091	-	-
Other (losses) / gains	(1,718,832)	29,880,559	111,012	(3,020)
Operating (loss) / profit	(52,649,764)	5,371,952	(181,996)	(58,418)
Finance income	623,621	350,452	192	259
Finance costs	(14,241,446)	(12,879,236)	(508)	(75)
Finance (costs) / income - net	(13,617,825)	(12,528,784)	(316)	184
Exceptional items:				
Impairment losses from discontinued operations	(2,074,509)	-	-	-
Expense on employee compensation scheme	(2,309,022)	-	-	-
Share of loss of equity accounted investees, net of tax	-	(133,622)	-	-
Loss before income tax from continuing operations	(70,651,120)	(7,290,454)	(182,312)	(58,234)
Income tax reversal / (expense)	(4,059,193)	6,199,489	(58)	165
Loss for the year from continuing operations	(74,710,313)	(1,090,965)	(182,370)	(58,069)
Discontinued operations				
Loss after tax for the year from discontinued operations and assets held for sale	(2,099,542)	-	-	-
Loss for the year	(76,809,855)	(1,090,965)	(182,370)	(58,069)
Loss is attributable to continuing operations:				
Equity holders of the parent	(74,714,310)	(1,167,199)	(182,370)	(58,069)
Non - controlling interests	3,997	76,234	-	-
	(74,710,313)	(1,090,965)	(182,370)	(58,069)
Loss is attributable to discontinued operations:				
Equity holders of the parent	(1,201,276)	-	-	-
Non - controlling interests	(898,266)	-	-	-
	(2,099,542)	-	-	-
Loss for the year	(76,809,855)	(1,090,965)	(182,370)	(58,069)

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in United States Dollars)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2025	2024	2025	2024
Loss for the year	(76,809,855)	(1,090,965)	(182,370)	(58,069)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	361,498	(308,747)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Transfers of classification of investment property to property, plant and equipment	-	(300,246)	-	-
Transfer of revaluation surplus on classification of property, plant and equipment to investment property	-	1,127,587	-	-
Remeasurement of post-employment benefit obligations	42,103	(452,452)	-	-
Deferred income tax impact relating to remeasurement of post-employment benefit obligations	5,842	111,953	-	-
Other comprehensive income for the year, net of tax	409,443	178,095	-	-
Total comprehensive loss for the year	(76,400,412)	(912,870)	(182,370)	(58,069)
Total comprehensive loss is attributable to:				
Equity holders of the parent	(75,506,143)	(984,537)	(182,370)	(58,069)
Non - controlling interests	(894,269)	71,667	-	-
Total comprehensive loss for the year	(76,400,412)	(912,870)	(182,370)	(58,069)

STATEMENT OF FINANCIAL POSITION

(All amounts in United States Dollars)

	Group		Company	
	As at 31 March		As at 31 March	
	2025	2024	2025	2024
ASSETS				
Non-current assets				
Property, plant and equipment	14,734,527	22,474,198	-	-
Right-of-use assets	10,479,401	13,234,591	-	-
Investment property	2,017,903	4,171,872	-	-
Intangible assets	5,948,421	7,290,977	75,000	87,500
Goodwill	7,542,272	36,408,519	-	-
Deferred tax assets	5,882,390	10,209,181	-	-
Investment in subsidiaries	-	-	26,446,261	21,055,865
Investments in equity accounted investees	-	750,819	-	-
Other financial assets at amortised cost	600	2,000,600	-	-
Total non-current assets	46,605,514	96,540,757	26,521,261	21,143,365
Current assets				
Inventories	24,310,872	28,149,315	-	-
Other assets	11,957,025	10,184,347	39,060	9,411
Trade and other receivables	47,529,042	50,687,711	496	73,286
Income tax receivables	985,239	944,396	184	242
Other financial assets at amortised cost	842,491	854,983	-	-
Cash and cash equivalents	14,750,003	27,605,807	11,923	16,795
Total current assets excluding assets classified as held for sale	100,374,672	118,426,559	51,663	99,734
Assets directly associated with assets held for sale and discontinued operations	7,432,745	-	-	-
Total assets	154,412,931	214,967,316	26,572,924	21,243,099

	Group		Company	
	As at 31 March		As at 31 March	
	2025	2024	2025	2024
EQUITY				
Stated capital	35,034,589	29,742,263	35,034,589	29,742,263
Accumulated losses	(75,733,763)	(138,039)	(9,635,036)	(9,452,666)
Exchange equalisation reserve	278,767	(82,731)	-	-
Other reserves	3,937,433	3,937,433	531,849	531,849
Net assets attributable to owners of the Company	(36,482,974)	33,458,926	25,931,402	20,821,446
Non-controlling interests	(512,169)	654,017	-	-
Total equity	(36,995,143)	34,112,943	25,931,402	20,821,446
LIABILITIES				
Non-current liabilities				
Borrowings	1,105,663	14,350,225	-	-
Lease liabilities	7,016,266	10,405,785	-	-
Deferred tax liabilities	3,831,879	4,902,684	-	-
Employee benefit obligations	2,753,537	2,443,436	-	-
Total non-current liabilities	14,707,345	32,102,130	-	-
Current liabilities				
Trade and other payables	66,968,353	53,166,168	641,522	399,847
Income tax liabilities	90,327	521,042	-	-
Lease liabilities	4,162,705	3,533,246	-	-
Borrowings	104,562,758	91,531,787	-	21,806
Total current liabilities excluding liabilities relating to assets held for sale	175,784,143	148,752,243	641,522	421,653
Liabilities directly associated with assets held for sale and discontinued operations	916,587	-	-	-
Total liabilities	191,408,074	180,854,373	641,522	421,653
Total equity and liabilities	154,412,931	214,967,316	26,572,924	21,243,099

STATEMENT OF CASH FLOWS

(All amounts in United States Dollars)

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2025	2024	2025	2024
Cash flows from operating activities				
Cash generated from / (used in) operations	29,448	(2,151,264)	115,320	169,686
Retirement benefit obligations paid	(495,000)	(399,059)	-	-
Income tax paid	(553,891)	(31,690)	-	(1,879)
Interest paid	(13,714,101)	(12,274,978)	(508)	(75)
Net cash (used in) / generated from operating activities	(14,733,544)	(14,856,991)	114,812	167,732
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,303,022)	(1,978,013)	-	-
Purchase of intangible assets	(8,250)	(837,859)	-	(100,000)
Proceeds from sale of property, plant and equipment	-	250,889	-	-
Investment made equity accounted investees	18,660	-	-	-
Interest received	623,621	350,452	192	259
Payment for acquisition of subsidiaries	-	-	(5,390,396)	(99,900)
Acquisition of shares in subsidiaries	-	12,475,160	-	-
Net cash (used in) / generated from investing activities	(668,991)	10,260,629	(5,390,204)	(199,641)
Cash flows from financing activities				
Proceeds from borrowings	315,310,670	582,978,044	-	-
Repayment of borrowings	(315,284,673)	(560,813,580)	-	-
Net proceeds from share issue	5,292,326	-	5,292,326	-
Lease rentals paid during the year	(4,388,060)	(2,983,050)	-	-
Net cash generated from financing activities	930,263	19,181,414	5,292,326	-
Net (decrease) / increase in cash and cash equivalents	(14,472,272)	14,585,052	16,934	(31,909)
Cash and cash equivalents at the beginning of the year	26,504,691	11,919,639	(5,011)	26,898
Cash and cash equivalents at the end of the year	12,032,419	26,504,691	11,923	(5,011)

FIVE YEARS FINANCIAL SUMMARY - GROUP

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

	Hela Apparel Holdings PLC				
Year ended 31 March	2025	2024	2023	2022	2021
Income statement					
Group revenue	83,362,707	70,288,945	95,302,705	56,179,623	32,155,092
Gross profit	9,927,305	6,169,879	11,586,267	8,576,163	6,065,467
Operating profit / (loss)	(15,698,348)	1,717,979	630,448	2,256,917	1,960,024
Profit / (loss) before taxation	(21,065,734)	(2,331,524)	(3,424,915)	829,136	912,100
Income tax expense	(1,210,312)	1,982,628	(92,467)	248,471	40,564
Profit / (loss) after taxation	(22,276,046)	(348,896)	(3,332,448)	580,665	871,536
Profit / (loss) attributable to the equity holders of the parent	(22,277,238)	(373,276)	(3,498,317)	584,044	766,846
Statement of financial position					
Assets					
Non-current assets					
Property, plant and equipment	4,366,537	6,768,862	9,001,940	6,554,602	3,560,886
Right-of-use assets	3,105,541	3,986,043	2,742,171	740,821	562,667
Deferred tax assets	1,743,230	3,074,839	1,128,036	182,650	304,947
Other non current assets	4,596,108	15,246,758	12,805,784	11,685,407	7,654,791
Total non-current assets	13,811,416	29,076,502	25,677,931	19,163,480	12,083,291
Current assets	31,948,427	35,668,148	30,019,983	34,491,662	14,590,815
Total assets	45,759,843	64,744,650	55,697,914	53,655,142	26,674,106
Equity					
Capital and reserves					
Stated capital	7,377,504	5,780,678	5,754,575	5,696,037	1,723,899
Other reserves	1,233,869	1,233,869	801,331	141,032	86,065
Retained earnings / (accumulated losses)	(24,390,341)	(1,710,444)	(1,534,488)	2,080,020	1,313,835
Exchange equalisation reserve	4,967,469	4,914,063	6,120,591	4,725,105	505,769
Non-controlling interest	(151,780)	56,096	316,391	150,522	340,114
Total equity	(10,963,279)	10,274,262	11,458,400	12,792,716	3,969,682
Non-current liabilities					
Borrowings	327,660	4,322,054	1,804,131	2,574,365	2,063,220
Deferred tax liabilities	1,135,567	1,476,608	1,613,979	575,488	372,059
Lease liabilities	2,079,251	3,134,053	2,134,142	350,258	548,511
Employee benefit obligations	816,003	735,923	536,101	426,471	436,905
Total non-current liabilities	4,358,481	9,668,638	6,088,353	3,926,582	3,420,695
Current liabilities	52,364,766	44,801,750	38,151,161	36,935,898	19,283,729
Total liabilities	56,723,247	54,470,388	44,239,514	40,862,480	22,704,424
Total equity and liabilities	45,759,968	64,744,650	55,697,914	53,655,196	26,674,106
Ratios and Statistics					
Annual growth in turnover	18.6%	-26.2%	69.6%	74.7%	-2.2%
Gross profit margin	11.9%	8.8%	12.2%	15.3%	18.9%
Net profit margin	-26.7%	-0.5%	-3.5%	1.0%	2.7%
Gearing ratio (Times)	-2.9	3.1	2.4	2.2	4.0
Return on Equity (ROE)	-206%	-4%	-29.4%	7.2%	25.0%

INVESTOR INFORMATION

1. DISTRIBUTION OF SHAREHOLDERS

As at 31st March 2025	Resident			Non-Resident			Total		
Shareholdings	No. of Shareholders	No. of Shares	Percentage (%)	No. of Shareholders	No. of shares	Percentage (%)	No. of Shareholders	No. of Shares	Percentage (%)
1 to 1,000 Shares	2,949	1,335,546	0.08	3	1,400	0	2,952	1,336,946	0.08
1,001 to 10,000 Shares	8,640	29,456,300	1.79	6	26,599	0	8,646	29,482,899	1.79
10,001 to 100,000 Shares	1,798	61,145,900	3.74	7	185,470	0.01	1,805	61,331,370	3.75
100,001 to 1,000,000 Shares	391	103,157,976	6.30	1	270,000	0.02	392	103,427,976	6.32
Over 1,000,000 Shares	45	579,664,443	35.42	4	861,503,153	52.64	49	1,441,167,596	88.06
Total	13,823	774,760,165	47.33	21	861,986,622	52.67	13,844	1,636,746,787	100

2. CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	13,476	476,068,236
Institutional	368	1,160,678,551
	13,844	1,636,746,787

3. PUBLIC HOLDINGS

Public Holding as at 31 March	2025	2024
Issued Share Capital (No. of Shares)	1,636,746,787	1,317,381,560
Public Holding as a % of Issued Share Capital	23.18%	21.28%
Total Number of Shareholders	13,844	13,874
Number of Shareholders representing the Public Holding	13,834	13,855

Minimum Public Holding Requirement as per Listing Rules 7.14.1

	Float Adjusted Market Capitalisation (LKR)	Public Holding (%)	No. of Shareholders Representing the Public Holding
Public Holding as at 31 March 2025	1,403,772,249	23.18%	13,834

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

4. SHARE TRADING

Public Holding	2025	2024
Market Value of Shares		
Last Traded Price on 31 March (LKR)	3.70	6.10
Highest Price During the Year Ended 31 March (LKR)	7.70	6.30
Lowest Price During the Year Ended 31 March (LKR)	3.60	4.80
Market Capitalisation on 31 March (LKR 000')	6,055,963	8,036,028
Share Trading		
No of Transactions During the Year	39,959	22,198
No of Shares Traded During the Year	380,545,947	190,346,808
Value of Shares Traded During the Year	2,232,245,848.20	1,130,277,014

5. SHAREHOLDER INFORMATION

		2025		2024	
List of 20 Major Shareholders as at 31 March		No. of Shares	%	No. of Shares	%
1	Lesing Hela Limited	792,756,301	48.43	614,256,956	46.63
2	Tars Investments Lanka Pvt Ltd	261,927,898	16.00	229,862,259	17.45
3	Mr. P.L.D. Jinadasa	191,728,960	11.71	148,531,300	11.27
4	Citibank Newyork S/A Norges Bank Account 2	34,932,879	2.13	28,116,708	2.13
5	Mr. D.E.H. McVey	30,598,973	1.87	30,598,973	2.32
6	Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam	14,600,000	0.89	16,260,071	1.23
7	Mr. T.C.U. Jayanetti	8,000,000	0.49	-	-
8	Hatton National Bank PLC/ Dinesh Nagendra Sellamuttu	7,854,644	0.48	-	-
9	Mr. R.S.P. Amaratunga	5,407,961	0.33	5,007,961	0.38
10	Mrs. D.C.R. Boteju	5,310,000	0.32	-	-
11	Mr. A.R. Rasiah	5,309,801	0.32	4,273,743	0.32
12	Mr. M.A. De Silva	4,704,239	0.29	-	-
13	Mr. P.S.V. Fernando	4,403,743	0.27	4,303,743	0.33
14	Mr. D.M. Beruwalage	4,300,927	0.26	4,361,600	0.33
15	Mr. A.M. Weerasinghe	3,758,308	0.23	-	-
16	Hatton National Bank PLC/ Sonali Senaratna	3,585,084	0.22	-	-
17	Simins Trust Services (Pvt) Ltd	3,349,796	0.20	-	-
18	Mr. R. Gautam	3,215,000	0.20	-	-
19	Mr. S.V. Somasunderam	3,140,737	0.19	-	-
20	Mr. S.D. Liyanage	3,130,359	0.19	-	-
		1,392,015,610	85.02	1,085,573,314	82.39

INVESTOR INFORMATION

Directors' Shareholding as at 31st March	2025 No. of Shares	2024 No. of Shares
Directors' Direct Shareholding		
Mr. P.L.D. Jinadasa (Executive Director/Group CEO)	191,728,960	148,531,300
Mr. A.R. Rasiah (Chairman)	5,309,801	4,273,743
Ms. T.S. Peries (Resigned on 31.03.2025)	71,315	57,400
Mr. G.P. Gunawardana	-	-
Mr. A. Alderton	-	-
Mr. A.S. Cockerham*	-	-
Mr. C.M. Horn*	-	
Mr. A. De Silva Muthumuni*	-	-
	197,110,076	152,862,443

**Appointed w.e.f. 27 December 2024*

6. EMPLOYEE SHARE OWNERSHIP PLAN AS AT 31 MARCH 2025

Date of Grant	Employee Category	Shares Granted	Shares Vested & Issued as of 31 March 2025	Remaining shares allotted to Scheme that may be granted by the Board of Directors at a future date
01-Aug-20	Senior Executives & Directors	35,258,375	35,258,375	18,163,411

Note: The Employee Share Ownership Plan was originally established as a Share Option Scheme and was converted by a special resolution of the shareholders passed on 7 September 2021. In addition to the 35,258,375 shares granted on 1 August 2020, 18,163,411 shares remain allotted to the scheme and may be granted at a future date by the Board of Directors.

7. UTILISATION OF RIGHTS ISSUE PROCEEDS

In June 2024, the Company announced a Rights Issue of 319,365,227 Ordinary Voting Shares, on the basis of eight (8) new ordinary share for every thirty-three (33) ordinary shares held, at an issue price of Rs. 5.00 per share to raise Rs. 1,596,826,135. The Rights Issue was oversubscribed, and the new ordinary shares allotted from the Rights Issue were listed on 10 October 2024.

As detailed in the Circular to the shareholders dated 7 August 2024, the proceeds of the Rights Issue (after deducting the costs of the Rights Issue) were intended to be made available by the Company to its sub-subsidiary Foundation Garments (Private) Limited in the form of investments in its share capital, to facilitate the settlement by Foundation Garments (Private) Limited of amounts due and payable under banking facilities obtained by it. As disclosed by the Company on 13 November 2024, the proceeds of the Rights Issue were fully utilised for this objective as of 13 November 2024 and further details are provided below.

(i) Remaining Proceeds of Rights Issue

Amount Raised From the Rights Issue (LKR)	Cost of the Issue (LKR)	Remaining Proceeds (LKR)
1,596,826,135	3,974,488	1,592,851,647

(ii) Details of Investments in Subsidiaries as a result of the Rights Issue

Investor	Subsidiary	% Shareholding of Investor Prior to Share Issuance	Investment Amount (LKR)	Price per Share (LKR)	Number of Shares Issued	% Shareholding of Investor Following Share Issuance
Hela Apparel Holdings PLC	Hela Clothing (Private) Limited	100%	1,592,851,640/-	10	159,285,164	100%
Hela Clothing (Private) Limited	Foundation Garments (Private) Limited	100%	1,592,851,640/-	10	159,285,164	100%

(iii) Utilisation of Proceeds from the Rights Issue as at 13 November 2024

Objective No.	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilisation as per circular	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilised against allocation (B/A)	Clarification if not fully utilised including where the funds are invested. (i.e. whether lent to related parties etc.)
1.	Settlement of Banking Facilities by Foundation Garments (Private) Limited	1,592,851,647	11th November 2024	1,592,851,640	100%	1,592,851,640	100%	N/A

GROUP COMPANIES AND DIRECTORATE

Name	Country of Incorporation	Relationship	Effective Holding		Principal Activity	Board Members
			FY 2024/25	FY 2023/24		
Hela Clothing (Pvt) Limited	Sri Lanka	Direct Subsidiary	100%	100%	Manufacture of garments for export market.	A R Rasiah P L D Jinadasa G P Gunawardana R S P Amaratunga A De Silva Muthumuni
Foundation Garments (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Manufacture of garments for export market.	A R Rasiah P L D Jinadasa G P Gunawardana
F D N Sourcing (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Providing front end services to foreign clients.	A R Rasiah P L D Jinadasa G P Gunawardana
Alpha Textiles (Pvt) Limited	Sri Lanka	Indirect Subsidiary	100%	100%	Dormant Company.	A R Rasiah P L D Jinadasa G P Gunawardana
Hela Investment Holdings Limited	Mauritius	Indirect Subsidiary	100%	100%	Providing trading and other support services to Group Companies, and to act as investment holding company.	A R Rasiah P L D Jinadasa G P Gunawardana D B F Shahnaz F H Doobarry
Hela USA Inc.	USA	Indirect Subsidiary	100%	100%	Design and marketing office.	A R Rasiah P L D Jinadasa G P Gunawardana
Hela Intimates EPZ Limited	Kenya	Indirect Subsidiary	100%	100%	Manufacture of garments for export market.	P L D Jinadasa G P Gunawardana
Safeguard Workwear EPZ Limited	Kenya	Joint Venture	50%	50%	Manufacture of garments for export market.	P L D Jinadasa G S M A Gulam K M H Dostmohamed G P Gunawardana
Hela Indochine Apparel PLC	Ethiopia	Indirect Subsidiary	51%	51%	Manufacture of garments for export market.	This company type in Ethiopia does not require a governing board.
Sumbiri Intimate Apparel PLC	Ethiopia	Joint Venture	27%	27%	Manufacture of garments for export market.	This company type in Ethiopia does not require a governing board.
Hela Clothing Egypt S.A.E	Egypt	Subsidiary	99%	99%	Manufacture of garments for export market.	P L D Jinadasa R S P Amaratunga R M F A Torky A B K M Baseer W M L P Fernando

Name	Country of Incorporation	Relationship	Effective Holding		Principal Activity	Board Members
			FY 2024/25	FY 2023/24		
Hela Brands Limited	Mauritius	Direct Subsidiary	99.99%	99.99%	Providing trading and other support services to Group Companies, and to act as investment holding company.	A R Rasiah P L D Jinadasa G P Gunawardana D B F Shahnaz F H Doobarry
Focus Brands Limited	UK	Indirect Subsidiary	100%	100%	Retail sale of clothing in specialised stores. Non-trading entity.	A J Alderton R Evans P L D Jinadasa
Focus Group Holdings Limited	UK	Indirect Subsidiary	100%	100%	Activities of head offices. Non-trading entity.	P L D Jinadasa R Evans
Hela Brands Limited	UK	Indirect Subsidiary	100%	100%	Non-specialised wholesale trade.	P L D Jinadasa R Evans A Ward
Focus Sports & Leisure International Limited (Dissolved w.e.f. October 21 2025)	UK	Indirect Subsidiary	100%	100%	Dormant Company.	P L D Jinadasa R Evans
Focus Equipment Limited (Dissolved w.e.f. October 21 2025)	UK	Indirect Subsidiary	100%	100%	Dormant Company.	P L D Jinadasa R Evans
Focus International NL BV	Netherlands	Indirect Subsidiary	100%	100%	Non trading.	M Schaffer
Focus Italy S.R.L	Italy	Indirect Subsidiary	100%	100%	Non trading.	M Schaffer
Focus International GmBH	Germany	Indirect Subsidiary	100%	100%	Cost entity for Germany sales team.	M Schaffer

GLOSSARY

BLD

Brand Licensing Division

CAPITAL EMPLOYED

Total shareholders' funds plus debt and non-controlling interests

CURRENT RATIO

Current assets divided by current liabilities

DEBT TO EQUITY RATIO

Interest bearing borrowings including lease liabilities as a percentage of shareholders' funds and non-controlling interests

DEFERRED TAXATION

Sum set aside for tax in the accounts if an entity that will become liable in a period other than that under review

DILUTED EARNINGS PER SHARE (EPS)

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised

EARNINGS PER SHARE (BASIC)

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period

EFFECTIVE RATE OF TAXATION

Tax expense divided by profit before tax

INTEREST COVER

Consolidated profit before interest and tax over interest expense

MARKET CAPITALISATION

Number of shares in issue at the end of the period multiplied by the market price at the end of the period

NET ASSETS

Total assets minus current liabilities, long term liabilities, and non-controlling interests

NET ASSETS PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end

NET DEBT

Total debt minus cash and short-term deposits

NOPAT

Net Operating Profit After Tax

NET PROFIT MARGIN

Profit after tax divided by total revenue

PLMD

Private Label Manufacturing Division

PRICE EARNINGS RATIO

Market price per share over diluted earnings per share

RETURN ON ASSETS

Profit after tax as a percentage of average total assets

RETURN ON CAPITAL EMPLOYED (ROCE)

Operating profit as a percentage of average capital employed

RETURN ON EQUITY (ROE)

Profit attributable to shareholders as a percentage of average shareholders' funds

TOTAL DEBT

Long and short-term loans, including overdrafts and lease liabilities

WORKING CAPITAL

Current assets minus current liabilities

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Hela Apparel Holdings PLC will be held on Monday, 29 December 2025 at 3:30 pm as an online audio-visual meeting, centred from the Registered Office of the Company at No. 35, Balapokuna Road, Colombo 06 for the following purposes:

1. ORDINARY BUSINESS

1.1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31 March 2025 and the Report of the Auditors thereon.

1.2 To elect Mr. A. S. Cockerham as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company;

1.3 To elect Mr. C. M. Horn as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company.

1.4 To elect Mr. A. De Silva Muthumuni as a Independent Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company.

1.5 To re-elect Mr. Ray Evans as an Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company.

1.6 To re-appoint Messrs Deloitte Partners, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.

1.7 To authorise the Directors to determine donations for the year ending 31 March 2026 and up to the date of the next Annual General Meeting.

By Order of the Board,

HELA APPAREL HOLDINGS PLC



Corporate Advisory Services (Pvt) Ltd
Company Secretaries

5 December 2025
At Colombo

NOTES:

1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be sent by email to hela_agm@helaclothing.com by 3.30 pm on 26 December 2025.

FORM OF PROXY

HELA APPAREL HOLDINGS PLC

*I/We .....

..... of ..... being a

*Shareholder / Shareholders of Hela Apparel Holdings PLC, hereby appoint ..... of

..... or failing him

Mr. P. L. D. Jinadasa	or failing him
Mr. G. P. Gunawardana	or failing him
Mr. A. S. Cockerham	or failing him
Mr. C. M. Horn	or failing him
Mr. A. De Silva Muthumuni	or failing him
Mr. Ray Evans	

as *my/our proxy to vote for me/us on my/our behalf for/against the resolution and/or speak at the Fourth Annual General Meeting of the Company to be held on 29 December 2025 at 3.30 pm as a virtual AGM and at any adjournment thereof.

		For	Against
1.	**ORDINARY BUSINESS**		
1.1	To receive and consider the Annual Report of the Board of Directors of the Company and its subsidiaries and the statement of Accounts for the year ended 31st March, 2025 and the Report of the Auditors thereon		
1.2	To elect Mr. A.S. Cockerham as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company		
1.3	To elect Mr. C.M. Horn as a Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company		
1.4	To elect Mr. A. De Silva Muthumuni as a Independent Non-Executive Director in accordance with Article No. 27 (2) of the Articles of Association of the Company		
1.5	To re-elect Mr. Ray Evans as an Executive Director in accordance with Article 27 (2) of the Articles of Association of the Company		
1.6	To re-appoint Messrs Deloitte Partners, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.		
1.7	To authorise the Directors to determine donations for the year ending 31 March 2026 and up to the date of the next Annual General Meeting		

Signed this ..... day of ..... Two Thousand and Twenty Five

.....

Signature

1) *Please delete the inappropriate words.

2) Instructions as to completion are noted on the reverse thereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. **THE PROXY SHALL**

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy should be emailed to hela_agm@helaclothing.com by on or before 3.30 pm on 26 December 2025.

CORPORATE INFORMATION

NAME OF COMPANY
Hela Apparel Holdings PLC

LEGAL FORM
Public Limited Liability Company incorporated under the Companies act No. 7 of 2007

DATE OF INCORPORATION
11 October 2018

COMPANY REGISTRATION NUMBER
PQ00205151

ACCOUNTING YEAR END
31 March

PRINCIPAL ACTIVITY OF THE COMPANY
Providing consultancy and support services to group companies.

REGISTERED OFFICE
35, Balapokuna Road, Colombo 06, Sri Lanka

WEBSITE
www.helaclothing.com

SECRETARIES
M/s Corporate Advisory Services (Pvt) Ltd No. 47, C W W Kannangara Mawatha, Colombo 7

AUDITORS
Deloitte Partners
100, Braybrooke Place,
Colombo 02, Sri Lanka

COMPANY REGISTRARS
SSP Corporate Services (Pvt) Ltd
101, Inner Flower Road,
Colombo 03, Sri Lanka

BANKERS
ABSA Bank Kenya PLC
Abu Dhabi Islamic Bank
Banque Misr
Bank of Ceylon
Commercial Bank of Ceylon PLC
Commercial Bank of Ethiopia
Citi Bank
Co-operative Bank Kenya
DFCC Bank PLC
Equity Bank Kenya Limited
First Abu Dabi Bank
Hatton National Bank PLC
I & M Bank Ltd
National Bank of Egypt
National Development Bank PLC
Nations Trust Bank PLC
People's Bank
Qatar National Bank
Sampath Bank PLC
Standard Chartered Bank PLC
Standard Chartered Bank Mauritius Limited
Union Bank

PRINCIPAL ACTIVITIES OF THE GROUP
Manufacture of apparel for export markets and provision of front-end services to foreign customers

DIRECTORS (AS AT DATE OF ANNUAL REPORT)
A R Rasiah (Retiring w.e.f. 29 December 2025)
P L D Jinadasa
G P Gunawardana
A S Cockerham
C M Horn
A De Silva Muthumuni
R Evans

AUDIT & RISK COMMITTEE
G P Gunawardana
A De Silva Muthumuni
A S Cockerham

REMUNERATION COMMITTEE
G P Gunawardana
A R Rasiah (Retiring w.e.f. 29 December 2025)
C M Horn
A De Silva Muthumuni
A J Alderton

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
G P Gunawardana
A R Rasiah (Retiring w.e.f. 29 December 2025)
A J Alderton
A S Cockerham
A De Silva Muthumuni

NOMINATIONS AND GOVERNANCE COMMITTEE
G P Gunawardana
A R Rasiah (Retiring w.e.f. 29 December 2025)
A S Cockerham
A De Silva Muthumuni
A J Alderton

DIRECT SUBSIDIARY
Hela Clothing (Private) Limited

INDIRECT SUBSIDIARIES
Foundation Garments (Private) Limited
F D N Sourcing (Private) Limited
Alpha Textiles (Private) Limited
Hela Investment Holdings Limited
Hela Indochine Apparel Private Limited Company
Hela Intimates EPZ Limited
Hela USA, Inc.
Hela Clothing Egypt SAE
Hela Brands Limited (Mauritius)
Focus Brands Limited
Focus Group Holdings Limited
Focus Italy S.R.L
Hela Brands Limited (UK)
Focus International NL BV
Focus International GmBH
Focus Sports & Leisure International Limited (Dissolved w.e.f. 21 October 2025)
Focus Equipment Limited (Dissolved w.e.f. 21 October 2025)

JOINT VENTURES
Sumbiri Intimate Apparel Private Limited Company
Safeguard Workwear EPZ Limited



35 Balapokuna Road, Colombo 6, Sri Lanka
www.helaclothing.com