ANNEXURE – 7

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
AUDIT REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

TIBEBE MENGISTU CERTIFIED AUDIT FIRM
CHARTERED CERTIFIED ACCOUNTANTS (UK)
AUTHORIZED AUDITORS (ETH.)
ADDIS ABABA
ETHIOPIA

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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Tibebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

REGISTERED OFFICE

Region	SNNPRS
Zone	Sidama
Woreda	Awassa Vicinity
House No.	PLOT NO 36
P.O.Box	-

MANAGEMENT

MR. Chamath Rajapakshe	General manager
Mr. Indika Yapage	Finance Manager

AUDITORS

Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Bole Sub City
Abyssinia Plaza
P.O.Box 110738
Addis Ababa
Ethiopia

BANKERS

Commercial Bank of Ethiopia	Hawassa

COMPANY REGISTRATION NUMBERS

Principal Registration Number	EIA-PC/01/005374/09
Tax Identification Number	0050977772
VAT Registration Number	11574580005

Tibebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Commercial Code of Ethiopia 1960 requires the management of the Company to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the entity as at the end of the financial year and of the operating results of the entity for that year. It also requires the management to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity. Management is also responsible for safeguarding the assets of the entity.

The management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in the manner required by the Commercial Code of Ethiopia,1960 and for such internal controls as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the entity and of its operating results. The management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Company by:

Finance Manager

General Manager

AUDITORS' REPORT TO THE SHAREHOLDERS OF HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY

We have audited the accompanying financial statements of Hela Indochine Apparel PLC., which comprise the Financial position as of 31 March 2021 the statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. As discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

OPINION

In our opinion, the financial statements present fairly the financial position of the Hela Indochine Apparel Private Limited Company as at 31 March 2021 and of its financial performance and its cash flows for the year then ended.

Tibebe Mengistu Certified Audit Firm
Charted Certified Accountants (UK)
Authorized Auditors (Eth.)

P.O.Box 292,Code 1065
Addis Ababa
Ethiopia
Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants & Authorized Auditors

18 June 2021
Addis Ababa
Ethiopia

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Birr	2020 Birr
REVENUE -Export sales	2c	192,161,130.10	142,209,469
COST OF SELAS	3	124,753,958	102,584,977
GROSS PROFIT		67,407,172	39,624,492
OTHER INCOME		859,297	375,805
		68,266,469	40,000,297
OPERATING EXPENSES			
Selling and administrative	4	30,465,206	24,347,058
Unrealized Foreign Exchange (gain) / loss	2b	(4,121,228)	6,945,223
		26,343,978	31,292,281
OPERATING PROFIT / (LOSS)		41,922,491	8,708,016
PROVISION FOR PROFIT TAX	12	-	-
		41,922,491	8,708,016
BALANCE CARRIED FORWARD		(52,130,659)	(60,951,159)
Prior year adjustment		-	112,484
TRANSFER TO PROFIT AND LOSS ACCOUNT		(10,208,168)	(52,130,659)

Tibebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2021

ASSETS	Notes	Birr	31.03.2020 Birr
NON CURRENT ASSETS			
Property, plant and equipment	2d,5	39,542,860	32,170,386
Pre-operational expenses	2e,6	73,723	2,450,392
		39,616,583	34,620,778
CURRENT ASSETS			
Trade and other receivables	7	17,845,995	10,334,087
Inventory - raw materials		-	471,528
Foundation Garments Pvt. Ltd		4,386,601	-
Hela Intimates EPZ Ltd.		1,914,948	-
Shareholders' account - GBX Trading FZE		811,317	469,836
Cash and Cash equivalents	8	31,479,616	759,738
		56,438,477	12,035,189
TOTAL ASSETS		96,055,061	46,655,966
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid up capital	9	65,680,300	64,983,400
Retained earning		(10,208,168)	(52,130,659)
		55,472,132	12,852,741
CURRENT LIABILITIES			
Trade and other payables	10	35,168,672	23,171,968
Payable to related companies	11	3,794,859	10,631,257
Shareholders' account-Hela Clothing Private LTD		1,619,397	-
		40,582,928	33,803,225
TOTAL EQUITY AND LIABILITIES		96,055,061	46,655,966

Tibebe Mengistu Certified Audit Firm
Chartered Certified Accountants and Authorized Auditors

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HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Paid up Capital Birr	Retained Earning Birr	Total Birr
Balance as at 31 March 2019	38,591,200	(60,951,158.00)	(22,359,958)
Prior Period Adjustment	-	112,484.00	112,484
Capital incremental	26,392,200	-	26,392,200
Loss of the year	-	8,708,015.00	8,708,015
Balance as at 31 March 2020	64,983,400	(52,130,659)	12,852,741
Capital incremental	696,900	-	696,900
Profit of the year	-	41,922,491.19	41,922,491
Balance as at 31 March 2021	65,680,300	(10,208,168)	55,472,132

Tikebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

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HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Birr	2020 Birr
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	13	42,720,284	(21,436,702)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-	-
TAXATION		-	-
INVESTING ACTIVITIES			
Purchase of fixed assets		(12,697,305)	(4,564,213)
NET CASH (OUTFLOW) BEFORE FINANCING		30,022,979	(26,000,915)
FINANCING			
Capital increment		696,900	26,392,200
		30,719,879	391,285
INCREASE / (DECREASE) IN CASH	14	30,719,879	391,285

Tibebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

HELA INDOCHINE APPAREL PRIVATE LIMITED COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1. BACKGROUND

Hela Indochine Apparel Private Limited Company is a company established in Ethiopia under Industrial Park Proclamation no.886/2015 of the Federal Democratic Republic of Ethiopia, Hawassa Industrial Park Plot No 36 (5,500m2), 47 (5,500m2), comprising a total building area of 11,000m2 for the ultimate objective of engaging in Manufacturing of wearing Apparel (Including Sport wears).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The preparation of the financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accounting disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on managements experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

b) Functional Currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional Currency'). The financial statements are presented in Ethiopian Birr which is the company's functional currency.

Transaction and Balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

C) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company when specific criteria have been met for each of the Company's activities.

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d) Property, plant and equipment

Property, plant and equipment are stated at cost less Accumulated depreciation. The company changes its depreciation policy in the year 2018. Depreciation is charged using straight line method to calculate carrying value, net of residual value over the estimated useful life of PPE.The useful lives have been determined based on the technical evaluation done by the management and are as follows:

	years
Buildings	20
Plant and machinery	10
Furniture's and fixtures	10
Computer and software	5
Office equipment	10

e) Preoperational expense

Preoperational expense is accumulated during the project period to be amortized at the rate of 25% per annum starting from the commencement of operation (i.e. April 2017).

f) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resource. Contingent liabilities are not recognize but are disclosed in the notes to the accounts . Contingent assets are neither recognized nor disclosed in the financial statements.

g) Related party balance and transaction

A party is related to an entity if, inter alia;

(i) directly, or indirectly through one or more intermediaries, the party;
a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
b) has an interest in the entity that gives it significant influence over the entity; or
c) has joint control over the entity;

(ii) the party is an associate of the entity.

3. COST OF SALES

	Birr	2020 Birr
Direct Producation	746,050	1,027,682
Salary and wage	87,300,845	72,580,317
Repair and maintenance	2,273,333	2,553,555
Employees transport	10,225,548	6,027,412
Depreciation	4,123,970	3,649,981
Shade rent	8,613,226	5,827,291
Import cost	267,189	372,599
Written off inventory	471,528	1,822,151
Factory Cleaning	489,774	578,301
Food and Accommodation	7,655,987	6,243,548
Utilities	2,586,510	1,902,140
	124,753,958	102,584,977

4. ADMINISTRATIVE EXPENSE

Travel and perdiem	3,558,031	2,002,132
Office supplies and stationary	587,097	713,027
Communication	1,202,673	966,384
Fuel and lubricant	2,136,719	485,388
Vehicle rent	62,183	1,544,584
Accommodation	4,871,984	4,790,559
Other	588,198	355,550
Insurance	589,820	461,972
Penalty	64,643	178,613
Advertisement	1,925	825
Security service	495,975	409,291
Professional fee	540,860	570,749
Membership and subscription	1,648,356	709,674
Bank service charge	1,268,064	616,135
Gardening	7,061	15,360
Depreciation	1,200,862	1,718,733
Amortization	2,376,669	2,376,669
Loading and unloading	-	66,844
Donation	96,000	-
Export cost	9,168,087	6,364,568
	30,465,206	24,347,058

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Chartered Certified Accountants and Authorized Auditors

5. PROPERTY, PLANT AND EQUIPMENT

	Balance at 31.03.2020 Birr	Addition Birr	Adjustment Birr	Balance at 31.03.2021 Birr
COST				
Furniture and equipment	6,155,996	1,082,244	-	7,238,240
Plant and Machinery	36,409,548	8,817,584	-	45,227,132
Building	1,819,671	-	-	1,819,671
Computer and software	2,806,953	740,736	-	3,547,690
Machineries in transit	1,002,257	2,056,741	-	3,058,997
	48,194,425	12,697,305	-	60,891,730
DEPRECIATION				
Furniture and equipment	2,628,500	628,778	-	3,257,277
Plant and Machinery	11,921,694	4,040,745	-	15,962,440
Building	164,853	83,224	-	248,077
Computer and software	1,308,992	572,084	-	1,881,076
	16,024,039	5,324,831	-	21,348,870
NET BOOK VALUE	32,170,386			39,542,860

6. PREOPERATIONAL EXPENSE

Expenditure	9,506,675	-	-	9,506,675
Amortization	7,056,283	2,376,669	-	9,432,952
	2,450,392			73,723

7. TRADE AND OTHER RECEIVABLES

	Birr	31.03.2021 Birr
Account Receivable local	2,814,295	1,669,047
Prepayment	6,289,326	4,690,135
VAT receivables	3,194,856	2,866,844
Work advance	5,037,336	830,969
Staff receivable	87,917	34,592
Salary advance	336,552	242,500
Withholding Tax	28,229	-
Excise Tax Payable 8%	57,485	-
	17,845,995	10,334,087

8. CASH ON HAND AND AT BANK

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less and are available to the company without any restriction.

		31.03.2020
	Birr	Birr
Cash in hand	21,620	13,200
Cash at bank		
Current account	10,615,194	28,820
USD account	20,842,802	717,718
	31,457,995	746,538
	31,479,616	759,738

9. SHARE CAPITAL

Share capital represents the value of 656,803 equity shares of Birr100 contributed by the shareholders of the company allotted as follows:

Hela Clothing Private LTD	33,496,953	46,073,712
GBX Trading FZE	32,183,347	18,909,688
	65,680,300	64,983,400

10. TRADE AND OTHER PAYABLES

Trade payables	2,343,181	957,902
Advance Collection For Export	7,048,083	11,598,707
Foreign suppliers	2,509,531	1,539,880
IPDC	46,752	46,752
Salary tax payable	692,698	554,572
Pension payable	620,344	438,563
Withholding tax payable	42,480	53,926
Sundry payables	10,276,092	3,550,248
Excise tax	-	1,589
Accruals	11,589,510	4,429,829
	35,168,672	23,171,968.39

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11. PAYABLE TO RELATED COMPANIES

		31.03.2020
	Birr	Birr
Foundation Garments Pvt. Ltd (11a)	-	2,781,444
FDN Sourcing (Pvt) Ltd (11b)	3,090,582	1,760,140
Alpha Textile Pvt.Ltd	704,277	662,738
Hela Intimates EPZ Ltd. (11c)	-	5,426,935
	3,794,859	10,631,257

11.1 RELATED PARTY TRANSACTIONS

a) Foundation Garment Private Ltd.

Reimbursement of expenses	-	2,781,444

b) FDN Sourcing Private Ltd.

Reimbursement of expenses	3,090,582	1,760,140

c) Hela Intimates EPZ Ltd & Alpha Textile Pvt.Ltd

Reimbursement of expenses	704,277	6,089,674

12. PROVISION FOR PROFIT TAX

Based on Ethiopian Investment Commission letter (Ref.no 11/E/P/H/103/296), Hela Indochine Apparel Private Limited Company entitled to tax exemption from income tax for 6 years starting from the Company becomes operational (i.e 30 July 2018).Additional income tax exemption for 4 years granted by EIC due to the company exports 80% of its products abroad (Total exemption period 10 years).

13. RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH (OUTFLOW)FROM OPERATING ACTIVITIES

	Birr	2020 Birr
Profit for the year	41,922,491	8,708,015
Prior year adjustment	-	112,484
Depreciation and amortization	7,701,500	7,745,382
Adjustment to fixed assets	-	(112,500)
Decrease in Shareholders account	(5,023,633)	(11,728,365)
(Decrease) in in Related party	(6,836,397)	(21,285,234)
(Increase) in trade and other receivables	(7,511,908)	(2,379,386)
(Decrease) / Increase in trade and other payables	11,996,704	(4,377,086)
Decrease in Inventory	471,528	1,879,987
Net cash inflow / (outflow) from operating activities	42,720,284	(21,436,702)

14. ANALYSIS OF THE BALANCE OF CASH AS SHOWN IN THE STATEMENT OF FINANCIAL POSITION

	Balance at 01.04.2020 Birr	Balance at 31.03.2021 Birr	Change in The Year Birr
Cash and Cash equivalents	759,738	31,479,616	30,719,878

Tibebe Mengistu Certified audit Firm
Chartered Certified Accountants and Authorized Auditors

ANNEXURE 8

HELA INTIMATES EPZ LIMITED AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021

ANNEXURE - 8

HELA INTIMATES EPZ LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2021

CONTENTS

Hela Intimates EPZ Limited
Company information
For the year ended 31st March 2021

Board of directors	Warnakulasooriya Mahawaduge Shameen Ravindra Peiris* Panadura Liyanage Dialanka Jinadasa* *Sri Lankan
Company secretary	Coulson Harney LLP 5th Floor, ICEA Lion Centre, West Wing, Riverside Park, Chiromo Road, P.O. Box 10643 - 00100 Nairobi, Kenya.
Registered office	L.R. No. 18474/111, 18474/112 and 18474/198, Athi River EPZ, off Namanga Road P.O. Box 30500 - 00100 Athi River, Kenya.
Independent auditor	RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre, Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.
Principal bankers	Standard Chartered Bank Kenya Limited Industrial Area Branch, P.O. Box 30003 - 00100 Nairobi, Kenya. Co-operative Bank of Kenya Limited Kitengela Branch, P.O. Box 258 - 00242 Kitengela, Kenya. Equity Bank (Kenya) Limited Kitengela Branch, P.O. Box 364 - 00242 Kitengela, Kenya. Absa Bank (Kenya) PLC Lunga Lunga Branch, P.O. Box 18060 - 00500 Nairobi, Kenya.
Legal advisers	Coulson Harney LLP 5th Floor, ICEA Lion Centre, West Wing, Riverside Park, Chiromo Road, P.O. Box 10643 - 00100 Nairobi, Kenya.

The directors submit their report together with the audited financial statements for the year ended 31st March 2021.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Principal activities

The principal activities of the Company are that of manufacture and export of ready-made garments.

Recommended dividend

The directors do not recommend the declaration of a dividend for the year (2020: Nil).

Business review

The Company was fully operational under a manufacturing (C) model during the year under review. The Company was financed by the related companies -Hela Kenya (Private) Limited and Foundation Garments (Private) Limited. The Company made a profit of USD 4,154,208 (2019: USD 3,201,128) during the year. Full details of the financial position, results of operations and cash flows of the Company are set out in these financial statements.

During the year under review, the operations were largely affected by the COVID 19 pandemic. During the first quarter of the financial year, plant wasn't operating at full capacity. The normal operations resumed in July and after the end of second quarter, company received more orders than the available capacity. Though there were interruptions from the vessel delays due to the challenges in the global supply chain, company manage to perform better compared to the previous financial year.

Statement as to disclosure to the Company's auditor

With respect to each director at the time this report was approved:
(a) there is, so far as the director is aware, no relevant audit information of which the Company's auditor is unaware; and
(b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Terms of appointment of the auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of USD 8,000 has been charged to profit or loss in the year.

By order of the board

....
Director

....
Director

Nairobi 21st June **2021**

Hela Intimates EPZ Limited
Statement of directors' responsibilities
For the year ended 31st March 2021

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on ....21st June.................. 2021 and signed on its behalf by:

.... Director

.... Director

3

RSM

RSM Eastern Africa LLP
Certified Public Accountants

1st Floor, Pacis Centre, Slip Road
Off Waiyaki Way, Westlands
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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HELA INTIMATES EPZ LIMITED

Opinion

We have audited the accompanying financial statements of Hela Intimates EPZ Limited (the 'Company'), set out on pages 6 to 29, which comprise the balance sheet as at 31st March 2021, the profit and loss account, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

RSM

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF HELA INTIMATES EPZ LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **FCPA Ashif Kassam**, Practising Certificate No. 1126.

Kassam

for and on behalf of RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

..........25 June.............. **2021**

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

	Note	2021 USD	2020 USD
Revenue	5	18,854,478	22,346,011
Cost of sales		(12,898,941)	(15,074,518)
Gross profit		5,955,537	7,271,493
Other income	6	1,401,012	254,494
Administrative expenses		(925,152)	(1,577,203)
Establishment expenses		(1,887,453)	(2,581,231)
Finance costs	7	(389,736)	(166,425)
Profit for the year	8	4,154,208	3,201,128

Hela Intimates EPZ Limited
Financial statements
For the year ended 31st March 2021

BALANCE SHEET AT 31ST MARCH 2021

	Note	2021 USD	2020 USD
EQUITY			
Share capital	9	1,000	1,000
Accumulated losses		(7,452,986)	(11,607,194)
Total equity		(7,451,986)	(11,606,194)
Non-current liabilities			
Borrowings	10	36,289	-
Lease liabilities	17	2,015,900	209,057
		2,052,189	209,057
		(5,399,797)	(11,397,137)
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11	959,335	995,911
Right-of-use assets	12	1,994,127	1,455,602
Intangible assets	13	22,909	38,053
		2,976,371	2,489,566
Current assets			
Inventories	14	61,966	92,873
Trade and other receivables	15	13,633,084	10,001,990
Cash and cash equivalents	16	877,257	845,891
		14,572,307	10,940,754
Current liabilities			
Trade and other payables	18	22,548,285	23,361,150
Borrowings	10	83,952	47,443
Lease liabilities	17	316,238	1,418,864
		22,948,475	24,827,457
Net current liabilities		(8,376,168)	(13,886,703)
		(5,399,797)	(11,397,137)

The financial statements on pages 6 to 29 were authorised for issue by the board of directors on 21st June 2021 and were signed on its behalf by:

Director

Director

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2021

	Share capital USD	Accumulated losses USD	Total USD
At 1st April 2019	1,000	(14,808,322)	(14,807,322)
Changes in equity			
Profit for the year	-	3,201,128	3,201,128
At 31st March 2020	1,000	(11,607,194)	(11,606,194)
At 1st April 2020	1,000	(11,607,194)	(11,606,194)
Changes in equity			
Profit for the year	-	4,154,208	4,154,208
At 31st March 2021	1,000	(7,452,986)	(7,451,986)

Hela Intimates EPZ Limited
Financial statements
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2021

	Note	2021 USD	2020 USD
Cash flows from operating activities			
Profit for the year		4,154,208	3,201,128
Adjustments for:			
Depreciation of property, plant and equipment	11	160,100	142,320
Depreciation of right-of-use assets	12	1,067,624	1,191,193
Amortisation of intangible assets	13	15,144	13,912
Loss on disposal	6	1,000	-
Interest expense	7	2,043	32,129
Interest expense - lease liabilities	7	387,693	134,296
Operating profit before working capital changes		5,787,812	4,714,978
Decrease/(increase) in:			
Trade and other receivables		(3,631,094)	(5,771,239)
Inventories		30,907	(80,123)
(Decrease)/increase in:			
Trade and other payables		(812,865)	3,097,519
Cash generated from operations			
Interest paid on overdraft	7	(2,043)	(32,129)
Interest paid on lease liabilities	7	(212,012)	(134,296)
Net cash generated from operating activities		1,160,705	1,794,710
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(131,320)	(572,523)
Proceeds from disposal of property, plant and equipment		6,795	-
Payments for right-of-use assets	17	(1,077,612)	(1,018,874)
Purchase of intangible assets	13	-	(12,400)
Net cash used in investing activities		(1,202,137)	(1,603,797)
Cash flows from financing activities			
Proceeds from borrowings		72,798	47,443
Increase in cash and cash equivalents		31,366	238,356
Cash and cash equivalents at start of year		845,891	607,535
Cash and cash equivalents at end of year	16	877,257	845,891

NOTES

1. General information

Hela Intimates EPZ Limited (the 'Company') is domiciled in Kenya where it is incorporated under the Kenyan Companies Act, 2015 as a private company limited by shares. The address of its registered office and principal place of business is set out on page 1.

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in United States Dollar, which is also the functional currency (see (c) below).

The financial statements comprise a profit and loss account (income statement), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses are recognised in the profit and loss account. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

b) New and revised standards

i) Adoption of new and revised standards

Three Amendments to standards became effective for the first time in the financial year beginning 1st April 2020 and have been adopted by the Company. None of the Amendments has had an effect on the Company's financial statements.

ii) New and revised standards that have been issued but are not yet effective

The Company has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st April 2020, and the Directors do not plan to apply any of them until they become effective. Note 22 lists all such new or revised standards and interpretations, with their effective dates, none of which is expected to have a significant impact on the Company's financial statements in the period of initial application.

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Company operates), which is United Stated Dollar.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise.

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Company's activities. It is recognised when it is probable that future economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

No revenue is recognised if there are significant uncertainity regarding recovery of the consideration due, associated costs or the possible return of goods or continued management involvement with the goods.

e) Other income

Other income represents the fair value of consideration received or receivable for the sale of rejected goods and personal protective equipment. It is recognised when it is probable that future economic benefits will flow to the Company and the amount of revenue can be measured reliably.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

f) Income tax

The Company operates under the Export Processing Zones Act and is not subject to corporate tax for the first ten years of operation effective from 1st April 2016. The Company was incorporated on 31st March 2016 under the Companies Act, 2015.

g) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

j) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

Classification

The Company classifies its financial instruments into the following categories:

i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured **at fair value through other comprehensive income.**

iii) All financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables were classified as at amortised cost:
- Trade and other liabilities were classified as at amortised cost.

Initial measurement

On initial recognition:

i) Trade receivables are measured at their transaction price.

ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Exchange gains and losses on monetary items are recognised in profit or loss.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The Company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Leases

Leases under which the Company is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

k) Leases (continued)

Leases under which the Company is the lessee (continued)

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Leasehold land and buildings are subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

l) Post-employment benefit obligations

The Company and its employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Company's contributions are charged to the profit and loss account in the year to which they relate.

m) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

n) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the Company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

n) Property, plant and equipment (continued)

Depreciation is calculated using the straight line method to write down the cost amount of each asset to its residual value over its estimated useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

o) Intangible assets

Software licence costs and computer software that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life.

p) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO).

r) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

3. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

NOTES (CONTINUED)

3. Significant judgements and key sources of estimation uncertainty (continued)

a) Significant judgements made in applying the Company's accounting policies

The judgements made by the directors in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) whether credit risk on financial assets has increased significantly since initial recognition.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment losses
Estimates made in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward looking information, and of losses given default.

4. Risk management objectives and policies

a) Financial risk management

The Company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risks.

i) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

For these purposes default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that default does not occur later than when a financial asset is 90 days past due.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk (continued)

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	Basis for measurement of loss allowance				
	12-month expected credit losses USD	Lifetime expected credit losses (see note below) (a) USD	(b) USD	(c) USD	Total USD
At 31st March 2021					
Other receivables	-	-	-	12,553,056	12,553,056
Cash at bank	877,257	-	-	-	877,257
Gross carrying amount	877,257	-	-	12,553,056	13,430,313
Loss allowance	-	-	-	-	-
Exposure to credit risk	877,257	-	-	12,553,056	13,430,313
At 31st March 2020					
Other receivables	-	-	-	9,243,756	9,243,756
Cash at bank	845,891	-	-	-	845,891
Gross carrying amount	845,891	-	-	9,243,756	10,089,647
Loss allowance	-	-	-	-	-
Exposure to credit risk	845,891	-	-	9,243,756	10,089,647

4. Risk management objectives and policies (continued) ***[Tailor as appropriate]***

a) Financial risk management (continued)

i) Credit risk (continued)

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk
(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
(b) financial assets that are credit impaired at the balance sheet date;
(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of the trade receivables at the end of each year was as follows:

	Not past due USD	30 to 90 days past USD	90 to 180 days past USD	Over 180 days past USD	Total USD
At 31st March 2021	-	-	-	-	-
At 31st March 2020	-	-	-	-	-

The changes in the loss allowance during the year were as follows:

	Basis for measurement of loss allowance				
	12-month expected credit losses	Lifetime expected credit losses (see note above)			
		(a)	(b)	(c)	Total
	USD	USD	USD	USD	USD
Year ended 31st March 2021					
At start of year	-	-	-	-	-
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	(119,489)	(119,489)
At end of year	-	-	-	(119,489)	(119,489)
Year ended 31st March 2020					
At start of year	-	-	-	-	-
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	-	-	-
At end of year	-				

No impairment losses have been recognised on other receivables as the probability of default is considered insignificant.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month USD	Between 1-3 months USD	Between 3-12 months USD	Over 1 year USD
31st March 2021				
Trade and other payables	22,548,285	-	-	-
Lease liabilities	-	-	316,238	2,015,900
Borrowings	8,402	16,804	58,746	36,289
	22,556,687	16,804	374,984	2,052,189

	Less than one month USD	Between 1-3 months USD	Between 3-12 months USD	Over 1 year USD
31st March 2020				
Trade and other payables	23,361,150	-	-	-
Lease liabilities	-	-	1,418,864	209,057
Borrowings	11,596	34,787	1,060	-
	23,372,746	34,787	1,419,924	209,057

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk
The Company is not exposed to cash flow interest rate risk on its variable rate borrowings resulting from changes in market interest rates.

Currency risk
Currency risk arises on financial instruments denominated in other currencies. The Company has other receivables and trade payables that are denominated in other currencies.

NOTES (CONTINUED)

4. Risk management objectives and policies (continued)

iii) Market risk (continued)

The significant exposure in respect of each currency is as follows:

	KSh USD	Total USD
Year ended 31st March 2021		
Other receivables	4,768	4,768
Cash and bank	668,088	668,088
Borrowings	120,241	120,241
Net exposure	793,097	793,097
Year ended 31st March 2020		
Other receivables	1,146,532	1,146,532
Cash and bank	774,454	774,454
Borrowings	57,431	57,431
Net exposure	1,978,417	1,978,417

Management consider that an appreciation of the United States Dollar against the Kenya Shilling of 1% or a depreciation of the United States Dollar against the Kenya Shilling of 1% in the year ending 31st March 2022 are both reasonably possible. If the United States Dollar was to appreciate/depreciate against the Kenya Shilling by the said percentages, with all other factors remaining constant, the post tax profit/(loss) and equity would be lower/higher by USD 7,931 (2020: USD 19,684).

b) Capital management

The Company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The Company is not subject to any external capital requirements.

	2021 USD	2020 USD
5. Revenue		
Export sales	18,854,478	22,346,011
6. Other income		
Other income	1,170,379	197,271
Loss on disposal	(1,000)	-
Net foreign exchange gain	231,633	57,223
	1,401,012	254,494
7. Finance costs		
Interest expense:		
Bank overdraft	-	32,129
Interest on bank loan	2,043	-
Interest on lease liability (Note 17)	387,693	134,296
Total interest expense for financial liabilities measured at amortised cost	389,736	166,425

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NOTES (CONTINUED)

8. **Profit for the year**	**2021 USD**	**2020 USD**
(a) Items charged		
The following items have been charged in arriving at profit for the year:		
Employee benefits expense (Note 8(b))	7,978,989	11,325,824
Operating lease rentals expense	33,269	327,639
Net foreign exchange loss/(gain)	231,633	57,223
Depreciation of property, plant and equipment	160,100	142,320
Depreciation of right-of-use assets	1,067,624	1,191,193
Amortisation of intangible assets	15,144	13,912

(b) Employee benefits expense
The following items are included in employee benefits expense:

Wages and salaries	7,897,100	11,226,117
Retirement benefit costs:		
- National Social Security Fund	81,889	99,707
	7,978,989	11,325,824

The average number of persons employed during the year, by category, were:

	Number	**Number**
Production	3,721	4,286
Sales and distribution	-	8
Management and administration	48	5
Total	3,769	4,299

9. **Share capital**	**Number of ordinary shares**	**Issued and fully paid up capital USD**
At 1st April 2019 and 31st March 2020	100	1,000
At 1st April 2020 and 31st March 2021	100	1,000

The total number of authorised ordinary shares is 100 (2020: 100) with a par value of USD 10 each.

10. **Borrowings**	**2021 USD**	**2020 USD**
The borrowings are analysed as follows:		
Non-current		
Bank loan	36,289	-
Current		
Insurance premium financing	62,810	47,443
Bank loan	21,142	-
	83,952	47,443
Total borrowings	120,241	47,443

NOTES (CONTINUED)

11. Property, plant and equipment

	Lease improvement USD	Plant and machinery USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Computers, copiers and faxes USD	Installations USD	Capital work-in-progress USD	Total USD
At 1st April 2019									
Cost or valuation	34,104	20,283	31,254	121,920	75,914	122,496	196,701	120,285	722,957
Accumulated depreciation	(6,705)	(2,732)	(16,148)	(37,055)	(19,732)	(44,518)	(30,359)	-	(157,249)
Net carrying amount	27,399	17,551	15,106	84,865	56,182	77,978	166,342	120,285	565,708
Year ended 31st March 2020									
Opening carrying amount	27,399	17,551	15,106	84,865	56,182	77,978	166,342	120,285	565,708
Additions	58,314	32,991	-	12,827	174,569	9,576	11,815	272,431	572,523
Capital work-in-progress capitalised	-	130,173	-	-	-	-	-	(130,173)	-
Depreciation charge	(5,847)	(8,038)	(6,265)	(26,375)	(29,720)	(25,293)	(40,782)	-	(142,320)
Closing carrying amount	79,866	172,677	8,841	71,317	201,031	62,261	137,375	262,543	995,911
At 31st March 2020									
Cost or valuation	92,418	183,447	31,254	134,747	250,483	132,072	208,516	262,543	1,295,480
Accumulated depreciation	(12,552)	(10,770)	(22,413)	(63,430)	(49,452)	(69,811)	(71,141)	-	(299,569)
Net carrying amount	79,866	172,677	8,841	71,317	201,031	62,261	137,375	262,543	995,911
Year ended 31st March 2021									
Opening carrying amount	79,866	172,677	8,841	71,317	201,031	62,261	137,375	262,543	995,911
Additions	-	87,698	-	1,446	30,971	5,725	5,480		131,320
Capital work-in-progress capitalised	151,229	-	-	-	82,141	-	29,173	(262,543)	-
Disposal	-	-	(7,796)	-	-	-	-	-	(7,796)
Depreciation charge	(18,026)	(18,357)	(1,045)	(13,543)	(59,887)	(26,535)	(22,707)	-	(160,100)
Closing carrying amount	213,069	242,018	-	59,220	254,256	41,451	149,321	-	959,335
At 31st March 2021									
Cost or valuation	243,647	271,145	-	136,193	363,595	137,797	243,169	-	1,395,546
Accumulated depreciation	(30,578)	(29,127)	-	(76,973)	(109,339)	(96,346)	(93,848)	-	(436,211)
Net carrying amount	213,069	242,018	-	59,220	254,256	41,451	149,321	-	959,335

NOTES (CONTINUED)

11. Property, plant and equipment (continued)

The annual depreciation rates used are as follows:

	Rate - %
Lease improvement	10.0
Plant and machinery	10.0
Motor vehicles	20.0
Furniture and fittings	10.0
Office equipment	20.0
Computers, copiers and faxes	20.0
Installations	10.0

12. Right-of use assets

	Buildings USD
Year ended 31st March 2020	
Opening carrying amount	-
Transferred from prepaid operating lease rentals (see below)	2,646,795
Depreciation charge	(1,191,193)
Closing carrying amount	1,455,602
Year ended 31st March 2021	
Opening carrying amount	1,455,602
Additions	1,606,149
Depreciation charge	(1,067,624)
Closing carrying amount	1,994,127

The Company leases various offices and warehouses. The leases of offices and warehouses are typically for periods of between 3 and 7 years, with no options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

For information on the related lease liabilities, see Note 17.

13. Intangible assets

Software costs	**2021** USD	**2020** USD
Cost		
At 1st April	53,978	41,578
Additions	-	12,400
At 31st March	53,978	53,978
Amortisation		
At 1st April	15,925	2,013
Charge for the year	15,144	13,912
At 31st March	31,069	15,925
Net book amount		
At 31st March	22,909	38,053

The annual amortisation rate used is 33.33%.

NOTES (CONTINUED)

14. **Inventories**	**2021 USD**	**2020 USD**
Goods in transit	61,966	92,873

15. Trade and other receivables

Advance payments	200,979	10,706
Less: provision for expected credit losses (see Note 3)	(119,489)	-
Net trade and other receivables	81,490	10,706
Refundable deposits	294,867	363,347
Advances to employees	2,585	11,745
Other receivables from related parties (Note 19(iii))	12,174,114	8,857,958
Prepayments	1,080,028	758,234
	13,633,084	10,001,990

No impairment losses have been recognised on other receivables as the probability of default is considered insignificant.

16. **Cash and cash equivalents**	**2021 USD**	**2020 USD**
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	877,257	845,891

17. Lease liabilities

Current	316,238	1,418,864
Non-current	2,015,900	209,057
	2,332,138	1,627,921

The total cash outflow for leases in the year was:

Payments of principal portion of the lease liability	1,077,612	1,018,874
Interest paid on lease liabilities	387,693	134,296
	1,465,305	1,153,170

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 12.

NOTES (CONTINUED)

21. Subsequent events

The Company's is currently undergoing a restructuring process. Hela Intimates EPZ Limited will be a fully owned subsidiary of Hela Apparel Holdings a company incorporated in Sri Lanka. This event has not resulted in any additional adjustments to the financial statements for the year ended 31 March 2021.

22. New and revised financial reporting standards

The Company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st April 2020.

Amendments to IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020)
The amendments, applicable to annual periods beginning on or after 1 June 2020, permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)
The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in
The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendment to IFRS 1 titled Subsidiary as a First-time Adopter (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)
The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)
The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)
The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

IFRS 17 *Insurance Contracts* (issued in May 2017)
The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Bank does not issue insurance contracts.

NOTES (CONTINUED)

22. New and revised financial reporting standards (continued)

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)
The amendments, applicable to annual periods beginning on or after 1 January 2023, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014)
The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

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Supplementary information
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SCHEDULE OF DIRECT COSTS

1.1 DIRECT PRODUCTION COSTS	2021 USD	2020 USD
Salaries and wages	7,777,150	11,022,602
Reimbursements and direct production expenses	358,667	(4,148)
Licences	45,270	65,858
Generator fuel	9,634	8,534
Boiler fuel	213,051	406,905
Consumables	559,420	755,454
Repairs and maintenance	109,318	180,236
VM Management costs	2,795,813	1,420,455
Electricity and water	8,473	10,315
Factory cleaning	29,099	33,327
Expatriates air tickets and visa	64,860	169,777
Expatriates rent	84,633	73,834
Factory visit costs	35,725	16,916
Machine rent	675,387	776,028
Security	96,058	124,540
Depreciation of property, plant and equipment	36,383	13,885
	12,898,941	15,074,518

Appendix I

SCHEDULE OF OPERATING EXPENDITURE

1. ADMINISTRATIVE EXPENSES

	2021 USD	2020 USD
Employment:		
Salaries and wages	173,942	183,936
Casual wages	27,897	119,286
Expatriates visas and air tickets	17,041	18,415
Staff welfare	262,709	461,976
Bad debts written off	-	2,500
Expatriate internet expenses	3,827	3,753
Staff transport	38,008	83,780
Staff training	23,782	25,592
Total employment costs	547,206	899,238
Other administration expenses:		
Computer expenses	19,271	8,489
Internet and telephone expenses	45,402	68,265
Transport expenses	38,381	65,053
Printing and stationery	44,138	76,948
Advertising and sales promotion	1,747	27,907
Audit fees		
- Current year	7,622	9,000
Legal and professional fees	17,684	344,702
Secretarial fees	934	869
Bank charges and commissions	25,129	30,432
Provision for employee litigations	58,149	46,300
Increase in provision for credit losses	119,489	-
Total other administration expenses	377,946	677,965
Total administrative expenses	925,152	1,577,203

ESTABLISHMENT EXPENSES

	2021 USD	2020 USD
Rent and rates	33,269	327,639
Electricity and water	496,198	738,055
Depreciation of property, plant and equipment	123,717	128,435
Depreciation of right-of-use assets	1,067,624	1,191,193
Insurance expenses	151,501	181,997
Amortisation of intangible assets	15,144	13,912
Total establishment expenses	1,887,453	2,581,231

Appendix II

ANNEXURE 9

SUMBIRI INTIMATE APPAREL PLC AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020