



**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30th JUNE 2023**

HSENIID BUSINESS SOLUTIONS PLC

Chief Executive Officer's Review

Dear Shareholders,

As we enter a new financial year, we are pleased to present to you the financial results for the three months ending 30 June 2023.

hSenid Business Solutions (hBS) recorded a revenue of LKR 357.2 million for the three months ended 30 June 2023, compared to LKR 307.1 million in the corresponding quarter of the previous financial year. This represents a 16.3 percent year-over-year growth in LKR terms and a notable 23.1 percent increase in USD constant currency terms, with revenues predominantly driven by the PeoplesHR Cloud business. Core revenues for the quarter were up 5.2 percent year-over-year in LKR terms and up 10.9 percent in USD constant currency terms.

The PeoplesHR Cloud business continued to gain traction accounting for 52.0 percent of company revenues, recording a 33.0 percent growth year-over-year. This was driven mainly by recurring business, which accounted for 73.0 percent of segment revenues for the quarter. Overall company recurring revenues for the quarter amounted to 52.0 percent, up by 15.0 percent year-over-year. Regionally, APAC drove the topline followed by Sri Lanka, supported again by the PeoplesHR Cloud business.

We continued to experience higher operational expenses during the quarter owing to an increase in salaries, marketing initiatives and project implementation expenses. FY23 saw hBS invest heavily in recruiting global talent, including key leadership hires in sales with a view to revamp our sales organisation and delivery. These, coupled with a notable exchange loss, resulted in a net loss of LKR 109.3 million for the quarter.

New deal closures for the quarter were down 29.2 percent year-over-year in USD constant currency terms. Sri Lanka accounted for majority of new deals, driven by the PeoplesHR Cloud business. Revenue bookings were hampered by longer sales cycles for deal closures across markets, owing to global business volatility. However, with hBS having revamped its sales organisation in the past year, we are now focused on accelerating our sales efforts in key APAC and MEA markets to generate a stronger deal pipeline.

The company utilised a further LKR 70.5 million of IPO funds during the quarter in product and market development, bringing total utilisation to 34.0 percent. Our market development initiatives were spread across all regions, with a particular focus in South Asia and South-East Asia. In addition, we continue to invest in go-to-market activities in our key markets to accelerate customer acquisition efforts.

The repricing program launched in June 2023 across all our PeoplesHR clients, is currently in progress and is set to be completed by end 2Q FY24. In addition, our cloud hosting and infrastructure cost optimisation program launched in early 2023, has resulted in notable cost savings, with more expected to come through in 2Q and 3Q of the current financial year. We believe that both programs will enable hBS to recoup the margin erosion caused by significant cost escalations in the past few quarters.

Looking ahead at FY24, apart from our margin stabilising initiatives, we will continue to focus on our market development activities, particularly in key markets across the APAC and MEA regions.

Sgd.

Sampath K. Jayasundara
Chief Executive Officer
10 August 2023
Colombo

HSENIID BUSINESS SOLUTIONS PLC
STATEMENT OF FINANCIAL POSITION

AS AT	GROUP		COMPANY	
	Unaudited 30.06.2023 Rs.	Audited 31.03.2023 Rs.	Unaudited 30.06.2023 Rs.	Audited 31.03.2023 Rs.
ASSETS				
Non-Current Assets				
Property, plant and equipment	52,202,495	51,217,400	50,983,360	50,645,279
Right of use Assets	55,828,286	17,453,232	55,828,286	16,787,563
Intangible assets	339,271,700	301,092,317	333,077,557	295,871,924
Goodwill on acquisition	2,008,131	2,008,131	-	-
Investments in subsidiaries	-	-	88,329,540	88,329,540
Deferred tax assets	38,137,673	38,137,673	37,971,891	37,971,891
	<u>487,448,284</u>	<u>409,908,753</u>	<u>566,190,634</u>	<u>489,606,197</u>
Current Assets				
Inventories	28,218,209	29,729,130	28,218,209	29,729,130
Trade and other receivables	488,889,936	636,514,786	477,294,788	587,083,468
Advances and prepayments	37,369,671	74,769,694	12,471,600	21,164,778
Other current financial assets	959,657,925	1,168,482,275	959,657,925	1,168,482,275
Cash and bank balances	550,796,922	409,089,992	379,077,884	256,769,353
	<u>2,064,932,662</u>	<u>2,318,585,877</u>	<u>1,856,720,405</u>	<u>2,063,229,004</u>
Total Assets	<u>2,552,380,946</u>	<u>2,728,494,629</u>	<u>2,422,911,039</u>	<u>2,552,835,200</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated capital	922,748,205	922,748,205	922,748,205	922,748,205
Share – Based Payments Reserve	198,281	2,155	198,281	2,155
Currency translation reserve	21,333,764	29,710,499	-	-
Retained earnings	931,700,069	1,041,046,890	914,885,933	1,023,427,076
Total Equity	<u>1,875,980,319</u>	<u>1,993,507,748</u>	<u>1,837,832,418</u>	<u>1,946,177,436</u>
Non-Current Liabilities				
Retirement benefit obligation	82,520,460	79,625,460	82,520,460	79,625,460
Interest bearing borrowings	26,847,319	11,898,482	26,847,320	11,898,482
	<u>109,367,780</u>	<u>91,523,942</u>	<u>109,367,780</u>	<u>91,523,942</u>
Current Liabilities				
Trade and other payables	366,044,439	458,116,299	274,722,432	330,477,842
Deferred income	123,071,584	137,777,212	123,071,584	137,777,212
Interest bearing borrowings	39,369,424	7,870,392	39,369,424	7,179,734
Income tax payable	38,547,401	39,699,035	38,547,401	39,699,035
	<u>567,032,847</u>	<u>643,462,939</u>	<u>475,710,840</u>	<u>515,133,823</u>
Total Equity and Liabilities	<u>2,552,380,946</u>	<u>2,728,494,629</u>	<u>2,422,911,039</u>	<u>2,552,835,200</u>

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

Sgd.

Nilendra Weerasinghe
Chief Financial Officer

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

Sgd.

Sampath Jayasundara
CEO/Director

Sgd.

Malinga Arsakularatne
Director

August 10, 2023
Colombo

HSENIID BUSINESS SOLUTIONS PLC
STATEMENT OF COMPREHENSIVE INCOME - GROUP

For the three Months ended 30th June	Group			Company		
	Unaudited 2023	Unaudited 2022	Change %	Unaudited 2023	Unaudited 2022	Change %
	Rs.	Rs.		Rs.	Rs.	
Revenue	357,182,739	307,108,285	16%	270,291,222	263,139,368	3%
Cost of sales	<u>(248,737,323)</u>	<u>(184,061,444)</u>	35%	<u>(188,908,097)</u>	<u>(143,587,303)</u>	32%
Gross profit	108,445,416	123,046,841	-12%	81,383,124	119,552,064	-32%
Other income	(51,621,719)	193,442,008	-127%	(54,481,469)	191,521,274	-128%
Administrative expenses	(117,922,484)	(66,871,962)	76%	(103,598,252)	(52,355,171)	98%
Selling and marketing expenses	(57,143,396)	(43,837,742)	30%	(41,580,195)	(34,651,147)	20%
Finance cost	(1,072,239)	(997,864)	7%	(1,072,239)	(898,907)	19%
Finance income	43,224,778	22,228,840	94%	43,224,778	22,228,840	94%
Other operating expenses	<u>(32,928,850)</u>	<u>(23,267,929)</u>	42%	<u>(32,088,566)</u>	<u>(22,482,470)</u>	43%
Profit before tax	(109,018,495)	203,742,192	-154%	(108,212,818)	222,914,483	-149%
Tax (expense)/reversal	<u>(328,325)</u>	<u>(1,349,790)</u>	-76%	<u>(328,325)</u>	<u>(1,349,790)</u>	-76%
Profit for the period	(109,346,820)	202,392,402	-154%	(108,541,143)	221,564,693	-149%
Other comprehensive income						
Exchange Gain/(Loss) on translation of foreign operations	(8,376,735)	3,285,137		-		
Re-measurements of defined benefit obligations	-	-		-		
Deferred tax on Re-measurements of defined benefit obligations	-	-		-		
Total comprehensive income for the period	<u>(117,723,556)</u>	<u>205,677,540</u>		<u>(108,541,143)</u>	<u>221,564,693</u>	
Profit for the period						
Equity holders of the Company	(109,346,820)	202,392,402		(108,541,143)	221,564,693	
Non-controlling interest	-	-		-	-	
Total comprehensive income/profit for the period						
Equity holders of the Company	(117,723,556)	205,677,540		(108,541,143)	221,564,693	
Non-controlling interest	-	-		-	-	
Earnings Per Share - Basic	(0.40)	0.73		(0.39)	0.80	

HSENI BUSINESS SOLUTIONS PLC

STATEMENT OF CASH FLOWS

	Group		Company	
	Unaudited 30.06.2023	Audited 31.03.2023	Unaudited 30.06.2023	Audited 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Cash flows from/(used in) operating activities				
Profit before tax	(109,018,495)	188,892,772	(108,212,818)	90,403,221
Adjustment For				
Depreciation	4,734,974	13,265,497	4,662,850	12,481,575
Amortisation	33,647,489	124,567,120	32,503,227	112,044,789
Provision for Impairment of trade receivables	1,132,976	45,946,737	(3,217,414)	129,640,029
Impairment of investment	-	-	-	48,529,822
Finance income	(43,224,778)	(194,271,359)	(43,224,778)	(194,271,359)
Share based payments expense	196,126	2,155	196,126	2,155
Loss / (Gain) Disposal of assets	-	84,362	-	84,362
Finance cost	1,072,239	5,811,654	1,072,239	5,569,247
Provision for defined benefit plan	3,300,000	24,052,616	3,300,000	24,052,616
Forex loss/(gain)	54,481,469	(68,796,852)	54,481,469	(70,920,002)
Operating profit before working capital changes	(53,677,999)	139,554,702	(58,439,098)	157,616,455
Decrease / (Increase) in inventories	1,510,921	(43,344)	1,510,921	(43,344)
Decrease / (Increase) in trade and other receivables	146,491,874	(152,394,250)	113,006,093	(115,865,209)
Decrease/(Increase) in advance and prepayment	37,400,023	(8,454,198)	8,693,178	(12,775,045)
Increase / (Decrease) in deferred income	(14,705,628)	56,295,620	(14,705,628)	56,295,620
Increase / (Decrease) in trade and other payables	(92,071,860)	139,094,587	(55,755,410)	138,535,389
Cash generated from operations	24,947,330	174,053,116	(5,689,944)	223,763,866
Finance cost paid	(49,168)	(992,624)	(49,168)	(992,624)
Defined benefit obligation paid	(405,000)	(12,088,250)	(405,000)	(12,088,250)
Tax paid	(1,479,960)	(10,969,435)	(1,479,960)	(11,152,815)
Net cash from operating activities	23,013,202	150,002,807	(7,624,073)	199,530,177
Cash flows from/(used in) investing activities				
Acquisition of property, plant and equipment	(5,751,916)	(44,452,635)	(5,000,931)	(43,493,666)
Acquisition of intangible assets	(65,030,773)	(177,300,733)	(63,246,588)	(177,300,733)
Investments in short-term investments	-	112,566,266	-	112,566,266
Finance income received	43,224,778	194,271,359	43,224,778	194,271,359
Net cash used in investing activities	(27,557,911)	85,084,258	(25,022,741)	86,043,227
Cash flows from/(used in) financing activities				
Payment of lease installments	(9,218,438)	(39,341,827)	(8,568,300)	(30,642,800)
Dividend paid	-	(83,008,613)	-	(83,008,613)
Repayment of bank loans	-	(4,166,650)	-	(4,166,650)
Net cash flows from/(used in) financing activities	(9,218,438)	(126,517,089)	(8,568,300)	(117,818,063)
Currency translation adjustment	(62,535,033)	84,857,937	(54,481,469)	70,920,002
Net increase in cash and cash equivalents	(76,298,180)	193,427,912	(95,696,583)	238,675,343
Cash and cash equivalents at the beginning of the year	1,459,835,819	1,266,407,907	1,307,515,182	1,068,839,839
Cash and cash equivalents at the end of the period	1,383,537,639	1,459,835,819	1,211,818,600	1,307,515,182

HSENIID BUSINESS SOLUTIONS PLC
STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital	Share – Based Payments Reserve	Currency Translation Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2022	922,748,205	-	13,097,441	926,700,879	1,862,546,525
Profit for the period	-	-	-	202,392,402	202,392,402
Other comprehensive income	-	-	3,285,137	-	3,285,137
Total comprehensive income	-	-	3,285,137	202,392,402	205,677,540
Balance as at 30th June 2022	<u>922,748,205</u>	<u>-</u>	<u>16,382,578</u>	<u>1,129,093,281</u>	<u>2,068,224,064</u>
Balance as at 01st April 2023	922,748,205	2,155	29,710,499	1,041,046,890	1,993,507,748
Profit for the period	-	-	-	(109,346,820)	(109,346,820)
ESOP expenses for the Year	-	196,126	-	-	196,126
Other comprehensive income	-	-	(8,376,735)	-	(8,376,735)
Total comprehensive income	-	196,126	(8,376,735)	(109,346,820)	(117,527,430)
Balance as at 30th June 2023	<u>922,748,205</u>	<u>198,281</u>	<u>21,333,764</u>	<u>931,700,069</u>	<u>1,875,980,319</u>
Company		Stated Capital Rs.	Share – Based Payments Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01st April 2022		922,748,205	-	1,007,913,613	1,930,661,818
Profit for the period		-	-	221,564,693	221,564,693
Total comprehensive income		-	-	221,564,693	221,564,693
Balance as at 30th June 2022		<u>922,748,205</u>	<u>-</u>	<u>1,229,478,306</u>	<u>2,152,226,511</u>
Balance as at 01st April 2023		922,748,205	2155	1,023,427,076	1,946,177,436
ESOP expenses for the Year		-	196126	-	196,126
Profit for the period		-	-	(108,541,143)	(108,541,143)
Total comprehensive income		-	196,126	(108,541,143)	(108,345,017)
Balance as at 30th June 2023		<u>922,748,205</u>	<u>198,281</u>	<u>914,885,933</u>	<u>1,837,832,418</u>

HSENIID BUSINESS SOLUTIONS PLC
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the Audited Accounts for the year ended 31 March 2023 and are in compliance with Sri Lanka Accounting Standards - LKAS 34 - Interim Financial Reporting.

2 The interim condensed financial statements of the Group and the Company for the period ended 30th June 2023 were authorized for issue by the Board of Directors on 10th August 2023.

3 Contingent Liabilities

There has not been a significant change in the nature of contingent liabilities, which were disclosed in the Audited Financial Statements for the year ended 31st March 2023.

4 No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the Financial Statements. The presentation and classification of the Financial Statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year

5 Employee Share Option Plan

The Company's board of directors has duly resolved to establish an employee share option plan to grant a total number of share options of 10,000,000 (3.49% of the voting shares) ordinary voting shares for the period commencing from 31st March 2023 to 31st March 2027. The scheme was approved by shareholders at the Extraordinary General Meeting held on 6th December 2022.

Accordingly on 31st March 2023 share options of 5,000,000 were granted and remained exercisable for a period of three years from the date on which the right to subscribe and purchase such shares

Shares under the scheme will be offered to the qualified employees at a volume weighted average price of all share transactions during the thirty market days immediately preceding the grant date and the Company has used Binominal Option Pricing Model to value the share options as at 31st March 2023 under the requirements of SLFRS 2 - "Share Based Payments"

6 Continuous Disclosure regarding status of utilization of funds raised via IPO

Objective number	Objective as per Prospectus	Amount allocated as per Prospectus in (LKR Mn)	Proposed date of utilization as per Prospectus	Amount allocated in LKR Mn (A)	% of total proceeds	Amount utilized in LKR Mn (B)	% of utilized against allocation (B/A)
1	Product Development Initiatives	202	January 2022 - December 2023	202	29%	130.00	64%
2	Market Development Initiatives	140	January 2022 - December 2023	140	20%	106.70	76%
3	Potential Strategic Acquisitions in APAC and East African Regions	350	April 2022 - March 2024	350	51%	-	0%
	Total	692		692		236.70	34%

7 Market value per share for the quarter ended

	30.06.2023	30.06.2022
Highest	15.30	22.10
Lowest	11.80	14.50
Closing	12.10	19.20
Market Capitalization on 30th June	3,348,014,050	5,312,551,219
Net assets value per share	6.78	7.47

HSENIID BUSINESS SOLUTIONS PLC
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

8 Public Holding as at 30th June

Issued Share Capital (No. of Shares)	276,695,376	276,695,376
Public Holding as % of Issued Share Capital	57.95%	34.62%
Total Number of Shareholders	4,793	5,141
Number of Shareholders representing the Public Holding	4,779	5,122
Float Adjusted Market Capitalization - (LKR)	1,940,276,878	1,839,205,232

The Company complies with the Minimum Public Holding requirement of the Main Board as per Option 5 of Section 7.14.1 (a) of the CSE Listing Rules.

9 Shareholders' Information

9.1 Ordinary Voting Shares as at 30th June 2023

No	Name	No of Shares	%
1	Hsenid Ventures (Private) Limited	68,839,540	24.88
2	Mr. K.P.R.B. De Silva	28,585,504	10.33
3	Mr. Dinesh Saparamadu	28,000,110	10.12
4	Mr. R.S.Captain	26,699,236	9.65
5	Mr. O.E.H. Kalvo	18,020,000	6.51
6	Argent Capital (Private) Ltd	13,343,096	4.82
7	Timex Garments (Pvt) Ltd	11,235,070	4.06
8	Mrs. J.N. Ambani	6,982,018	2.52
9	GF Capital Global Limited	5,809,400	2.10
10	Citibank Newyork S/A Norges bank account 2	4,350,267	1.57
11	Mr. Sampath Jayasundara	3,303,300	1.19
12	Bank of Ceylon A/C Ceybank Unit Trust	3,008,960	1.09
13	Mr. Nilam Alawdeen	2,420,000	0.87
14	Rosewood (Pvt) Limited-Account No 1	1,651,442	0.60
15	Miss. M.M.Page	1,618,525	0.58
16	Commercial Bank of Ceylon PLC A/C No. 03	1,520,900	0.55
17	Vinod Kishore Hidramani	1,500,000	0.54
18	Mr. Upali Amarasinghe	1,500,000	0.54
19	AFC Umbrella Fund -AFC Asia Frontier Fund	1,420,639	0.51
20	AIA Insurance Lanka Limited A/C No.07	1,310,000	0.47
		231,118,007	83.53
	Others	45,577,369	16.47
		<u>276,695,376</u>	<u>100.00</u>

9.2 Directors' and Chief Executive Officer's Shareholding as at 30th June 2023

No	Name	No of Shares	%
1	Mr. Dinesh.Saparamadu	28,000,110	10.12
2	Mr. Sampath Jayasundara	3,303,300	1.19
3	Ms. Dishnira Saparamadu	Nil	-
4	Mr. Apurva Udeshi	Nil	-
5	Mr. Malinga Arsakularatne	Nil	-
6	Mr. Madu Ratnayake	Nil	-
7	Ms. Anarkali Moonesinghe	Nil	-
8	Mr. Arittha R Wikramanayake	Nil	-

HSENIID BUSINESS SOLUTIONS PLC
CORPORATE INFORMATION

NAME OF COMPANY	hSenid Business Solutions PLC
LEGAL FORM	A Limited liability company, incorporated in Sri Lanka in 2005. The ordinary shares of the Company were listed with the Colombo Stock Exchange of Sri Lanka on 21 December 2021.
BOARD OF DIRECTORS	Mr. Dinesh.Saparamadu Mr. Sampath Jayasundara Ms. Dishnira Saparamadu Mr. Apurva Udeshi Mr. Malinga Arsakularatne Mr. Madu Ratnayake Ms. Anarkali Moonesinghe Mr. Arittha R Wikramanayake
SECRETARIES	Corporate Services (Pvt) Ltd 216, De Saram Place Colombo 10. Tel : +94 11 4718200
AUDITORS	Messrs Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10
NATURE OF THE BUSINESS	Development of Human Capital Management Software Products and related services
REGISTERED OFFICE	50, Ward place Colombo 07 Tel : +94 11 4621111 Fax : +94 11 2394064 Email : info@hsenidbiz.com