

EMPOWERING PEOPLE THE WORLD OVER

hSenid Business Solutions PLC

Annual Report 2021/22



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EMPOWERING PEOPLE THE WORLD OVER

To succeed in the global economy today, more and more businesses are relying on automation.

They need a technology partner to sustain with evolving challenges in every sphere. Building their biggest asset, their people become paramount.

With a plethora of best practices and over nearly two and a half decades of expertise in the HR domain, we provide credible answers to daily HR challenges.

The future will be won by those that take bold decisions. We support them every step of the way with data-driven solutions.

We empower leaders, teams and HR communities to elevate their game, to do the next BIG THING while we support them with processes and technology.

For decades, our HR solutions have set the benchmark, taking care of over one million users, across twenty industries, the world over.

hSenidBiz will remain a companion, every step of the way, enabling, supporting and empowering people the world over!

Vision and Mission



Vision

“Make Life Easy”



Mission

Become the most preferred HCM Solutions provider in APAC & African regions with a globally competent workforce, agile and AI driven product innovations through Interdependence, Interoperability, and Integration with global best practices.

About the Report



This is the first Annual Report of hSenid Business Solutions PLC (hBS or the Company) for the financial year 2021/2022. The Company was listed on the Colombo Stock Exchange on the 21st December 2021.



Reporting Content, Scope, and Boundary

The reporting period is set for the financial year ended 31st March 2022. The report covers the overall operations, strategy and discusses the year's performance in comparison to the preceding financial year further outlining the future prospects. This report presents together the financial and non-financial information related to the reporting period.



Compliance

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, guided by the International Financial Reporting Standards. Independent auditors have audited the financial statements and related notes. The sustainability aspects of the report are not externally assured.



Inquiries

Queries and clarifications, if any, on this annual report are to be directed to:

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Financial Highlights

Revenue

LKR 1,091 Mn

Exceeds LKR 1 Bn mark in revenue

Revenue Growth

+13.4% YoY

Driven by PeoplesHR Cloud and Tracking Solutions

New Deals

LKR 480 Mn

+55.7% YoY

Clients

1,465

Up from 1,340 in FY 2021

Annual Recurring Revenues

43.0%

Driven by PeoplesHR Cloud

Churn Rate

Less than 5.0%

EBITDA

LKR 537 Mn

+74.7%, aided by FX gains

EBITDA Margin

49.3%

Operating Margin

40.3%

Net Profit

LKR 454 Mn

+117.3% YoY

Earnings Per Share

LKR 1.93

Up from LKR 0.96 in FY 2021

Dividend Per Share

LKR 0.30

First time dividend

Return on Equity

34.5%

+3.2pp YoY

Net Cash

LKR 1.46 Bn

Including IPO funds

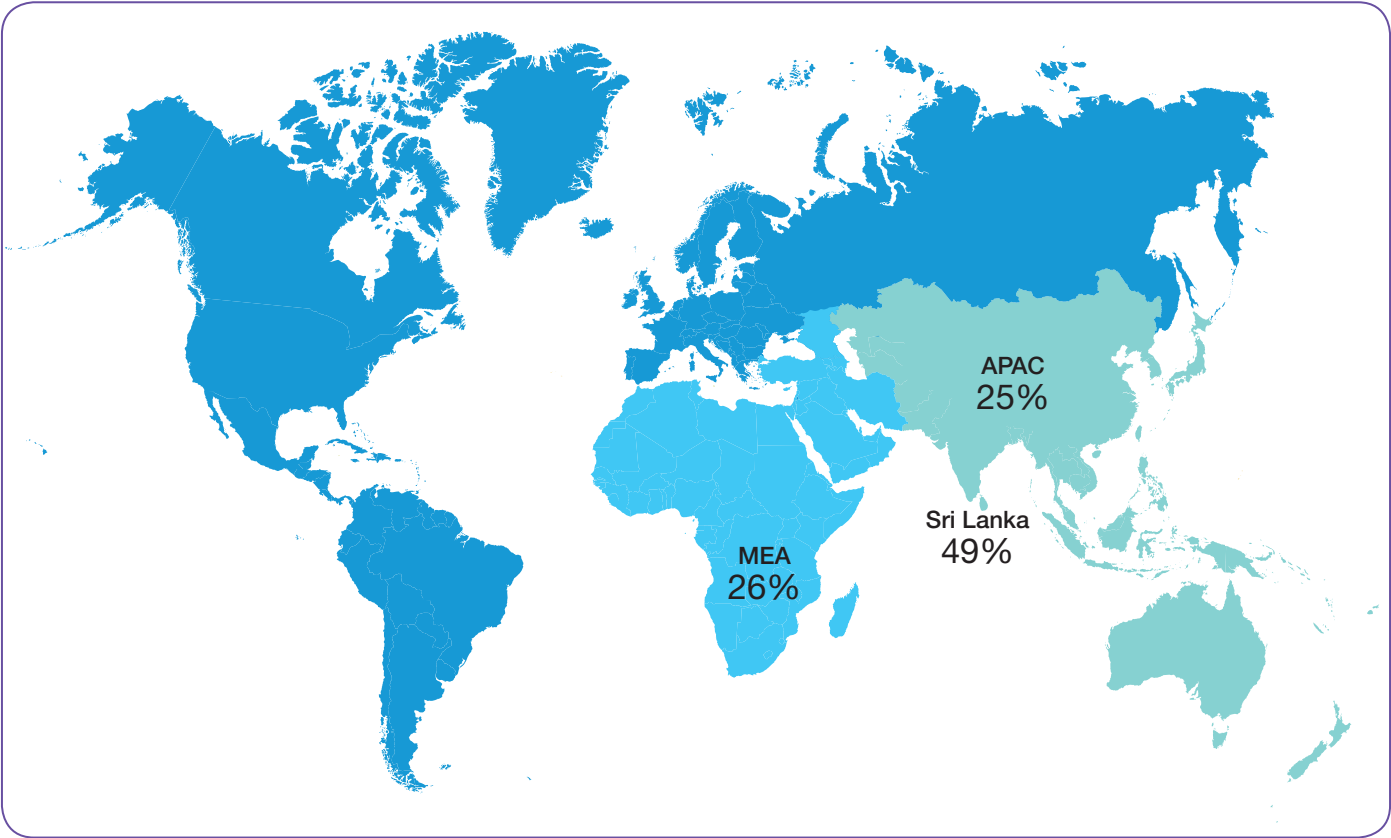
Capex Investments

LKR 135 Mn

Including LKR 11.3 Mn from IPO funds

Financial Highlights Contd.

Revenue Breakdown by Geography

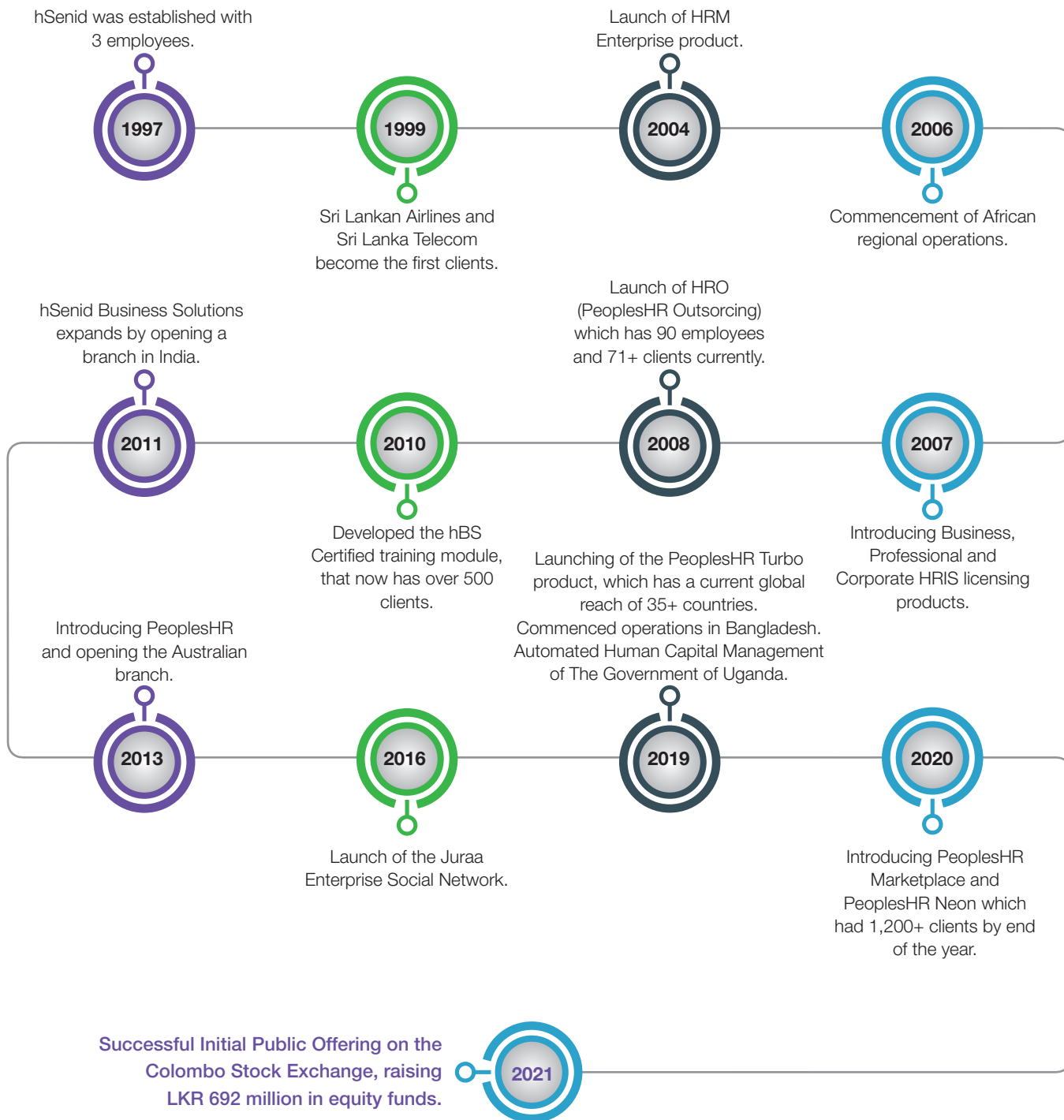


Revenue Breakdown by Product Category



* Includes new business segments (PeoplesHR Turbo and Marketplace) and non-core business segments such as Mobile Software and Staffing Solutions.

Key Milestones



Revolutionising Your HR Experience



Chairman's Letter



35% YoY growth
in USD value of new deals closed



Made solid headway in the
APAC region during FY22



LKR 0.30
Annual dividend

To the Shareholders of hSenid Business Solutions PLC,

Let me begin by stating an undeniable truth about hSenidBiz: we are resilient. In the face of local and global challenges, we remain steadfast in our certainty about our prospects and our numbers affirm this. We ended the year with an impressive 35 percent year-over-year growth in the USD value of new deals closed, supported by a 9 percent increase in our global client base, which reached 1,465. While our international expansions may have started slowly owing to local and international market conditions, we are now gaining momentum, going forward with no turning back.

We, at hSenidBiz share a common vision to propel our industry forward, striving to inspire and foresee growth for Sri Lanka, as a regional player in the Software-as-a-Service (SaaS) space. We strongly believe that Information Technology (IT) and its related industries are the future of Sri Lanka and the world. Just take a look around you, and it is abundantly clear that technological innovation has seeped into every aspect of life and business.

Key Developments

A significant amount of hard work and dedication was put in by our CEO, Sampath Jayasundara, and his team throughout this financial year of 2021/22. Although the global markets remained on a recovery mode, our team's efforts resulted in a number of noteworthy wins during the year. While you will be able to find the details of all the activities in the CEO's review, I will highlight some key points and discuss some of the salient aspects regarding the future of hSenidBiz.

Markets

We have been making solid headway in the Asia-Pacific region with our Enterprise and SaaS products and will continue to expand into new markets and territories in the coming months and years.

During the year, we re-entered the Indian market with PeoplesHR Turbo, a base product targeting selected market segments. While we have been making progress, we have not been completely satisfied with the pace of this progress. We are re-evaluating some of our core assumptions and will implement

Chairman's Letter Contd.

“We, at hSenidBiz share a common vision to propel our industry forward, striving to inspire and foresee growth for Sri Lanka, as a regional player in the Software-as-a-Service (SaaS) space.”

I truly believe we are building something great here at hSenidBiz which will have a profound impact on our customers, employees, and you, our shareholders. If you subscribe to our philosophy and way of thinking, I invite you to be part of our journey for the long-term.

course corrections as needed. We still believe that India is a viable market for PeoplesHR Turbo and will continue with our endeavors to grow the market.

Customers

hSenidBiz, your Company, is built on a firm customer-focused foundation. While our customers select us for our products, what keeps them is our customer-centric work ethic. A commonly articulated sentiment by our customers is, “we chose hSenidBiz because of the product, we stayed because of the team.”

Our work is to develop human resource systems and related services. Therefore, it is only natural that we are focused on offering stupendous services to our customers and their employees. We believe that when our customers are successful, we are successful.

Over and over again we have seen that, when customers implement a hSenidBiz HR system, the efficiency and productivity of their employees increase. This leads to increased employee satisfaction thereby improving organisational sustainability, which in turn boosts their bottom line and enhances shareholder value. Though we cannot claim direct credit for this, we are happy to be one of the contributing factors in their success.

Talent

The success of our organisation is 40 percent product and 60 percent people. In other words, human capital is crucial to a company's prosperity. Therefore at hSenidBiz, we have always attracted and continue to attract strong talent, which is fundamental to the future growth of our organisation.

One of our key strategies is to build a global talent pool with in-depth local nuances. Our presence in over 40 countries and plans to increase our regional reach, have placed hSenidBiz in an ideal position to attract and have access to some of the best talent the world over.

Dividends and Retained Earnings

Capital allocation is at the cornerstone of any strategy. Yet very few corporates pay much attention to it. However, at hSenidBiz, we intend on making every effort to ensure your capital is allocated with utmost diligence.

Chairman's Letter Contd.

At the outset, any cash generated from any business can allocate capital in various ways. If the business requires “maintenance” capex, then there will be no choice but to reinvest the entire cash flow back in the business to keep the proverbial wheel spinning. These businesses typically tend to be asset heavy with very low Return on Equity (ROE). Fortunately, given the asset light and intangible nature of the business hSenidBiz is in, it is not essential to reinvest a significant portion of the cash flows from profits, back in the business to maintain operations. Instead, this cash can be invested to grow the business through acquisitions, building new markets, developing product upgrades and most importantly, talent acquisition. We intend on doing exactly that, not only with the capital raised at the IPO, but also with the profits generated this year.

We will be declaring a dividend of LKR 0.30 per share this year, while the remaining cash will be reinvested back into the operations, with the intention of compounding the intrinsic value of the business. Historically, our average Return on Invested Capital (ROIC) for the past three years have been north of 20 percent and hence, we firmly believe that at this juncture, our primary obligation to the shareholders is to reinvest in our business for steady long-term returns, and subsequently, a steady payout.

hSenidBiz is on a growth trajectory with high momentum, and it is vital that we look at the compounding effects of our investments. As a software product company, our investments in bringing cutting-edge software to our customers, coupled with our market development efforts, can unlock non-linear growth in shareholder value. We will be diligent in our capital allocations and will meticulously measure the return on capital when making capital commitments.

The digitisation of businesses and lifestyles has created enormous opportunities for companies in the technology space and we need to adopt a 10–20-year view of our business. This is a tough task in a market that typically focuses on a 6-to-12-month time frame. Yet, we must calibrate our mindset to focus on this long-term perspective.

The Road Ahead

As a mature HCM Software provider, we have the opportunity to acquire a larger portion of the markets we are currently operating

in, which requires careful and thorough planning. We also need appropriate capital allocation, and this is something we have already committed to do.

With the aim of realising our long-term vision, we will experiment with new and modified business models, testing their viability and potential for far-reaching benefits. If these models look promising and have the ability to be scaled, we will invest in them.

When it comes to products and market development, we believe in taking bold decisions. We are fully aware that not all decisions will yield the expected results, but the lessons we learn from these activities will be invaluable in informing future actions. As I have mentioned earlier, ours is a long-term perspective. Therefore, we are not afraid of short-term sacrifices that will lead to long-term sustainable growth.

As we uphold top talent as central to our growth, we are working towards introducing an Employee Share Option Plan (ESOP). We are eager for all our employees to think of hSenidBiz as their own.

At hSenidBiz we do not concern ourselves with either short-term thinking or short-term results. We firmly believe that if we play the long-haul game, we will be rewarded. We will not play catch-up on earnings misses in the hope of keeping shareholders happy every quarter. We will, however, ensure that the business grows over the long-term. As Warren Buffet asserted, “In the short term, the market is a voting machine, but in the long term it's a weighing machine”

I truly believe we are building something great here at hSenidBiz which will have a profound impact on our customers, employees, and you, our shareholders. If you subscribe to our philosophy and way of thinking, I invite you to be part of our journey for the long-term. I wish you all the very best and look forward to seeing you at the Annual General Meeting (AGM). Rest assured my team, the board and I will be as engaging and candid as we can be to answer any questions you may have.



Dinesh Saparamadu

Founder and Chairman

hSenid Business Solutions PLC

CEO's Message



Raised LKR 692 Mn
in growth capital through IPO



43%
recurring revenues



LKR 481 Mn
in new deals

It is a privilege to be leading hSenid Business Solutions, an indigenous multinational software company, as we enter the next chapter of our 25th year history. hSenidBiz achieved a momentous landmark in its corporate journey in 2021, by listing its shares on the Colombo Stock Exchange via an Initial Public Offering, raising LKR 692 Mn in growth capital.

Wrapping off a great year, we are excited about the future and the potential impact we can have as we work together to expand our reach and accelerate our growth.

Amidst many disruptions from COVID-19 variants, 2021 saw global markets slowly but surely recover, and in particular, a strong recovery was witnessed in the APAC region. The pandemic also brought in several opportunities in the Human Capital Management (HCM) space, providing new opportunities for our Company.

With an increased focus on work from home and hybrid work environments, companies are enabling employees to connect digitally rather than physically, empowering people with the necessary technology support. In this context, our portfolio of products, and particularly our cloud offering, has performed significantly well.

While the pandemic severely impacted a few sectors including those such as Tourism and Manufacturing, we worked closely with these customers, providing them strength & guidance and enabling them to utilise our services, through their operational and financial recovery.

Group Performance during the Year

Our overall topline grew by 13.4 percent year-over-year, with the global customer base increasing by 9.0 percent year-over-year, while maintaining a churn rate of less than 5.0 percent during last financial year. EBITDA growth came in at 74.7 percent year-over-year. Rupee depreciation also contributed to this net profitability as close to 50.0 percent of our earnings during the period were denominated in USD. As a result, our net profitability for the full year stood at LKR 454 Mn, doubling year-over-year.

CEO's Message Contd.

Over 70.0 percent of Company topline is derived from PeoplesHR, which includes our on-premise and cloud HRIS solutions, which was a significant contributor to Company growth. PeoplesHR Cloud in particular saw a 34.0 percent year-over-year growth in revenues which records above average recurring revenues. With increased demand for cloud HRIS solutions, we see opportunity for continued growth in our cloud offering.

We were successful in completing Phase 1 of the Government of Uganda HCM implementation project during 2019, while the project went live in November 2021. This is one of our strongest achievements at hSenidBiz's history, delivering a solution catering to the entire Government of Uganda, covering nearly 300 government organisations and a workforce of 400,000.

Product Development

We also moved to development operations (DevOps) practices, restructuring product development teams, which will bring efficiency and effectiveness to product development and delivery processes. We also established a data science team initially to work on the product journey, and plan to expand the team further to build business insights internally and aid customers in their HCM data journey, building business insights with HR data.

We have invested in building a global sales team, in the APAC region, adding sales resources in Philippines, Bangladesh, India and Cambodia, with plans to expand further during next financial year. Our global partner network in APAC and MEA regions have achieved satisfactory progress in new partner appointments, training existing partners and converting several key channel partners to become implementation partners representing PeoplesHR in multiple regions.

We expanded our Human Resource Outsourcing (HRO) operations and Tracking Solutions business, entering new markets with our services and adding some exciting products to our tracking solutions product range to suit the current context. We rebranded HRO during the year, renaming the segment as PeoplesHR Outsourcing bringing it under the PeoplesHR family gearing up to go global. The Company continued service rationalisation of its staffing solution business while continuing

focus on its Payroll Outsourcing offering in the APAC region with strong global partnerships.

Our People

Working remotely has been our new normal, however Development, Quality Assurance and Project team members have adhered to a hybrid work mode. While putting our people first will be our priority, we try to implement the best work practices of a remote and hybrid workforce, to maintain optimism and productivity among employees.

While our greatest strength has been the quality of people we acquire, the ongoing brain drain and migration of talent, is one of the key challenges both our Company and the industry, continue to face. To reduce the impact from this, we build our resource pools at entry level and develop them to take up global roles in our growth journey. While cost of operations are increasing on the back of high inflation, including increasing salary structures for tech talent, we are yet to transfer increasing costs to our customers due to overall challenges in the operating environment.

Dividends

hSenidBiz Board is pleased to announce its first dividend, LKR 0.30 per share, for FY22. We believe the declaration of this dividend is a reflection of our view of the tremendous growth opportunities in the sector and our commitment to invest in the business while ensuring that our investors are provided with a steady pay out. The Company will follow a dividend policy which corresponds with growth in profits, with its primary focus on utilising both its IPO funds and cash generation from the business, on key growth areas laid out at our Initial Public Offering.

Accolades

hSenidBiz was presented with the gold award for the second consecutive time in the ICT/BPM industry in the medium category, at the 2021 NCE Export Awards. This is a reflection of our efforts to drive overseas expansion while taking a Sri Lankan product to the global markets. Currently, we have deployed our application in 40 countries in APAC & Middle East and Africa, covering 20 industries, serving 1,465 clients worldwide with a steadily growing brand presence and client engagement.

CEO's Message Contd.

Corporate Social Responsibility

During the year, we donated our HR system to the University of Rajarata, University of Vavuniya, University of Moratuwa and University of Peradeniya, to provide a hands on experience to the student community, increasing the number of government universities to seven who benefit out of this initiative. We support these universities in terms of curriculum development, lecturing, conducting workshops and providing internships to students.

Looking ahead

With the necessary funding and talent in place, we expect to take a number of initiatives in FY23, to further expand our services and products regionally. We are very much focused on building our global partner network and acquiring critical resources in the APAC region to expedite this journey.

While building the partner network, we are investing in the product journey within the areas of AI driven analytics, social HR journey, developing business insights, enhancing capabilities in the recruitment space, training & development and performance appraisal, to name a few.

Expanding our Eco System

In addition, we will invest further in PeoplesHR Marketplace to make it to a global B2B marketplace for all HR related services. We have already integrated over 30 product partners of global and regional repute on to the marketplace and will enhance the offering further during the coming financial year. We believe these value additions will enhance the recruitment and onboarding journey, employee assessments, benefits and engagement activities, seamlessly for our existing customers.

Furthermore, we are currently reassessing our growth strategy with regards to PeoplesHR Turbo including further investments in the product. It is a Do-It-Yourself HR Solution which is primarily geared to cater to the significant demand coming from low-income SME and start-up clients in the APAC region. We have already begun this journey in India and are planning to expand the market for Turbo in the region during next financial year.

Moving forward together

I would like to thank our Founder and Board, for providing their vision and guidance throughout, and steering hSenidBiz through another challenging year. I thank our resilient workforce on delivering strong results during the last financial year, despite many uncertainties which were beyond our control.

I'm grateful to our clients for having unwavering trust in us and for their loyalty. They have been our true partners in this journey.

As we completed our first financial year post IPO, we thank our shareholders and we encourage them to invest with us for our long-term success, especially in achieving our goal of becoming a leader in the HCM software industry in APAC & MEA regions.



Sampath Jayasundara

Chief Executive Officer

hSenid Business Solutions

Board of Directors



Dinesh Saparamadu

Chairman, Executive, Non-Independent

Appointed to the Board on October 5, 2005

Dinesh Saparamadu is the Founder and Chairman of the hSenid Group of Companies. He began his career with Aetna Life and Casualty, Connecticut, USA where he worked as an Enterprise Technology Consultant. He then joined Pepsi Cola in New York as a software professional. As an entrepreneur in Sri Lanka, he has established over twelve companies for three decades. The hSenid Software International Group is a leader in the enterprise and mobile application market and serves over 45 countries with thousands of customers worldwide.

The latest company founded by Dinesh is Applova Inc. based in Silicon Valley, USA, focused on delivering innovative e-commerce solutions for restaurants. Dinesh is extremely passionate about supporting Sri Lanka's IT industry and is a Founding Member and a Past Chairman of the Sri Lanka Association of Software and Service Companies (SLASSCOM).

In appreciation of his contribution to shaping the ICT landscape in Sri Lanka, he has been recognised locally and internationally on several occasions, receiving the "ICTA Most Outstanding Contribution Award" in 2012, "Sri Lankan Entrepreneur of the Year Award" in 2014 and the SLASSCOM Chairman's Award in 2016. Dinesh has an MSc in Computer Science and BSc in Computer Engineering from the University of Bridgeport, USA and completed the Executive Program for Growing Companies at Stanford University Graduate School of Business, USA.



Sampath Jayasundara

Executive Director / Non-Independent - Chief Executive Officer

Appointed to the Board on August 20, 2007

Sampath Jayasundara is the Chief Executive Officer and an Executive Director (Non-Independent) of hSenid Business Solutions PLC. With over 20 years of experience in the ICT industry, he joined hSenid as a Project Lead in 2000, going on to hold several key positions across the organisation including Manager Operations, Head of Business Development and General Manager.

He holds a BSc degree and Post Graduate Diploma in Computer Science from the University of Colombo, and an MBA from the Post Graduate Institute of Management, University of Sri Jayewardenepura. He also serves as a lecture panel member of the Chartered Institute of Personnel Management (CIPM) of Sri Lanka, and a lecturer at the Open University of Sri Lanka (OUSL), Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Institute of Human Resources Advancements (IHRA) and Finance and Management faculty of the University of Colombo, for postgraduate studies.

Board of Directors Contd.

Sampath is also the Co-founder/Director of Pioneer Institute of Business and Technology (Pvt) Ltd, an institute offering IT, Law and Business degree programs in affiliation with the University of Greenwich, UK. He serves as a Director at SLASSCOM, the industry chamber for the IT/BPO industry and is a member of the Advisory Committee of the ICT/BPM sector of the Export Development Board.



Apurva Udeshi

Non-Executive, Non-Independent

Appointed to the Board on November 21, 2011

Apurva Udeshi is the Managing Director of Argent Capital, Founder of Aiken Labs, Co-Founder of Avantrio, and a Founding Board Member of the Lankan Angel Network. He has over ten years of experience in the Investment Management industry and over five years in the Technology industry. Argent Capital, which was set up by Apurva in 2011, is a sector agnostic structured fund that invests across Private Equity, Listed Equities, Fixed Income Trading, Real Estate and startups. Aiken Labs and Avantrio are software services development studios that specialise in designing, prototyping, building, and integrating high-tech platforms and software solutions.

Apurva earned his undergraduate degree in Computing from Imperial College, London where he graduated with First Class (Hons) placing him in the top 10 percent of his class. He is also a Dissertation Prize Winner. He began his career at Nomura International, London, where he worked for a year trading European Convertible Bonds before moving to Kotak Mahindra, London. At Kotak, he set up the London Bond Trading Desk and headed it for three years.

Board of Directors Contd.



Dishnira Saparamadu-Ariyaratne

Non-Executive, Non-Independent

Appointed to the Board on September 20, 2021

Dishnira Saparamadu is the founder and CEO of Thambili Island (Pvt) Ltd. She graduated from the University of Nottingham, UK where she obtained a Bachelor of Science degree in Finance, Accounting and Management with an emphasis on Marketing. Possessing a keen interest in marketing, she went on to undertake Digital Marketing training at General Assembly in San Francisco, USA.

Upon returning to Sri Lanka, she began her first job as a Business Analyst at Millenium IT ESP. Following her stint in IT Services, she took the bold move of building her own fashion label. As a young entrepreneur with a firm determination to build her business on the pillars of ethical fashion and community empowerment, Dishnira founded Thambili Island (Pvt) Ltd and works closely with a talented group of local artisans.

With a proven track record in Digital Marketing and Strategy, Dishnira is a Marketing consultant to AppiGo International, a B2B e-commerce platform serving restaurants, retailers and grocery providers island-wide.



Madu Ratnayake

Non-Executive, Independent

Appointed to the Board on September 20, 2021

Madu is an accomplished technology executive with deep expertise in digital transformation, cybersecurity and building high performing global teams in high-tech and financial services companies.

Madu is the Chairman of Scybers, a global cybersecurity consulting and managed services company. Prior to Scybers, Madu was part of the executive leadership team that lead Virtusa, a global digital engineering company, from start-up stage to \$2B NASDAQ listed corporation with over 30,000 team members worldwide. As the global CIO, he led the establishment of Virtusa's award-winning digital platform and their industry leading cybersecurity program. He led the growth of Virtusa's Sri Lanka advanced technology center from inception to over 3,500 people as the center head. Prior to Virtusa, Madu played multiple engineering and delivery leadership roles in telecom services, petroleum, and consulting companies in the UK.

Madu is an independent director of Hatton National Bank. He is the former chairman of SLASSCOM, the industry chamber for IT/BPO and current advisor to the Cybersecurity Center of Excellence. Madu plays a number of advisory and board roles for startups, universities, the government and NGOs. Madu has been recognised among the Top 100 Global Leaders in Technology, Cybersecurity and AI by the Technology Magazine UK and Top 50 most influential CIOs in India by the CIO Council of India.

Board of Directors Contd.



Malinga Arsakularatne

Non-Executive, Independent

Appointed to the Board on September 20, 2021

Malinga Arsakularatne is the Co-Owner / CEO of Acorn Group. He has over 25 years of experience in investment management, corporate finance, business strategy and general management. He was with the Hemas Group for 16 years until March 2020.

During his last four years at Hemas, he worked in the capacity of Managing Director of the Leisure Travel & Aviation Group, and in the capacity of the Group CFO during the preceding nine years. He was also a Board Member of Hemas Holdings PLC for over six years and the Serendib Hotels Group for over 13 years, until March 2020. Currently, Malinga serves on the Board of Union Assurance PLC as an Independent Director and the Chairman of the Board Audit and Compliance Committee.

Malinga is a CFA Charter Holder and a Past President of CFA Sri Lanka. He is also a Fellow Member of the Chartered Institute of Management Accountants, UK, and a Past Board Member of the CIMA Sri Lanka Division. He holds a BSc in Computer Science & Engineering from the University of Moratuwa, an MSc in Investment Management from Cass Business School, and an Executive MBA from INSEAD.



Anarkali Moonesinghe

Non-Executive, Independent

Appointed to the Board on September 20, 2021

Anarkali Moonesinghe has over 25 years of Investment Banking experience in Europe and Asia, particularly in Asian Emerging Markets. She was the CEO of CIMB Investment Bank in Sri Lanka for over 7 years specialising in cross-border corporate finance and M&A. She started her career with Merrill Lynch in Mergers and Acquisitions in Singapore and then moved to London.

She currently serves on the Investment Committee of the Angel Fund, the first fund initiated by the Lankan Angel Network.

Anarkali also serves as a Director on the boards of John Keells Hotels PLC, WealthTrust Securities (Pvt) Ltd, a primary dealer; and the Lankan Angel Network, a platform for private investors who invest in high growth early-stage Sri Lankan ventures.

Anarkali received a Bachelor of Arts (Hons) in Politics, Philosophy and Economics from the University of Oxford.

Corporate Management Team



Nilendra Weerasinghe

Chief Strategy Officer

Focusing on strategy, corporate development, alliances, and partnerships along with the Company's positioning within global markets.



Asitha Goonewardena

Chief Product Owner

Guiding end-to-end delivery of components, maintenance, and enhancements and direct software products strategy to ensure continued growth and stability of PeoplesHR.



Saman Kumara

Director - Administration

Managing administrative functions, improving business efficiency and analyzing financial data.



Mahinda Pathirana

Head of Support & Enterprise Delivery

Heading Support & Enterprise Delivery teams while maintaining customer satisfaction to an optimum level.



Riyazi Samsudeen

Director Sales and Partner Management

Heading Sales & Partner Sales while strategically focusing on developing markets & partner ecosystem.



Kapila Gajapala

Head of IOT driven Tracking Solutions

Developing and implementing Tracking Solutions that support the Internet of Things (IoT) to best serve the Company's objectives and goals.

Corporate Management Team Contd.



Dinuka Erosh

Head of HR Outsourcing

Heading Human Resources Outsourcing Division at hSenid Business Solutions for its Partners and Clients across Sri Lanka, Australia, Bangladesh, Cambodia & other APAC Countries.



Wasantha Ratnayaka

Head of Delivery-On-Premise

Defining and implementing guidelines and setting future plan for delivery management and heading large enterprise project deliveries.



Chathuranga Senaratne

Head of Customer Success and Strategic Partnerships

Heading local sales and customer success teams focusing on revenue and customer satisfaction in existing markets.



Raveen Lasath

Head of Finance

Developing forecasting models, assessing investment risk, and ensuring all accounting processes are in accordance with compliance requirements and rules.



Vichalya Wijesuriya

Head of Marketing & Communications

Leading the strategic marketing communications and establishing a strong brand presence in the region through public relations and digital marketing.



Numica De Silva

Head of Human Resources

Creating and implementing human resource strategy in support of the organisation's overall business plan and strategic direction.

Corporate Management Team Contd.



Champika Kuruppu
Senior Software Architect

Strategising product development and delivery of software with newest trends in the market for our customers.



Ayub Sourjah
Architect - Security & Infrastructure

Identifying and addressing security risks, vulnerabilities, and programming errors by using in-depth understanding of operating systems to build future ready product.



Chamaka Chathuranga
Team Lead – Senior System Administrator

Monitoring the performance of all software and hardware, installing servers, setting systems, and ensuring that all technical aspects are functioning properly.



Empowering the employee experience



Operating Environment

Global Economy

The global economy rebounded in 2021 emerging out of the stresses of the prolonged COVID-19 pandemic. Acceleration in vaccine rollouts coupled with expansionary fiscal and monetary policy supported a quick recovery leading to a 5.7 percent growth in global GDP. Nevertheless, unprecedented levels of quantitative easing and loose monetary policy from the monetary authorities of major economies have created significant concerns on runaway inflation which was measured at 6.9 percent in advanced economies in April 2022, the highest since 1982. The inflationary environment has been compounded by an increase in commodity prices due to supply chain issues and impending food shortages. The policy response from monetary authorities to tame inflation with aggressive tightening of monetary policy and phasing out quantitative easing programs has created concerns over a possible global recession. However, it should be noted that the Asia Pacific and African regions as a whole are better poised to weather recessionary concerns compared to previous instances given their favourable demographic conditions, improvement in domestic demand and limited exposure to external financing.

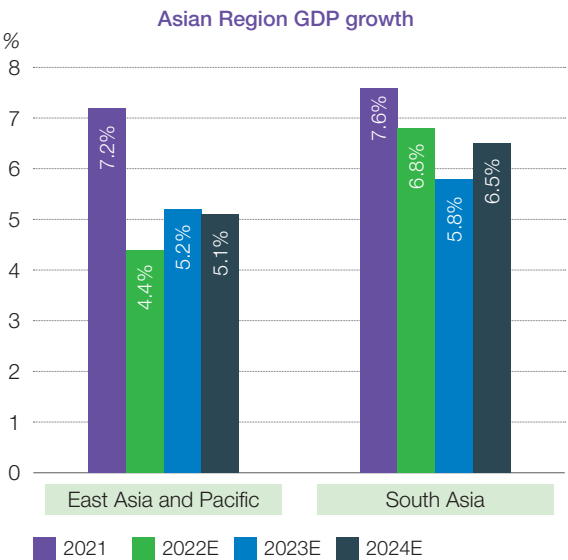


Source: World Bank - June 2022 Estimates

Asian Region

While the American and European economies have relied heavily on stimulus, Asia's post-COVID recovery has been mainly driven by a rebound in exports supported by capital expenditure and

productivity improvements, recording one of the strongest economic recoveries in 2021. While a number of factors including the spill-over effects of the Russia-Ukraine war and increasing food and energy prices continue to impact near-term growth, regional growth is expected to remain resilient. Continued recovery post-pandemic is expected to fuel export growth backed by strong global trade further contributing to increased productivity, capital expenditure and gross domestic product (GDP) in the region. The rising capital expenditure will continue to absorb more workers into the labour force, adding to the rising corporate confidence and encouraging demand for capital equipment.

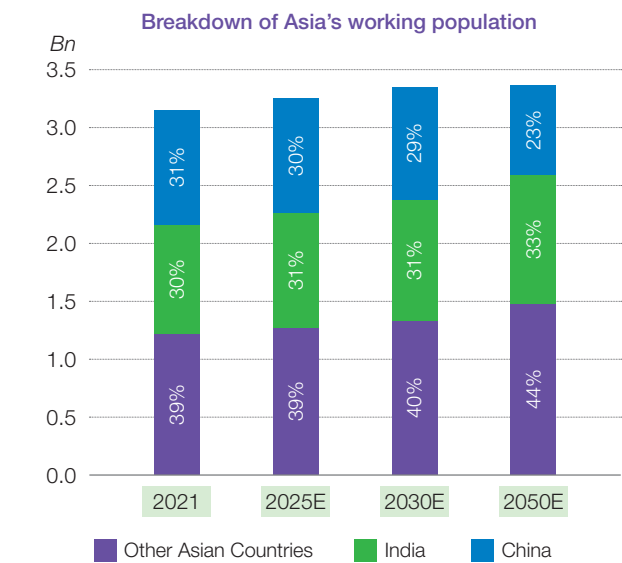


Source: World Bank - June 2022 Estimates

The region's growth is largely attributed to the rapid growth of its private sector, in particular the SME sector (discussed later in detail). The past decade has also seen the region at the forefront of global economic growth, translating to income growth, while housing the largest cohort of middle-income earners. By 2030, Asia is expected to add another 1 billion middle income earners, accounting for approximately 60 percent of the global middle class. Apart from China and India, Indonesia, Bangladesh and the Philippines are also expected to contribute to this expansion.

Operating Environment Contd.

The region also currently has the largest workforce population, accounting for approximately 60 percent of the global workforce. Of this, India is set to be the largest working population by 2030 surpassing China, accounting for 19 percent of the global working population and one-third of Asia's working population.



Source: United Nations - World Population Prospects 2022

The growth in the private sector led by the growth in SMEs in the region and the related expansion in the labour force, is expected to trigger further demand for HCM software. Growing popularity amongst SMEs to use Cloud-based IT solutions due to low cost and ease of business facilitation as well as the regional government's efforts to create a conducive environment for businesses, may encourage local investors and foreign direct investments (FDIs), leading to higher demand for the adoption of HCM Software in the region.

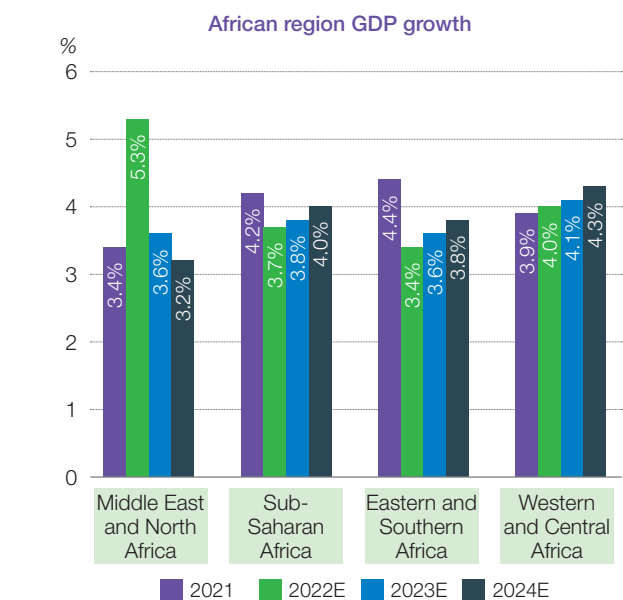
African Region

While recording a slower recovery compared to its global counterparts post-COVID, the region has nonetheless shown a steady climb back to gaining economic recovery in 2021. Similar to the Asian region, Africa is expected to see the impact from ongoing global events in addition to tight fiscal space, unequal access to external finance, and increasing debt vulnerabilities. Nonetheless, the post-COVID era has also shown governments

across the region undertake a wide range of initiatives to provide relief to its citizens, while positioning their economies for long-term growth.

This growth will persist, driven largely by private consumption and investment on the demand side and by continued expansion in the services sector on the supply side. Within the services sector, tourism will witness a strong recovery in the post-pandemic phase and is likely to remain resilient in the medium term.

The Sub-Saharan African region and especially, Western and Central Africa, will witness a stronger pick up in 2023 and 2024. The Sub Saharan African region is projected to record a growth rate of 3.8 percent and 4.0 percent in 2023 and 2024, respectively. As for the Western and Central African regions, it is projected to record a stronger growth of 4.1 percent in 2023 and 4.3 percent in 2024.

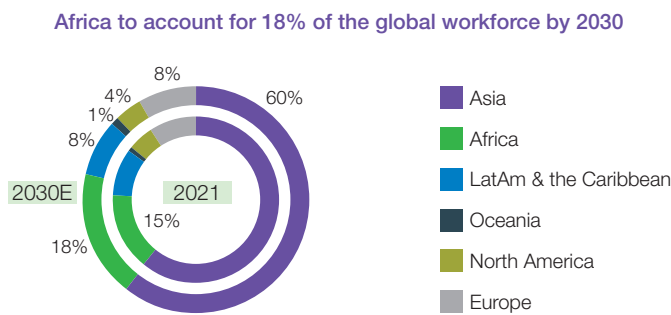


Source: World Bank - June 2022 Estimates

Currently the region holds the youngest population in the world and is observing the fastest growth, with the region expected to represent 20 percent of the global population by 2030 and 26 percent by 2050, compared to 17 percent in 2020 (UN data). The region currently contributes to 15 percent of the global workforce

Operating Environment Contd.

and by 2030 the region's workforce will account for nearly 18 percent, growing at 3 percent annually, also, accounting for a growing middle-income earning population (UN data). It will add an estimated 238,000 people to the global workforce within the next 10 years, surpassing the contribution from the Asian region, an estimated 220,000.



Source: United Nations - World Population Prospects 2022

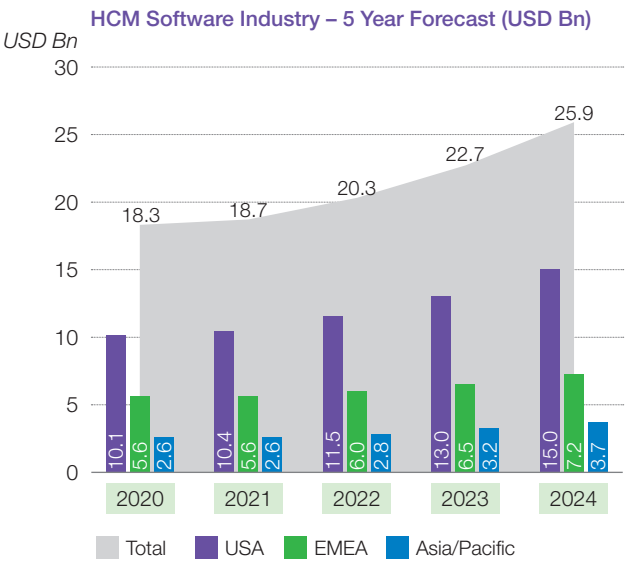
In addition, the region is also a hotbed for Micro, Small and Medium Enterprises (MSME) and start-ups. In Africa, SMEs provide an estimated 80 percent of jobs across the continent while Sub-Saharan Africa alone has 44 million MSMEs, representing a key driver of economic growth. The region also saw USD 4.8 Bn in start-up funds raised in 2021, two and a half times that of the funds raised in 2020, with 30 African nations raising at least USD 100,000 in funding.

Hence, the region's potential job opportunities are expected to boost the demand for HR technology, including the need for HCM applications to cater to the increased workforce.

Human Capital Management Industry

hSenidBiz mainly operates in the Human Capital Management (HCM) software space supporting employers to better manage the most critical aspect of an organisation; human capital, through implementing HCM software. This enterprise application solution supports a variety of core HR functions, ranging from recruitment to benefits, administration and performance management, where the managers rely on technology for greater workplace efficiency and coordination.

The world has witnessed a historic shift in many aspects in the COVID-19 setting, and the HRM industry landscape is no different having transformed in the post-COVID era with emerging new growth opportunities and innovation for industry players. Analysing the Gartner forecast for the global HCM industry for the next 5-year period, the global HCM market is expected to reach USD 25.9 Bn by 2024, up from USD 18.3 Bn in 2020, growing at a CAGR of 9.1 percent over the forecast period (2020 to 2024). This growth will be mainly driven by the United States of America which occupy the largest portion of the market (growing at a CAGR of 10.4 percent) while the Asia Pacific region will also observe enhanced growth prospects, growing at a CAGR of 9.2 percent.



Source: Gartner

Forecast: Enterprise Application Software, Worldwide, 2018-2024, 2020
Update accessed via <https://www.gartner.com/en/documents/3987047/forecast-enterpriseapplication-software-worldwide-2018-> on 1/8/2021

Increasing work-from-home policies and talent mobility

In the global arena, the COVID-19 pandemic has accelerated the adoption of cloud-based HCM with increasing demand for performance management solutions. The multitude of challenges faced by the companies including the dispersed workforce owing to the pandemic, is expected to increase demand for such

Operating Environment Contd.

solutions concurrently, challenging the existing vendors to find a transformational solution to solve these evolving issues.

With work from home becoming the norm for businesses in the 'new normal' environment, companies continue to implement work from home policies despite the reduction in the COVID-19 impact. Companies across the globe uncovered productivity gains, be it from shorter commutes or improved workflow, as talent realised the full potential of tech solutions and collaboration tools. As such, the cost saving due to reducing office space, the ability to connect with a global network of employees, as well as flexibility and convenience, will continue to drive the need for HCM solutions.

At the onset of the pandemic in 2020, a study carried out by LinkedIn revealed that globally, the volume of job searches using the "remote" filter on LinkedIn increased by nearly 60 percent. In APAC, strong growth was observed in remote job applications across key markets such as India, China, Australia, New Zealand, and Singapore. While numbers have slowed down since then coming into 2022, both employers and employees across the region continue to implement remote working practices.

As a result, the need for technology and innovation continue to increase with companies adopting online collaboration tools and platforms to manage employees who are working remotely. The digital workspace will demand solutions such as human capital management to connect the dispersed workforce, team collaboration and other functionalities such as monitoring and keeping track of employee performance, facilitation of virtual recruiting and digital onboarding of employees to support the online work environment and effective performance of employees.

As reported by Gartner, by 2025, 60 percent of global mid-market and large companies will embrace cloud-based solutions for human resource administration and talent management purposes, which may be advantageous to existing HCM vendors. Nevertheless, due to gaps in the functionality of such solutions, businesses may still need to source 20 – 30 percent of its HCM requirements from other solutions creating further demand for HCM software that is compatible or can be integrated into other enterprise solutions.

Growth in SMEs and Workforce in the APAC region

SMEs play a pivotal role and are considered the backbone in economies of many Asian countries and continue to fuel demand for HCM Solutions. As per the Asia-Pacific Economic Cooperation (APEC), SMEs account for around 97 percent of all enterprises and employ over 50 percent of the workforce across APAC economies and significantly contribute to economic growth with a GDP share ranging from 40 percent to 60 percent in most economies.

India's MSME sector in particular, the backbone of the economy, accounts for 90 percent of the country's enterprises, 60 percent of the workforce and 30 percent of the country's GDP. As per the most recent ASSOCHAM-CRISIL joint study, the sector is expected to attain mid-teen growth in the financial year 2022 with the pick-up of economic activities post-COVID 19. This may lead to an expansion of the labour force, which in turn will support growth in the HCM space creating demand for HCM software.

MSMEs are also more flexible in adopting technology, though the number is still modest, leaving additional space for growth. According to the Economic Research Institute for ASEAN and East Asia, only 16 percent of ASEAN MSMEs are currently digitalised while amongst the MSMEs surveyed, only 10 percent comes under the advanced category, with sophisticated digitalisation applied in various aspects of the business, with the adoption of ERP, CRM, analytics, big data, and automation.

The region is also experiencing a transition marked by a demographic shift to a younger population, a rising middle class, and rapid adoption of technology. With several 'mobile-first' markets in the region, Asia is expected to see a rapid increase in the use of technology which would contribute to the growth of its digital economy. As such the SME sector is increasingly being led by a more tech-savvy generation, who are open to adopting technology to manage both its business and workforce effortlessly.

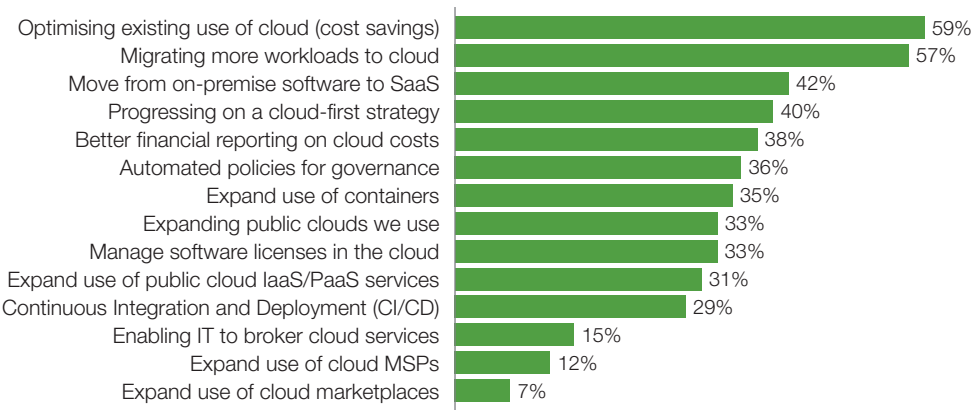
HCM Software adoption driven by cost effective and flexible cloud solutions

The usage of cloud-based SaaS offerings has expanded the global market for software as a whole due to numerous factors

Operating Environment Contd.

such as affordability, flexibility and accessibility. The affordability stems from the fact that SaaS offerings convert traditionally high IT capital expenditure to an operating expenditure model. Further, it allows organisations to utilise and pay only for the number of resources required, which in turn supports organisations to minimise energy consumption and increase cost-effectiveness. These growth prospects are further affirmed by Flexera 2022 State of the Cloud Report which states that optimising existing cloud platforms for cost saving measures and moving to SaaS solutions remained the top cloud initiatives for 2022 across organisations surveyed, indicating a continued move towards cloud solutions.

Top cloud initiatives for 2022 across all organisations



Source: Flexera 2022 State of the Cloud Report | As a % of companies surveyed

Integration of RPA and AI technology in HR tools

Integration of advanced technologies such as Robotic Process Automation (RPA) and Artificial Intelligence (AI) into HR solutions will increase the demand for HR management solutions across industries. RPA and AI will play a key role in automating repetitive HR operational tasks including payroll, onboarding, compliance, and exit processes, reducing time and increasing the efficiency of HR processes.

AI enables organisations to enhance each aspect of the HCM process and can be used by organisations to identify candidates with the best match between the job requirement and the skills and experience, recommended job vacancies to potential candidates including prediction of candidates’ job performance before recruitment. Similarly, AI integrated learning and development functions enable personalised learning for employees and cross-departmental collaborative learning. Further, virtual reality assists customer service training, leadership development and safety training while gamification, which utilises gaming techniques, is also used to accelerate training and growth. Additionally, AI is also increasingly being utilised to address common HR concerns such as eliminating bias in recruitment.

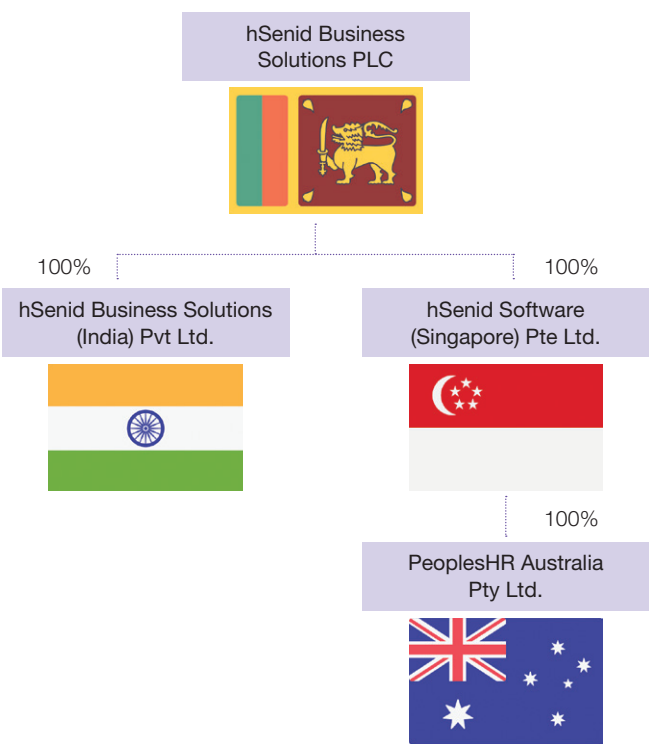
Overview of the Business

hSenid Business Solutions PLC, the first enterprise software company listed on the Colombo Stock Exchange, is a leading HCM Software provider catering to the APAC and MEA Regions. hSenidBiz supports over 1,000,000 users across 1,400+ organisations in 40 countries, while operating from Australia, Bangladesh, India, Kenya, Singapore and Sri Lanka. The Company specialises not only in HCM but also caters to a wide range of HR requirements, including Human Resource Outsourcing, Employee Tracking Solutions and Access Control.

The Company commenced its operations in 1997 under the name of hSenid Software International (Private) Limited (hSI) to supply high-quality software products and services to a global subscriber base. The journey began with Dinesh Saparamadu, the visionary founder of the Company, accepting the challenge to develop a Human Resource software system for one of Sri Lanka's largest companies. With the success of this initiative and the timely completion of the project, hSI gained its first significant client and an innovative new HR solution. From then onwards, the hSenid brand has grown exponentially, designing innovative solutions and ascertaining a robust presence in both local and international markets.

Following the hSI incorporation of its HRIS arm under the name “hSenid Business Solutions (Private) Limited” in 2005, the core management team of hSI including Founder and Chairman, Dinesh Saparamadu, went on to launch a new era of global HRIS systems, driving significant progress in this arena over the years, including incorporating two new subsidiaries in India and Singapore.

With over 25 years of experience, PeoplesHR has become one of the most robust and feature rich Human Resource Technology Platforms in the market having been deployed across over 20 different industries and trusted by 1,400+ organisations in 40 countries.



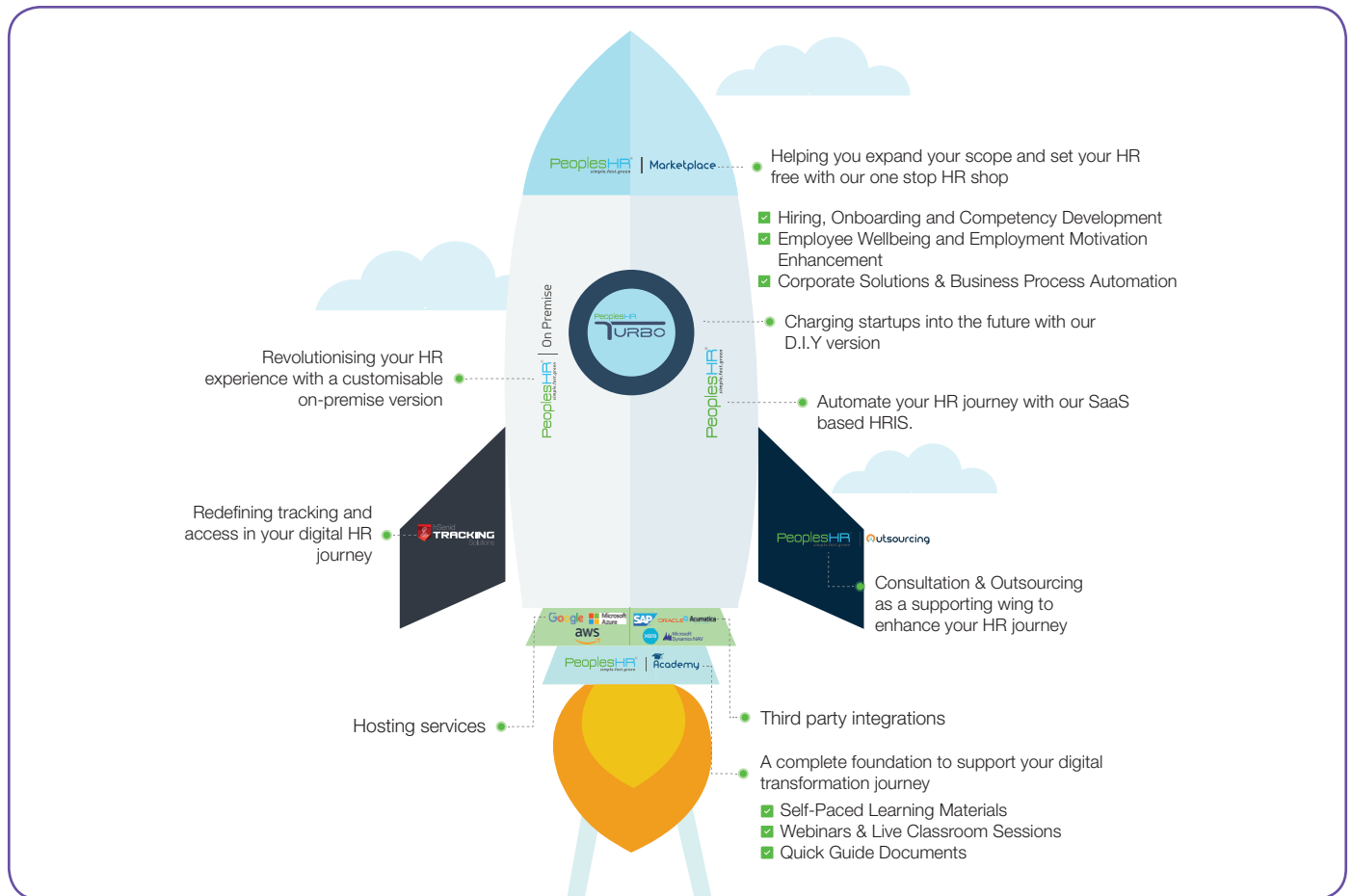
With over 25 years of experience, PeoplesHR has become one of the most robust and feature rich Human Resource Technology Platforms in the market having been deployed across over 20 different industries and trusted by renowned global enterprises.

hSenidBiz employs an exclusive combination of analytics, Artificial Intelligence (AI) and other cutting-edge technologies to provide its clients with people-centred solutions that are customisable, adaptive, and relevant.

hSenidBiz Product Portfolio

hSenidBiz provides an incredibly diverse product portfolio, intended to capture all aspects of an employee's journey in an organisation, from the point of applying for the job to the exit process.

Overview of the Business Contd.



PeoplesHR Cloud

PeoplesHR Cloud is a cloud-based SaaS HR Solution that covers users' needs from day-to-day tasks to high impact strategic HR decisions. Due to its low dependence on physical contact points, this is a product suitable for companies of all sizes, from budding start-ups to medium scale SMEs and even giants in the industry. The solution is packed with futuristic features that will make life easier for its users creating easy and click on the go engagement through the mobile app, kiosks and chatbots and aim towards continuous excellence in configurations, extensions, collaborations, localisations and personalisations suitable for any organisation. PeoplesHR Cloud could be deployed with leading cloud infrastructure providers such as Google, Microsoft Azure and Amazon Web Services.

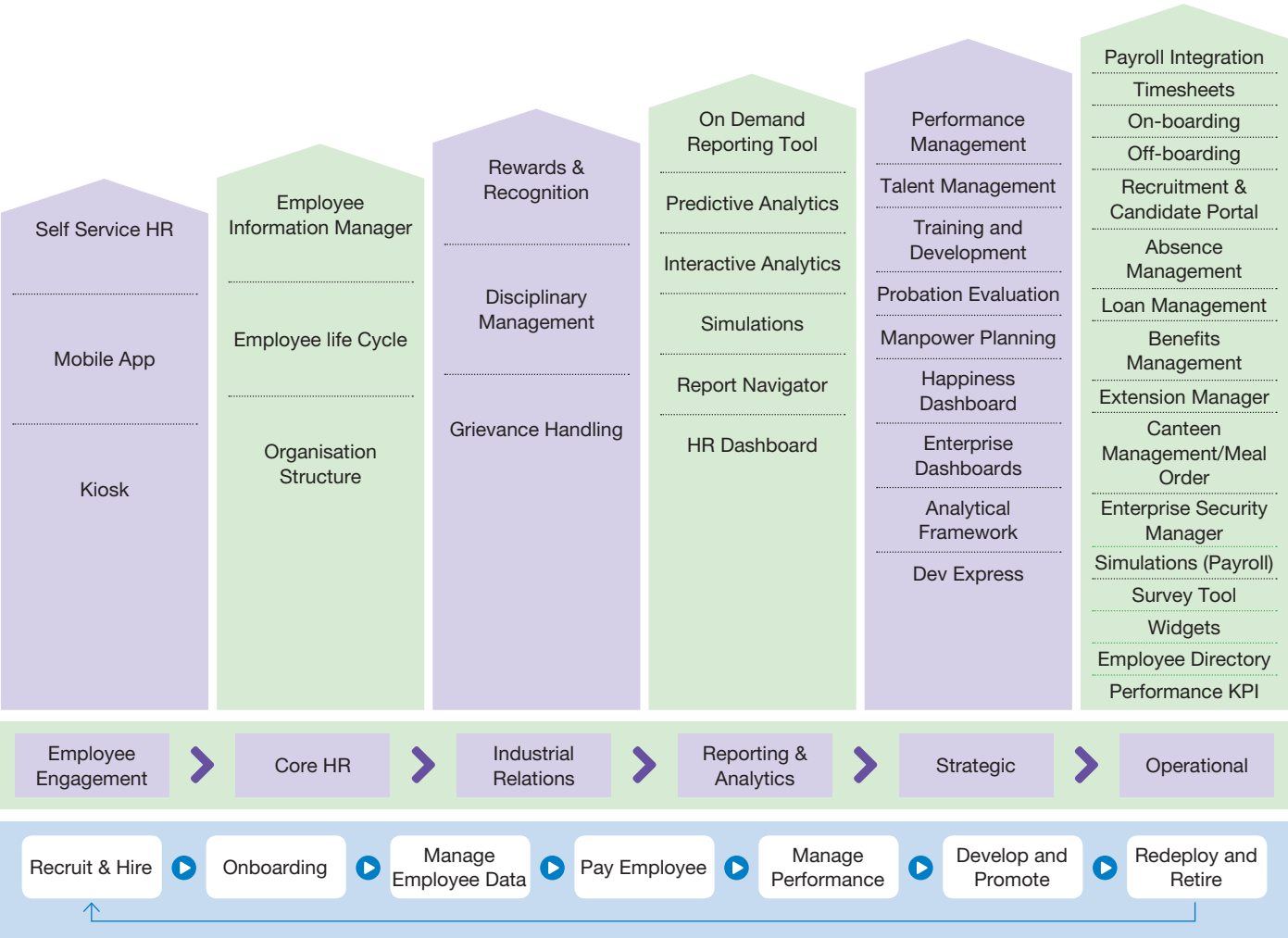
The current cloud product portfolio includes 25+ modules capturing these various touch points, with PeoplesHR being the core product.

PeoplesHR On-Premise

PeoplesHR On-Premise provides large organisations with a highly customised solution deployed at the clients' premises hosted on their own hardware infrastructure. These services become a hub of contact for all HR needs, giving the client the power to interact with the system through desktops, Kiosks, attendance devices and mobile applications.

Overview of the Business Contd.

The employee journey aided by a comprehensive range of HRIS solutions



PeoplesHR Outsourcing

PeoplesHR Outsourcing is the arm of hSenidBiz which offers clients the flexibility to either outsource all HR-related functionalities or selected aspects based on their requirement. We outperform the industry in the delivery of IT Systems, Payroll Outsourcing Services and Resource Outsourcing Services and Consultancy Services. These services are not limited to hSenidBiz HRIS users, as the Company is flexible in importing and exporting data from any other system as well. Our framework is cost-competitive for any work environment and PeoplesHR Outsourcing has Zero System Setting up cost whilst providing the Best-in-Class Payroll & System experience.

Tracking Solutions

hSenidBiz Tracking Solutions redefines tracking systems by designing, developing and providing solutions to track, secure and manage assets of companies, whether it is employees, place or objects. This includes: Tracking and Access Automation, Tracking and Security, Time and Attendance Management, Crowd Control and Management and Facial Access Control. hSenid Tracking Solutions is also dedicated to prompt after-sales services to make sure clients reap the best out of the solutions.

Overview of the Business Contd.

PeoplesHR Turbo

PeoplesHR Turbo a “no frills” solution catering to the SME segment and covers all the essentials that a client would need to manage its employees at work with a Do-It-Yourself twist. It is a fast and easy way to get your HR running without the hassle of the usual extra steps that slow the processes down. With it, clients get all the HR essentials, from Employee Information and Organisation Chart to Employee Life Cycle and Absence Management and even Reporting Tools to run their HR smoothly.

PeoplesHR Marketplace

PeoplesHR Marketplace is a platform that acts as a one-stop-shop for all HR needs connecting PeoplesHR users with leading global and local third party software applications, services, promotions and CSR activities. It consists of many business solutions such as accounting and management services as well as extended HR services that complement and add value to the PeoplesHR platform.

PeoplesHR Academy

PeoplesHR Academy is a digital Learning Academy powered by PeoplesHR with an aim of empowering HR professionals and sales partners by helping them learn our product and understand its features better. It guides and makes users an expert in HR automation and using our product. The Academy also intends on building a PeoplesHR community where members can share their ideas, ask questions and learn the best practises and receive valuable suggestions on new product functionalities.

Market Presence and Channel Partnerships

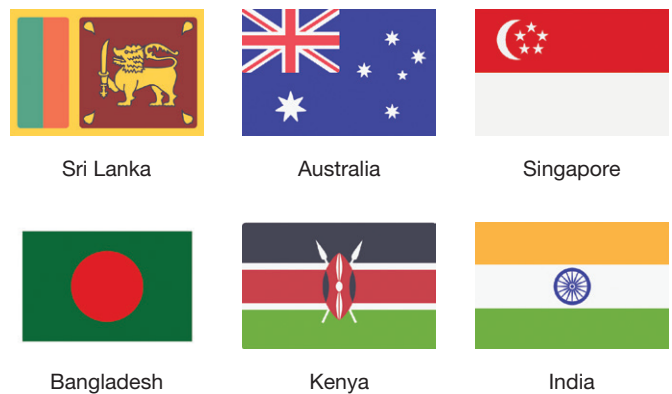
The Company currently operates in over 40 countries primarily from the APAC and MEA regions. Since the first overseas branch opened in Singapore in 2004, hSenidBiz has pursued its objectives in the region maintaining 18 years’ experience in operations. The second branch was established in India in 2011 and has served the Indian clientele for over a decade. Our next foreign footprint was Sydney, Australia in 2013, as a subsidiary of our Singaporean operations.

hSenidBiz’s software solutions are sold and distributed through an extensive network of Channel Partners across the globe enabling the Company to acquire clientele at a fast pace. The Company at present has over 50 partners that fall into two

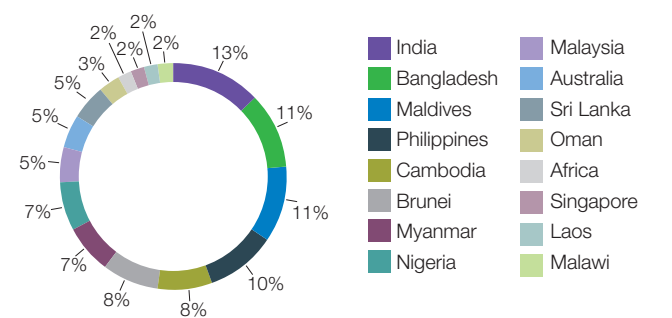
categories: Reseller Partners and Solutions Partners. A dedicated Customer Relationship Management Department oversees the partner relationships by developing several well-focused partnership training programs to cater to various aspects of the process.

Reseller partners promote hSenidBiz solutions to potential clients in their regions while solutions partners originate sales leads including providing final implementation and execution of the deployment strategy. As selling partners develop and gain a deeper understanding of the firm’s products, they are gradually upgraded to implementation through training programs.

hSenidBiz currently operates from six countries



Partner breakdown by geography



Operational Review

Initial Public Offering

hSenidBiz commenced a new phase in our journey during the financial year with the listing of hSenidBiz on the Colombo Stock Exchange via an Initial Public Offering (IPO). With this landmark, hSenidBiz was able to raise equity capital amounting to LKR 692 Mn funds to be utilised in product development initiatives, market development activities as well as potential strategic acquisitions in APAC and/or MEA Regions as per the table below:

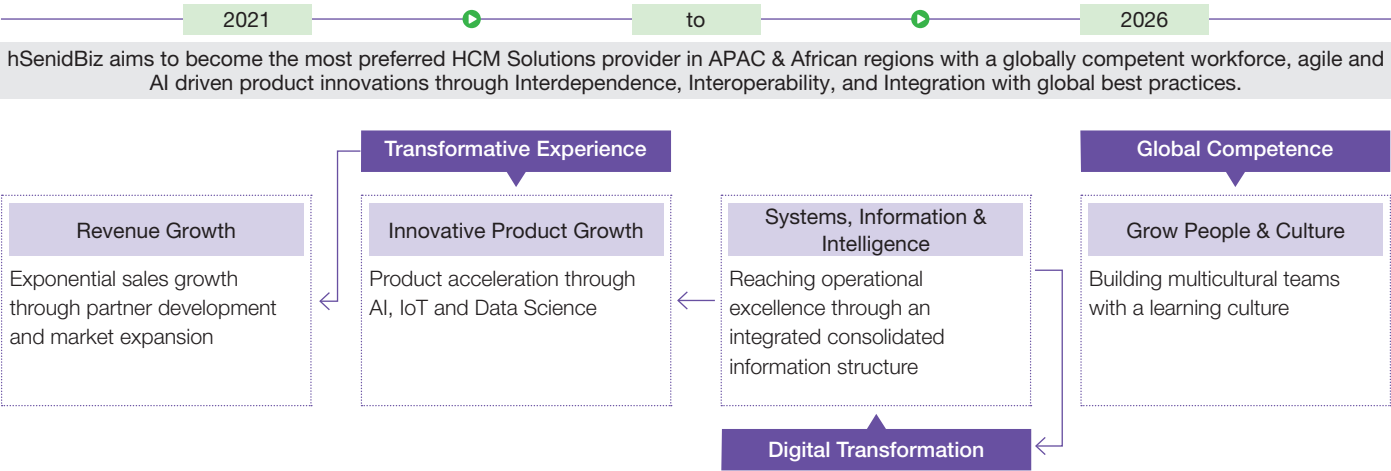
Investment roadmap

Description	Expected Fund Utilisation (c. LKR)	Expected Utilisation Timeline
Product Development Initiatives		
Accelerate the Product Development Road Map	140 Mn	January 2022 - December 2023
Improvement of PeoplesHR Marketplace Platform and Related Service Layer	62 Mn	January 2022 - December 2023
Market Development Initiatives		
Partner Acceleration Journey and Acquiring Global Talent Resources for Partner Development and Management	140 Mn	January 2022 - December 2023
Potential Strategic Acquisitions in APAC and East African Regions	350 Mn	April 2022 – March 2024
Total	692 Mn	

Key Focus Areas during the Year

Strategic Planning

As a company committed to catering to the market requirement, hSenidBiz is cognizant of the competitive nature of the SaaS industry and the business solutions space, consistently investing in research and development in ensuring the future progress of the Company. In this regard, hSenidBiz has commenced the development of product and the marketplace, tech stack and partner strategy for the next five years.



Operational Review Contd.

Product Development

A roadmap has been formulated taking into consideration market research, latest HR trends, customer feedback and R&D efforts of the team listing out several new features to be rolled out in the subsequent product releases for client organisations. These new features have been added based on the market demand and the expert viewpoint on the evolving HRIS needs for the next decade in the global arena.

Partner Onboarding







Broadening our presence in the APAC and MEA regions was another critical strategic step on the agenda. To the end, the Company utilised several strategies to support and develop its partner network. Currently, the Company's partner network comprises over 50 international partners who are in the systems integration business, classified as reselling partners and solutions partners.

Talent Acquisition

hSenidBiz focused on recruiting flexible and independent team players who have the “get-it-done” attitudes through a well-defined interview process that tests the candidates’ skills, capabilities, and overall fit for the core values of the Company. By nurturing a strong learning culture that encourages peer-to-peer knowledge sharing through on-the-job training, the Company provides training as required on par with our well-structured training policy. As an HR advocate, hSenidBiz ensures that the in-house talent is taken care of, nurtured and trained in all required areas to reach the global competence framework.

hSenidBiz's dedication to sustain a knowledgeable and competent cadre has enabled us to develop a highly experienced team of employees that possess vast industry knowledge and job-specific know-how from leading global institutions.

The following key measures were implemented during the year to sustain the market position;

-  Providing localisation support for identified new countries.
-  Release of Enterprise Dashboard with over 200+ HR business indicators.
-  Integration of a BI platform with enriched data representations.
-  Product design and release for the Government of Uganda.
-  Establishment of the PeoplesHR Academy with guided learning materials and certifications.
-  Conceptualised, Design and Development of PeoplesHR Marketplace.

Financial Performance

The year witnessed hSenidBiz cross the LKR 1 Bn mark in revenues, recording a stable growth of 13.4 percent year-over-year, mainly attributable to the growth in our cloud-based HR management system, the PeoplesHR Cloud. Topline was also bolstered by 43 percent of recurring revenues while the average churn rate remained below 5 percent. hSenidBiz Tracking Solutions showed strong growth during the year contributing positively to the performance of the Company.

We were able to secure new deals worth LKR 480 Mn during the period, a 56 percent increase year-over-year. Sri Lanka remained the Company's largest revenue-generating region accounting for 49 percent whilst the rest of APAC countries and Africa contributed 25 percent and 26 percent, respectively. The contribution from the African region showed a notable pick up during the year, particularly aided by the Ugandan Government project and market expansion in the region.

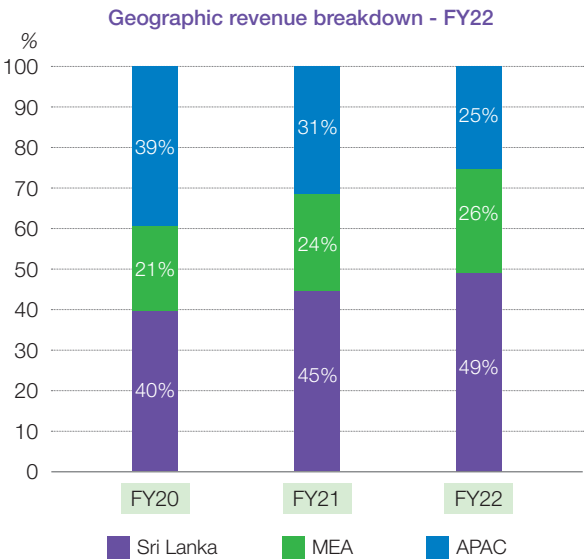
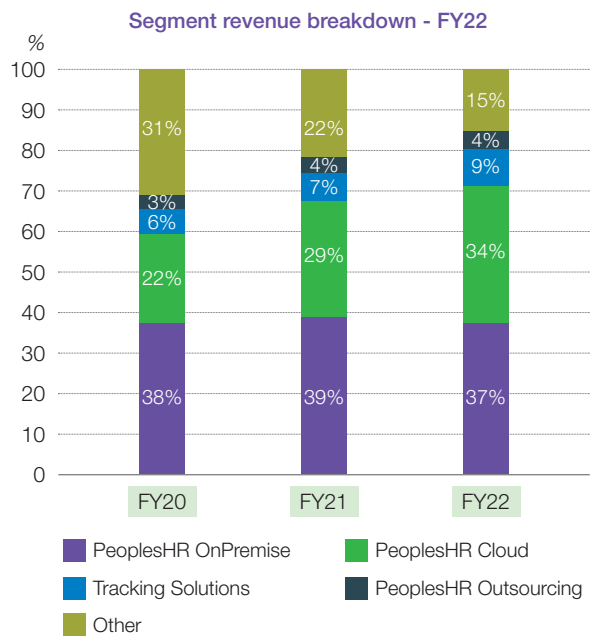
The Company reported earnings before interest, tax, depreciation and amortisation (EBITDA) of LKR 537 Mn during the year, recording a growth of 74.7 percent year-over-year. This improvement was aided by topline growth and favourable currency translation, offsetting an increase in operational expenses during the year.

Operational Review Contd.

The net profit for the financial year came in at LKR 454.5 Mn, compared to the LKR 209.2 Mn recorded in the previous year. During the year, the Company invested a total amount of LKR 119.2 Mn in product development initiatives of which LKR 11.3 Mn came from the IPO proceeds. The successful completion of the Initial Public Offering (IPO) enabled us to raise equity funds worth LKR 692 Mn, which will be strategically utilised for product development, acquisitions, partner acceleration and talent growth.

Segmental Performance

hSenidBiz as a Company has persistently focused on developing a diverse product portfolio to cater to various customer segments in the markets we operate, offering a comprehensive HRIS solution through the PeoplesHR platform along with PeoplesHR Outsourcing and Tracking Solutions. This has enabled hSenidBiz to sustain the competitive edge in the market, expanding presence across the regions, in particular APAC and MEA.



During the period under review, PeoplesHR remained the core product generating over 70 percent of Company revenues.

The Company's earnings are reported under the following segments;

- PeoplesHR On-Premise
- PeoplesHR Cloud
- PeoplesHR Outsourcing
- hSenid Tracking Solutions
- Other

PeoplesHR On-Premise

The On-Premise implementation of the flagship PeoplesHR product generated revenue mainly through licensing and service fees, amounting to 37 percent of total revenues for the financial year. Segment revenues improved by 9.1 percent year-over-year, supported by the Ugandan Government project which was granted to the Company during the previous financial year. In addition, the segment also secured several new deals from Bangladesh, Philippines and Africa amounting to LKR 162 Mn, recording a growth of 45.0 percent year-over-year. Majority of these deals were generated by the Company's growing network of channel partners.

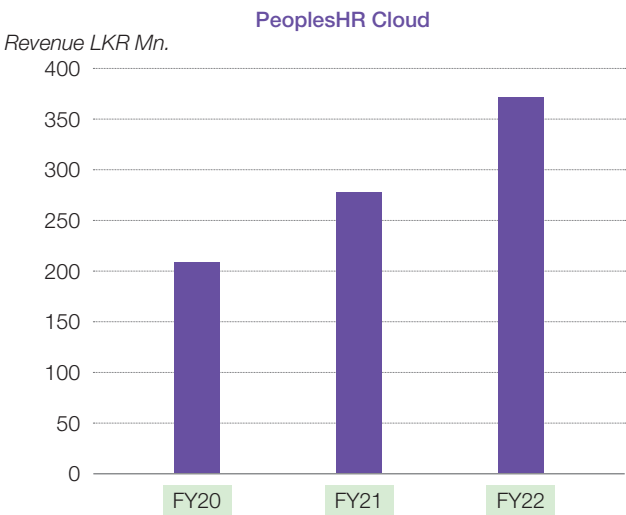
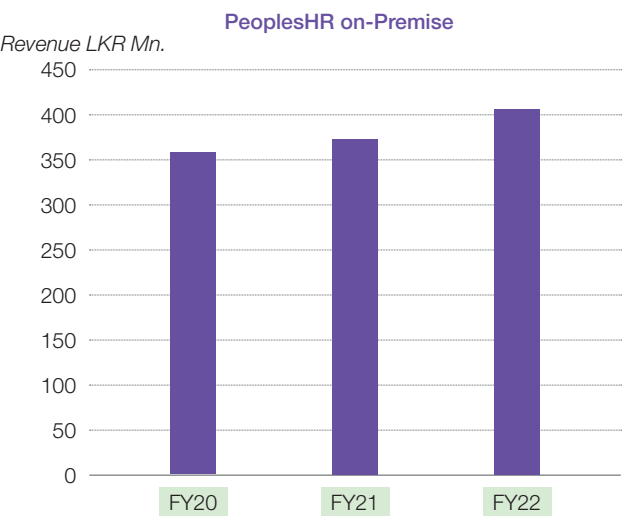
Operational Review Contd.

PeoplesHR Cloud

The SaaS implementation of PeoplesHR is a key focus area of the Company and recorded strong performance during the year achieving a 33.6 percent year-over-year revenue growth. As a result, the segment's contribution to FY22 revenues improved to 34.0 percent, up from 29.0 percent in the previous year.

Recurrent subscription revenue constituted 43.0 percent of total segment revenues during the period, suggesting a potential upward exponential value curve that is evident in global SaaS business models. The segment churn rate also remained below 5 percent for the year.

The topline growth was mainly attributable to the solid growth in new bookings, including securing large ticket accounts during the year, with new deals for the segment growing by 59.0 percent year-over-year to LKR 313 Mn, driven by the Sri Lankan and APAC businesses. Going forward, the Company anticipate improvement in revenue contribution from PeoplesHR Cloud considering the increased demand for cloud HRIS solutions.



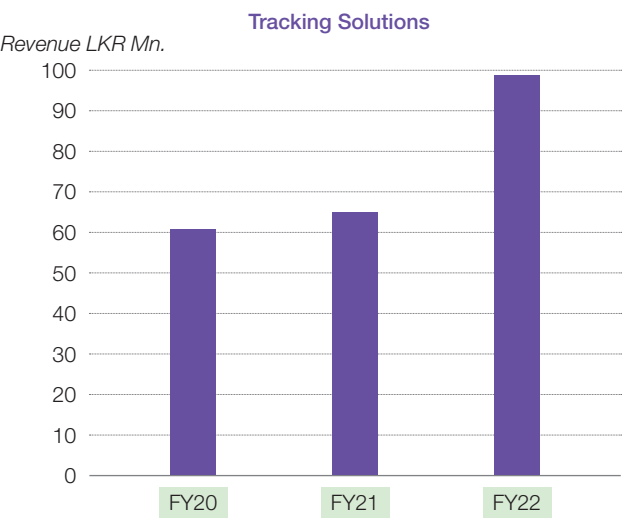
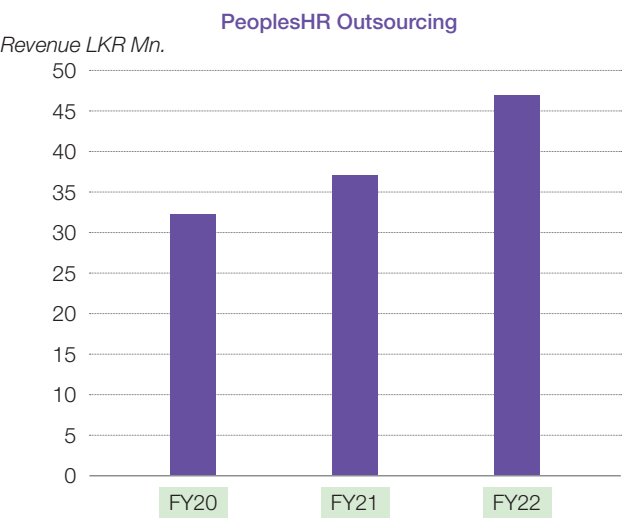
PeoplesHR Outsourcing

This segment was rebranded during the year from HRO to PeoplesHR Outsourcing. During the period, the Company continued service rationalisation of its Staffing Solution/Umbrella Employment component while maintaining a continued focus on its Payroll Outsourcing. Excluding the Staffing Solutions (discussed under non-core operations), segment revenues which include the core Payroll Outsourcing, grew by 26.7 percent year-over-year, which was driven by the new client deals acquired from the APAC region.

hSenid Tracking Solutions

hSenid Tracking Solutions recorded a notable 51.9 percent year-over-year growth in revenues for the year in review. Segment revenue contribution improved to 9 percent in comparison to the 7 percent revenue contribution recorded in 2021. The factors attributable to this growth included increased demand for temperature detection machines, self-service kiosks for companies, new product enrolment within the HRIS space such as people tracking and crowd management, emergency management solutions, canteen management and visitor management solutions that the Company has already begun working on to be deployed in FY23.

Operational Review Contd.



Other

The segment comprises new business lines such as PeoplesHR Turbo and PeoplesHR Marketplace, and “non-core” business lines such as Mobile Solutions and Staffing Solutions which are undergoing product rationalisation. The new business lines saw a strong traction in revenues during FY22, albeit growing from a low base. The year saw PeoplesHR Turbo product being re-

launched in India as a low-cost SaaS product aimed at SMEs (discussed further below). PeoplesHR Marketplace is still in its early stages of implementation, however, is seeing encouraging interest and adoption from existing clients. Both businesses will see continued investments going into FY23.

The Other segment saw revenues decline by 20.3 percent year-over-year. The Company will continue to carry out product rationalisation within this segment, with resources being allocated to the core businesses of the Company.

New Product Development

In our commitment to serving a diverse clientele, we continue to develop innovative products with several disruptive solutions in the pipeline. Some of these have already been implemented and are in the growth stage, while others are progressing through the development process.

Juraa

Juraa is an Enterprise Social Network (ESN) that comes with next generation features and aims to help boost engagement levels within an organisation to its maximum potential while also increasing employee productivity. It is an interactive platform that enables employees to connect, collaborate and engage with their peers. The ESN provides an extensive scope for an employee to interact with the organisation, starting from the point of a candidate (job application level) till the employee leaves the organisation and becomes an alumnus.

Data Science

Data science encompasses preparing data for analysis and processing, performing advanced HR analytics, and presenting the results that enable users to draw informed decisions. The domain of data science and its applicability for the development of PeoplesHR have been evaluated by the data science team of hSenidBiz and critical use cases have been identified according to the needs of the business processes. These include investments in enterprise dashboards, analytical frameworks and wellness analytics. The Company is focused on becoming an AI and data science driven product leader in the HRIS space in the region, and will continue to invest in this space.

Operational Review Contd.

Robotic Process Automation (RPA)

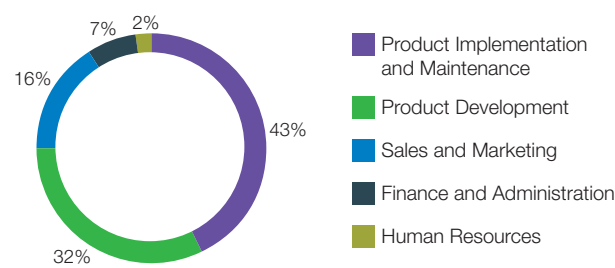
Robotic Process Automation (RPA) is currently utilised in hSenidBiz's newest HRIS version that is directed towards meeting the evolving needs of a millennial workforce. Our RPA solution enables an Enterprise Dashboard which offers monthly overviews, analysis of various KPIs and other trends and metrics. Its main purpose is to enable Data Driven Decision-making through predictive analytics, thereby assisting CEOs to make optimal decisions regarding an organisation's human capital.

Human Capital

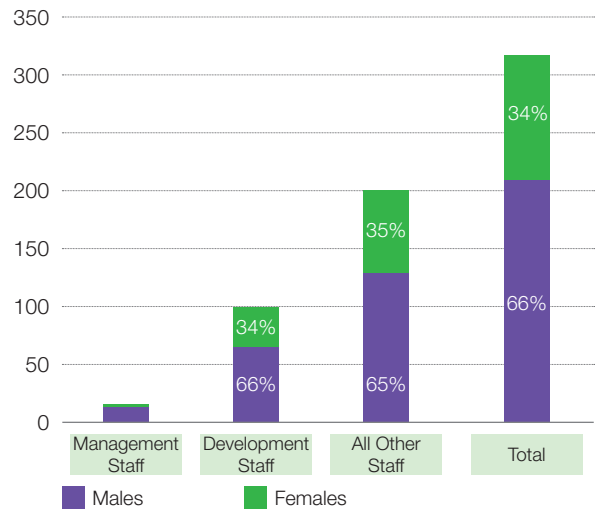
Our employees are the driving force behind our success, having assisted the Company to achieve many milestones over the years. With a total workforce of 317 employees, as of March 31, 2022, hSenidBiz occupies a highly competent talent pool that has both local and global industry experience. This is further strengthened by the strong and experienced senior management team who are determined and committed to taking the Company to greater altitudes.

We follow a stringent recruitment process to capture the best-suited managerial and executive talent for the Company. Our rigorous selection criteria have enabled us to hire the best talent in the industry establishing a workforce with a perfect mix of talented interns and experienced veterans. Currently, the employee base consists of individuals with a high level of industry experience along with an Undergraduate Degree and/or Postgraduate qualification in their relevant fields.

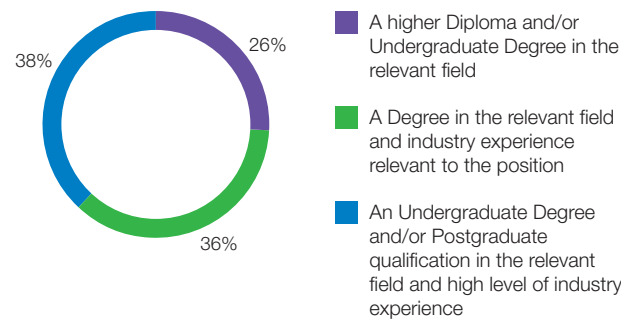
Employees of hBS Group as at March 31, 2022



Employees of hBS Group as at March 31, 2022



Employee breakdown by qualifications and experience



Operational Review Contd.

Learning and Development

hSenidBiz's well-designed training policy advocates a strong learning culture facilitating peer-to-peer knowledge sharing through on-the-job training. A training needs analysis is carried out to identify the training needs of the organisation/division or to identify the needs of specific employees. Following which, training programs are designed and delivered to the target audience through seminars, knowledge-sharing sessions, experiential learning sessions and workshops. Employees are also provided with the opportunity to participate in external training sessions and conferences to upgrade their skills. In the final step, trainees and trainers are evaluated to determine the success of the program.

Corporate Social Responsibility (CSR)

In our quest for prosperity, we remain cognizant of our overall obligation toward society as responsible corporate citizens. Therefore, as a people-centric organisation, we have been involved in several CSR initiatives over the years to support and uplift the communities. The Company's CSR initiatives are listed below.

SPECTRA

hSenidBiz's SPECTRA Project was initiated in 2021 and is an ongoing effort to help underprivileged school children obtain the resources they require to achieve their academic needs. During the year, we sponsored 12 children in schools with an annual sponsorship investment of over LKR 300 000.

Empowering future local talent towards digital corporate

hSenidBiz in collaboration with seven state universities in Sri Lanka (Colombo, Kelaniya, Sri Jayewardenepura, Rajarata, Peradeniya, Moratuwa, Vavuniya) commenced an initiative towards building globally competitive local talent. In turn, these partnerships are expected to further supplement the scope of the Human Resource (HR) programs provided by these universities, adding strategic value to the study by capturing the essence of

HRIS and the complete automation of HR with Analytics and Artificial Intelligence-driven HR Tech advancements. We believe that these partnerships will enable us to groom future minds towards developing a strong business landscape in Sri Lanka that can progress globally with technology.

Dengue.lk

Dengue.lk was launched by hSenidBiz to create societal awareness in eliminating dengue from Sri Lanka and hence this website provides latest updates on dengue virus in the country, information relating to preventive measures, symptoms and the measures that should be taken if suffering from dengue.

Strategic Initiatives

Product Development

Our product roadmap has been designed to bring a number of new features to users of all tiers in client organisations, covering areas across an employee's company journey. We are focused on continuously enhancing this product portfolio based on product market research, customer feedback and new feature creation based on our research and development efforts. This map will include product extensions, incorporation of Artificial Intelligence and Robotics Process Automation, bots and Internet of Things (IoT).

This also includes the development of the PeopleHR Marketplace and related services. The Company intends to accelerate the required enhancement work and continue the development work over the next 1-2 years. With the ability to promote the Marketplace to over 1,400 of our clients, we expect the PeoplesHR Marketplace initiatives to boost our recurring revenue and gross profit margins, over the medium term.

As a part of the roadmap, hSenidBiz will also allocate resources to acquire product development expertise in the areas of software development, quality assurance, infrastructure management, functional consultation, security and compliance, UI/UX, and sales expertise to promote PeoplesHR Marketplace.

Operational Review Contd.

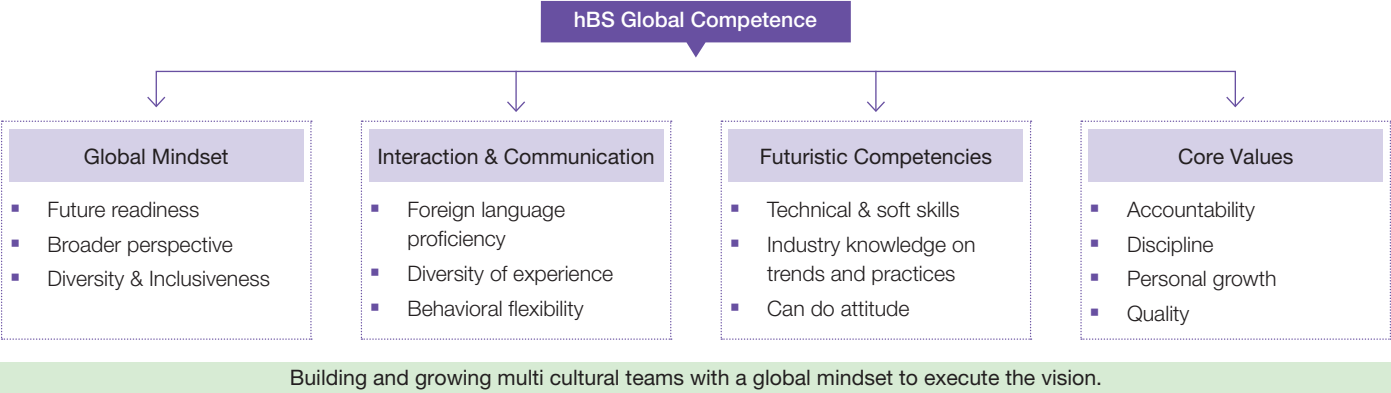
Expanding the Regional Partner Network

Under our market development initiatives, expansion of our channel partner network is a key component. In the medium term, we intend to grow our partner network adding 30 new partners across the APAC region (selected developing and developed markets including Australia and New Zealand), African market, and Gulf region.

Acquiring Global Talent

Recruitment of talent for the Company will remain a key focus and in addressing this critical factor, hSenidBiz will consider hiring talent across the region looking at offshore development centres to mitigate the challenges posed by individual business environments. The Company will monitor the success of this model in order to understand the feasibility of implementing the same across other regions, to bolster talent acquisition efforts.

Building global competence at hSenidBiz



Potential Strategic Acquisitions in APAC and East African regions

Further, in line with our stated objectives of the IPO, hSenidBiz will evaluate potential strategic partnerships and acquisitions in APAC and East African regions, in order to strengthen our market presence. In FY22, nearly half of Company revenues were generated from international clients, notably in APAC and MEA regions. Looking forward, the Company anticipates the geographical mix to continue to shift towards international markets, particularly supported by strategic partnerships and acquisitions.

Environmental Sustainability

Safeguarding the environment is a strong foundation to ensure sustainable development and hence, we have integrated the environmental sustainability aspect into the Company's strategic planning and business operations. hSenidBiz remains committed to developing a set of practices to facilitate the Company to address sustainability risks, working both with our employees and clients.

Our key business, PeoplesHR solution, goes by the tagline, "Simple. Fast. Green", highlighting the green concept and automating all HR functions of our 1,465 clients, helping them to reduce their carbon footprint. To further enhance this solution, we have encouraged and transferred many clients from on-premises to cloud-based solutions.

In addition, the Company has taken several steps both internally and externally with our clients and partners, to address possible sustainability risks and reduce our carbon footprint.

- All local servers have been moved to a cloud and document management system to reduce the carbon footprint. In addition, with the drive for a partner-led business model for international markets, all activities are transferred to digital, using cloud-based solutions. As such, all customer proposals, materials and artefacts created digitally, have reduced our paper usage.
- All departments have moved to SharePoint and other document management systems to share documents within the organisations, eliminating the use of printed documents and the requirement for filing. In particular, our Product Development Unit has moved entirety of its documentation processes to a digital platform and maintain online versions, reducing the requirement for printing.
- Data of all operational devices, including laptops and servers, are maintained on cloud storage, reducing the need of maintaining additional server space for backups and maintenance of copies in other traditional modes. This has largely contributed to the reduction of unnecessary usage of hardware, backup media and operational time in managing the backups and storage.
- With the onset of the pandemic in 2019, the Company has taken steps to encourage remote working or working from home. As such, majority of the communication between partner sales managers, partners, customers and staff such as meetings, conferences, and joint work sessions, now take place on online communication platforms. This has directly aided the reduction of travel time of all staff, savings in electricity in office premises, and allowing employees to work remotely, in a safe manner.

Risk Management

Risk management constitutes an integral part of effective administration and governance. By assessing the numerous risks, the Company is in a favourable position to safeguard its long-term sustainability by taking appropriate and timely measures to avoid or mitigate the potential threats. By identifying, evaluating, and mitigating the emerging risks, the risk management practices within the organisation are continuously strengthened improving the Company's ability to withstand challenges and uncertainties arising in the business environment.

At hSenidBiz, we seek to proactively identify, measure, and mitigate risks that could potentially impact our performance. We remain vigilant of the uncertainties prevailing in the operating environment and are continuously identifying the potential risks to the Company while formulating the necessary risk framework for risk mitigation.

Below is a description of key business specific risks adopted by the Company.

Risk	Description	Mitigant
Limited availability of software engineering talent	Migration risk leading to employee turnover and shrinkage of talent pool.	As a regional HCM player, hSenidBiz continuously looks to enhance corporate branding as a workplace of choice, for both the existing and new entrants of the IT industry workforce in Sri Lanka. The Company has also partnered with key education institutions across Sri Lanka intending to recruit a diverse and skilled workforce. Furthermore, the Company is currently in the process of establishing offshore development hubs to hire talent across the region, to address the long-term risk of talent acquisition concerns in the key hiring market. hSenidBiz is committed to working with larger IT industry in Sri Lanka to improve supply of talent given the high demand for IT skills.
System breaches, infrastructure failures and service interruptions	Risks arising mainly due to client hardware in on-premise implementations and cloud infrastructure failure in SaaS implementations.	hSenidBiz use state-of-the-art cloud infrastructure providers such as Microsoft Azure, AWS, Google etc, while rigorously assessing client infrastructure readiness to host our Company software applications thereby taking the necessary corrective actions.
System security and data privacy risks	hSenidBiz's business generates, stores, and processes a large quantity of personal, transaction, demographic, and behavioural data and therefore, it faces risks related to handling large volumes of data and ensuring their protection.	hSenidBiz regularly carries out vulnerability and penetration testing of its products and systems. In addition, the Company is in the process of adopting Information Security Management processes in accordance with ISO standards, to continuously monitor and measure such risks and to take preventive actions to reduce such breaches (more details given below on page 43).
Technology obsolescence	Risk of product portfolio becoming out-of-date at a faster pace due to new technology, and risks from competitors developing similar products, including risks to intellectual property.	hSenidBiz has created a product roadmap to introduce new features, improve product architecture including continuous updates to the code base to be in line with industry offerings. The Company also continuously upgrade products through R&D investments and acquisition of talent, along with continuous monitoring of competitor activity.

Risk Management Contd.

Risk	Description	Mitigant
Inability to execute strategic growth plans	Risk arising from inability to execute strategic growth plans in a timely and prudent manner can lead to loss of earnings and market share in the markets hSenidBiz operates in.	The Senior Management of hSenidBiz monitors this risk and ensures a strong culture of continuous development, innovation, and accountability. Several new growth plans are in place including entry into new markets, formation of a strong channel partner network, and new product launches. These are executed through a well-established team and appropriate capital allocation, in a timely manner.
Compliance with local regulatory requirements, industry-wide and company specific HR practices	Key considerations include risks related to privacy and sharing, safety, security, and other factors; and compliance with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.	hSenidBiz liaise with local practitioners to obtain and validate rules and regulations in relation to payroll practices. The Company also carries out detailed requirement gathering exercises to ensure compliance with industry and company specific HR practices.
Inability to maintain necessary third-party relationships and third-party software licenses	hSenidBiz uses third party software wherever required and inability to secure or continue existing licensing agreements on an ongoing basis, can lead to service interruptions.	hSenidBiz has entered into long term agreements and proactively monitor relationships with third party software vendors.

Information Security Management in accordance with ISO 27001

hSenidBiz is currently in the process of establishing an Information Security Management System in accordance with ISO 27001 and is awaiting audit for final certification. The purpose of this system is to define a suitable 'Information Security Organisation Structure' and define roles and responsibilities for the coordination of information security activities within the Company.

The framework also affirms that hSenidBiz's information assets are provided comprehensive protection against the consequences of breaches of confidentiality, failures of integrity and interruptions to their availability and/or repudiation of transactions. It provides the management direction and supports to ensure the protection of the Company's information assets, while allowing access, use and disclosure of such information in accordance with appropriate standards, laws and regulations.

The Company is moving a step further and is in the process of obtaining ISO 27017, setting guidelines for information security controls applicable to the provision and use of cloud services. With the increased focus on cloud products, hSenidBiz deems that it is imperative to adopt necessary risk management practices to protect client data and provide guidelines for employees.

The implementation of these new information security policies across the organisation will be carried out by an Information Security Officer and a Compliance Officer.

ISO 27001 Information Security Management System Framework



Corporate Governance

A robust and effective corporate governance system facilitates a company to cultivate a culture of integrity, leading to successful performance and sustainable growth. Furthermore, a well-defined framework that governs the relationship between shareholders, management and the Board of Directors, creates trust and inspires confidence among all stakeholders of an organisation and leads to enhanced access to capital flows.

At hSenidBiz, Corporate Governance plays an integral role in sustaining effective management of operations in delivering value to all stakeholders. The Company has established a Corporate Governance framework adopting ethical business practices complying with all the necessary regulatory requirements applicable to the industry and the business in managing the Company operations with integrity and accountability.

Board Responsibilities

The Board of Directors is primarily responsible for managing affairs of the Company fairly and transparently, by ensuring that the Corporate Governance guidelines and best practices are strictly followed within the organisation in serving and protecting the long-term interests of all its stakeholders.

Further, the Board discloses timely and accurate information regarding the financial performance of the Company, in addition to navigating the governance of the Company through its leadership. The Board ensures that the necessary processes are in place to review and evaluate the Company's operations.

The Board makes decisions independent of the Management and is assisted by the guidelines of the Code of Best Practice on Corporate Governance 2017 published jointly by the Securities and Exchange Commission of Sri Lanka, the Institute of Chartered Accountants of Sri Lanka and the CSE Listing Rules (including Rule 3.1.17 thereof).

hSenidBiz deems that an active, well-informed, and independent Board is imperative to ensure the highest standards of Corporate

Governance, and therefore has ensured careful selection and maintenance of a well-balanced and diversified Board. Aligned with the Corporate Governance best practices, the Board has delegated certain responsibilities to the committees of the Board, and the committees deal with relevant issues according to its Terms of References making recommendations to the Board as appropriate.

Board Composition

The Board assumes ultimate responsibility for corporate governance within the Company, providing leadership through effective policy formulation and execution to meet the business objectives. At present, the Board comprises seven (7) Directors of whom two (2) are Executive Directors including the Chairman. The remaining five (5) are Non-Executive Directors of whom three (3) are Independent.

Name	Director Designation
Dinesh Saparamadu	Chairman, Executive, Non-Independent
Sampath Jayasundara	Chief Executive Officer, Executive, Non-Independent
Dishnira Saparamadu-Ariyaratne	Non-Executive, Non-Independent
Apurva Udeshi	Non-Executive, Non-Independent
Malinga. De F. Arsakularatne	Non-Executive, Independent
Madu Ratnayake	Non-Executive, Independent
Anarkali Moonesinghe	Non-Executive, Independent

Board Diversity

The Board comprises persons from diverse academic and professional backgrounds and has adequate expertise to meet the present needs of hSendiBiz. Nevertheless, the Board will continue to review the skill set and the expertise of its members on an ongoing basis in alignment with the business requirement and the complexity of business operations.

Corporate Governance Contd.

Board Skills

The Board consists of highly qualified individuals that have a wealth of experience in their respective fields and serves on Boards of several international organisations with the expertise to play distinctive roles in pursuing corporate objectives and the Company strategy. They bring together diverse capabilities and experience maintaining the skill balance required for effective governance.

The Board's expertise covers diverse subject areas including enterprise technology, entrepreneurship, marketing, investment banking, investment management and corporate finance to name a few.

Board Term

The Board is appointed for a Term of 01 year until the Annual General Meeting and is eligible for re-election by the shareholders.

Audit Committee Report

Purpose of the Committee

The purpose of the Audit Committee is to provide assistance to the Board of Directors of hBS in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other relevant stakeholders with regard to:

- Integrity of the Company's financial statements,
- Effectiveness of the Company's internal controls,
- Company's compliance with legal and regulatory requirements,
- External and Internal Auditors' qualifications, performance, independence, remuneration, appointment, reappointment and removal together with the terms of engagement, and
- Overseeing the Company's compliance with ethical standards as adopted by the Company.

Composition and Attendance of the Committee

The Audit Committee consists of three non-executive directors, chaired by Mr. Malinga Arsakularatne, while Corporate Services (Private) Limited acts as the Secretary to the committee.

The Committee's composition as at 31 March 2022 was as follows:

Name	Category	Meeting Attendance
Mr Malinga Arsakularatne	Independent, NonExecutive Director	2/2
Mr Apurva Udeshi	Non-Independent, Non-Executive Director	2/2
Ms Anarkali Moonesinghe	Independent, Non-Executive Director	2/2

Brief profiles of each member are given on pages 14 to 17 of this report.

The following members of the corporate management team also regularly attended the meetings by invitation of the Committee.

- Mr. Dinesh Saparamadu - Chairman
- Mr. Sampath Jayasundara – Chief Executive Officer
- Mr. Raveen Lasath - Head of Finance

Duties and Responsibilities of the Committee

The primary role of the Audit Committee is to ensure the integrity of financial reporting, audit processes, the maintenance of sound internal controls and risk management system. The committee's responsibilities include the following:

- Ensuring that the Company maintains proper books of accounts and the financial statements provide a true and fair view of financial position and financial performance of the Company.
- Ensuring the effectiveness of the Finance function.
- Ensuring the External Audit and Internal Audit are performed by two distinct and independent teams with the required professional qualifications, experience, competence, and authority.
- Ensuring independence of the External Auditors and Internal Auditors has not been impaired by any conflict of interest.
- Assessing the performance of the External Auditors and Internal Auditors, and making recommendations to the Board of Directors in this regard.
- Ensuring the Risk Management framework is defined and effectively implemented across the organisation with competent staff.
- Ensuring that the financial statements are prepared and presented in compliance with the relevant laws, regulations and accounting standards.
- Responsible for overseeing, reviewing and periodically updating the Company's code of conduct and ethics, along with compliance monitoring and enforcement of the same.

Activities carried out by the Committee

- Reviewed and discussed with the Company's management and the Independent Auditors, the Consolidated Financial Statements for the financial year ended 31 March 2022.
- Ensured that the Consolidated Financial Statements are prepared in accordance with Sri Lanka Financial Reporting Standards, fairly presenting the results of operations and the financial position of the Company.
- Ensured that the Management has taken necessary and adequate steps to manage risk exposures by reviewing the internal controls, risk identification and management measures.

Audit Committee Report Contd.

- Reviewed internal assessment carried out by the management on the ability of the Company to continue as a going concern taking into consideration the potential implications of the prevailing economic conditions both locally and in markets hBS is present in.
- Reviewed the compliance on Colombo Stock Exchange (CSE) Listing rules and regulations.

Conclusion

The Audit Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the reported financial results present a true and fair view. The Audit Committee is in agreement that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommended to the Board of Directors that the Financial Statements as submitted be approved.



Malinga Arsakularatne

Chairperson

Audit Committee

27th July 2022

Human Resource and Remuneration Committee Report

Purpose of the Committee

The Human Resources and Remuneration Committee operates within the terms of reference approved by the Board and assists the Board to ensure that the remuneration policies of the Company align with its objectives.

Composition and Attendance of the Committee

The Remuneration Committee consists of three (03) Non-Executive Directors of whom two (2) are Independent Directors. The committee is chaired by Mr. Madu Ratnayake, while Corporate Services (Private) Limited acts as the Secretary to the committee.

The Committee's composition as at 31 March 2022 was as follows:

Name	Category	Meeting Attendance
Mr Madu Ratnayake	Chairperson Non-Executive, Independent	2/2
Mr Malinga Arsakularatne	Non-Executive, Independent	2/2
Ms Dishnira Saparamadu- Ariyaratne	Non-Executive, Non-Independent	2/2

Brief profiles of each member are given on pages 14 to 17 of this report.

The following members of the corporate management team also attended the meetings by invitation of the Committee.

- Mr. Dinesh Saparamadu - Chairman
- Mr. Sampath Jayasundara – Chief Executive Officer

Duties and Responsibilities

The committee's primary responsibilities include;

- The recommendation of remuneration of the Chairman and Non-Executive Directors of the Board and remuneration policy relating to Executive Directors, Chief Executive Officer and key management personnel of the Company.
- Ensuring that proper succession plans are in place and provides recommendations on key HR decisions relating to key management personnel / corporate managers and HR policies governing other staff.

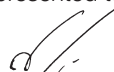
- Approves the annual budget for human resources along with proposed training and development programmes, action plans and HR strategies.
- Ensure appropriate compensation packages which suit each business within the group, determined in-line with individual employee's performance, qualifications and level of experience whilst keeping in mind the business performance and long-term shareholder returns.

Activities carried out by the Committee during the Year

- Deliberated the importance of identifying the talent requirement to execute the developed company strategy. Agreed to develop the future talent requirement alongside the OGSM framework.
- Deliberated the importance of company culture and how to create a culture for high performance. Agreed to carry out a culture diagnostic exercise with an outside-in approach. This will be done through a study of cultures of high performing organisations within the global IT industry, collect feedback from customers on perceived value, and internal team wise activities to understand the culture and value system that will be required to build a high performing team.
- Deliberated details of customer-led and product-led cultures and agreed to focus and carry out further studies on a product-led culture.
- Deliberated how to focus on future products/solutions requirements, especially employee engagement, the human aspect of human resources function, and how systems and data can support employee performance. Product team was tasked to study these new trends further and share the findings with the management team.
- Deliberated succession planning and agreed to identify succession candidates for each critical position. Company to create a development plan for each identified succession candidate.

Conclusion

During the year and all objectives of the Human Resources and Remuneration Committee with regard to compensation & benefits and human resources policies were met. The minutes of the meetings including recommendations and approvals were presented to the Board of Directors for affirmation.



Mr. Madu Ratnayake

Chairperson

The Human Resources and Remuneration Committee

27th July 2022

Related Party Transactions Review Committee Report

Purpose of the Committee

The Related Party Transactions Review Committee assists the Board to ensure that interests of shareholders as a whole are taken into consideration when entering into transactions with related parties in order to avoid any conflict of interests and are consistent with the Code of Best Practices on Related Party Transactions issued by SEC and with the Listing Rules of the CSE.

Composition and Attendance of the Committee

The Related Party Transaction Committee comprise of three non-executive directors, chaired by Ms. Anarkali Moonesinghe, while Corporate Services (Private) Limited acts as the Secretary to the committee.

The Committee's composition as at 31 March 2022 was as follows:

Name	Category	Meeting Attendance
Ms Anarkali Moonesinghe	Chairperson Independent, Non-Executive Director	1/1
Mr Apurva Udeshi	Non-Independent, Non-Executive Director	1/1
Ms Dishnira Saparamadu-Ariyaratne	Non-Independent, Non-Executive Director	1/1

Brief profiles of each member are given on pages 14 to 17 of this report.

Duties and Responsibilities

Except for transactions mentioned under rule 27 of the Code, all other related party transactions should be reviewed by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

In particular, the Committee will review all transactions between the Company and Related Parties to:

1. Assess whether the transactions are in the best interests of the Company and its shareholders as a whole,
2. Evaluate whether the transactions fall within the ambit of a normal business relationship, including whether:
 - a) the related party service providers have the adequate skills and capacity, and
 - b) the related party services are provided at market competitive rates,
3. Confirm whether the terms of such transactions are no more favourable than would reasonably be expected of transactions negotiated on an arm's length basis, including by considering benchmarks when available, and
4. Based on its review, the Committee will recommend to the Board entry into the agreement or transaction as appropriate.

Review of Related Party transactions during the year

During the year there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 26 to the Financial Statements.

Conclusion

The Committee will continue to assist the Board of Directors by reviewing all Related Party Transactions and ensuring that they are:

- In compliance with Section 9 of the Listing Rules of Colombo Stock Exchange
- The Shareholder Interest are safeguarded
- Fair and transparent and on commercial terms



Anarkali Moonesinghe

Chairperson

Related Party Transactions Review Committee

27th July 2022

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

The Directors are pleased to present the first Annual Report of your Company together with the Audited Financial Statements of hSenid Business Solutions PLC (the “Company”), and the Audited Consolidated Financial Statements of the Company for the year ended 31 March 2022 and the Independent Auditors’ Report on page 58 conforming to all relevant statutory requirements. The details set out here provide pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange (CSE) Listing Rules and are guided by recommended best practice.

Legal Form

hSenid Business Solutions was incorporated on 5th October 2005 as a private limited liability company under the name hSenid Business Solutions (Private) Limited., and is a Human Capital Management software vendor and solutions provider. The Company subsequently converted to a public limited liability company on 19th September 2021. The Company pursuant to an initial public offer (“IPO”) was listed on the main board of the CSE on 21st December 2021.

Principal Activities

The Company is engaged in software development for HR applications to assist HR professionals to effectively manage human resources and implement HR best practices, Payroll management, IT-related consultancy services, IT-related project management, rendering of support services and sale of Software and Hardware.

Review of Performance

The financial and operational performance and outlook of the Company and its business units are described in the Operational review section on page 32, and the Chief Executive Officer’s message on page 11. This, together with the Audited Financial Statements, reflects the state of affairs of the Company. Segment-wise contribution to the Company revenue is given in Note 5 to the Financial Statements.

Financial Statements

In terms of Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act, the Board of Directors is responsible for

the preparation of the Financial Statements of the Company, which reflect a true and fair view of the financial position and performance of the Company. In this regard, the Board of Directors wishes to confirm that the Consolidated Financial Statements appearing on pages 62 to 104 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act. There were no changes to the accounting policies adopted in the previous year for the Company, other than those stated.

The Financial Statements of the Company for the year ended 31 March 2022, including comparatives for 2020/21, were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21st July 2022.

Accounting Policies

The accounting policies adopted by the Company and the group have been consistently applied from previous year. The significant accounting policies including any new accounting standards adopted in the preparation of financial statements are given on pages 67 to 77.

Subsidiaries

The Company’s interest in subsidiaries as at 31 March 2022 is as follows:

Name of the subsidiary	Country of Incorporation	Shareholdings
hSenid Software (Singapore) Pte Ltd	Singapore	100%
hSenid Business Solutions (India) Pvt Ltd	India	100%

Directors

The Directors of the Company, as at 31 March 2022, and their brief profiles are given on page 14 to 17. The names of Directors who will retire and those who will seek reappointment at the forthcoming Annual General Meeting (AGM) are given in the Notice of Meeting on page 110.

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

Directors' Interests in Contracts and Proposed Contracts

Except as stated in Note 26.2.1 to the Financial Statements, during and at the end of the financial year 2021/22, none of the Directors were directly or indirectly interested in contracts or proposed contracts connected with the Company's business.

Directors' Shareholdings

The details of shares held by the Directors as at the end of the current financial year are as follows:

Name of Director	2021/2022	2020/2021*
Mr. Dinesh B. Saparamadu	27,800,110	1
Mr. Sampath Jayasundara	3,303,300	27,716

*During the year ended 31st March 2022, the Company subdivided its fully paid Ordinary Shares, by splitting each One (01) Ordinary Share into one hundred and ten (110) Shares.

Director's Remuneration and Other Benefits

The remuneration and other benefits of the Directors are given in Note 26.2.1 to the financial statements on page 100.

Stated Capital

The stated capital of the Company as at 31 March 2022 amounted to LKR 922,748,205 consisting of 276,695,376 ordinary shares.

Reserves

Total reserves and their composition are set out in the statement of changes in equity on pages 64 and 65 of the consolidated financial statements.

Major Shareholders

Details of the Company's twenty largest shareholders and the percentages held by each of them are disclosed in the Share Information section of the Annual Report on page 106.

Dividend

The Directors recommend that a final cash dividend of LKR 83,008,613 equivalent to LKR 0.30 per ordinary share for the financial year 2021/22, to be paid to those on the register

of shareholders at the close of business on the ex-dividend date. Prior to recommending the dividend and in accordance with Sections 56 (2) and (3) of the Companies Act, the Board signed a certificate stating that, in their opinion, based on available information, the Company will satisfy the solvency test immediately after the distribution is made and have obtained a certificate from the Auditors in terms of Section 57 of the Companies Act. Shareholder approval will be sought on the day of the AGM to declare and pay the dividend as recommended.

External Auditors

The External Auditors, Messrs Ernst & Young, have expressed their opinion on pages 58 to 61. Details of their remuneration are given in Note 8 on page 79 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship or any interest in contracts with the Company. The Directors propose the reappointment of Ernst & Young Chartered Accountants as Auditors of the Company for the year 2022/2023 subject to the approval of the shareholders at the Annual General Meeting.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments to the Government, other regulatory institutions, and related to employees have been made on time or have been provided for.

Donations

The Company has not made monitory donations during the year 2021/22.

Going Concern Basis

The Board of Directors reviewed the business plans of the Company is satisfied with the adequacy of resources to continue operations in the foreseeable future. Accordingly, the Financial Statements of the Company have been prepared on the going concern basis.

The Board therefore is confident that COVID-19 and the current economic crisis will not impact the going concern ability of the Company, and will continue to monitor any material changes in

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

future economic conditions and amend the business projections accordingly, if required. The Company is regularly monitoring the situation.

Directors' Interests and the Interests Register

The relevant interests of each Director in the share capital of the Company have been notified by the Directors to the CSE in accordance with Section 7.8 of the Listing Rules and, accordingly, the relevant entries have been made in the Company's Interests Register which has been maintained as required by the Companies Act. This Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act.

Particulars of entries in the Interests Register include interests in contracts. The Directors have all made a general disclosure to the Board as required by Section 192 (2) of the Companies Act and no additional interests have been disclosed by any Director.

Related Party Transactions

The Company's transactions with related parties in respect of the Company, for the financial year ended 31 March 2022, are given in Note 26 to the Financial Statements on page 99 of the Annual Report and have complied with Rule 9.3.2 of the Listing Rules and the 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 of Sri Lanka Act No. 36 of 1987.

Internal Control

The Board, through the involvement of the Company Executive Committee, takes steps to gain assurances on the effectiveness

of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Company, compliance with laws and regulations, and established policies and procedures of the Company. The Board has direct access to the Chairman of the Audit Committee. This Committee reviews reports of the Internal Auditors too.

Compliance with Laws and Regulations

The Company has not engaged in any activity which is harmful to the environment.

Sustainability

The Company pursues its business goals under a stakeholder model of business governance. As per this model, the Company has taken specific steps, particularly in ensuring the conservation of its natural resources and the environment as well as addressing material issues highlighted by stakeholders.

Corporate Governance

The Directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of management and operations of the Group. Accordingly, systems and structures have been introduced and improved from time to time to enhance risk management measures and to improve accountability and transparency.

The Company has complied with Corporate Governance rules laid down by The Institute of Chartered Accountants of Sri Lanka. The Corporate Governance Section on pages 44 to 45 describes the good Corporate Governance Principles adopted by the Company.

The Company has complied with section 7.10 of the Listing rules of the Colombo Stock Exchange (CSE).

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

Employment

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Company practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status, or physical disability.

Annual General Meeting

The Annual General Meeting will be held on Thursday, 25th August 2022, at 2.00 p.m at at The Ceylon Chamber of Commerce, No. 50 Nawam Mawatha, Colombo 02

The Notice of the Annual General Meeting appears on page 110.

By Order Of The Board



Dinesh Saparamadu

Chairman



Sampath Jayasundara

CEO/Director



Corporate Services (Pvt) Ltd

Company Secretary

At Colombo, on this 27 day of July 2022.

Statement of Directors' Responsibility

This Statement of Directors' Responsibility is to be read in conjunction with the Report of the Auditors and, is made to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the Financial Statements contained in this Annual Report.

The responsibility of the Directors in relation to the Financial Statements of the Company is set out in this statement. The responsibility of the Independent Auditors, in relation to the Financial Statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 ("the Act"), is set out in the Independent Auditors' Report from pages 58 to 61.

As such, the Directors of hSenidBiz confirm that the Financial Statements of the Company for the year ended 31st March 2022 presented in this report have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and the Companies Act No. 07 of 2007.

The Directors are required to prepare Financial Statements for each financial year, which provides a true and fair view of the state of affairs of the Company for the financial year, and of the income and expenditure of the Company for the financial year.

The Financial Statements comprise:

- Statement of Profit or Loss and Other Comprehensive Income, which present a true and fair view of the profit and loss of the Company for the financial year; and
- Statement of Financial Position, which present a true and fair view of the state of affairs of the Company as at the end of the financial year, and which comply with the requirements of the Act and SLRFS.

In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis. The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue operations for the foreseeable future.

The Directors also confirm that this Directors' Report contains a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

In addition, the Directors have also adopted appropriate internal controls which comprise internal checks, risk management policies and financial and other controls, which have been implemented to provide reasonable assurance that all assets are safeguarded, and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time. Furthermore, the Directors have established committees, such as the Audit Committee, Human Resources and the Remuneration Committee, and Related Party Transactions Review Committee, to strengthen the process of identifying and reviewing the adequacy and integrity of the system of internal controls and risk management.

The Directors have provided the Auditors with all required information and explanations and every opportunity to undertake all necessary audit procedures which they consider appropriate for the purpose of enabling them to provide an audit opinion on the Financial Statements. The Directors are of the view that they have discharged their responsibilities in this regard.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the balance sheet date, have been paid or where relevant provided for.

By the Order of the Board
hSenid Business Solutions PLC



Dinesh Saparamadu
Chairman



Sampath Jayasundara
Chief Executive Officer



Corporate Services (Pvt) Ltd
Company Secretary

Delivering People-Centric HR Solutions



Financial Reports

Independent Auditor's Report



Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF hSENID BUSINESS SOLUTIONS PLC

Opinion

We have audited the financial statements of hSenid Business Solutions 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 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that

are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report Contd.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of Trade Receivables</p> <p>As detailed in Note 18 to the financial statements, Trade receivables as of 31st March 2022 amounted to Rs. 511.8 Mn net of a provision of Rs. 85.5 Mn representing 21% of the total assets of the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> Materiality of the trade receivable balance. The degree of assumptions and judgements associated with evaluating the probability of recoverability including the impact of current economic conditions. 	<p>Our audit procedures amongst others included the following;</p> <ul style="list-style-type: none"> We obtained understanding of and evaluated the process used by the management to assess impairment of trade receivables, we assessed the reasonableness of the age analysis of trade receivables by referring to the source documents and the assumptions and judgements used by the management including the impact of the current economic conditions, we have also assessed the adequacy of the disclosures made in note 18 to the financial statements.
<p>Revenue Recognition</p> <p>The Group derived its revenue from the sale of products and services as disclosed in Note 5 in the financial statements.</p> <p>Recognition and Measurement of Revenue was a key audit matter due to :</p> <ul style="list-style-type: none"> The significance of the amount of Rs. 1,091 Mn generated from sales arrangements from different products and services, and the existence of specific contractual terms in sales arrangements entered, affecting the recognition and measurement of revenue. 	<p>Our audit procedures amongst others included the following;</p> <ul style="list-style-type: none"> Understood the nature of revenue contracts entered by group entities and evaluated the design and operating effectiveness of relevant controls over revenue recognition, performed inquiries and analytical procedures to understand reasons contributing to the increase in revenue, and, checked sales agreements entered into by the group and assessed whether terms attached to such agreements have been appropriately factored in by the group in the recognition of revenue. <p>We also assessed the adequacy of the disclosures in Note 5 to the financial statements.</p>

Other Information included in the 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report Contd.

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.

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, management is responsible for assessing the 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Independent Auditor's Report Contd.

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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

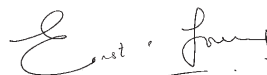
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4107.



22nd July 2022
Colombo

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2022

	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue from contracts with customers	5	1,090,790,758	961,479,240	933,782,756	807,361,031
Cost of sales		(473,305,600)	(447,986,249)	(356,009,881)	(312,003,666)
Gross profit		617,485,158	513,492,991	577,772,874	495,357,365
Other operating income	6	291,372,600	32,882,122	287,353,364	27,301,168
Administrative expenses		(194,879,843)	(143,358,618)	(150,730,786)	(109,550,384)
Selling and marketing expenses		(197,830,019)	(114,883,633)	(271,329,441)	(109,196,046)
Other operating expenses		(76,278,723)	(68,956,273)	(75,157,438)	(66,228,736)
Operating Profit		439,869,173	219,176,588	367,908,572	237,683,367
Finance cost	7.1	(5,483,189)	(7,283,177)	(5,277,724)	(7,086,858)
Finance income	7.2	32,003,790	10,961,525	32,003,790	10,877,490
Profit before tax	8	466,389,774	222,854,936	394,634,638	241,473,999
Income tax expense	9	(11,902,554)	(13,664,042)	(11,215,831)	(13,674,893)
Profit for the year		454,487,219	209,190,894	383,418,808	227,799,105
Attributable to:					
Equity holders of the Company		454,487,219	209,190,894	383,418,808	227,799,105
Non-controlling interest		-	-	-	-
Earnings Per Share					
- Basic, profit for the year attributable to ordinary equity holders of the parent	10	1.93	0.96	1.63	1.05
- Diluted, profit for the year attributable to ordinary equity holders of the parent	10	1.93	0.95	1.63	1.03
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation of foreign operations		(4,677,867)	9,940,285	-	-
Remeasurement gain/(loss) on defined benefit plans		2,074,258	-	2,074,258	-
Deferred tax on Re-measurements of defined benefit obligations		(44,061)	-	(44,061)	-
Total comprehensive income for the year, net of tax		451,839,550	219,131,179	385,449,005	227,799,105
Attributable to:					
Equity holders of the Company		451,839,550	219,131,179	385,449,005	227,799,105
Non-controlling interest		-	-	-	-

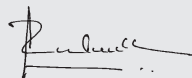
The Accounting Policies and Notes on pages 67 through 104 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2022

ASSETS	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Non-Current Assets					
Property, plant and equipment	12	20,060,449	9,463,710	19,717,549	9,245,801
Right of use assets	13	28,233,890	40,468,176	20,478,877	37,975,677
Intangible assets	14	214,888,450	160,497,821	206,040,983	158,092,148
Goodwill on acquisition	15	2,008,131	2,008,131	-	-
Investments in subsidiaries	16	-	-	136,859,362	136,859,362
Deferred tax assets	9.2	-	2,455,682	-	2,422,063
		265,190,920	214,893,520	383,096,771	344,595,051
Current Assets					
Inventories	17	29,685,786	19,659,971	29,685,786	19,659,971
Trade and other receivables	18	530,067,272	444,859,200	600,858,289	531,696,507
Advances and prepayments		66,315,496	51,102,115	8,389,732	6,218,041
Other current financial assets	19	1,083,462,924	258,835,421	1,083,462,924	258,835,421
Cash and short-term deposits	21.1	413,247,696	261,483,690	215,679,628	107,709,392
		2,122,779,174	1,035,940,397	1,938,076,359	924,119,332
Total Assets		2,387,970,094	1,250,833,916	2,321,173,130	1,268,714,383
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	22	922,748,205	224,036,627	922,748,205	224,036,627
Currency translation reserve		13,097,441	17,775,308	-	-
Retained earnings		926,700,879	527,476,218	1,007,913,613	679,757,364
Total Equity		1,862,546,525	769,288,153	1,930,661,818	903,793,990
Non-Current Liabilities					
Retirement benefit obligation	24	80,744,970	71,432,216	80,744,970	71,432,216
Interest-bearing loans and borrowings	20	4,277,354	28,370,123	3,658,420	28,370,123
Deferred tax liabilities	9.7	1,822,942	-	1,829,107	-
		86,845,266	99,802,339	86,232,497	99,802,340
Current Liabilities					
Trade and other payables	23	319,021,712	275,594,334	191,942,453	161,587,783
Deferred income		81,481,592	58,965,318	81,481,592	58,965,318
Interest-bearing loans and borrowings	20	31,989,169	39,861,757	24,768,940	37,309,250
Income tax payable		6,085,830	7,322,016	6,085,830	7,255,702
		438,578,304	381,743,424	304,278,816	265,118,053
Total Equity and Liabilities		2,387,970,094	1,250,833,916	2,321,173,130	1,268,714,383

These financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



Raveen Lasath


Head of Finance

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by;



Dinesh Saparamadu

Chairman



Sampath Jayasundara

CEO/Director

The Accounting Policies and Notes on pages 67 through 104 form an integral part of these financial statements.

22nd July 2022

Colombo

hSenid Business Solutions PLC

Annual Report 2021/22

Statement of Changes in Equity

Year ended 31 March 2022

Group	Note	Stated Capital	Foreign Currency Translation Reserve	Retained Earnings	Non Controlling Interest	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2020		225,775,613	7,835,023	330,275,541	-	563,886,176
Profit for the year		-	-	209,190,894	-	209,190,894
Dividends		-	-	(20,000,000)	-	(20,000,000)
Other comprehensive income		-	9,940,285	-	-	9,940,285
Total comprehensive income		-	9,940,285	189,190,894	-	199,131,179
Re-statement of share capital in line with ROC	22	(8,009,783)	-	8,009,783	-	-
Issue of shares		6,270,797	-	-	-	6,270,797
Balance as at 31st March 2021		224,036,627	17,775,308	527,476,218	-	769,288,153
Profit for the year		-	-	454,487,219	-	454,487,219
Dividends		-	-	(30,004,113)	-	(30,004,113)
Other comprehensive income		-	(4,677,867)	-	-	(4,677,867)
Total comprehensive income		-	(4,677,867)	424,483,106	-	419,805,239
Issue of share capital		698,711,578	-	-	-	698,711,578
Share Issue Expenses		-	-	(27,288,642)	-	(27,288,642)
Re-measurements of defined benefit obligations		-	-	2,074,258	-	2,074,258
Deferred tax on Re-measurements of defined benefit obligations		-	-	(44,061)	-	(44,061)
Balance as at 31st March 2022		922,748,205	13,097,441	926,700,879	-	1,862,546,525

Statement of Changes in Equity Contd.

Year ended 31 March 2022

Company	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1st April 2020		225,775,613	463,948,475	689,724,088
Profit for the year		-	227,799,105	227,799,105
Dividends		-	(20,000,000)	(20,000,000)
Total comprehensive income		-	207,799,105	207,799,105
Re-statement of share capital in line with ROC	22	(8,009,783)	8,009,783	-
Issue of shares		6,270,797	-	6,270,797
Balance as at 31st March 2021		224,036,627	679,757,364	903,793,990
Profit for the year		-	383,418,808	383,418,808
Dividends		-	(30,004,113)	(30,004,113)
Total comprehensive income		-	353,414,695	353,414,695
Issue of share capital		698,711,578	-	698,711,578
Shares Issue expenses		-	(27,288,642)	(27,288,642)
Re-measurements of defined benefit obligations		-	2,074,258	2,074,258
Deferred tax on Re-measurements of defined benefit obligations		-	(44,061)	(44,061)
Balance as at 31st March 2022		922,748,205	1,007,913,613	1,930,661,818

The Accounting Policies and Notes on pages 67 through 104 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March 2022

		Group		Company	
	Note	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash flows from/(used in) Operating Activities					
Profit before tax		466,389,774	222,854,936	394,634,638	241,473,999
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation of property, plant and equipment	12	5,534,877	3,610,086	5,218,580	3,427,288
Amortisation of right-of-use assets and intangible assets	13/14	90,185,176	84,593,873	86,349,278	79,020,563
Provision for Impairment of trade receivables		(3,864,480)	17,910,099	75,817,987	17,897,457
Finance income	7.2	(32,003,790)	(10,961,525)	(32,003,790)	(10,877,490)
Loss / (Gain) Disposal of assets		53,666	-	53,666	-
Finance cost	7.1	5,757,535	7,497,161	5,277,724	7,086,858
Provision for defined benefit obligation	24.1	15,013,262	16,857,314	15,013,262	16,857,314
Net foreign exchange differences		(287,387,848)	(27,222,545)	(287,353,364)	(27,222,545)
Operating profit before working capital changes		259,678,172	315,139,400	263,007,981	327,663,443
Decrease / (Increase) in inventories		(10,025,815)	(5,753,825)	(10,025,815)	(5,753,825)
Decrease / (Increase) in trade and other receivables		(81,343,593)	(215,819,156)	(144,979,769)	(211,704,959)
Decrease/(Increase) in advance and prepayment		(15,213,381)	(30,314,736)	(2,171,691)	(553,702)
Increase / (Decrease) in deferred income		22,516,274	(154,579)	22,516,274	(154,579)
Increase / (Decrease) in trade and other payables		43,427,378	143,096,903	30,354,671	63,848,044
Cash generated from operations		219,039,036	206,194,007	158,701,651	173,344,422
Finance cost paid		(1,763,464)	(1,815,805)	(1,489,118)	(1,601,821)
Defined benefit obligation paid	24.1	(3,626,250)	(1,427,000)	(3,626,250)	(1,427,000)
Income tax paid		(8,904,177)	(14,861,316)	(8,178,594)	(13,809,200)
Net cash flows from operating activities		204,745,144	188,089,886	145,407,689	156,506,401
Cash flows from/(used in) investing activities					
Acquisition of property, plant and equipment	12	(16,137,436)	(3,443,000)	(15,743,994)	(3,443,000)
Acquisition of intangible assets	14.1	(119,288,068)	(61,690,685)	(116,718,703)	(57,475,936)
Investments in short-term investments		(77,206,705)	(29,181,824)	(77,206,705)	(29,181,824)
Finance income received	7.2	32,003,790	10,961,525	32,003,790	10,877,490
Net cash flows used in investing activities		(180,628,419)	(83,353,984)	(177,665,611)	(79,223,270)
Cash flows from/(used in) financing activities					
Proceeds from issue of shares	22	698,711,578	6,270,797	698,711,578	6,270,797
Transaction costs for issued share capital		(27,288,642)	-	(27,288,642)	-
Disbursement of term loans		-	25,000,000	-	25,000,000
Payment of lease installments	20.5	(27,453,001)	(22,807,832)	(21,644,050)	(18,954,408)
Dividends paid to equity holders of the parent	11	(30,004,113)	(20,000,000)	(30,004,113)	(20,000,000)
Repayment of bank loans	20.4	(19,479,180)	(7,541,670)	(19,479,180)	(7,541,670)
Net cash flows from/(used in) financing activities		594,486,641	(19,078,705)	600,295,593	(15,225,281)
Net increase in cash and cash equivalents					
Net foreign exchange difference		216,572,814	37,099,369	223,344,740	27,222,545
Cash and cash equivalents at the beginning of the year	21	431,231,727	308,475,161	277,457,429	188,177,034
Cash and cash equivalents at the end of the year	21	1,266,407,908	431,231,727	1,068,839,839	277,457,429

The Accounting Policies and Notes on pages 67 through 104 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity

hSenid Business Solutions PLC (“Company”) is a public limited liability company incorporated on October 05, 2005, and domiciled in Sri Lanka. The registered office of the Company is located at No 50, Ward Place, Colombo 07, and the principal place of business is located at No. 67/1, Hudson Road, Off Perahera Mawatha, Colombo 3.

Ordinary shares of the Company are listed on the Colombo Stock Exchange.

1.2 Consolidated financial statements

The financial statements for the year ended 31 March 2022 comprise “the Company” referring to hSenid Business Solutions PLC as the holding Company and “the Group” referring to the companies that have been consolidated therein.

1.3 Date of authorization for issue

The Financial Statements of hSenid Business Solutions PLC for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 21st July 2022.

1.4 Principal Activities and Nature of Operations of the holding company

During the year, the principal activities of the Company were software development for HR applications to assist HR professionals to effectively manage human resources and implement HR best practices, Payroll management, IT-related consultancy services, IT-related project management, rendering of support services and sale of Software and Hardware.

1.5 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 report in the Annual report.

1.6 Parent Enterprise and ultimate parent enterprise

hSenid Business Solutions PLC does not have an identifiable parent of its own.

2. BASIS FOR PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation

2.1.1 Statement of compliance

The Consolidated financial statements which comprise the statement of financial position, the statement of comprehensive income, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with Sri Lanka Accounting Standards as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2.1.2 Basis of Measurement

The Consolidated Financial Statements of have been prepared on a historical cost basis, except for:

- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value. (Previously classified as Available for Sale)
- Retirement benefit obligations which are determined based on actuarial valuations.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.1.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is also the Company’s functional currency.

Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 2.2.2 to the Financial Statements.

2.1.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements Contd.

2.1.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.6 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.2 Summary of Significant Accounting Policies

2.2.1 Basis of consolidation

The consolidated financial statements (referred to as the 'Group') comprise the financial statements of the Company and its

subsidiaries as at 31 March 2022. The financial statements of the subsidiaries are prepared in compliance with the group's accounting policies unless stated otherwise.

All intra-group balances, income and expenses and unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the group obtains control and continue to be consolidated until the date that such control ceases.

2.2.2 Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

The financial statements of the following subsidiary companies are included in the consolidated financial statements.

Company	Country of Incorporation	Functional Currency	Effective Holding	Principal Activities
1. hSenid Software (Singapore) Pte Ltd	Singapore	Singapore Dollar	100%	The principal activity of this company is deploying Mobile applications and HR applications to assist HR professionals to effectively manage human resources and introducing HR best practices in Singapore and nearby countries.
2. hSenid Business Solutions (India) Pvt Ltd	India	Indian Rupee	100%	The principal activity of this company is deploying HR applications to assist HR professionals to effectively manage human resources and introducing HR best practices in India.

Both subsidiaries are incorporated out of Sri Lanka.

The total profits and losses for the year of the company and of its subsidiaries included in consolidation and all assets and liabilities of the company and of its subsidiaries included in consolidation are shown in the consolidated income statement and Statement of Financial Position respectively.

Minority 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 income statement and as a component of equity in the consolidated Statement of Financial Statement, separately from parent's shareholders' equity.

Notes to the Financial Statements Contd.

In the case of subsidiaries, where the reporting dates are different to group reporting dates, adjustments are made for any significant transactions or events up to 31st March 2022.

The consolidated cash flow statement includes the cash flows of the company and its subsidiaries.

2.2.3 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the performance of the Group and the measures adopted by the government to support the recovery of the economy.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and the disclosure of contingent liabilities at the reporting date. The key judgements, estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Measurement of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 24. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. The group recognises liabilities for anticipated tax based on estimates of taxable income. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Allowance for Doubtful Debts

The Company reviews at each reporting date all receivables and assess whether an allowance should be recorded in the income statement. Management uses judgement in estimating such allowances considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

Impairment of inventories

The Group reviews the adequacy of the provision for slow moving and obsolete inventory provision through assessment of assessment of the condition of inventories based on the periodic inventory counts and expectations of future sales.

Development costs

The Group capitalizes software developer's compensation as a development cost of the software applications. Capitalization of cost is based on the managements judgement that such costs are incurred for the development and programming of the software applications.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Foreign currency translation, foreign currency transactions and balances

The Consolidated financial statements are presented in Sri Lanka Rupees (Rs.), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities

Notes to the Financial Statements Contd.

denominated in foreign currency are retranslated to functional currency equivalents at the exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

4.2 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the Financial Statements Contd.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4.3 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.4 Financial Instruments – Financial Assets

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Financial Assets

1. Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise

to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2. Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified into four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

All financial assets of the Company represent financial assets at amortised cost (debt instruments). The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- 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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to

Notes to the Financial Statements Contd.

impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables.

3. De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e.: removed from the Company's financial position) when:

The rights to receive cash flows from the asset have expired

Or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either

- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

4. Impairment of financial assets

Further disclosures relating to impairment of Trade Receivables is provided in note 18 to the financial statements.

For trade receivables and contract assets, the Company applies a simplified approach in calculating Expected Credit Loss (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

1. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Notes to the Financial Statements Contd.

2. Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

3. De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

4.5 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of

outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

4.6 Property, Plant and Equipment

a) Cost

Property, plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing property, part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

b) Depreciation

The provision for depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, in order to write off such amounts over the following estimated useful lives by equal instalments as follows:

Category	Useful Life
Network Hardware	3 years
Computer Equipment	4 years
Fittings	5 years
Generators	4 years
Office Equipment	4 years

However, hSenid Software (Singapore) Pte Ltd, a subsidiary incorporated in Singapore applies the following estimated useful lives to provide depreciation.

Category	Useful Life
Computer Equipment	1 year
Office Equipment	3 years

4.7 Intangible Assets

a) Cost

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Notes to the Financial Statements Contd.

b) Research and development costs

Research costs are expensed as incurred. Development expenditures on base product developments are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in other operating expenses. During the period of development, the asset is tested for impairment annually.

c) Amortisation

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 are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The Company has capitalized and amortized the cost incurred on intangible assets; Software Development, over a period of 5 years to reflect the accurate financial position and performance in the Financial Statements.

4.8 Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

4.9 Liabilities and Provisions

4.9.1 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, where it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.9.2 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The Group is liable to pay gratuity in terms of the Gratuity Act No.12 of 1983.

The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent actuary.

For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimation provided by the qualified actuary is used.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, excluding net interest (not applicable to the Group), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under cost of sales, administrative expenses and selling & distribution expenses in the

Notes to the Financial Statements Contd.

Statement of Profit or Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The gratuity liability is not externally funded. This item is stated under Defined Benefit Obligations in the Statement of Financial Position.

Recognition of Actuarial Losses / Gains

Actuarial gains & losses are recognized in full in other comprehensive income.

Funding Arrangements

The Gratuity liability is not externally funded.

b) Defined Contribution Plans – Employees Provident Fund & Employees' Trust Fund

Employees are eligible for Employees Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees Provident Fund and Employees' Trust Fund respectively.

4.10 Leases

a) Recognition and initial measurement (As a lessee)

At commencement date, a lessee shall recognize a right-of-use asset and a lease liability at the lease.

Right of use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement

date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

b) Subsequent measurement

Right of use asset

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change

Notes to the Financial Statements Contd.

in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Recognition exemption

As per the SLFRS 16 the lessee may elect not to apply above-mentioned requirements for short-term leases and leases of low-value assets. Accordingly, the Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment.

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.11 Recognition of revenue and other income

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers:

- Identify the contract
- Identify the performance obligations
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as the Company satisfies a performance obligation

Under SLFRS 15, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

a) Customised Projects

Revenue from customised projects is recognised by reference to the stage of completion, determined by surveys of work performed.

b) Rendering of Support Services

Revenue from rendering of Support Services is recognised on the straight-line basis over the period of agreements.

c) Sale of Software and Hardware

Revenue from the sale of software and hardware is recognised when the significant risks and rewards of ownership of the software and hardware have passed to the buyer.

d) Interest income

Interest Income is recognised on an accrual basis. Interest on financial instruments measured at amortised cost is recognised using effective interest rate.

e) Others

Other income is recognised on an accrual basis.

4.13 Effect of Accounting Standards issued but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4.13.1 SLFRS 17 - Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life,

Notes to the Financial Statements Contd.

direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The Group does not expect to have a significant impact on the Group's financial statements on the adoption of this standard.

4.13.2 Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively

4.13.3 Amendments to LKAS 16 - Property, Plant and Equipment: Proceeds before Intended Use –

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

4.13.4 Amendments to LKAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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Year ended 31 March 2022

5. REVENUE

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
5.1 Disaggregation of revenue				
5.1.1 Based on the nature of the product/Service				
Revenue from customised projects	633,248,280	789,980,670	480,873,407	451,387,109
Hardware sales	82,646,773	54,176,838	82,646,773	54,176,838
Revenue from support / Maintenance services	374,895,705	117,321,732	370,262,575	301,797,085
	1,090,790,758	961,479,240	933,782,756	807,361,031
5.1.2 Based on the geographical locations				
Sri Lanka	534,925,766	428,111,409	534,925,766	428,185,909
Asia-Pacific	276,126,794	303,366,131	119,118,793	149,173,422
Africa	279,738,198	230,001,700	279,738,198	230,001,700
	1,090,790,758	961,479,240	933,782,756	807,361,031

6. OTHER OPERATING INCOME

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Foreign Exchange gains	287,387,848	27,222,545	287,353,364	27,222,545
Write back of debtors over provision	-	78,623	-	78,623
Sundry income	3,984,752	5,580,954	-	-
	291,372,600	32,882,122	287,353,364	27,301,168

7. FINANCE COSTS AND INCOME

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
7.1 Finance cost				
Interest expenses on bank overdrafts	853,271	40,284	853,271	40,284
Interest expenses on bank loans	635,847	1,561,537	635,847	1,561,537
Interest on leases	3,994,071	5,681,356	3,788,606	5,485,037
	5,483,189	7,283,177	5,277,724	7,086,858

Notes to the Financial Statements Contd.

Year ended 31 March 2022

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
7.2 Finance income				
Income from investments :				
- Interest on deposits	32,003,790	10,961,525	32,003,790	10,877,490
	32,003,790	10,961,525	32,003,790	10,877,490

8. PROFIT BEFORE TAX

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Stated after charging				
Included in Cost of Sales				
Employees benefits including the following	235,619,067	225,106,307	192,035,068	192,408,255
- Defined benefit plan costs - Gratuity	9,179,851	11,930,765	9,179,851	11,930,765
- Defined contribution plan costs - EPF and ETF	18,941,203	20,752,586	18,941,203	20,752,586
Included in General and Administration Expenses				
Directors' emoluments	51,917,652	38,170,931	28,740,000	18,833,750
Employees benefits including the following	54,323,145	38,208,962	49,874,374	35,855,981
- Defined benefit plan costs - Gratuity	3,817,462	2,941,914	3,004,202	2,941,914
- Defined contribution plan costs - EPF and ETF	7,649,953	5,992,434	5,757,440	4,378,200
Service fees	9,895,140	6,747,796	4,785,514	2,939,697
Auditor's remuneration	4,714,264	2,040,824	2,527,120	490,000
Legal fees	1,978,756	1,101,143	1,733,000	1,101,143
Included in Selling and Marketing Expenses				
Employees benefits including the following	116,391,422	90,040,507	111,579,176	84,550,250
- Defined benefit plan costs - Gratuity	2,829,208	1,984,634	2,829,208	1,984,634
- Defined contribution plan costs - EPF and ETF	5,497,765	3,799,235	5,497,765	3,799,235
Advertising expenses	10,627,471	269,049	10,627,471	269,049
Sales promotional expenses	8,053,285	2,332,434	6,614,217	2,295,717
Impairment of trade receivable	(3,932,749)	22,241,643	75,817,987	22,081,030
Included in Other Expenses				
Depreciation	5,534,877	3,610,086	5,218,580	3,427,288
Amortization of right of use Assets	23,178,198	21,241,243	17,579,411	17,527,236
Amortization of Intangible Assets	68,769,867	63,352,630	68,769,868	61,493,327

Notes to the Financial Statements Contd.

Year ended 31 March 2022

9. TAXES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
9.1 Income Tax Expense				
The major components of income tax expense for the year ended 31 March are as follows :				
Current income tax :				
Current income tax charge (Note 9.2)	7,667,991	7,386,119	7,008,721	7,363,351
	7,667,991	7,386,119	7,008,721	7,363,351
Deferred tax :				
Relating to origination and reversal of temporary differences (Note 9.2)	4,234,563	6,277,923	4,207,109	6,311,542
Income tax expense/(reversal) reported in the Statement of comprehensive income	11,902,554	13,664,042	11,215,831	13,674,893

9.2 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Accounting profit before income tax	466,389,774	222,854,936	394,634,638	241,473,999
Add: Aggregate disallowed items	247,763,467	103,873,959	247,763,467	103,873,959
Less: Aggregate allowable items	(93,781,836)	(53,839,211)	(93,781,836)	(53,839,211)
Less: Tax exempt income	(542,636,081)	(242,360,157)	(490,210,259)	(260,936,116)
Taxable profit	77,735,323	30,529,527	58,406,010	30,572,631
Income tax charged at :				
Income tax @ 24%	7,667,991	7,386,119	7,008,721	7,363,351
Current tax expense	7,667,991	7,386,119	7,008,721	7,363,351

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Year ended 31 March 2022

9. TAXES (CONTD..)

9.3 General Provisions

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 as amended.

Resident companies in the Group, excluding those which enjoy a concessionary tax rates, were liable to income tax during the year of assessment 2021/22 at the rate of 24% (Y/A 2020/21 - 24%).

Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

The budget 2021 proposed a 50% tax concession for the years 2021/2022 for companies that get listed in the CSE before 31 December 2021, and to maintain a corporate tax rate of 14% for the subsequent three years.

9.4 Overseas operations

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to the respective companies. Set out below are the Income tax rates applicable for the companies in the relevant foreign jurisdictions.

Company	Country	Income tax rate
hSenid Software (Singapore) Pte Ltd	Singapore	17%
hSenid Business Solutions (India) Pvt Ltd	India	25%

9.5 In determining the arm's length price, the Group has complied with the transfer pricing regulations prescribed in the Inland Revenue Act and amendment thereto and the Gazette notifications issued on transfer pricing.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

9. TAXES (CONTD..)

9.6 Deferred Tax Expense

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Statement of Profit or Loss				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	(86,113)	(8,276,104)	(86,113)	(8,276,104)
Unrealised Foreign Exchange Gains	5,404,124	-	5,404,124	-
Retirement benefit obligation	(330,586)	6,411,622	(330,586)	6,411,622
Provision for Impairment of Inventory	(612)	59,138	(612)	59,138
Provision for Impairment of Trade receivables	(761,487)	8,174,626	(780,528)	8,198,043
Right-of-use assets	9,237	(91,359)	824	(81,157)
	4,234,563	6,277,923	4,207,109	6,311,542
Other Comprehensive income				
Deferred tax expense arising from;				
Actuarial losses on defined benefit obligations	44,061	-	44,061	-
Deferred tax charged/(reversal) directly to OCI	44,061	-	44,061	-

9.7 Deferred Taxation

Deferred Tax Assets, Liabilities and Income Tax relates to the following;

9.7.1 Group

	Statement of Financial Position		Statement of Profit or Loss		Statement of OCI	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liability						
Accelerated depreciation for tax purposes	(795,429)	(881,542)	86,113	8,276,104	-	-
Unrealised Foreign Exchange Gains	(5,404,124)	-	(5,404,124)	-	-	-
	(6,199,553)	(881,542)	(5,318,011)	8,276,104	-	-
Deferred tax assets						
Retirement benefit obligation	1,715,169	1,428,644	330,586	(6,411,622)	(44,061)	-
Provision for Impairment of Inventory	10,468	9,856	612	(59,138)	-	-
Provision for Impairment of Trade receivables	2,568,852	1,807,365	761,487	(8,174,626)	-	-
Right-of-use assets	82,122	91,359	(9,237)	91,359	-	-
	4,376,611	3,337,224	1,083,448	(14,554,027)	(44,061)	-
Deferred taxation (charge) / reversal			(4,234,563)	(6,277,923)	(44,061)	-
Net deferred tax assets /(liabilities)	(1,822,942)	2,455,682				

Notes to the Financial Statements Contd.

Year ended 31 March 2022

9. TAXES (CONTD..)

9.7.2 Company

	Statement of Financial Position		Statement of Profit or Loss		Statement of OCI	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax liability						
Accelerated depreciation for tax purposes	(795,429)	(881,542)	86,113	8,276,104	-	-
Unrealised Foreign Exchange Gains	(5,404,124)	-	(5,404,124)	-	-	-
	(6,199,553)	(881,542)	(5,318,011)	8,276,104	-	-
Deferred tax assets						
Retirement benefit obligation	1,715,169	1,428,644	330,586	(6,411,622)	(44,061)	-
Provision for Impairment of Inventory	10,468	9,856	612	(59,138)	-	-
Provision for Impairment of Trade receivables	2,564,476	1,783,948	780,528	(8,198,043)	-	-
Right-of-use assets	80,333	81,157	(824)	81,157	-	-
	4,370,446	3,303,606	1,110,901	(14,587,646)	(44,061)	-
Deferred taxation (charge) / reversal			(4,207,109)	(6,311,542)	(44,061)	-
Net deferred tax assets /(liabilities)	(1,829,107)	2,422,063				

9.7.3 Reconciliation of Deferred Tax Charge / (Reversal)

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred Tax Liability as 01 April	2,455,681	8,733,604	2,422,063	8,733,604
Deferred Tax Charge reported in the Statement of Profit or Loss	(4,234,563)	(6,277,923)	(4,207,109)	(6,311,542)
Deferred Tax Charge reported in other comprehensive Income	(44,061)	-	(44,061)	-
Deferred Tax Liability as 31 March	(1,822,943)	2,455,681	(1,829,107)	2,422,063

*Deferred tax was established at average effective income tax rate of 2.12 % (2021 - 2%) for the company.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

10. BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
10.1 Earnings per share - Basic				
Profit attributable to equity holders of the parent	454,487,219	209,190,894	383,418,808	227,799,105
Weighted average number of shares (10.3)	235,380,181	216,887,409	235,380,181	216,887,409
Basic earnings per share	1.93	0.96	1.63	1.05
10.2 Earnings per share - Diluted				
Profit attributable to equity holders of the parent	454,487,219	209,190,894	383,418,808	227,799,105
Adjusted weighted average number of shares (10.3)	235,380,181	220,935,739	235,380,181	220,935,739
Diluted earnings per share	1.93	0.95	1.63	1.03

10.3 Amount used as denominator

	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
Ordinary shares at the beginning of the year	218,222,950	215,405,190	218,222,950	215,405,190
Effect of share options exercised	1,995,840	1,482,219	1,995,840	1,482,219
Issue of shares - Initial Public Offering	15,161,391	-	15,161,391	-
Weighted average number of shares before dilution	235,380,181	216,887,409	235,380,181	216,887,409
Effect of dilution from share option scheme	-	4,048,330	-	4,048,330
Adjusted weighted average number of ordinary shares	235,380,181	220,935,739	235,380,181	220,935,739

Notes to the Financial Statements Contd.

Year ended 31 March 2022

11. DIVIDENDS PER SHARE

Equity dividend on ordinary shares declared and paid during the year.

	2022		2021	
	Dividend per share Rs.	Gross Dividend Rs.	Dividend per share Rs.	Gross Dividend Rs.
Final dividend	0.14	30,004,113	0.09	20,000,000

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Group

12.1.1 Gross carrying amounts

	As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Forex Adjust. Rs.	As at 31.03.2022 Rs.
Network hardware	801,938	-	-	-	801,938
Computer equipment	37,779,578	15,745,701	(1,029,480)	954,183	53,449,982
Fittings	4,393,124	-	-	-	4,393,124
Generator	1,769,500	-	-	-	1,769,500
Office equipments	9,076,992	391,735	-	155,242	9,623,969
	53,821,133	16,137,436	(1,029,480)	1,109,424	70,038,514

12.1.2 Accumulated depreciation

Network hardware	801,938	-	-	-	801,938
Computer equipment	29,757,874	4,927,775	(975,814)	965,298	34,675,133
Fittings	3,757,664	221,576	-	-	3,979,240
Generator	1,769,500	-	-	-	1,769,500
Office equipments	8,270,446	385,526	-	96,281	8,752,253
	44,357,423	5,534,877	(975,814)	1,061,579	49,978,065

Notes to the Financial Statements Contd.

Year ended 31 March 2022

12.1.3 Net book values

	2022 Rs.	2021 Rs.
Computer equipment	18,774,850	8,021,704
Fittings	413,884	635,460
Office equipments	871,716	806,546
	20,060,449	9,463,710

12.1.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 16,137,437/- (2021 - Rs. 3,443,000/-). Cash payments amounting to Rs.16,137,437/- (2021 - Rs. 3,443,000/-) were made during the year for purchase of property, plant and equipment.

12.1.5 As at 31 March 2022, the group had fully depreciated assets still in use amounting to Rs.36,354,348 /- (2021- Rs.35,856,467.38).

12.1.6 The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign operations which are accounted for in foreign currencies and translated to the reporting currency at the balance sheet date.

12.1.7 There were no borrowing costs capitalised on interest-bearing loans and borrowings and lease liabilities by the Group on qualifying assets during the financial years 2021/2022 and 2020/2021.

12.1.8 The Group has no property, plant and equipment pledged as security for liabilities.

12.2 Company

12.2.1 Gross carrying amounts

At cost	As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Disposals Rs.	As at 31.03.2022 Rs.
Network hardware	801,938	-	-	801,938
Computer equipment	35,910,943	15,352,259	(1,029,480)	50,233,722
Fittings	4,393,124	-	-	4,393,124
Generator	1,769,500	-	-	1,769,500
Office equipments	8,772,973	391,735	-	9,164,709
	51,648,479	15,743,994	(1,029,480)	66,362,993

12.2.2 Accumulated depreciation

	As at 01.04.2021 Rs.	Charge for the year Rs.	Disposals Rs.	As at 31.03.2022 Rs.
Network hardware	801,938	-	-	801,938
Computer equipment	27,982,321	4,634,982	(975,814)	31,641,489
Fittings	3,757,664	221,576	-	3,979,240
Generator	1,769,500	-	-	1,769,500
Office equipments	8,091,255	362,021	-	8,453,276
	42,402,678	5,218,580	(975,814)	46,645,444

Notes to the Financial Statements Contd.

Year ended 31 March 2022

12.2.3 Net book values

	2022 Rs.	2021 Rs.
Network hardware	-	-
Computer equipment	18,592,233	7,928,622
Fittings	413,884	635,460
Generator	-	-
Office equipments	711,432	681,718
	19,717,549	9,245,801

12.2.4 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.15,743,994/- (2021 - Rs.3,443,000/-). Cash payments amounting to Rs.15,743,994/- (2021 - Rs.3,443,000/-) were made during the year for purchase of property, plant and equipment.

12.2.5 As at 31 March 2022, the company had fully depreciated assets still in use amounting to Rs. 36,354,348 /- (2021 Rs. 35,856,467.38).

13. RIGHT OF USE ASSETS

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cost				
Balance at the beginning the year	61,248,579	-	55,502,913	-
Additions	7,257,423	61,248,579	82,611	55,502,913
Balance at the end the year	68,506,002	61,248,579	55,585,524	55,502,913
Accumulated depreciation				
Balance at the beginning the year	(21,241,243)	-	(17,527,236)	-
Charge for the year	(23,178,198)	(21,241,243)	(17,579,411)	(17,527,236)
Balance at the end the year	(44,419,441)	(21,241,243)	(35,106,647)	(17,527,236)
Forex Adjustment	4,147,329	460,839	-	-
Carrying amount	28,233,890	40,468,176	20,478,877	37,975,677

The leasehold asset appears that the building which the Company carrying on the business. The remaining lease period is two years.

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Year ended 31 March 2022

13. RIGHT OF USE ASSETS (CONTD.)

The followings are the amounts recognised in profit or loss.

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Depreciation expense of right of use assets	23,178,198	21,241,243	17,579,411	17,527,236
Interest expense on lease liabilities	3,994,071	5,681,356	3,788,606	5,485,037

14. INTANGIBLE ASSETS

14.1 Gross carrying amounts

Company	As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Disposals Rs.	As at 31.03.2022 Rs.	
At cost					
Licensed software	3,169,006	-	-	3,169,006	
Development cost	538,078,407	116,718,703	-	654,797,109	
	541,247,412	116,718,703	-	657,966,115	
Amortisation					
At cost					
Licensed software	3,169,006	-	-	3,169,006	
Development cost	379,986,259	68,769,868	-	448,756,127	
	383,155,265	68,769,868	-	451,925,133	
Group	As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Forex Adjust. Rs.	As at 31.03.2022 Rs.
At cost					
Licensed software	3,169,006	-	-	-	3,169,006
Development cost	542,383,031	119,288,068	-	2,720,652	664,391,751
	545,552,037	119,288,068	-	2,720,652	667,560,757
Amortisation					
At cost					
Licensed software	3,169,006	-	-	-	3,169,006
Development cost	381,885,211	67,006,977	-	611,114	449,503,301
	385,054,216	67,006,977	-	611,114	452,672,307

Notes to the Financial Statements Contd.

Year ended 31 March 2022

14. INTANGIBLE ASSETS (CONTD.)

14.2 Net book values

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At cost				
Licensed software	-	-	-	-
Development cost	214,888,450	160,497,821	206,040,983	158,092,148
	214,888,450	160,497,821	206,040,983	158,092,148

15. GOODWILL ON ACQUISITION

Group	Balance As at 31.03.2022 Rs.	Balance As at 31.03.2021 Rs.
15.1 Gross carrying amounts		
At cost		
Goodwill	2,008,131	2,008,131
	2,008,131	2,008,131

15.2 During the year 2012, the Company has acquired 100% ownership of two related entities. Acquisition of hSenid Business Solutions (India) Private Limited on 28 March 2012 has resulted in goodwill of Rs 2,008,131/-.

Description	hSenid Business Solutions (India) Pvt. Ltd. Rs.
Fair value of purchase consideration	3,567,473
Fair value of net assets acquired	(1,559,342)
Goodwill / (negative goodwill) on acquisition	2,008,131

Group has performed an impairment test as at 31st March 2022 and no impairment was recognized.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

16. INVESTMENT IN SUBSIDIARIES

Non-Quoted Investments	Company Holding		Cost 2022 Rs.	Directors' Valuation 2022 Rs.	Cost 2021 Rs.	Directors' Valuation 2021 Rs.
	%	%				
hSenid Software (Singapore) Pte Ltd	100%	100%	7,223,770	7,223,770	7,223,770	7,223,770
hSenid Business Solutions (India) Pvt Ltd	100%	100%	139,517,743	139,517,743	139,517,743	139,517,743
Gross value of investment in subsidiaries			146,741,513	146,741,513	146,741,513	146,741,513
Less: provision for impairment			-	(9,882,151)	-	(9,882,151)
Net value of investment in subsidiaries			146,741,513	136,859,362	146,741,513	136,859,362

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

16.1 Provision for impairment of investments in subsidiaries

Impairment provision is recognized to the extent that exceeds the carrying value over the investee's recoverable value as at the reporting date.

The Company carried out impairment test through the determination of the value in use of the investment. Based on the assessment done the provision for impairment of investments in hSenid Business Solutions (India) Pvt Ltd have been recognised in prior periods.

17. INVENTORIES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Hardware	16,323,947	19,591,670	16,323,947	19,591,670
Software	492,820	492,820	492,820	492,820
Goods in transit	13,361,838	68,301	13,361,838	68,301
Less: provision for slow moving stocks	(492,820)	(492,820)	(492,820)	(492,820)
	29,685,786	19,659,971	29,685,786	19,659,971

Notes to the Financial Statements Contd.

Year ended 31 March 2022

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade receivables - related parties (18.1)	20,943,917	2,419,331	204,069,479	120,815,852
- others	576,415,085	517,893,322	505,216,768	463,375,412
	597,359,001	520,312,653	709,286,247	584,191,263
Less: allowances for impairment	(85,470,656)	(89,335,136)	(165,015,376)	(89,197,389)
	511,888,345	430,977,517	544,270,871	494,993,874
Other receivables - related parties (18.2)	6,944,652	4,530,875	48,860,692	29,396,528
- others	11,234,276	9,350,808	7,726,726	7,306,106
	530,067,272	444,859,200	600,858,289	531,696,507

18.1 Trade receivables - related parties

		Group		Company	
	Relationship	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
hSenid Software International (Pvt) Ltd.	Affiliate	-	344,726	-	344,726
hSenid Software (Singapore) Pte Ltd.	Subsidiary	-	-	5,894,421	1,111,421
hSenid Business Solutions (India) Pvt Ltd.	Subsidiary	-	-	177,146,760	117,165,241
PeoplesHR Pty Limited	Subsidiary	-	-	2,298,570	1,376,773
hSenid Software India (Pvt) Ltd	Affiliate	2,214,190	1,256,914	-	-
hSenid Software Lanka (Pvt) Ltd	Affiliate	-	49,157	-	49,157
hSenid Mobile Solutions (Pvt) Ltd.	Affiliate	-	724,471	-	724,471
hSenid Venture (Pvt) Ltd.	Affiliate	-	44,062	-	44,062
hSenid Mobile Solutions (Bangladesh) Pvt Ltd	Affiliate	18,729,727	-	18,729,727	-
		20,943,917	2,419,331	204,069,479	120,815,852

Notes to the Financial Statements Contd.

Year ended 31 March 2022

18.2 Other receivables - related parties

	Relationship	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
hSenid Software International (Pvt) Ltd	Affiliate	-	831,499	-	831,499
hSenid Business Solutions (India) Pvt Ltd	Subsidiary	-	-	41,745,781	24,865,652
hSenid Mobile Solutions (Bangladesh) Pvt Ltd	Affiliate	6,944,652	3,699,377	6,944,652	3,699,377
PeoplesHR Pty Ltd	Subsidiary	-	-	170,259	-
		6,944,652	4,530,875	48,860,692	29,396,528

As at 31 March, the ageing analysis of trade receivables is as follows;

Group	Total	Neither past due or nor impaired	Past due but not impaired				
			30-60 Days	60-90 Days	90-120 Days	120-365 Days	>365 Days
2022	511,888,345	242,184,500	100,526,393	4,024,431	42,625,324	89,773,488	32,754,209
2021	430,977,517	271,763,153	50,520,807	1,494,569	31,518,565	57,673,345	18,007,076

Company	Total	Neither past due or nor impaired	Past due but not impaired				
			30-60 Days	60-90 Days	90-120 Days	120-365 Days	>365 Days
2022	544,270,871	227,432,954	66,118,431	3,762,221	42,424,558	73,718,076	130,814,631
2021	494,993,874	225,823,299	51,313,172	1,623,527	27,266,409	62,441,782	126,525,684

19. OTHER CURRENT FINANCIAL ASSETS

19.1 Investments in fixed deposits

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Investments in fixed deposits	1,083,462,924	258,835,421	1,083,462,924	258,835,421
	1,083,462,924	258,835,421	1,083,462,924	258,835,421

Notes to the Financial Statements Contd.

Year ended 31 March 2022

20. INTEREST BEARING LOANS AND BORROWINGS

20.1 Group

	Amount Repayable			Amount Repayable		
	Within 1 Year Rs.	After 1 Year Rs.	2022 Total Rs.	Within 1 Year Rs.	After 1 Year Rs.	2021 Total Rs.
Bank Loans (Note 20.2)	4,166,650	-	4,166,650	19,479,180	4,166,651	23,645,831
Lease liabilities (Note 20.5)	27,822,519	4,277,354	32,099,873	20,382,577	24,203,472	44,586,049
	31,989,169	4,277,354	36,266,523	39,861,757	28,370,123	68,231,880

20.2 Bank Loans

	Balance As at 01.04.2021 Rs.	Loan Obtained Rs.	Repayment Rs.	Balance As at 31.03.2022 Rs.	Repayable Within 1 Year Rs.	Repayable after 1 Year Rs.
Hatton National Bank PLC	2,812,500	-	2,812,500	-	-	-
Commercial Bank of Ceylon PLC	20,833,330	-	16,666,680	4,166,650	4,166,650	-
	23,645,830	-	19,479,180	4,166,650	4,166,650	-

20.3 Company

	Amount Repayable			Amount Repayable		
	Within 1 Year Rs.	After 1 Year Rs.	2022 Total Rs.	Within 1 Year Rs.	After 1 Year Rs.	2021 Total Rs.
Bank Loans (Note 20.4)	4,166,651	-	4,166,651	19,479,180	4,166,651	23,645,831
Lease liabilities (Note 20.5)	20,602,289	3,658,420	24,260,709	17,830,070	24,203,472	42,033,542
	24,768,940	3,658,420	28,427,360	37,309,250	28,370,123	65,679,373

20.4 Bank Loans

	Balance As at 01.04.2021 Rs.	Loan Obtained Rs.	Repayment Rs.	Balance As at 31.03.2022 Rs.	Repayable Within 1 Year Rs.	Repayable after 1 Year Rs.
Hatton National Bank PLC	2,812,500	-	2,812,500	-	-	-
Commercial Bank of Ceylon PLC	20,833,330	-	16,666,680	4,166,650	4,166,650	-
	23,645,831	-	19,479,180	4,166,651	4,166,650	-

Notes to the Financial Statements Contd.

Year ended 31 March 2022

20.5 Lease liabilities

Group	As at 01.04.2021 Rs.	New Lease Obtained Rs.	Repayment Rs.	As at 31.03.2022 Rs.	Amount Repayable	
					Current Rs.	Non current Rs.
Gross Liability	50,086,707	7,444,125	(27,453,001)	30,077,831	29,679,999	4,327,733
Finance Charges allocated to future periods	(5,500,658)	(269,324)	3,984,511	(1,785,471)	(1,857,480)	(50,380)
Forex Adjustment	-	-	-	3,807,512	-	-
Net liability	44,586,049	7,174,802	(23,468,490)	32,099,873	27,822,519	4,277,354

Company	As at 01.04.2021 Rs.	New Lease Obtained Rs.	Repayment Rs.	As at 31.03.2022 Rs.	Amount Repayable	
					Current Rs.	Non current Rs.
Gross Liability	47,605,650	-	(21,644,050)	25,961,600	22,252,800	3,708,800
Finance Charges allocated to future periods	(5,479,937)	-	3,779,046	(1,700,891)	(1,650,511)	(50,380)
Net liability	42,125,713	-	(17,865,004)	24,260,709	20,602,289	3,658,420

21. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	Group			Company
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
21.1 Favorable cash and cash equivalent balances				
Cash and bank balances	413,247,696	261,483,690	215,679,628	107,709,392
Short term deposits (Note 19.1)	1,083,462,924	258,835,421	1,083,462,924	258,835,421
	1,496,710,621	520,319,111	1,299,142,552	366,544,813
21.2 Unfavorable cash and cash equivalent balances				
Bank overdraft	-	-	-	-
	1,496,710,621	520,319,111	1,299,142,552	366,544,813
21.3 Deposits pledged as securities for bank overdraft (Note 25.4)				
	(230,302,713)	(89,087,384)	(230,302,713)	(89,087,384)
	1,266,407,908	431,231,727	1,068,839,839	277,457,429

Notes to the Financial Statements Contd.

Year ended 31 March 2022

22. STATED CAPITAL

	Group/Company			
	2022		2021	
	Number	Rs.	Number	Rs.
22.1 Issued and fully paid ordinary shares				
Balance as at the beginng of the year	1,983,845	224,036,627	1,958,229	225,775,613
Issue of shares	28,485	6,973,128	25,616	6,270,797
Issue of shares - Initial Public Offering (Note 22.4)	55,339,076	691,738,450	-	-
Share Split (Note 22.3)	219,343,970	-	-	-
Re-statement of share capital in line with ROC (Note 22.5)	-	-	-	(8,009,783)
Balance as at 31st March	276,695,376	922,748,205	1,983,845	224,036,627

22.2 Rights of shareholders

The holders of ordinary shares confer their rights to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of shareholders.

All shares rank equally and pari passu with regard to the Company's residual assets.

22.3 During the year ended 31st March 2022, the Company has subdivided its 1,983,845 fully paid Ordinary Shares, by splitting each One (01) Ordinary Share into one hundred and ten (110) Shares totalling to 221,356,300 fully paid Ordinary Shares without any change to the Stated Capital of the Company.

22.4 The company has issued fifty-five million three hundred thirty-nine thousand seventy-six (55,339,076) new ordinary voting shares each at Rs. 12.5/- to the general public on 21 December 2021 by way of an offer for subscription.

22.5 Re-statement of share capital in line with ROC

By the Extraordinary General Meeting dated 3 May 2010, shareholders of the Company have resolved to reduce the stated capital of the Company as at 3rd May 2010 from Rs. 53,398,680 to Rs. 45,388,898/-. A public notice has been published and a notice of reduction of stated capital (Form 8 dated 21 May 2010) has been filed with the Registrar-General of Companies. This reduction of stated capital, has however not been taken into account in the previous financial statements of the Company it was necessary to carry out certain accounting adjustments in the books of the Company prior to doing so.

Having made such adjustments, the stated capital of the Company as set forth in the financial statements reflects and takes into account the aforesaid reduction of the stated capital.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade payables - related parties (Note 23.1)	-	141,063	-	141,063
- Others	5,999,647	11,441,225	5,999,647	11,441,225
	5,999,647	11,582,289	5,999,647	11,582,289
Other payables - related parties (Note 23.2)	34,153,844	29,251,340	-	-
- Others	170,143,974	142,024,787	156,005,156	121,501,060
	204,297,818	171,276,126	156,005,156	121,501,060
Customer advances	87,326,876	70,208,956	8,859,620	6,771,377
Accrued expenses	21,207,020	21,733,058	21,078,031	21,733,057
Directors' current accounts	190,352	793,905	-	-
	319,021,712	275,594,334	191,942,453	161,587,783

		Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
23.1 Trade payables - related parties	Relationship				
hSenid Software International (Pvt) Ltd	Affiliate	-	141,063	-	141,063
		-	141,063	-	141,063
23.2 Other payables - related parties	Relationship				
hSenid Mobile Solutions (Pvt) Ltd	Affiliate	34,153,844	29,251,340	-	-
		34,153,844	29,251,340	-	-

24. RETIREMENT BENEFIT OBLIGATION

24.1 Retirement benefit obligation - Gratuity

	Group/Company	
	2022 Rs.	2021 Rs.
Balance at the beginning	71,432,216	56,001,902
Current Service Cost	9,724,142	12,713,173
Interest Cost	5,285,984	4,144,141
Past Service Cost	3,136	-
Payments made during the year	(3,626,250)	(1,427,000)
Actuarial (Gain)/Loss	(2,074,258)	-
Balance at the end	80,744,970	71,432,216

Notes to the Financial Statements Contd.

Year ended 31 March 2022

24. RETIREMENT BENEFIT OBLIGATION (COND.)

Messrs. Actuarial and Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the retirement benefit obligation for hSenid Business Solutions PLC as at 31st March 2022. The valuation method used by the Actuary to value the liability is the 'Projected Unit Credit Actuarial Cost Method' recommended by LKAS 19. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

24.2 Actuarial assumptions

	2022	2021
Discount rate	15.0%	7.4%
Salary increment rate	15.0%	10.0%
Staff turnover	15.0%	15.0%
Retirement age	60 Years	55 Years

Assumptions regarding future mortality are based on A 1967/70 mortality table, issued by the Institute of Actuaries, London.

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

24.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	2022 Rs.	2021 Rs.
Discount rate		
Effect on retirement benefit obligation due to 1% increase	(76,732,664)	(67,729,528)
Effect on retirement benefit obligation due to 1% decrease	85,185,399	75,532,097
Salary increment rate		
Effect on retirement benefit obligation due to 1% increase	85,494,234	82,852,729
Effect on retirement benefit obligation due to 1% decrease	(76,383,201)	(67,494,103)

24.4 Expected average future working life of the active participants is 5.99 years.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

24. RETIREMENT BENEFIT OBLIGATION (COND.)

24.5 The following are the expected payments to the defined benefit plan in future years

	2022 Rs.	2021 Rs.
Within the next 12 months	10,746,748	9,423,953
Between 1-5 years	33,597,652	29,214,440
Between 5-10 years	19,822,445	21,061,234
More than 10 years	16,578,125	11,732,589
Total Expected Payments	80,744,970	71,432,216

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital expenditure /operational commitments

The Group does not have any significant capital or operational commitments as at the reporting date.

25.2 Purchase and service commitments

The Company does not have any purchase and service commitments as at the reporting date.

25.3 Contingent liabilities

There were no material contingent liabilities outstanding as at the reporting date which require adjustments to or disclosure in the financial statements.

25.4 The following assets have been pledged as securities as at reporting date.

Lender	Security	Security Value Rs.	Approved Facility Rs.	Nature of Facility	Balance as at 31 March 2022 Rs.
01. Hatton National Bank PLC	Lien over Savings Deposits	7,755,326	-	Bank Guarantee	7,755,326
02. Commercial Bank of Ceylon PLC	Lien over Savings Deposits	93,861,546	40Mn	Overdraft/ Term Loan	4,166,651
	Lien over Fixed Deposits	128,685,841	239Mn	Bank Guarantee	164,224,591
		230,302,713			176,146,568

Notes to the Financial Statements Contd.

Year ended 31 March 2022

26. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

26.1 Transactions with the subsidiaries and related entities

	Group/Company	
	2022 Rs.	2021 Rs.
Subsidiary companies*		
Trade sales	6,086,192	6,802,405
Settlements for Trade Sales	(893,582)	-

*hSenid Software (Singapore) Pte Ltd, People HR Pty Ltd, hSenid Business Solutions (India) Pvt. Ltd.

Outstanding current balances at year end are unsecured, interest free and settlement occurs in cash.

	Group/Company	
	2022 Rs.	2021 Rs.
Affiliate companies**		
Trade sales	20,419,978	2,974,790
Settlements for Trade Sales	(7,672,629)	(44,062)
Expenses incurred on behalf of company	(3,243,218)	-
Collections on behalf of Company	6,488,493	4,111,283
Other service expenses	(1,080,000)	(842,326)
Settlements for Other service expenses	14,912,624	6,199,686

**hSenid Mobile Solutions (Pvt) Ltd, hSenid Ventures (Pvt) Ltd, hSenid Software Lanka (Pvt) Ltd, hSenid Software India (Pvt) Ltd and hSenid Software International (Pvt) Ltd.

Outstanding current balances at year end are unsecured, interest free and settlement occurs in cash.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

26. RELATED PARTY DISCLOSURES (CONTD.)

26.2 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors. There are no transaction with such KMP and their close family members, other than mentioned below.

26.2.1 Key Management Personnel Compensation

		Group		Company	
		2022 Rs.	2021 Rs.	2,022 Rs.	2021 Rs.
Short-term employee benefits	- Executive	64,645,431	45,740,055	41,467,779	26,402,874
Post-employment benefits	- Executive	-	-	-	-
		64,645,431	45,740,055	41,467,779	26,402,874

26.2.2 Loans to directors

No loans have been granted to the Directors of the Company/ Group.

26.2.3 Other transactions

There are no other transactions with key management personnel and their spouses' other than those disclosed above.

27. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no events subsequent to the reporting date, which require to disclose in the financial statements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk can be defined as the probability of or threat of damage, injury, liability, loss or any other negative occurrence that is caused by external or internal vulnerabilities. Risk management, is the process of analysing exposure to risks by identifying vulnerabilities and their probability of outcome in order to determine how best to handle such exposures. It also looks at implementing various policies, procedures and practices that work to identify, analyse, evaluate and monitor risks, followed by applications and solutions to minimise the probability of occurrence and/ or the impact of the identified risks. The company is exposed to the following types of risks from its use of financial Instruments:

Overview

The Company has exposure to the following risks from its use of financial instruments:

1. Credit Risk
2. Liquidity Risk
3. Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for identifying, analyzing, evaluating and monitoring the risk and the management of capital of the Company. Further quantitative disclosures are included throughout these financial statements.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring risk management policies of the Company.

The Group's financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor Financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

28.1 Credit risk

The Group is exposed to credit risk primarily from its trade receivables, which arise from its operating activities and its deposits with banking Institutions. The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure.

28.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

	2022 Rs.	Group 2021 Rs.	2022 Rs.	Company 2021 Rs.
Trade receivables	511,888,345	430,977,517	544,270,871	494,993,874
Short term investments	1,083,462,924	258,835,421	1,083,462,924	258,835,421
Cash and cash equivalents	413,247,696	261,483,690	215,679,628	107,709,392
	2,008,598,965	951,296,628	1,843,413,423	861,538,687

28.1.2 Management of credit risk

Trade Receivables

The Group monitors the creditworthiness of all its customers prior to entering into credit terms and monitors the recoverability of its trade receivables on a regular basis.

The ageing of trade receivables at the reporting date that were impaired are shown in Note 18.2.

Short term investments

The Group's short term investments are placed in the reputed financial institutions with good credit ratings in order to minimize the credit risk.

Cash and cash equivalents

The Group's short term investments are placed in the reputed financial institutions with good credit ratings in order to minimize the credit risk.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

28.2 Liquidity risk

Liquidity risk' is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

28.2.1 The maturity analysis of liabilities

Group		Contractual cash flows		
Non-derivative financial liabilities	Carrying amount Rs.	6 months or less Rs.	6 - 12 months Rs.	Over 1 year Rs.
Trade payables	176,143,621	176,143,621	-	-
Amount due to related parties	34,153,844	34,153,844	-	-
Accrued expenses	21,207,020	21,207,020	-	-
Bank Loans	4,166,650	4,166,650	-	-
Lease liabilities	32,099,873	13,582,063	14,240,457	4,277,354
Income tax payable	6,085,830	6,085,830	-	-
	273,856,837	255,339,027	14,240,457	4,277,354

Company		Contractual cash flows		
	Carrying amount Rs.	6 months or less Rs.	6 - 12 months Rs.	Over 1 year Rs.
Trade payables	162,004,803	162,004,803	-	-
Amount due to related parties	-	-	-	-
Accrued expenses	21,078,031	21,078,031	-	-
Bank Loans	4,166,651	4,166,651	-	-
Lease liabilities	24,260,709	10,019,224	10,583,065	3,658,420
Income tax payable	6,085,830	6,085,830	-	-
	217,596,024	203,354,538	10,583,065	3,658,420

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly difference amounts.

Notes to the Financial Statements Contd.

Year ended 31 March 2022

28. FINANCIAL RISK MANAGEMENT (CONTD.)

28.2.2 Management of liquidity risk

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's approach to managing its liquidity risk is as follows;

1. Regularly monitoring the Group's assets and liabilities in order to forecast cash flows for future purpose.
2. Arrange adequate facilities with banks as contingency measures.
3. Daily monitoring the facility limits, i.e. overdrafts with banks

28.3 Market risk

'Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

28.3.1 Currency risk

The Group operates in Sri Lanka, Singapore, Australia and India. Entities in the Group may transact in currencies other than their respective functional currencies. The Group is also exposed to currency translation risk on the net assets in foreign operations. The Group does not hedge its exposure to foreign currency risk, and does not trade or speculate in foreign currencies.

A 5% strengthening of the foreign currencies against the Sri Lankan Rupee would have the following approximate impact on profit or loss and equity, assuming other factors are held constant, is shown below.

	Group		Company	
	5% increase Rs.	5% decrease Rs.	5% increase Rs.	5% decrease Rs.
United States Dollar	767,629,213	694,521,669	771,427,886	697,958,564
Singaporean Dollar	3,495,820	3,162,884	3,495,820	3,162,884
Australian Dollar	172,656,269	156,212,815	16,254,116	14,706,105
Indian Rupee	2,740,005	2,479,052	8,199,889	7,418,947
Kenyan shilling	9,054,612	8,192,268	245,101,571	221,758,564
Brunei dollar	8,383,159	7,584,763	8,383,159	7,584,763
Bangladeshi taka	18,578,498	16,809,117	18,578,498	16,809,117
Maldivian rufiyaa	4,721,378	4,271,723	4,721,378	4,271,723
Total	987,258,953	893,234,291	1,076,162,316	973,670,667

Notes to the Financial Statements Contd.

Year ended 31 March 2022

28.3.2 Interest rate risk

Interest rate risk is the risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates. The Group does not have any floating rate borrowings nor any deposits which earn interest at floating rate. Therefore the interest rate risk to the Group is minimal.

28.4 Capital Management

The Group's policy is to maintain an adequate capital base so as to sustain the Group's development of the business. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Group, comprising stated capital, retained earnings and reserves.

The Group funds its operations through equity. The Group is not subject to externally imposed capital requirements, and there were no changes in the Group's approach to capital management during the year.

Investor Information

STOCK EXCHANGE LISTING

The issued ordinary shares of hSenid Business Solutions PLC are listed with the Colombo Stock Exchange (CSE) Sri Lanka.

SHAREHOLDER INFORMATION

	31 March 2022	31 March 2021
Total numbers of shareholders	5,276	11
Total numbers of shares	276,695,376	1,983,845

31 March 2022									
No of shares held	Residents			Non- Residents			Total		
	Number of shareholders	No. of Shares	%	Number of shareholders	No. of Shares	%	Number of shareholders	No. of Shares	%
1 - 1,000	1,857	837,125	0.30	-	-	-	1,857	837,125	0.30
1,001 - 10,000	2,884	10,031,322	3.63	16	54,600	0.02	2,900	10,085,922	3.65
10,001 - 100,000	408	12,130,610	4.38	5	177,089	0.06	413	12,307,699	4.45
100,001 - 1,000,000	87	23,919,685	8.64	4	1,122,261	0.41	91	25,041,946	9.05
1,000,001 & Over	12	202,986,236	73.36	3	25,436,448	9.19	15	228,422,684	82.55
Total	5,248	249,904,978	90.32	28	26,790,398	9.68	5,276	276,695,376	100.00

CATEGORIES OF SHAREHOLDERS

31 March 2022				
Category	No. of Share holders	%	No. of shares	%
Individuals	5,010	94.96	143,375,217	51.82
Institutions	266	5.04	133,320,159	48.18
Total	5,276	100.00	276,695,376	100.00

PUBLIC SHAREHOLDINGS

	Requirement by CSE	As at 31 March 2022	Comply with CSE Rule 7.13.1 (a)
Option	5	5	YES
Float adjusted market capitalisation	2,500,000	1,726,517,124	YES
The percentage of shares held by the public	20%	34.39%	YES
Number of shareholders representing public holding	500	5,257	YES

SHAREHOLDER TRADING INFORMATION FROM LISTING DATE TO 31 MARCH 2022

	31 March 2022
Highest price (LKR)	37.6
Lowest price (LKR)	17.4
As at 31 March (LKR)	18
Number of transactions	44,474
Number of shares traded	107,453,615
Value of shares traded (LKR)	2,905,389,384

Investor Information Contd.

MARKET CAPITALISATION VS SHAREHOLDERS' FUNDS

	LKR
Market capitalisation as at 31 March 2022	4,980,516,768
Shareholders funds as at 31 March 2022	922,748,205

DIVIDEND

Financial Year	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
Dividends Amount (LKR)	83,008,613*	30,004,113	20,000,000	25,006,559	-	-
Earnings per share (LKR)	1.93	0.96	0.78	0.63	2.33	2.36
Dividends per Share (LKR)	0.30	0.14	0.09	0.12	-	-
Payout Ratio	15.54%	14.19%	11.77%	18.33%	N/A	N/A

* Proposed final dividend, subject to shareholders' approval

TWENTY (20) LARGEST SHAREHOLDERS AS AT 31.03.2022

No	Name	No of Shares	%
1	hSenid Ventures (Private) Limited	68,839,540	24.88
2	Mr. R.S.Captain	28,386,752	10.26
3	Mr. K.P.R.B. De Silva	28,330,504	10.24
4	Mr. Dinesh Saparamadu	27,800,110	10.05
5	Mr. O.E.H. Kalvo	19,800,000	7.16
6	Ceylon Guardian Investment Trust PLC A/C # 02	17,976,090	6.50
7	Argent Capital (Private) Limited	11,235,070	4.06
8	Timex Garments (Private) Limited	11,235,070	4.06
9	Mr. Sampath Jayasundara	3,303,300	1.19
10	GF Capital Global Limited	3,011,000	1.09
11	Citibank New York S/A Norges Bank Account 2	2,625,448	0.95
12	Mr. Nilam Alawdeen	2,420,000	0.87
13	AIA Insurance Lanka Limited A/C No.07	1,300,000	0.47
14	J.B Cocoshell (Private) Limited	1,145,100	0.41
15	Cocoshell Activated Carbon Company (Private) Limited	1,014,700	0.37
16	Citizens Development Business Finance PLC/T.Ruchira	997,509	0.36
17	Mr. A.L.S. Kumara	762,190	0.28
18	Union Assurance PLC-Universal Life Fund	716,389	0.26
19	Rosewood (Private) Limited-Account No.1	651,442	0.24
20	Bank of Ceylon A/C Ceybank Unit Trust	638,400	0.23

Glossary

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

CAPITAL EMPLOYED

Shareholders' funds plus minority interest and debt.

CONTINGENT LIABILITIES

Conditions or situations at the reporting date, the financial effects of which are to be determined by future events, which may or may not occur.

CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

DEBT TO EQUITY RATIO

Debt as a percentage of shareholders' funds plus.

DIVIDEND

Distribution of profit to holders of equity investments in proportion to their holding of a particular class of capital.

DEBT TO EQUITY RATIO

Debt as a percentage of shareholders' funds plus.

DIVIDEND

Distribution of profit to holders of equity investments in proportion to their holding of a particular class of capital.

EARNINGS PER SHARE

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT

Earnings before interest and tax (includes other operating income).

EBIT MARGIN

EBIT divided by turnover.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EBITDA MARGIN

EBITDA divided by turnover.

CHURN RATE

Annual percentage rate at which customers stop subscribing to a service.

EFFECTIVE RATE OF TAXATION

Tax expense divided by profit before tax.

INTEREST COVER

Profit before tax plus interest charges divided by interest charges, including interest capitalised.

LIQUIDITY RATIO

Current assets divided by current liabilities.

MARKET CAPITALISATION

Number of shares in issue at the end of year multiplied by the market price at end of year.

NON-CONTROLLING INTEREST

A portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiary, by the parent.

NET ASSETS PER SHARE

Net assets over weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

NET PROFIT MARGIN

Profit after tax divided by turnover.

NET DEBT

Total debt minus (cash plus short-term deposits).

NET ASSETS

Sum of fixed assets and current assets less total liabilities.

Glossary Contd.

NET ASSETS PER SHARE

Net Assets at the end of the period divided by the number of ordinary shares in issue.

PRICE EARNINGS RATIO

Market price per share over EPS.

RETURN ON EQUITY (ROE)

Attributable profits divided by average shareholders' funds.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the Company.

STATED CAPITAL

Total of all amounts received by the Company or due and payable to company.

- a. In respect of issue of shares and
- b. In respect of calls on shares

SHAREHOLDERS' FUNDS

Total of issued and fully-paid share capital, capital reserves and revenue reserves.

TOTAL DEBT

Long-term loans plus short-term loans and overdrafts.

TOTAL EQUITY

Shareholders' funds plus minority interest.

ACTUARIAL GAINS AND LOSSES

Difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

DEFERRED TAXATION

The tax effect of timing differences deferred to / from other periods, which would only qualify for inclusion on a tax return at a future date.

Corporate Information

NAME OF COMPANY

hSenid Business Solutions PLC

LEGAL FORM

A Limited Liability Company incorporated in Sri Lanka and listed on the Colombo Stock Exchange on 21st December 2021

YEAR OF INCORPORATION

2005

REGISTRATION NUMBER

PQ00245385

ACCOUNTING YEAR END

31 March

REGISTERED OFFICE

hSenid Business Solutions PLC

No. 50, Ward Place

Colombo 07

Tel : +94 11 4621111

Fax : +94 11 2394064

DIRECTORS

Dinesh Saparamadu (Chairman)

Sampath Jayasundara (Chief Executive Officer)

Dishnira Saparamadu-Ariyaratne

Apurva Udeshi

Malinga Arsakularatne

Madu Ratnayake

Anarkali Moonesinghe

SECRETARIES

Corporate Services (Pvt) Ltd

216, De Saram Place

Colombo 10.

Tel : +94 11 4718200

INVESTOR RELATIONS

hSenid Business Solutions PLC, 67/1, Hudson Road,

Off Perahera Mw,

Colombo 03, Sri Lanka

Tel : +94 11 4621111

nilendra.w@hsenidbiz.com, investor@hsenidbiz.lk

AUDITORS

Ernst & Young (Chartered Accountants)

No. 201, de Saram Place

Colombo 10

Tel : +94 11 2463500

Fax : +94 11 2697369

BANKERS

Hatton National Bank PLC

No. 715, Pannipitiya Road

Thalawathugoda

Tel : +94 11 2774194

Fax : +94 11 2774195

Commercial Bank of Ceylon PLC

No. 07, Suramya Building, Kotte Road

Thalawathugoda

Tel : +94 11 2773551

Fax : +94 11 2773553

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of hSenid Business Solutions PLC will be held on Thursday, 25th August 2022, at 2.00 p.m at The Ceylon Chamber of Commerce, No. 50 Nawam Mawatha, Colombo 02 for the following purposes:

1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31st March 2022 together with the Report of the Auditors thereon.
2. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing year.
3. To re-elect Ms. Dishnira Saparamadu-Ariyaratne, who retires in terms of Article 27(2) of the Articles of Association and being eligible has offered herself for re-election.
4. To re-elect Mr. Madu Ratnayake, who retires in terms of Article 27(2) of the Articles of Association and being eligible has offered himself for re-election.
5. To re-elect Mr. Malinga De F. Arsakularatne, who retires in terms of Article 27(2) of the Articles of Association and being eligible has offered himself for re-election.
6. To re-elect Ms. Anarkali Moonesinghe, who retires in terms of Article 27(2) of the Articles of Association and being eligible has offered herself for re-election.
7. To re-elect Mr. Apurva Udeshi who retires by rotation in terms of Article 27(8) of the Articles of Association and being eligible has offered himself for re-election.
8. To declare a final dividend of LKR 0.30 per share for the financial year ended 31st March 2022 as recommended by the Board.
9. To authorise Directors to determine contributions to charities.

By order of the Board



CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

hSENID BUSINESS SOLUTIONS PLC

At Colombo, on this 27 day of July 2022.

Note:

Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company. A completed form of proxy must be deposited at the registered office of the Company, at No.50, Ward Place, Colombo 07 or e-mailed to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

*I/We Of
.....

Being a shareholder/shareholders of hSenid Business Solutions PLC do hereby appoint

- | | |
|---------------------------------------|-----------------|
| 1. Mr. Dinesh B. Saparamadu | or failing him, |
| 2. Mr. Sampath Jayasundara | or failing him, |
| 3. Ms. Dishnira Saparamadu-Ariyaratne | or failing her, |
| 4. Mr. Malinga De. F. Arsakularatne | or failing him, |
| 5. Ms. Anarkali Moonesinghe | or failing her, |
| 6. Mr. Madu Ratnayake | or failing him, |
| 7. Mr. Apurva Udeshi | or failing him, |

.....of

as *my/our Proxy to attend and vote/speak at the Annual General Meeting of the Company to be held on 25th August 2022 at 2.00 p.m held and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company For the financial year ended 31st March 2022 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint Messrs. Ernst & Young as the auditors of The Company and to audit the financial statements for the ensuing Year and authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms. Dishnira Saparamadu-Ariyaratne, who retires in terms of article 27(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Madu Ratnayake who retires in terms of article 27(2) of the articles of association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. Malinga De F.Arsakularatne who retires in terms of article 27(2) of the articles of association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Ms.Anarkali Moonesinghe who retires in terms of article 27(2) of the articles of association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mr. Apurva Udeshi who retires by rotation in terms of article 27(8) of the articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
8. To declare a final dividend of LKR 0.30 per share as recommended by the the Board.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2022

.....
Signature/s

Note: Instructions as to completion are noted on the reverse hereof.

Form of Proxy Contd.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.
4. In the case of a Corporate Member, the Form must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
5. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 50, Ward Place, Colombo 07 or e-mailed to corporateservices@corporateservices.lk not less than forty eight (48) hours before the appointed time for meeting.
7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.
8. A shareholder appointing a proxy (other than a director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.

