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PROSPECTUS

Initial Public Offering of hSenid Business Solutions Limited

ISSUE OF 55,339,076 ORDINARY VOTING SHARES AT
LKR 12.50 PER SHARE



hSENID BUSINESS SOLUTIONS LIMITED

PB00245385



ISSUE OF 55,339,076 NEW ORDINARY VOTING SHARES OF
hSENID BUSINESS SOLUTIONS LIMITED
AT LKR 12.50 PER SHARE

TO BE LISTED ON THE MAIN BOARD OF
THE COLOMBO STOCK EXCHANGE

ISSUE OPENS ON DECEMBER 3, 2021

LEAD MANAGERS TO THE ISSUE



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Level 1, NDB Capital Building
No. 135, Bauddhaloka Mawatha
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CO-MANAGERS TO THE ISSUE



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CORPORATE PROFILE

hSenid Business Solutions Limited (hBS or the Company), incorporated in 2005, is a multinational software product company focused on the Human Capital Management (HCM) space. The business operations were initiated by Mr. Dinesh B Saparamadu under hSenid Software International (Private) Limited in 1997 with the aim of supplying high quality software products and services to global clientele. Mr. Saparamadu is a serial entrepreneur who has founded several companies since then and is also a former Chairman of Sri Lanka Association for Software Services Companies (SLASSCOM), the national chamber for the IT/BPM industry in Sri Lanka.

Today, hBS serves a global customer base comprising of 1,300+ clients across 20+ different industries and 40+ countries through its suite of HCM software products under both On-premise and Software-as-a-Service (SaaS) implementations. The Company comprises a strong team of 270+ highly talented and skilled professionals, led by long standing industry experts to provide its clients with people-centric solutions that are customisable, adaptive and relevant. hBS prides itself on constantly being at the forefront of innovation in the industry.

Over the past 16 years hBS has been carrying out its global operations via hSenid Business Solutions (India) Pvt Ltd. which is concerned with deploying HR applications to assist HR professionals in India, hSenid Software (Singapore) Pte Ltd. which is primarily involved in mobile software solutions, consultancy and maintenance and, PeoplesHR Australia Pty Ltd. which provides cloud software subscription, maintenance and consultancy services.

In addition to its direct sales efforts, hBS is in the process of bolstering its sales and distribution in the African and APAC regions via a wide-spread network of multi-tiered channel partners consisting of leading system integrators in the respective local markets. The Company currently has 50 channel partners who provide selling and implementation services in their respective regions. Further, hBS is working closely with leading organisations such as Microsoft, Xero and Acumatica to access their global partner networks whilst facilitating seamless integration of hBS HCM software with third party platforms.

Going forward hBS aims to enhance its flagship HCM software, PeoplesHR by utilising latest trends in IT including Data Analytics, Artificial Intelligence (AI) and Predictive Analytics, Intelligence Automation, Internet of Things (IoT) and other cutting-edge technologies. With the rapid digitisation in the African and APAC regions and change towards hybrid work models in target markets, hBS has drawn up several growth plans to capitalise the immense potential available in the HCM space.

hBS plans to expand its Platform-as-a-Service (PaaS) offering, PeoplesHR Marketplace as a method of integrating HCM software with complimentary third-party applications which could leverage on hBS client base, thus generating a new source of revenue and allowing the Company to enjoy the network effects created by such a platform.

By utilising the proceeds of the IPO, hBS aims to become the most preferred HXM (Human Experience Management) Solutions provider in the APAC and African regions with a globally competent workforce and agile and AI driven product innovations.

The Prospectus is dated November 23, 2021.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If any such material change occurs, the same will be notified by the Company via a market announcement to the Colombo Stock Exchange (CSE).

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard you should consult a lawyer, or any other professional advisor.

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

This Prospectus has been prepared from the information provided by hSenid Business Solutions Limited (hBS or the Company) and its Directors and/or from publicly available sources. The Company and its Directors having made all reasonable inquiries and having seen and approved this Prospectus, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate.

Where representations regarding the future performance of hBS have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that, in their best judgement, are considered to be reasonable at the present point in time.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of the Company including the risks involved prior to making any investment decision.

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

All Applicants (both resident and foreign) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have an NIC Number.

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

Please note that upon the allotment of Shares under this Issue, the allotted Shares will be credited to the Applicant's CDS account so indicated. Please note that SHARE CERTIFICATES SHALL NOT BE ISSUED. Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Closing Date or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any Member/Trading Member of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE Mobile Application can be downloaded from the Apple App Store (for Apple iOS users) or the Google Play Store (for Google Android users).

Registration of the Prospectus

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

■ The Written Consent of the Lead Managers to the Issue

The Lead Managers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Lead Managers to the Issue and for the inclusion of the Research Report in the form in which it is included in the Prospectus.

■ The Written Consent of Co-Managers to the Issue

The Co-Managers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Co-Managers to the Issue and for the inclusion of the Research Report in the form in which it is included in the Prospectus.

■ The Written Consent of the Registrars to the Issue

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

■ The Written Consent of the Auditors and Reporting Accountants to the Company and to the Issue

The Auditors and Reporting Accountants to the Company and to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of the name as Auditors and Reporting Accountants to the Company and to the Issue and for the inclusion of the Accountants' Report in connection to the Issue in the Prospectus.

■ The Written Consent of the Lawyers to the Issue

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

■ The Written Consent of the Bankers to the Company

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

■ The Written Consent of the Bankers to the Issue

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

■ The Written Consent of the Company Secretaries

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

■ The Declaration by the Directors

A declaration has been made by each of the Directors of the Company confirming that each of them has read the provisions of the Companies Act No. 7 of 2007 (as amended) relating to the issue of the Prospectus and that those provisions have been complied with.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

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

Representation

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

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute 'Forward Looking Statements'. These can be identified by the use of forward-looking terms such as 'expect', 'anticipate', 'intend', 'may', 'plan to', 'believe', 'could' and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward-Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

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

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see 'Investment Considerations and Associated Risk Factors' in Section 13 of this Prospectus.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to 'LKR', 'Rupees', and 'Rs.' are references to the lawful currency of Sri Lanka. Reference to 'USD' is with reference to United States Dollars, the lawful currency of the United States of America.

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

Presentation of Macroeconomic and Industry Data

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

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hSenid BUSINESS SOLUTIONS PRESENTS THE FUTURE OF GLOBAL BUSINESS

The world is indeed becoming smaller, and businesses that span the globe need to rely on processes and systems more than ever before. Moreover, they need to rely on dependable technology to keep pace with evolving challenges in every sphere. Managing the most valuable resource, people, is of paramount importance in each and every one of these instances.

over
24 years
of experience

hSenid Business Solutions has proved more than adequate for that task, in a plethora of disciplines, over nearly two and a half decades. A million users, in over 1,300 different organisations, across 20+ industries, in more than 40 countries, rely on hSenid Business Solutions to provide credible answers to daily challenges. hSenid Business Solutions provides answers to a gamut of HR needs, providing Human Resource Outsourcing and Employee Tracking and Access Control Solutions.

Enabling HR Departments to focus on strategic requirements, understanding the need for a network, where businesses can work together, hSenid Business Solutions built an HR ecosystem, with a business-to-business-to-consumer model.

over
1,000,000
users

Thus, the latest addition to the hSenid portfolio includes:

- PeoplesHR Marketplace: a one-stop-shop for all HR-related needs.
- A platform that consists of multiple business solutions and extended HR services that complement and add value to hSenid's HRIS platform, PeoplesHR.

more than
1,300 organisations

hSenid Business Solutions, embracing their ethos of becoming the No.1 Global Sri Lankan in Human Resource Information Systems, presents one of the most trusted and valued end-to-end platforms that allow businesses to perform better and aspire bigger. They service more than 1,300 clients in numerous industries, including:

- Banking, Finance and Insurance
- Manufacturing
- Government
- Hospitality
- Retail
- Transport & Logistics

across
20+ industries in
40+ countries

hSenid Business Solutions uses complex artificial intelligence-based algorithms, cutting-edge technological services in HR systems, human resource outsourcing, employee access and tracking solutions, and so much more. These solutions enable businesses to maximise their operational efficiencies, leading to rapid growth. For decades, these solutions have set the benchmark, in multiple industries the world over.

The numbers speak for themselves, but, already operating from six countries, how does hSenid see its own future? Certainly looking to expand into even more territories and businesses, investing in research and development to remain ahead of the curve, and taking the Sri Lankan flag to bold new frontiers.

The future will be won by those that embrace the technology that will enable them to surmount future challenges, and hSenid will be by their side, every step of the way, empowering, enabling, with future-ready solutions.



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The World Over**

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Applications - Services - Promotions - CSR



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Ready whenever you are!

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ISSUE AT A GLANCE

Company	hSenid Business Solutions Limited
Number of Shares to be Issued	55,339,076 New Ordinary Voting Shares
Share Issue Price	LKR 12.50 per Share
Amount to be Raised via Share Issue	LKR 691,738,450/-
Minimum Investment per Application	Minimum investment per Application is 100 Shares (LKR 1,250/-). Applications exceeding the minimum investment should be in multiples of 100 Shares. Minimum investment of 100 Shares will be allotted to each successful Applicant.
Opening of the Subscription List (Issue Opening Date)	December 3, 2021
Closure of the Subscription List (Issue Closing Date)	December 22, 2021 or the day on which the Issue becomes oversubscribed, whichever is earlier
Earliest Issue Closing Date	December 3, 2021
Basis of Allotment	The basis of allotment is detailed in Section 6.6 of this Prospectus
CSE Listing	To be listed on the Main Board of the CSE subject to compliance with the CSE Listing Rules and SEC Directives (as applicable)

1.0 CORPORATE INFORMATION

The Company	hSenid Business Solutions Limited	
Legal Form of the Company	A company incorporated in Sri Lanka on October 5, 2005 as a private limited liability company under the name hSenid Business Solutions (Private) Limited under the Companies Act No. 17 of 1982 and re-registered on October 23, 2008 under the Companies Act No. 07 of 2007 (as amended) and subsequently converted to a public limited liability company on September 19, 2021 as per the Companies Act No. 07 of 2007 (as amended)	
Company Registration Number	PB00245385	
Registered Office	hSenid Business Solutions Limited No. 50, Ward Place Colombo 07 Tel: +94 11 4621111 Fax: +94 11 2394064	
Board of Directors	Mr. Dinesh B Saparamadu	Chairman / Executive, Non-Independent
	Mr. J M Sampath K Jayasundara	Executive, Non-Independent / Chief Executive Officer
	Ms. Dishnira R Saparamadu Ariyaratne	Non-Executive, Non-Independent
	Mr. Apurva Udeshi	Non-Executive, Non-Independent
	Mr. W Malinga De F Arsakularatne	Non-Executive, Independent
	Mr. Madu Ratnayake	Non-Executive, Independent
	Ms. Anarkali Moonesinghe	Non-Executive, Independent
Company Secretaries	Corporate Services (Private) Limited No. 216, de Saram Place Colombo 10 Tel: +94 11 2669771 Fax: +94 11 4718220	
Auditors to the Company	Ernst & Young (Chartered Accountants) No. 201, de Saram Place Colombo 10 Tel: +94 11 2463500 Fax: +94 11 2697369	
Bankers to the Company	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	

2.0 RELEVANT PARTIES TO THE ISSUE

Lead Managers to the Issue	NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04 Tel : +94 11 2 300 385-90 Fax : +94 11 2 300 393
Co-Managers to the Issue	CT CLSA Capital (Pvt) Ltd. 4-15A, Majestic City 10 Station Road Colombo 04 Tel : +94 11 258 4843 Fax : +94 11 258 0181
Lawyers to the Issue	F J & G de Saram Attorneys – at – Law 216, de Saram Place Colombo 10 Tel: 011 471 8200 Fax: 011 471 8220 / 011 266 9769
Auditors and Reporting Accountants to the Issue	Ernst & Young (Chartered Accountants) No. 201, de Saram Place Colombo 10 Tel : +94 11 246 3500 Fax : +94 11 269 7369
Registrars to the Issue	Corporate Services (Pvt) Ltd. No. 216, de Saram Place Colombo 10 Tel : +94 11 2669771 Fax : +94 11 4718220
Bankers to the Issue	National Development Bank PLC No. 40, Navam Mawatha Colombo 02 Tel : +94 11 2 448 448 Fax : +94 11 2 441 106

3.0 ABBREVIATIONS

ADB	Asian Development Bank
AI	Artificial Intelligence
APAC	Asia-Pacific Region
APEC	Asia-Pacific Economic Cooperation
API	Application Programming Interface
ATS	Applicant Tracking System
Bn	Billion
BPM	Business Process Management
CAGR	Compound Annual Growth Rate
CBSL	Central Bank of Sri Lanka
CEO	Chief Executive Officer
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EDB	Export Development Board
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
GP	Gross Profit
HCM	Human Capital Management
HR	Human Resources
HRIS	Human Resource Information System
HRM	Human Resource Management
HRO	Human Resource Outsourcing
HXM	Human Experience Management

IBM	International Business Machines Corporation
ICT	Information and Communication Technology
ICTA	Information and Communication Technology Agency
IDC	International Data Corporation
IoT	Internet of Things
IT	Information Technology
LC	Letter of Credit
LCB	Licensed Commercial Bank
NM	Not Meaningful
OD	Overdraft
PAT	Profit After Tax
PBT	Profit Before Tax
PwC	PricewaterhouseCoopers
REPO	Repurchase Agreement
R&D	Research and Development
SaaS	Software-as-a-Service
SGD	Singapore Dollar
SEC	Securities and Exchange Commission of Sri Lanka
SME	Small and Medium Enterprise
STEM	Science, Technology, Engineering and Mathematics
Tech	Technology
Tn	Trillion
UN	United Nations
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
YoY	Year over Year
YTD	Year to Date

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant/s	An investor who submits an Application Form in terms of this Prospectus
Application Form/ Application	The application form that constitutes part of this Prospectus through which the investors may apply for the New Shares
Articles of Association	Articles of Association of hSenid Business Solutions Limited
AWPLR	Average Weighted Prime Lending Rate
Bn	Billion
Board/ Board of Directors/ Directors	The Board of Directors of hSenid Business Solutions Limited
c.	Circa
CDS	Central Depository Systems (Pvt) Ltd.
cf.	Confer (Compare)
Co-Managers to the Issue/ Co-Managers	CT CLSA Capital (Pvt) Ltd. (CT)
Companies Act	Companies Act No. 07 of 2007 (as amended)
CSE	Colombo Stock Exchange
Foreign Investor	Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; Corporate bodies incorporated or established outside Sri Lanka; Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas) Regional and country funds approved by the SEC Please refer Section 6.1 for further information
hBS Group	hSenid Business Solutions Limited and its subsidiaries mentioned in Section 8.4 of the Prospectus
hBS/ the Company	hSenid Business Solutions Limited
IIA	Inward Investment Account
IPO/ Issue Opening Date, Earliest IPO/ Issue Closing Date or IPO Closing Date	The dates of opening and closing date of the subscription list as set out in Section 5.9 of this Prospectus
Issue/ Share Issue	The issue of 55,339,076 Ordinary Voting Shares of the Company to be issued via the IPO at the Share Issue Price in terms of this Prospectus
Joint Application Forms	Application Forms submitted by natural persons not exceeding three
Lawyers to the Issue	F J & G de Saram
Lead Managers to the Issue/ Lead Managers	NDB Investment Bank Limited (NDBIB)
Listing Rules/ CSE Listing Rules	Listing Rules of the Colombo Stock Exchange as amended from time to time

LKR/Rs.	Sri Lanka Rupee
Local Time	Sri Lanka Time
Managers to the Issue	Lead Managers, NDB Investment Bank Limited and Co-Managers, CT CLSA (Pvt) Ltd.
Market Day	Any day on which CSE is open for trading
Mn	Million
NAV	Net Asset Value
New Shares	55,339,076 new Ordinary Voting Shares to be issued by the Company to the public at the Share Issue Price
NIC	National Identity Card
Non-Retail Investor Category	Investors who do not fall under the Retail Individual Investor Category and Unit Trust Investor Category
Ordinary Shares/ Issued and Paid-up Ordinary Shares/ Ordinary Voting Shares/ Shares	Ordinary voting shares of the Company
POA	Power of Attorney
Prospectus	This Prospectus dated November 23, 2021 issued by the Company in connection with the Share Issue
Public Holding	As set out in the Listing Rules
Registrars to the Issue	Corporate Services (Pvt) Ltd.
Retail Individual Investor Category	Individual investors who subscribe for Shares up to a value of LKR 100,000/- (i.e. up to 8,000 Shares)
RTGS	Real Time Gross Settlements
SEC Act	Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
Share Issue Price/Issue Price	The price at which New Shares will be issued to the public as detailed in this Prospectus, i.e. LKR 12.50 per Ordinary Voting Share
SLIPS	Sri Lanka Inter-bank Payment System
Stated Capital	The Stated Capital of hBS
Unit Holder	An individual who has made an investment in units not exceeding the value of LKR 10,000,000/- in a particular Unit Trust Fund that subscribes for New Shares, as per SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01)
Unit Trust Investor Category	Growth and Balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprise not less than 500 Unit Holders resident in Sri Lanka who together hold at least 50% of that Unit Trust, as per SEC Directive dated June 06, 2011 (Ref: SEC/Leg/11/06/01)

5.0 DETAILS OF THE ISSUE

All financial information and figures pertaining to FY 21/22 in this section are based on the Unaudited Financial Statements of hBS for the period ended July 31, 2021.

5.1 The Issue

The Issue contemplated herein shall constitute an invitation made to the public to subscribe for Fifty Five Million Three Hundred and Thirty Nine Thousand Seventy Six (55,339,076) new Ordinary Voting Shares at the Share Issue Price of Sri Lanka Rupees Twelve and Fifty Cents (LKR 12.50) to raise LKR 691,738,450/-.

If fully subscribed, the New Shares will amount to 20% of the Ordinary Voting Shares of the Company subsequent to the IPO.

5.2 Nature of the New Shares

From the date of allotment, the New Shares shall rank equal and *pari passu* in all respects with the existing Ordinary Voting Shares and each New Share shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

5.3 Size of the Issue

The Company intends to raise LKR 691,738,450/- via the Issue.

5.4 Share Issue Price

The Share Issue Price will be LKR 12.50 per Share. The Board of Directors of hBS is of the opinion that the Share Issue Price is fair and reasonable to the Company and to all existing Shareholders of the Company in terms of the Companies Act.

Advice for the determination of the Share Issue Price for the IPO was sought by Lead Managers to the Issue, NDB Investment Bank Limited (NDBIB) and Co-Managers to the Issue, CT CLSA Capital (Pvt) Ltd. (CT) in accordance with the Research Report compiled by NDBIB and CT in line with Rule 3.1.4 (c) of the CSE Listing Rules. A copy of the Research Report which includes the five-year forecast financials and the valuation methodologies is enclosed as Annexure A of this Prospectus.

The Net Asset Value per share of the Company (NAV) adjusted for sub-division as per the interim financial statements as at July 31, 2021 is LKR 3.48. The Share Issue Price is 3.59 times the NAV.

A summary of the valuation methods used to determine the Share Issue Price is as follows:

Table 5.1 Summary of Valuation

Valuation Method	Value per Share (LKR)	Upside on the Share Issue Price (%)
PRIMARY VALUATION Discounted Cash Flow (DCF) Valuation	14.71	17.7%
SECONDARY VALUATION – Method 1 Trailing Enterprise Value-to-Revenue (EV/R)	25.21	101.7%
SECONDARY VALUATION – Method 2 Trailing Price-to-Earnings (P/E) Relative Valuation	23.67	89.4%

Source: Research Report (Annexure A)

The Share Issue Price of LKR 12.50 per Share provides an upside of 17.7% to the Value Per Share of LKR 14.71 obtained via the Primary Valuation method. This IPO discount is provided to investors in order to provide a potential upside on the investment. The valuation obtained via the Secondary Valuation Techniques of LKR 25.21 per share and LKR 23.67 per share has not been used for the purpose of supporting the fair value due to potential differences in the markets considered and the differences in the size of peer operations, although such valuations could be realised by hBS in the medium to long term on the back of Company's strong global footprint.

The investors should read the quantitative and qualitative factors given in Section 5.5, the risk factors included under Section 13 of this Prospectus and the details of the Company and its financial statements included in this Prospectus.

5.5 Quantitative and Qualitative Factors Pertaining to the Issue

5.5.1 Quantitative Factors

Net Asset Value (NAV) per Share and the Price to Book Value (P/BV)

The Net Asset Value (NAV) per Share and the Price to Book Value (P/BV) at the Share Issue Price are as follows:

Table 5.2 NAV per Share, P/BV at Share Issue Price

As at	Net Assets Value (LKR Mn)	Net Assets Value per Share (LKR)	NAV per Share Adjusted for Sub-division (LKR)*	P/BV at Share Issue Price (x)
July 31, 2021 (Unaudited)	763.0	383.0	3.48	3.59
March 31, 2021	769.3	387.8	3.53	3.55

*On August 31, 2021, the Company sub-divided its Ordinary Shares at a sub-division ratio of 110 Ordinary Shares for each share held by the shareholders resulting in 221,356,300 Shares outstanding post sub-division. Number of shares as at July 31, 2021 (i.e. 1,992,305 Shares) and March 31, 2021 (i.e. 1,983,845 Shares) have been adjusted for above sub-division in order to arrive at adjusted NAV per Share figures.

$$\text{NAV per Share adjusted for Sub-division} = \frac{\text{Net Asset Value as at specified date}}{\text{Number of Shares outstanding as at specified date} \times 110}$$

- Based on the adjusted NAV per Share of LKR 3.53 as per the latest audited financial statements as at March 31, 2021, the P/BV of hBS is 3.55 times.
- Based on the adjusted NAV per Share of LKR 3.48 as per the interim financial statements as at July 31, 2021, the P/BV of hBS is 3.59 times
- The post-IPO NAV per Share amounts to LKR 5.26 based on the NAV as at July 31, 2021 adjusted for IPO proceeds and post IPO number of Ordinary Shares in issue assuming full subscription of the Issue.
- The Share Issue Price is LKR 12.50.

P/BV range of selected industry peers (from a diligently screened list of global peers with similar offerings and target customer group) is given below (please refer Research Report in Annexure A for list of selected peers):

Particulars	Name of the Peer Entity	P/BV (x)*
Lowest	PayGroup Limited	1.8
Highest	MAYO Human Capital Inc	50.2
	Industry Average	11.3

Source: S&P Capital IQ www.capitaliq.com (access only available to registered users) [Accessed on 15/09/2021]

*Market capitalisation is as at September 15, 2021 and book values are as at the last published quarter on September 15, 2021.

5.0 Details of the Issue

Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Historical Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E) are given below.

Table 5.3 EPS, ROE and P/E

Year Ended	Basic EPS (LKR)*	Basic EPS Adjusted for Sub-division (LKR)**	Diluted EPS (LKR)*	Diluted EPS Adjusted for Sub-division (LKR)**	ROE (%)***	P/E (x)****
March 31, 2021	106.10	0.96	104.15	0.95	27.2%	13.02
March 31, 2020	85.63	0.78	82.98	0.75	29.7%	16.03
March 31, 2019	69.99	0.64	67.82	0.62	34.4%	19.53
Average	87.24	0.79	84.98	0.77	30.4%	15.82
Four Months Ended July 31, 2021 (as per Unaudited Interim Financials, Not Annualised)	10.58	0.10	10.43	0.09	2.8%	125.00
Four Months Ended July 31, 2021 (as per Unaudited Interim Financials, Annualised)	31.73	0.29	31.28	0.28	8.3%	43.10

Source: hBS Audited and Interim Financial Statements

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

**On August 31, 2021, the Company sub-divided its Ordinary Shares at a sub-division ratio of 110 Ordinary Shares for each share held by the shareholders.

***ROE = Profit After Tax / Net Assets

****P/E ratio is calculated based on the Share Issue Price of LKR 12.50. The Average P/E of 15.82 times is calculated based on the Average Basic EPS (adjusted for sub-division) of LKR 0.79.

P/E Ratio

- Based on the forecasted financials for FY22E in the Research Report, Basic and Diluted EPS are expected to be LKR 1.01 while the P/E is 12.39 times (based on number of shares post IPO). The Basic and Diluted EPS expected for FY22E based on the number of shares pre IPO is LKR 1.26 while the P/E is 9.91 times
- Based on adjusted Basic and Diluted EPS of LKR 0.29 and LKR 0.28 for the four months ended July 31, 2021 (unaudited), the P/E is 43.10 and 44.64 times respectively (annualised earnings).
- Based on adjusted Basic and Diluted EPS of LKR 0.96 and LKR 0.95 for the year ended March 31, 2021, the P/E is 13.02 times and 13.16 times respectively.
- Based on the three year adjusted average (FY19 – FY21) Basic and Diluted EPS of LKR 0.79 and LKR 0.77, the P/E is 15.82 times and 16.23 times respectively.
- The Industry Average P/E based on the selected peer group is 47.6.

P/E range of selected industry peers (from a diligently screened list of global peers with similar offerings and target customer group) is given below (please refer Research Report in Annexure A for list of selected peers):

Particulars	Name of the Peer Entity	P/E (x)*
Lowest	eChannelling PLC	28.0
Highest	Dareway Software Co. Ltd.	80.0
	Industry Average**	47.6

Source: S&P Capital IQ

*Market capitalization is as at September 15, 2021 and earnings are on a trailing twelve-month basis as at the last published quarter on September 15, 2021.

** Due to the absence of any SaaS and/or HCM vendors and any direct comparable peer group under Information Technology sector classification on the CSE, it was necessary to identify a set of foreign listed companies operating in the sector in which hBS is operating

(i.e., Global/Regional HCM Industry). Therefore, the chosen peer set predominantly consists of globally reputed enterprise solutions providers that commands a sizeable share of the HCM market in the regions hBS operates in, as well as other listed HCM Solutions providers in the region. Despite offering a dissimilar product, eChannelling PLC (GICS Classification: Healthcare Equipment and Services) was included in the peer set due to its merit of being the only tech-related stock listed in the CSE prior to hBS.

Comparison of Accounting Ratios of Peer Entities

The comparable ratios of entities that are to some extent similar in business are given below. Due to the absence of any SaaS and/or HCM vendors listed in the CSE, a set of foreign listed companies was selected. Therefore, the chosen peer set predominantly consists of globally reputed enterprise solutions providers that commands a sizeable share of the HCM market in the regions hBS operates in, as well as other listed HCM Solutions providers in the region. Despite offering a dissimilar product, eChannelling PLC (GICS Classification: Healthcare Equipment and Services) was included in the peer set due to its merit of being the only tech-related stock to be listed in the CSE prior to hBS.

Table 5.4 Comparison of Key Ratios Across Peers

Peer Entity	NAV per Share (LKR)	EPS (LKR)	P/E (x)	P/BV (x)	ROE (%)
Ceridian HCM Holding Inc. (NYSE:CDAY)	2824	-38	NM	7.3x	-3.00%
Cornerstone OnDemand, Inc. (NasdaqGS:CSOD)	828	-2	NM	12.4x	-9.80%
Dareway Software Co.,Ltd. (SHSE:688579)	94	4	80.0	4.1x	11.70%
eChannelling PLC (COSE:ECL.N0000)	2	0.4	28.0	3.5x	17.20%
Hilan Ltd. (TASE:HLAN)	1382	308	37.3	7.8x	28.40%
Humanica Public Company Limited (SET:HUMAN)	12	2	58.1	5.7x	13.60%
MAYO Human Capital Inc. (TPEX:6738)	18	-32	NM	50.2x	-316.70%
PayGroup Limited (ASX:PYG)	38	-2	NM	1.8x	-2.90%
Ramco Systems Limited (NSEI:RAMCOSYS)	564	40	34.6	2.2x	-
Workday, Inc. (NasdaqGS:WDAY)	2698	-82	NM	17.3x	-1.10%

Source: S&P Capital IQ¹

NM – Not Meaningful

Due to the absence of any SaaS and/or HCM vendors and any direct comparable peer group under any sector classification on the CSE, it was necessary to identify a set of foreign listed companies in the sector in which hBS is operating (i.e., Global/Regional HCM Industry). Therefore, the chosen peer set predominantly consists of globally reputed enterprise solutions providers that command a sizeable share of the HCM market in the regions hBS operates in, as well as other listed HCM Solutions providers in the region. Despite offering a dissimilar product, eChannelling PLC (GICS Classification: Healthcare Equipment and Services) was included in the peer set due to its merit of being the only tech-related stock listed in the CSE prior to hBS.

Earnings based metrics are on a trailing twelve-month basis as at the last published quarter prior to September 15, 2021.

All balance sheet information of the respective peers is as at the last published quarter prior to September 15, 2021.

Peer financial information converted at USD/LKR rate of 200.

Market capitalization is as at September 15, 2021.

¹ S&P Capital IQ www.capitaliq.com (access only available to registered users) [Accessed on 15/09/2021]

5.0 Details of the Issue

5.5.2 Qualitative Factors

In order to arrive at the Share Issue Price, the following qualitative factors were considered:

5.5.2.1 Extensive presence and expertise in Asia and APAC, and Africa

hBS' products are in use in over 40 countries in the Asian and APAC, and African regions (including Singapore, Malaysia, Thailand, Brunei, Bangladesh, Pakistan, Uganda, Rwanda, Kenya, Tanzania and South Africa) and the Company possesses more than a decade of experience in catering to the APAC and African markets. This extensive regional presence along with the years of market experience, industry knowledge and partner networks, will positively contribute towards supporting the growth in deal bookings and revenue generation in these regions in the future.

The Company believes that its presence in countries such as Sri Lanka, Maldives, Brunei, Kenya and Uganda coupled with acquisition of strategic clients in the South-East Asian region where the employee count per organisation is relatively high, is expected to further complement achieving the estimated deal targets. Furthermore, the monumental Uganda Government deal win coupled with the contract initiation with a regional government in FY22 are expected to work as reference projects that will supplement and accelerate the customer acquisition process, especially when expanding into informationally sensitive sectors such as governments, defence etc. where clients are reluctant to store data on cloud platforms.

5.5.2.2 Exponential value growth in SaaS Business Model

The flagship product of hBS, PeoplesHR Cloud generates subscription fees from clients and it is continuously realised until the end of the client life cycle. This nature of SaaS revenue models support an exponential value curve, as the value of the user is extracted over a period of time, with the Company earning recurring subscription revenue every year with a minimal outlay of incremental costs and client turnover.

hBS has positioned itself well within rapidly growing countries with large employee bases in the APAC region and is in a prime position to capitalise the opportunities that arise as organisations turn towards Cloud based solutions in this digital era. The planned expansion of partners in the region is expected to create a network effect that will contribute towards achieving the Company's sales and revenue forecast. In addition, the Company's launch of PeoplesHR Turbo, which is primarily geared to cater to the significant demand coming from low income SME clients in the APAC region, especially in India, is expected to support realising the Company deal targets.

5.5.2.3 PeoplesHR Marketplace and other related product offerings to improve customer retention

hBS already boasts historical client churn rates of less than 5% per annum, which is reflective of the superiority of the products offered and hBS' ability to satisfy client requirements promptly. With the enhancement of the PeoplesHR Marketplace through the IPO proceeds, it is believed that the clients may be even less inclined to switch to a competitor, given the inherent benefits of being a part of the PeoplesHR ecosystem as a client.

5.5.2.4 Skilled human capital led by a stellar leadership and management team

The hBS Group is led by its Chairman, Mr. Dinesh B Saparamadu who was a co-founder of SLASSCOM and an industry pioneer with nearly 25 years of experience, a diverse and skilful Board and a Senior Management Team which possesses over 200 years of cumulative experience at hBS. Its 270+ employee cadre consists of some of the industry's best and brightest veterans as well as talented interns from the best universities in Sri Lanka.

5.6 Objectives of the IPO

The funds raised through the IPO will be utilised in the order of priority indicated in the table below:

Table 5.5 Objectives of the Issue

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	

5.6.1 Product Development Initiatives

5.6.1.1 Accelerate the Product Development Roadmap

Given the competitive nature of the global SaaS industry, particularly in the business solutions space, investment in R&D and other initiatives that set the foundation for future success is vital. hBS has already started developing its product, marketplace, tech stack and partner strategy for the next 5 years.

The product roadmap has been designed to bring a number of new features to users of all tiers in client organisations. hBS attempts to constantly nurture this roadmap based on product market research, customer feedback and new feature creation based on its own R&D efforts.

hBS has identified critical elements in the roadmap based on market demand and its expert understanding of HRIS needs evolving in the next decade from a global product positioning perspective. Hence, hBS has explored the following areas of focus in accelerating its product development efforts to further strengthen its market position.

■ 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 product solution have been evaluated by the data science team of hBS and critical use cases have been identified according to the needs of the business processes. These include AI, Machine Learning, Descriptive Analytics, Diagnostic and Predictive Analytics, Prescriptive Analytics, and Data Mining capabilities.

■ Bots and IoT

PeoplesHR has its own bot including a training engine. The roadmap has identified the need to seamlessly deploy the bot trained engine across the tenants. Advance technologies and skill improvements are required to bring additional futuristic features to the bot engine for it to cater for the multi-disciplinary needs of the end-users.

■ Product Extensions

Extensions for the product is a critical success factor in the global journey. The roadmap has identified various options in scaling notably, Mobile App and Kiosk. Selected business processes are offered via a Mobile App bringing convenience to all users. A Kiosk offers ground-level access to novice users to fulfil their needs through PeoplesHR. The Mobile App and Kiosk are being offered in over 15 languages providing a better experience to users. The API framework offers intelligent and faster connectivity between the third-party applications and PeoplesHR.

5.0 Details of the Issue

■ Employee Wellness

Wellness management is a focus area for the solution. The Company hopes to gain the necessary expertise in this area in technology including AI and business practices. The wellness-related solutions may include third-party integrations, analytics and other sources of data capturing.

■ Intelligence Automation (IA)

Intelligence Automation and Robotics Process Automation have been identified as a focus area for the solution with the understanding of the use cases. The Company has already enabled IA on certain HR processes to reduce the manual work of HR departments and is planning to enhance this area further with identified use cases.

■ PeoplesHR Core Solution

The core solution includes over 25 different modules including the utility modules and offerings are extended as On-Premise deployments, Cloud deployment, Turbo (DIY Solution), Marketplace extensions, IoT, PeoplesHR Academy, HRO and Apps. Investments will be further utilised to acquire the technical staff necessary to cater to the roadmap of these modules and technology transformations fulfilling all offerings related to the core product to large-scale enterprises and public sector entities and governments.

Investments in expert business consultation are also important to maintain regular updates consistently in all markets. Overall security related to software, secure development practices and secure deployment practices, along with adherence to privacy requirements of sensitive data are crucial to meet audit and compliance requirements.

The product is already catering to the diverse needs of more than 1300 clients across 40+ countries with 25+ modules and components with rich dashboards, HR analytics, Chatbot, Mobile Apps and Kiosks.

The acceleration of development activities is planned over a period of two years starting from January 2022 and will continue till December 2023. During this two year period, the Company intends to acquire product development expertise in the areas of software development, quality assurance, infrastructure management, functional consultation, security and compliance, UI/UX areas. hBS will strengthen the top team by bringing in a Chief Technology Officer and another senior architect to build a strong well-balanced resource pool to face global challenges. Further, the product acceleration plan includes an investment on product compliance and tax consultation, tools, certifications, devices and infrastructure to support the product development efforts and make the development centre globally competitive.

The total cost of this product acceleration roadmap is estimated to be LKR 140 Mn and the Company intends to finance this initiative by utilising part of the funds raised through the IPO. The above indicative cost has been estimated by the Management of

hBS based on the expertise and experience gained through the development of various HR software solutions.

None of the product initiatives disclosed above require prior regulatory approval with regard to implementation. Nevertheless, the software products need to comply with the host country's statutory and legal framework in relation to human resources practices in order to be competitive in the local markets of those countries. hBS is continuously working with HR/Tax advisors and regulatory bodies in respective regions, to obtain the latest updates and amendments in relevant statutory and legal requirements in order to develop and maintain the products up to date.

5.6.1.2 Improvement of PeoplesHR Marketplace Platform and Related Services

PeoplesHR Marketplace is an online store, a "one-stop-shop" platform recently launched by hBS for all HR related stakeholders which consists of many business solutions and extended HR services that complement and add value to the PeoplesHR platform. The platform provides accessibility to browse, enable, purchase software products and value additions at a cost-effective rate from global service providers to enhance their HR needs.

hBS is in the process of developing the HR and related services of this platform covering the solutions and service space while extending it for promotional and CSR initiatives. One of the core objectives of PeoplesHR Marketplace is to adapt to the new technology of partners in the region while extending product and technical capabilities to position PeoplesHR Marketplace using the strength of the partner network in multiple regions. This platform is designed to provide a win-win strategy to all hBS stakeholders, where customers are entitled to value additions at a cost-effective rate from global service providers and third-party solution providers connected to this platform have an established source of recurring revenue and access to a 1,300+ client network. Partners also have the convenience of connecting with the PeoplesHR application directly since the API layers are fully functional and operational, enabling easy integration. Further details of PeoplesHR Marketplace are disclosed in Section 8 of the Prospectus.

hBS intends to make PeoplesHR Marketplace a globally recognised one-stop-shop for all business solution needs. The total cost of improvement of this platform and digital go-to-market strategy is estimated to be LKR 62 Mn and the Company intends to finance this initiative by utilising part of the funds raised through the IPO. The above indicative cost has been estimated by the Management of hBS based on the expertise and experience gained through the continuous development of various HR software solutions for the market.

The Company expects to carry out the major developments from January 2022 to December 2023. PeoplesHR Marketplace already has more than 25 partners on boarded for a few select sectors such as HR services, service add-ons and technical capabilities.

The launch, along with a mega digital campaign for existing clients, is a work in progress. The Company intends to recruit the internal sales team to market the products listed under PeoplesHR Marketplace and run digital marketing campaigns to reach the target market segments.

The Company intends to accelerate the required enhancement work and expects to continue the development work over a period of two years.

hBS estimates that the PeoplesHR Marketplace initiatives would improve its recurring revenue and gross profit margins and thereby enhance the returns to its shareholders.

The product initiative disclosed above does not require prior regulatory approval for implementation.

5.6.2 Market Development Initiatives

5.6.2.1 Partner Acceleration Journey and Acquiring Global Talent Resources for Partner Development and Management

Similar to other software product companies, hBS is in the process of developing a widespread network of channel partners to broaden its reach into different countries in the African and APAC regions. The existing channel partner network of the Company consists of c.50 international partners who are mainly in the systems integration business and categorised as either selling partners and solution partners, details of which are more- fully disclosed in Section 8.8.1 of the Prospectus. The Company has identified the importance of leveraging and growing this partner network and has embarked on a partner acceleration journey which requires funds for brand building, market development, partner relationship management, partner resource development and lead generation.

In addition to investment in R&D, hBS acknowledges the impact of its partner network on continued success and profitability. Hence, the Company has several strategies to support and develop its partners.

Strategy	Description
Marketing Resources Repository Development	A partner channel requires various resources in driving business from their target audience and therefore availability of co-branded marketing items is critical for partners. This includes guide books on branding, marketing campaigns, execution etc. availability of product videos, customer video testimonials and other marketing collateral.
Marketing Development Funds	MDFs are critical in driving an extended brand presence and lead generation through partners.
Partner Recognition Programs and SPIFs	In driving a partner channel, it is critical to provide proper recognition, incentives and motivation programs to ensure a positive momentum incorporating channel partners and employees who are involved with selling PeoplesHR. Therefore, funds will be allocated for: ■ SPIFs (Sales Program Incentive Funding): These are driven directly to partner sales staff in recognition of their sales efforts and paid for by hBS to partners. ■ Short term and seasonal sales campaigns to drive revenue by partners which will be in addition to their regular margins. These programs do not necessarily involve cash payments and could include various innovative efforts. ■ Necessary resources and funding for partner recognition programs such as partner awards and planning and executing these.

In order to position and develop as a globally competent company, hBS has already started to acquire talent from the regions it operates in. In addition to focusing on acquiring global talent from countries like the Philippines, Cambodia, India, Africa, Australia and Singapore, hBS holds talent retention as another of its key strategies. Developing existing talent along with new talent from diverse, multi-cultural backgrounds, the Company takes responsibility to groom and train them with soft skills and technical skills to compete globally with larger players in the market. Talent acquisition will happen at all layers in the organisation, including senior management, tech leadership, technical, sales, marketing, and partner development and management.

The Company intends to commence the partner acceleration journey and regional resources acquisition in January 2022 and expects to complete the objective before the end of December 2023.

5.0 Details of the Issue

The total cost of this partner acceleration journey and regional resources acquisition is estimated to be LKR 140 Mn with LKR 73 Mn expected to be allocated for partner acceleration whilst the balance LKR 67 Mn is expected to be allocated for regional resources acquisition. The above cost has been estimated by the Management of hBS based on experience gained over time in the successful development of its partner network. The Company intends to finance this initiative by utilising part of the funds raised through the IPO.

The Company intends to accelerate the partner development journey in January 2022 and expects to complete the objective before the end of December 2023. hBS intends to utilise part of the funds raised through the IPO to recruit regional resources for business development and partner development activities, the execution of partner acquisition strategies, product launches with multiple partners, brand building in multiple countries, digital marketing campaigns, and other partner development activities. Further, the Company intends to invest into lead generation activities through internal sales teams, the partner relationship management system and PeoplesHR Academy, the comprehensive digital learning and collaboration platform for partners to access, learn, share and engage to grow together.

The market development initiatives disclosed above do not require prior regulatory approval for implementation.

The objectives disclosed in Section 5.6.1 and Section 5.6.2 relate to product and market development strategies to be implemented in the normal course of business operations of the Company and are operational expenditure in nature. These objectives do not lead to any acquisition of assets and hence do not warrant any disclosure as per Section 3.1.2 (c) of the CSE Listing Rules.

5.6.3 Potential Strategic Acquisitions in APAC and East African Regions

There are many small HR software companies within the APAC and East African regions which provide basic HR technology support to companies. These small companies support clients with HR services, core HR activities such as Payroll, Leave, Attendance etc. Due to the diversity in HRIS requirements, many of these regions host fragmented markets with few major players. This has created an opportunity for hBS to capture and consolidate these markets through its adaptable HRIS solution. The main motive to acquire a few small companies would be for hBS to increase its market share while expanding its product and service portfolio within the region. While this move would help hBS face global competitors better, it will eliminate potential competition as well. Improving the bottom line and staying ahead of the game with the product and geographic diversification is another objective. PeoplesHR Cloud platform and PeoplesHR Turbo will replace the legacy technology stacks of these companies to provide enhanced value to new clientele it hopes to acquire through this strategy.

The total cost of future strategic acquisitions is estimated to be LKR 350 Mn (c. USD 1.6Mn). The above cost has been estimated by the Management of hBS based on the experience gained through operating in regional markets. The Company intends to finance the entirety of the capital expenditure required for this purpose by utilising part of the funds raised through the IPO. If the actual cost of the acquisition exceeds the amount allocated for the acquisitions, the excess amount required would be funded through internally generated funds or external borrowings.

The Company intends to commence the required preliminary work in April 2022 and complete the objective before the end of March 2024.

The statutes and restrictions in effect, especially with respect to the restrictions on foreign currency outflows, have been considered in forming this objective. Accordingly, for this purpose, hBS will invest in the equity of its fully owned subsidiary, hSenid Software (Singapore) Pte Ltd. and hSenid Software (Singapore) Pte Ltd. will thereafter invest in the equity of the new target companies.

hSenid Software (Singapore) Pte Ltd., incorporated in 2004, is a 100% owned subsidiary of hBS primarily involved in retail mobile software solutions. It also engages in computer software development, maintenance and consultancy. Dinesh B Saparamadu, Darshani Saparamadu and Sujee Saparamadu are the Directors of hSenid Software (Singapore) Pte Ltd. The stated capital of the company amounts to SGD 142,000. hSenid Software (Singapore) Pte Ltd. is a reseller of hSenid products in the APAC region and in future, this entity will be the regional hub of hBS.

Due to the present restrictions on the remittance of foreign currency from Sri Lanka imposed by the Department of Foreign Exchange, hBS will, during the interim period, use cash resources available and/or borrowings from hSenid Software (Singapore) Pte Ltd. to invest in the equity of new target companies and subsequently invest in the equity of hSenid Software (Singapore) Pte Ltd. in order to replenish/settle the same once the said foreign remittance restriction is lifted. In the event the foreign exchange restrictions continue to be operative, hBS will act as set out in Section 5.7.2 of this Prospectus.

The Company will adhere to the applicable investment guidelines and procedures of the relevant jurisdictions for the purpose of proceeding with the above objective and does not foresee any delays in adhering to same. In the event the Company is unable to adhere to the said requirements hBS will pursue alternative acquisition targets which meet its investment criteria.

hBS will obtain the approval from the investment committee of hBS to invest any unutilised proceeds in Government securities at zero default risk and in fixed deposits in LCBs and money market funds generating a minimum return equivalent to the prevailing

overnight REPO rate until such proceeds are utilised for the objectives identified above. The investment committee comprises three members including two Executive Non-Independent Directors and one Non-Executive Non-Independent Director.

In the event the Company decides to utilise proceeds of the IPO for any related party transactions, such utilisation would be carried out in compliance with Section 9 of the CSE Listing Rules by obtaining the requisite approvals from the Related Party Transaction Review Committee (RPTRC) prior to carrying out such transactions. Details with regard to the composition of RPTRC are disclosed under Section 9.9.3 of the Prospectus.

The utilisation of the funds raised through IPO will not amount to a major transaction as per the Companies Act No. 07 of 2007.

The proposed objectives, once implemented, would extend an opportunity for shareholders to be part of the growth strategy of the hBS Group and benefit from returns in the future through improvement in the expected profitability of the hBS Group.

5.7 Specific Risks Associated with the Objectives of the Issue

5.7.1 Risk of Cost Overruns of Projects

Increases in the estimated cost of the objectives mentioned above will have an impact on the viability and expected returns of the projects. hBS will continually be involved in monitoring all the costs, assessing any variances and take required action to ensure that the said investments are within their estimated cost. In the event funds raised via the Issue are insufficient to cover cost overruns, hBS would utilise internally generated funds or borrowings to finance the same. The Company has sufficient capacity in this regard with a gearing ratio (interest bearing borrowings to total capital) of less than 10% as of March 31, 2021.

5.7.2 Risk of Delays in Implementation of Projects and Investment of Funds within the Intended Timeline

hBS intends to commence utilising the proceeds of the Issue within the timeline stipulated. The investment in objectives set out in 5.6.2 and 5.6.3 mentioned above may be prolonged due to delays by various third parties involved in the process as well as any relevant regulatory approvals/restrictions for remittances. Also, the implementation of objectives may be hindered due any slowdown/adverse macro-economic conditions in Sri Lanka, India, Singapore, Australia and the African region as well as in any of the regions hBS currently has clients in, including the ongoing global pandemic situation that could result in delays in decision making and/or in project implementation. In the event of any delay, hBS would take longer than expected to generate the expected returns envisaged from said objectives. However, given the long-standing experience and the domain knowledge acquired in operating in a number of offshore markets and the strength of the business

of hBS and considering the current demand for its products, hBS does not foresee any adverse impact on implementation of the objectives that would delay in deploying the proceeds raised via the IPO towards the objectives mentioned above during the time frames stipulated.

However, in the event the Company is unable to utilise the proceeds of the Issue for the objectives prescribed above within the intended timelines mentioned, a market announcement will be made and approval of the shareholders will be sought at an Extraordinary General Meeting held prior to utilisation of such funds, to decide the course of action with regard to the utilisation of the proceeds of the Issue and the necessary disclosures with regard to the same will be made to the CSE and included in the financial statements stated in Section 5.7.3 of the Prospectus.

5.7.3 Risk of Not Being Able to Invest the Funds Raised in the Stipulated Objectives

hBS does not intend to deviate from any objectives mentioned above when utilising the proceeds raised through the Issue. However in the event the Company cannot proceed with the said objectives and utilise the allocated funds due to the vulnerability of market conditions in its key target markets as a result of macro-economic conditions and adverse effects (including the impact stemming from the ongoing global pandemic situation) at the time of investments or negative outcome of feasibility exercises in carrying out such projects, the Company would evaluate the next best alternative of investing in such funds without undue delay, make a market announcement and obtain the approval of the shareholders at an Extraordinary General Meeting prior to utilisation of such funds in the decided course of action.

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

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

5.0 Details of the Issue

Table 5.6 Continuous Disclosure on Utilisation of Proceeds of the Issue

Objective as per Prospectus	Amount Allocated as per Prospectus (LKR Mn)	Proposed Date of Utilisation as per Prospectus	Amount Allocated from Proceeds (LKR Mn) (A)	% of Total Proceeds	Amount Utilised (LKR Mn) (B)	% of Utilisation against Allocation (B/A)	Clarification if not Fully Utilised including where the funds are invested (e.g. whether given to related parties etc.)

5.8 Listing

The Issue herein contemplated comprises 55,339,076 Ordinary Voting Shares at LKR 12.50 per Share amounting to LKR 691,738,450/-. If fully subscribed, the Issued Shares will amount to 20% of the Ordinary Shares of the Company subsequent to the Issue.

An application has been made and approved in principle by the CSE for permission to deal in and for a listing of 276,695,376 Ordinary Voting Shares being the entirety of the Shares constituting the Stated Capital of the Company subsequent to the IPO.

However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE. Also, it should be noted that where there is any inconsistency between the contents of the Prospectus and the CSE Listing Rules, the CSE Listing Rules will prevail.

Further, hBS has obtained the requisite approval from SEC under the Securities and Exchange Commission Act No. 19 of 2021 for the listing of hBS Shares on the CSE.

In order to ensure that the listing of Shares of hBS could take place prior to end of 2021, as per the request made by the Company, the CSE has granted a waiver on the requirement of Rule 2.4(f) of the CSE Listing Rules to make the Prospectus and other connected documentation available six (6) Market Days prior to the date of opening of the subscription list of the IPO.

hBS has already complied with Rule 2.1.2 (i) (b) and (d) of the CSE Listing Rules for a Main Board listing.

It is expected that the Company will meet the minimum Stated Capital requirement as set out in Rule 2.1.2 (i) (a) and minimum public holding requirement set out in Rule 2.1.2 (i) (c) via the IPO pursuant to which the listing of the entire Ordinary Shares of the Company will take place on the Main Board of the CSE.

However, in the event where hBS is unable to meet the requirements of Rule 2.1.2 (i) (a) and (c) of the CSE Listing Rules as mentioned above, upon closure of the Issue, the Company would alternatively opt for a listing on the Diri Savi Board of the CSE, subject to meeting the minimum public holding requirement set out in Rule 2.1.2 (ii) (c) of the CSE Listing Rules. In the event the Company is unable to meet the necessary criteria for listing on the Main Board or Diri Savi Board subsequent to the IPO, the Company will not be listed on the CSE and the IPO proceeds will be returned to the Applicants.

It should be noted that the aforesaid public holding requirements would be calculated by considering all Shares that are freely tradable on the date of listing. The details of Shares subject to lock-in are mentioned in Section 10.5 of the Prospectus.

5.9 Opening and Closing of the Subscription List

The subscription list for the Issue Shares will open at 9.00 a.m. on December 3, 2021 and shall, subject to the occurrence of the events in the following paragraph, remain open for fourteen (14) Market Days (including the date of opening) until closure at 4.30 p.m. on December 22, 2021.

However, in the event of an oversubscription, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE. Accordingly, the Earliest Issue Closing Date shall be Issue Opening Date (i.e. December 3, 2021).

The Board of hBS reserves the right to close the subscription list on any Market Day within the period of fourteen (14) Market Days, irrespective of whether the Issue is oversubscribed or not, by providing one (01) Market Day's prior notice to the CSE.

Applications may be made forthwith in the manner set out in Section 6 of this Prospectus.

5.10 Cost of the Issue

The total costs associated with the Issue are estimated to be c. LKR 43 Mn translating to c. 6% of the Issue. These include all direct costs and expenses associated with the Issue, inclusive of but not limited to the initial listing fees to the CSE, management/advisory fees payable to the Lead Managers and Co-Managers to the Issue, brokerage commission, fees for the registrar function, fees for bankers, legal, consultancy and accountancy fees, advertising and promotional costs and printing costs. The costs to be borne by hBS will be recovered from the internally generated funds of the Company.

5.11 Brokerage

Brokerage at the rate of zero decimal five per centum (0.5%) of the value of New Shares will be paid in respect of the number of New Shares allotted on Applications delivered physically bearing the original seal of any bank operating in Sri Lanka or a Member/Trading Member of the CSE or Managers to the Issue or any other intermediary appointed by the Company and/or Managers to the Issue involved in the marketing of the Issue.

5.12 Minimum Subscription and Underwriting

The Issue is not conditional upon any minimum subscription amount being raised through this IPO. The Company has not entered into any underwriting arrangement with regard to the Issue. In the event the Issue is undersubscribed, the subscribers shall be allotted in full, and funds raised via the IPO together with internally generated funds and/or external borrowings shall be utilised to meet the objectives of the issue set out in Section 5.6 herein.

5.13 Inspection of Documents

Articles of Association, Auditors' Report and Audited Financial Statements for the financial year ended March 31, 2021, Accountants Report and Summary Financial Statements for the five (5) financial years immediately preceding the date of this Prospectus, Interim Financial Statements for the Four (4) month period ended July 31, 2021, material contracts and management agreements (if any), Research Report prepared by Managers to the Issue would be made available for inspection by the public during normal working hours at the registered office of the Company, at No. 50, Ward Place, Colombo 07 from the date hereof, until the subscription list is closed or up to fourteen (14) Market Days, whichever is later as per Rule 3.1.19 (a) of the CSE Listing Rules.

The Prospectus, Application Form and Articles of Association of the Company will be available on the website of the CSE, www.cse.lk, on the website of the Company, www.hsenidbiz.com, and on the websites of the Lead Managers to the Issue, www.ndbib.com and Co-Managers to the Issue, www.ctcls.lk/ctclsac, from the date hereof for a period of not less than fourteen (14) Market Days as stipulated in Rule 3.1.19 (b) of the CSE Listing Rules.

The Research Report justifying the Share Issue Price will be available on the website of the CSE, www.cse.lk, on the Company website, www.hsenidbiz.com, and on the websites of the Lead Managers to the Issue, www.ndbib.com, and Co-Managers to the Issue, www.ctcls.lk/ctclsac, from the date hereof, for a period of not less than two (2) months as stipulated in Rule 3.1.19 (c) of the CSE Listing Rules.

6.0 PROCEDURE FOR APPLICATION

6.1 Eligible Applicants

Applications are invited from the following categories of investors, having a valid CDS account in the CDS:

- i. Citizens of Sri Lanka who are resident in Sri Lanka above 18 years of age; or
- ii. Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; or
- iii. Companies, corporations or institutions incorporated or established within Sri Lanka; or
- iv. Corporate bodies incorporated or established outside Sri Lanka; or
- v. Approved unit trusts licensed by the SEC; or
- vi. Approved provident funds and contributory pension schemes registered/incorporated/ established in Sri Lanka (in this case, Applications should be in the name of the Trustee/Board of Management); or
- vii. Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- viii. Global, regional and country funds approved by the SEC.

Applications made by individuals less than 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Applications submitted by investors mentioned in (ii), (iv), (vii) and (viii) should be in accordance with the provisions of Foreign Exchange Act No.12 of 2017 and any directions issued thereunder.

Applications submitted under the Unit Trust Investor Category should conform to the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01).

Eligible Applicants may fall into one of the following categories.

- i. Retail Individual Investor Category
- ii. Unit Trust Investor Category
- iii. Non-Retail Investor Category

Please refer “Glossary of Terms Related to the Issue” for the definitions of the aforementioned categories.

6.2 The Procedure for Application

6.2.1 How to Apply

Applicants applying for New Shares should submit their Applications in the manner set out below using one of the following methods as applicable to you.

i. Via Physical Delivery

The Prospectus and Application Form will be made available free of charge from the collection points listed in Annexure B (subject to the Company being able to obtain the printed copies from printers while complying with prevailing travel restrictions at the time). The Prospectus and the Application Form can also be downloaded from www.cse.lk, www.hsenidbiz.com, and from the websites of the Lead Managers to the Issue, www.ndbib.com, and

Co-Managers to the Issue, www.ctclsa.lk/ctclsac. Please refer Section 6.2.8 for submission of Application Forms.

ii. Via Web Portal of the Company

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

iii. Via CSE Mobile App

Applicants who register with the CSE Mobile App should follow the instructions set out in the said Mobile App and forward their Applications as per the instructions. Submission of digital Application Forms through such CSE Mobile App is limited to both citizens of Sri Lanka who are resident in or outside Sri Lanka and are above 18 years of age and, foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas) only.

The CSE Mobile App, currently, does not facilitate Applications made through Powers of Attorney (POA), Margin Trading, Joint Applicants and the categories referred to in Section 6.1 sub-sections iii, iv, v, vi and viii to apply. Therefore, such Applicants may send their Applications physically or via the hBS web portal as disclosed above.

Applicants are advised to use only one method to submit their Applications in order to avoid any duplications.

APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR UNDER DIFFERENT CATEGORIES WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.

Applicants must apply for the New Shares on the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrars to the Issue.

Retail Individual and Non-Retail Investor Category

Applicants falling under the Retail Individual and Non-Retail Investor Categories should apply for New Shares on the Application Form, which constitutes part of this Prospectus (please refer Section 6.2.1 above for methods of obtaining the Prospectus and Application Form).

Exact size copies of the Application Form will also be permissible under the Retail Individual and Non-Retail Investor Categories. The completed Application Forms should be submitted to the Registrars to the Issue in accordance with Section 6.2.8 of the Prospectus.

Local and foreign individual investor/s who apply for up to a maximum of 8,000 Shares (including 8,000 Shares) (value of not more than LKR 100,000/-) will be deemed as Retail Individual investors for share allotment purposes.

All foreign Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number (as applicable) is stated in the relevant cages of the Application Form.

Unit Trust Investor Category

Applicants applying under the Unit Trust Investor Category should apply for the New Shares using the same Application Form (please refer Section 6.2.1 for methods of obtaining the Prospectus and Application Form and submission).

Only one Application should be made by an Applicant under the Unit Trust Investor Category.

Applications submitted under the Unit Trust Investor Category should submit a confirmation by the trustee that such Unit Trust is in conformity with the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01).

An Applicant of a Joint Application, applying through another Application Form, is deemed to have made multiple Applications and will be rejected.

An Applicant who has made an Application under a margin trading account should not apply individually or jointly on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Subject to the above, the Company/Lead and Co-Managers/Registrars to the Issue reserve the right to reject multiple Applications and suspected multiple Applications which are not allowed or to accept only one Application Form at their discretion.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation or reason.

Please note that Applicant information such as full name, address, NIC number/Passport Number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information shall take precedence over information provided in the Application Form.

Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts will be rejected.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

All Applicants (both resident and foreign) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have a NIC Number.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares will be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED**.

Any Application which does not carry a valid CDS account number or indicates a CDS account number which is not opened at the time of Issue Closing Date which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any Member/Trading Member of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the CSE Mobile App. The CSE mobile application can be downloaded from the Apple App Store (for Apple iOS users) or the Google Play Store (for Google Android users).

PLEASE NOTE THAT AN ALLOTMENT OF NEW SHARES WILL ONLY BE MADE IF YOU HAVE A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Applicants have the option of having their shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the shares need to be deposited to his/her 'locked' balance in the CDS account, the said shares would be deposited to Applicant's 'trading' balance in the CDS account.

Operation of a 'locked' balance in the CDS

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS provides a mechanism where securities can be 'locked' in the CDS account.

6.0 Procedure for Application

The CDS maintains two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done normally.

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

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

6.2.2 Number of Shares Applied

Application should be made for a minimum of 100 Shares for a value of LKR 1,250/- and in multiples of 100 Shares thereafter.

Applications made for less than 100 Shares or for a number which is not in multiples of 100 Shares will be rejected and the accompanying cheques, bank drafts or bank guarantees will not be sent for clearing but will be returned via ordinary post at the risk of the Applicant, or in the case of Joint Applicants, the first named Applicant. **The cheque or bank draft or direct deposit or bank guarantee or RTGS/CEFT/SLIPS transfer should be issued/ carried out to the exact value of the number of New Shares applied for multiplied by the Share Issue Price.** Any Application not conforming to the above requirement will be rejected and the Application monies will be returned as aforementioned.

Please refer Section 6.3.1 for details with respect to the Mode of Remittance.

6.2.3 Identification Information

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.

The NIC, Passport, or Company Registration Number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the Passport for purposes of identification only if they do not have a NIC Number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

Table 6.1 Investor identification required

Citizenship/Legal Form	Identification Information			
	NIC Number	Passport Number	Company Registration Number	Common Seal or Rubber Stamp
Sri Lanka Citizens	✓			
Sri Lanka Citizens with no NIC Number*		✓		
Foreign Citizens**		✓		
Corporate Entities***			✓	✓

* In the case of Sri Lankan citizens, the Passport Number will be accepted only when the NIC Number is not available. The CDS account must be for the same Passport Number.

** Foreign citizens must state the Passport Number in the space provided in the Application Form.

*** In case of a corporate entity, the Company Registration Number must be provided. The common seal or rubber stamp should be affixed and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.

A valid CDS account number must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected. All foreign Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number is stated in the relevant cages of the Application Form. All information about the Applicant (i.e., name, address, nationality and NIC or Passport Number) will be downloaded from the database of the CDS, based on the number given in the Application Form. In the event of any discrepancy between the information in the CDS and in the Application Form, the information in the CDS shall take precedence.

If the CDS account number is not indicated in the Application Form, or the number indicated in the form is found to be inaccurate/incorrect, or the account number indicated is not opened at the Issue Closing Date, such Application will be rejected and no allotments of Shares will be made.

6.2.4 Key Responsibility of a Foreign Investor

Foreign Investors may be affected by the laws of the jurisdiction of their residence. If Foreign Investors wish to apply for the New Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

6.2.5 Margin Trading

Applicants who wish to apply through their margin trading account should submit the Applications in the name of the 'margin provider/Applicant's name' signed by the margin provider.

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The New Shares shall be uploaded to the CDS account indicated in the Application Form.

The NIC, Passport, or Company Registration Number of the Applicant as the case may be, must be stated in the Application Form.

Resident Applicants may use the Passport for purposes of identification, only if they do not have a NIC Number.

A copy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Details regarding multiple Applications are available under Section 6.2.1.

Please note that the CSE Mobile App does not facilitate an Application by Applicants through a margin trading facility.

6.2.6 Applications Made Under Power of Attorney

In the case of Applications made under POA, a copy of the said POA, **certified by a notary public** to be a true copy of the original, should be submitted to the Registrars to the Issue along with the Application Form. **The original POA should not be attached.**

Please note that the CSE Mobile App does not facilitate an Application by a POA.

6.2.7 Joint Applications

If the ownership of the New Shares is desired in the name of one Applicant, full details should be given only under the heading, **SOLE/FIRST APPLICANT** in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.

Joint Application Forms are permitted only for natural persons not exceeding three Applicants. Joint Applicants should note that there should not be a combination of residents of Sri Lanka and non-residents. An Applicant of a Joint Application shall not apply through a separate Application Form either individually or jointly.

Please note that the CSE Mobile App does not facilitate an Application by Joint Applicants.

6.2.8 Submission of Applications

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance/ proof of remittance as applicable (cheque or bank draft or direct deposit or bank guarantee or RTGS transfer or CEFT transfer or SLIPS transfer only) for the full amount payable on Application Form may be forwarded online as referred to Section 6.2.1, or if by way of delivery (by hand or post) enclosed in a sealed envelope marked '**hSenid Business Solutions Limited – IPO**' on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the Registrars to the Issue at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

Corporate Services (Pvt) Ltd.

No. 216, De Saram Place, Colombo 10

Applications may also be handed over to the Company, Managers to the Issue, Bankers to the Issue and its designated branches and, members and trading members of the CSE, as set out in Annexure B **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

In the case of Applications dispatched by post, such Applications should reach the Registrars to the Issue **not later than 4.30 p.m. Local Time on the Market Day immediately following the Issue Closing Date.**

Any Applications received after the above deadlines shall be rejected even if the courier or post mark is dated prior to the Issue Closing Date.

6.3 Payment of Application Monies

6.3.1 Mode of Remittance

(a) Payment in full for the total value of New Shares applied for should be made separately in respect of each Application either by direct deposit or by cheque drawn upon or bank draft or bank guarantee issue by a Licensed Commercial Bank operating in Sri Lanka or RTGS/CEFT/SLIPS transfer directed through any Licensed Commercial Bank operating in Sri Lanka, as the case may be subject to (b) and (c) below. The remittances on Applications will be deposited in a separate bank account in the name of '**hSenid Business Solutions Limited – IPO**'.

(b) The amount payable should be calculated by multiplying the number of New Shares applied for under a particular category by the Share Issue Price of LKR 12.50. If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or amount deposited to IPO account via direct deposit or RTGS/CEFT/SLIPS transfer such Applications will be rejected.

6.0 Procedure for Application

Payments for Applications for Shares of a value below LKR 100,000,000/- may be supported by a cheque or bank draft or direct deposit or bank guarantee or single RTGS/CEFT/SLIPS transfer. CEFT/SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL.

In the case of cheques, bank drafts, direct deposit, RTGS/CEFT/SLIPS transfer and bank guarantees, Application Forms should be accompanied by only one cheque or bank draft or single direct deposit or RTGS/CEFT/SLIPS transfer (single transfer) or bank guarantee and should be issued for the full amount indicated in the Application Form. Any Application for New Shares of a value below LKR 100,000,000/- accompanied by two or more cheques or bank drafts or direct deposits or RTGS/CEFT/SLIPS transfers or bank guarantees will be rejected at the outset.

- (c) Applicants making Applications for New Shares of a value above and inclusive of LKR 100,000,000/- will be permitted to submit multiple bank drafts (not cheques) or multiple bank guarantees or single RTGS transfer. Such Applicants are required to attach a list to the Application Form giving details of payment, such as the amount of bank draft/bank guarantee, name of bank, name of branch and bank draft number/bank guarantee number and in the event of an RTGS transfer, a confirmation as per Section 6.3.5 must be attached to the Application Form. Valid Applications for New Shares of a value above and inclusive of LKR 100,000,000/- accompanied by multiple bank drafts or multiple bank guarantees will not be rejected.

Cash will not be accepted. Anyone wishing to pay cash should obtain a bank draft from a Licensed Commercial Bank in Sri Lanka.

6.3.2 Cheques or Bank Drafts – Resident Sri Lankan Investors

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed 'Account Payee Only' and made payable to 'hSenid Business Solutions Limited – IPO'.

Cheques or bank drafts accompanying Application Forms made for less than 100 Shares, i.e. for a value less than LKR 1,250/- or for a number which is not in multiples of 100 Shares (as mentioned in Section 6.2.2) will not be sent for clearing and shall be returned via ordinary post at the risk of the Applicant or, in the case of joint applicants, to the first named Applicant.

In the event that cheques are not realised within two (2) Market Days from the date of presenting the same to the bank for clearing, the Directors reserve the right to reject the Applications and return the Application cheques. No allocation of New Shares will be made to such Applicants.

Applicants residing in outstation areas in which cheque clearance may take over two (2) Market Days are advised to make payment via bank drafts to avoid any delays.

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

6.3.3 Bank Guarantees – Resident Sri Lankan Investors

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 6.3.1 will be accepted. Bank guarantees will be presented to the respective banks only after the New Shares have been allotted. Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of 'hSenid Business Solutions Limited – IPO' in a manner acceptable to the Company and payable on demand.

Bank guarantees should be valid for a minimum of one (1) month from the Issue Opening Date (i.e. January 3, 2022).

Applicants are advised to ensure that sufficient funds/facilities are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

The original bank guarantee should be lodged with the Registrars to the Issue along with the Application Form prior to 4.30 p.m. local time on the Issue Closing Date.

In case of online Applications, a scanned copy of the original bank guarantee, may be uploaded and submitted online via hBS web portal together with the completed Application Form. Please note that the original bank guarantee is required to be received by the Registrars to the Issue together with a copy of the Application Form in order to claim funds in respect of such Applications made via bank guarantees. A flexibility may be given as appropriate depending on the situation of the country and due announcement will be made by the Company on the CSE in the regard.

6.3.4 Direct Deposits -Resident Sri Lankan Investors

In case of Applications made using direct deposit via cash/cheque/bank draft, such direct deposits should be made to the credit of "hSenid Business Solutions Limited - IPO" bearing the account number 101001043537 at National Development Bank PLC, Head Office-Corporate (Branch Code - 900) prior to 4.30 p.m. local time on the IPO Closing Date.

Such direct deposits are subject to a maximum limit of LKR 100,000,000/-.

Applicants are required to indicate their NIC Number or CDS account number as payment reference in the deposit slip.

A scanned copy of the deposit paying-in-slip, should be uploaded and submitted together with the Application Form prior to 4.30 p.m. local time on the Issue Closing Date.

6.3.5 RTGS/CEFT/SLIPS Transfers – Resident Sri Lankan Investors

In case of RTGS/CEFT/SLIPS transfers such transfers should be made to the credit of “hSenid Business Solutions Limited - IPO” bearing the account number 101001043537 at National Development Bank PLC, Head Office-Corporate (Branch Code - 900), on the Issue Opening Date (i.e., the funds to be made available to the above account). **Applicants are required to indicate their NIC Number or CDS account number as payment reference for RTGS/CEFT/SLIPS transfers.**

The Applicants should obtain a confirmation from the Applicant’s bank to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of ‘hSenid Business Solutions Limited – IPO’ and the fund transfer confirmation should be attached to the Application Form.

6.3.6 Foreign Currency Remittances

This section is applicable to:

- i. Citizens of Sri Lanka who are above 18 years of age and resident overseas.
- ii. Corporate bodies incorporated or established outside Sri Lanka.
- iii. Regional or country funds approved by the SEC.
- iv. Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

A foreign investor may invest through an IIA (previously known as a Securities Investment Account/SIA) maintained with any LCB in Sri Lanka. The procedure for arranging payments through an IIA are presented below:

- A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market.
- The intermediary may open an IIA, on the investor’s behalf.
- In conjunction with the IIA, an account with the CDS must be opened in case the investor does not already possess a valid CDS account.
- In respect of regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.

- Payment for New Shares should be made through a cheque or bank draft or bank guarantee issued by a Licensed Commercial Bank in Sri Lanka or through a RTGS/CEFT/SLIPS transfer against the funds arranged through the IIA and made payable to ‘hSenid Business Solutions Limited - IPO’ bearing the account number 101001043537 at National Development Bank PLC, Head Office-Corporate (Branch Code - 900) prior to 4.30 p.m. local time on the Issue Closing Date.

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

Any refund payments to Foreign Investors are made in terms of Section 6.7 of this Prospectus.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Head of Department of Foreign Exchange of the Central Bank of Sri Lanka.

6.3.7 Restrictions Applicable to Foreign Citizens Resident in Sri Lanka

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee Accounts, only if they possess dual citizenship where one such citizenship is Sri Lankan. **Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form.**

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts or bank guarantees or RTGS/CEFT/SLIPS transfers drawn upon Sri Lanka Rupee accounts maintained with any Licensed Commercial Bank in Sri Lanka but may do so via an IIA account as detailed in Section 6.3.5 above. **Applications made by foreign citizens not in accordance with the foregoing shall be rejected.**

6.0 Procedure for Application

6.4 Rejection of Applications

- i. Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company.
- ii. Any Application Form which does not provide the NIC, Passport (where NIC is not available) or Company Registration Number as the case may be, will be rejected.
- iii. Applications delivered by hand or by courier after 4.30 p.m. Local Time on the Issue Closing Date will be rejected. Applications received by post after 4.30 p.m. Local Time on the succeeding Market Day immediately following the Issue Closing Date will also be rejected even if they carry a postmark date earlier than the Issue Closing Date.
- iv. Applications made for less than 100 New Shares or for a number which is not in multiples of 100 New Shares will be rejected.
- v. An Application which does not carry a CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Closing Date or which indicates an inaccurate/incorrect CDS account number shall be rejected and no allotment of New Shares will be made.
- vi. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.
- vii. Applicants should apply only through one investor category and would be permitted to submit only one Application Form. Two or more Applications submitted by the same Applicant either under the same category or under different categories will be construed as multiple Applications and will be rejected.
- viii. The Company reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, as mentioned in Section 6.2.1.
- ix. Payment for Applications of New Shares of a value below LKR 100,000,000/- accompanying two or more cheques and bank drafts or multiple direct deposits or bank guarantees or RTGS/CEFT/SLIPS transfers as mentioned in Section 6.3.1 will be rejected at the outset.
- x. Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation and reason.

6.5 Banking of Payments

All cheques and bank drafts received in respect of Applications will not be banked until the Market Day following the Issue Closing Date in terms of the CSE Listing Rules.

6.6 Basis of Allotment

The allotment of the New Shares will be made to the various categories of Applicants, as set out below:

Table 6.2 Basis of Allotment of New Shares to Various Categories of Applicants

Investor Category	Percentage of Issue [%]
Unit Trusts*	10%
Retail Individual	40%
Non-Retail	50%
	100%

* Unit Trust Investors should be growth or balanced unit trusts operated by managing companies licensed by the SEC, where such unit trusts comprise of not less than 500 unit holders resident in Sri Lanka who together hold at least 50% of that fund as per the SEC Directive dated March 10, 2011 (Ref: SEC/LEG/11/06/01).

Applications submitted under the Unit Trust Investor Category should be accompanied by a confirmation by the trustee that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rules, 2.1.1(g)(iii)(b).

Local and foreign investor/s who apply for up to a maximum of 8,000 Shares (including 8,000 Shares) (value of not more than LKR 100,000/-) will be deemed as Retail Individual Investors for share allotment purposes.

Investors who do not fall under the Retail Individual Investor Category and Unit Trusts Investor Category stated above will be deemed as Non-Retail investors for share allotment purposes. The Board of Directors of hBS reserves the right to preferentially allot up to 50% of the New Shares available to be allotted under Non-Retail Investor Category to identified investors who apply through this category under the IPO.

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

The investor categories have been selected to ensure the broadest possible spread of shareholders while treating all Applicants in a fair manner as may be decided by the Board at its discretion.

In the event of an undersubscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

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

In the event of an oversubscription in any one or more of the categories mentioned above, the basis of allotment will be decided by the Board of Directors in a fair and equitable manner.

The Board of Directors will endeavour to decide and announce to the CSE the basis of allotment as soon as practicable so as to ensure compliance with the Listing Rules. Upon the allotment being decided, an announcement will be made to the CSE.

The successful Applicants will be informed of their allotment within 10 Market Days from the Issue Closing Date.

6.7 Refunding/Returning of Funds on Partially Accepted/Rejected Applications

Where an Application is accepted only in part or rejected in its entirety, the balance/entirety of the monies received on an Application as the case may be, will be refunded. Such refunds will be made on or before the expiry of eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. As required by Rule 2.4(l) of the CSE Listing Rules, Applicants would be entitled to receive interest at the rate of last quoted AWPLR published during the immediately preceding week by the CBSL or any other authority (in the event CBSL ceases to publish the AWPLR) plus five per centum (5%) for the delayed period on any refunds not made by the expiry of the aforementioned period.

It is the responsibility of Foreign Investors to ensure that their IIA details are accurately provided under 'Refund Payment Instructions' on the Application Form to forward the refund to the IIA through which the Application was made.

Refund Via Sri Lanka Inter-bank Payment Systems (SLIPS)

1. The refund payment will be made to the bank account specified by the Applicant through the SLIPS on or before the expiry of eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of Applicant's bank account in the Application Form. However, SLIPS transfers are subject to a maximum limit of LKR 5,000,000/- imposed by the CBSL with effect from October 29, 2010 as per Operating Instruction Circular No. 11/2010 dated October 25, 2010.

2. Even if the Applicant has requested for SLIPS transfer for refund amounts and submitted accurate and complete details of the bank account in the Application Form, refund amounts exceeding LKR 5,000,000/- will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
3. In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the bank together with the Registrars to the Issue will send the refund cheques to such Applicants at the earliest possible time and the Applicant should not hold the bank or the Registrars to the Issue accountable for such delays.

Refunds Via Crossed Cheque

1. If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account with respect to refunds via SLIPS, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
2. A request for cancellation of crossing on the refund cheque, in instances where the Applicant does not maintain a current account, should be addressed to the Registrars to the Issue in writing, stating the cheque number and the fact that the Applicant does not maintain a current account. The refund cheque and a clear photocopy of the Applicant's NIC should accompany the letter.

In the event of a refund cheque being delivered by hand by a third party to the Registrars to the Issue for cancellation of crossing, a letter of authorisation signed by the Applicant stating the NIC number of such third party should also be presented with the refund cheque. Refund cheques on which the crossings have been cancelled by the Registrars to the Issue should preferably be collected in person or by third party authorised by the Applicant. Where an Applicant has requested the delivery of the cheque on which the crossing has been cancelled via post, such cheque will be sent at the risk of the Applicant.

6.0 Procedure for Application

6.8 Successful Applicants and CDS Lodgement

The New Shares allotted will be directly uploaded to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days from the Issue Closing Date as per the CSE Listing Rules.

All Applicants (both resident and foreign) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have an NIC Number.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all New Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, to facilitate the uploading of allotted New Shares to their CDS account.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares will be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Closing Date or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any Member/Trading member of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE Mobile Application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

Upon completion of crediting the respective CDS accounts, a written confirmation will be sent to the shareholder within two (2) Market Days of crediting the CDS accounts by ordinary post to the address provided by each Applicant in their respective Applications.

Applicants have the option of having their Shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participant. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

Refer Section 6.2.1 for the definition of 'locked'.

New Shares shall not be transferable by the shareholders during the period between the date of allotment of the New Shares and up to the date of listing (excluding the date of listing) of the Ordinary Shares on the CSE. Further, the Company shall not allot any Shares (other than the allotment of New Shares) or transfer existing Shares during the interim period between the date of the Initial Listing Application and the date of listing of the Shares of the Company.

Upon the Ordinary Shares being listed on the CSE, such Shares shall be freely transferable except for those Shares mentioned in Section 10 of this Prospectus, which will be locked-in to be in compliant with CSE Listing Rules 2.1.1(d).

6.9 Declaration to the CSE and Secondary Market Trading

The Company will submit to the CSE a declaration on the Market Day (Declaration) immediately following the day on which the Applicants' CDS accounts are credited with the New Shares. Trading of the Ordinary Shares on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7.0 INDUSTRY OVERVIEW

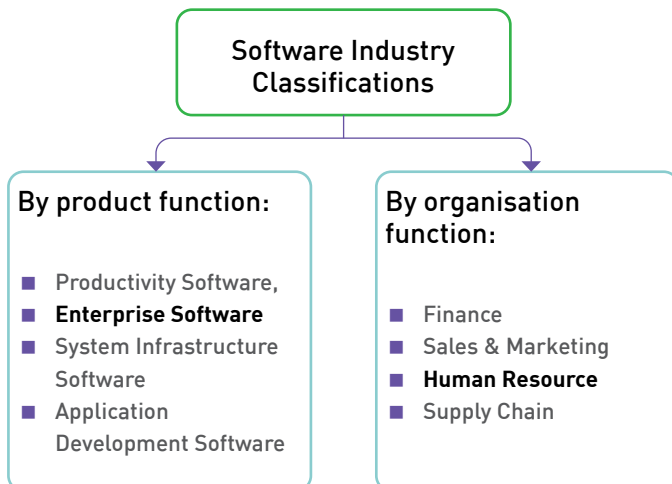
7.1 Introduction

7.1.1 The Global IT Industry

The global Information Technology (IT) industry, comprising several types of IT infused products and services including hardware, software, services, telecommunications, and other emerging technology recorded a revenue of USD 4.8 Trillion in 2020 and is expected to grow by a further 4.2% in 2021 to USD 5 Trillion¹. 25% of this revenue is expected to be generated from the APAC region¹.

Global IT Industry Market Size
USD 5 Tn
in 2021

7.1.2 Software Industry



The global software market accounts for almost 12% of global IT revenue² and represents the total market for unique software solutions. Relevant top-level software segments include Productivity Software (e.g.: Microsoft Excel), Enterprise Software (e.g.: PeoplesHR On-Premise) as well as System Infrastructure Software and Application Development Software. Based on business functions which use software solutions, the market can be further segmented into finance, sales & marketing, human resource, supply chain etc.

Most software solutions in these market segments are designed to be used in a professional environment and include spending by consumers (B2C), enterprises (B2B) as well as governments (B2G).

Revenue in the software market is projected to reach USD 581 Bn in 2021 and with an annual growth rate (CAGR 2021-2026) of 7.22%, the software market is expected to grow to USD 824 Bn by 2026². The market's largest segment, Enterprise Software, is expected to grow to a market volume of USD 228.80 Bn in 2021².

Software Industry Market Size
USD 581 Bn
in 2021

In 2020, the finance software segment accounted for the highest market share of over 20%³. However, the human resource segment is expected to register considerable growth over the next 7 years as this software is widely deployed across a wide number of end-use industries. These solutions help integrate and computerise human resource processes such as training, payroll, and recruitment.

Some prominent players operating in the global business software market are: Acumatica, Inc., Deltek, Inc., International Business Machines Corporation (IBM), Microsoft Corporation, SAP SE and Oracle Corporation.

7.1.3 Enterprise Software

Enterprise software is a term used to describe applications and technologies that companies use in order to support their operational and strategic initiatives. Examples include Enterprise Resource Planning, Customer Relationship Management and Human Capital Management software.

Enterprise Software Market Size
USD 228 Bn
in 2021

Key Selling Points

Enterprise software is used primarily in end-use industries such as banking and finance, government, healthcare, manufacturing, and retail as it enables streamlining of business processes. The software enables easy and quick access to unstructured data gathered through data analytics to achieve data privacy and security objectives. Moreover, the deployment of enterprise solutions results in a significant reduction in raw material and inventory costs, which helps organisations achieve increased profitability. Organisations can adopt these solutions to increase operational efficiency by integrating administrative systems into

¹ IT Industry Outlook 2021 by CompTIA accessed via <https://connect.comptia.org/content/research/it-industry-trends-analysis> on 13/08/2021

² Statista worldwide software industry statistics accessed via <https://www.statista.com/outlook/tmo/software/worldwide> on 13/08/2021

³ Grandview Research - Business Software and Services Market Size, Share & Trends Analysis Report 2021 - 2028

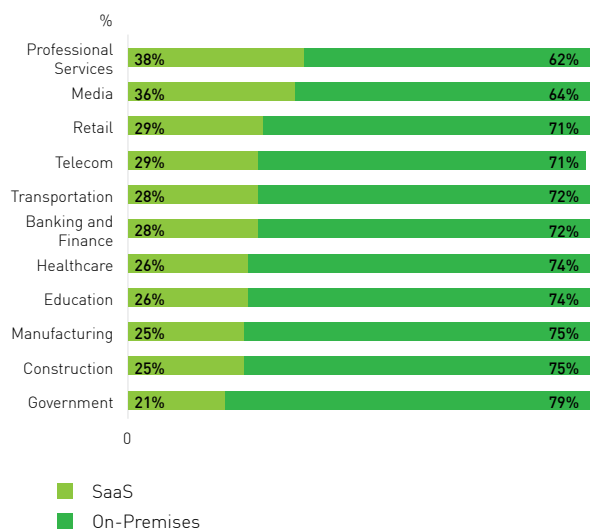
7.0 Industry Overview

a single program. Business solution modules link departmental data with real-time updates, which offer better data transparency in operations. Enterprises can opt for customised solutions depending on their needs.

On-Premises vs Cloud

Software solutions in general can be provided in one of two ways: on-premises software is sold via a software license, and cloud-based software, also known as SaaS (as more fully described in Section 7.1.4 below) is most often sold as a subscription. The price of licensing a solution excludes software development costs. The maintenance and support cost of a solution is covered in the standard software cost and additional integration and customisation often leads to an increase in maintenance and support costs. Additional fees relate to timely maintenance and periodic updates.

Figure 7.1 Breakdown - 2018 enterprise-software spending⁴



Sources: IDC Worldwide ICT Spending Guide, IDC Worldwide Public Cloud Services Spending Guide, McKinsey

Figure 7.2: SEA Cloud Computing Revenue (USD Bn)^{5,6}



Source: CIO / AdroitMarketResearch

Enterprise solutions are now increasingly being demanded as online and cloud-based solutions. Cloud services are being widely used in the global market as they minimise the need for a manual upgrade in enterprises and enable users to access data from remote locations in a hassle-free manner. Cloud-based services allow organisations to utilise and pay for only the amount of resources they need, which helps organisations minimise energy consumption and increase cost-effectiveness.

SaaS based solutions have made significant inroads (vs. On-Premise) with clients of many industries, with penetration exceeding 20% as of 2018⁴.

“Anything as a service” (XaaS) describes a general category of services involving cloud computing and remote access. It recognises the vast number of products, tools, and technologies that are now delivered to users as a service over the internet. Examples of XaaS models include Software-as-a-Service (SaaS), Platform-as-a-Service (Paas) and Infrastructure-as-a-Service (IaaS).

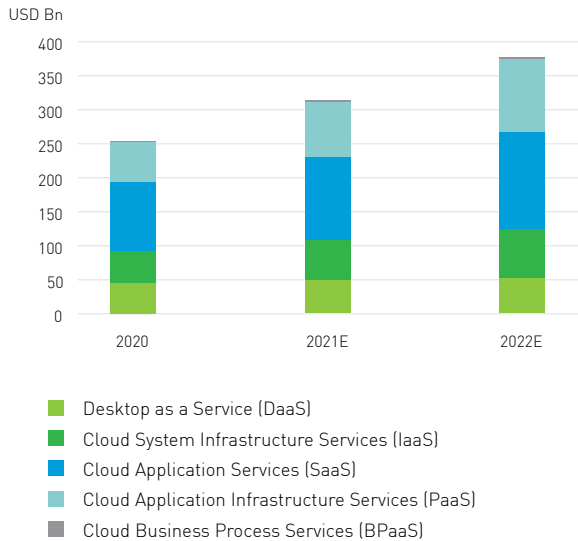
Worldwide end-user spending on XaaS is forecast to grow 23.1% in 2021 to USD 316.3 bn, up from USD 255.7 Bn in 2020, according to the latest forecast from Gartner, Inc. 40.2% of this revenue was accounted for by SaaS spending in 2020⁷.

⁴ IDC quoted in “The next software disruption: How vendors must adapt to a new era”, article by McKinsey [2020] accessed via <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-next-software-disruption-how-vendors-must-adapt-to-a-new-era> on 14/8/21

⁵ CIO “The state of cloud computing in Southeast Asia” articles accessed via: <https://www.cio.com/article/3397054/the-state-of-cloud-computing-in-southeast-asia.html> on 14/8/2021

⁶ Adroit Market Research Report accessed via <https://www.adroitmarketresearch.com/industry-reports/southeast-asia-cloud-computing-market> on 14/8/2021

⁷ Gartner Press Release, April 21, 2021 accessed via <https://www.gartner.com/en/newsroom/press-releases/2021-04-21-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-23-percent-in-2021> on 12/08/2021

Figure 7.3: Worldwide XaaS End-User Spending (USD Bn)⁷

Source: Gartner Press Release, April 21, 2021

7.1.4 The SaaS Business Model for Enterprise Software

SaaS, the most widely known XaaS category wherein the customer makes use of a complete software application which the provider runs on either its own cloud infrastructure or on the user's server (e.g.: Dropbox, Salesforce), has enjoyed rising popularity over the recent years as a result of the growing demand for cloud-based solutions. In 2019, SaaS solutions accounted for 25% of the entire enterprise software market⁸.

SaaS provides customers with a number of benefits, notably it:

- eliminates the need to procure and manage hardware.
- is accessible with little more than a credit card and laptop.
- requires minimal maintenance, with vendors responsible for updates and upgrades.
- is subscription-based, with low upfront costs, an operating expense instead of a capital expense.
- is easy to use with minimal training, similar to consumer software.
- works on any computer or mobile device, which is ideal for remote work.

One of the greatest value additions brought about by the SaaS model is the delivery of these offerings' capabilities as a connected service, establishing a continuous digital connection between the provider and its customers, through which the provider can iteratively engage, monitor and improve the customer experience through cross platform/software/service integration.

Increasingly, leading cloud adopters view SaaS as a critical tool for increasing business agility and providing easier access to innovative technologies such as AI. Tech companies can capitalise on this rising demand by:

- **Customisation:** maximising value from subscriptions by offering flexible consumption services based on customers' actual usage levels and needs,
- **Vertically Integrated Solutions:** working with their channel partners to provide vertical and regional solutions on top of their XaaS offerings,
- **Horizontally Integrated Solutions:** helping clients leverage the full breadth of cloud offerings needed across industries and functions.

Competition in the SaaS Industry

Cloud computing can be considered one of the main enablers of the SaaS business model. By transforming computer infrastructure into an on-demand utility, cloud computing has lowered the cost and complexity of software development dramatically. Today, any software developer can build and launch applications that run on global infrastructure that is serving Fortune 500 companies.

In addition to being driven by advances in cloud computing, there are two other forces driving increased adoption of SaaS as a business model:

- Traditional software companies are transitioning their businesses from perpetual license terms to recurring or SaaS subscription models
- Most of the new software IPOs operate on a SaaS or marketplace-based model.

With both new and old companies embracing SaaS, it is likely that the Total Addressable Market (TAM) for SaaS companies will converge with that for all software. These factors have created a market that is highly fragmented with low barriers to entry and low switching costs for customers.

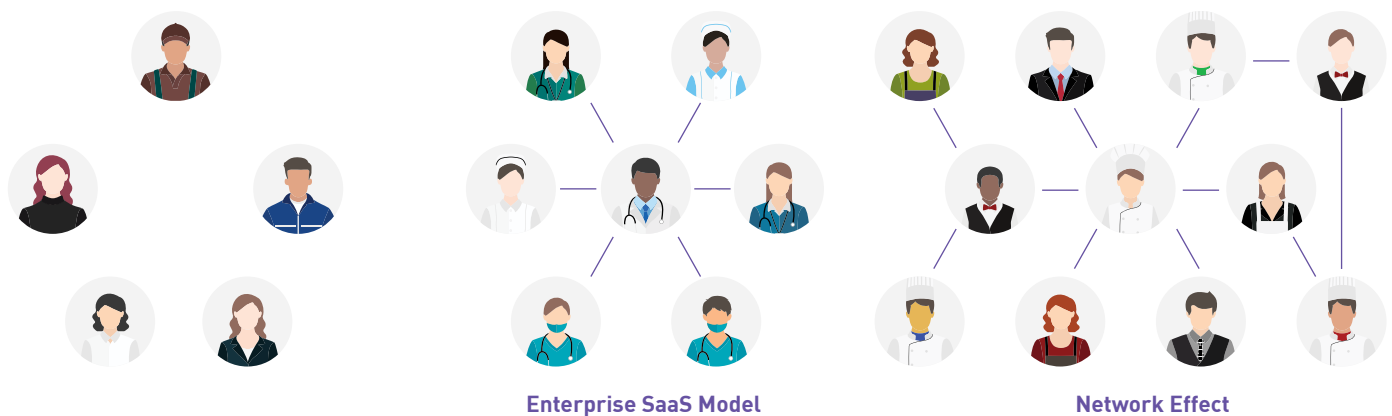
Further challenging players in the enterprise SaaS market is the market structure itself. Unlike enterprise software, consumer-focused software firms (e.g. social media) operate in monopolistic/oligopolistic markets with one or a few dominant players. Different business models explain why the enterprise software market differs. Typically, consumer tech companies are characterised by aggregation business models. Facebook for example, accumulates third party content which it then strategically redistributes to users. In aggregation business models, natural winners emerge because of network effects that make competition difficult.

⁷ Gartner Press Release, April 21, 2021 accessed via <https://www.gartner.com/en/newsroom/press-releases/2021-04-21-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-23-percent-in-2021> on 12/08/2021

⁸ "Gartner Says Global IT Spending to Grow 1.1 Percent in 2019." Gartner Press Release, April 17, 2019 accessed via <https://www.gartner.com/en/newsroom/press-releases/2019-04-17-gartner-says-global-it-spending-to-grow-1-1-percent-i> on 12/08/2021

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The same is not true of enterprise tech. Enterprise software companies are not re-sellers of existing products and services: almost all create and sell new products. Because each new software maps to a single product among thousands, the market has supported thousands of enterprise software start-ups, giving rise to a large and growing number of Enterprise SaaS companies. This limits the likelihood of a few dominant players emerging at the expense of the rest. However, this also constricts growth due to the intense competition.



However, some SaaS companies have been taking a leaf from consumer and social media playbooks, using the network effect to drive sales. One of the methods used to achieve this has been the expansion into Platform-as-a-Service offerings.

Platform-as-a-Service

PaaS solutions allow the customer to build and use their own applications on the provider's development platform, which it runs on its own cloud infrastructure. E.g.: Microsoft Azure, SAP Cloud, PeoplesHR Marketplace.

A strong example of this would be the expansion of Xero, a global cloud-based accounting software firm into the PaaS business model. It now has an app marketplace that allows for third party providers to publish apps to help extend Xero's capabilities and integrations. Xero offers more than 800 third party apps that provide services such as accounting, payments, and inventory management and claims that it sends more than 30,000 monthly referrals to app developers from its pool of over 2 million subscribers⁹. Besides third-party app development, Xero is also ensuring that its platform provides deep integrations within business applications and services. It now supports integrations with more than 200 banking and financial institutions globally.

Xero has harnessed the network effect as well as the ecosystem effect to create a platform that not only provides accounting functionality but also provides the connectivity between large and small businesses, customers, vendors and software integrators. Xero claims that over time, the value of a business software package will not just be about its functionality, it will also be about the power of the network that is operating on that platform¹⁰.

7.2 HCM Software Industry

7.2.1 Introduction

HCM software is a type of enterprise application solution that helps employers to better manage the most critical asset of the organisation; human capital. HCM software supports a variety of core HR functions, ranging from benefits administration to recruitment and performance management. As a result, managers rely on HCM software for greater workplace efficiency and coordination.

HCM software can also be tailor-made (Modular HCM Software) to best suit the organisation it serves hence going beyond solely satisfying core HR functions to facilitating an ideally structured blend of employee engagement, learning and development, and talent management.

As such, the benefits of HCM software are significant for any organisation irrespective of its scale or the industry it operates in. This will result in the need for smaller HR divisions, allowing such staff to avoid wasting valuable time on administrative and repetitive tasks and to focus on value adding tasks and aspects where direct human engagement/involvement is necessary¹¹. Having recognised the basic

⁹ Xero website accessed via - <https://www.xero.com/> on 10/09/2021

¹⁰ "The end of the beginning: The next phase of cloud accounting" XERO blog article accessed via <https://www.xero.com/blog/2016/02/the-end-of-the-beginning-the-next-phase-of-cloud-accounting/> on 05/09/2021

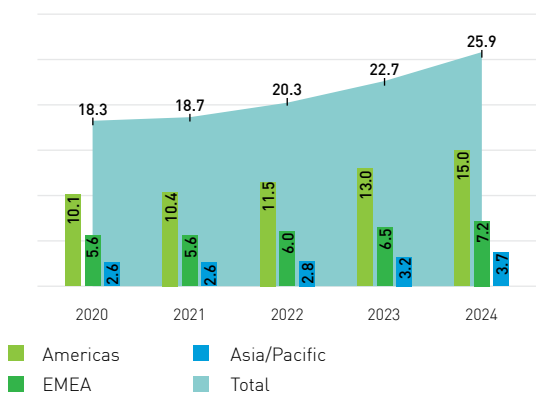
¹¹ "HCM Software Market Size and Growth Potential", article by Matchr accessed via <https://matchr.com/hris-software/market-size-growth-potential/> on 10/08/2021

benefits of HCM software, organisations are now increasingly using technology to manage aspects such as employee collaboration, continuous learning and development, creating intra-organisational talent marketplaces, encouraging/rewarding employee ideas, measuring and monitoring employee productivity and data-driven workforce planning and modelling.

7.2.2 Market Sizing

As per Gartner, the size of the Global HCM market, which was valued at USD 18.3 Bn in 2020 is expected to reach USD 25.9 Bn by 2024, growing at a CAGR of 9.1% over the forecast period (2020 to 2024). The Americas, which make up the bulk of the market at present, is set to drive the growth in the industry (growing at a CAGR of 10.4%) along with the potential-laden Asia-Pacific (which is set to grow at a CAGR of 9.2%). The industry was highly resilient in the face of COVID-19 in 2020, managing a revenue growth of 7% over the previous year (2019)¹².

Figure 7.4– HCM Software Industry – 5 Year Forecast (USD Bn)



Source – Gartner¹³

7.3 Key Market Trends

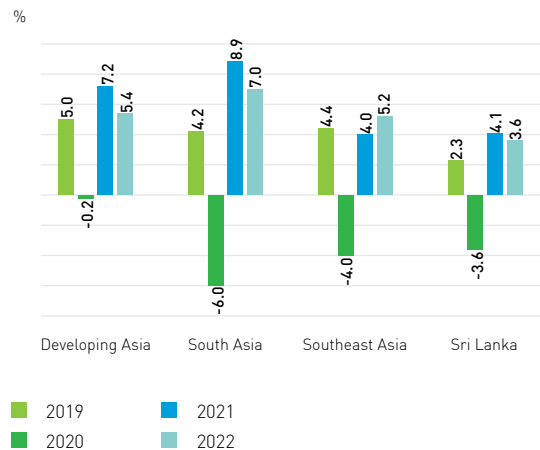
7.3.1 Growth in SMEs in the APAC region to increase the demand for HCM Solutions

As mentioned previously, SMEs play a pivotal role and are considered the backbone in economies of many Asian countries. As per the Asia-Pacific Economic Cooperation (APEC), SMEs make up around 97% of all enterprises and employ over 50% of the workforce across APAC economies¹⁴.

According to the ADB's Asian Development Outlook published in 2021, the South Asian economy is expected to rebound with a GDP growth value of 8.9% in 2021 followed by a 1.7% growth in 2022¹⁵.

An expansion of the labour force can be expected to support this growth which allows for an anticipated increase in the demand for HCM Software.

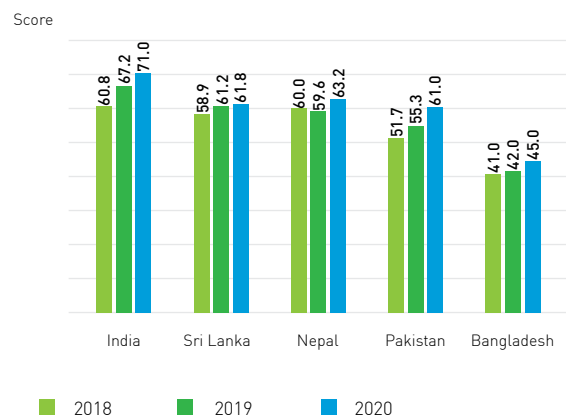
Figure 7.5: Forecasted Real GDP Growth – forecast as at July 2021 (%)



Source: ADB, Asian Development Outlook 2021

Further, conscious efforts taken by regional governments to create and improve a conducive environment for businesses (as evidenced by the continuously improving Ease of Doing Business Scores) will catalyse local investors and foreign direct investment (FDI) leading to higher demand for the adoption of HCM Software.

Figure 7.6: Ease of Doing Business Score - 2018 to 2020



Source: Doing Business Reports by the World Bank – 2018, 2019, 2020

¹² Abstract of "Worldwide Human Capital Management and Payroll Applications Software Market Shares, 2020: Uneven Growth Through the Pandemic", report by IDC accessed via <https://www.idc.com/getdoc.jsp?containerId=US46622821> on 01/09/2021

¹³ "Forecast: Enterprise Application Software, Worldwide, 2018-2024, 2020 Update accessed via <https://www.gartner.com/en/documents/3987047/forecast-enterprise-application-software-worldwide-2018-> on 1/8/2021

¹⁴ "Small and Medium Sized Enterprises", report by APEC

¹⁵ ADB, Asian Development Outlook 2021

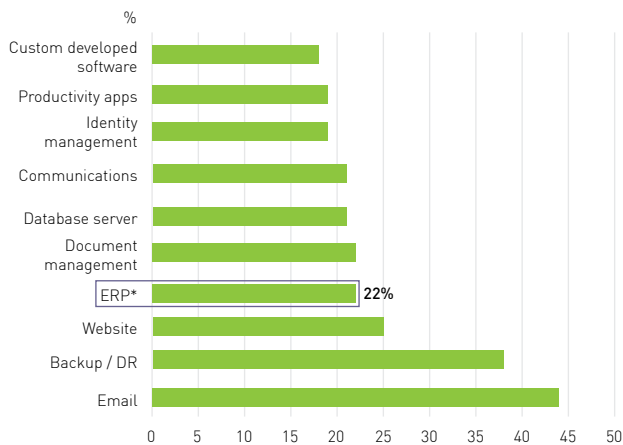
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7.3.2 HCM as a cloud solution to take-off, due to the boom in cloud solutions

Along with the inherent benefits of SaaS (as discussed in Section 7.1.4), the feature-richness, ease of use, and data capacity characteristics of cloud-based SaaS applications are driving the cloud adoption across all enterprise application solutions of which CRM and HCM were the first to be taken to the cloud¹⁶.

This sentiment was captured in a survey conducted by Spiceworks in 2019, which revealed that 22% of businesses that run fully On-Premise enterprise solutions (of those that were surveyed,) were considering moving into public clouds within a year (by 2020)¹⁶. The fact that the survey was conducted prior to the pandemic speaks volumes to the viability of cloud solutions.

Figure 7.7: Solutions businesses are considering moving to public clouds in the next 12 months*



Source: Spiceworks¹⁸ / *ERP is taken as a proxy for Enterprise Software

*as of 2020. Among businesses running the aforementioned workloads/applications fully On-Premise

The overall boom in the cloud-based ERP market is likely to trickle down to the HCM market with an amplification, due to the edge that cloud-based HCM has, over its on-premise counterpart. Cloud-based HCM facilitates enhanced employee experience and engagement, enabling employees to securely access their own information on-the-go, and thus providing greater transparency and convenience to employees, and much needed reach to the organisation.

7.3.3 COVID 19 has accelerated the embrace of cloud-based HCM, whilst challenging HCM vendors to perfect their offering

Finally, while uptake of HCM was already beginning to rise, the pandemic caused massive disruption to the industry. Emergence of Work-From-Home and other fundamental changes to employee performance in the 'new normal', have brought new challenges to the fore for companies, motivating them to make the switch to cloud-based HCM solutions to better manage its human capital. Simultaneously, it has challenged existing HCM vendors to find transformational solutions to solve emergent issues.

Such HCM solutions are able to connect a 'dispersed' organisation (via the cloud), monitor and keep track of employee performance, enable virtual collaborations, facilitate virtual recruiting and digital onboarding of employees, and enable other facilities during the pandemic.

According to Gartner, 60% of global midmarket and large enterprises would invest in cloud deployed HCM suites for administrative HR and talent management purposes by 2025¹⁷. This may spell good news to an existing HCM vendor. However, Gartner also predicts that businesses will still need to source 20% to 30% of its HCM requirements from other solutions due to gaps in functionality¹⁸. This creates an opportunity for HCM software that is compatible or can be integrated into other enterprise solutions.

7.3.4 Future Outlook: AI and other cutting-edge technology to usher in greater efficiency and effectiveness in HCM processes

AI and analytics-laden solutions are being offered by leading HCM providers which enable organisations to optimise each component of the HCM process.

Organisations can now use AI to identify candidates with the best match between the job requirement and their skills and experience, recommend job vacancies to prospective candidates, and even predict candidate job performance before recruitment¹⁹. As such, IBM Watson Recruitment uses Machine Learning to find information about the job market and the experience of candidates²⁰. Unilever uses the AI software from HireVue which scans the nuances of speech of candidates in the recruitment process²¹.

¹⁶ "Human Capital Management Software Market - Growth, Trends, Covid-19 Impact, and Forecasts (2021 - 2026)" report by Mordor Intelligence

¹⁷ Hype Cycle for Human Capital Management Technology – 2020, report by Gartner

¹⁸ "Public Cloud Trends in 2019 and Beyond", report by Spiceworks, accessed via https://www.spiceworks.com/marketing/wp-content/uploads/sites/2/2019/06/MS4_PublicCloud_WhitePaper_v4c-june14.pdf on 01/09/2021

¹⁹ "AI in Human Resources - The Time is Now", report by Oracle

²⁰ "IBM Watson Recruitment" webpage by IBM accessed on 29/08/2021

²¹ As depicted in the "Unilever's Recruiting Process" video by Hirevue, accessed via <https://www.hirevue.com/resources/video/unilevers-recruiting-process> on 29/08/2021

Similarly, integrating AI to the Learning and Development function facilitates benefits such as personalised learning for employees (by synthesising their learning habits, skill interests and workstyles) and cross-departmental collaborative learning. In addition, Virtual Reality can be used to facilitate customer service training, leadership development and safety training. Gamification which utilises gaming techniques is also used to accelerate training and growth²².

In addition to optimising the HCM process, AI could be used to address common HR challenges. For instance, some AI-based recruitment processes are focused on eliminating bias in recruitment²³.

PwC estimates AI will contribute \$15.7 Tn to the Global Economy by 2030, signifying the fundamental importance of AI in the future. Furthermore, the AI@Work Study, a survey conducted by Oracle and Future Workplace in 2019, revealed that employees feel more comfortable with AI at their workplace than ever before (with as many as 65% of the respondents responding positively). Therefore, it is safe to state that AI enabled HCM Solutions are here to stay. This view is also supported by Gartner (2019-2021 Strategic Roadmap for HCM Technology Investments), which estimates that by 2025, 20% of enterprises with more than 5,000 globally dispersed workers will have created an HR Innovation Practice that would accommodate ongoing experimentation and piloting of emerging technology.

7.4 Competitive Landscape

7.4.1 Global Perspective

According to the annual study conducted by Apps Run The World, as of 2019, the top 10 HCM Software Solutions providers accounted for 44.2% of the global HCM applications market, whilst the remainder of the market was made up of many smaller HCM vendors²⁴, making the HCM Software market fragmented, with a high degree of competition. This has led to leading HCM providers resorting to acquiring firms in order to further their products, reach and market share.

Table 7.1 – HCM related strategic investments by leading HCM providers (since 2018)

Acquired / Announced	Acquirer	Target	Description of Target
Apr-20	Cornerstone OnDemand, Inc.	Saba Software, Inc.	A provider of talent experience solutions ²⁵
Jan-20	Cornerstone OnDemand, Inc.	Clustree	An industry-leading, AI-powered skills engine and extensive skills ontology ²⁶
Jun-19	ADP, Inc.	Softcom (Ireland) Limited	A payroll and HR services provider ²⁷
Nov-18	Cornerstone OnDemand, Inc.	Grovo Learning Inc.	A leading provider of micro-learning content ²⁸
Sep-18	Oracle	Iridize	Platform for personalised and contextual user onboarding and training ²⁹
Aug-18	ADP, Inc.	Celergo	Global payroll management services ³⁰

²² Extracted from "9 examples of gamification in HR", an article by HR Trend Institute, accessed via <https://hrtrendinstitute.com/2019/02/25/9-examples-of-gamification-in-hr/> on 08/08/2021

²³ Extracted from "How AI Can Reduce Unconscious Bias In Recruiting", an article published by Idea, accessed via <https://ideal.com/unconscious-bias/> on 09/08/2021

²⁴ Apps Run the World – "Top 10 HCM Software Vendors, Market Size and Market Forecast 2019-2024", Report summary accessed via <https://www.appsruntheworld.com/top-10-hcm-software-vendors-and-market-forecast/> on 19/08/2021

²⁵ Cornerstone OnDemand, 2020, Cornerstone Completes Acquisition of Saba Software accessed via <https://www.cornerstoneondemand.com/company/news/press-releases/cornerstone-completes-acquisition-of-saba-software/> on 19/08/2021

²⁶ Tech.eu, 2020, French startup Clustree acquired by Cornerstone OnDemand for \$18.5 million accessed via <https://tech.eu/brief/french-startup-clustree-acquired-by-cornerstone-ondemand-for-18-5-million/> on 20/08/2021

²⁷ ADP, 2019, ADP Acquires Softcom (Ireland) Limited, Strengthening its International Direct Presence accessed via <https://uk.adp.com/about-adp/press-centre/2019-06-17-adp-acquires-softcom-ireland-limited-strengthening-its-international-direct-presence.aspx> on 13/8/2021

²⁸ Cornerstone OnDemand, 2018, Cornerstone Accelerates Momentum in Content with Acquisition of Grovo accessed via <https://www.cornerstoneondemand.com/company/news-room/press-releases/cornerstone-accelerates-momentum-content-acquisition-grovo/> on 13/8/2021

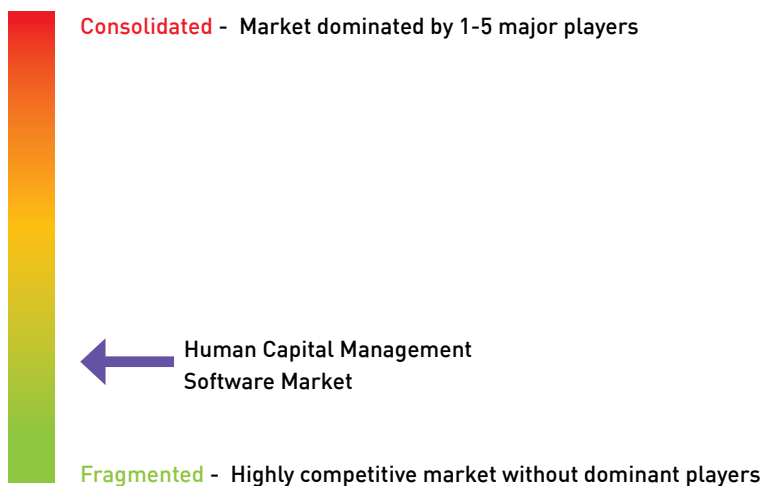
²⁹ Oracle, 2018, Oracle Buys Iridize accessed via <https://www.oracle.com/corporate/acquisitions/iridize/> on 16/8/2021

³⁰ PR Newswire, 2018, ADP Acquires Celergo, Strengthening Global Payroll Capabilities accessed via <https://www.prnewswire.com/news-releases/adp-acquires-celergo-strengthening-global-payroll-capabilities-300689628.html> on 10/8/2021

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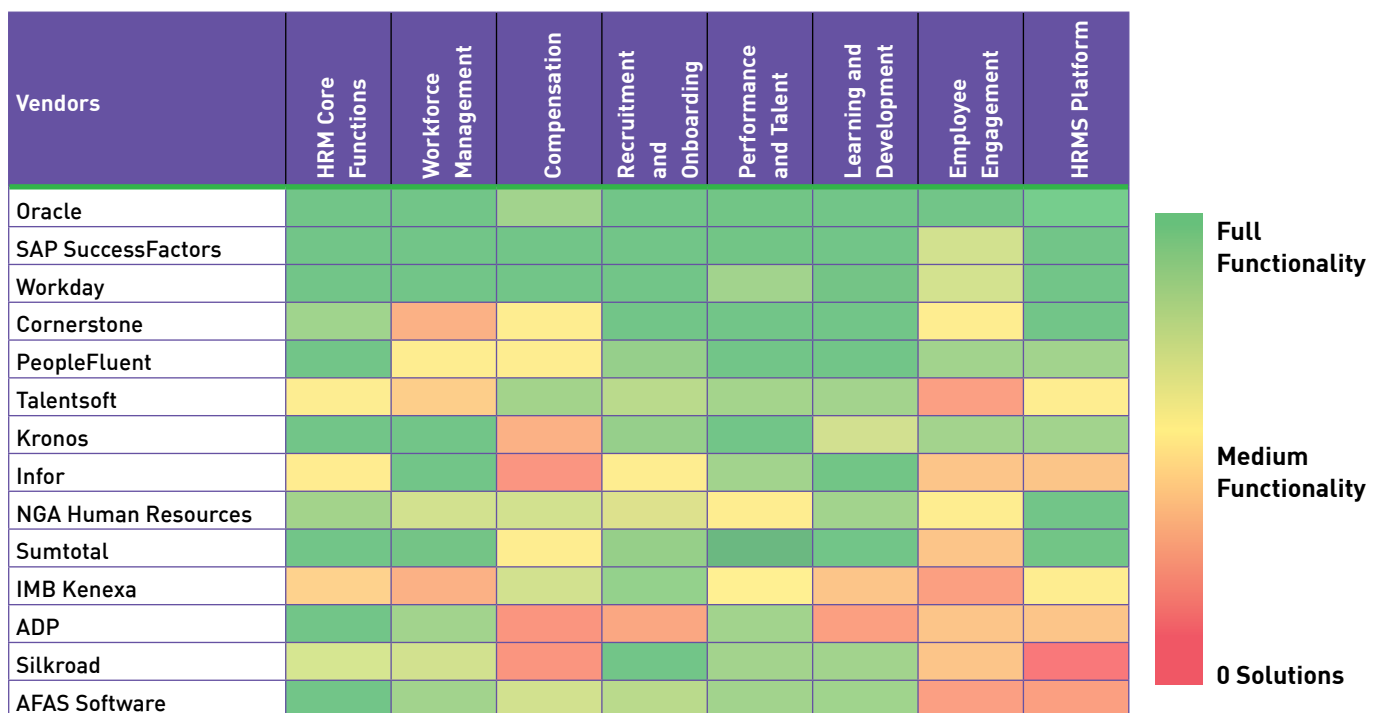
Accordingly, it is seen that HCM Solutions providers specialise in providing one or several aspects of HCM such as (not exhaustive): Core HRM functions, Workforce Management, Employee Engagement, Talent Acquisition and Management, and Compensation, with the respective sub-market leaders setting the benchmark for the rest of the market. As a result, a need for an integrated and cross-compatible solution has arisen.

Figure 7.8: HCM Market Concentration



Source: Mordor Intelligence³¹

Figure 7.9: Areas of specialisation of leading HCM vendors



Source: Capgemini Invent³²

³¹ "Human Capital Management Software Market - Growth, Trends, Covid-19 Impact, and Forecasts (2021 - 2026)" report by Mordor Intelligence accessed via <https://www.mordorintelligence.com/industry-reports/human-capital-management-software-market> on 8/8/2021

³² Capgemini Invent "HCM Cloudwatch Summer 2020" report accessed via https://www.capgemini.com/nl-nl/wp-content/uploads/sites/7/2020/10/Cloud-Watch-Summer-2020_Capgemini-Invent.pdf on 8/8/2021

hBS through its offerings, ensures a medium to high degree of functionality in all the dimensions under consideration.

Figure 7.10: hBS and its areas of specialisation



Source : hBS Product Brochures

7.5 Sri Lankan IT Ecosystem

Sri Lanka is globally renowned for its ingenious talent and value system for IT software development and provision of IT services³³. Sri Lankan IT companies compete vigorously in their respective product/service verticals and offer a gamut of solutions to local and overseas clients including areas such as big data solutions, cloud services, IoT solutions, enterprise software solutions, real-time and mission-critical systems, web development and marketing, and software development services.

Several programmes and initiatives have already been implemented by the government and private sector to help achieve these industry targets³³. Coordinated initiatives by SLASSCOM, ICTA, Board of Investment, EDB, Ministry of Foreign Affairs and Department of Commerce to promote investment, trade, catalyst events, the 'Island of Ingenuity' country brand, and scale up links with industry chambers and key influencers in target markets³³.

7.5.1 Increasingly Vital to a Recovering National Economy

As a testament to the importance of the ICT/BPM industry to the nation's economy, the industry grew at a CAGR of 13% from 2013 to 2019, garnering revenues of USD 1.5 Bn in 2019³⁴, and more than two-thirds of these revenues (amounting to USD 1,089 Mn) were generated through exports³⁵.

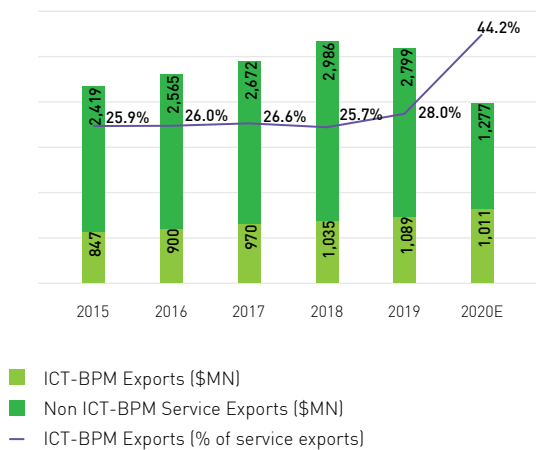
Strong growth has been seen throughout recent years despite the economic turmoil caused by the onset of Black Swan events. As per the EDB, the export performance of the ICT/BPM Sector grew at a 6.5% 4-year CAGR from 2015 to 2019³⁴. This growth was higher than the growth in total services exports in the same time span (CAGR – 4.5%)³⁵. While the entire service export sector suffered a severe decline in export revenue due to the Covid-19 pandemic, recording a YoY decline of 41% in 2020, the ICT/BPM only recorded moderate decline of 7% (Figure 7.11). This reveals the resilience of this sector to macroeconomic shocks and consequently the importance of this sector to a nation rife with economic and political uncertainty.

³³ SLASSCOM Report, "State of the Industry 2019/20"

³⁴ Sri Lanka Export Development Board, "Export Performance Indicators – 2020" accessed via <https://www.srilankabusiness.com/ebooks/export-performance-indicators-of-sri-lanka-2011-2020.pdf> on 12/8/2021

³⁵ Sri Lanka Export Development Board, "Export Performance Indicators – 2020"

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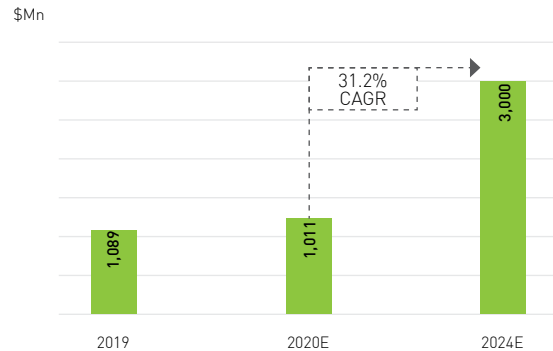
Figure 7.11: Total Service Exports Breakdown and ICT-BPM Exports as a % of Service Exports³⁶

Source: EDB Export statistics and Sri Lanka Export Development Board³⁶

As a result, the ICT/BPM sector has been identified as a key thrust area by both the EDB and ICTA that could be honed to boost dollar inflows and trigger a digital renaissance in the country.

7.5.2 GoSL/ICTA/SLASSCOM vision for the industry

ICTA's 'Digital Sri Lanka Vision 2024' lays down the mechanisms of developing the IT Industry via a comprehensive Digital Economy Strategy³⁷. SLASSCOM aims to see Sri Lanka earn up to USD 5 Bn of annual foreign exchange through ICT/BPM and knowledge services, establish 1,000 tech start-ups, and a 200,000 ICT/BPM workforce, all by the end of 2025³⁸. Achieving this ambitious but attainable target would catapult Sri Lanka as a regional heavyweight in the ICT/BPM Sector.

Figure 7.12: ICT-BPM Exports in USD Mn

Source: EDB Export statistics and ICTA³⁹

As seen in previous sections the global demand for HCM and cloud-based enterprise solutions has been driven largely by SMEs. Sri Lankan SMEs contributed around 52% of the GDP in 2017 and as of 2018, SMEs reflected 75% of total business enterprises and was the employer for 45% of the labour force in Sri Lanka⁴⁰. The significant contribution of SMEs to the nation's economy cannot be denied and the Sri Lankan Government continues to support this segment with the aim of driving economic growth with significant focus on automation and digitisation as a mechanism for scaling up.

According to the National Digital Economy Strategy (2018-2022) the Government plans to support growth in four main sectors: tourism, agriculture, manufacturing and, ICT and digital, by encouraging digitisation and technological innovation. The vision for ICT goes as follows: "the ICT and digital sector will be self-sufficient in supporting the country's digitalisation agenda for priority sectors"⁴¹. These related initiatives are likely to generate rising demand for digital solutions of which HCM will be in the forefront given the human capital-intensive nature of Sri Lanka's core industries (e.g.: tourism and hospitality, financial services etc.). More importantly, such policy initiatives will also be supported by incentives and support to related and supporting industries including, IT education and telecommunication infrastructure. All of this will ultimately benefit hBS on both the demand and supply sides.

³⁶ Sri Lanka Export Development Board, "Export Performance Indicators – 2020" accessed via <https://www.srilankabusiness.com/ebooks/export-performance-indicators-of-sri-lanka-2011-2020.pdf> on 12/8/2021

³⁷ ICTA, 'Digital Sri Lanka Vision 2024'

³⁸ SLASSCOM Report, "State of the Industry 2019/20"

³⁹ ICT-BPM Export Performance data by EDB accessed via <https://www.srilankabusiness.com/ict-services/about/export-performance.html> on 03/11/2021

⁴⁰ "ADB to Help Sri Lankan Small and Medium-Sized Enterprises Recover from COVID-19", ADB News Release November 24, 2020 accessed via [https://www.adb.org/news/adb-help-sri-lankan-small-and-medium-sized-enterprises-recover-covid-19#:~:text=MANILA%2C%20PHILIPPINES%20\(24%20November%202020,long%20term%20financing%20to%20underserved](https://www.adb.org/news/adb-help-sri-lankan-small-and-medium-sized-enterprises-recover-covid-19#:~:text=MANILA%2C%20PHILIPPINES%20(24%20November%202020,long%20term%20financing%20to%20underserved) on 13/08/2021

⁴¹ Sri Lanka National Digital Economy Strategy (2018-2022)

7.5.3 Quality of the Talent Pool

Sri Lanka is in the 'high human development category' scoring 0.782 on the Human Development Index (HDI), ranked 72nd in the 2020 index. Sri Lanka's score is above the average of 0.750 for countries in the high human development group and above the average of 0.642 for countries in South Asia. It is also ahead of countries such as Vietnam, Philippines, Indonesia, Poland and Romania, which are countries that are considered top destinations for outsourcing services by A.T. Kearney⁴². Further, Sri Lanka ranks competitively in skill and quality of workforce compared to its peers in the World Economic Forum's Global Competitiveness Index (66 in comparison to India at 107).

"Sri Lanka ranks #2 in the Asia - Pacific region for affordable talent" – Startup Genome.

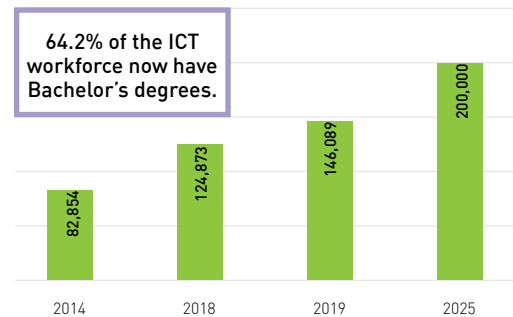
Further, Sri Lankan students have already been hailed on the global stage for their talent and ingenuity.

- The University of Moratuwa ranks seventh in the world for the number of students being accepted to the 2020 Google Summer of Code out of 550 participating countries⁴³.
- In 2020 a team representing the University of Wayamba emerged finalists in the global NASA Space Apps Challenge, a 48-hour multi-disciplinary global hackathon which drew 25140 participants from 69 countries that year⁴⁴.

Sri Lanka's performance on many of the indices in the talent category is a testament to the quality of its workforce. However the rise in demand over the past several years has created a supply-demand gap which is being addressed by the state and non-state education providers in close collaboration with the industry.

For example, SLASSCOM plans to increase the size of the ICT workforce of Sri Lanka to 200,000 workers by 2025: a 37% increase from 2019. These were pre-Covid plans and may have been delayed due to the onset of the pandemic. However as evidenced in previous sections, this industry has shown incredible resilience to the impact of the pandemic and hence, is likely to achieve these numbers in due course.

Figure 7.13: Number of ICT workers



Source: SLASSCOM⁴⁵ and ICTA⁴⁶

Technology and Education

One of the more notable initiatives proposed by GoSL to achieve this is the creation of five Technology and Education Clusters which are to be established in the Northern, Eastern, Western, Central and Southern Provinces. The clusters are to include technology institutes, universities, and service companies with a business-friendly environment, enhanced with necessary infrastructure. This will ensure increased volume and quality of new talent.

⁴² SLASSCOM Report, "State of the Industry 2019/20"

⁴³ Google Summer of Code 2020 Statistics: Part 2, publication by Google accessed via <https://opensource.googleblog.com/2020/08/google-summer-of-code-2020-statistics.html> on 13/09/2021

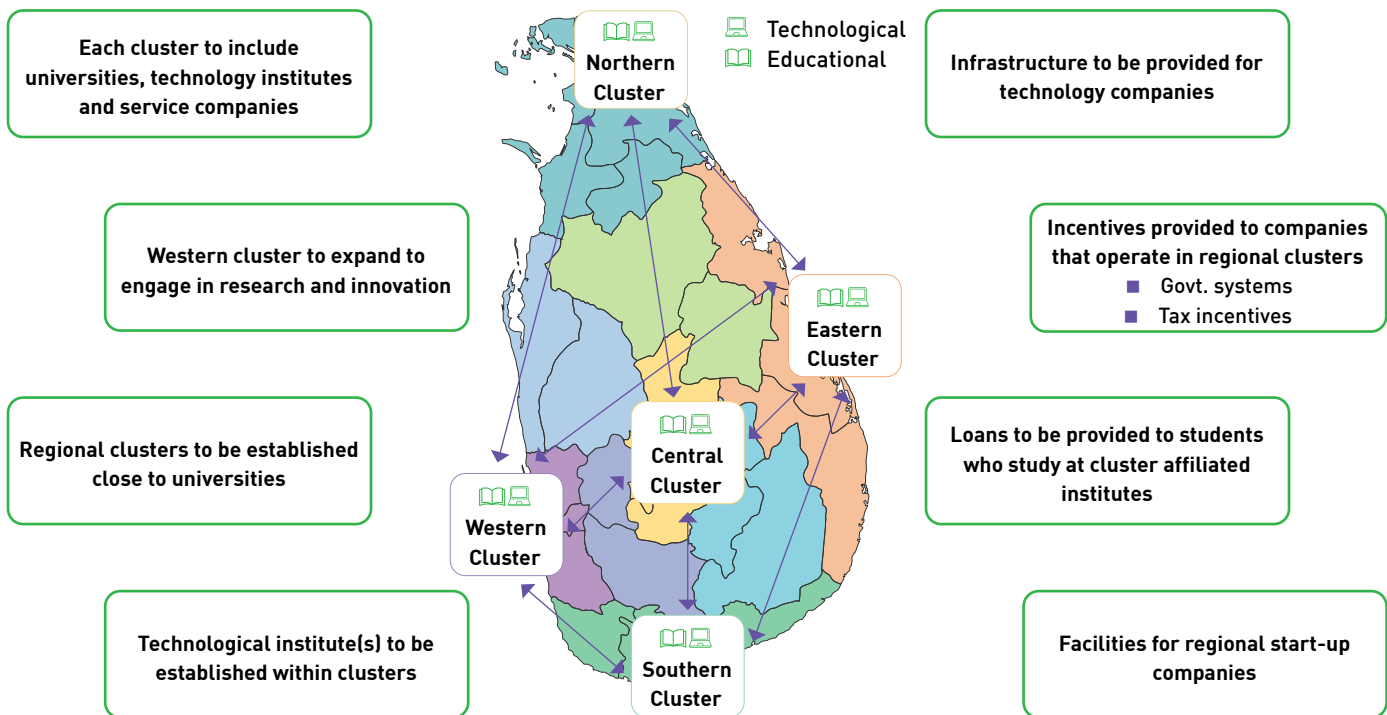
⁴⁴ "Team PANDORA won the 5th place in NASA Space Apps Challenge", article by the Faculty of Technology of the University of Wayamba accessed via <https://fot.wyb.ac.lk/team-pandora-won-the-5th-place-in-nasa-space-apps-challenge/> accessed on 13/09/2021

⁴⁵ SLASSCOM Report, "State of the Industry 2019/20"

⁴⁶ ICTA, IT-BPM Workforce survey 2019

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Figure 7 14: Map of the proposed technology and education clusters



Source: ICTA

7.5.4 Incentives Offered

Tech Parks

Sri Lanka already boasts privately-owned IT Parks such as Orion City which accommodates the Sri Lankan headquarters of acclaimed IT strategy and solutions provider, Virtusa. A much awaited Colombo Port City is also expected to result in a significant surge in both demand and supply for and of local IT talent.

In addition, the government has identified five new tech parks in collaboration with the Information and Communication Technology Agency (ICTA) and the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) in large catchment areas to improve regional inclusivity⁴⁷. The proposed tech parks will include incubator facilities for the establishment of startups, collaborative activities, and programmes with uninterrupted power supply, telecommunication centres, administrative management offices, banking facilities, conference centres, recreational facilities, parking, and internal transportation.

Infrastructure Development

The country has consistently been the first to adopt and commercialise the latest digital technologies, such as 2G, 3G, 4G, before any other country in the South Asian region. As of 2020, 95% of the country was covered by 4G, with the government planning to expand this to 100% coverage by 2022. Being in line with this track record, Sri Lanka is the first country in South Asia to trial 5G technology, and also the first to commercially launch a 4G-LTE network⁴⁸.

⁴⁷ "Everything is ready for setting up 'Techno parks'", an article by ICTA accessed via <https://www.icta.lk/news/everything-is-ready-for-setting-up-techno-parks/> on 25/08/2021

⁴⁸ "Mobitel 5G Becomes the First and Fastest in South Asia!", Mobitel Press Release dated June 9, 2019 accessed via <https://www.mobitel.lk/press-releases/mobitel-5g-becomes-the-first-and-fastest-in-south-asia> on 25/08/2021

Further, as per Fitch Solutions (2020), telecommunication operator investments in domestic and international network infrastructure and data centres are set to support the informationalisation of local economic activity and drive the feasibility for network dependent solutions such as cloud computing.

Entrepreneurial Ecosystem Creating a Vibrant Tech Community

Entrepreneurs from STEM and business management backgrounds constitute more than 85% of total entrepreneurs. STEM and business management students have grown from 37% of the graduating student mix in 2014 to 42% in 2018, foreshadowing a growth in the number of new startups in the coming years (SLASSCOM Sri Lanka Startup Report, UGC Statistics).

Over the years, the government has assisted entrepreneurship through accelerator programmes and several subsidised co-working spaces. In the recent budget (2020), the government also recognised and facilitated access to low-cost capital for start-ups. Furthermore, government procurement guidelines have been relaxed to encourage start-ups and SMEs. Among the most prominent innovation-focused initiatives, Spirallation, by ICTA, stands out to be the first in the country to provide grants of USD5,000 to encourage young inventors to commercialise their inventions.

This is in addition to the numerous startup incubators and accelerators already operating in the space funded by private entities and companies looking to cash in on the next big disruption. Furthermore, startup investment is also provided by angel and private investment ventures such as Lankan Angel Network (LAN) and Lanka Impact Investing Network (LIIN).

Tax Benefits

The new tax regime as a whole is expected to have a positive impact on the industry. The government has offered many incentives to the industry including ⁴⁹.

- the removal of corporate income tax from information technology and enabling services companies. The industry already enjoys duty free status on imports of IT equipment.
- eligibility for the Department of Commerce Strategic Development Project (SDP) status which gives a 10-year tax holiday for investments exceeding US\$ 10 Mn. SDP status would benefit companies who would want to invest in their own infrastructure.

Ongoing efforts are also aimed at creating an enabling policy framework for the industry. Accordingly, the 'Information and CyberSecurity Strategy', 'IoT Roadmap' and 'AI Policy Framework' have been introduced. Further, to enhance the regulatory framework for data privacy and cybersecurity, the 'Personal Data Protection Bill' and 'CyberSecurity Bill' are also expected to be enacted in the near future. This will certainly encourage FDI inflows as regulation has long been a point of contention for international firms investing in Sri Lanka.

⁴⁹ "Budget highlights 2021", Deloitte report dated 17 November 2020

8.0 BUSINESS OPERATIONS OF hBS

8.1 Overview of hSenid Business Solutions Limited

hSenid Business Solutions Limited (hBS or the Company) is a multinational Human Resource Information System (HRIS) based business solutions provider, operating in the Software-as-a-Service (SaaS) space. The business operations were initiated under hSenid Software International (Private) Limited (hSI), in 1997 with the aim of supplying high quality software products and services to a global subscriber base.

hSI began its journey when its visionary founder, Mr. Dinesh B Saparamadu, chose to accept a monumental challenge to create an entire HR software system for one of Sri Lanka's largest companies. Upon the successful and timely completion of this project, hSI gained its first major client and an innovative new HR solution. Since then, the hSenid brand has grown by leaps and bounds designing innovative solutions and establishing a solid footprint in both the local and international markets.



In 2005, hSI incorporated its HRIS arm under the name "hSenid Business Solutions (Private) Limited". Many of the core management team of hSI including founder and Chairman, Mr. Dinesh B Saparamadu, remained at the head of hBS with the aim of launching a new era of global HRIS systems. Since 2005, the Company has made significant headway in realising this dream, incorporating two new subsidiaries in India and Singapore. Mr. Saparamadu has since been able to relinquish management of hBS to its highly competent management team headed by the current CEO, Mr. J M Sampath K Jayasundara.

Today, with over 24 years of experience, hBS serves over 1,300 clients across 20+ different industries, including world renowned brands and companies, with over 90% of Dollar linked revenues.

hBS utilises a unique combination of analytics, Artificial Intelligence (AI) and other cutting-edge technologies to provide its clients with people-centric solutions that are customisable, adaptive and relevant. Some of the product and service solutions include:

- Cloud based HR platforms
- AI-powered predictive analytics
- Tracking, security and access control solutions
- HR outsourcing
- Enterprise social networking
- Intelligence Automation
- Internet of Things (IoT)
- Analytics Dashboards

Operating from:



Sri Lanka



Australia



Singapore



Bangladesh



Kenya



India

8.2 Company Purpose Statements



Vision

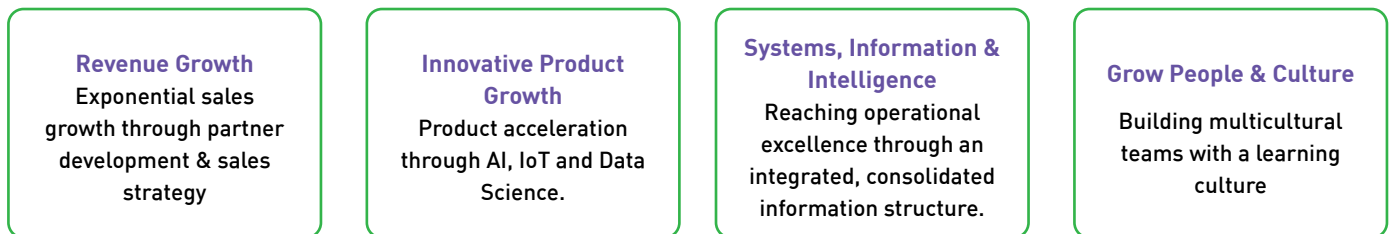
"Make life easy"



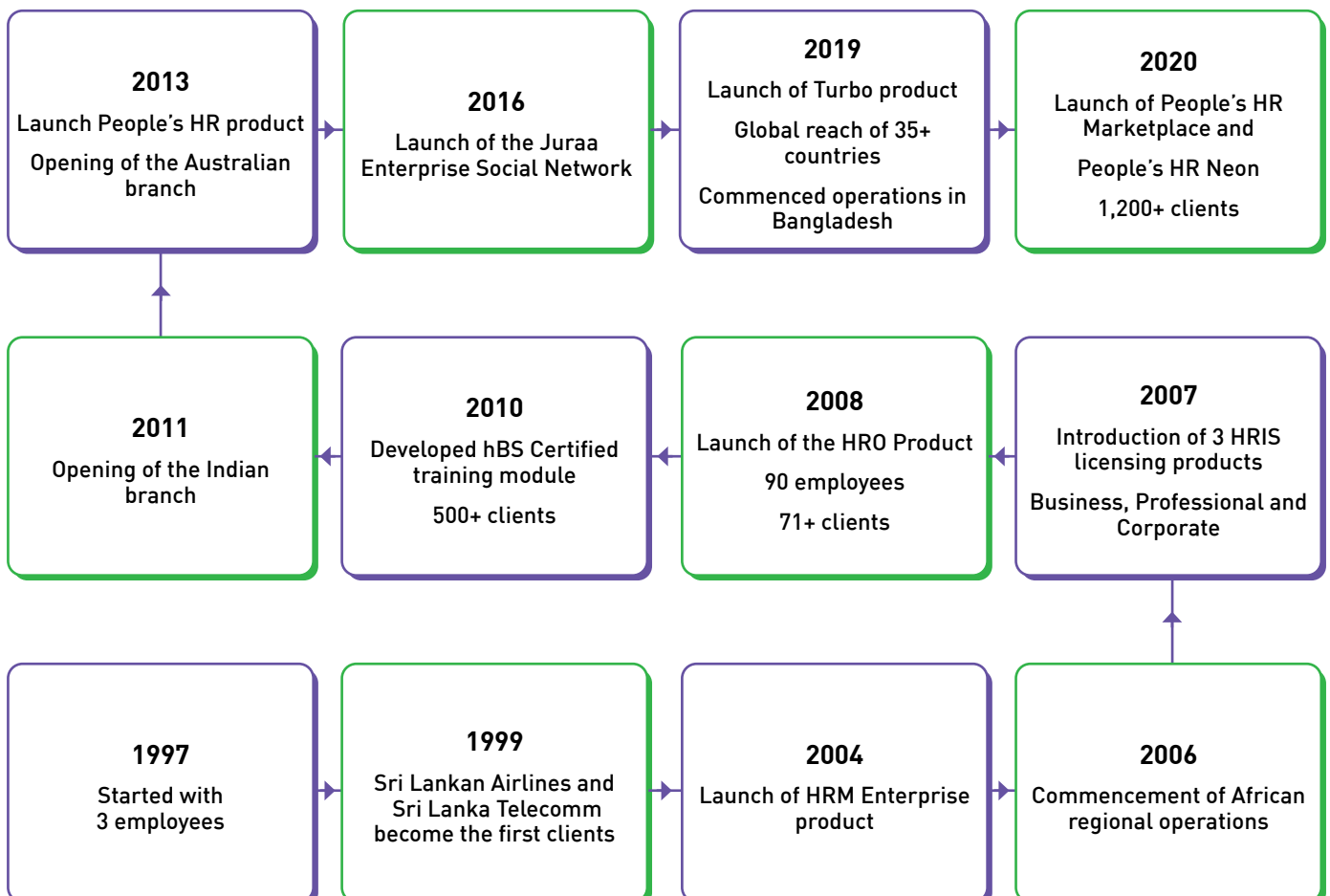
Mission

Become the most preferred HXM 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.

hBS will aspire to achieve this mission by focusing on the following KPIs.

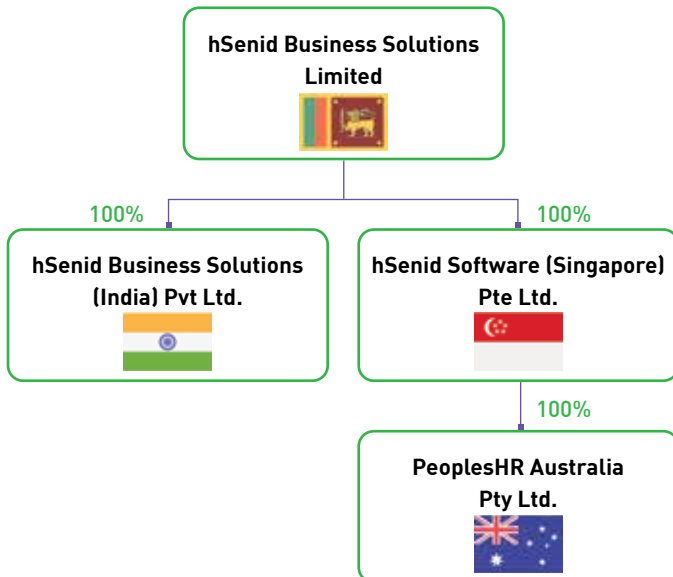


8.3 Key Milestones



8.0 Business Operations of hBS

8.4 Group Structure



Note: For further information regarding the group structure please refer Note 1.3 of the Audited Financial Statements for FY2020/21

8.4.1 Subsidiaries and Other Related Companies

hSenid Business Solutions (India) Pvt Ltd. (hSenid India): incorporated in 2011, hSenid India is a fully owned subsidiary of hBS. It is concerned with deploying HR applications to assist HR professionals and introducing HR best practices in India.

hSenid Software (Singapore) Pte Ltd. (hSenid Singapore): incorporated in 2004, hSenid Singapore is a 100% owned subsidiary of hBS and is primarily involved in retail mobile software solutions. It also engages in computer software development, maintenance and consultancy.

PeoplesHR Australia Pty Ltd. (PeoplesHR Australia): incorporated in Australia in 2013, PeoplesHR Australia is a fully-owned subsidiary of hSenid Singapore. It is primarily involved in the provision of cloud software subscription services, maintenance and consultancy.

Outstanding balances with related companies, including company's affiliates have been disclosed under Section 11.3 of the Prospectus.

8.5 Product and Service Issues

hBS provides an incredibly diverse product portfolio, intended to capture many segments of the market in Sri Lanka and other Asia-Pacific (APAC) and African regions. The key product segments of hBS are:

- PeoplesHR
- hSenid Tracking Solutions
- hSenid HRO

PeoplesHR



PeoplesHR is a people-centric customisable enterprise HR solution that aligns with technological and workplace requirements to provide a unique user experience in managing talent. With more than 25 modules this provides clients with strong visibility, empowers decision making and improves employee engagement. PeoplesHR puts together the power of analytics, and technology and combines it with AI to give users the best of both HR and tech worlds.

The PeoplesHR solution can be deployed either on-premise or via cloud storage platforms under the brand names:

- PeoplesHR On-Premise and
- PeoplesHR Cloud.

A lower-cost version of the software called; "PeoplesHR Turbo" is also available within this segment.

Key Functions of the PeoplesHR platforms are illustrated below:



PeoplesHR On-Premise

PeoplesHR On-Premise provides highly customised solutions deployed via physical units at the clients' premises. 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.

PeoplesHR Cloud

PeoplesHR Cloud is a cloud-based version of the popular PeoplesHR platform that covers users' needs from day-to-day tasks to high-impact strategic 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 could be run either on the customer's private cloud or the People's HR Cloud services (powered by Microsoft Azure).

PeoplesHR Turbo



PeoplesHR Turbo covers all the essentials that a client would need to manage its employees at work with a Do-it-yourself twist. 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.

This product is primarily geared towards the Indian market and is intended as a simplified solution for low headcount and low-income SME clients from whom a large demand has been identified in this region and other emerging markets. The Company currently does not provide this option in Africa as the market lacks the required level of maturity. However, a model for this market too is being developed.

hBS Tracking Solutions



hBS 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
- Facial Access Control



8.0 Business Operations of hBS

hBS HRO



hBS HRO is the outsourcing arm of hBS and offers clients the flexibility to either outsource all HR-related functionalities or selected aspects based on their requirement, whether it is challenging areas such as Payroll and Recruitment or HR in its entirety. These services are not limited to hBS HRIS users, as the Company is flexible in importing and exporting data from any other system as well.

Key features include:

Payroll Outsourcing

A separate unit with an in-house technical support team to manage all your payroll processes whilst maintaining records.

Administrational HR

This Joiner Mover Leaver (JML), process, is applicable only for clients using HRMenterprise. We will be involved in all your back-end HR activities.

Virtual HR Manager

Specifically designed to manage all HR functionalities of small scale organisations that consist of less than 50 employees.

Time & Attendance

We can help you effectively track, analyse and manage your employees' time and attendance records, for enhanced productivity.

Recruitment Process Outsourcing

Covering the entire recruitment process from creating a job advert to managing all post-hiring activities of an employee.

HR Consulting

Providing expert guidance in attracting, motivating, and retaining the best talent to maximise human capital investment.

8.6 New Product Development

True to its mission, hBS has several disruptive solutions in the pipeline. Some of these have already been introduced and are in the growth stage while others progress through the development process.

PeoplesHR Marketplace



In late 2020 hSenid launched the PeoplesHR Marketplace, a one of its kind global online store for all business solutions software. This is a one-stop-shop— for all HR and related stakeholders and 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. Further it has the extensibility for all customers to enable their Promotions and CSR initiatives on the same platform.

The PeoplesHR Marketplace can be accessed via the following link: <https://marketplace.peopleshr.com/>

The Marketplace is arranged according to the following categories with the key players of each displayed below.

Categories and Key Players

Applications 50%

- E-Learning
- HR Productivity
- Security
- CRM
- Health
- Payroll
- Visitor Management



Promotions 15%

PeoplesHR® | PROMOD



CSR 10%

Connecting:

- Beneficiaries
- Donors
- Subscriptions



Services 25%

- Health and Fitness
- HRIS Implementation
- Training and Development
- Value Added Services



Benefits to Market Participants

Third-party Partners

Third-party partners have an established source of recurring revenue and access to a 1,300+ client network

Customers

Customers are entitled to value additions at a cost-effective rate from global service providers

WIN-WIN-
WIN
SOLUTION

The Company

Not only will hBS gain commission income from all transactions occurring via the platform, it will also be able to showcase its software Issues on a global scale and attract new clients.

Featured Partners



8.0 Business Operations of hBS

Juraa



Juraa is an Enterprise Social Network (ESN) that comes with next-generation features which 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. Employees can search for things they want to know about from the comfort of their workstations as they can access information, share and update online.

PeoplesHR Neon

This is hBS' newest HRIS issue that is directed towards meeting the evolving needs of a millennial workforce. It provides 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 analysis and Robotic Process Automation (RPA), thereby assisting CEOs to take optimal decisions regarding an organisation's human capital.

8.7 hBS Market Presence

hBS currently operates in more than 40 countries with the most valuable target markets shown below.

- Since establishing its first foreign branch in Singapore in 2004, hBS has been a potent force in the region, and it currently holds 18 years of experience in operations.
- hBS established its first branch in India in 2011 and has over a decade of experience in catering to its Indian clientele.
- hBS later opened its third foreign entity in Sydney, Australia in 2013 as a subsidiary of its Singaporean operations.



8.8 hBS Sales and Market Penetration

8.8.1 Sales

Wide Network of International Selling and Distribution Partners

The majority of selling and distribution of hBS's software solutions takes place via wide-spread networks of Software Integrators across the globe which allows the Company to gain clients at an exponential pace. The Company currently has 50 partners in 2 main categories, namely:

■ Selling Partners:

Selling partners primarily promote hBS's solutions to potential clients in their regions. Such entities are well-versed in the products and Issues and are skilled at identifying companies and systems within which the hBS HRIS solutions would add value. Further, they are also trained and able to recommend the most suitable deployment strategies to their clients.

■ Solution Partners:

Solution Partners, conduct both selling services as well as the final implementation and execution of the deployment strategy. As selling partners mature and gain a deeper understanding of the firm's products, they are gradually upgraded to implementation through training programmes.

To facilitate this, hBS has a dedicated Customer Relationship Management Department which handles partner relationships and creates several carefully curated partnership training programs which cater to various aspects of the process.

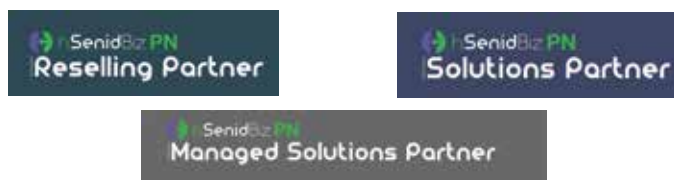
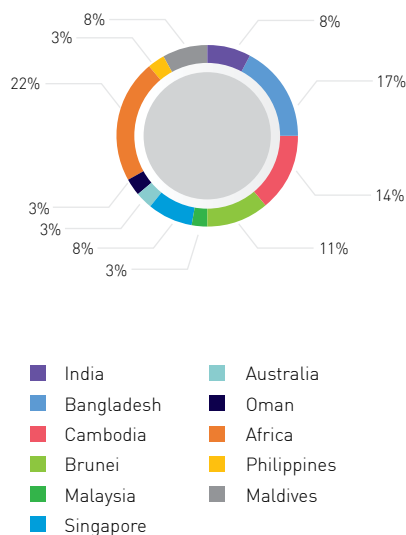


Figure 8.1: Partner Breakdown



8.8.2 Marketing

The highly trained and qualified marketing team use the latest technology in the field to support the sales team through the curation of marketing collateral, brand building and online lead generation. This involves everything from the creation of mailing lists and direct selling activities to PPL (Pay-Per-Lead)/ PPC (Pay-Per-Click based campaigns geared towards identifying and converting potential leads using methods such as Google AdWords.

The team has a unique strategy when entering and capturing market share in each location; a process which involve an in-depth study of the local environment, identifying competition and supporting industries such as advertising and PR firms and efficacy of social media and other forms of digital marketing in the regions in question.

Key Objectives:



8.9 Human Capital

Overview

Since the Company's inception, the employees have been instrumental in helping achieve its many milestones. With a total workforce of 273 employees as of October 31, 2021, hBS possesses one of the most skilful talent pools in the local industry (refer Table 8.1 for a comprehensive breakdown). Furthermore, hBS is driven by a strong and experienced senior leadership team that is dedicated towards taking hBS to new heights.

8.0 Business Operations of hBS

The following lays out the Organisational Structure of hBS:

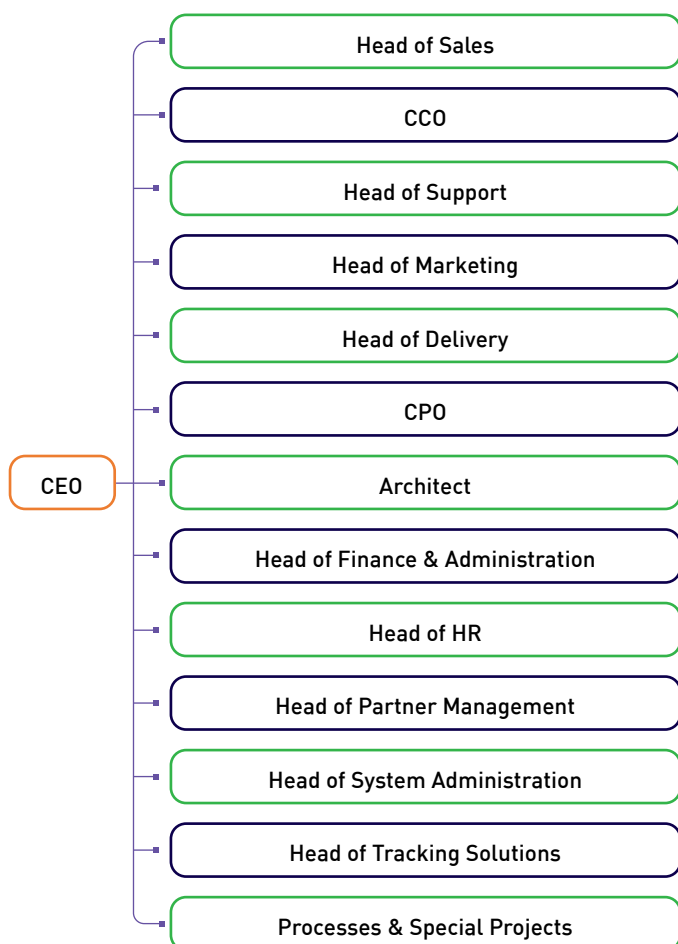


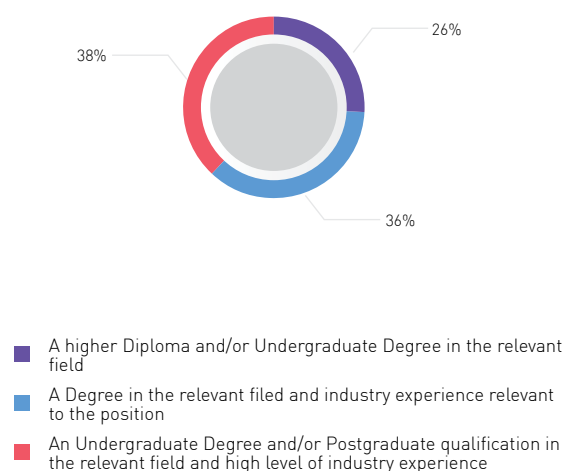
Table 8.1 – Employees of hBS Group as at October 31, 2021

Employee Category	Number of Employees
Product Development	95
Product Implementation and Maintenance	132
Human Resources	4
Sales and Marketing	22
Finance and Administration	20
Total	273

Number of employees - breakdown by department and expertise

hBS also hires the best and brightest in the industry and boasts a workforce with a perfect mix of talented interns and experienced veterans. As seen in figure 8.2, the employee base consists of individuals with a high level of industry experience along with an Undergraduate Degree and/or a Postgraduate qualification in their relevant fields.

Figure 8.2: Employee breakdown by qualifications and experience



A stringent recruitment process to filter in the best

hBS follows a stringent recruitment process (along with stringent recruitment criteria) that enables them to capture and filter managerial and executive talent that is best suited for the Company. hBS prioritises hiring flexible and independent team players, with “get-it-done” personalities, through a well-structured interview process that tests the candidates’ skills and competencies, and their overall fit to the core values of the Company.

A training policy that drives a culture of learning

hBS advocates a strong learning culture and believes in the importance of peer-to-peer knowledge transfer through on-the-job training. In general, training is formally driven through a well-designed training policy, which stipulates the mechanisms behind identifying training needs, and planning, delivering and evaluating training.

A training needs analysis is initially carried out to identify the training needs of the entire organisation/division or to identify the needs of specific employees. Thereafter, the training program is designed and delivered to the target group via various methodologies such as Seminars, Knowledge Sharing Sessions, Experiential Learning Sessions and Workshops. Finally, the trainees as well as the trainers are evaluated in order to ascertain the success of the training program.

Furthermore, following consultations with team leaders and in liaison with HR, employees are also given the opportunity to take part in External Training Sessions and Conferences in order to fine-tune their skills.

8.10 hBS Key Strengths

Commitment to Innovation, Learning and Excellence

From its inception hBS has been committed to staying up-to-date with technological advancements, in the space which has now become a threshold requirement for a firm in the IT field. As such the Company employs advanced data analytics tools and AI to provide HR solutions.

People Centricity and Flexible Solutions



hBS prides itself in providing business solutions geared towards solving real problems with people centric, empathetic solutions. Further, most of its product are highly flexible and even customisable by the user themselves, making the systems perfectly attuned to solving the customers' specific system pain points. This commitment to people centricity has ensured and will continue to ensure customer loyalty.

Once a customer has been acquired for a particular solution, hBS develops a long-term relationship and understanding of the client's needs. Working in partnership with its client, the Company suggests upgrades and add-ons to suit the client's needs and financial capabilities.

Experienced Management Team and Qualified Employees

hBS is managed by a team of highly experienced individuals with industry knowledge and role-specific qualifications from leading global institutions. As such the Company values education and a willingness to learn. While they seek the best candidates for their company, hBS also regularly recruits junior members of sales staff from various different educational backgrounds and provides them with rigorous in-house training.

hBS is headed by its visionary founder, Mr. Dinesh B Saparamadu, a serial entrepreneur who has founded twelve successful companies and has more than 30 years of experience in IT and related fields, both in Sri Lanka and in the US. As a Founding member and past Chairman of Sri Lanka Association of Software and Service Companies (SLASSCOM) Mr. Saparamadu is extremely well connected with the leading local and global players in related and supporting industries. All of this is brought into play to ensure hBS stays relevant, competitive and rises to greater heights year after year.

Strong Partnerships with Global Giants



hBS has enduring partnerships with organisations such as Microsoft, Xero and Acumatica which provide staunch, specialised industry support.

Microsoft: hBS is currently a Microsoft Gold Partner and enjoys the benefits of being promoted by Microsoft as a partner along with the Microsoft Azure cloud platform.

Acumatica: The Company also provides the HRIS aspect of the entire Acumatica ERP system, enjoying all the benefits of being a part of an internationally reputed ERP solution.

Xero: hBS is listed on the Xero Marketplace which is an online cloud marketplace hosting apps and software required for business planning and strategic management. Through this marketplace hBS is able to access more than 2.7 Mn market subscribers, all of whom fit the Company's target market.

8.11 Quality Assurance Certifications

Quality assurance certifications possessed by hBS which enabled the Company to successfully enter global markets are as follows.

ISO 9001: 2015 Certified



hBS is currently ISO 9001 certified and is working towards gaining ISO 2017 certification later this year.

This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement. ISO 9001 helps ensure that customers get consistent, good-quality products and services.

Scope: Design, development, implementation and maintenance of software products.

8.0 Business Operations of hBS

Ethical Trading

hBS has been certified as being in compliance with the criteria for Certificate of Ethical Trading (CET) issued by the National Exporters of Sri Lanka (NCE) on principles of ethical trading practices.

The scope of this include requirements gathering, design development, installation of software systems, implementation and delivery, customer and strategic partner management and support.

8.12 Awards and Accolades

2020	28th Annual Export Awards 2020 of the National Chamber of Exporters of Sri Lanka			
	Gold award for ICT & BPO Related services (medium category)			
	Most outstanding SME Exporter			
	Deshabandu Patrick Amarasinghe Challenge Trophy			
2016	National Best Quality ICT Awards 2016		Became IP Microsoft Co-sell Partner in 2019	2019
2014	Gold award in the General Application category at BCS NBQSA Awards 2014		National Best quality ICT Award 2015	2015
2009	National Best Quality Software Awards		Winner of the Red Herring Global Award 2011	2011
	British computer Society-Bronze			
2007	Asia Pacific ICT Alliance Awards		Microsoft Partner Program	2008 - 2009
	Asia Pacific ICT Alliance award for E-Government and E-Community			
	Principal Sponsor of the National HR Conference – IPM Microsoft Gold partner			
	Gold Partner - Microsoft			
2005	National Best Quality Software Awards		Principal Sponsor of the National HR Conference – IPM Partner Award – Blue Chip	2006
	British Computer Society - Merit Award (Industrial Application)		Partner Awards 2006 - Fingertec	
2002	National Best Quality Software Awards		National Best Quality Software Awards	2003
	British Computer Society - Runner Up		British Computer Society - Merit Award (Business Application)	
1999	Best Quality Software Awards		National Best Quality Software Awards	2000
	British Computer Society - 1st Runner Up		British Computer Society - 2nd Runner Up Award	

8.13 Major Projects

Uganda: Integrated Government Human Capital Management System

In 2019 hBS, along with 2 other regional players were awarded the contract to design and implement an Integrated Government Human Capital Management System for the Government of Uganda. This system was to span across all state-owned enterprises and organisations including the police force, army and state hospitals and incorporate all government employees. The scale of this project covering over 235 institutions including ministries, departments, agencies and local governments with a total workforce of 450,000 employees in active service and 120,000 retired government officials. hBS stands to earn a fee of more than USD 3.8 Mn from this project.

235

Institutions

USD 3.8 Mn

Total Project
Revenue

450,000

Active Employees

8.14 Corporate Social Responsibility

As a people-centred company, hBS also involves itself with several CSR activities which arise from a specific need in a community or due to a need on a national level. Some of its CSR initiatives have been detailed below.

SPECTRA



"Helping future minds in their journey towards a successful education."

The SPECTRA Project is an ongoing effort to help underprivileged school children obtain the resources they require to achieve their academic needs.

Empowering future local talent towards digital corporate



hBS signed the most recent partnership agreement with the University of Peradeniya, a prestigious State higher education institution. The signing of such agreements has been a continuous effort by hBS, in partnership with State universities such as Sri Jayawardenapura, Colombo, Kelaniya and Moratuwa in its initiative towards building globally competitive local talent.

These partnerships further supplement the scope of the Human Resource (HR) programs provided by the university, adding strategic value to the study by capturing the essence of HRIS, encapsulating the complete automation of HR with Analytics and Artificial Intelligence-driven HR Tech advancements. A partnership aimed at grooming future minds in the pursuit of building a strong business landscape in Sri Lanka that moves ahead globally with technology.

Women's Day Celebrations with 'The Open Closet'



In 2020, for the fourth consecutive time, hBS celebrated Women's Day with its "Open Closet" event. This initiative launched in the year 2017 and was aimed at giving back to the women in compromised situations with limited access to clothes, shoes, accessories etc. In 2020, hBS gifted a goody bag of clothing and accessories to over 200 deserving women who have sacrificed their needs to support their loved ones. That year, the project gave away over 2000 items consisting of clothes, handbags, accessories and footwear. The ladies were also treated to a nail polish station.

8.0 Business Operations of hBS

8.15 Future Direction

Expanding Market Reach via New Initiatives

hBS aims to become the most preferred HXM (Human Experience Management) Solutions provider in the APAC and African regions with a globally competent workforce, agile and AI-driven product innovations through interdependence, interoperability, and integration with global best practices. Currently, the Company has significant presence in the African region with a strong reputation for quality. hBS plans on leveraging on its near first mover advantage and its extensive network to grow exponentially into an unshakable market leader in this region.

Further, hBS plans to expand its reach in the Indian sub-continent via strategic partnerships, mergers and acquisitions with and of smaller regional players. This is an attempt to consolidate a fractured market with a highly diverse range of needs into one flexible and agile solution. hBS would combine its customised solutions along with local expertise of region-specific regulations and requirements to build a unique competitive advantage. Through this strategy the Company would be able to enter a market with a labour force greater than 600 Mn.

500,000

number of SMEs in
Sri Lanka, 2018

75%

of all enterprises in
Sri Lanka are SMEs

45%

of the workforce are
employed by SMEs

Only 5%

of export value is generated
by SMEs

Source: UN Global Compact Network Sri Lanka

Since 70% of the large and medium enterprise accounts in Sri Lanka have now been captured in the primary growth strategy, hBS has since been focused on penetrating into SMEs for new account acquisition and revenue growth from existing customers through up-selling and cross selling.

Partnership Development via Global Alliances

As a Microsoft Gold Partner, hBS has strong global credibility. Going forward the Company plans to leverage on this partnership and its own unique strengths to gain new global partners, build stronger relationships with existing partners and enable product integrations and cross platform services and compatibility.

Innovative Product Strategy to Support the Exponential Growth

As a company known for continuous innovation, hBS has an innovative product journey planned out for the medium term. The Company plans to become an AI and data science driven product leader with the aim of having PeoplesHR rank amongst top tier global products and to be the most preferred Human Capital Management system by the target industry vertices.

Nurture an Innovation Culture via Research and Development Efforts

In order to support and accelerate its strategy, hBS has committed to creating a strong extensions framework with a nurturing environment for specialists to harness and build technical solutions that co-exist with PeoplesHR. This will be supported further by a strong research and technology driven culture with a powerful orientation for research and development.

Evolve the PeoplesHR Marketplace

The PeoplesHR Marketplace is one of hBS's latest product Issues and is a unique platform business that connects users with talent-based applications and software service providers. One of the Company's main growth strategies will be centred on growing this marketplace through both vendor and user expansion strategies. Key areas to be developed include the following:

- Value-added partner acquisition strategy and operational setup
- Enabling paradigm for continuous market research to identify the trends and norms
- PeoplesHR community or target audience awareness process
- Platform development and seamless synergy between platforms or services
- Formation of business development and operational teams
- Build an influencer community for exponential growth

8.16 Major Assumptions Relating to Future Plans of hBS

Possible Favourable Consequences of Remote Working

Following the muted economic growth in the recent past as a result of the Covid-19 pandemic the global economy enjoyed a brief period of recovery before the onset of newer and more infectious variants causing several key markets to shift back into lockdown. It is likely that now, more than ever, with the rising incidence of remote working and some companies even deciding on making this a permanent shift, employers might seek advanced talent management software to ensure the effectiveness and wellbeing of its staff at home. This would help to buoy the planned expansion and sales strategies.

Anticipated Product Innovation and Process Improvements via R&D

It is assumed that the Company's focus and investment in R&D will continue to yield results in terms of new product development, innovation and system improvements.

Continuous Strengthening of Existing Partnerships

hBS currently works with several global partners. It is assumed that the existing strong relationships that the Company enjoys with its partners will continue going forward and that the Company will also successfully foster new partnerships in areas of strategic interest.

Growth in Key Export Markets

The forecast economic growth rates by IMF for key target export markets are presented below. Many of these are emerging markets and are expected to post above average growth (4.7% in 2023 in contrast to a 3.5% global average), particularly given the economic setbacks experienced in 2020. It is assumed that these forecasts will be realised as hBS mainly operates in emerging markets.

Table 8.2 Real GDP Growth

Real GDP Growth (Annual % Change)	2020	2021E	2022 E	2023 E	2024 E	2025 E	2026 E
Australia	-2.4	4.5	2.8	2.3	2.3	2.4	2.5
Cambodia	-3.5	4.2	6	6.3	6.6	6.7	6.8
India	-8	12.5	6.9	6.8	6.7	6.6	6.5
Kenya	-0.1	7.6	5.7	6.1	6.1	6.1	6.1
Maldives	-32.2	18.9	13.4	12.6	6.3	5.6	5.5
New Zealand	-3	4	3.2	2.6	2.5	2.4	2.5
Nigeria	-1.8	2.5	2.3	2.3	2.3	2.2	2.2
Oman	-6.4	1.8	7.4	2.7	2.2	1.7	2
Sri Lanka	-3.6	4	4.1	4.1	4.2	4.2	4.2
Advanced economies	-4.7	5.1	3.6	1.8	1.6	1.5	1.5
Emerging market and developing economies	-2.2	6.7	5	4.7	4.6	4.5	4.4
World	-3.3	6	4.4	3.5	3.4	3.3	3.3

Please refer Section 13 for risk associated with business operation and future strategies of hBS.

9.0 CORPORATE STRUCTURE

9.1 The Board of Directors of hBS

The Board of Directors of hBS endeavours to provide leadership through effective formulation and execution of policies and procedures to attain the objectives of the Company. The Board assumes ultimate responsibility for corporate governance within the Company. As at the date of the Prospectus, 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. Board members are established personnel in their respective professional fields with several serving on the boards of international organisations, collectively providing the diversity and balance of skills for effective stewardship.

Table 9.1 The Board of Directors of hBS

Name	Director Designation
Mr. Dinesh B Saparamadu	Chairman, Executive, Non-Independent
Mr. J. M. Sampath K. Jayasundara	Executive, Non-Independent - Chief Executive Officer
Ms. Dishnira R. Saparamadu-Ariyaratne	Non-Executive, Non-Independent
Mr. Apurva Udeshi	Non-Executive, Non-Independent
Mr. W. Malinga. De F. Arsakularatne	Non-Executive, Independent
Mr. Madu Ratnayake	Non-Executive, Independent
Ms. Anarkali Moonesinghe	Non-Executive, Independent

9.2 Profiles of the Board of Directors



Mr. Dinesh B. Saparamadu

Chairman/ Executive, Non-Independent Director

Appointed to the Board on October 5, 2005

Mr. Dinesh B 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 over the course of three decades. The hSenid Software International Group is a leader in the enterprise and mobile application market and serves 45 countries with thousands of customers worldwide. The latest company founded by Mr. Saparamadu is Applova Inc. based in Silicon Valley, USA and focuses on delivering innovative e-commerce solutions for restaurants.

Mr. Saparamadu is extremely passionate about supporting Sri Lanka's IT industry and is a Founding Member and Past Chairman of Sri Lanka Association of Software and Services 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. Mr. Saparamadu has an MSc in Computer Science and BSc in Computer Engineering from the University of Bridgeport, USA, and he completed the Executive Program for Growing Companies at Stanford University Graduate School of Business, USA.



Mr. J. M. Sampath K. Jayasundara

Executive, Non-Independent Director - Chief Executive Officer

Appointed to the Board on August 20, 2007

Mr. J. M. Sampath K. Jayasundara has over 20 years of experience in the ICT industry, joined hBS as Project Lead in the year of 2000 and gradually gained expertise to manage the entire operations of hSenid Business Solutions Limited as Executive Director (Non-Independent) / Chief Executive Officer after holding key positions as, Manager Operations, Head of Business Development and General Manager.

After his first degree & Post Graduate Diploma in Computer Science at the University of Colombo and then an MBA at Post Graduate Institute of Management, University of Sri Jayewardenepura, he is serving as a lecture panel member of the Chartered Institute of Personnel Management (CIPM) of Sri Lanka, he is a lecturer at the Open University of Sri Lanka (OUSL), Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and Finance and Management faculty of the University of Colombo for postgraduate studies.

Mr. Jayasundara is also the Co-founder/ Director of Pioneer Institute of Business and Technology (Pvt) Ltd.; an institute offering IT 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 member of the Advisory Committee of ICT/BPM sector of the Export Development Board.



Ms. Dishnira R. Saparamadu-Ariyaratne

Non-Executive, Non-Independent Director

Appointed to the Board on September 20, 2021

Ms. Dishnira Saparamadu is the founder and CEO of Thambili Island (Pvt) Ltd. She graduated from the University of Nottingham in 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 MilleniumIT 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, Ms. Saparamadu 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, Ms. Saparamadu is a Marketing consultant to AppiGo International, a B2B ecommerce platform serving restaurants, retailers and grocery providers island-wide.

9.0 Corporate Structure

**Mr. Apurva Udeshi***Non-Executive, Non-Independent Director*

Appointed to the Board on November 21, 2011

Mr. Apurva Udeshi is the Managing Director of Argent Capital, Founder of Aiken Labs, Co-Founder of Avantrio & Founding Board Member of the Lankan Angel Network. He has over ten years of experience in Investment Management and over five years in Technology.

Argent Capital was set up by Mr Udeshi in 2011 and is a sector agnostic structured fund that invests across Private Equity, Listed Equity, Fixed Income Trading, Real Estate and Startups. Aiken Labs & Avantrio are software services development studios that specialise in designing, prototyping, building and integrating high-tech platforms and software solutions.

Mr. Udeshi earned his undergraduate degree in Computing from Imperial College, London where he graduated with First Class (Hons) placing him in the top 10% 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.

**Mr. W. Malinga. De F. Arsakularatne***Non-Executive, Independent Director*

Appointed to the Board on September 20, 2021

Mr. Malinga Arsakularatne is the Co-Owner / CEO of Acorn Group. He has 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 he serves on the Board of Union Assurance PLC as an Independent Director and the Chairman of the Board Audit and Compliance Committee. He 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.



Mr. Madu Ratnayake

Non-Executive, Independent Director

Appointed to the Board on September 20, 2021

Mr. Madu Ratnayake is the Executive Vice President, Global Chief Information Officer at Virtusa Corporation. Virtusa is a global provider of digital business strategy, digital engineering, and information technology services to Fortune 1000 companies across North America, Europe, Middle East, and Asia. Mr. Ratnayake is part of the Executive Leadership team at Virtusa that led its growth from start-up stage to USD 2 Bn NASDAQ listed public company with over 28,000 team members globally.

He serves as an Independent Non-Executive Director at Hatton National Bank PLC and provides strategic oversight for the bank's digital journey. He is a board member of the government's digital agency, ICTA and cybersecurity agency, SL CERT. He plays several advisory roles across academia and tech start-ups in India and Sri Lanka.

He is the former Chairman of the Sri Lanka Association for Software and Services Companies (SLASSCOM), the industry chamber for the IT/BPO industry. Mr. Ratnayake holds a Bachelor's in Software Engineering from City, University of London and an MBA from the Postgraduate Institute of Management, Sri Lanka. More recently he received an Executive Certificate in Digital Business Strategy from the MIT Sloan School of Management.



Ms. Anarkali Moonesinghe

Non-Executive, Independent Director

Appointed to the Board on September 20, 2021

Ms. Anarkali Moonesinghe has over 20 years of Investment Banking experience in Europe and Asia, particularly in Asian Emerging Markets. She received a Bachelor of Arts (Hons) in Politics, Philosophy and Economics from the University of Oxford and serves on the Investment Committee of the Angel Fund, the first fund initiated by the Lankan Angel Network with an AUM of LKR 100 million from 100 Angel investors.

Ms. Moonesinghe currently serves as a Director on the boards of WealthTrust Securities (Pvt) Ltd., a primary dealer; the Lankan Angel Network, a platform for private investors who invest in high growth early-stage Sri Lankan ventures; and the GoodLife X, an accelerator programme aimed at supporting start-ups and more mature companies in scaling regionally and globally. Ms. Moonesinghe is also a Partner at Amura Consulting, a Singapore-based financial advisory services boutique which focuses on small to mid-cap transactions in frontier markets, including private equity, mergers and acquisitions, and financial structuring. Ms. Moonesinghe started her career with Merrill Lynch in Mergers & Acquisitions and Corporate Finance.

9.0 Corporate Structure

9.3 Other Directorships Held by the Directors

Table 9.2 Other Directorships held by the Directors of hBS Group

Name	Other Directorships Held
Mr. Dinesh B Saparamadu	■ hSenid Software International (Pvt) Ltd. – Chairman/Director
	■ BeyondM (Pvt) Ltd. – Chairman/Director
	■ hSenid Mobile Solutions (Pvt) Ltd. – Chairman/Director
	■ AppiGo International (Pvt) Ltd. – Chairman/Director
	■ hSenid Resorts (Pvt) Ltd. – Chairman/Director
	■ hSenid Software Lanka (Pvt) Ltd. – Chairman/Director
	■ hSenid Ventures (Pvt) Ltd. – Chairman/Director
	■ Applova (Pvt) Ltd. – Chairman/Director
	■ Lanka Nippon BizTech Institute (Pvt) Ltd. – Deputy Chairman/Director
	■ Thambili Island (Pvt) Ltd. – Director
	■ AppiGo Software (Pvt) Ltd. – Chairman/Director
	■ hSenid Software (Pvt) Ltd. – Chairman/Director
	■ hSenid Software (Singapore) Pte Ltd. – Chairman/Director
	■ hSenid Mobile Solutions (Singapore) Pte Ltd. – Chairman/Director
	■ hSenid Mobile Solutions (Bangladesh) Pvt Ltd. – Chairman/Director
	■ hSenid Business Solutions (India) Pvt Ltd. – Chairman/Director
	■ hSenid Mobile Solutions (India) Pvt Ltd. – Chairman/Director
	■ Extrogene Software (Pvt) Ltd. – Director
	■ PeoplesHR (Pty) Ltd. - Director
Mr. J. M. Sampath K. Jayasundara	■ SLASSCOM - Director
	■ Pioneer Institute of Business and Technology - Director
	■ hSenid Software International (Pvt) Ltd. - Director
Ms. Dishnira R. Saparamadu-Ariyaratne	■ Thambili Island (Pvt) Ltd. – Director/CEO
	■ Culture by Ari (Pvt) Ltd. – Director
	■ Pieces of Paradise (Pvt) Ltd. – Director
Mr. Apurva Udesi	■ Argent Capital - Founder/Managing Director
	■ Zeptolytics (Pvt) Ltd. - Founder/Director
	■ Avantrio (Pvt) Ltd. - Co-Founder/Director
	■ Pecunia (Pvt) Ltd. – Director
	■ Azaya (Pvt) Ltd. – Director
	■ Aiken Labs (Pvt) Ltd. - Director

Name	Other Directorships Held
Mr. W. Malinga. De F. Arsakularatne	■ Acorn Partners (Private) Limited - Chairman / CEO
	■ Acorn Ventures (Private) Limited - Chairman / CEO
	■ Acorn Air Services (Private) Limited - Director
	■ Acorn Management Services (Private) Limited - Director
	■ Acorn Aviation (Private) Limited - Director
	■ Acorn Travels (Private) Limited - Director
	■ Diethelm Travel Lanka (Private) Limited - Director
	■ Air Services Maldives Pvt Ltd. - Director
	■ LTU Asia Aviation Services Co Ltd., Thailand - Director
	■ Discover the World (Thailand) Co Ltd. - Director
	■ Fortiz Logistics International (Pvt) Ltd. - Director
	■ Asia International Academy Holdings (Pvt) Ltd. - Non-Executive Director
	■ British Institute of Engineering and Technology (Pvt) Ltd. - Non-Executive Director
	■ Union Assurance PLC – Independent, Non-Executive Director
	■ Zigzag (Pvt) Ltd. – Independent, Non-Executive Director
	■ Ifinity (Pvt) Ltd. – Independent, Non-Executive Director
	■ Digital Healthcare Solutions (Private) Ltd. – Independent, Non-Executive Director
Mr. Madu Ratnayake	■ Hatton National Bank PLC - Director
	■ Information Communication Technology Agency - Director
	■ Sri Lanka CERT - Director
Ms. Anarkali Moonesinghe	■ John Keells Hotels PLC – Independent, Non-Executive Director
	■ WealthTrust Securities Pvt Ltd. - Non-Independent Non-Executive Director
	■ Lankan Angel Network - Director
	■ GoodLife X - Director

9.4 Directors' Interest in Shares

9.4.1 Directors' Direct Shareholdings in hBS

Table 9.3 Directors' Direct Shareholding in hBS

Name of Director	Number of Shares Held	Percentage of Shareholding [%]
Mr. Dinesh B Saparamadu	27,800,110	12.56%
Mr. J. M. Sampath K. Jayasundara	3,300,000	1.49%

None of the Directors of the Company hold any shares in the subsidiaries of the Company. All such subsidiaries are wholly owned by the Company. Please refer Section 8.4 for the group structure.

9.0 Corporate Structure

9.5 Sale and Purchase of hBS Shares by Directors

Share transactions made by Directors during the one-year period preceding the date of the Prospectus are tabulated below.

Table 9.4 Share Transactions of Directors in hBS

Name of Director	Date of Transaction	Transaction	Number of Shares Transacted	Consideration (LKR)
Mr. Dinesh B Saparamadu	August 31, 2021	Acquisition of Shares as a part of restructuring of shareholding of hSenid Software International (Private) Limited in hBS	255,000 (increased to 28,050,000 pursuant to the sub-division)	Nil Consideration
Mr. Dinesh B Saparamadu	October 5, 2021	Sale of Shares*	250,000	200,000/-
Mr. J. M. Sampath K. Jayasundara	August 31, 2021	Acquisition of Shares by way of transfer from the trustee, hSenid Software International (Private) Limited under hSenid Share Options Plan **	30,000 (increased to 3,300,000 pursuant to the sub-division)	Nil Consideration

*Mr. Jürgen Samuel to whom Mr. Dinesh B Saparamadu has transferred 250,000 Shares is a foreign consultant who has rendered services to the Company from inception. Subsequent to this transfer Mr. Dinesh B Saparamadu holds 27,800,110 Shares of the Company.

** Pursuant to a decision taken by the Company to allow the employees to directly hold the legal ownership of the Shares allocated to them under the hBS Share Options Plan instead of merely holding the beneficial interest to such Shares as beneficiaries, on August 31, 2021 the entirety of the 60,973 Shares issued to and held by hSenid Software International (Private) Limited were transferred to the employees as stated in Table 10.3 for nil consideration as the employees had already subscribed and paid for the beneficial interest to such Shares at LKR 244.80 per Share.

9.6 Directors' Interests in Assets

There are no contracts or arrangements in force as of the date of submission of the Initial Listing Application in which the Directors of hBS are materially interested in relation to the business of the Company.

9.7 Directors' Interests in Contracts

None of the Directors of hBS has any interest in any assets acquired, disposed or leased by the Company during the past two years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed or leased during the two years succeeding the IPO.

9.8 Statement – Board of Directors

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

- A petition under any bankruptcy laws filed against such person or any partnership in which he/she was a partner or any corporation of which he was an executive officer.
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

9.9 Corporate Governance Practices

The Board of Directors of hBS believes that Corporate Governance is the gateway to long-term sustainability enhancing value for the stakeholders through ethical business conduct. The Board has the prime responsibility for managing affairs at hBS in a fair and transparent manner. The Board of hBS ensures that the Corporate Governance guidelines and best practices are strictly followed. The Board is aware of its inherent responsibility to disclose timely and accurate information regarding the financial performance as well as 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. For this, the Board has adopted Corporate Governance practices in line with 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). These Rules assist the Board to make decisions that are independent of the Management.

The Board being responsible for the Company's Corporate Governance, oversees how the Management serves and protects the long-term interests of all its stakeholders. hBS believes that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance. This is implemented through the careful selection and maintenance of a well-balanced and diversified Board.

In view of the best practice in Corporate Governance, the Board has delegated certain responsibilities to the following committees of the Board. The committees deal with relevant issues according to the Terms of References of each committee and make recommendations to the Board.

The Company Secretaries act as the secretaries to these committees.

9.9.1 The Audit Committee (AC)

The Audit Committee is a Board sub-committee and comprises three (3) Non-Executive Directors of whom two (2) are Independent Directors

The composition of the committee is as follows:

Name of Director	Designation
Mr. W. Malinga. De F. Arsakularatne	Chairperson Non-Executive, Independent
Mr. Apurva Udeshi	Non-Executive, Non- Independent
Ms. Anarkali Moonesinghe	Non-Executive, Independent

The Audit Committee is primarily responsible for carrying out an independent oversight of the financial reporting process, audit process, appointment and remuneration of the auditor and ensuring that the Company maintains its independence during the audit term, the Company's system of internal controls and compliance with laws and regulations including Sri Lanka Accounting Standards to ensure the credibility of all processes.

9.9.2 Human Resources and Remuneration Committee (HRRC)

The Human Resources and Remuneration Committee operates within the terms of reference approved by the Board of Directors and assists the Board to ensure that the remuneration policies of the Company align with its objectives. The Remuneration Committee consists of three (03) Non-Executive Directors of whom two (2) are Independent Directors.

The composition of the committee is as follows:

Name of Director	Designation
Mr. Madu Ratnayake	Chairman Non-Executive, Independent
Mr. W. Malinga. De F. Arsakularatne	Non-Executive, Independent
Ms. Dishnira R. Saparamadu-Ariyaratne	Non-Executive, Non-Independent

HRRC is primarily involved in 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. Further, the HRRC ensures 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. The HRRC also approves the HR Annual Budget along with proposed training and development programmes, action plans and HR strategies.

Emoluments paid in the form of salaries, bonuses, fees, allowances and/or profit-sharing payments to the Directors of hBS during the FY2021 amounted to LKR 26,746,063/-.

9.9.3 Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RTPRC) 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. The committee consists of three (03) Non-Executive Directors and the Chairperson of the committee is an Independent Director.

The composition of the committee is as follows:

Name of Director	Designation
Ms. Anarkali Moonesinghe	Chairperson Non-Executive, Independent
Mr. Apurva Udeshi	Non-Executive, Non-Independent
Ms. Dishnira R. Saparamadu-Ariyaratne	Non-Executive, Non-Independent

Responsibilities of the RTPRC include reviewing all aspects (including value) of transactions with related parties (major transactions) including sourcing professional and expert advice from an appropriately qualified person when required. Where necessary the committee shall request approval for select transactions with related parties and ensure the appropriate disclosure of all such matters in the Annual Report.

9.0 Corporate Structure

9.10 Corporate Management of hBS

The Corporate Management led by the CEO, Mr. J M Sampath K Jayasundara has been entrusted and empowered by the Chairman, Mr. Dinesh B Saparamadu to run the overall operations of the Company. The Corporate Management team is the key decision maker of the Company and is responsible for its continued growth and success. The Corporate Management team of hBS consists of highly qualified individuals with a wealth of experience and dedication to play distinctive roles in pursuing corporate objectives and strategy of the Company. The team brings together industry relevant capabilities and experience which aid the Company in providing comprehensive high-quality service to its clientele.

The Corporate Management team of hBS is as follows :

Table 9.5 Corporate Management of hBS

Name	Qualifications	Experience
 Mr. J. M. Sampath K. Jayasundara <i>Executive Director (Non- Independent) Chief Executive Officer</i>	■ MBA Business Administration, University of Sri Jayawardenepura ■ PG Dip in Computer Science, University of Colombo (2002-2003) ■ BSc. Physical Science, University of Colombo (1996-1999)	An experienced strategist - a thought leader, a public speaker and an outcome-focused leader with over 20 years of experience and a significant track record in market development, business transformation and market expansions in Sri Lanka, India, Africa and the Asia Pacific region.
 Mr. Saman Kumara* <i>Director -HR and Administration</i>	■ BSc special degree in Accounting and Financial Management, University of Sri Jayawardenepura (1996) ■ Higher education on CFO role from Indian School of Business, India (2008) ■ Postgraduate Degree in Business Management Administration, Institute of Chartered Accountants, Sri Lanka (2005 – 2006)	More than 28 years of experience in the field of financial management, fund management and audit, including manufacturing, Information technology, law, services, hotels and plantation sector
 Mr. Chamaka Chathuranga <i>Team Lead – Senior System Administrator</i>	■ Microsoft Certified Systems Administrator (MCSA) ■ Red Hat Certified System Administrator	Longest-standing employee of hBS with over 20 years of experience in the industry
 Mr. Asitha Goonewardena <i>Chief Product Owner</i>	■ BSc in MIS, Information Systems, National University of Ireland, Galway (1998 - 2000) ■ Higher Diploma in Computer Based Information Systems, Information Systems, National Institute of Business Management (NIBM), Sri Lanka (1994 - 2000) ■ Advanced Certificate in Marketing, Marketing, CIM (The Chartered Institute of Marketing) (1997 - 1999)	Proactive and performance-driven Senior Product Management and IT leader with 20+ years of experience across international business arenas managing enterprise software products and services

Name	Qualifications	Experience
 Mr. Wasantha Ratnayaka <i>Head of Delivery – On-Premise</i>	■ BSc, Science ,University of Peradeniya (2001 - 2004)	Over 15 years of experience in the software field delivering medium to large scale multinational projects
 Mr. Mahinda Pathirana <i>Head of Support & Enterprise Delivery</i>	■ ITIL® Foundation Certificate in IT Service Management ■ AXELOS, IT Service agent (May 2019 - June 2019) ■ Master of Business Administration (MBA), Postgraduate Institute of Management (PIM) (2012 - 2014) ■ Advanced Diploma in Telecommunication and Electronic ■ Engineering, City & Guilds International (UK) (2002 - 2004) ■ Bachelor's degree in MIS, University College Dublin (September 2001 - 2003)	Over 15 years of experience in the software field delivering multinational projects
 Mr. Pubudu Dissanayake <i>Head of Delivery - Cloud</i>	■ Master of Business Administration - MBA, Business Administration and Management, General, Postgraduate Institute of Management (PIM) (2016 - 2018) ■ BICT, Information Technology, University of Colombo (2005 - 2008)	13 years of experience in delivering technology projects in multiple platforms and leading medium to large teams
 Mr. Riyazi Samsudeen <i>Head of Sales and Partner Management</i>	■ Master of Business Administration – MBA, Leeds Trinity University (2019 - 2020) ■ Professional Postgraduate Diploma in Marketing, Marketing/Marketing ■ Management, General, Chartered Institute of Marketing (2007 - 2016) ■ Chartered Institute of Marketing Professional Diploma in Marketing, Marketing/Marketing Management, General (2006 - 2007) ■ Chartered Institute of Marketing Professional Certificate in Marketing, Marketing/Marketing Management, General (2005 - 2006) ■ Certified in Digital Transformation, University of Virginia (2009)	Overall sales management exposure for over 15 years inclusive of evangelising digital transformation in organisations and strategic partner ecosystems in APAC for over ten years.

9.0 Corporate Structure

Name	Qualifications	Experience
 Mr. Chathuranga Senaratne <i>Head of Customer Success and Strategic Partnerships</i>	■ Mastering Design Thinking, Engineering, Massachusetts Institute of Technology (2020 - 2020) ■ Master of Business Administration (MBA), Business Management, Cardiff Metropolitan University (2011 - 2012) ■ BSc (Hon), IT, SLIIT (2006 - 2009)	Customer Experience (Cx) Technology and Process Consultant with strong analytical capabilities with 15 years of experience.
 Mr. Kapila Gajapala <i>Head of IOT Driven Tracking Solutions</i>	■ Diploma System Designs, NIBM (1992)	Over 25 years of experience in technology, technical support and client service.
 Mr. Dinuka Erosh <i>Head of Human Resources Operations</i>	■ Master of Business Administration - MBA, Business Administration and Management, General, Anglia Ruskin University (2015 - 2017) ■ Chartered Institute for Securities & Investment Advanced Global Securities Operations (AGSO), Investments and Securities (2015 - 2015) ■ Chartered Institute for Securities & Investment Operations Certificate (IOC), Investments and Securities (2014 - 2015)	Over 12 years of experience in Business Operations, Payroll Outsourcing and Client Management.
 Mr. Raveen Lasath <i>Head of Finance</i>	■ BSc Accountancy (special), University of Sri Jayawardenapura (2000)	Over 15 years of experience in Financial Management & Revenue Management
 Ms. Vichalya Wijesuriya <i>Head of Marketing & Communications</i>	■ Master of Business Administration (MBA), Cardiff Metropolitan University (2012 - 2013) ■ Bachelor of Management Studies, Marketing/ Marketing Management, General, Open University of Sri Lanka (2005 - 2009) ■ The Chartered Institute of Management Accountants (2005 - 2007)	Over 15 years of experience in B2B marketing, branding and corporate communications.

Name	Qualifications	Experience
 Mr. Dinesha Madushan <i>Architect - Core Product</i>	■ BCSC, Software Engineering, Database Management, Statistic, Mathematics, Electronic, University of Colombo School of Computing (2005 - 2008)	Specialised software engineer with over 12 years of experience.
 Mr. Ayub Sourjah <i>Architect - Security & Infrastructure</i>	■ Microsoft Certified Programmer	Microsoft Certified Programmer with 20+ years' experience in the IT industry focusing on development of core frameworks, application security and systems integration, and building differentiated services for customers.

*Mr. Saman Kumara, Director – HR and Administration is not a part of the Board of Directors of hBS.

9.11 Chief Executive Officer

The Chief Executive Officer of hBS has not been involved in any of the following:

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

10.0 CAPITAL STRUCTURE

As at the date of this Prospectus, the Stated Capital of the Company is LKR 231,009,755/- constituting of monies received by the Company by the issue of 221,356,300 fully paid Ordinary Voting Shares.

10.1 An Overview of the Stated Capital

An overview of the Stated Capital of the Company is set forth below.

Table 10.1 Overview of Stated Capital

	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of August 31, 2021	Subsequent to the IPO
Stated Capital (LKR) [refer Table 10.2]	217,765,830	217,765,830	224,036,627	231,009,755	922,748,205
Number of Ordinary Shares in Issue (refer Table 10.2)	1,958,229	1,958,229	1,983,845	221,356,300	276,695,376

Table 10.2 Changes in Stated Capital of the Company

	Number of Shares	LKR
Balance as of April 01, 2019	1,958,229	217,765,830
Issue of Shares	-	-
Balance as of March 31, 2020	1,958,229	217,765,830
Issue of 25,616 Shares @ LKR 244.80 per Share on August 04, 2020 (refer Section 10.2)	25,616	6,270,797
Balance as of March 31, 2021	1,983,845	224,036,627
Issue of 8,460 Shares @ LKR 244.80* per Share on June 23, 2021 (refer Section 10.2)	8,460	2,071,008
Issue of 20,025 Shares @ LKR 244.80* per Share on August 30, 2021 (refer Section 10.2)	20,025	4,902,120
	2,012,330	231,009,755
Sub-division of Shares on August 31, 2021 at a ratio of 110 Ordinary Shares for each Share held	221,356,300	231,009,755
Issue of 55,339,076 New Shares @ LKR 12.50 per Share via the IPO	55,339,076	691,738,450
Balance immediately subsequent to the IPO	276,695,376	922,748,205

*LKR 244.80 per Share is equivalent to c.LKR 2.23 per Share post sub-division.

Stated Capital of the Company given in the Tables 10.1 and 10.2 takes into account the reduction of the Stated Capital of the Company carried out on May 3, 2010, as reflected in Form 8 filed with the Registrar General of Companies on May 21, 2010. Stated Capital has been updated in the FY21 Audited Financial Statements to reflect the same. Please refer "Note 21 -Stated Capital" of the Audited Financial Statements for the year ended March 31, 2021 for more details.

10.2 Details of Issuances and Transfer of Shares

On January 26, 2012, an employee share ownership scheme was established by the Company for granting share options to employees of senior management of the Company under the 'hSenid Share Options Plan'. Under the said Share Option Plan, the Company granted share options to senior management of the Company entitling such employees to subscribe to a total of 60,973 Shares at an exercise price of LKR 244.80 per Share (i.e. equivalent to c.LKR 2.23 per Share post sub-division).

On January 4, 2019, the Company modified the said 'hSenid Share Options Plan' so that upon the exercise of the share options by the employees, the relevant Shares were to be issued to hSenid Software International (Private) Limited to be held in trust and for the benefit of the relevant employees as per the terms of the said Share Option Plan and the employees were to hold only the beneficial interest to such Shares.

Accordingly, the Company on March 12, 2019, August 4, 2020, June 23, 2021 and August 30, 2021, issued 6,872 Shares, 25,616 Shares, 8,460 Shares and 20,025 Shares respectively to hSenid Software International (Private) Limited totalling to 60,973 Shares of the Company (pre-sub division).

Pursuant to a decision taken by the Company to allow the employees to directly hold the legal ownership of the Shares allocated to them under the hSenid Share Options Plan instead of merely holding the beneficial interest to such Shares as beneficiaries, on August 31, 2021 the entirety of the 60,973 Shares issued to and held by hSenid Software International (Private) Limited under the hSenid Share Options Plan were transferred to the employees as stated in Table 10.3 below for nil consideration as the employees had already paid for the beneficial interest to such Shares.

Table 10.3 Transfer of Shares to Employees of the Company

Employee	Number of Shares Transferred on August 31, 2021 (Prior to Sub-division)	Number of Shares held (Post Sub- division)	% of Shareholding (Post IPO)
J M Sampath K Jayasundara	30,000	3,300,000	1.19%
Saman Kumara	6,929	762,190	0.28%
Asitha Goonewardena	3,000	330,000	0.12%
Kapila Gajapala	3,000	330,000	0.12%
Mahinda Pathirana	2,772	304,920	0.11%
Tasman Rohitha*	2,772	304,920	0.11%
Wasantha Ratnayaka	2,500	275,000	0.10%
Pubudu Dissanayake	2,500	275,000	0.10%
Raveen Lasath	2,500	275,000	0.10%
Vichalya Wijesuriya	2,500	275,000	0.10%
Chamaka Chathuranga	2,500	275,000	0.10%
Total	60,973	6,707,030	2.43%

*not an employee of the Company at present.

Immediately upon the completion of the transfer of the said 60,973 Shares (i.e. 6,707,030 Shares post sub-division) to the employees, the hSenid Share Options Plan was terminated on August 31, 2021.

As per the SEC letter dated October 7, 2021, the Company was required to obtain an independent confirmation from a reputed external firm of accountants, confirming if the comparable values arising from Shares issued to hSenid Software International (Private) Limited to be held in trust and for the benefit of the relevant employees under the hSenid Share Options Plan and subsequently transferred to the employees, as sub-divided on August 31, 2021 are either equal or higher than the Share Issue Price of the IPO, and whether such values will not lead to an undue gain to the existing shareholders at the expense of the investing public. Accordingly, the Company has obtained an independent confirmation from KPMG (Chartered Accountants) in this regard and KPMG has confirmed that there is no undue gain to the employee shareholders vis-à-vis and at the expense of the investing public. The independent confirmation report of KPMG has been disclosed in Annexure G of the Prospectus.

Out of 60,973 Shares (i.e. 6,707,030 Shares post sub-division) which were transferred to the said employees on August 31, 2021, 32,488 Shares (3,573,680 Shares post sub-division) will be subject to a lock-in for a period of 6 months from date of listing or 12 months from the date of the transfer (i.e. up to August 31, 2022), whichever is longer, in terms of the CSE Listing Rules, 2.1.1(d) (iii). The balance 28,485 Shares (3,133,350 Shares post sub-division) allotted within the last 12 month period and transferred to the said employees will be subject to a lock-in for a period of 6 months from date of listing or 12 months from the date of allotment, whichever is longer, as determined by the SEC. Nevertheless, the said employees (other than Liyanagama Kankanamge Tasman Rohitha who has now resigned from the Company) have agreed to a “voluntary lock-in” of their Shares for a period of 12 months from the date of listing which constitutes a longer lock-in period than the abovementioned statutory lock-in period as per the CSE Listing Rules or as determined by the SEC.

10.0 Capital Structure

In addition to the abovementioned transfer of Shares to the employees, the following transfers of Shares in the Company also took place during the past twelve (12) months:

Table 10.4 Transfer of Shares to Other Parties

Date	Whether Before or After the Sub-division	Transferor	Transferee	Number of Shares	Consideration (LKR)
February 15, 2021	Before the sub-division	Guardian Capital Partners PLC	Ceylon Guardian Investment Trust PLC	163,419 (post sub-division 17,976,090 Shares)	123,157,487
August 31, 2021	Before the sub-division	hSenid Software International (Private) Limited	Dinesh B Saparamadu	255,000* (post sub-division 28,050,000 Shares)	Nil consideration
August 31, 2021	Before the sub-division	hSenid Software International (Private) Limited	hSenid Ventures (Private) Limited	625,814* (post sub-division 68,839,540 Shares)	Nil consideration
August 31, 2021	Before the sub-division	hSenid Software International (Private) Limited	Rusi Sohli Captain	255,721* (post sub-division 28,129,310 Shares)	Nil consideration
October 5, 2021	After the sub-division	Formuesvekst Holdings As	Otto Edvard Husby Kalvo	19,800,000**	Nil consideration
October 5, 2021	After the sub-division	Dinesh B Saparamadu	Jürgen Samuel	250,000***	200,000

*On August 31, 2021, hSenid Software International (Private) Limited restructured its ownership of the 1,136,535 Shares in the Company remaining after the transfer of the 60,973 Shares to the employees as aforesaid, to allow the shareholders of hSenid Software International (Private) Limited to own such Shares, either directly or through any company wholly owned by them, in proportion to their respective shareholding in hSenid Software International (Private) Limited. Accordingly, in terms of such restructure, Dinesh B Saparamadu who holds 77.5% of the shares of hSenid Software International (Private) Limited became entitled to receive 880,814 Shares and Rusi Sohli Captain who holds 22.5% of the shares of hSenid Software International (Private) Limited became entitled to receive 255,721 Shares of the Company. Out of the entitlement of Dinesh B Saparamadu, 625,814 Shares were transferred, at his request, to hSenid Ventures (Private) Limited (a company wholly owned by him) and 255,000 Shares were transferred directly to him. The entire entitlement of Rusi Sohli Captain was transferred to him directly. These transfers had been carried out for Nil consideration as per the terms of the restructure.

**The entirety of the 19,800,000 Shares held by Formuesvekst Holdings As were transferred to Otto Edvard Husby Kalvo (the former chairman of Formuesvekst Holdings As) on October 5, 2021 in pursuance of a merger of Formuesvekst Holdings As and its holding company Falketind As and a restructure of the holdings of Falketind As arising from such merger. The approval of the Monetary Board of the Central Bank of Sri Lanka has been granted in terms of the Foreign Exchange Act No. 12 of 2017 for the transfer of said Shares to Otto Edvard Husby Kalvo for Nil consideration.

***Jürgen Samuel to whom Dinesh B Saparamadu has transferred 250,000 Shares is a foreign consultant who has rendered services to the Company from inception.

10.3 Details of Repurchase and Redemption of Shares by the Company

The Company has not engaged in any share re-purchase, redemption or stated capital reduction exercises in the two (2) years preceding the date of this Prospectus.

10.4 Shareholding Structure of the Company

Tabulated below is the shareholding structure of the Company as of the date of submission of the Initial Listing Application to the CSE (i.e. September 21, 2021) and the status of the shareholding subsequent to the IPO assuming (i) full subscription of the IPO and (ii) these shareholders not subscribing to any Shares under the IPO.

Table 10.5 Shareholders of the Company

Name of the Shareholder	Prior to IPO		Subsequent to IPO	
	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
hSenid Ventures (Private) Limited	68,839,540	31.10%	68,839,540	24.88%
Rusi Sohli Captain	28,129,310	12.71%	28,129,310	10.17%
Dinesh B Saparamadu	27,800,110	12.56%	27,800,110	10.05%
Kurukulasuriya Patabendige Rohindra Bernard De Silva	26,963,970	12.18%	26,963,970	9.75%
Otto Edvard Husby Kalvo	19,800,000	8.94%	19,800,000	7.16%
Ceylon Guardian Investment Trust PLC	17,976,090	8.12%	17,976,090	6.50%
Timex Garments (Private) Limited	11,235,070	5.08%	11,235,070	4.06%
Argent Capital (Private) Limited	11,235,070	5.08%	11,235,070	4.06%
J M Sampath K Jayasundara†	3,300,000	1.49%	3,300,000	1.19%
Mohamed Nilamdeen Alawdeen	2,420,000	1.09%	2,420,000	0.87%
Aththidi Liyanage Saman Kumara†	762,190	0.34%	762,190	0.28%
Asitha Wijetunge Goonewardena†	330,000	0.15%	330,000	0.12%
Kottoruge Kapila Gajapala†	330,000	0.15%	330,000	0.12%
Hettipathira Kankanamalage Mahinda Shelton Kumara Pathirana†	304,920	0.14%	304,920	0.11%
Liyanagama Kankanamge Tasman Rohitha	304,920	0.14%	304,920	0.11%
Herath Mudiyanseelage Wasantha Bandara Rathnayake†	275,000	0.12%	275,000	0.10%
Dissanayake Mudiyanseelage Sanjaya Pubudu Bandara Dissanayake†	275,000	0.12%	275,000	0.10%
Suduweli Kondage Raveen Lasath†	275,000	0.12%	275,000	0.10%
Vichalya Vimarshie Wijesuriya†	275,000	0.12%	275,000	0.10%
Kudage Don Chamaka Chathuranga†	275,000	0.12%	275,000	0.10%
Jürgen Samuel	250,000	0.11%	250,000	0.09%
Darshini Udaine Saparamadu	110	0.00%	110	0.00%
IPO Shareholders			55,339,076	20.00%
Total	221,356,300	100.00%	276,695,376	100.00%

†Current employees holding Shares of the Company

10.0 Capital Structure

10.5 Details Pertaining to the Locked-in Shares – Pre and Post IPO

Details pertaining to the locked-in Shares constituting the public and non-public holding are given in Tables 10.6 and 10.7 below.

- (i) Dinesh B Saparamadu, hSenid Ventures (Private) Limited and the current employees holding Shares of the Company, who satisfy the criteria for Non-Public shareholders, have agreed to a “voluntary lock-in” of their Shares for a period of 12 months from the date of listing, which constitutes a longer lock-in period than the abovementioned statutory lock-in period as per the CSE Listing Rules or the lock-in period determined by the SEC;
- (ii) Liyanagama Kankanamge Tasman Rohitha (former employee of hBS) has been identified as “Non-Public” shareholder as per the public holding definition of the CSE and the Shares held by him will be locked-in for a period of 6 months from the date of listing or 12 months from the date of acquisition (i.e. up to August 31, 2022), whichever is longer, as per the lock-in period determined by the SEC;
- (iii) Shares held by Rusi Sohli Captain, who satisfies the criteria for Public shareholder, will be locked-in for a period of 6 months from the date of listing or 12 months from the date of transfer (i.e. up to August 31, 2022), whichever is longer, as per the lock-in period determined by the SEC;
- (iv) Shares held by Ceylon Guardian Investment Trust PLC, which satisfies the criteria for Public shareholder, will be locked-in for a period of 6 months from the date of listing or 12 months from the date of transfer whichever is longer, as per the lock-in period determined by the SEC;
- (v) Shares held by Otto Edvard Husby Kalvo and Jürgen Samuel, who satisfy the criteria for Public shareholders, will be locked-in for a period of 12 months from the date of transfer (i.e. up to October 5, 2022), as per the lock-in period determined by the SEC;
- (vi) Shares held by Darshini Udaine Saparamadu and Argent Capital (Private) Limited, who satisfy the criteria for Non-Public Shareholders, will be locked-in for a period of 6 months from the date of listing in terms of the CSE Listing Rules, 2.1.1(d) (i);
- (vii) Kurukulasuriya Patabendige Rohindra Bernard De Silva, Timex Garments (Private) Limited and Mohamed Nilamdeen Alawdeen have agreed to a “voluntary lock-in” of their Shares for a period of 6 months from the date of listing, even though the CSE Listing Rules do not require these Shares to be locked-in by virtue of these shareholders satisfying the criteria for Public shareholders.

Details pertaining to the locked-in Shares (pre and post IPO) are accordingly given below.

Table 10.6 Lock-in of Pre IPO Shares

Category of Shareholder	Locked-in Shares	Lock-in Period	Total Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue [Pre IPO]
Non-Public (Shares not acquired by way of a transfer in the last 12 months)	Locked-in	6 months from date of listing	11,235,180	5.08%
Non-Public (Shareholders who acquired Shares by way of a transfer in the last 12 months, namely, Dinesh B Saparamadu, hSenid Ventures (Private) Limited, and the existing employee shareholders)	Locked-in	12 months from the date of listing (voluntary lock-in)	103,041,760	46.55%
Non-Public (Liyanagama Kankanamge Tasman Rohitha who acquired Shares by way of a transfer in the last 12 months)	Locked-in	6 months from date of listing or 12 months from the date of transfer whichever is longer	304,920	0.14%
Public (Shares not acquired by way of a transfer in the last 12 months)	Locked-in	6 months from the date of listing (voluntary lock-in)	40,619,040	18.35%
Public (Otto Edvard Husby Kalvo and Jürgen Samuel who acquired Shares by way of a transfer on October 5, 2021)	Locked-in	12 months from the date of transfer	20,050,000	9.06%
Public (Shares acquired by way of a transfer in the last 12 months)	Locked-in	6 months from date of listing or 12 months from the date of transfer whichever is longer	46,105,400	20.83%
Total			221,356,300	100.0%

Note: The terms ‘Non-Public Shareholders’ and ‘Public Shareholders’ shall have the same meaning as set out in Rules 2.1.1 (d) of the CSE Listing Rules.

Table 10.7 Shares Locked-in – Post IPO

Category of Shareholders (Post-Listing)	Locked-in Shares/ Not-Locked in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Post-Listing)
Non-Public (Shares not acquired by way of a transfer in the last 12 months)	Locked-In (Pre-IPO Shares)	6 months from date of listing	11,235,180	4.06%
Non-Public (Shareholders who acquired Shares by way of a transfer in the last 12 months, namely, Dinesh B Saparamadu, hSenid Ventures (Private) Limited, and the existing employee shareholders)	Locked-In (Pre-IPO Shares)	12 months from the date of listing (voluntary lock-in)	103,041,760	37.24%
Non-Public (Liyanagama Kankanamge Tasman Rohitha who acquired Shares by way of a transfer in the last 12 months)	Locked-in	6 months from date of listing or 12 months from the date of transfer whichever is longer	304,920	0.11%
Public (Shares not acquired by way of a transfer in the last 12 months)	Locked-in (Pre-IPO Shares)	6 months from the date of listing (voluntary lock-in)	40,619,040	14.68%
Public (Otto Edvard Husby Kalvo and Jürgen Samuel who acquired Shares by way of a transfer on October 5, 2021)	Locked-in	12 months from the date of transfer	20,050,000	7.25%
Public (Shares acquired by way of a transfer in the last 12 months)	Locked-in	6 months from date of listing or 12 months from the date of transfer, whichever is longer	46,105,400	16.66%
Public	Not Locked-in (IPO Shares)	Not Applicable	55,339,076	20.00%
Total			276,695,376	100.00%

Note: The terms 'Non-Public Shareholders' and 'Public Shareholders' shall have the same meaning as set out in Rules 2.1.1 (d) of the CSE Listing Rules.

Public holding of the Company immediately subsequent to the IPO (as per the definition provided in the CSE Listing Rules for Public shareholding) is 34.68% representing a float adjusted market capitalisation of LKR 1,199,476,450/- at the Share Issue Price.

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

Shares listed on the CSE shall be freely transferable and registration of the transfer of such listed Shares shall not be subject to any restriction, save and except to the disclosure above and to the extent required for compliance with statutory requirements.

10.6 Details of Convertible Debt Securities

The Company has no outstanding convertible debt securities as of the date of this Prospectus.

10.7 Details of Shares Sold Privately in Conjunction with the Issue

No Shares are being offered privately in conjunction with this Issue.

10.8 Details of Take-Over Offers

There have been no take-over offers by third parties in respect of the Company's Shares during the past two (02) years, preceding the date of this Prospectus.

The Company has not made any take-over offers in respect of Shares of a third party during the past two (02) years preceding the date of this Prospectus.

11.0 MANAGEMENT DISCUSSION AND ANALYSIS

All financial information and figures pertaining to FY 21/22 in this section are based on the Unaudited Financial Statements of hBS for the period ended July 31, 2021.

11.1 Overview

The Management Discussion and Analysis herein discusses the Company's historical financial results for the last five financial years ended 31st March. Investors are advised to read this discussion together with the audited consolidated financial statements included in Annexure E of this Prospectus (the audited consolidated financial statements are also made available on the CSE website).

Prospective investors are encouraged to read this Prospectus in full, including Section 8 for an overview of the Company's operations, and Section 13 which discusses factors that may impact the Company's business operations, instead of relying solely on the financial information provided in this section.

11.2 Financial Performance

Table 11.1: Consolidated Income Statement Summary, Margins and Growth Rates (LKR Mn unless stated otherwise)

Year Ended 31st March	FY17	FY18	FY19	FY20	FY21
Revenue	607.5	749.8	825.9	955.1	961.5
Cost of Sales	(243.8)	(340.5)	(380.2)	(464.0)	(448.0)
Gross Profit	363.7	409.3	445.7	491.0	513.5
Other Income	11.1	28.2	22.0	18.7	32.9
Selling Expenses	(63.6)	(56.0)	(65.3)	(120.7)	(114.9)
Administration Expenses	(239.8)	(239.3)	(207.2)	(149.3)	(143.1)
Other Costs	(43.5)	(50.2)	(54.1)	(61.5)	(69.0)
EBIT	27.9	91.9	141.0	178.2	219.4
Finance Cost	(11.0)	(6.2)	(4.1)	(1.9)	(7.5)
Finance Income	2.7	1.4	3.6	5.6	11.0
Profit Before Tax	19.6	87.1	140.5	181.9	222.9
Tax (Expenses)/ Reversal	1.0	(11.5)	(3.9)	(14.2)	(13.7)
Profit for the Year	20.6	75.6	136.6	167.7	209.2
Other Information					
EBITDA	67.6	139.4	193.9	237.9	307.6
Depreciation and Amortization	(39.7)	(47.5)	(52.9)	(59.7)	* (88.2)

Source: hBS Audited Financial Statements

* Includes Amortization of Right of use Assets (LKR 21.2 Mn).

Margins (%)	FY18	FY19	FY20	FY21
Gross Margin	54.6%	54.0%	51.4%	53.4%
EBITDA Margin	18.6%	23.5%	24.9%	32.0%
EBIT Margin	12.3%	17.1%	18.7%	22.8%
Net Margin	10.1%	16.5%	17.6%	21.8%

Growth Rates (%)	FY18	FY19	FY20	FY21
Revenue	23.4%	10.2%	15.6%	0.7%
EBITDA	106.2%	39.1%	22.7%	29.3%
EBIT	229.5%	53.4%	26.4%	23.1%
Net Profit	267.3%	80.8%	22.8%	24.8%

Implementation and sales staff costs incurred in Singapore and India which were classified under administration costs in accounts during FY17-FY19 have been included under cost of sales and selling and marketing expenses respectively, in the latest accounts of FY20 and FY21.

2017, 2018 and 2019 figures below have been adjusted to be comparable to the latest audited account reclassification and the same figures have been used for analysis purposes throughout Section 11.

Table 11.2: Income Statement Summary Adjusted for Cost Reclassification (LKR Mn unless stated otherwise)

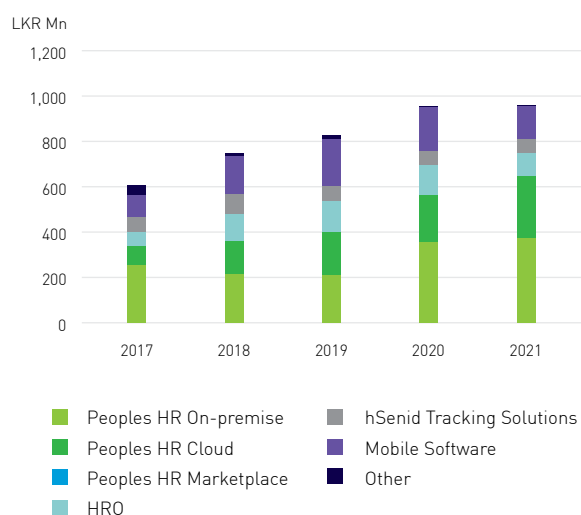
Year Ended 31st March	FY17	FY18	FY19	FY20	FY21
Revenue	607.5	749.8	825.9	955.1	961.5
Cost of Sales	(291.5)	(393.7)	(431.6)	(464.0)	(448.0)
Gross Profit	316.0	356.1	394.3	491.0	513.5
Other Income	11.1	28.2	22.0	18.7	32.9
Selling and Marketing Expenses	(104.6)	(85.0)	(75.1)	(120.7)	(114.9)
Administration Expenses	(151.0)	(157.2)	(145.9)	(149.3)	(143.1)
Other Costs	(43.5)	(50.2)	(54.1)	(61.5)	(69.0)
EBIT	27.9	91.9	141.0	178.2	219.4
Finance Cost	(11.0)	(6.2)	(4.1)	(1.9)	(7.5)
Finance Income	2.7	1.4	3.6	5.6	11.0
Profit Before Tax	19.6	87.1	140.5	181.9	222.9
Tax (Expenses)/ Reversal	1.0	(11.5)	(3.9)	(14.2)	(13.7)
Profit for the Year	20.6	75.6	136.6	167.7	209.2

Source: hBS Audited Accounts; Management Analysis

11.2.1 Revenue

hBS' revenue grew at a 4-year CAGR of 12.2% from FY17- FY21 despite a deceleration in growth in FY21, (from LKR 955.1 Mn in FY20 to LKR 961.5 Mn in FY21 | YoY growth of 0.7%) due to the impact of the Covid -19 pandemic and a service rationalisation in HRO segment that was carried out by hBS (refer HRO segment revenue analysis below for further information) to focus further on its core business. It should be noted that 48.0% of total revenue in FY21 consisted of recurring revenue items, providing a stable base for future revenue growth. The revenue of hBS mainly arose from PeoplesHR On-Premise, and the SaaS solution; PeoplesHR Cloud, accounting for a combined revenue of LKR 651.8 Mn (c. 67.8% of the total revenue) in FY21.

Figure 11.1: Shift in Product Mix



hBS Audited Accounts, Management Analysis

11.0 Management Discussion and Analysis

PeoplesHR On-Premise

Revenue from PeoplesHR On-Premise, grew at a 4 year CAGR of 10.0% from 2017-2021 and remained the biggest revenue generating product in the portfolio, accounting for 38.9% of total revenue in FY21. The Company recorded a marginal YoY growth of 4.4% in this segment resulting in a revenue of LKR 373.7 Mn for the year (cf. 358.0 Mn in FY20). The marginal revenue growth can be attributed to strong performance on the back of several high value deal bookings achieved in Sri Lanka and the continuation of work on a project for the Ugandan Government. This was partially offset by weak performance in the APAC region due to a limited number of new deal bookings secured as a result of the global pandemic and associated border restrictions.

PeoplesHR Cloud

hBS' SaaS solution: PeoplesHR Cloud, achieved a robust YoY growth of 34.2% to record a total revenue of LKR 278.1 Mn in FY21 (cf. +8.8% YoY; LKR 207.2 Mn in FY20). This segment accounted for c.28.9% of total revenue (in FY21) whilst growing at a strong 4 year CAGR of 34.2% from 2017-2021. The cloud-based HR solution which is expected to be a key focus area of the Company, maintained a strong performance in Sri Lanka, Africa, Bangladesh and the APAC region during the year. In addition, Recurring Subscription Revenue accounted for 69.0% of the total segment revenue in FY21, reflecting a potential upward exponential value curve that is evident in global SaaS business models.

HRO

HRO accounted for c. 10.1% of the total FY21 revenue of the company and declined at a YoY rate of 27.5%, rendering a segmental revenue of LKR 96.7 Mn (cf. LKR 133.3 Mn in FY20). The significant decrease in revenue is attributable to the ongoing discontinuation of the staffing solution/ umbrella employment (i.e., service rationalisation), which recorded an LKR 44.1 Mn revenue reduction for the year, achieving only LKR 61.5 Mn of revenue in FY21 as opposed to LKR 105.6 Mn in FY20. It should be noted that the revenue of the focal product in the segment; Payroll Outsourcing, increased by 27.0% YoY to a value of LKR 35.2 Mn in FY21.

Tracking Solutions

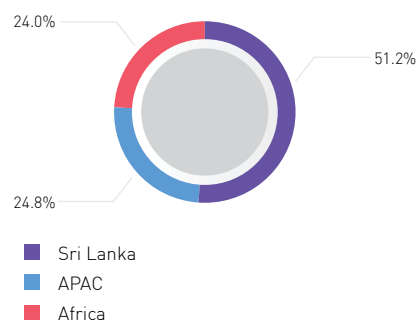
Revenue from Tracking Solutions increased at a healthy 6.8% YoY to achieve a total revenue of LKR 65.1 Mn in FY21 (cf. LKR 61.0 Mn in FY20). Sale of tracking systems formed 86.3% of the total Tracking Solutions revenue for the year while annual maintenance revenue associated with items sold, declined at a YoY rate of 8.4% to record a value of LKR 8.9 Mn in FY21.

Mobile Software

During FY21, hBS' Mobile Software revenue decreased by 23.8% YoY to attain a revenue of LKR 147.5 Mn (cf. -5.8% YoY; LKR 193.7 Mn in FY20). License and implementation revenue accounted for 60.0% of the segment's revenue, declining by 34.5% YoY, while Maintenance revenue (40.0% of segment revenue) remained virtually flat in FY21. The recent decline in revenue is a direct resultant of the Company's static growth strategy in respect of

onboarding new clients, coupled with the declining number of project requests coming from existing clients.

Figure 11.2: FY21 Revenue Geographical Breakdown

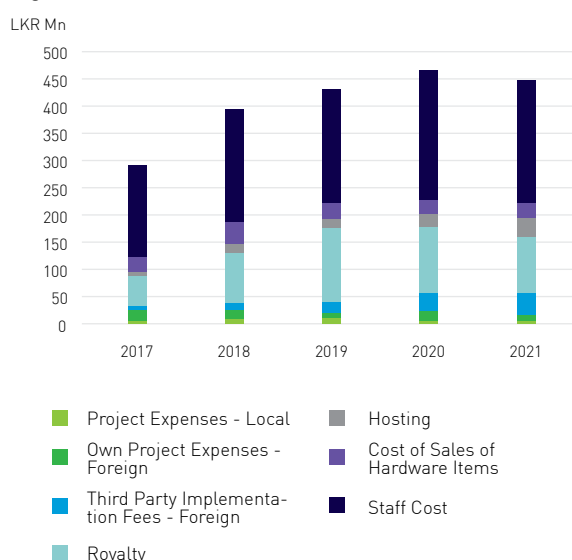


Source : hBS Management Analysis

Sri Lanka remained the Company's biggest revenue generating region accounting for 51.2% of the FY21 revenue, followed by Africa (24.0%) and the APAC region (24.8%). Out of the FY21 revenue generated from Sri Lanka, 39.9% accounted for PeoplesHR Cloud while PeoplesHR On-Premise formed 27.6%. On-Premise revenue dominated the revenue generated from Africa in FY21 (c. 92.7% of Region Revenue) while Mobile Software and PeoplesHR Cloud formed the majority of APAC revenue for the year.

11.2.2 Cost of Sales

Figure 11.3: Historical Cost of Sales



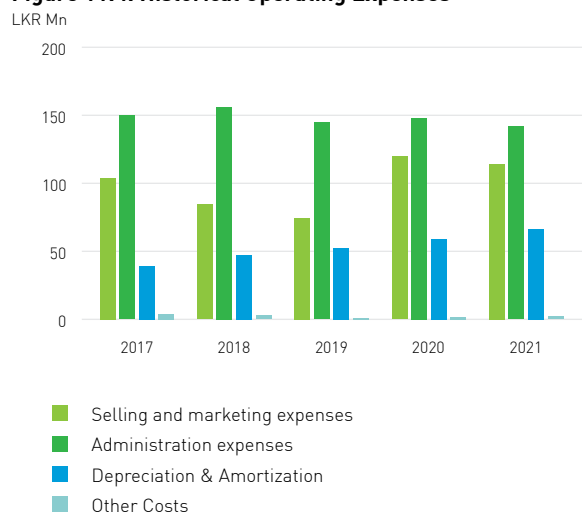
Source: hBS Audited Accounts, Management Analysis

* 2017, 2018 & 2019 figures have been adjusted to be comparable to the latest audited account reclassification (Implementation and Sales staff costs incurred in Singapore and India which were classified under Administration costs in Audited Accounts during the period have been included under Cost of Sales, and Selling and Marketing Expenses)

The GP margin ranged between 47.5%-53.4% from FY17 to FY21, and the Company was able to achieve consistent margins throughout the period concerned, mainly as a result of being able to pass any incremental costs to the client, especially implementation costs. In addition, cost of sales as a percentage of revenue marginally decreased from 48.6% in FY20 to 46.6% in FY21, primarily due to the move from low margin staffing solution/ umbrella business to core products of hBS, lower implementation costs, coupled with reduced foreign travel costs due to travel and border restrictions imposed on the back of the global pandemic, and was partially offset by increased hosting costs, hardware cost and royalty paid.

11.2.3 Other Operating Expenses

Figure 11.4: Historical Operating Expenses



Source: hBS Audited Accounts; Management Analysis

*2017, 2018 & 2019 figures have been adjusted to be comparable to the latest audited account reclassification (Implementation and Sales staff costs incurred in Singapore and India which were classified under Administration costs in Audited Accounts during the period have been included under Cost of Sales and Selling and Marketing Expenses)

*Amortization of Right of use Assets (LKR 21.2 Mn) included under Administration Expenses in audited accounts and not considered under depreciation & amortization for comparison across years.

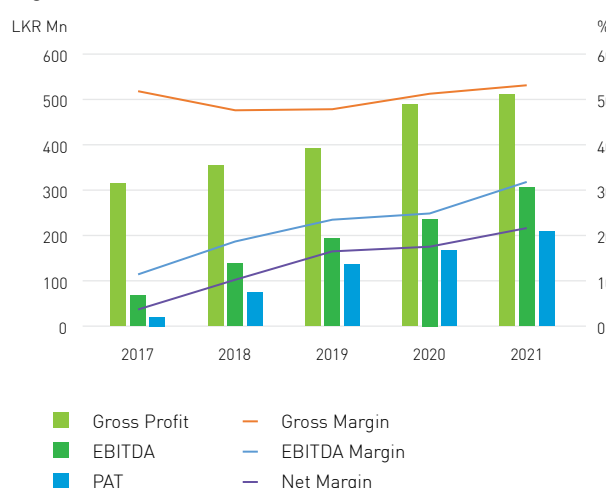
Administrative expenses primarily consist of personnel expenses, rent expenses and other operational and maintenance expenses incurred in daily business activities. In FY21, amortization of right of use assets (in place of building rent expense) amounting to LKR 21.2 Mn included under administrative expenses has been reclassified to depreciation and amortization expenses. If such amortization of ROU assets were included under administrative expenses, the reduction in total administration expense YoY would have been by 4.1% YoY to a value of LKR 143.1 Mn (cf. LKR 149.3 Mn)

This YoY decrease was mainly attributable to cost efficiencies achieved in utilities, staff related expenses, travelling costs and better operating lease terms negotiated during the year. These cost savings were partially offset by increased telephone and internet costs, subscription fees and consultancy fees during the year.

Selling and marketing cost reduced by 4.8% YoY in FY21 mainly on the back of a LKR 11.7 Mn reduction in business promotion costs due to the impact of COVID, partially offset by increased staff related costs on the back of new sales staff recruitments made during the year. Depreciation charges of LKR 3.6 Mn remained flat in FY21 while amortization expenses increased by 50.8% YoY to LKR 84.6 Mn, mainly due to the recognition of Right of Use Asset amortization coupled with a change in accounting principles to capitalize and amortize the salary of development staff personnel employed in India from FY21.

11.2.4 Profitability

Figure 11.5: Gross Profit, EBITDA and Profit After Tax



Source: hBS Audited Accounts; Management Analysis

*2017, 2018 & 2019 figures have been adjusted to be comparable to the latest audited account reclassification (Implementation and Sales staff costs incurred in Singapore and India which were classified under Administration costs in Audited Accounts during the period have been included under Cost of Sales and Selling and Marketing Expenses)

Other income increased 75.9% YoY to record a value of LKR 32.9 Mn in FY21 and such increase was mainly attributed to a LKR 16.4 Mn increase in exchange gains arising from realised and unrealised exchange gains of cash deposits of hBS denominated in foreign currencies. The Company reported a finance income of LKR 11.0 Mn (cf. LKR 5.6 Mn in FY20) which consists entirely of interest income earned through fixed deposits.

11.0 Management Discussion and Analysis

Amidst the pandemic induced adverse macro-economic factors that prevailed during FY21, the Company was able to record an EBITDA of LKR 307.6 Mn with an EBITDA margin of 32.0% (cf. LKR 237.9 Mn with a margin of 24.9% in FY20). The Company recorded an effective tax rate of 6.1% in FY 21 (cf. 7.8% in FY20) and the tax charge was imposed mainly on income from hardware sales, foreign operations and financial income. hBS' IT enabling services business income recognised in Sri Lanka is exempted from income tax as per the existing tax concessions. In addition, the Company achieved a Profit After Tax of LKR 209.2 Mn in FY21, resulting in an improved PAT margin of 21.8% (cf. LKR 167.7 Mn with a margin of 17.6% in FY20) mainly on the back of enhanced gross margins coupled with slightly reduced administration and selling and marketing costs.

In addition, Company recorded an exchange gain on translation of foreign operations of LKR 9.9 Mn in FY21 (cf. an exchange loss of LKR 0.7 Mn in FY20) as other comprehensive income, which can be mainly attributed to translation gains of Business Operations of hSenid Software (Singapore) Pte Ltd.

It should be noted that during the period considered, the Company's profitability has increased robustly. EBITDA has increased at a 4 year CAGR of 46.1% while PAT achieved a staggering 78.6% 4 year CAGR from 2017-2021. Such rapid increase in profitability can be attributed to the nature of hBS' revenue model, where the value of the user is extracted over a period, whereby the Company earns recurring revenue every year with a minimal amount of incremental costs and client churn if any.

11.3 Financial Position

Table 11.3: Statement of Financial Position (LKR Mn unless stated otherwise)

Year Ended 31st March	2017	2018	2019	2020	2021
Property, Plant and Equipment	6.8	5.1	4.9	9.6	9.5
Right of Use Assets	0.0	0.0	0.0	0.0	40.5
Intangible Assets	106.0	129.4	145.8	162.1	160.5
Inventories	12.0	9.1	8.6	13.9	19.7
Trade and Other Receivables	183.0	279.7	210.6	247.0	444.9
Other Current Financial Assets - FD	7.3	14.7	61.0	155.8	258.8
Cash and Bank Balances	114.8	107.1	172.9	219.6	261.5
Other Assets	10.1	7.5	19.4	31.5	55.6
Total Assets	440.0	552.6	623.2	839.5	1,250.8
Total Equity	238.6	318.1	396.9	563.9	769.3
Loans & Borrowings	57.4	44.1	12.9	13.2	23.6
Operating Lease	0.0	0.0	0.0	0.0	44.6
Retirement Benefit Obligation	32.8	42.0	44.4	56.0	71.4
Other Liabilities	111.2	148.3	168.9	206.4	341.9
Total Equity and Liabilities	440.0	552.6	623.2	839.5	1,250.8

Asset Base

Company's total asset base has improved to LKR 1.3 Bn at the end of FY21 (cf. LKR 0.8 Bn in FY20) growing at a 4 year CAGR of 29.8% during 2017-2021. The current asset base (82.8% of total assets as of FY21) has increased to LKR 1.0 Bn compared to LKR 0.7 Bn as of FY20, which can be attributed to a LKR 197.9 Mn increase in trade and other receivables mainly originating from the project milestone completion invoices raised for a few large global projects. The Company has a team in place that specialises in global credit recovery to ensure the timely collection of receivables.

Further, total non-current assets have increased to LKR 214.9 Mn (cf. LKR 182.5 Mn in FY20), primarily driven by the recognition of right of use assets worth LKR 40.5 Mn during FY21.

Capital Structure

Company's gearing ratio (Debt to Total Capital Employed) has increased to 8.1% at the end of FY21 (cf. 2.3% in FY20 and 3.2% in FY19). The increase in gearing ratio during FY21 despite a 36.4% improvement in the equity component of the capital structure, is mainly due to the classification of operating lease as an interest-bearing liability in the balance sheet as per SLFRS 16.

As stated in the Research Report, Company intends to repay all existing long-term borrowings of hBS as per the existing repayment schedules during the forecast period and expects to carry a zero loan balance by the end of FY23. Also, no additional financing is expected for the forecast period due to the strong cash position of the Company. However, overall low gearing level of the Company provides the opportunity to raise further debt capital at ease for any possible future expansions of the Company if needed.

Working Capital

hBS' current ratio marginally came down to 2.7x by the end of FY21 compared to 3.0x reported at the end of FY20, primarily owing to the increase in trade and other payables along with the recognition of operating lease liabilities as per the new SLFRS 16 standard. However, the upsurge in trade and other receivables coupled with the increase of buffer inventories amidst the adverse market factors, and the growth in short term investments helped to improve the current asset position of the company.

It should be noted that trade and other receivables amounting to LKR 7.0 Mn was due from former parent company hSenid Software International (Pvt) Ltd. (LKR 1.2 Mn) and affiliated companies of hBS; hSenid Mobile Solutions Bangladesh (LKR 3.7 Mn), hSenid Software India (Pvt) Ltd. (LKR 1.3 Mn), hSenid Mobile Solutions (Pvt) Ltd. (LKR 0.7 Mn) and hSenid Software Lanka (Pvt) Ltd. and hSenid Ventures (Pvt) Ltd. (together accounting for c. LKR 0.1 Mn).

In addition, hSenid Mobile Solutions (Pvt) Ltd. accounted for LKR 29.3 Mn of the total trade and other payable balance, which arose as part of the hBS' Mobile Software Solutions business carried out in Singapore, whilst hSenid Software International (Pvt) Ltd. carried a trade payable balance of LKR 0.1 Mn.

11.4 Company Performance - FY 2021/22 YTD

Table 11.4: Interim Statement of Income (LKR Mn unless stated otherwise)

4 Months Ended 31st July	FY22		FY21	
	LKR Mn	Margin	LKR Mn	Margin
Revenue	261.1	N/A	241.0	N/A
Gross Profit	123.6	47.3%	135.1	56.1%
EBITDA	53.2	20.4%	74.9	31.1%
EBIT	22.6	8.7%	53.6	22.3%
Profit After Tax	21.0	8.0%	54.6	22.6%

hBS' revenue grew at a stable YoY growth rate of 8.4% to reach a value of LKR 261.1 Mn for the 4 months ended 31st July 2021 (cf. LKR 241.0 Mn in 4ME FY21). PeoplesHR Cloud formed the majority of the revenue, accounting for 41.9% of total revenue, followed by PeoplesHR On-Premise (19.8%) and other products in the hBS portfolio. However, the Company's profitability reduced, recording a gross profit of LKR 123.6 Mn with a margin of 47.3%

(cf. LKR 135.1 Mn with a margin of 56.1% in 4ME FY21), mainly as a result of work being carried out on a large project for which costs are being accounted for, but the milestone for invoicing is expected in the quarter ended December 31, 2021. Net profit margins contracted to 8.0% (cf. 22.6% in 4ME FY21) as a result of the above, coupled with the increased Administration and Selling expenses due to the rapid staff recruitments made as part of the Company's aggressive strategic initiatives which are expected to drive future growth in the Company.

Table 11.5: Interim Statement of Financial Position (LKR Mn unless stated otherwise)

As at July 31st	FY22	FY21	YoY%
Intangible Assets	172.0	166.0	3.6%
Current Assets	1,001.7	725.6	38.0%
Total Assets	1,223.3	911.7	34.2%
Total Equity	763.0	621.0	22.9%
Total Liabilities	460.3	290.7	58.3%
Total Liabilities & Equity	1,223.3	911.7	34.2%

Company's total asset base increased by 34.2% YoY to LKR 1.2 Bn at the end of the period (cf. LKR 0.9 Bn as at 31st July 2020) mainly as a result of the improved current asset base (81.9% of total assets) to LKR 1.0 Bn. Total liabilities increased by 58.3% YoY to LKR 460.3 Mn on the back of increased trade receivables coupled with the recognition of operating lease as an interest-bearing liability in the balance sheet as per SLFRS 16.

11.5 Seasonality

There is an element of seasonality evident in the HCM industry globally where deal bookings are quite low in the first half of the year. Historically at hBS, there is a significantly higher percentage of agreements with new customers as well as renewal agreements with existing customers, in the third and fourth quarter of each fiscal year due to large enterprise account buying patterns, mainly as a result of budgetary constraints affecting client purchasing decisions at the start of a fiscal year.

During FY21, only LKR 15.7 Mn worth of Cloud deals amounting to 8.1% of total Cloud deal bookings in FY21, and LKR 30.3 Mn worth of On-Premise deals (19.5% of total FY21 On-Premise deal bookings) were achieved in the first quarter of the year (cf. LKR 4.7 Mn; 9.5% of total Cloud Deal Bookings and LKR 45.0 Mn; 9.0% of Total On-Premise deal bookings in FY20).

It should be noted that revenue is typically recognised at the end of the project timeline due to milestone-based project revenue recognition even though costs are incurred as staff payments throughout the project duration. When such relatively large revenues are recognised upon completion of project milestones, the aforementioned patterns may be disrupted.

12.0 OTHER INFORMATION

12.1 Relationship with Key Customers and Suppliers of hBS

Customers

As of October 31, 2021, the number of customers of hBS, accessed by its global partner network numbered more than 1,366 corporate entities, mainly from the APAC and African regions. With this global footprint, hBS diversified exposure beyond any one economic landscape or region. Furthermore, the solutions of hBS are highly customisable and can be localised to almost any locality. hBS has even been able to secure government clients, both individual SOEs and large-scale projects encompassing the entire public sector.

Consequently, the performance of hBS is safeguarded against adverse effects since its dependence is not reliant upon a single entity.

Suppliers/ Partners

As of October 31, 2021, hBS had a total partner network of 60 parties sourcing projects for hBS. In addition to partners, hBS itself also markets its services and solutions to potential Sri Lankan clients. Therefore, an insignificant dependence on suppliers prevails as a result of the vagaries of business.

12.2 Dividend Policy

Subject to the provisions of the Companies Act and the Articles of Association of the Company, the amount and timing of dividend payments on the Ordinary Voting Shares of the Company will be decided by the Board of Directors of the Company. The dividend policy of the Company will be based on a number of factors, including but not limited to, Company's earnings, cash flow position, future investments, funding of growth, the maintenance of a sound and efficient capital structure, and any other factors which the Board of Directors of the Company may deem relevant.

The dividend paid by the Company during the three financial years immediately preceding the issue of the Prospectus is set out in Accountants' Report presented in Annexure D of the Prospectus.

12.3 Working Capital

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day-to-day operations of the Company.

12.4 Litigation, Disputes and Contingent Liabilities

As at July 31, 2021, there are no material legal, arbitration or mediation proceedings against the Company which have or may have in the recent past affected the financial position or profitability of the Company.

As at July 31, 2021, there are no material contingent liabilities including guarantees that would affect the current and future profits of the Company except as disclosed in Table 12.1 below.

Table 12.1: Guarantees issued by Banks to Third parties on Behalf of the Company as at July 31, 2021

Bank	Beneficiary	Type/ Purpose	LKR/ USD	Amount
Standard Chartered Bank	University of Colombo	Bid Bond	LKR	210,000.00
Standard Chartered Bank	University of Colombo	Bid Bond	LKR	210,000.00
Standard Chartered Bank	Central Environmental Authority	Performance Bond	LKR	184,500.00
Hatton National Bank PLC	David Pieris Leisure	Advance Payment Guarantee	LKR	2,427,451.50
Hatton National Bank PLC	David Pieris Leisure	Performance Bond	LKR	242,745.15
Commercial Bank of Ceylon PLC	SYBYL Limited	Advance Payment - Ministry of Finance Uganda	USD	623,259.00
Commercial Bank of Ceylon PLC	SYBYL Limited	Performance Bond - Ministry of Finance Uganda	USD	207,753.00

As at July 31, 2021, there are no penalties imposed by any regulatory or state authority against the Company.

12.5 Management Agreements

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

12.6 Material Contracts

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business.

12.7 Details of Commissions Paid

No commission has been paid in the two (2) years preceding the IPO or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares of the Company.

12.8 Details of Benefits Paid to Promoters

No benefit has been paid in the two (2) years preceding the IPO and there is no benefit intended to be paid or given to any promoter of the Company.

12.9 Details of Transactions Relating to Property

The only property related transaction of the Company in the last two years was the renewal of a lease for the 2nd and 3rd floors of the building located at 67/1, Hudson Road, Colombo 3. The name of the lessor is Forwardair (Private) Limited. The said 2nd floor and 3rd floor leases have been renewed for a period of two (2) years and one (1) year respectively. The lease rental is LKR 1,854,400/- per month.

There were no transactions relating to the property within the two (2) years preceding the IPO in which any vendor of the property to the Company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Company had any interest, direct or indirect.

12.10 Taxation

Taxation applicable for the Company and its subsidiaries as at July 31, 2021 is as follows.

Table 12.2: Tax Rates Applicable for the Company and its Subsidiaries as at July 31, 2021

	Core Business Income		Time Attendance & Access Control Business Income		Other Income
	Income Tax	Indirect Tax	Income Tax	Indirect Tax	
hSenid Business Solutions Limited	0%	0% VAT	24%	8% VAT	24%
hSenid Business Solutions (India) Pvt Ltd.*	25%	18% GST			25%
hSenid Software (Singapore) Pte Ltd.**	17%	7% GST			17%
PeoplesHR Australia Pty Ltd.†	25%	10% GST			25%

*hSenid Business Solutions (India) Pvt Ltd. is a company incorporated in the Republic of India

** hSenid Software (Singapore) Pte Ltd. is a company incorporated in the Republic of Singapore

†PeoplesHR Australia Pty Ltd. is a subsidiary of hSenid Software (Singapore) Pte Ltd. and is incorporated in Australia

12.11 Details of Licences

The Company does not require any periodic licence issued by a regulatory body in order to carry out the main business activities of the Company.

13.0 INVESTMENT CONSIDERATION AND ASSOCIATED RISKS

Prior to investing in the New Shares, prospective investors should pay particular attention to the fact that the Company and to a large extent its business activities are subject to a number of risk factors which may be within or outside the control of the Company.

We recommend that you review the entire Prospectus in detail and pay particular attention to the following risks in connection with your investment. If any of the considerations and uncertainties given below develop into actual events, the Company's business, financial conditions or results of operations and prospects could be materially and adversely affected and this may impact the value of the Ordinary Shares.

13.1 Risks Relating to Macro-Environmental Factors

Political and Economic Climate in Sri Lanka

The Government exerts a substantial influence on many aspects of the economy. As such, the business and financial performance of the Company could be impacted by government policy and political instability. The business income of the Company is predominantly from IT and enabled services and is currently tax exempted. Any changes to the tax regulations could impact the profitability of the Company.

Impact of Covid-19

The prevailing global economic conditions caused by Covid-19 lockdowns have impacted almost all businesses including potential clients of the Company. Delays in sales decisions and partner development activities are likely to continue if the current economic situation is further prolonged.

Further, even customised software solutions may require the Company to send out its core personnel from the Sri Lankan office to carry out implementation and maintenance. Due to lockdowns and travel restrictions the Company's operations have been hampered by delays in overseas project implementation which require such support (especially in the African region).

However, hBS is in the process of training and enabling partners to contribute to the implementation and support activities to reduce disruptions and is also in the process of recruiting a few technical resources in those regions to support on-site client activities along with partners. Further hBS introduced PeoplesHR Turbo, a Do-It-Yourself (DIY) product, to market to eliminate the implementation efforts. Further PeoplesHR Academy will support customers to learn and carryout activities on their own with the content available on the online academy.

In order to maximise reach and maintain the topline performance despite uncertain conversion rates, the Company has also decided to work with the Microsoft partner network (directly and through Crayon) and Acumatica to develop its partner network. It has signed up with Acumatica to integrate its product, thereby enabling partners to sell it as an integrated product. Further, hBS plans to increase its reach through new partners, offering special discounts during the pandemic period and have already built in

the sales delays into business planning and budgeting for the following financial year.

13.2 Risks Relating to the Existing Business of hBS and Future Plans

Strategic Risk

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. As a company operating in the fast-paced software and technology industry, hBS is particularly vulnerable to the risk of falling behind in terms of technological advancement and adoption. Thus, it is important to formulate the right strategy. With the selection of the right strategy, there needs to be proper execution in order to achieve corporate objectives.

To remain competitive, the Company must continue to stay abreast of the constantly evolving industry trends and to enhance and improve the responsiveness, functionality and features of its software applications, websites and systems. In order to attract and retain customers and compete against competitors, it must continue to invest significant resources in research and development to enhance information technology and improve existing services. The HRIS industry and still evolving SaaS and PaaS industries are characterised by rapid technological evolution, changes in customer requirements and preferences, frequent introduction of new services and products embodying new technologies, and the emergence of new industry standards and practices, any of which could render existing technologies and systems obsolete. The Company's success will depend, in part, on its ability to identify, develop, acquire or license leading technologies useful in its business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner. The development of software applications, websites and other proprietary technology entails significant technical and business risks. If the Company is unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer preferences, whether for technical, legal, financial or other reasons, the business may be materially and adversely affected.

The strategic risk of hBS is monitored by the Senior Management of hBS who ensure the maintaining of a strong culture of continuous development, innovation and excellence. Further, compliance risk in terms of compliance with new legislation and regulations are overseen and monitored strictly by the Customer success and Audit and Compliance team. hBS's performance is also comprehensively reviewed monthly against budgets/targets and for any gaps as mitigation methods. If there are any significant variances, immediate action is taken to ensure that the strategy implementation is back on track. Further internal enterprise systems with data analytics will identify trends, patterns and business trigger points for management to take action for the future.

Operational Risk

Operational risk is the risk pertaining to loss resulting from inadequate or failed internal processes, people and systems or from external events including pandemic situations like COVID 19, which affect the operations and business continuity of the entity. Further, hBS understands that its growth plans may be subject to certain risks, especially given the current local and global economic environment vulnerabilities. Therefore, hBS has recognised the need to be prudent and the importance of strengthening risk management capabilities.

The responsibility of managing the operational risk lies with all staff in the Company. The accountability of managing operational risk lies with the Senior Management of hBS. They are responsible for maintaining an oversight over operational risk management and internal controls which cover all businesses and operations for effective utilisation of the Company's resources and to minimise the risk of loss. The Company is certified with ISO 9001:2015 and that will help the organisation to minimise the operational risk and company is in the process of implementing ISO 27001 specially on information security and compliance to further strengthen the company.

i) Increased Competition in the Future & Loss of Key Employees

The movement of large software development centres to Sri Lanka such as HCL have resulted in heightened demand for highly skilled technical staff. hBS now faces more competition than ever before in attracting the best talent and, given government plans to promote the IT sector, this is likely to continue. This is in addition to the long-standing challenge of brain drain that Sri Lanka faces with many highly educated and skilled individuals leaving the country for better prospects elsewhere.

Intending to mitigate this risk, hBS has secured a foothold in the source of talent by partnering with key education institutions across the nation. Currently, the Company is working with an education institute to develop potential human capital based on hBS's technology requirements. The Company has worked with the institution on developing the course and will also provide some technical teaching resources. Upon completion hBS plans to recruit suitable graduates to join its team.

ii) Loss of Key Partners

hBS's business generates, stores and processes a large quantity of personal, transaction, demographic and behavioral data. It faces risks inherent in handling large volumes of data and in protecting the security of such data. In future, the Company will face a number of challenges relating to data from transactions and other activities on the PeoplesHR platform, including protecting the data in and hosted on the system against attacks on the system by outside parties or fraudulent behavior by users and vendors. 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. Any failure, or perceived failure, by us to comply with posted privacy policies or with any emerging regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against the Company by governmental entities or others, which could have a material adverse impact on company results.

Although the Company believes that many of their new partners and customers originate from word-of-mouth and other non-paid referrals from existing partners and customers, and from the popularity of their brand in Sri Lanka, hBS shall continue to spend on advertising and brand building to acquire additional partners and customers through digital marketing and promotional offers.

iii) Security and Data Privacy Risk

hBS's business generates, stores and processes a large quantity of personal, transaction, demographic and behavioral data. It faces risks inherent in handling large volumes of data and in protecting the security of such data. In future, the Company will face a number of challenges relating to data from transactions and other activities on the PeoplesHR platform, including protecting the data in and hosted on the system, including against attacks on the system by outside parties or fraudulent behavior by users and vendors. 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. Any failure, or perceived failure, by us to comply with posted privacy policies or with any emerging regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against the Company by governmental entities or others, which could have a material adverse impact on company results.

Implementation of ISO 27001 and related procedures, controls, and governance frameworks will protect the interest of all parties concerned. hBS carries out security vulnerability test and penetration test by a reputed body to certify its products, platforms and mobile apps periodically to make sure all products and related apps are well secure as per the industry standards.

Market Risk: Increasing Exposure to Economic Risks in Foreign Markets

The main growth mechanism planned by the Company for the foreseeable future is market penetration and development in the APAC, African and other regions. While a large portion of hBS's revenues is currently generated in Sri Lanka, given these expansion strategies, a higher exposure to macro-economic risks from its target markets (which are primarily developing and emerging markets) is likely. Given the current state of economic and even political instability in certain target nations, hBS has a material exposure to such market risks.

13.0 Investment Consideration and Associated Risks

The responsibility of managing and mitigating such risk lies with the Corporate Management and key strategic decision makers who evaluate such plans carefully and conduct detailed feasibility studies and scenario planning exercises prior to execution. Given the fast-paced nature of the industry, hBS has created a highly flexible operational structure which is well-versed in adapting to and executing emergent strategies on short notice. Further, hBS has had an active presence in these regions for several years with more than a decade's worth of experience in Singapore, India and the African continent and eight years in Australia.

13.3 Risks Relating to Investment in Shares

Non-existence of Prior Market for the Shares

Prior to the IPO, there has been no public market for the Shares. As such, there can be no assurance that an active trading market for the Shares will develop or if developed, will be sustained, or that the market price of the Shares shall not decline below the Issue price. The Issue price may not be indicative of the market price for the Shares after completion of the IPO.

Price Volatility in the Secondary Market

The price of the Shares may fluctuate due to and not limited to the following: variations in operating results compared to analyst estimates, changes in operating environment or regulatory environment, technological advancements/obsolescence, macroeconomic factors and external events. The market price of the Shares may follow general investor sentiment prevalent in the market at a given time and could also fluctuate as a result of trading volumes.

Shares May Not be a Suitable Investment for All Investors

Each potential investor must determine the suitability of that investment (i.e., Share Issue) in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to evaluate the Share Issue, the merits and risks of investing in the shares and the information contained or incorporated by reference in this Prospectus.
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his/her/its particular financial situation, an investment in the offered shares and the impact the shares will have on his/her/its overall investment portfolio.
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Share Issue, including where the settlement currency is different from the currency in which such investor's principal financial activities are denominated, especially in the instances where foreign investors are concerned.
- understand thoroughly the terms of the Share Issue and be familiar with any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic indicators, interest rate and other factors that may affect the investment and its ability to bear the applicable risks.

14.0 STATUTORY DECLARATIONS

14.1 Declaration by the Directors

November 23, 2021

We, the undersigned, being Directors of hSenid Business Solutions Limited, a company incorporated in the Democratic Socialist Republic of Sri Lanka bearing Company Registration No. PB00245385, having its registered office at No. 50, Ward Place, Colombo 07, hereby declare and confirm that we have read the provisions of the Companies Act No.7 of 2007 relating to the issue of the Prospectus and provisions listed therein have been complied with.

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

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

Name of Director	Director Designation	Signature
Mr. Dinesh B Saparamadu	Chairman, Executive, Non-Independent	Sgd.
Mr. J. M. Sampath K. Jayasundara	Executive, Non-Independent Chief Executive Officer	Sgd.
Ms. Dishnira R. Saparamadu-Ariyaratne	Non-Executive, Non-Independent	Sgd.
Mr. Apurva Udeshi	Non-Executive, Non-Independent	Sgd.
Mr. W. Malinga. De F. Arsakularatne	Non-Executive, Independent	Sgd.
Mr. Madu Ratnayake	Non-Executive, Independent	Sgd.
Ms. Anarkali Moonesinghe	Non-Executive, Independent	Sgd.

14.0 Statutory Declarations

14.2 Declaration by hSenid Business Solutions Limited

We, hSenid Business Solutions Limited, having our Registered Office at No. 50, Ward Place, Colombo 07, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company.

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

The Common Seal of hSenid Business Solutions Limited affixed at Colombo on November 23, 2021 in the presence of two Directors.

Sgd.
Director

Sgd.
Director

14.3 Declaration by the Lead Managers to the Issue

We, NDB Investment Bank Limited of Level 1, NDB Capital Building, 135, Bauddhaloka Mawatha, Colombo 04 hereby declare and confirm to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors of hSenid Business Solutions Limited after due and careful inquiry.

The Common Seal of NDB Investment Bank Limited affixed at Colombo on November 23, 2021 in the presence of two directors.

Sgd.
Director

Sgd.
Director

14.4 Declaration by the Co-Managers to the Issue

We, CT CLSA Capital (Pvt) Ltd. of No. 4-15A, Majestic City, 10 Station Road, Colombo 04 hereby declare and confirm to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors of hSenid Business Solutions Limited after due and careful inquiry.

The Seal of CT CLSA Capital (Pvt) Ltd. affixed at Colombo on November 23, 2021 in the presence of two directors.

Sgd.
Director

Sgd.
Director

ANNEXURES

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ANNEXURE A – RESEARCH REPORT PUBLISHED TO
ASCERTAIN THE VALUE OF ORDINARY VOTING SHARES OF
hSENID BUSINESS SOLUTIONS LIMITED



RESEARCH REPORT



NDB INVESTMENT BANK LIMITED
Lead Managers to the Issue



CT CLSA CAPITAL (PVT) LIMITED
Co-Managers to the Issue

September 21, 2021

The preparers of the Research Report possess the requisite expertise to prepare reports of
this nature involving a company quoted on the Colombo Stock Exchange

September 21, 2021

Board of Directors,
hSenid Business Solutions Limited,
No. 50, Ward Place,
Colombo 7

Dear Sir/Madam,

Research Report on the Valuation of hSenid Business Solutions Limited

We, NDB Investment Bank Limited, as the Lead Managers to the Issue and C T CLSA Capital (Private) Limited, as the Co-Manager to the Initial Public Offering (hereinafter collectively referred to as "Managers to the Issue") of hSenid Business Solutions Limited (hereinafter referred to as "hBS" or the "Company"), wish to submit the enclosed Research Report in accordance with Section 3.1.4.c (ii) of the Listing Rules of the Colombo Stock Exchange.

We have carried out a detailed analysis of the business operations of hBS to arrive at the fair value of hBS's shares as at July 31, 2021 based on three valuation methodologies and the results have been summarised below.

Valuation Method	Per Share Value (LKR)
PRIMARY VALUATION Discounted Cash Flow (DCF) Valuation	14.71
SECONDARY VALUATION – Method 1 Trailing Enterprise Value-to-Revenue (EV/R) Relative Valuation	25.21
SECONDARY VALUATION – Method 2 Trailing Price-to-Earnings (P/E) Relative Valuation	23.67

We are of the view that hBS's shares would have a fair value of LKR 14.71. The valuation obtained via the Secondary Valuation Techniques of LKR 25.21 per share and LKR 23.67 per share have not been used for the purpose of supporting the fair value due to potential differences in the markets considered and the differences in the size of peer operations, although such valuations could be realised by hBS in the medium to long term on the back of Company's strong global footprint. A Net Asset Value based valuation was disregarded for this valuation exercise as it does not capture the earnings capacity of the Company (Refer Section 6.0 in Page 119 for a more detailed justification).

Considering the need to offer an upside to potential investors and the healthy marketability of Shares, we recommend an Issue Price of LKR 12.50 per share, for the purpose of the IPO.

The detailed Research Report is enclosed herewith for your reference.

Thank you.
Yours faithfully,

Sgd.
Darshan Perera
Director/ Chief Executive Officer

Sgd.
Zakir Mohamedally
Chief Executive Officer

NDB INVESTMENT BANK LIMITED

C T CLSA CAPITAL (PVT) LIMITED

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1 LIST OF ABBREVIATIONS

List of abbreviations	
ADB	Asian Development Bank
ADP	Automatic Data Processing, Inc.
AI	Artificial Intelligence
APAC	Asia-Pacific Region
APEC	Asia-Pacific Economic Cooperation
B2B	Business-to-Business
Bn	Billion
CAGR	Compound Annual Growth Rate
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow
FCFE	Free Cash Flows attributable to Equity holders
GDP	Gross Domestic Product
hBS	hSenid Business Solutions Limited
HCM	Human Capital Management
HRIS	Human Resource Information System
HRO	Human Resource Outsourcing
HR	Human Resource
ICT	Information and Communication Technology
IPO	Initial Public Offering
IT	Information Technology
LKR	Sri Lanka Rupees
Mn	Million
NDBIB	NDB Investment Bank Limited
P/E	Price-to-Earnings
PaaS	Platform-as-a-Service
R&D	Research and Development
RPA	Robotic Process Automation
SaaS	Software-as-a-Service
SME	Small and Medium Enterprise
USD	United States Dollar
WHO	World Health Organisation

2 OVERVIEW - hSENID BUSINESS SOLUTIONS LIMITED

2.1 Company Snapshot

hSenid Business Solutions Limited (hBS or the Company), incorporated in 2005, is a Sri Lankan based Human Capital Management software vendor and solutions provider. Its business operations were initiated under hSenid Software International (Private) Limited, headed by Mr. Dinesh B Saparamadu, in 1997 with the aim of supplying high quality software products and services to a global subscriber base. hBS has a wide portfolio of solutions aimed at fulfilling the entire gamut of HCM needs of SME and large enterprise customers. This includes hBS's flagship product PeoplesHR® which is offered under both an "On-Premise" and Cloud-based Software-as-a-Service (SaaS) implementation. Additional solutions include Human Resource Tracking Solutions to monitor employee activity in modern work environments and Human Resource Outsourcing Services.

Today, hBS serves over 1,300 clients across more than 20+ different industries and 40+ countries including world renowned multinational companies and government organisations. hBS also utilises a unique combination of Data Analytics, Artificial Intelligence (AI) and AI powered Predictive Analytics, Intelligence Automation, Internet of Things (IoT) and other cutting-edge technologies to provide their clients with people-centric solutions that are customisable, adaptive and relevant.

Over the past 16 years hBS has been carrying out its global operations via **hSenid Business Solutions (India) Pvt Ltd.** which is focused on the large market opportunity in India, **hSenid Software (Singapore) Pte Ltd.** which is primarily involved in the distribution of mobile software solutions, computer software development, maintenance and consultancy and, **PeoplesHR Australia Pty Ltd.** which provides cloud software subscription, maintenance and consultancy services.

Figure 2.1 Group Structure

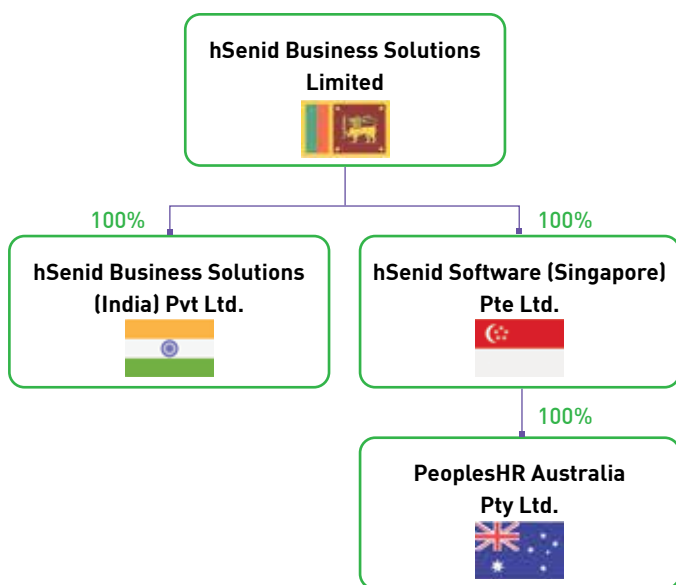
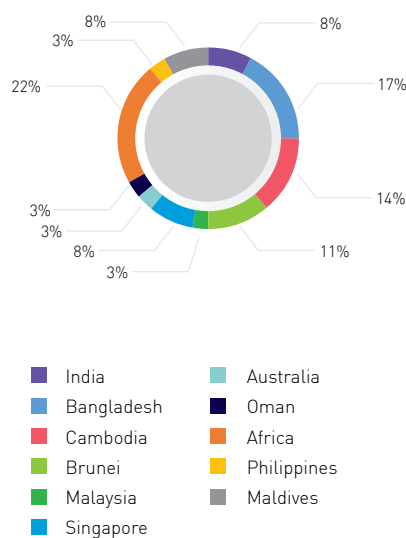


Figure 2.2 Partner Network Breakdown



In addition to its own subsidiaries, the majority of selling and distribution of hBS's software solutions take place via wide-spread partner networks consisting of system integrators across the globe which allows the Company to gain clients at an exponential pace. The Company currently has 50 partners who provide selling and implementation services in their regions. Further, hBS has established partnerships with organisations such as Microsoft, Xero and Acumatica enabling the Company to tap into their respective partner networks to achieve wider distribution and scale.

2.2 Product portfolio

Table 2.1 Products and Services of hBS



PeoplesHR is a people-centric customisable HCM System with more than 25 modules that align with technological and workplace requirements to provide a unique user experience in managing talent.

The PeoplesHR solution can be deployed either On-Premise or via cloud storage under a SaaS model and is provided under the **PeoplesHR On-Premise** and **PeoplesHR Cloud** brand names, respectively.

A lower cost version of the software was also launched recently under the brand **PeoplesHR Turbo** primarily targeting the SME sector in selected countries. PeoplesHR Turbo is aimed at customers who could deploy the product on their own with minimal customisation or implementation support.



hBS Tracking Solutions provides solutions to track, secure and manage assets of companies whether it is employees, locations or objects. These include tracking, access automation, security, time and attendance management, crowd control and management, and facial access control.



hBS HRO is the outsourcing arm of hBS and offers clients the flexibility to either outsource all HR related functionalities or selected aspects based on their requirement. These services are not limited to hBS users, as the company is flexible in importing and exporting data from any other system as well.



PeoplesHR Marketplace is hBS's breakthrough Platform-as-a-Service (PaaS) offering and is a global marketplace to link hBS users with third party application software providers. PeoplesHR Marketplace enables HR divisions and PeoplesHR users to access a wide variety of pre-approved third party applications which integrate seamlessly with the PeoplesHR platform. Current offerings include CRM software, digital health, accounting software and other value added HR services such as onboarding, e-learning, enterprise social networking etc.

The PeoplesHR solution is hBS's flagship product with revenue from On-Premise implementations currently exceeding SaaS revenues. However, in line with recent trends towards cloud based infrastructure, hBS expects a significant increase in SaaS implementations leading to cloud based revenues overtaking On-Premise in the near future. PeoplesHR On-Premise has been predominantly chosen by Governments and large scale organisations which have internal technology infrastructure and expertise.

Further, hBS plans to expand its PaaS offering, PeoplesHR Marketplace as a method of building a global network of HCM solutions and complimentary applications which will allow it to maximise the network effect resulting in increased cross sell revenues and upselling for its own offerings as well as generating a new source of revenue through commission income from vendors. This is also expected to increase the level of client 'stickiness' of PeoplesHR HCM solutions due to strong integration and value enhancement offered by the applications on the Marketplace.

2 Overview - hSenid Business Solutions Limited

2.3 Use of IPO proceeds

hBS aims to become the most preferred HXM (Human Experience Management) Solutions provider in the APAC and African regions with a globally competent workforce and agile and AI driven product innovations.

Given the highly competitive nature of the global SaaS industry and particularly the business solutions space, continuous investment in research and development to improve the Company's HCM solutions is vital for its success and market acceptance. Further, hBS plans to expand its reach in the APAC region via focused efforts on partner development and mergers and acquisitions led growth. The latter is aimed at acquiring smaller regional players who provide HR services and core HR activities such as payroll, leave and attendance to their client bases but continue to use legacy technology. This inorganic growth strategy would accelerate hBS's growth in foreign markets.

Table 2.2- Use of IPO Proceeds

Description	Fund Utilisation (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	

3 OVERVIEW – HUMAN CAPITAL MANAGEMENT SOFTWARE INDUSTRY

INVESTORS ARE ADVISED TO REFER THE INDUSTRY OVERVIEW SECTION OF THE PROSPECTUS [SECTION 7] IN ORDER TO GAIN AN UNDERSTANDING OF THE GLOBAL IT INDUSTRY, KEY IT MARKET TRENDS, THE SRI LANKAN IT INDUSTRY, AND THE NATURE OF THE HCM INDUSTRY, ITS KEY MARKET TRENDS AND ITS COMPETITIVE LANDSCAPE.

THE FOLLOWING LAYS OUT THE MACRO AND MICRO LEVEL ECONOMIC AND INDUSTRIAL FACTORS WHICH WERE ANALYSED IN DRIVING THE FORECASTS AND THE VALUATION OF hBS.

3.1 Regional Macro Factors

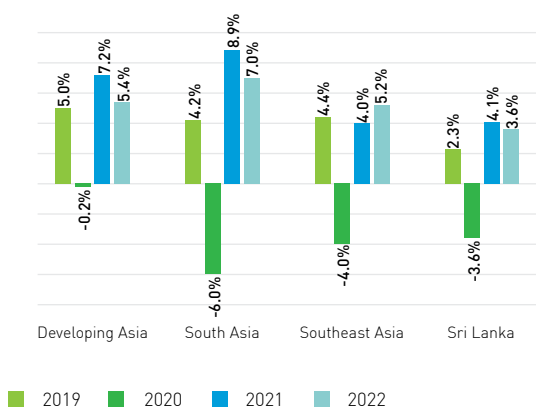
The B2B nature of the market offering makes the HCM Software market susceptible to macro-level factors such as economic growth and business conduciveness.

3.1.1 Asia

The economies of Asian countries (including APAC and Sri Lanka) which are undergoing a massive inoculation drive at present¹, are expected to rebound strongly post-pandemic.

As per ADB's Asian Development Outlook published in 2021, the South Asian economy is expected to rebound with a GDP growth value of 8.9% in 2021 followed by a 7.0% growth in 2022, whilst the Southeast Asian economy is set to achieve successively higher growth rates in 2021 and 2022 (4.0% and 5.2% respectively). As a result, a growth in businesses and labour force is expected to support the regional economic uptrend, allowing for an expected increase in the demand for HCM Software.

Figure 3.1 - Forecasted Real GDP Growth



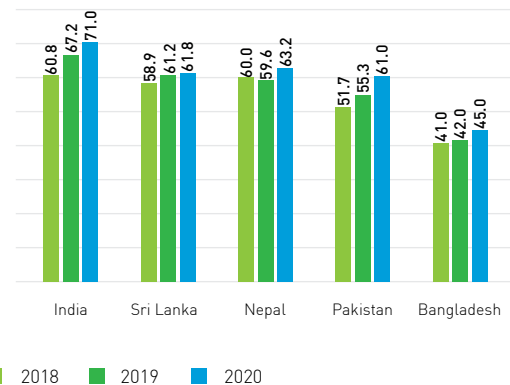
Source – ADB - Asian Development Outlook 2021

SMEs, which make up c. 97% of all enterprises and employs over 69% of the workforce across Asia's economies², and which serves as the 'backbone' of many Asian economies, are expected to play a pivotal role in incubating this growth. This is a promising sign for Cloud-based HCM Software providers due to the growing popularity of Cloud-based IT services among SMEs owing to its low-cost deployment and ease of facilitating business scalability.

Side note - SMEs are systemically important in a Sri Lankan perspective as they account for more than 45% of the workforce whilst contributing to more than 50% of the GDP.³

Moreover, the organic business generation post-pandemic is to be further catalysed by the improving business conducive environment (as evidenced by the continuously improving Ease of Doing Business Scores) causing to increase the rate of adoption of HCM Software in the region.

Figure 3.2 - Ease of Doing Business Score - 2018 to 2020



Source: World Bank - Doing Business 2018, 2019, 2020

3.1.2 Africa

The African region, similar to Asia is stacked with economic growth potential and is also expected to experience a significant growth in population in the near future. The Sub-Saharan African economy (on which the pandemic had a relatively lesser effect when compared to the rest of the world) is expected to outperform the global economy by 2023, reverting back to the pre-pandemic norm, with the likes of Uganda, Rwanda and Kenya driving the regional growth.

Despite being relatively under-penetrated compared to other regions, the HCM software market is bound to gain from the resultant business generation, coupled with the increased adoption of ICT and the embrace of digitisation in the region.

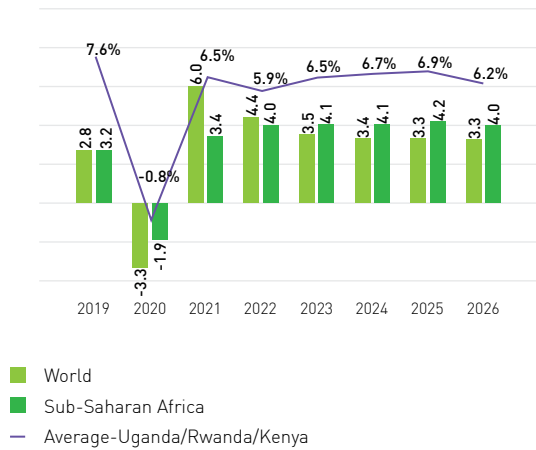
¹WHO, 2021, Over half a billion COVID-19 vaccine doses administered in WHO South-East Asia Region, as countries scale up vaccination efforts accessed via <https://www.who.int/southeastasia/news/detail/06-08-2021-over-half-a-billion-covid-19-vaccine-doses-administered-in-who-south-east-asia-region-as-countries-scale-up-vaccination-efforts> accessed on 8/8/2021

²ADB, Asia Small and Medium-Sized Enterprise Monitor, October 2020, accessed via <https://www.adb.org/publications/asia-sme-monitor-2020-country-regional-reviews> on 1/8/2021

³Ministry of Industry and Commerce, 2015, National Policy Framework for SME Development, accessed via http://www.industry.gov.lk/web/images/pdf/framew_eng.pdf on 8/8/2021

3 Overview – Human Capital Management Software Industry

Figure 3.3 - Forecasted Real GDP Growth (%)



Source: International Monetary Fund - World Economic Outlook Database (April 2021)⁴

3.2 Impact of COVID 19

Unlike other industries which were disproportionately hampered, the HCM industry was highly resilient in the face of the pandemic, managing to generate over USD 17 Bn in worldwide software revenue with an YoY growth of 7%.⁵ (Gartner)

With the imposition of pandemic-induced lockdowns in order to curb the spread of the virus, many businesses resorted to the Work-From-Home model and were forced to embrace digitisation in order to keep their operations running.⁶ As a result, the need for a more efficient and effective management of the 'dispersed workforce' arose, making HCM SaaS and other Cloud-based solutions highly sought after by businesses. Gartner research reveals that even amid the current cost constrained environment, where one-third of HR leaders plan for budget cuts this year, 90% still plan to either maintain or increase their investment in technology, particularly in Human Resource Management⁷.

Side note – HCM Solutions are able to (among other things); connect a 'dispersed' organisation (via the Cloud), monitor and keep track of employee performance, enable virtual collaborations, facilitate virtual recruiting and digital onboarding of employees, and facilitate learning and training.

⁴ International Monetary Fund - World Economic Outlook Database (April 2021), accessed via <https://www.imf.org/en/Publications/WEO/weo-database/2021/April> on 9/8/2021

⁵ Gartner, 2021, HCM Software Trends and Imperatives, 2021, accessed via <https://www.gartner.com/en/documents/4003478-hcm-software-trends-and-imperatives-2021> on 1/8/2021

⁶ Deloitte, 2020, The Acceleration of Digitization as a Result of COVID-19, accessed via <https://www2.deloitte.com/global/en/blog/responsible-business-blog/2020/acceleration-of-digitization-as-result-of-covid-19.html> on 1/8/2021

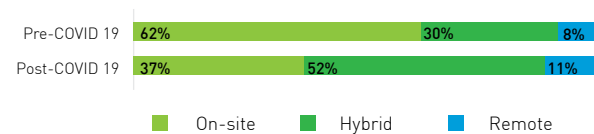
⁷ Gartner, 2021, Top 5 Strategic Technology Trends for HR in 2021, accessed via <https://www.gartner.com/smarterwithgartner/top-5-strategic-technology-trends-for-hr-in-2021> on 16/7/2021

⁸ <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/what-employees-are-saying-about-the-future-of-remote-work> on 11/7/2021

⁹ The Business Research Company, 2021, Software as a service (SaaS) Global Market Report 2021: COVID 19 Impact and Recovery to 2030, accessed via <https://www.thebusinessresearchcompany.com/report-preview1.aspx?Rid=software%20as%20a%20service%20saas%20global%20market%20report> on 1/9/2021

It is likely that HCM Software will continue to be preferred over legacy systems that were in use by many businesses prior to the pandemic due to two broad reasons. One, being the growing popularity of a hybrid work model going forward, whereby flexibility is granted for employees to work on-premises as well as remotely, thus raising the need for HCM SaaS Solutions. The second being the irreversible embrace of digitisation, upon the recognition of its perks, by existing businesses and the firms of the future.

Figure 3.4 – Working models pre-COVID 19 and desired working models post-COVID 19 (% survey participants)



Source: McKinsey – Reimagine Work: Employee Survey, 2021 (Dec 2020 – Jan 2021 | Sample size: 5,043)⁸

Accordingly, Gartner (in the HCM Hype Cycle Report - 2020) estimates 60% of the global mid-market and large enterprises to have had invested in cloud deployed HCM suites for administrative HR and talent management purposes by 2025, whilst cautioning HCM vendors of potential gaps in functionalities that may arise in the future. This provides HCM vendors an opportunity to improve their offering, through cross-compatibility and innovation, in order to cater to its clients better.

3.3 The relevance of the Cloud

The growing popularity of SaaS and other Cloud-based solutions is likely to persist into the future, owing to the many inherent benefits it entails (inter alia low initial investment, absence of infrastructure maintenance, ubiquity and the quick deployment of Solutions). Accordingly, the global SaaS industry is set to grow at a CAGR of 12.5% from 2021 to 2025, generating USD 436.9 Bn in revenue by 2025.⁹ This overall boom in SaaS and cloud-based software is likely to trickle down to the HCM industry, with many businesses (specially SMEs) preferring such solutions over traditional, company-owned, server-client On-Premise solutions.

However, some entities will still demand for On-Premise HCM solutions. Large companies with sophisticated network infrastructure may decide to utilise their existing resources to accommodate an in-house HCM solution. Other systematically important institutions such as Governments and large banks

may be reluctant to make a switch to the cloud, and rely on an On-Premise solution, due to their risk averseness with regards to information security and data privacy.

3.4 Competitive Landscape

3.4.1 Prevailing Market Structure

The HCM industry is highly competitive and fragmented¹⁰, with the top 10 HCM vendors accounting for only 44.2% of the global HCM market¹¹, whilst the remainder of the market is made up of smaller vendors. This fragmented market structure has emerged as a result of the nature of the offering wherein enterprise software companies create and sell new software products as opposed to providing software services or being re-sellers of existing products. Because each new software maps to a single product among thousands, the market has supported thousands of enterprise software startups, giving rise to a large and growing number of Enterprise SaaS companies. Differences in HR practices across regions and the regulatory environment also limits the likelihood of a few dominant players emerging at the expense of the rest and allows several players to 'win' in their respective niches.

3.4.2 AI to Steer Competition

In response to overwhelming competition, leading HCM vendors incorporate emergent technology such as AI, Data Analytics and Robotic Process Automation into their products as a means of differentiating and gaining market share. Accordingly, some leading HCM companies have committed themselves to attain AI proficiency by substantially increasing their R&D budgets. As an example, Workday Inc, a leading HCM provider, increased its Product Development spending by a 5-year CAGR of 29.2% from January 2016 to January 2021.¹²

Whereas some leading HCM providers have taken on a more inorganic approach in attaining AI proficiency, by acquiring potential-laden nascent AI start-ups. In 2020, Cornerstone OnDemand Inc. acquired Clustree, a French tech company which developed an industry leading, AI-powered skills engine, for a purchase consideration of USD 18.5 Mn, with the intention of integrating Clustree's technology with Cornerstone's.¹³

3.4.3 Strategic Acquisitions by Leading HCM Providers

Further on the theme of strategic acquisitions; leading HCM providers have resorted to acquiring firms in order to further their products, reach and market share. The following table details some noteworthy acquisitions made by leading HCM providers in the recent past.

Table 3.1 – HCM related strategic investments by leading HCM providers (since 2018)

Acquired / Announced	Acquirer	Target	Description of Target
Apr-20	Cornerstone OnDemand, Inc.	Saba Software, Inc.	A provider of Talent Experience Solutions ¹⁴
Jan-20	Cornerstone OnDemand, Inc.	Clustree	An industry-leading, AI-powered skills engine and extensive skills ontology ¹³
Jun-19	ADP, Inc.	Softcom (Ireland) Limited	A payroll and HR services provider ¹⁵
Nov-18	Cornerstone OnDemand, Inc.	Grovo Learning Inc.	A leading provider of Microlearning Content ¹⁶
Sep-18	Oracle	Iridize	Platform for personalised and contextual user onboarding and training ¹⁷
Aug-18	ADP, Inc.	Celergo	Global Payroll Management Services ¹⁸

When analysing the strategic acquisitions listed above, it is observed that some were made with the intention of integrating the unique resources of the acquiree into the acquirer's Solutions, (e.g., The acquisitions of Cornerstone OnDemand, Inc. and Oracle) whereas some were focused on increasing market share by entering new markets (e.g., the acquisitions of ADP, Inc). This industry precedence therefore presents two unique approaches to inorganic growth that could be adopted by a growth savvy HCM provider.

¹⁰ Mordor Intelligence, 2020, Human Capital Management Software Market - Growth, Trends, Covid-19 Impact, And Forecasts (2021 - 2026) accessed via <https://www.mordorintelligence.com/industry-reports/human-capital-management-software-market> on 8/8/2021

¹¹ Apps Run The World, 2020, Top 10 HCM Software Vendors, Market Size and Market Forecast 2019-2024, accessed via <https://www.appsruntheworld.com/top-10-hcm-software-vendors-and-market-forecast/> on 22/8/2021

¹² S&P Capital IQ, 2021, accessed via <https://www.capitaliq.com> on September 15, 2021

¹³ Tech.eu, 2020, French startup Clustree acquired by Cornerstone OnDemand for \$18.5 million accessed via <https://tech.eu/brief/french-startup-clustree-acquired-by-cornerstone-ondemand-for-18-5-million/> on 20/08/2021

¹⁴ Cornerstone OnDemand, 2020, Cornerstone Completes Acquisition of Saba Software accessed via <https://www.cornerstoneondemand.com/company/news/press-releases/cornerstone-completes-acquisition-of-saba-software/> on 19/08/2021

¹⁵ ADP, 2019, ADP Acquires Softcom (Ireland) Limited, Strengthening its International Direct Presence accessed via <https://uk.adp.com/about-adp/press-centre/2019-06-17-adp-acquires-softcom-ireland-limited-strengthening-its-international-direct-presence.aspx> on 13/8/2021

¹⁶ Cornerstone OnDemand, 2018, Cornerstone Accelerates Momentum in Content with Acquisition of Grovo, accessed via <https://www.cornerstoneondemand.com/company/news-room/press-releases/cornerstone-accelerates-momentum-content-acquisition-grovo/> on 13/8/2021

¹⁷ Oracle, 2018, Oracle Buys Iridize, accessed via <https://www.oracle.com/corporate/acquisitions/iridize/> on 16/8/2021

¹⁸ PR Newswire, 2018, ADP Acquires Celergo, Strengthening Global Payroll Capabilities, accessed via <https://www.prnewswire.com/news-releases/adp-acquires-celergo-strengthening-global-payroll-capabilities-300689628.html> on 10/8/2021

4 SOURCES OF INFORMATION

The following sources were referred to when developing the Company overview, Industry overview, and the Forecasts and Valuation:

1. Unaudited Financial Statements of hBS for the period ended July 31, 2021
2. Audited Financial Statements of hBS for the Financial Years ended March 31, 2017, 2018, 2019, 2020 and 2021
3. Budgets and internal forecasts provided by the Management of hBS
4. Information on S&P Capital IQ Platform
5. Trading related information available on the Colombo Stock Exchange
6. Other publicly available information (which are given due credit wherever used)

The Managers to the Issue are of the view that the information sources listed above were adequate to carry out the equity valuation of hBS in a fair and reasonable basis to the best of their knowledge. Furthermore, it should be noted that the Managers to the Issue have not carried out an independent verification of the information provided by the Company. In addition, no information has come to the attention of the Managers to the Issue to believe that the facts and data set forth in the Report are incorrect.

5 FINANCIAL FORECASTS AND ASSUMPTIONS

The financial statements of hBS were forecasted based on the audited financial statements of the Company for the year ended March 31, 2021 and the unaudited financial statements of the Company for the period ended July 31, 2021. Management expectations, current trends in the segments in which hBS operates and the overall macro-economic outlook were considered when forecasting the Company's performance.

The Managers to the Issue have established that the assumptions used for forecasts given in this report are reasonable and fair to the best of their knowledge.

5.1 Revenue and Forecast Assumptions

hBS revenue increased marginally by 0.7% YoY in FY21 to LKR 961.5 Mn (cf. LKR 955.1 Mn in FY20) despite the impact of the Covid-19 pandemic, with PeoplesHR Cloud recording the highest YoY growth of 34.2% followed by modest growths of PeoplesHR OnPremise and Tracking Solutions. This growth was effectively offset by the de-growth of HR Outsourcing business and Mobile solutions business, in line with the Management view to focus on the core products. Total revenue is expected to grow at a 6 year CAGR of 22.6% from FY21 to FY27, on the back of the robust performance of PeoplesHR Cloud followed by PeoplesHR OnPremise.

It should be noted that 48.0% of total revenue consisted of recurring revenue items in FY21, which provides a platform for significant revenue growth as is common in the SaaS business model.

Table 5.1 – Segment Revenue Breakdown

Segment Revenue(LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
PeoplesHR OnPremise	358.0	373.7	441.2	592.4	705.3	828.6	947.6	1,036.2
PeoplesHR Cloud	207.2	278.1	381.6	539.3	762.7	1,035.5	1,344.1	1,688.2
PeoplesHR Marketplace	0.0	0.2	5.2	11.3	21.7	74.6	138.1	187.7
HRO	133.3	96.7	49.2	48.9	50.7	52.5	54.4	56.4
hSenid Tracking Solutions	61.0	65.1	82.8	96.6	109.3	118.9	127.7	135.7
Mobile Software	193.7	147.5	151.0	154.0	157.8	159.7	161.3	162.2
Other	1.8	0.2						
Total Revenue	955.1	961.5	1,111.0	1,442.7	1,807.5	2,269.7	2,773.2	3,266.4
YoY%	15.6%	0.7%	15.5%	29.9%	25.3%	25.6%	22.2%	17.8%

Revenue – PeoplesHR OnPremise

Deal Bookings (USD Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	6 Year CAGR
New Deal Bookings	2.8	0.8	1.1	1.3	1.8	2.2	2.2	2.2	18.3%

The Company focuses its sales and marketing efforts to achieve new deal bookings which will convert to revenue recognised over a period of c. 12 months via a License Fee (c. 60% of deal value) and an Implementation Fee (c. 40% of deal value) in the case of the product OnPremise. As deals could be booked throughout the year, License and Implementation fee are recognised over a period of approximately two financial years. In addition, annually recurring maintenance revenue is estimated to be 17% of the entire licensing fee of a deal, net of client churn for the period forecasted.

As such, OnPremise reflects a business model where sales recognition (i.e. deal booking) differs from revenue recognition, as the value of the user is extracted over a period of time.

Table 5.2 - PeoplesHR OnPremise Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
License and Implementation	255.3	269.2	330.0	455.0	535.2	532.4	593.4	625.2
Recurring Maintenance	102.7	104.5	111.2	137.4	170.1	296.2	354.2	411.1
PeoplesHR On-premise	358.0	373.7	441.2	592.4	705.3	828.6	947.6	1,036.2
YoY%	69.7%	4.4%	18.1%	34.3%	19.1%	17.5%	14.4%	9.4%

5 Financial Forecasts and Assumptions

Company recorded a marginal YoY growth of 4.4% in this segment resulting in a revenue of LKR 373.7 Mn for FY21 (cf. LKR 358.0 Mn in FY20). Such marginal growth can be attributed to strong performance on the back of several high value deal bookings achieved in Sri Lanka and Africa (particularly Uganda), partially offset by weak performance in the APAC region as a result of the global pandemic and associated border restrictions. Segment revenue is expected to grow at a YoY rate of 18.1% in FY22, mainly on the back of recently winning a high value regional contract, existing backlog of revenue that will be incurred during the year from the Uganda government project, substantial new accounts achieved so far in Bangladesh, coupled with expected realisation of several high value accounts in the deal funnel during the year.

PeoplesHR OnPremise revenue is expected to grow at a 6 year CAGR of 18.5% during the forecast period. The 6 year CAGR in License and Set up fee is 15.1%. The marquee assignment for the Ugandan Government coupled with recent contracts initiated with a regional government in FY22 are expected to boost hBS credentials to help accelerate the OnPremise customer acquisition process, particularly when bidding for sensitive Government sector projects. In addition, hBS has strategically positioned itself well in the African market to capitalise on ample opportunities that arise with the expected rapid digitalisation, especially in large corporations which are better equipped to implement OnPremise solutions with lower costs, by using their existing networks and hardware infrastructure.

hBS's presence in countries such as the Maldives and Brunei, coupled with planned acquisition of strategic clients in the South East Asian region where the employee count per organisation is relatively high, is expected to further complement achieving the segment deal target of USD 2.2 Mn by FY27. In addition, the Company's planned partner network growth, is expected to further contribute to the achievement of OnPremise deal bookings and revenue targets forecasted.

Revenue – PeoplesHR Cloud

Deal Bookings (USD Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	6 Year CAGR
New Deal Bookings	0.3	1.0	1.2	1.4	1.7	2.0	2.1	2.2	13.4%

c. 50% of the value of an average PeoplesHR Cloud deal, consists of the set-up fee which is fully realised within c. 6 months of contract initiation. The remainder of the deal value is roughly equivalent to one year worth of monthly subscription fees and is continuously realised until the end of client life cycle.

This nature of SaaS revenue models support an exponential value curve, as the value of the user is extracted over a period of time, with the Company earning recurring subscription revenue every year with a minimal outlay of incremental costs and client turnover, rendering high profitability margins.

Table 5.3 - PeoplesHR Cloud Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Set-up Fee	36.2	86.3	118.9	149.0	192.0	233.4	265.3	292.8
Recurring Subscription	171.0	191.8	262.7	390.3	570.8	802.0	1,078.8	1,395.4
PeoplesHR Cloud	207.2	278.1	381.6	539.3	762.7	1,035.5	1,344.1	1,688.2
YoY%	8.8%	34.2%	37.2%	41.3%	41.4%	35.8%	29.8%	25.6%

PeoplesHR Cloud achieved a robust YoY growth of 34.2% to record a total revenue of LKR 278.1 Mn in FY21 (cf. LKR 207.2 Mn in FY20). This segment accounted for c.28.9% of the FY21 total Company revenue while growing at a strong 4 year CAGR of 34.2% from 2017-2021. The cloud based HR solution maintained a strong performance in all markets of hBS during the year. In addition, Recurring Subscription Revenue accounted for 69.0% of the total segment revenue in FY21, reflecting the exponential growth component that is evident in global SaaS business models.

Cloud revenue is expected to grow at a YoY rate of 37.2% in FY22, owing to recurring subscription revenue generated through existing accounts that were on boarded in FY21, coupled with strong expected performance in terms of realising high value deals in the current deal funnel, in Sri Lanka and the rest of APAC region. It should be noted that the Company has already achieved a substantial portion of the annual Cloud sales target for FY22, despite the evident seasonality in HCM industry where sales are generally loaded towards the second half of the financial year (mainly due to spending patterns in IT budgets).

Total segmental revenue is expected to grow at a 6 year CAGR of 35.1% during the forecast period to reach a value of LKR 1.7 Bn by FY27. The biggest driver of such growth; Recurring Subscription revenue is expected to grow at a 6 year CAGR of 39.2% from FY21 to FY27.

hBS has positioned itself well within rapidly growing countries with large employee bases in the APAC region and is in a prime position to capitalise the opportunities that arise as organisations turn towards Cloud based solutions in this digital era. Planned growth of partner network in the region is expected to create a network effect that will contribute towards achieving Company's sales and revenue forecast. In addition, the Company's launch of PeoplesHR Turbo which is primarily geared to cater a significant demand coming from low income SME clients in the APAC region (specially in India) is expected to support achieving the segment deal target of USD 2.2 Mn by FY27.

Revenue – PeoplesHR Marketplace

Table 5.4 - PeoplesHR Marketplace Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
PeoplesHR Marketplace	-	0.2	5.2	11.3	21.7	74.6	138.1	187.7
As a % of Cloud Subscription Revenue	-	0.1%	2.0%	2.9%	3.8%	9.3%	12.8%	13.5%

The recently launched one-stop online shop for all HR and related stakeholders; hBS Marketplace, is projected to reach a revenue of LKR 187.7 Mn by FY27 (which is c. 13.5% of Cloud subscription revenue and 5.7% of Total Revenue that year). This revenue component was forecasted as a percentage of cloud subscription revenue due to the ability for cloud users to incorporate additional services via the Marketplace.

Customer revenues are expected to be sticky and long term as a result of the business solutions that complement and add value to the PeoplesHR platform which are readily available on the Marketplace. Customers become entitled to hassle free value additions from global service providers and the multiplicative network effect is expected to soar from this segment with the onboarding of more services. Recurring subscription revenue is expected to form a majority of the total Marketplace revenue throughout the period, followed by Solution packaging model (i.e. Packaging of similar solutions as bundles for existing clientele such as recruitment, wellness, etc.), Selling Fee model (i.e. Charging for value added services & integrators), Freemium Model where revenue is based on free offers and trial periods and other methods of monetisation of such marketplaces.

Revenue – HRO

Table 5.5 - HRO Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Payroll Outsource	27.7	35.2	37.3	39.1	40.7	42.3	44.0	45.8
Resource Outsource	105.6	61.5	11.9	9.8	10.0	10.2	10.4	10.6
HRO	133.3	96.7	49.2	48.9	50.7	52.5	54.4	56.4
YoY%	(3.0%)	(27.5%)	(49.1%)	(0.6%)	3.6%	3.6%	3.6%	3.6%

hBS HRO accounted for c. 10.1% of the total FY21 revenue of the Company and de-grew at a YoY rate of -27.5%, rendering a segmental revenue of LKR 96.7 Mn (cf. LKR 133.3 Mn in FY20). The significant decrease in revenue is attributable to the discontinuation of a significant portion of the Resource Outsource/Staffing solution due to hBS' refocus on its business, leading to a LKR 44.1 Mn dip in segmental revenue for the year. The discontinuation is expected to impact FY22 revenue as well, after which a nominal growth of the solution revenue is expected.

It should be noted that the focal product in the segment; Payroll Outsource revenue increased at a 27.0% YoY to a value of 35.2 Mn during FY21. Product revenue has been forecasted on a YoY growth basis and is expected to grow at a marginal 6 year CAGR of 4.5%, reaching a value of LKR 45.8 Mn by FY27. With increasing outsource of complex HR functions of corporations (especially payroll), there is ample opportunity to grow in this sector within Sri Lanka as well as in foreign markets.

5 Financial Forecasts and Assumptions

Revenue – Tracking Solutions

Table 5.6 – Tracking Solutions Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Item Sales	51.2	56.2	74.2	87.5	98.0	107.8	115.4	122.3
Annual Maintenance	9.8	8.9	8.6	9.1	11.3	11.1	12.3	13.4
hSenid Tracking Solutions	61.0	65.1	82.8	96.6	109.3	118.9	127.7	135.7
YoY%	(9.8%)	6.8%	27.1%	16.8%	13.1%	8.8%	7.4%	6.2%

Segmental revenue increased at a healthy 6.8% YoY to achieve a total revenue of LKR 65.1 Mn in FY21 (cf. LKR 61.0 Mn in FY20). Sale of tracking systems formed 86.3% of the total segment revenue for the year while annual maintenance revenue of items sold, de-grew at a YoY rate of 8.4% to record a value of LKR 8.9 Mn in FY21.

Revenue from Item Sales has been forecasted on a YoY growth basis while Annual Maintenance Revenue was estimated as a percentage of historical Item Sales. Segment revenue is expected to grow at a YoY rate of 27.1% in FY22, mainly on the back of increased demand for Tracking Solutions driven by pandemic induced factors such as understanding critical health, vaccine, and safety risk information. In response, hBS has newly introduced Body Temperature Detection and Face Mask Access controls to their product portfolio. Total segment revenue is expected to grow at a robust 6 year CAGR of 13.0% during forecast period. It should be noted that hBS Tracking Solutions add value to the user by easily integrating the hardware component with the firm's HR software, which is not evident with traditional tracking solution hardware sellers.

Revenue – Mobile Software

Table 5.7 – Mobile Software Revenue

Segment Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
License and Set up	135.2	88.5	106.2	119.0	128.5	134.9	137.6	140.4
Maintenance	58.4	59.0	44.8	35.1	29.3	24.7	23.7	21.8
Mobile Software	193.7	147.5	151.0	154.0	157.8	159.7	161.3	162.2
YoY%	(5.8%)	(23.8%)	2.3%	2.0%	2.4%	1.2%	1.0%	0.5%

During FY21, hBS Mobile Software revenue decreased by 23.8% YoY to attain a revenue of 147.5 Mn (cf. -5.8% YoY; 193.7 Mn in FY20). The recent decline in revenue is a direct resultant of the Company's static growth strategy in respect of on boarding new clients and focus on core HCM business. The current situation is expected to persist during the forecast period and as a result the segment revenue is projected to grow at a marginal 6 year CAGR of 1.6%. Revenue from License and Set up fees has been forecasted on a YoY growth basis while Maintenance Revenue was estimated as a percentage of historical License and Set up fees.

Revenue – Geographical Growth

Table 5.8 – Geographical Revenue Breakdown

Revenue (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	6 Year CAGR
Sri Lanka	475.9	492.7	542.3	634.2	751.4	887.0	1,017.5	1,134.8	14.9%
Africa	197.9	230.4	228.0	330.4	390.7	475.8	600.1	715.8	20.8%
APAC	279.5	238.2	340.6	478.1	665.4	906.9	1,155.6	1,415.7	34.6%

Revenue generated from Sri Lanka is expected to grow at a 6 year CAGR of 14.9% depicting a robust performance from PeoplesHR Cloud followed by OnPremise segment. The African market is expected to be geared towards OnPremise growth and the current project work done on the Uganda government is expected to aid hBS customer acquisition in the region, with a considerable contribution expected from Maintenance revenue as well.

APAC region is estimated to grow at a 6 year CAGR of 34.6% over FY21-FY27 period, primarily owing to strong performance from the Cloud Segment where a substantial amount of recurring subscription revenue is projected. This will be further complemented by the introduction of PeoplesHR Turbo where ample opportunity exists in the region with a high number of SMEs and strong new account growth prospects in the region, as corporations in developing countries with outdated systems, switch towards SaaS solutions rapidly to adapt to the digital era of commerce.

5.2 Cost of Sales Forecast and Assumptions

The cost of sales for each line item (with the exception of staff related costs) was forecasted on a percentage of relevant revenue basis. Total cost of sales is forecasted to grow at a CAGR of 18.0 % during the forecast period. The differential in the growth rates of revenue and cost of sales stem from the improvement of GP, particularly as a result of the SaaS Business model where a significant revenue portion is recognised as Recurring Subscription Revenue every year with minimal additional costs.

Table 5.9 – Cost of Sales Breakdown

Cost of Sales (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Local Expenses	6.5	5.9	7.8	10.2	15.4	23.9	25.9	27.3
Own Expenses - Overseas	18.3	12.1	23.8	29.5	32.5	25.4	29.0	23.7
Third Party - Overseas	33.1	40.1	44.9	67.9	96.1	123.6	149.4	177.5
Gross Project Expenses	57.9	58.0	76.6	107.6	144.0	172.8	204.3	228.5
Royalty	120.5	102.9	98.1	100.1	102.5	103.8	104.9	105.4
Hosting	24.9	33.8	52.5	82.0	119.9	172.4	231.9	300.0
Cost of Sales - Hardware	24.5	28.1	37.1	43.8	49.0	59.3	63.4	67.3
Staff Related Expenses	236.2	225.1	216.5	263.2	313.2	372.2	437.0	505.2
Total Cost of Sales	464.0	448.0	480.8	596.7	728.6	880.5	1,041.5	1,206.3
As a % of Sales	48.6%	46.6%	43.3%	41.4%	40.3%	38.8%	37.6%	36.9%

In addition to SaaS contribution, the Company's ability to pass a significant portion of any incremental project costs (including implementation expenses) on to the end consumer is pivotal in maintaining its profitability at GP level.

Table 5.10 – Cost of Sales Assumptions

Cost of Sales	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Local Project Expenses - As a % of Local Implementation Revenue	10.1%	6.6%	10.0%	12.0%	15.0%	20.0%	20.0%	20.0%
Own Project Expenses - As a % of Foreign Implementation Revenue	*47.1%	*6.7%	10.0%	9.0%	9.0%	8.0%	8.0%	6.0%
Third Party Expenses - As a % of Foreign Implementation Revenue	*85.1%	*22.1%	18.9%	20.7%	26.6%	39.0%	41.3%	45.0%
Royalty paid to related party - As a % of Mobile Software Revenue	62.2%	69.7%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Hosting - As a % of Cloud Subscription Revenue	14.6%	17.6%	20.0%	21.0%	21.0%	21.5%	21.5%	21.5%
COS Hardware - As a % of Hardware Sales	47.9%	50.0%	50.0%	50.0%	50.0%	55.0%	55.0%	55.0%

**Ratios are unrepresentative of the historical norm, due to timing of implementation revenue from Uganda government project*

The Company expects to drive its revenue growth via a partnership strategy with partners encouraged to carry out the implementation on behalf of hBS. As such the proportion of partner related costs is expected to rise in comparison to both local and foreign implementation revenue. However, own costs incurred in relation to foreign project implementation (ticket costs, accommodation, per diem etc.) are estimated to decrease as a percentage of implementation revenue as more implementation is carried out by partners. Approximately 50% of foreign implementations are projected to be handled by third party partners in FY22 and gradually increasing to 60% by FY27, for a fee of 75% of the implementation revenue, which is in line with the historical norm and the Company expectations.

5 Financial Forecasts and Assumptions

Personnel expenses recognised under Cost of Sales mainly include salary and other related costs of implementation and support staff members. Staff expenses have been forecasted based on the required increase in the number of staff to sustain the expected implementations and support work during the forecasted period and an average annual increment per employee.

As per the Licence Agreement entered into by the Company with hSenid Mobile Solutions, a Royalty Fee of 65% of revenue has been expensed during the forecasted period. Furthermore, cost of hardware sold and operational expenses associated with hosting have also been estimated and displayed separately above.

5.3 Other Operating Expenses

5.3.1 Administrative Expenses

Administrative expenses primarily consist of personnel expenses and operational and maintenance expenses incurred in daily business activities.

Table 5.11 – Administrative Expenses Breakdown

Administrative Expenses (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Staff Related Expenses	84.4	78.1	99.4	128.0	151.0	182.2	212.9	241.7
Traveling and Transport	6.5	3.4	5.6	8.7	12.7	15.9	19.4	22.9
Consultancy Fees	4.0	6.7	6.7	10.1	12.7	15.9	19.4	22.9
Other Operating Expenses	18.5	18.3	19.7	22.4	25.2	28.7	32.5	36.3
Other Admin Expenses	*35.9	15.4	18.6	18.8	21.4	24.3	27.4	30.5
Total Admin Expenses	149.3	121.9	149.9	187.9	222.9	267.0	311.6	354.2

*Includes office rent expense which is excluded from subsequent years with the introduction of Right of Use adjustments.

Staff related expenses include salaries, EPF and ETF expenses, fixed allowances, gratuity charges, incentives etc. Other operating expenses includes costs incurred for telephone connections and internet, printing, and utility charges. Other administrative expenses include various service charges, legal and audit charges, insurance expenses and other such expenses.

Staff expenses have been forecasted based on the expected increase in the number of administrative staff and the average annual increment per employee in line with company strategy. Travelling, Consultancy fees and Other Operating and Administrative Expenses have been forecasted on either YoY growth or percentage of revenue basis as appropriate for each line item.

5.3.2 Selling and Marketing Expenses

Selling and Marketing expenses consist primarily of personnel expenses, commissions paid to partners and internal sales staff, the cost of incentives and promotions and other direct sales related expenses.

Table 5.12 – Selling & Marketing Expenses Breakdown

Selling & Marketing Expenses (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Staff Related Expenses	37.7	43.0	55.4	72.7	100.5	127.6	149.7	174.9
Impairment of Trade Receivable	25.2	22.2	14.7	21.6	35.3	42.1	49.6	50.3
Sales Commissions	34.3	38.0	41.2	65.8	93.7	132.3	172.6	217.6
Incentives	9.3	9.0	9.4	12.1	16.7	25.7	31.8	34.4
Business Promotion	14.3	2.6	15.1	19.3	26.7	32.9	36.3	39.3
Total Expenses	120.7	114.9	135.8	191.5	272.9	360.6	439.9	516.5
As a % of Deal Bookings	21.7%	31.6%	28.7%	31.6%	32.7%	35.1%	38.8%	42.1%

Internal sales staff count is estimated proportionately in line with the growth in deal booking, while accounting for the deal booking contribution expected from sales partners.

Deal proportion booked by internal sales staff is expected to be c. 50% of total deal bookings in FY22 and is expected to gradually decline to 40% by the end of the period as a result of increasing partner network and associated bookings. Internal staff commission rate is assumed to be at a rate of 5% of booked deal value, throughout the forecasted period. Commission earned by reselling partners is expected to be c. 25% of OnPremise License Fee of a deal and 30% of annual Cloud Subscription Fee during the forecast period (in line with the current and expected fee structure).

Impairment of Trade Receivable was estimated at a historical percentage of Gross Receivable balance while the other sales expenses have been forecasted on a percentage of deal booking basis.

5.4 Taxation

hBS' locally recognised business income is exempt from income tax as per the existing tax concessions and the same is projected in the forecast.

As per the tax concessions afforded to companies that list on the CSE before December 31, 2021 by the Inland Revenue Department (IRD), tax expense for income coming from Hardware Sales has been forecasted at an effective rate of 11% in FY22 (50% concession for the first financial year post listing), 14% from FY23 to FY25 and 22% thereafter. Financial Income is estimated to be fully taxed at 24% for the entire period.

5.5 Working Capital

Table 5.13 – Working Capital Assumptions

Working Capital (Days)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Inventory Days*	167	218	220	215	210	205	203	200
Receivable Days	113	162	150	150	145	145	142	140
Payable Days	99	166	120	120	120	120	120	120

** Inventory days figure was calculated based on the Hardware Cost of Goods Sold*

With the expected stable demand for tracking solutions, the current inventory levels are estimated to come down slightly throughout the forecasted period.

Receivables stem primarily from delayed customer payments which is the norm in the HRIS industry where significantly high trade receivables as a percentage of total revenue are evident.

The significant increase in the Trade Receivable Days figure in FY21 is attributed to project milestone completion invoices raised for a few large global projects. Current trade receivable levels partially adjusted for FY21 irregularity is expected in FY22 and gradually decreasing during the forecasted period, especially due to increased PeoplesHR Cloud business where multiyear project implementations do not occur.

hBS has primarily financed its working capital requirement via its strong cash position and trade payables historically and it is estimated that the total Trade Payable Days will revert to the expected long-term cycle towards the end of FY22.

5 Financial Forecasts and Assumptions

5.6 Borrowings

All existing long-term borrowings of hBS are projected to be repaid as per the existing repayment schedules during the forecast period. Company is expected to carry a zero loan balance by the end of FY23 and no additional financing is assumed due to the strong cash position of the Company and management expectations. Low gearing position of hBS is expected to provide flexibility to the management in funding future projects through debt financing obtained under favourable borrowing terms if any requirement arises.

Table 5.14 – Existing Loans

Bank	Loan Type	Date	Interest	Loan Amount (LKR Mn)	Current Outstanding 31.03.2021 (LKR Mn)	Monthly Installments remaining
Commercial Bank	Term Loan	July-20	4.0%	25.0	20.8	15
HNB	Term Loan	Feb-17	15.0%	27.0	2.8	5

5.7 Capital Expenditure

Salaries, wages and statutory contributions made for development staff of the Company is capitalised and amortised over a period of five years as per the recognised accounting policy. An aggressive development staff recruitment is forecasted specially in FY22, in line with the Company's strategic initiatives with regards to new product development.

Computer Equipment of hBS is expected to grow proportionately in line with the increase of staff growth and depreciated over 4 years, while other PPE maintenance CAPEX for Fittings and Office Equipment is incurred on an annual basis and depreciated over 5 and 4 years, respectively.

A sum of LKR 15 Mn is expected to be deployed in FY23 for the refurbishment of the office building located in Colombo.

5.8 Other Material Elements to Valuation

5.8.1 Exchange Rates

Following exchange rates have been considered in our forecast.

Table 5.15 – Exchange Rate Assumptions

Year ended 31st March	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
LKR/USD Average Exchange Rate	188	207	220	233	244	257	268
Depreciation Rate		10.0%	6.0%	6.0%	5.0%	5.0%	4.5%

6 VALUATION METHODOLOGY

NDBIB and CT CLSA utilised the Discounted Cash Flow (DCF) method as the primary valuation methodology in arriving at the value of hBS. In addition to the DCF method, a trailing Enterprise Value-to-Revenue (EV/R) method and trailing Price-to-Earnings (P/E) Relative Valuation were also carried out as secondary valuation to validate and support the primary valuation.

The value of a SaaS Solutions offering firm is heavily reliant upon the talent, skill and creative synergy of its workforce as well as the proprietary intellectual property and platforms it possesses and uses in order to differentiate itself from other market players. The use of a net asset based valuation method was therefore deemed redundant in this exercise since the books fail to capture most of the core competencies and resources that drive the value of a SaaS Solutions offering firm.

6.1 DCF Valuation Method

The DCF analysis takes into consideration the future free cash flows and their timing to arrive at the theoretical value of a firm. As such, a DCF analysis which was utilised to arrive at an intrinsic value for hBS in this valuation exercise, was deemed appropriate as it captures the business fundamentals of hBS as well as its growth prospects.

The following lays down the theoretical underpinnings of this method.

- The **Business Value** attributable to the Capital Providers of the firm is reflected by the summation of the present values of all future Free Cash Flows available to the providers of capital, discounted at an appropriate discount rate.
- The **Strategic Value** is arrived after adjusting the Business Value for any Non-Operating Assets and/or Liabilities.
- Accordingly, the Business Value attributable to shareholders is the summation of the Free Cash Flows attributable to Equity providers of the explicit period and the Free Cash Flows attributable to Equity providers of the implicit period, all discounted to the present at an appropriate Cost of Equity. (The present value of the implicit period is computed via a Terminal Value perpetuity formula for simplicity)

$$V_0 = \left[\sum_{t=1}^T \frac{FCFE_t}{(1+k_e)^t} \right] + TV_T$$

Where,

- V_0 – Business Value attributable to Shareholders
- T – Number of years in the explicit time period
- t – Year
- $FCFE$ – Free Cashflows to Equity Holders, which was calculated as follows;
 Net increase/(decrease) in cash and cash equivalents
 + Dividends paid
 (-) Interest Income net of taxes
 = $FCFE$
- K_e – Cost of Equity, which was calculated using the Build-up method as follows;
 Risk-free rate
 + Corporate Risk Premium
 + Equity Risk Premium
 = Cost of Equity
- TV_T – Terminal Value, (reflecting the present value of all implicit $FCFE$) which was calculated using Gordon's Growth Method as follows;

$$TV_T = \frac{FCFE_T (1+g)}{(k_e - g)(1+k_e)^T}$$

Where,

- g – Long-term growth rate
- $FCFE_T$ – Free Cash Flows attributable to Shareholders in the final year of the explicit period

6 Valuation Methodology

Accordingly, the following formula was used to derive the intrinsic value per share for hBS:

$$\text{Intrinsic Value per share of hBS} = \frac{V_0 + \text{Value of non operating assets}}{\text{Number of shares in issue}}$$

6.2 Trailing Enterprise Value-to-Revenue (EV/R) Relative Valuation Method

A number of hBS peers are still at the loss-making stage (refer Section 7.2) and as such EV/Revenue multiple is viable for comparison across peers as this method considers the top line of such companies and allows for comparison between different capital structures.

Therefore EV/Revenue peer multiple method was used to determine the relative valuation of the Shares of hBS based on the following formula:

$$\text{Enterprise Value of hBS} = \text{Revenue}_t \times \frac{\text{EV}}{\text{Revenue}} \text{ Multiple}$$

$$\text{Relative Value per Share of hBS} = \frac{\text{Enterprise Value of hBS} - \text{Net Debt}}{\text{Shares in Issue}}$$

Where,

Revenue_t – Revenue in the most recent 12 month period

EV/Revenue Multiple – Median EV/Revenue Multiple of the Peer Group

6.3 Trailing Price-to-Earnings (P/E) Relative Valuation Method

The trailing P/E multiple was utilised as a Market-based metric to gauge the relative value of a Share of hBS.

The P/E multiple is a measure of a firm's share price relative to its annual earnings per share. It technically conveys how much money an investor is willing to commit for one unit of firm earnings. A high P/E multiple may be reflective of anticipated earnings growth in the future. Hence, the P/E multiple is used as a supportive market-based measure to factor in the price and growth expectations of the industry to hBS based on its earnings.

Accordingly, the following formula was used in arriving at the relative value per Share of hBS.

$$\text{Relative Value per share of hBS} = \frac{\left[\text{Earnings}_t \times \frac{P}{E} \text{ Multiple} \right]}{\text{Shares in issue}}$$

Where,

Earnings_t – Earnings attributable to shareholders in the most recent 12 month period

P/E Multiple – Median P/E Multiple of the Peer Group

7 VALUATION OUTCOME

The assumptions used to arrive at the fair value of the Shares of hBS as per the methodologies given in Section 6.0 are detailed below. The DCF value per share set out herein, is subject to the viability of the said forecasts/assumptions made in Section 5.0 of this Research Report

7.1 DCF Valuation Method

The equity value of hBS was determined on a DCF analysis using the FCFEs of the entity, based on assumptions for cost of equity of 19% and terminal growth rate of 3.5%.

Year Ending 31 st March (LKR Mn)	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Net Change in Cash and CE	733.8	46.6	184.7	202.6	374.2	504.6
Add: Dividend	83.6	111.4	148.4	198.0	248.3	298.6
Less: Interest Income * (1-t)	(15.8)	(21.1)	(36.8)	(45.4)	(55.6)	(65.7)
	801.6	136.9	296.3	355.2	566.9	737.5
Terminal Value	-	-	-	-	-	4,924.9
Free Cash Flow to Equity	801.6	136.9	296.3	355.2	566.9	5,662.5

Valuation of hBS	LKR Mn (Except Per Share Values)
DCF Equity Value as at 31 st July 2021	3,544.2
Net Non-Operating Assets as at 31 st July 2021	
Add: Other Current Financial Assets - FD	287.9
Add: Cash and Bank Balances	256.5
Less: Bank Overdraft	(17.4)
Post IPO Equity Value as at 31 st July 2021	4,071.2
Post IPO Shares	276,695,376
DCF Value per Share (LKR)	14.71

The resultant Post IPO Equity Value of hBS is LKR 4,071.2 Mn. This equates to a per Share Equity Value of LKR 14.71.

Cost of Equity & Terminal Growth Rate

10 Year Treasury Bond	10.5%
Equity and Corporate Risk Premium	8.5%
Cost of Equity	19.0%
Terminal Growth Rate	3.5%

7.1.1 Sensitivity Analysis

		Cost of Equity				
		18.0%	18.5%	19.0%	19.5%	20.0%
Terminal Growth	2.5%	4,180	4,058	3,943	3,836	3,735
	3.0%	4,253	4,125	4,005	3,893	3,788
	3.5%	4,332	4,197	4,071	3,954	3,844
	4.0%	4,415	4,274	4,142	4,019	3,904
	4.5%	4,506	4,356	4,217	4,088	3,967

7 Valuation Outcome

7.2 Market Multiple Based Valuation

The Managers to the Issue used a set of peer companies in arriving at the relative valuation (which served as the Secondary Valuation method) for hBS. The Market Multiple Based Valuations setout herein of the Company, is dependent upon the relative size of the peer entities, geographies in operation, client portfolio, nature of the products offered etc. identified under Section 7.0 of the Research Report, in comparison to the Company.

Due to the absence of any SaaS and/or HCM vendors and any direct comparable peer under Information Technology sector classification on the CSE, it was necessary to identify a set of foreign listed companies in the sector in which hBS is operating (i.e., Global/Regional HCM Industry). Therefore, the chosen peer set predominantly consists of globally reputed enterprise solutions providers that commands a sizeable share of the HCM market in the regions hBS operates in, as well as other listed HCM Solutions Providers in the region. Despite offering a dissimilar product, eChannelling PLC (COSE:ECL.N0000) was included in the peer set due to its merit of being the only tech-related stock listed in the CSE prior to hBS.

Peer Company (Ticker)	Market Cap (USD Mn)	Net Income* (USD Mn)	P/E* (x)	Revenue* (USD Mn)	Enterprise Value (USD Mn)	EV/R* (x)
Ceridian HCM Holding Inc.	16,126.6	(28.56)	NM	912.1	16,969.6	18.6
Cornerstone OnDemand, Inc.	3,819.7	(98.68)	NM	830.0	4,815.5	5.8
Dareway Software Co., Ltd.	776.0	9.7	80.00	79.9	701.4	8.8
eChannelling PLC	5.6	0.2	28.00	0.8	4.3	5.3
Hilan Ltd.	1,296.9	34.77	37.30	522.2	1,293.6	2.5
Humanica Public Company	223.2	3.84	58.13	23.1	215.4	9.6
MAYO Human Capital Inc	34.2	(3.19)	NM	4.8	34.7	7.4
PayGroup Limited	39.4	(0.23)	NM	11.5	31.6	2.7
Ramco Systems Limited	208.0	6.02	34.55	84.4	214.7	2.6
Workday, Inc.	66,922.8	(98.68)	NM	4,673.0	65,762.7	14.1
Median			37.3			6.6

Source: Capital IQ (<https://www.capitaliq.com>) accessed on September 15, 2021)

* - trailing twelve months basis as at September 15, 2021. | All figures were sourced in USD.

7.3 Trailing Enterprise Value-to-Revenue (EV/R) Relative Valuation Method

Valuation of hBS	LKR Mn (Except Per Share Values)
TTM Revenue for 12ME 31 st July 2021	981.6
Median EV/Revenue of the Peer Set (x)	6.58
Enterprise Value of hBS (LKR Mn)	6,463.3
Less: Debt (as at 31 st July 2021)	(33.3)
Add: Cash (as at 31 st July 2021)	256.5
Add: Other Current Financial Assets - FD (as at 31 st July 2021)	287.9
Equity Value of hBS (LKR Mn)	6,974.5
Post IPO Shares in Issue	276,695,376
Value per Share of hBS (LKR)	25.21

Based on the Trailing EV/R method, the Equity Value and the resultant per Share Equity Value of hBS stood at LKR 6,974.5 Mn and LKR 25.21 respectively.

7.4 Trailing Price-to-Earnings (P/E) Relative Valuation Method

Valuation of hBS	LKR Mn (Except Per Share Values)
TTM Profit After Tax for 12ME 31st July 2021	175.6
Median P/E of the Peer Set (x)	37.30
Value of hBS (LKR Mn)	6,550.5
Post IPO Shares in Issue	276,695,376
Value per Share of hBS (LKR)	23.67

Based on the Trailing P/E method, the Equity Value and the resultant per Share Equity Value of hBS stood at LKR 6,550.5 Mn and LKR 23.67 respectively.

8 FORECAST STATEMENTS OF FINANCIAL PERFORMANCE AND KEY FINANCIAL METRICS

8.1 Forecast Statements of Profit or Loss

Year Ended 31st March (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue	955.1	961.5	1,111.0	1,442.7	1,807.5	2,269.7	2,773.2	3,266.4
Cost of Sales	(464.0)	(448.0)	(480.8)	(596.7)	(728.6)	(880.5)	(1,041.5)	(1,206.3)
Gross Profit	491.0	513.5	630.1	846.0	1,078.9	1,389.2	1,731.7	2,060.0
Other Income	18.7	32.9	34.4	38.6	48.8	48.4	59.9	71.5
Selling and Marketing Expenses	(120.7)	(114.9)	(135.8)	(191.5)	(272.9)	(360.6)	(439.9)	(516.5)
Administration Expenses	(149.3)	(121.9)	(149.9)	(187.9)	(222.9)	(267.0)	(311.6)	(354.2)
Other Costs	(1.8)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.7)
EBITDA	237.9	307.6	376.7	503.1	629.6	807.6	1,037.6	1,258.2
Depreciation & Amortisation	(59.7)	(88.2)	(101.6)	(136.7)	(153.4)	(170.5)	(232.6)	(287.0)
EBIT	178.2	219.4	275.1	366.4	476.2	637.1	805.0	971.2
Finance Cost	(1.9)	(7.5)	(6.4)	(6.0)	(6.1)	(6.1)	(6.0)	(5.8)
Finance Income	5.6	11.0	20.8	27.7	48.4	59.7	73.1	86.4
Profit/(Loss) Before Tax	181.9	222.9	289.4	388.1	518.5	690.7	872.1	1,051.8
Tax (Expenses)/ Reversal	(14.2)	(13.7)	(10.8)	(16.9)	(23.9)	(30.8)	(44.5)	(56.4)
Profit/(Loss) for the Year	167.7	209.2	278.6	371.2	494.6	659.9	827.5	995.4

8.2 Forecast Statements of Financial Position

As at 31st March (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
PPE	9.6	9.5	13.2	32.6	35.6	40.8	45.2	49.7
Right of Use Assets	0.0	40.5	40.2	40.5	41.1	41.8	42.5	43.3
Intangible Assets	162.1	160.5	226.8	306.3	412.0	542.1	654.2	750.8
Goodwill on Acquisition	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Deferred Tax Assets	8.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Non-Current Assets	182.5	214.9	284.7	383.9	493.2	629.2	746.4	848.3
Inventories	13.9	19.7	22.3	25.8	28.2	33.3	35.3	36.9
Trade and Other Receivables	247.0	444.9	357.5	477.4	573.8	723.5	861.0	996.4
Advances and Prepayments	20.8	51.1	52.9	65.6	72.9	79.2	83.3	96.5
Other Financial Assets	155.8	258.8	388.8	504.9	632.6	794.4	970.6	1,143.2
Deposits Mortgaged	59.9	89.1	94.3	120.7	125.1	154.2	170.1	184.3
Cash and Bank Balances	159.7	172.4	776.2	706.7	763.7	804.5	1,002.5	1,334.5
Current Assets	657.1	1,035.9	1,692.0	1,901.2	2,196.4	2,589.2	3,122.9	3,791.8
Total Assets	839.5	1,250.8	1,976.7	2,285.1	2,689.6	3,218.4	3,869.3	4,640.1

As at 31st March (LKR Mn)	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Equity & Liabilities								
Stated Capital	225.8	224.0	922.7	922.7	922.7	922.7	922.7	922.7
Currency Translation Reserve	7.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Retained Earnings	330.3	527.5	679.5	939.4	1,285.6	1,747.5	2,326.8	3,023.6
Total Equity	563.9	769.3	1,620.1	1,879.9	2,226.1	2,688.0	3,267.3	3,964.1
Retirement Benefit	56.0	71.4	81.9	95.8	110.9	129.3	150.8	175.1
Bank Obligations	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0
Operating Leases	0.0	24.2	22.0	21.4	19.6	16.5	11.9	5.6
Non-Current Liabilities	56.0	99.8	103.9	117.1	130.5	145.8	162.8	180.7
Trade and Other Payables	132.5	275.6	158.1	196.2	239.5	289.5	342.4	396.6
Income Tax Payables	14.8	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Deferred Income	59.1	59.0	59.0	59.0	59.0	59.0	59.0	59.0
Bank Obligations	13.2	19.5	4.2	0.0	0.0	0.0	0.0	0.0
Operating Leases	0.0	20.4	24.2	25.6	27.2	28.8	30.5	32.4
Current Liabilities	219.6	381.7	252.7	288.1	333.0	384.6	439.2	495.2
Total Liabilities	275.6	481.5	356.7	405.2	463.4	530.4	602.0	676.0
Total Equity and Liabilities	839.5	1,250.8	1,976.7	2,285.1	2,689.6	3,218.4	3,869.3	4,640.1

8.3 Key Financial Ratios and Metrics

YoY Growth Rates and Profitability Margins	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue YoY Growth	15.6%	0.7%	15.5%	29.9%	25.3%	25.6%	22.2%	17.8%
Gross Margin	51.4%	53.4%	56.7%	58.6%	59.7%	61.2%	62.4%	63.1%
EBITDA Margin	24.9%	32.0%	33.9%	34.9%	34.8%	35.6%	37.4%	38.5%
EBIT Margin	18.7%	22.8%	24.8%	25.4%	26.3%	28.1%	29.0%	29.7%
Net Margin	17.6%	21.8%	25.1%	25.7%	27.4%	29.1%	29.8%	30.5%

Key Financial Ratios	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Return on Assets	22.9%	20.0%	17.3%	17.4%	19.9%	22.3%	23.3%	23.4%
Return on Equity	34.9%	31.4%	23.3%	21.2%	24.1%	26.9%	27.8%	27.5%
Return on Capital Employed	28.8%	25.2%	16.0%	18.3%	20.2%	22.5%	23.5%	23.4%
Gearing Ratio	2.3%	8.1%	3.0%	2.4%	2.1%	1.7%	1.3%	0.9%

9 INVESTMENT RISKS

This section highlights some of the risks that could be faced by the Company which in turn could affect its performance and share price.

9.1 Risks related to Macro-Environmental Factors

Market Risk

The main growth mechanism planned by hBS for the foreseeable future is market penetration and development in the APAC, African and other regions. While a large portion of the Company's revenues are currently generated in Sri Lanka, given these expansion strategies, a higher exposure to macro-economic risks from its target markets (which are primarily developing and emerging markets) is likely. Given the current state of economic and even political instability in certain target nations, hBS has an exposure to such market risks. However, since hBS provides HCM solutions to multiple regions and its operations are not physical asset heavy, hBS would be in a position to focus on other regions to mitigate risk.

Political and Economic Climate in Sri Lanka

The Government exerts a substantial influence on many aspects of the economy. As such, business and financial performance of hBS Group could be impacted by government policy and political instability. For example, as the predominant business income of hBS is IT and enabled services, the main business of hBS is tax exempt in Sri Lanka. Any changes to the tax regulations could impact the profitability of the hBS Group.

Impact of Covid-19

While hBS primarily works with software, the Company is also involved in the provision of access control systems which requires staff to be physically present at the clients' offices. Further, even customised software solutions may require initial systems analysis which should ideally be conducted in person. However, the Covid-19 situation has created a demand for temperature scanning and other safety related access control systems, which has mitigated the potential loss of the usual access control systems.

Due to the onset of Covid-19 and resulting lockdowns and travel restrictions, the Company's operations have been hampered by delaying in overseas project implementation which require initial implementation support (especially in the African region). Additionally, the prevailing global economic conditions caused by lockdowns have impacted almost all businesses including potential clients of the Company. Delays in sales decisions and partner development activities are likely to continue if the current economic situation is prolonged further. While there have been certain delays in implementation and sales decisions, the requirement to facilitate work from home has encouraged other entities to formalise their HR systems via a HCM solution.

9.2 Risks Related to the Existing Business of hBS and Future Plans

Strategic Risk

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. As a company operating in the fast paced software and technology industry, hBS may be vulnerable to the risk of falling behind in terms of technological advancement and adoption. In order to attract and retain customers and compete against competitors, it must continue to invest significant resources in research and development to enhance information technology and improve existing services. However, hBS has identified this as a key requirement and will be investing time and money into keeping up with the latest technology.

Operational Risk

Operational risk is the risk pertaining to loss resulting from inadequate or failed internal processes, people and systems, or from external events including pandemic situations like COVID 19, which affect the operations and business continuity of the entity. Further, hBS understands that their growth plans may be subject to certain risks, especially given the current local and global economic environment vulnerabilities. Therefore, hBS has recognised the need to be prudent and the importance of strengthening risk management capabilities.

10 TRANSACTION TEAMS – NDBIB AND CT CLSA

10.1 NDBIB Team

Darshan Perera – Director/CEO, NDB Investment Bank Limited

Darshan is credited as being a dynamic team player, highly skilled in all aspects of financial and investment markets. He has to his credit, led teams that have successfully managed a large number of IPOs, M&As, and debt raisings and in doing so, introduced to the country new products and achieved record breaking results. Darshan is renowned in the industry as a corporate advisory specialist, specialising in areas of business due diligence, fund raising and restructuring. Darshan has also been instrumental in leading NDBIB to win numerous international and local awards for consecutive years.

Prior to joining NDBIB, Darshan held senior management positions in a number of large organisations and banking institutions, including serving as an Assistant Vice President at Vanik Incorporation. Darshan's career is enriched with a myriad of different academic disciplines. He holds a B.Sc. in Physical Science and an MBA from the University of Colombo. He is an Associate Member of the Institute of Bankers, Sri Lanka and of the Chartered Institute of Marketing, UK. He also holds the Chartered Institute of Management Accountants qualification.

Nilendra Weerasinghe – Chief Corporate Advisory Officer

Nilendra leads the Corporate Advisory team which is responsible for equity capital raisings, mergers & acquisitions and general advisory assignments. He has over twelve years of experience in investment banking and has been part of the NDBIB team for landmark M&A and IPO transactions. Nilendra has executed numerous transactions in multiple sectors including telecommunication, financial services, manufacturing, food and beverages, leisure, and agri business in Sri Lanka, the Maldives, Bangladesh and the Southeast Asian region. He has been involved in executing over LKR 28.0 Bn in equity capital raising and over LKR 36.0 Bn in M&A transactions. Nilendra has also been part of teams which executed key fund-raising initiatives via loan syndications and project financing.

His previous work experience includes Goldman Sachs in Singapore where he was involved in advising and raising equity funds via IPOs for clients in the Southeast Asian region. Nilendra is a CFA Charterholder, a graduate in Computer Science and Engineering with a first-class honours degree from the University of Moratuwa, an Associate Member of Chartered Institute of Management Accountants, UK (ACMA) and also holds an MBA in Strategy and Operations from the National University of Singapore.

Sujani Perera – Assistant Vice President - Corporate Advisory

Sujani has over ten years of investment banking experience at NDBIB. Since joining NDBIB, Sujani has engaged in a diverse range of capital market transactions including IPOs, M&As, rights issues, private placements, corporate restructurings, loan syndications, structured debt facilities and delistings for leading corporates spread across an array of industries, some of which have been milestone transactions for the Company and the country. Sujani is responsible for sourcing and advising clients with regard to capital market transactions, both in listed and unlisted space.

Sujani holds a B.Sc. (Hons) in Finance from the University of Sri Jayewardenepura and a Master of Financial Economics (Merit) from the University of Colombo. Sujani is also an associate member of Chartered Institute of Management Accountants, UK (ACMA).

Charith Udugama – Manager

Charith has over 5 years of experience in Investment Banking and has been involved in some of the key transactions executed by NDBIB, including local and foreign IPOs and other fund raisings, M&As and restructuring exercises.

Charith is a graduate in Civil Engineering from University of Moratuwa and is a CFA Charter holder. He is also a Passed Finalist of Chartered Institute of Management Accountants, UK (CIMA).

Sulakshana Hettiarachchi – Assistant Manager

Sulakshana joined NDBIB in 2021 and is engaged in a range of corporate advisory transactions including business valuations and M&As. Prior to joining NDBIB he was employed as a credit analyst at Moody's Analytics Knowledge Services (now Acuity Knowledge Partners) for 2 years.

Sulakshana holds a B.Sc. (Hons) in Finance from the University of Sri Jayewardenepura. He has also completed all three levels of the CFA programme and is a final level candidate of Institute of Chartered Accountants of Sri Lanka (ICASL).

Madhara Iddamalgoda – Management Associate

Madhara joined NDBIB in 2021 and is engaged in a range of debt capital market and corporate advisory transactions including debenture issues, securitisations, business valuations and M&As. Prior to joining NDBIB she has had internship and part time working experience in numerous fields including marketing and private equity.

Madhara has a B.Sc. in Finance, Accounting and Management with first-class honours from the University of Nottingham and is also a CIMA Passed Finalist (2017). She is currently a student at the University of Colombo pursuing a Masters in Economics.

10.2 C T CLSA Team

Zakir Mohamedally - COO – CT CLSA Holdings & CEO – CT CLSA Capital

Zakir has over 15 years of experience in the fields of Corporate Finance, Assurance and Advisory and joined the company in 2007. Prior to joining the CT CLSA Group, he was working with PricewaterhouseCoopers Sri Lanka.

Zakir is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) UK and is an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK. He is also a member of the Institute of Certified Management Accountants of Sri Lanka and holds a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

Ishan Eliyapura - Vice President

Ishan possess over 7 years of experience in the field of Investment Banking, Internal Audit and Assurance. Prior to joining CT CLSA Capital, he was attached to Ernst and Young Sri Lanka, a leading global firm of Chartered Accountants, where he held positions of Audit Trainee, Senior Accountant and Internal Audit Supervisor.

He is a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and holds a B.Sc (Hons) in Business Management from the University College Dublin, Ireland.

Dushan Gomez - Vice President

Dushan has over 6 years of experience in the fields of Investment Banking and Equity Research. Prior to joining CT CLSA Capital, he was at NDB Investment Bank having played a key role in transactions ranging from M&A, IPOs, private placements, debt raisings, corporate restructurings and other advisory. Prior this, he was attached to Moody's Analytics Knowledge Services (now Acuity Knowledge Partners) where he supported the research team of a large European brokerage covering the F&B sector.

Dushan holds a MSc in Finance and Investment and BA (Hons) in Business Economics and Finance from the University of Nottingham UK.

Kalhara Kathriarachchi - Assistant Vice President

Kalhara counts over 5 years of experience in Consultancy and Investment Banking. Prior to joining CT CLSA Capital, he was attached to EQUILL (a venture capital fund) as Investment Lead. Prior to his stint at EQUILL, he was with the Strategy and Transaction division of Ernst and Young in Sri Lanka, where he engaged in M&A advisory services, share-buyback transactions and other consultancy services.

Kalhara holds a B.Sc. in Industrial Statistics (Special) from University of Colombo and a Masters of Financial Economics from University of Colombo. He is also a passed finalist of Chartered Institute of Management Accountants (CIMA) UK and is currently a CFA level 3 candidate.

Venkadesh Ramraj - Senior Associate

Venkadesh has over 7 years of work experience in Investment Banking, Deal Advisory and Financial Reporting. Prior to CT CLSA Capital, he held the position of Consultant in Transaction Services, KPMG, Sri Lanka. During his tenor in KPMG, he also participated in a three-month secondment program in the Advisory division of KPMG, Maldives. Venkadesh is a Member of the Association of Chartered Certified Accountants (ACCA), UK and is currently reading for a MSc in Applied Finance at University of Sri Jayawardenepura.

Harini Wijyaratnam - Associate

Harini counts over 3 years of experience in Equity Research and Financial Analysis. Prior to joining CT CLSA Capital, she was attached to Asia Securities as a Research Analyst and covered the Leisure and Healthcare sectors. Prior to this, she was at Comtrust Asset Management where she functioned as Financial Analyst.

Harini holds a B.Sc. in Finance (Special) from University of Sri Jayawardenepura. She is also a permanent affiliate of the Association of Chartered Certified Accountants (ACCA), UK with Sri Lankan Prizes for Financial Management and Audit & Assurance. She is an Associate member of the Chartered Institute for Securities and Investments (CISI), UK and is currently a CFA level 2 candidate.

11 DISCLAIMER

The information, forecasts, analyses, assumptions and opinions contained herein have been compiled or arrived at solely based on information provided to the Managers to the Issue by hBS. Such information has not been independently verified and no guarantee, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness. Nothing contained in this Research Report is, or shall be relied upon as, a promise or representation by the Managers to the Issue. All such information is subject to change without notice and such changes could be due to unforeseen circumstances. This Research Report is for information purposes only and does not purport to be a complete description of the subject matter presented herein.

Any estimate, projection, opinion, forecast and valuation contained in this Research Report involve significant elements of subjective judgment and analysis, which may or may not be correct. No representation is made that any estimate, projection or forecast will be achieved. The actual future events may vary significantly from the estimates, projections, forecasts or valuation and each estimate, projection, forecast or valuation is based on a number of assumptions and is subject to matters which are outside the control of the Managers to the Issue. Verification of assets of hBS and evaluation of agreements between clients of hBS have not been carried out during this exercise.

Accordingly, the Managers to the Issue shall not be liable for any loss or damage howsoever arising as a result of any person acting or refrain from acting in reliance on any information, forecast analysis and opinion contained herein.

The recipients of this Research Report and/or Investors are expected to carry out their own independent evaluations taking into consideration macro-economic variables and other relevant conditions.

The valuation presented herein is valid for a period of three months (03) from the date of the Prospectus i.e. November 23, 2021, however, subject to there being no material changes to the parameters impacting operations of hBS.

ANNEXURE B – COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

LEAD MANAGERS TO THE ISSUE

NDB Investment Bank Limited
Level 1, NDB Capital Building
No. 135, Bauddhaloka Mawatha
Colombo 04

Tel: +94 11 2 00 385-90
Fax: +94 11 2 300 393
www.ndbib.com

CO- MANAGERS TO THE ISSUE

CT CLSA Capital (Pvt) Ltd.
4-15A, Majestic City
10 Station Road
Colombo 04

Tel : +94 11 258 4843
Fax : +94 11 258 0181

COMPANY

hSenid Business Solutions Limited
No. 50, Ward Place, Colombo 07

Tel: +94 11 4621111
Fax: +94 11 2394064
www.hsenidbiz.com

REGISTRARS TO THE ISSUE

Corporate Services (Pvt) Ltd.
No. 216, De Saram Place
Colombo 10

Tel : +94 11 2669771
Fax : +94 11 4718220

Members and Trading Members of the Colombo Stock Exchange

NDB Securities (Pvt) Ltd. Level 2, NDB Capital Building, No. 135 Buddhaloka Mawatha, Colombo 4 Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk	Somerville Stockbrokers (Pvt) Ltd. No. 1A, Park Way, Park Road, Colombo 5 Tel: +94 11 2 502 852 / +94 11 2 502 854 / +94 11 2 502 858 / +94 11 2 502 862 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk
Assetline Securities (Pvt) Ltd. (Inactivated Operations) No.120, 120A, Pannipitiya Road, Battaramulla Tel: +94 11 4 700 100 Fax: +94 11 4 700 101, +94 11 4 700 112 E-mail: info@assetline.lk	John Keells Stock Brokers (Pvt) Ltd. No. 186, Vauxhall Street, Colombo 2 Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com
Asha Securities Limited No.60, 5th Lane, Colombo 3 Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net	Acuity Stockbrokers (Pvt) Ltd. No. 53, Dharmapala Mawatha, Colombo 3 Tel: +94 11 2 206 206 Fax: +94 11 2 206 298 / 9 E-mail: sales@acuitystockbrokers.com
J B Securities (Pvt) Ltd. No. 150, St. Joseph Street, Colombo 14 Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk	Lanka Securities (Pvt) Ltd. No. 228/1, Galle Road, Colombo 4 Tel: +94 11 4 706 757 / +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com
Asia Securities (Pvt) Ltd. 4th Floor, Lee Hedges Tower No. 349, Galle Road, Colombo 3 Tel: +94 11 7 722 000 Fax: +94 11 258 4864 E-mail: inquiries@asiasecurities.lk	Capital Trust Securities (Pvt) Ltd. No, 42, Mohamed Macan Markar Mawatha Colombo 3 Tel: +94 11 2 174 174 / +94 11 2 174 175 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk
S C Securities (Pvt) Ltd. 5th Floor, No. 26B, Alwis Place, Colombo 3 Tel: +94 11 4 711 000 / +94 11 4 711 001 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk	CT CLSA Securities (Pvt) Ltd. 4-14, Majestic City, 10, Station Road, Colombo-4 Tel: +94 11 2 552 290 - 4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk
First Capital Equities (Pvt) Ltd. No. 2, Deal Place, Colombo 3 Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-Mail: equity@firstcapital.lk	Bartleet Religare Securities (Pvt) Ltd. Level "G", "Bartleet House", No. 65, Braybrooke Place, Colombo 2 Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetstock.com

Annexure B – Collection Points

Nation Lanka Equities (Pvt) Ltd. No.44, Guildford Crescent, Colombo 07 Tel: +94 11 7898302 Fax: +94 11 2673355 E-mail: info@nlequities.com	LOLC Securities Limited No. 481, T.B. Jayah Mawatha, Colombo 10 Tel: +94 11 588 9889 Fax: +94 11 266 2883 E-Mail: info@lolcsecurities.com
Capital Alliance Securities (Pvt) Ltd. Level 5, "Millennium House", 46/58 Navam Mawatha Colombo 2 Tel: +94 11 2 317 777 Fax: +94 11 2 3177 88 E-mail: info@cal.lk	First Guardian Equities (Pvt) Ltd. 32nd Floor, East Tower, World Trade Centre Colombo 1 Tel: +94 11 5 884 400 (Hunting) Fax: +94 11 5 884 401 E-mail: info@fge.lk
Taprobane Securities (Pvt) Ltd. 2nd Floor, No. 10, Gothami Road, Colombo 08 Tel: +94 11 5 328 200, +94 11 5 328 100 Fax: +94 11 5 328 177 E-mail: info@taprobane.lk	Candor Equities Ltd. Level 8, South Wing, Millennium House, 46/58 Nawam Mawatha, Colombo 02 Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info.cel@candorh.com
Nestor Stock Brokers (Pvt) Ltd No. 02, Gower Street Colombo 5. Tel: +94 11 5 388 138 Fax: +94 11 2 550 100 Email: info@nestorstockbrokers.lk	Softlogic Stockbrokers (Pvt) Ltd Level 16, One Galle Face Tower, Colombo 02 Tel: +94 11 7 277 000 Fax: +94 11 7 277 099 Email: ssb.inquiry@softlogic.lk
Enterprise Ceylon Capital (Private) Limited. No.73/1, Dharmapala Mawatha Colombo 7 Tel: +94 11 244 5644, 11 230 1861/2 E-mail: info@ecc.lk	Richard Pieris Securities (Pvt) Ltd. No.310, High Level Road, Nawinna, Maharagama Tel: +94 11 431 0500 Fax: +94 11 280 2385 Email: communication@rpsecurities.com

NDB Bank Branch Network

Branch Name	Contact No.	Address
Akkaraipattu	067 7448000/1	No. 487, Main Street, Akkaraipattu
Akuressa	041 7448000/1	No. 21, Main Street, Akuressa
Aluthgama	0347448010/1	No. 267, Galle Road, Aluthgama
Ambalangoda	0917448000/1	No. 333 , Galle Road , Ambalangoda
Ambalantota	047 7448000/1	No. 127 , Main Street , Ambalantota
Ampara	063 7448000/1	No. 75, D S Sennanayake Street, Ampara
Anuradhapura	025 7448000/1	No. 522/C, Maithreepala Senanayake Mw, New Town, Anuradhapura
Athurugiriya	011 7448060/1	No. 70/15A, Borella Road, Athurugiriya
Avissawella	036 7448000/1	No. 93, Ratnapura Road, Avissawella
Badulla	055 7448000/1	No. 242, Lower Street, Badulla
Balangoda	0457448000/1	No. 24 A, Barns Ratwatte Mawatha, Balangoda
Bandarawela	057 7448000/1	No. 317 , Main Street , Bandarawela
Battaramulla	011 7448090/1	No. 245,Main Street,Battaramulla
Batticaloa	065 7448000/1	No. 16, Liyods Avenue, Batticaloa
Boralesgamuwa	0117448063/4	No. 39, Kesbawa Road, Boralesgamuwa
Borella	0117 448078/9	No. 31/5, Dr. N M Perera Mawatha, Borella
Chavakachcheri	0217448013/4	No. 1,3,5, Kandy Road, Chavakachcheri
Chenkalady	065 7448003/4	Trincomalee Road,Chenkalady
Chilaw	032 7448000/1	No. 50-52, Skyline Building, Colombo Road, Chilaw
Chunnakam	021 7448018/9	No. 30, K..K.S. road, Chunnakam
Colombo 7	011 7448004/5	No. 103A, Dharmapala Mawatha, Colombo 7
Dambulla	066 7448000/1	No. 42, Kurunegala road, Dambulla
Digana	081 7448003/4	No. 59/6 , Gonawala Road ,Digana
Eheliyagoda	036 7448003/4	No. 153, Main street, Ehaliyagoda
Elpitiya	091 7448003/4	No. 23, Ambalangoda Road , Elpitiya
Embilipitiya	047 7448003/4	No. 67, Pallegama , Embilipitiya
Fort	011 7448111/2	No, 39 , Canal Row , Colombo 01
Galle	091 7448006/7	No. 1/A,Abeysekara Building,Wakwella Road, Galle
Gampaha	033 7448000/1	No. 153, Colombo Road, Gampaha
Gampola	081 7448000/1	No. 75, Nuwara Eliya Road, Gampola
Giriulla	037 7558010/1	No. 86, Negombo Road Giriulla
Hambanthota	047 7448006/7	No. 34, Wilmot street, Hambantota
Hanwella	036 7448006/7	No. 130/C , Pahala Hanwella, Hanwella
Havelock Town	0117 448006/7	No. 117, Havelock Road, Colombo 05
Hendala	011 7448094/3	No. 46A Hendala Road, Hendala
Hikkaduwa	091 7448009/10	No. 245, Galle Road, Hikkaduwa

Annexure B – Collection Points

Branch Name	Contact No.	Address
Hingurakgoda	027 7558010/1	No. 10, Airport Road , Hingurakgoda
Homagama	011 7448045/6	No. 64A, Highlevel Road, Homagama
Horana	034 7448013/5	No. 135, Panadura Road, Horana
Ja - Ela	011 7448075/6	No.121, Colombo Road, Ja-Ela
Jaffna	021 7448011/24	No. 62/6, Stanley Road, Jaffna
Kadawatha	011 7448036/7	No. 147, Kandy Road, Kadawatha
Kaduruwela	027 7558003/4	No. 25, Batticaloa Road, Polonnaruwa
Kaduwela	011 7448081/2	No. 501/2, Awissawella Road, Kaduwela
Kahawatte	045 7448003/4	No. 149, Main Street, Kahawatte
Kalmunai	067 7448003/4	No. 165, Batticaloa Road, Kalmunai
Kalutara	034 7448016/7	No. 290. Galle Road, Kalutara South
Kandana	011 7448039/40	No.677, Negombo Road,Kandana
Kandy	081 7448015/6	No. 133, Kotugodella Veediya, Kandy
Kandy City Centre	081 7448006/7	L 1 - 3 , Level 1 , Kandy City Center , No. 05 , Dalada weediya , Kandy
Katana	031 7448000/1	No.05, Koongashandiya, Katana
Katugastota	081 7448009/10	No. 111, Kurunegala Road, Katugastota
Katunayake	011 7448096/7	No. 745 , Baseline Road , Aweriwatta , Katunayaka
Kegalle	035 7448003/4	No. 261/1, Kandy Road, Kegalle
Kekirawa	0257448003/4	No. 61, Opposite Government Hospital, Main Street, Kekirawa
Kiribathgoda	011 7448033/4	No. 540, New Hunupitiya Road, Dalugama, Kelaniya
Kochchikade	031 7448003/4	No. 96,Chilaw Road,Kochchikade
Kohuwela	0117 448051/2	No. 143, S De S Jayasinghe Mawatha,Nugegoda
Kollupitiya	011 7448018/9	No.321, Galle Road, Colombo 3
Kotahena	0117 448030/1	No. 295, George R De Silva Mw, Colombo 13
Kottawa	011 7448099/100	No. 365/1 A, High Level Road, Kottawa
Kuliyapitiya	037 7558003/4	No. 133, Main Street, Kuliyapitiya
Kurunegala	037 7558006/7	No. 6, Rajapihilla Mw, K'Gala
Maharagama	011 7448015/6	No. 108 A, Highlevel Road, Maharagama
Mahawewa	032 7448003/4	Chilaw Road, Mahawewa.
Mahiyanganaya	055 7448003/4	No. 02,New Town, Mahiyanganaya
Malabe	0117448049/8	No. 760, New Kandy Road, Malabe
Manipay	021 7448021/2	No.260, Manipay Road, Manipay
Marine Drive	011 7448102/3	No. 42, Sagara Road, Marine Drive, Colombo 4
Matale	066 7448003/4	No. 144 , Main Street , Matale
Matara	041 7448003/4	No. 60, Uyanwatte Rd,Matara
Mathugama	034 7448022/3	No. 98, Agalawatta Road, Mathugama
Minuwangoda	011 7448084/5	No. 49, Negombo Road, Minuwangoda
Monaragala	055 7448006/7	No. 29, Pothuwil Road, Monaragala

Branch Name	Contact No.	Address
Moratuwa	011 7448021/2	No. 255, Galle Road, Idama, Moratuwa
Mount Lavinia	011 7448024/5	No. 431/433, Galle Road, Mount Lavinia
Narahenpita	011 7448105/6	No. 193 , Kirula Road , Narahenpita , Colombo 5
Narammala	037 7558013/4	No. 144, Kurunegala Road, Narammala
Nattandiya	032 7448006/7	No. 82, Marawila Road, Nattandiya
Nawalapitiya	054 7448000/1	No. 70B, Gampola Road, Nawalapitiya
Nawam Mawatha	011 7448000/1	No. 40, Nawam Mw, Colombo 02
Negombo	031 7448006/7	No. 121, St.Joseph Street, Negombo
Nelliady	021 7448012/27	No. 109,Jaffna Road,Nelliady
Nikaweratiya	037 7558016/7	No.65, Puttalam Road,Nikaweratiya
Nittambuwa	033 7448003/4	No. 496, Kandy Road, Nittambuwa
Nugegoda	011 7448009/10	No. 152,Nawala Rd, Nugegoda
Nuwara Eliya	052 7448000/1	No. 50/2 ,Siva Complex,Block C,Lawson Street, Nuwaraeliya
Old Moor Street	011 7448108/9	No. 311, Old Moor Street , Colombo 12
Panadura	038 7448000/1	No. 319, Galle Road, Panadura
Pelawatte	011 7448027/8	No. 301, Pannipitiya Road, Battaramulla
Pettah	011 7448072/3	No, 137,133/1, Main Street, Colombo 11
Pilimathalawa	081 7448012/3	No. 240, Colombo Road. Pilimathalawa
Piliyandala	011 7448057/8	No. 120 , Horana Road, Piliyandala
Pitakotte	011 7448114/5	No. 322B, Kotte Road, Pitakotte
Private Wealth Centre	011 7448087/8	No. 135, Rainbow Business Centre, Baudhaloka Mawatha, Colombo 04
Puttalam	032 7448009/10	No. 104, Kurunegala Road, Puttalam
Rajagiriya	011 7448012/3	No. 505, Sriyawardanapura Etul Kotte, Kotte
Ratmalana	011 7448066/7	No. 151, Galle Road, Ratmalana
Ratnapura	045 7448006/7	No. 211, Main Street, Rathnapura
Shangri-la	011 7448117/8	One Galle Face Mall, Premises no L 1 - 77, No. 1 A, Colombo 02.
Tangalle	047 7448009/10	No. 90A , Matara Road , Tangalle
Thambuttegama	025 7448006/7	No. 255A, Main Street, Thambuttegama
Thirunelveli	021 7448016/17	No, M102 , Palaly Road, Jaffna
Tissamaharama	047 7448012/3	No. 133 E , New Town , Tissamaharama
Trincomalee	026 7448000/1	No. 91& 93, North Coast Road, Trincomalee
Uragasmanhandiya	091 7448012/3	No. 131 , Main Street , Uragasmanhandiya
Vauniya	024 7448000/1	No. 188, 190, 192 & 190/1, Kandy Road, Vavuniya
Warakapola	035 7448000/1	No. 96 & 98 , Main Street , Warakapola
Wariyapola	037 7558019/20	Navinna Bldg, Puttalam Road, Wariyapola
Wattala	011 7448042/3	No. 378A, Negombo Road, Wattala
Wellawatte	011 7448120/1	No. 302, Galle Road, Colombo 6
Wennappuwa	031 7448009/10	No. 204, Chilaw Road, Wennappuwa
Yakkala	033 7448006/7	No. 65/5 B,Kandy Road,Yakkala

ANNEXURE C – CUSTODIAN BANKS

Bank of Ceylon Head Office No. 11th Floor, 04, Bank of Ceylon Mawatha Colombo 01 Tel: +94 112 204064	The Hongkong and Shanghai Banking Corporation Limited No. 24, Sir Baron Jayathilake Mawatha, Colombo 01 Tel: +94 11 2 325 435, +94 11 2 446 591, +94 11 2 446 303
Citi Bank, N A No. 65 C, Dharmapala Mawatha P. O. Box 888, Colombo 07 Tel: +94 114 794728	People's Bank Head Office - Treasury, 5th Floor, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel: +94 11 2 206782
Commercial Bank of Ceylon PLC Commercial House No. 21, Bristol Street, P.O. Box 853, Colombo 01 Tel: +94 11 2 445 010-15	Public Bank Berhad No. 340, R A De Mel Mawatha, Colombo 03 Tel: +94 11 2 576 289, +94 11 7 290 200-7
Deutsche Bank AG P.O. Box 314, 86, Galle Road, Colombo 03 Tel: +94 11 2 447 062 / 011 2 438 057	Standard Chartered Bank No. 37, York Street, P. O. Box 112, Colombo 01 Tel: +94 112 480450
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha Colombo 10 Tel: +94 112 661 762	Sampath Bank PLC No. 110, Sir James Peiris Mawatha, Colombo 02 Tel: +94 115 331458, +94 114 730662
Union Bank of Colombo PLC No. 64, Galle Road, Colombo 03 Tel: +94 112 374205	State Bank of India No. 16, Sir Baron Jayathilake Mawatha, Colombo 01 Tel: +94 114 622350
Nations Trust Bank PLC No. 256, Sri Ramanathan Mawatha, Colombo 15 Tel: +94 114 313131	Seylan Bank PLC Level 8, Ceylinco Seylan Towers 90, Galle Road, Colombo 03 Tel: +94 11 4 701 812, 011 4 701 819
Pan Asia Banking Corporation PLC Head Office No. 450, Galle Road, Colombo 03 Tel: +94 11 2 565 565	

ANNEXURE D – ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY



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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eyst@lk.ey.com
ey.com

RDeS/MDS

The Board of Directors
hSenid Business Solutions Limited
No: 50, Ward Place
Colombo 07.

21 September 2021

Accountants' Report for Inclusion in the Prospectus of hSenid Business Solutions Limited.

Dear Sirs/Madams

Introduction

This report has been prepared for the inclusion in the Prospectus in connection with the Initial Public Offering of Fifty Five Million Three Hundred and Thirty Nine Thousand Seventy Six (55,339,076) new Ordinary Voting Shares of the hSenid Business Solutions Limited at LKR 12.50 per Share.

We have examined the financial statements of hSenid Business Solutions Limited and the consolidated financial statements of the Company and subsidiaries for the years ended 31 March 2017 to 31 March 2021 and report as follows.

1. Incorporation

hSenid Business Solutions Limited is a limited liability Company incorporated under Companies Act no 07 of 2007 and domiciled in Sri Lanka. The Company together with its subsidiaries carry on businesses of software development for HR applications to assist HR professionals to effectively manage human resources and implement HR best practices, finance management, IT-related consultancy services, IT-related project management, rendering of support services and sale of Software and Hardware.

2. Financial Statements

2.1 Five-Year Summary of Audited Financial Statements

The summary of Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Statements of Cash Flow of hSenid Business Solutions Limited as at and for year ended 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021 and summary of Consolidated Statements of Profit or Loss, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flow of the Company and its subsidiaries as at and for year ended 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021 are based on the audited financial statements for the respective years.

(Contd..2/-)

EY20200210208

Partners: M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, B R H De Silva ACA ACMA, Ms. V A De Silva FCA, Ms. R M Fernando FCA ACMA, N V R L Fernando ACA, W A S P Fernando FCA FCMA, Ms. L M H C Fonseka FCA, D N Gamage ACA ACMA, R P A Gunasekera FCA FCMA, A Herath FCA, D H Hulangemuwa FCA FCMA LLB (Lond), Ms. A A Ludrarake FCA FCMA, Ms. D G S Manetunga FCA, A A J R Perera ACA ACMA, Ms. P V N N Seneviratne FCA, N M Subraman ACA ACMA, B E Wijetunge FCA FCMA

Principals: S S Gnanan ACA, Ms. P S Pererawansa ACA LLB (Colombo), T R M Ruyana FCA FCMA, C A Yalagala ACA

A member firm of Ernst & Young Global Limited

Annexure D – Accountants' Report and Five Year Summary



2.2 Audited Financial Statements for the Year Ended 31 March 2021

Our Independent auditors' report on the financial statements of the Company and consolidated financial statement of the Group for the year ended 31 March 2021 together with such financial statements comprising Statement of Financial Position, Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is provided in the Prospectus.

2.3 Audit Opinions for the years ended 31 March 2017, 2018, 2019, 2020 and 2021

We have audited the financial statements of the Company and consolidated financial statements of the Group for the years ended 31 March 2017 to 31 March 2021. Unmodified audit opinions have been issued for the said financial years by our reports dated 29 May 2017, 10 October 2018, 01 November 2019, 17 February 2021 and 06 September 2021.

2.4 Accounting Policies used for the years ended 31 March 2017, 2018, 2019, 2020 and 2021

The accounting policies of the Company and its subsidiaries which comply with Sri Lanka Accounting Standards are stated in the audited financial statements of hSenid Business Solutions Limited for the years ended 31 March 2017 to 31 March 2021.

2.5 Dividends

The company has paid dividends in respect of ordinary shares for the years ended 31 March 2017 to 31 March 2021 as follows.

Year	Dividends paid (Rs.)	Dividend per Share (Rs.)
2016/17	-	-
2017/18	-	-
2018/19	25,006,558/79	12.77
2019/20	20,000,000/00	10.08
2020/21	30,004,113/30	15.06

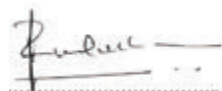
2.6 Events after Reporting Date

Except for the events mentioned in the notes 26 of the Audited Financial Statements, There were no material events that had taken place since 31 March 2021 that require disclosure or/and adjustments in the financial statements for the year ended 31 March 2021.

Yours faithfully

STATEMENTS OF FINANCIAL POSITION

As at 31 March	2021		2020		2019		2018		2017	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
ASSETS										
Non-current assets										
Property, plant and equipment	9,463,710	9,245,801	9,614,456	9,230,088	4,912,285	4,595,252	5,109,976	4,518,110	6,762,964	6,102,770
Right of use Assets	40,468,176	37,975,677	-	-	-	-	-	-	-	-
Intangible assets	160,497,821	158,092,148	162,109,538	162,109,538	145,769,320	145,769,320	129,396,902	129,396,902	105,982,984	105,982,984
Goodwill on acquisition	2,008,131	-	2,008,131	-	2,008,131	-	2,008,131	-	2,008,131	-
Investments in subsidiaries	-	136,859,362	-	136,859,362	-	141,896,611	-	141,896,611	-	80,846,081
Deferred tax assets	2,455,682	2,422,063	8,733,605	8,733,605	2,017,586	2,017,586	-	-	-	-
	<u>214,893,519</u>	<u>344,595,051</u>	<u>182,465,731</u>	<u>316,932,594</u>	<u>154,707,321</u>	<u>294,278,769</u>	<u>136,515,008</u>	<u>275,811,622</u>	<u>114,754,080</u>	<u>192,931,835</u>
Current Assets										
Inventories	19,659,971	19,659,971	13,906,146	13,906,146	8,584,047	8,584,047	9,125,861	9,125,861	12,015,625	12,015,625
Trade and other receivables	444,859,200	531,696,507	246,950,142	337,889,005	210,570,836	302,548,253	279,673,818	305,570,558	183,045,013	268,612,531
Advances and prepayments	51,102,115	6,218,041	20,787,379	5,664,339	15,325,123	2,750,815	5,155,760	2,626,170	7,298,331	4,412,930
Tax receivables	-	-	-	-	-	-	299,923	-	746,147	301,371
Other current financial assets	258,835,421	258,835,421	155,776,372	155,776,372	61,047,244	61,047,244	14,740,941	14,740,941	7,341,988	1,000,000
Cash and bank balances	261,483,690	107,709,392	219,637,715	99,339,588	172,934,029	56,664,163	107,069,719	30,241,934	114,812,175	44,821,305
	<u>1,035,940,397</u>	<u>924,119,332</u>	<u>657,057,754</u>	<u>612,575,450</u>	<u>468,461,279</u>	<u>431,594,522</u>	<u>416,066,023</u>	<u>362,305,465</u>	<u>325,259,279</u>	<u>331,163,762</u>
Total Assets	<u>1,250,833,916</u>	<u>1,268,714,383</u>	<u>839,523,485</u>	<u>929,508,043</u>	<u>623,168,599</u>	<u>725,873,291</u>	<u>552,581,031</u>	<u>638,117,087</u>	<u>440,013,358</u>	<u>524,095,597</u>
EQUITY AND LIABILITIES										
Equity										
Stated capital	224,036,627	224,036,627	225,775,613	225,775,613	225,775,613	225,775,613	224,093,347	224,093,347	224,093,347	224,093,347
Currency translation reserve	17,775,308	-	7,835,023	-	8,571,643	-	4,743,900	-	832,817	-
Retained earnings	527,476,218	679,757,364	330,275,541	463,948,475	162,656,157	302,418,176	89,304,826	242,119,180	13,746,082	141,158,469
Non controlling interest	-	-	-	-	(56,564)	-	(56,564)	-	(56,564)	-
Total Equity	<u>769,288,153</u>	<u>903,793,990</u>	<u>563,886,176</u>	<u>689,724,088</u>	<u>396,946,849</u>	<u>528,193,789</u>	<u>318,085,508</u>	<u>466,212,527</u>	<u>238,615,683</u>	<u>365,251,816</u>
Non-Current Liabilities										
Retirement benefit obligation	71,432,216	71,432,216	56,001,902	56,001,902	44,419,637	44,419,637	42,041,435	42,041,435	32,756,125	32,756,125
Interest bearing borrowings	28,370,123	28,370,123	-	-	6,187,500	6,187,500	20,062,500	11,437,500	30,562,500	30,562,500
Deferred tax liability	-	-	-	-	-	-	6,788,498	6,788,498	2,920,746	2,920,746
	<u>99,802,339</u>	<u>99,802,339</u>	<u>56,001,902</u>	<u>56,001,902</u>	<u>50,607,137</u>	<u>50,607,137</u>	<u>68,892,433</u>	<u>60,267,433</u>	<u>66,239,371</u>	<u>66,239,371</u>
Current Liabilities										
Trade and other payables	275,594,334	161,587,784	132,497,431	97,739,740	120,395,662	93,165,683	139,836,011	79,890,439	108,286,445	70,694,945
Deferred income	58,965,318	58,965,318	59,119,896	59,119,896	41,235,363	41,235,363	-	-	-	-
Interest bearing borrowings	39,861,757	37,309,250	13,220,866	13,220,866	6,750,000	6,750,000	24,068,220	31,593,466	26,871,859	21,909,465
Income tax payable	7,322,016	7,255,702	14,797,213	13,701,551	7,233,589	5,921,319	1,698,859	153,223	-	-
	<u>381,743,424</u>	<u>265,118,054</u>	<u>219,635,406</u>	<u>183,782,053</u>	<u>175,614,614</u>	<u>147,072,365</u>	<u>165,603,090</u>	<u>111,637,127</u>	<u>135,158,304</u>	<u>92,604,410</u>
Total Equity and Liabilities	<u>1,250,833,916</u>	<u>1,268,714,383</u>	<u>839,523,485</u>	<u>929,508,043</u>	<u>623,168,599</u>	<u>725,873,291</u>	<u>552,581,031</u>	<u>638,117,087</u>	<u>440,013,358</u>	<u>524,095,597</u>


Head of Finance

Summarised financial information and its extraction from audited financial statements, as set out in pages 1 to 5 is the responsibility of the Board of Directors.
Signed for and on behalf of the Board of Directors by :

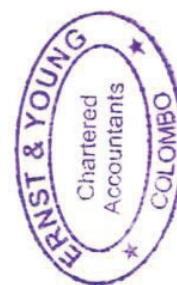

Director




Director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	2021		2020		2019		2018		2017	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Revenue	961,479,240	807,361,031	955,066,675	754,043,068	825,890,545	606,831,971	749,775,553	567,891,963	607,496,173	482,825,167
Cost of sales	(447,986,249)	(312,003,666)	(464,026,162)	(306,691,314)	(380,227,529)	(245,704,746)	(340,487,091)	(249,666,455)	(243,756,606)	(190,383,053)
Gross profit	513,492,991	495,357,365	491,040,513	447,351,754	445,663,016	361,127,225	409,288,462	318,225,507	363,739,567	292,442,114
Other income	32,882,122	27,301,168	18,695,882	15,457,872	21,952,828	18,368,974	28,208,275	35,061,016	11,095,005	20,233,838
Administrative expenses	(143,144,634)	(109,550,384)	(149,315,120)	(112,680,954)	(207,187,516)	(135,242,547)	(239,303,046)	(136,561,572)	(239,830,812)	(127,063,576)
Selling and distribution expenses	(114,883,633)	(109,196,046)	(120,695,500)	(113,857,750)	(65,269,515)	(64,987,111)	(56,048,217)	(53,748,579)	(63,578,790)	(56,547,093)
Finance cost	(7,497,161)	(7,086,858)	(1,931,347)	(6,725,183)	(4,121,698)	(2,940,715)	(6,239,311)	(6,041,259)	(10,986,949)	(7,998,660)
Finance income	10,961,525	10,877,490	5,583,643	5,429,803	3,562,637	3,365,831	1,374,273	1,370,021	2,690,223	2,628,139
Other operating expenses	(68,956,273)	(66,228,736)	(61,483,932)	(60,282,094)	(54,128,882)	(53,412,006)	(50,219,890)	(48,178,610)	(43,527,292)	(42,837,968)
Profit/(Loss) before tax	222,854,936	241,473,999	181,894,140	174,693,448	140,470,870	126,279,651	87,060,546	110,126,524	19,600,952	80,856,794
Income tax reversal/(expense)	(13,664,042)	(13,674,893)	(14,218,191)	(13,163,149)	(3,875,524)	(2,736,639)	(11,501,804)	(9,165,814)	972,953	1,510,578
Profit/(Loss) for the year	209,190,894	227,799,105	167,675,948	161,530,299	136,595,346	123,543,012	75,558,742	100,960,710	20,573,905	82,367,372
Other comprehensive income										
Other comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax)										
Exchange Gain/(Loss) on translation of foreign operations	9,940,285	-	(736,620)	-	3,827,743	-	3,911,083	-	(5,073,564)	-
Total comprehensive income for the year	219,131,179	227,799,105	166,939,328	161,530,299	140,423,090	123,543,012	79,469,825	100,960,710	15,500,340	82,367,372
Profit for the year										
Equity holders of the Company	209,190,894	227,799,105	167,675,948	161,530,299	136,595,346	123,543,012	75,558,742	100,960,710	20,573,905	82,367,372
Non-controlling interest	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/profit for the year										
Equity holders of the Company	219,131,179	227,799,105	166,939,328	161,530,299	140,423,090	123,543,012	79,469,825	100,960,710	15,500,340	82,367,372
Non-controlling interest	-	-	-	-	-	-	-	-	-	-
Earnings Per Share - Basic	106.10	115.53	85.63	82.49	69.99	63.30	38.72	51.74	10.54	42.69
Earnings Per Share - Diluted	104.15	113.42	82.98	79.94	67.82	61.34	37.39	49.96	10.18	40.76



STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2021

Group	Stated Capital	Currency Translation Reserve	Retained Earnings	Non-Controlling Interest	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2016	210,640,787	5,906,382	(6,827,823)	(56,564)	209,662,782
Profit for the year	-	-	20,573,905	-	20,573,905
Shares issued during the year	13,452,560	-	-	-	13,452,560
Other comprehensive income	-	(5,073,564)	-	-	(5,073,564)
Balance as at 31 March 2017	224,093,347	832,817	13,746,082	(56,564)	238,615,682
Profit for the year	-	-	75,558,742	-	75,558,742
Other comprehensive income, net of tax	-	3,911,083	-	-	3,911,083
Other comprehensive income	-	3,911,083	75,558,742	-	79,469,825
Balance as at 31 March 2018	224,093,347	4,743,901	89,304,824	(56,564)	318,085,507
Profit for the year	-	-	136,595,346	-	136,595,346
Effect of change in accounting policies	-	-	(38,237,456)	-	(38,237,456)
Dividends 17/18	-	-	(25,006,559)	-	(25,006,559)
Other comprehensive income, net of tax	-	3,827,743	-	-	3,827,743
Total comprehensive income	-	3,827,743	73,351,331	-	77,179,076
Shares issued during the year	1,682,266	-	-	-	1,682,266
Balance as at 31 March 2019	225,775,613	8,571,644	162,656,156	(56,564)	396,946,849
Profit for the year	-	-	167,675,948	-	167,675,948
Non-controlling interest	-	-	(56,564)	56,564	-
Other comprehensive income, net of tax	-	(736,620)	-	-	(736,620)
Total comprehensive income	-	(736,620)	167,619,384	56,564	166,939,328
Balance as at 31 March 2020	225,775,614	7,835,025	330,275,540	-	563,886,177
Profit for the year	-	-	209,190,894	-	209,190,894
Dividend 18/19	-	-	(20,000,000)	-	(20,000,000)
Other comprehensive income, net of tax	-	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	(8,009,783)	-	8,009,783	-	-
Shares issued during the year	6,270,797	-	-	-	6,270,797
Balance as at 31 March 2021	224,036,627	17,775,309	527,476,215	-	769,288,153



STATEMENTS OF CHANGES IN EQUITY

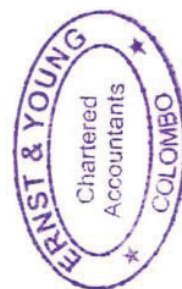
Year ended 31 March 2021

Company	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2016	210,640,787	58,791,097	269,431,884
Profit for the year	-	82,367,372	82,367,372
Shares issued during the year	13,452,560	-	13,452,560
As at 31 March 2017	224,093,347	141,158,469	365,251,816
Profit for the year	-	100,960,710	100,960,710
As at 31 March 2018	224,093,347	242,119,179	466,212,526
Profit for the year	-	123,543,012	123,543,012
Effect of change in accounting policies	-	(38,237,456)	(38,237,456)
Dividends 17/18	-	(25,006,559)	(25,006,559)
Total comprehensive income	-	60,298,996	60,298,996
Shares issued during the year	1,682,266	-	1,682,266
As at 31 March 2019	225,775,613	302,418,176	528,193,789
Profit for the year	-	161,530,299	161,530,299
Total comprehensive income	-	161,530,299	161,530,299
As at 31 March 2020	225,775,613	463,948,475	689,724,088
Profit for the year	-	227,799,105	227,799,105
Dividend 18/19	-	(20,000,000)	(20,000,000)
Total comprehensive income	-	207,799,105	207,799,105
Re-statement of share capital in line with ROC	(8,009,783)	8,009,783	-
Shares issued during the year	6,270,797	-	6,270,797
As at 31 March 2021	224,036,627	679,757,364	903,793,990



STATEMENTS OF CASH FLOWS

For the year ended 31 March	2021		2020		2019		2018		2017	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Cash Flows From / (Used in) Operating Activities										
Profit/ (Loss) before tax from continuing operations	222,854,936	241,473,999	181,894,140	174,693,448	140,470,870	126,279,651	87,060,546	110,126,524	19,600,952	80,856,794
Adjustments for										
Depreciation	3,610,086	3,427,288	3,470,954	2,880,220	3,055,752	2,479,015	2,534,535	3,276,415	5,710,906	5,107,785
Amortisation	84,593,873	79,020,562	56,105,843	56,105,843	50,000,100	50,000,100	43,714,285	43,714,285	37,729,653	37,729,653
Impairment/(writing back) of trade receivable	17,910,099	17,897,457	8,664,967	8,662,562	9,573,121	9,450,421	2,300,529	(21,191,383)	16,998,533	16,308,055
Impairment/(writing back) of investments	-	-	-	5,037,239	-	-	-	-	-	-
Investments written off	-	-	56,564	10	-	-	-	-	-	-
Finance income	(10,961,525)	(10,877,490)	(5,583,643)	(5,429,803)	(3,562,637)	(3,365,831)	(1,374,273)	(1,370,021)	(2,690,223)	(2,628,139)
Dividend income	-	-	-	(4,787,855)	-	-	-	(8,376,808)	-	(11,352,110)
Finance cost	7,497,161	7,086,858	1,931,347	6,725,183	4,121,698	2,940,715	6,239,311	6,041,259	10,986,949	7,998,660
Provision for defined benefit plan	16,857,314	16,857,314	14,806,015	14,806,015	7,479,202	7,479,202	12,092,185	12,092,185	10,353,125	10,353,125
Forex loss/(gain)	(27,222,545)	(27,222,545)	(10,801,524)	(10,633,617)	(18,493,293)	(18,368,974)	(5,195,019)	(5,195,019)	-	-
Profit on disposal of property, plant and equipment	-	-	-	-	-	-	-	-	(19,642)	(19,642)
Other write offs	-	-	-	-	-	-	-	-	159,438	159,438
Operating Profit/(Loss) before working capital changes	315,139,399	327,663,442	250,544,662	248,059,246	192,644,814	176,894,299	147,372,099	139,117,438	98,829,691	144,513,618
Decrease / (increase) in inventories	(5,753,825)	(5,753,825)	(5,322,099)	(5,322,099)	541,814	541,814	2,889,764	2,889,764	(4,286,348)	(4,286,347)
Decrease / (increase) in trade and other receivables	(215,819,156)	(211,704,959)	(45,044,273)	(44,003,314)	59,529,861	(6,428,116)	(105,165,477)	(15,766,644)	(37,406,866)	(70,956,582)
Decrease / (increase) in advance and prepayment	(30,314,736)	(553,702)	(5,462,256)	(2,913,524)	(10,169,363)	(124,645)	2,142,572	1,786,761	74,908	(1,963,696)
Increase / (decrease) in deferred income	(154,579)	(154,579)	17,884,534	17,884,534	2,997,906	2,997,906	-	-	-	-
Increase / (decrease) in trade and other payables	143,096,903	63,848,044	37,051,763	29,580,616	(44,446,908)	(11,731,314)	31,549,566	9,195,493	43,364,728	16,840,329
Cash Generated from Operations	206,194,006	173,344,421	249,652,330	243,285,458	201,098,125	162,149,944	78,788,523	137,222,812	100,576,114	84,147,322
Finance cost paid	(1,815,805)	(1,601,821)	(1,931,347)	(6,725,183)	(4,121,698)	(2,940,715)	(6,239,311)	(6,041,259)	(10,986,949)	(7,998,660)
Defined benefit obligation paid	(1,427,000)	(1,427,000)	(3,223,750)	(3,223,750)	(5,101,000)	(5,101,000)	(2,806,875)	(2,806,875)	(425,000)	(425,000)
Tax paid	(14,861,316)	(13,809,200)	(13,370,586)	(12,098,936)	(6,846,954)	(5,774,626)	(3,346,283)	(4,843,468)	(2,616,625)	(2,616,625)
Net Cash From/(Used in) Operating Activities	188,089,886	156,506,400	231,126,647	221,237,589	185,028,472	148,333,603	66,396,055	123,531,209	86,547,540	73,107,038



Statements of Cash Flows

For the year ended 31 March	2021		2020		2019		2018		2017	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Cash Flows from / (Used in) Investing Activities										
Acquisition of property, plant and equipment	(3,443,000)	(3,443,000)	(8,282,015)	(7,515,057)	(2,747,806)	(2,556,157)	(2,048,593)	(1,691,755)	(3,149,339)	(2,395,004)
Acquisition of intangible assets	(61,690,685)	(57,475,936)	(72,446,061)	(72,446,061)	(66,372,518)	(66,372,518)	(67,128,203)	(67,128,203)	(50,913,290)	(50,913,290)
Investments in short-term investments	(29,181,824)	(29,181,824)	(40,134,180)	(40,134,180)	(12,315,140)	(12,315,140)	-	(6,456,240)	-	-
Finance income received	10,961,525	10,877,490	5,583,643	5,429,803	3,562,637	3,365,831	(1,374,273)	1,370,021	2,529,278	2,467,194
Dividend received	-	-	-	4,787,855	-	-	-	8,376,808	-	3,684,750
Insurance claim received	-	-	-	-	-	-	-	-	24,575	24,575
Investments in subsidiaries	-	-	-	-	-	-	-	(61,050,530)	-	(33,946,990)
Net Cash Flows from/(Used in) Investing Activities	(83,353,984)	(79,223,269)	(115,278,613)	(109,877,640)	(77,872,827)	(77,877,984)	(70,551,068)	(126,579,899)	(51,508,776)	(81,078,765)
Cash Flows from (Used in) Financing Activities										
Issuance of shares	6,270,797	6,270,797	-	-	1,682,266	1,682,266	-	-	13,452,560	13,452,560
Disbursement of term loans	25,000,000	25,000,000	-	-	-	-	-	-	27,000,000	27,000,000
Payment of lease installments	(22,807,832)	(18,954,408)	-	-	-	-	-	-	-	-
Dividend paid	(20,000,000)	(20,000,000)	(25,006,559)	(25,006,559)	-	-	-	-	-	-
Repayment of bank loans	(7,541,670)	(7,541,670)	(6,750,000)	(6,750,000)	(11,437,500)	(11,437,500)	(10,500,000)	(10,500,000)	(4,312,500)	(4,312,500)
Net Cash Flows from/(Used in) Financing Activities	(19,078,705)	(15,225,281)	(31,756,559)	(31,756,559)	(9,755,234)	(9,755,234)	(10,500,000)	(10,500,000)	36,140,060	36,140,060
Currency translation adjustment	37,099,369	27,222,545	10,173,792	10,633,617	22,210,781	18,368,974	9,658,908	5,195,019	(5,092,612)	-
Net Increase/(Decrease) in Cash and Cash Equivalents	122,756,566	89,280,394	94,265,267	90,237,007	119,611,192	79,069,358	(4,996,105)	(8,353,671)	66,086,212	28,168,333
Cash and Cash Equivalents at the beginning of the year	308,475,161	188,177,034	214,209,893	97,940,027	94,598,701	18,870,669	99,594,804	27,224,340	33,508,592	56,007
Cash and Cash Equivalents at the end of the year	431,231,728	277,457,429	308,475,160	188,177,034	214,209,891	97,940,027	94,598,699	18,870,669	99,594,804	28,224,340



ANNEXURE E – AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021



Ernst & Young
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RDeS/MDS/MHM

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF hSENID BUSINESS SOLUTIONS (PRIVATE) LIMITED

Opinion

We have audited the financial statements of hSenid Business Solutions (Private) Limited ("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 2021, 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 2021, 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.

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.

(Contd...2/-)

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Partners: H M A Jayasinghe FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA W R H De Silva ACA 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 R Hulangamuwa FCA FCMA LLB (Lond) Ms. A A Ludowyke FCA FCMA Ms. G G S Manabunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA
N M Sultman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudan ACMA Ms. P S Paranavitane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA C A Yapaala ACMA

A member firm of Ernst & Young Global Limited

ANNEXURE E – Audit Report and Financial Statements for The Year Ended March 31, 2021



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 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.

6 September 2021
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2021

	Note	Group 2021 Rs.	2020 Rs.	Company 2021 Rs.	2020 Rs.
Revenue	5	961,479,240	955,066,675	807,361,031	754,043,068
Cost of sales		(447,986,249)	(464,026,162)	(312,003,666)	(306,691,314)
Gross profit		513,492,991	491,040,513	495,357,365	447,351,754
Other income	6	32,882,122	18,695,882	27,301,168	15,457,872
Administrative expenses		(143,144,634)	(149,315,120)	(109,550,384)	(112,680,954)
Selling and marketing expenses		(114,883,633)	(120,695,500)	(109,196,046)	(113,857,750)
Finance cost	7.1	(7,497,161)	(1,931,347)	(7,086,858)	(6,725,183)
Finance income	7.2	10,961,525	5,583,643	10,877,490	5,429,803
Other operating expenses		(68,956,273)	(61,483,932)	(66,228,736)	(60,282,094)
Profit before tax	8	222,854,936	181,894,140	241,473,999	174,693,448
Tax (expense)/reversal	9	(13,664,042)	(14,218,191)	(13,674,893)	(13,163,149)
Profit for the year		209,190,894	167,675,948	227,799,105	161,530,299
Other comprehensive income					
Other comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax)					
Exchange Gain/(Loss) on translation of foreign operations		9,940,285	(736,620)	-	-
Total comprehensive income for the year		219,131,179	166,939,328	227,799,105	161,530,299
Profit for the year					
Equity holders of the Company		209,190,894	167,675,948	227,799,105	161,530,299
Non-controlling interest		-	-	-	-
Total comprehensive income/profit for the year					
Equity holders of the Company		219,131,179	166,939,328	227,799,105	161,530,299
Non-controlling interest		-	-	-	-
Earnings per share - Basic	10.1	106.10	85.63	115.53	82.49
Earnings per share - Diluted	10.2	104.15	82.98	113.42	79.94

The Accounting Policies and Notes on pages 7 through 38 form an integral part of these financial statements.

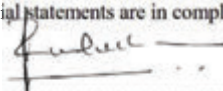


STATEMENT OF FINANCIAL POSITION

As at 31st March 2021

		Group		Company	
		2021	2020	2021	2020
ASSETS	Note	Rs.	Rs.	Rs.	Rs.
Non-Current Assets					
Property, plant and equipment	11	9,463,710	9,614,456	9,245,801	9,230,088
Right of use Assets	12	40,468,176	-	37,975,677	-
Intangible assets	13	160,497,821	162,109,538	158,092,148	162,109,538
Goodwill on acquisition	14	2,008,131	2,008,131	-	-
Investments in subsidiaries	15	-	-	136,859,362	136,859,362
Deferred tax assets	9.2	2,455,682	8,733,605	2,422,063	8,733,605
		<u>214,893,519</u>	<u>182,465,731</u>	<u>344,595,051</u>	<u>316,932,594</u>
Current Assets					
Inventories	16	19,659,971	13,906,146	19,659,971	13,906,146
Trade and other receivables	17	444,859,200	246,950,142	531,696,507	337,889,005
Advances and prepayments		51,102,115	20,787,379	6,218,041	5,664,339
Other current financial assets	18	258,835,421	155,776,372	258,835,421	155,776,372
Cash and bank balances	20.1	261,483,690	219,637,715	107,709,392	99,339,588
		<u>1,035,940,397</u>	<u>657,057,754</u>	<u>924,119,332</u>	<u>612,575,450</u>
Total Assets		<u>1,250,833,916</u>	<u>839,523,484</u>	<u>1,268,714,383</u>	<u>929,508,043</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	21	224,036,627	225,775,613	224,036,627	225,775,613
Currency translation reserve		17,775,308	7,835,023	-	-
Retained earnings		527,476,218	330,275,541	679,757,364	463,948,475
Total Equity		<u>769,288,153</u>	<u>563,886,176</u>	<u>903,793,990</u>	<u>689,724,088</u>
Non-Current Liabilities					
Retirement benefit obligation	23	71,432,216	56,001,902	71,432,216	56,001,902
Interest bearing borrowings	19	28,370,123	-	28,370,123	-
		<u>99,802,339</u>	<u>56,001,902</u>	<u>99,802,339</u>	<u>56,001,902</u>
Current Liabilities					
Trade and other payables	22	275,594,334	132,497,431	161,587,784	97,739,740
Deferred income		58,965,318	59,119,896	58,965,318	59,119,896
Interest bearing borrowings	19	39,861,757	13,220,866	37,309,250	13,220,866
Income tax payable		7,322,016	14,797,213	7,255,702	13,701,551
		<u>381,743,424</u>	<u>219,635,406</u>	<u>265,118,054</u>	<u>183,782,053</u>
Total Equity and Liabilities		<u>1,250,833,916</u>	<u>839,523,484</u>	<u>1,268,714,383</u>	<u>929,508,043</u>

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


Head of Finance

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


CEO / Director


Director

The Accounting Policies and Notes on pages 7 through 38 form an integral part of these financial statements.

6 September 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

Group	Note	Stated Capital Rs.	Currency Translation Reserve Rs.	Retained Earnings Rs.	Non Controlling Interest Rs.	Total Equity Rs.
Balance as at 1st April 2019		225,775,613	8,571,643	162,656,157	(56,564)	396,946,849
Profit for the year		-	-	167,675,948	-	167,675,948
De-recognition of Non-controlling interest				(56,564)	56,564	-
Other comprehensive income		-	(736,620)	-	-	(736,620)
Total comprehensive income		-	(736,620)	167,619,384	56,564	166,939,328
Balance as at 31st March 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	21	(8,009,783)	-	8,009,783	-	-
Share issue		6,270,797	-	-	-	6,270,797
Balance as at 31st March 2021		224,036,627	17,775,308	527,476,218	-	769,288,153

Company		Stated Capital Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1st April 2019		225,775,613	302,418,176	528,193,789
Profit for the year		-	161,530,299	161,530,299
Total comprehensive income		-	161,530,299	161,530,299
Balance as at 31st March 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	21	(8,009,783)	8,009,783	-
Share Issue		6,270,797	-	6,270,797
Balance as at 31st March 2021		224,036,627	679,757,364	903,793,990

The Accounting Policies and Notes on pages 7 through 38 form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

Year ended 31 March 2021

Cash Flows from/(used in) Operating Activities	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit before tax		222,854,936	181,894,140	241,473,999	174,693,448
Adjustment For					
Depreciation	11.	3,610,086	3,470,954	3,427,288	2,880,220
Amortisation	13.2	84,593,873	56,105,843	79,020,562	56,105,843
Impairment/(writing back) of trade receivable		17,910,099	8,664,967	17,897,457	8,662,562
Impairment/(writing back) of investments		-	-	-	5,037,239
Investments written off		-	56,564	-	10
Finance income	7.2	(10,961,525)	(5,583,643)	(10,877,490)	(5,429,803)
Dividend income	6.1	-	-	-	(4,787,855)
Finance cost	7.1	7,497,161	1,931,347	7,086,858	6,725,183
Provision for defined benefit plan	23.1	16,857,314	14,806,015	16,857,314	14,806,015
Forex loss/(gain)	6.1	(27,222,545)	(10,801,524)	(27,222,545)	(10,633,617)
Operating profit before working capital changes		315,139,400	250,544,662	327,663,443	248,059,246
Decrease / (increase) in inventories		(5,753,825)	(5,322,099)	(5,753,825)	(5,322,099)
Increase in trade and other receivables		(215,819,156)	(45,044,273)	(211,704,959)	(44,003,314)
Decrease in advance and prepayment		(30,314,736)	(5,462,256)	(553,702)	(2,913,524)
Increase in deferred income		(154,579)	17,884,534	(154,579)	17,884,534
Increase in trade and other payables		143,096,903	12,045,204	63,848,044	4,574,057
Cash generated from operations		206,194,007	224,645,772	173,344,422	218,278,899
Finance cost paid	7.1	(1,815,805)	(1,931,347)	(1,601,821)	(6,725,183)
Defined benefit obligation paid	23.1	(1,427,000)	(3,223,750)	(1,427,000)	(3,223,750)
Tax paid		(14,861,316)	(13,370,586)	(13,809,200)	(12,098,936)
Net cash from operating activities		188,089,886	206,120,089	156,506,401	196,231,030
Cash flows from/(used in) investing activities					
Acquisition of property, plant and equipment	11.	(3,443,000)	(8,282,015)	(3,443,000)	(7,515,057)
Acquisition of intangible assets	13.1	(61,690,685)	(72,446,061)	(57,475,936)	(72,446,061)
Investments in short-term investments		(29,181,824)	(40,134,180)	(29,181,824)	(40,134,180)
Finance income received	7.2	10,961,525	5,583,643	10,877,490	5,429,803
Dividend received	6.1	-	-	-	4,787,855
Net cash used in investing activities		(83,353,984)	(115,278,613)	(79,223,270)	(109,877,640)
Cash flows from/(used in) financing activities					
Issuance of shares		6,270,797	-	6,270,797	-
Disbursement of term loans	19	25,000,000	-	25,000,000	-
Payment of lease installments	19.5	(22,807,832)	-	(18,954,408)	-
Dividend paid		(20,000,000)	-	(20,000,000)	-
Repayment of bank loans	19	(7,541,670)	(6,750,000)	(7,541,670)	(6,750,000)
Net cash used in financing activities		(19,078,705)	(6,750,000)	(15,225,281)	(6,750,000)
Currency translation adjustment		37,099,369	10,173,792	27,222,545	10,633,617
Net increase in cash and cash equivalents		122,756,566	94,265,268	89,280,395	90,237,007
Cash and cash equivalents at the beginning of the year		308,475,161	214,209,893	188,177,034	97,940,027
Cash and cash equivalents at the end of the year	20.	431,231,727	308,475,161	277,457,429	188,177,034

The Accounting Policies and Notes on pages 7 through 38 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

1. CORPORATE INFORMATION

1.1 General

hSenid Business Solutions (Private) Limited ("Company") is a private 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 principle place of business is situated at No. 67/1, Hudson Road, Off Perahera Mawatha, Colombo 3.

1.2 Principal Activities and Nature of Operations

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, Finance management, IT-related consultancy services, IT-related project management, rendering of support services and sale of Software and Hardware.

1.3 Parent Enterprise and ultimate parent enterprise.

The Company's parent undertaking is hSenid Software International (Private) Limited which is incorporated in Sri Lanka.

As at 31 August 2021, hSenid Software International (Pvt) Ltd has divested its ownership of the Company. Accordingly, the Company has no identifiable parent from this date.

1.4 Date of Authorization for Issue

The Financial Statements of hSenid Business Solutions (Private) Limited for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 6 September 2021.



Notes to The Financial Statements

Year ended 31 March 2021

2. GENERAL POLICIES

2.1 Statement of compliance

The 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.

2.2 Basis of Preparation

The Financial Statements of hSenid Business Solutions (Private) Limited (“Company”) and its subsidiaries (“Group”) have been prepared on a historical cost convention unless stated otherwise. The Financial Statements are presented in Sri Lankan Rupees (“Rs.”).

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. 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.

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	Effective Holding	Principal Activities
1. hSenid Software (Singapore) Pte Ltd	Singapore	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 Singapore and nearby countries
2. hSenid Business Solutions (India) Pvt Ltd	India	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.



Year ended 31 March 2021

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.

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 2021.

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

2.4 Comparative Information

The consolidated financial statements provide comparative information in respect of the previous period. The Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2.5 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 includes the existing and anticipated effects of the COVID-19 pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, management considered a range of scenarios to determine the potential impact on underlying performance and future funding requirements.

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.

2.6 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the functional currency of the Group. All financial information presented in Sri Lankan Rupees has rounded to the nearest rupee, except when otherwise indicated.

2.7 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.

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.



Notes to The Financial Statements

Year ended 31 March 2021

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 23. 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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Foreign Currency Translation

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to other comprehensive income. 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.

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.



Year ended 31 March 2021

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.

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.



Notes to The Financial Statements

Year ended 31 March 2021

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 derecognition (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 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. Derecognition

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.



Year ended 31 March 2021

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 17 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.

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.



Notes to The Financial Statements

Year ended 31 March 2021

3. Derecognition

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 derecognition 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
Telephone Equipment	4 years
Network Hardware	3 years
Computer Equipment	4 years
Office Equipment	4 years
Assessment Center Equipment	4 years
Fittings	5 years
Assessment Center Computers	3 years



Year ended 31 March 2021

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.

b) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project 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 cost of sales. 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.



Notes to The Financial Statements

Year ended 31 March 2021

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 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.



Year ended 31 March 2021

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 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.



Notes to The Financial Statements

Year ended 31 March 2021

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 Revenue Recognition

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

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.



Year ended 31 March 2021

4.12 Changes in accounting policies and disclosures

The Group applied for the first-time certain standard and amendments, which are effective for annual period beginning on or after 1 April 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to SLFRS 7, SLFRS 9 and LKAS 39 Interest Rate Benchmark Reform

The amendments to SLFRS 9 and LKAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to LKAS1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.



Notes to The Financial Statements

Year ended 31 March 2021

4.13 EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements.

Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

In March 2021, the ICASL adopted amendments to LKAS16-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 recognises 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.

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

In March 2021, the ICASL adopted amendments to 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.



Year ended 31 March 2021

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the group in the foreseeable future.



Notes to The Financial Statements

Year ended 31 March 2021

5. REVENUE	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Customised projects and maintenance - Foreign	533,293,330	580,090,061	379,175,122	374,331,235
- Local	428,185,909	379,111,507	428,185,909	383,846,726
Gross revenue (Note 5.1)	961,479,240	959,201,568	807,361,031	758,177,961
Less: Taxes				
NBT	-	(4,134,893)	-	(4,134,893)
	<u>961,479,240</u>	<u>955,066,675</u>	<u>807,361,031</u>	<u>754,043,068</u>
5.1 Gross revenue				
Revenue from customised projects	789,980,670	797,481,854	639,703,753	600,965,943
Hardware sales	54,176,838	49,230,892	54,176,838	49,230,892
Revenue from support / maintenance services	117,321,732	112,488,823	113,480,440	107,981,126
	<u>961,479,240</u>	<u>959,201,568</u>	<u>807,361,031</u>	<u>758,177,961</u>
6. OTHER INCOME AND GAINS				
6.1 Other income				
Dividend income	-	4,787,855	-	4,787,855
Exchange gain	27,222,545	10,801,524	27,222,545	10,633,617
Write back of debtors over provision	78,623	36,400	78,623	36,400
Sundry income	5,580,954	3,070,103	-	-
	<u>32,882,122</u>	<u>18,695,882</u>	<u>27,301,168</u>	<u>15,457,872</u>
7. FINANCE COSTS AND INCOME				
7.1 Finance cost				
Impairment of investment	213,984	211,301	-	5,037,239
Interest expenses on bank overdrafts	40,284	204,468	40,284	204,468
Interest expenses on bank loans	1,561,537	1,483,476	1,561,537	1,483,476
Interest on delayed payments	-	32,102	-	-
Interest on leases	5,681,356	-	5,485,037	-
	<u>7,497,161</u>	<u>1,931,347</u>	<u>7,086,858</u>	<u>6,725,183</u>
7.2 Finance income				
Income from investments :				
- Interest on deposits	10,961,525	5,583,643	10,877,490	5,429,803
	<u>10,961,525</u>	<u>5,583,643</u>	<u>10,877,490</u>	<u>5,429,803</u>



Year ended 31 March 2021

8. PROFIT BEFORE TAX**Stated after charging****Included in Cost of Sales**

Employees benefits including the following

- Defined benefit plan costs - Gratuity

- Defined contribution plan costs - EPF and ETF

Included in General and Administration Expenses

Directors' emoluments

Employees benefits including the following

- Defined benefit plan costs - Gratuity

- Defined contribution plan costs - EPF and ETF

Service fees

Auditor's remuneration

Legal fees

Included in Selling and Marketing Expenses

Employees benefits including the following

- Defined benefit plan costs - Gratuity

- Defined contribution plan costs - EPF and ETF

Advertising expenses

Sales promotional expenses

Impairment of trade receivable

Included in Other Expenses

Depreciation

Amortization of right of use Assets

Amortization of Intangible Assets

Group**2021****Rs.****2020****Rs.****Company****2021****Rs.****2020****Rs.**

203,932,228	236,155,414	192,408,255	199,146,716
11,930,765	11,147,070	11,930,765	11,018,209
20,752,586	21,285,230	20,752,586	21,285,230

38,170,931	40,636,128	18,833,750	20,562,375
38,208,962	43,959,888	35,855,981	40,017,687
2,941,914	2,427,544	2,941,914	2,148,723
5,992,434	6,462,775	4,378,200	4,187,750
6,747,796	4,107,053	2,939,697	84,831
2,040,824	1,920,987	965,000	490,000
1,101,143	1,023,000	1,101,143	1,023,000

90,040,507	81,205,086	84,550,250	74,466,189
1,984,634	1,639,082	1,984,634	1,639,082
3,799,235	3,129,482	3,799,235	3,129,482
269,049	270,747	269,049	270,747
2,332,434	14,006,182	2,295,717	13,907,329
22,241,643	25,213,485	22,081,030	25,213,485

3,610,086	3,569,515	3,427,288	2,880,220
21,241,243	-	17,527,236	-
63,352,630	56,105,843	61,493,327	56,105,843

9. INCOME TAX EXPENSE**The major components of income tax expense for the years ended****31 March are as follows :****Current income tax**

Current income tax charge (Note 9.1)

Under/(over) provision of current taxes in respect of prior years

Deferred income tax

Deferred taxation charge/(reversal) (Note 9.2)

Income tax expense/(reversal) reported in the Income Statement**Group****2021****Rs.****2020****Rs.****Company****2021****Rs.****2020****Rs.**

7,386,119	20,911,051	7,363,351	19,856,009
-	23,159	-	23,159
7,386,119	20,934,210	7,363,351	19,879,168
6,277,923	(6,716,019)	6,311,542	(6,716,019)
13,664,042	14,218,191	13,674,893	13,163,149

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

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Accounting profit before income tax	222,854,936	181,894,140	241,473,999	174,693,448
Non deductible expenses	103,873,959	99,005,563	103,873,959	99,005,563
Deductible expenses	(53,839,211)	(50,566,988)	(53,839,211)	(50,566,988)
Tax exempt income	(242,360,157)	(91,814,402)	(260,936,116)	(91,814,402)
Taxable profit/(loss) from business	30,529,527	138,518,312	30,572,631	131,317,621
Tax losses claimed	-	-	-	-
Taxable liable income	30,529,527	138,518,312	30,572,631	131,317,621



Notes to The Financial Statements

Year ended 31 March 2021

9. INCOME TAX EXPENSE (Cont....)

9.1	Reconciliation (Cont...)	Rate	Group		Company	
			2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
	<u>Statutory income tax rates on business profits</u>					
	From 01.04.2019 to 31.12.2019	14%	-	18,201,184	-	18,201,184
	From 01.01.2020 to 31.03.2021	24%	7,363,351	1,654,825	7,363,351	1,654,825
	Tax on the business profits of the Company		7,363,351	19,856,009	7,363,351	19,856,009
	Tax on profits / (Reversal) of overseas subsidiaries		22,767	1,055,042	-	-
	Current income tax charge		7,386,119	20,911,051	7,363,351	19,856,009

9.2 Deferred Taxation

Deferred Tax Assets, Liabilities and Income Tax relates to the followings

9.2.1 Group	Statement of Financial Position		Statement of Profit or Loss	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Deferred tax liability				
Capital allowances for tax purpose	(881,542)	(9,157,647)	8,276,104	3,881,743
	<u>(881,542)</u>	<u>(9,157,647)</u>		
Deferred tax assets				
Retirement benefit obligation	1,428,644	7,840,266	(6,411,622)	1,621,517
Inventory provision	9,856	68,995	(59,138)	-
Provision for accounts receivables	1,807,365	9,981,991	(8,174,626)	1,212,759
Right-of-use assets	91,359	-	91,359	-
	<u>3,337,224</u>	<u>17,891,252</u>	<u>(6,277,923)</u>	<u>6,716,019</u>
Deferred taxation (charge) / reversal				
Net deferred tax assets /(liabilities)	<u>2,455,682</u>	<u>8,733,605</u>		

9.2.2 Company	Statement of Financial Position		Statement of Profit or Loss	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Deferred tax liability				
Capital allowances for tax purpose	(881,542)	(9,157,647)	8,276,104	3,881,743
	<u>(881,542)</u>	<u>(9,157,647)</u>		
Deferred tax assets				
Retirement benefit obligation	1,428,644	7,840,266	(6,411,622)	1,621,517
Inventory provision	9,856	68,995	(59,138)	-
Provision for accounts receivables	1,783,948	9,981,991	(8,198,043)	1,212,759
Right-of-use assets	81,157	-	81,157	-
	<u>3,303,606</u>	<u>17,891,252</u>	<u>(6,311,542)</u>	<u>6,716,019</u>
Deferred taxation (charge) / reversal				
Net deferred tax assets /(liabilities)	<u>2,422,063</u>	<u>8,733,605</u>		



Year ended 31 March 2021

9. INCOME TAX EXPENSE (Cont....)**9.2.3 Reconciliation of Deferred Tax Charge / (Reversal)**

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability as 01 April	8,733,604	2,017,586	8,733,604	2,017,586
Deferred Tax Charge reported in the Statement of Profit or Loss	(6,277,923)	6,716,019	(6,311,542)	6,716,019
Deferred Tax Liability as 31 March	<u>2,455,681</u>	<u>8,733,604</u>	<u>2,422,063</u>	<u>8,733,604</u>

*Deferred tax was established at average effective income tax rate of 2% (2020 - 14%) for the company.

9.4 Reconciliation of Deferred Tax (Charge)/ Reversal

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax (Charge)/Reversal On Other Temporary Differences Recognised Under Profit or Loss	(1,542,796)	6,716,019	(1,174,405)	6,716,019
Deferred tax effects from changes in tax rate recognized under Profit or Loss	7,485,947	-	7,485,947	-
	<u>5,943,151</u>	<u>6,716,019</u>	<u>6,311,542</u>	<u>6,716,019</u>

10. 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	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
10.1 Earnings per share - Basic				
Profit attributable to equity holders of the parent	209,190,894	167,675,948	227,799,105	161,530,299
Weighted average number of shares (10.3)	1,971,704	1,958,229	1,971,704	1,958,229
Basic earnings per share	106.10	85.63	115.53	82.49
10.2 Earnings per share - Diluted				
Profit attributable to equity holders of the parent	209,190,894	167,675,948	227,799,105	161,530,299
Adjusted weighted average number of shares (10.3)	2,008,507	2,020,648	2,008,507	2,020,648
Diluted earnings per share	104.15	82.98	113.42	79.94
10.3 Amount used as denominator				
	Group		Company	
	2021	2020	2021	2020
	Number	Number	Number	Number
Ordinary shares at the beginning of the year	1,958,229	1,958,229	1,958,229	1,958,229
Effect of share options exercised	13,475	-	13,475	-
Weighted average number of shares before dilution	1,971,704	1,958,229	1,971,704	1,958,229
Effect of dilution from share option scheme	36,803	62,419	36,803	62,419
Adjusted weighted average number of ordinary shares	<u>2,008,507</u>	<u>2,020,648</u>	<u>2,008,507</u>	<u>2,020,648</u>



Notes to The Financial Statements

Year ended 31 March 2021

11. PROPERTY, PLANT AND EQUIPMENT**11.1 Group****11.1.1 Gross carrying amounts**

	As at 01.04.2020 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Forex Adjust. Rs.	As at 31.03.2021 Rs.
Network hardware	801,938	-	-	-	801,938
Computer equipment	42,785,735	3,443,000	(7,198,253)	231,518	39,261,999
Fittings	4,393,124	-	-	-	4,393,124
Generator	1,769,500	-	-	-	1,769,500
Office equipments	9,074,078	-	-	13,825	9,087,903
	<u>58,824,375</u>	<u>3,443,000</u>	<u>(7,198,253)</u>	<u>245,343</u>	<u>55,314,464</u>

11.1.2 Accumulated depreciation

Network hardware	801,938	-	-	-	801,938
Computer equipment	35,253,723	2,963,975	(7,198,253)	220,850	31,240,295
Fittings	3,539,792	217,872	-	-	3,757,664
Generator	1,769,500	-	-	-	1,769,500
Office equipments	7,844,965	428,239	-	8,152	8,281,357
	<u>49,209,919</u>	<u>3,610,086</u>	<u>(7,198,253)</u>	<u>229,002</u>	<u>45,850,754</u>

11.1.3 Net book values

	2021 Rs.	2020 Rs.
Network hardware	-	-
Computer equipment	8,021,704	7,532,012
Fittings	635,460	853,332
Generator	-	-
Office equipments	806,546	1,229,112
	<u>9,463,710</u>	<u>9,614,456</u>

11.1.4 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 3,443,000/- (2020 - Rs. 8,282,015/-). Cash payments amounting to Rs. 3,443,000/- (2020 - Rs. 8,282,015/-) were made during the year for purchase of property, plant and equipment.

11.2 Company**11.2.1 Gross carrying amounts**

	As at 01.04.2020 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Forex Adjust. Rs.	As at 31.03.2021 Rs.
At cost					
Network hardware	801,938	-	-	-	801,938
Computer equipment	39,666,196	3,443,000	(7,198,253)	-	35,910,943
Fittings	4,393,124	-	-	-	4,393,124
Generator	1,769,500	-	-	-	1,769,500
Office equipments	8,772,973	-	-	-	8,772,973
	<u>55,403,732</u>	<u>3,443,000</u>	<u>(7,198,253)</u>	<u>-</u>	<u>51,648,479</u>



Year ended 31 March 2021

11. PROPERTY, PLANT AND EQUIPMENT (Contd...)

11.2.2 Accumulated depreciation

Network hardware	801,938	-	-	-	801,938
Computer equipment	32,377,829	2,802,745	(7,198,253)	-	27,982,321
Fittings	3,539,792	217,872	-	-	3,757,664
Generator	1,769,500	-	-	-	1,769,500
Office equipments	7,684,585	406,670	-	-	8,091,255
	<u>46,173,644</u>	<u>3,427,288</u>	<u>(7,198,253)</u>	<u>-</u>	<u>42,402,678</u>

11.2.3 Net book values

	2021 Rs.	2020 Rs.
Network hardware	-	-
Computer equipment	7,928,622	7,288,368
Fittings	635,460	853,332
Generator	-	-
Office equipments	681,718	1,088,388
	<u>9,245,801</u>	<u>9,230,088</u>

11.2.4 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.3,443,000/- (2019 - Rs.7,515,057/-). Cash payments amounting to Rs. 3,443,000/- (2020 - Rs.7,515,057/-) were made during the year for purchase of property, plant and equipment.

11.2.5 Property, plant and equipment includes fully depreciated assets having a gross carrying amounts of Rs. 36,142,573/- (2020 - Rs. 41,560,893/-).

12. RIGHT-OF-USE ASSETS

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<u>Cost</u>				
Balance at the beginning the year	-	-	-	-
Add: Adoption of SLFRS 16	61,248,579	-	55,502,913	-
Balance at the end the year	<u>61,248,579</u>	<u>-</u>	<u>55,502,913</u>	<u>-</u>
<u>Accumulated depreciation</u>				
Balance at the beginning the year	-	-	-	-
Add: Charged for the year	(21,241,243)	-	(17,527,236)	-
Balance at the end the year	<u>(21,241,243)</u>	<u>-</u>	<u>(17,527,236)</u>	<u>-</u>
Forex Adjustment	460,839	-	-	-
Carrying amount	<u>40,468,176</u>	<u>-</u>	<u>37,975,677</u>	<u>-</u>



Notes to The Financial Statements

Year ended 31 March 2021

12. RIGHT-OF-USE ASSETS (Contd...)

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

The followings are the amounts recognised in the statement of profit or loss

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Depreciation expense of right of use assets	21,241,243	-	17,527,236	-
Interest expense on lease liabilities	5,681,356	-	5,485,037	-

13. INTANGIBLE ASSETS**Company**

13.1 Gross carrying amounts	As at 01.04.2020	Additions/ Transfers	Disposals	As at 31.03.2021
	Rs.	Rs.	Rs.	Rs.
At cost				
Licensed software	3,169,006	-	-	3,169,006
Development cost	480,602,471	57,475,936	-	538,078,407
	<u>483,771,476</u>	<u>57,475,936</u>	<u>-</u>	<u>541,247,412</u>
Amortisation				
At cost				
Licensed software	3,169,006	-	-	3,169,006
Development cost	318,492,932	61,493,327	-	379,986,259
	<u>321,661,938</u>	<u>61,493,327</u>	<u>-</u>	<u>383,155,265</u>

13.2 Group

Gross carrying amounts	As at 01.04.2020	Additions/ Transfers	Disposals	Forex Adjust.	As at 31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.
At cost					
Licensed software	3,169,006	-	-	-	3,169,006
Development cost	480,602,471	61,690,685	-	89,876	542,383,031
	<u>483,771,476</u>	<u>61,690,685</u>	<u>-</u>	<u>89,876</u>	<u>545,552,037</u>
Amortisation					
At cost					
Licensed software	3,169,006	-	-	-	3,169,006
Development cost	318,492,932	63,352,630	-	39,648	381,885,211
	<u>321,661,938</u>	<u>63,352,630</u>	<u>-</u>	<u>39,648</u>	<u>385,054,216</u>

13.3 Net book values

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
At cost				
Licensed software	-	-	-	-
Development cost	160,497,821	162,109,538	158,092,148	162,109,538
	<u>160,497,821</u>	<u>162,109,538</u>	<u>158,092,148</u>	<u>162,109,538</u>

13.4 During the financial year, the Company capitalized expenses relating to development of intangible assets to the aggregate value of Rs. 57,475,936/- (2020 - Rs. 72,466,061/-). Cash payments amounting to Rs. 57,475,936/- (2020 - Rs. 72,466,061/-) were made during the year for developing intangible assets.

During the financial year, the Group capitalized expenses relating to development of intangible assets to the aggregate value of Rs. 61,690,685/- (2020 - Rs. 72,466,061/-). Cash payments amounting to Rs. 61,690,685/- (2020 - Rs. 72,466,061/-) were made during the year for developing intangible assets.

13.5 Intangible assets includes fully amortized assets having a gross carrying amount of Rs. 197,778,607/- (2020 - Rs. 187,411,874/-) in the books of company and the group.



Year ended 31 March 2021

14. GOODWILL ON ACQUISITION

Group	Balance As at 31.03.2021 Rs.	Balance As at 31.03.2020 Rs.
14.1 Gross carrying amounts		
At cost		
Goodwill	2,008,131	2,008,131
	<u>2,008,131</u>	<u>2,008,131</u>

- 14.2** The Company has acquired 100% ownership of hSenid Business Solutions (India) Private Limited on 28 March 2012 has resulted goodwill of Rs 2,008,131/- as mentioned below.

Description	Rs.
Fair value of purchase consideration	3,567,473
Fair value of net assets acquired	(1,559,342)
Goodwill / (negative goodwill) on acquisition	<u>2,008,131</u>

The Group performed an impairment test as at 31st March 2021 and no impairment was recognized.

15. INVESTMENT IN SUBSIDIARIES

Non-Quoted Investments	Company Holding		Cost	Directors' Valuation	Cost	Directors' Valuation
	2021 %	2020 %	2021 Rs.	2021 Rs.	2020 Rs.	2020 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	129,635,592	139,517,743	139,517,743
Gross value of investment in subsidiaries			146,741,513	136,859,362	146,741,513	146,741,513
Less: provision for impairment			(9,882,151)	-	-	(9,882,151)
Net value of investment in subsidiaries			<u>136,859,362</u>	<u>136,859,362</u>	<u>146,741,513</u>	<u>136,859,362</u>

The Company carried out impairment test through the determination of the value in use of the investment. Based on the assessment done The Company has not impaired its investment during the year 2020/21. (2019/2020 Rs. 5,037,239/-)

16. INVENTORIES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Hardware	19,591,670	12,817,614	19,591,670	12,817,614
Work in progress	-	108,000	-	108,000
Goods in transit	68,301	980,532	68,301	980,532
Software	492,820	492,820	492,820	492,820
Less: provision for slow moving stocks	(492,820)	(492,820)	(492,820)	(492,820)
	<u>19,659,971</u>	<u>13,906,146</u>	<u>19,659,971</u>	<u>13,906,146</u>

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade receivables - related parties (17.1)	2,419,331	3,004,010	120,815,852	108,605,726
- others	517,893,322	301,899,743	463,375,412	265,850,574
	520,312,653	304,903,753	584,191,263	374,456,300
Less: allowances for impairment	(89,335,136)	(71,425,038)	(89,197,389)	(71,299,933)
	430,977,517	233,478,715	494,993,874	303,156,367
Other receivables - related parties (17.2)	4,530,875	781,342	29,396,528	25,459,477
- others	9,350,808	12,690,085	7,306,106	9,273,161
	<u>444,859,200</u>	<u>246,950,142</u>	<u>531,696,507</u>	<u>337,889,005</u>



Notes to The Financial Statements

Year ended 31 March 2021

17. TRADE AND OTHER RECEIVABLES (Contd ...)**17.1 Trade receivables - related parties**

	Relationship	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
hSenid Software International (Pvt) Ltd	Parent	344,726	137,802	344,726	264,806
hSenid Software (Singapore) Pte Ltd	Subsidiary	-	-	1,111,421	1,053,723
hSenid Business Solutions (India) Pvt Ltd	Subsidiary	-	-	117,165,241	105,508,767
PeoplesHR Pty Ltd	Subsidiary	-	-	1,376,773	1,013,265
hSenid Software India (Pvt) Ltd	Affiliate	1,256,914	1,098,739	-	-
hSenid Software Lanka (Pvt) Ltd	Affiliate	49,157	49,157	49,157	49,157
hSenid Mobile Solutions (Pvt) Ltd	Affiliate	724,471	557,427	724,471	687,389
hSenid Ventures (Pvt) Ltd	Affiliate	44,062	27,444	44,062	28,618
		<u>2,419,331</u>	<u>1,870,570</u>	<u>120,815,852</u>	<u>108,605,726</u>

17.2 Other receivables - related parties

	Relationship				
hSenid Software International (Pvt) Ltd	Parent	831,499	593,824	831,499	593,824
hSenid Business Solutions (India) Pvt Ltd	Subsidiary	-	-	24,865,652	24,865,652
hSenid Mobile Solutions Bangladesh	Affiliate	3,699,377	-	3,699,377	-
		<u>4,530,875</u>	<u>593,824</u>	<u>29,396,528</u>	<u>25,459,477</u>

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				Impaired
			30-60 Days	60-90 Days	90-120 Days	120-365 Days	>365 Days
Gross trade receivable	520,312,653	271,763,153	50,520,807	1,494,569	31,518,565	57,673,345	107,342,212
Less : impairment	(89,335,136)	-	-	-	-	-	(89,335,136)
Net trade receivable	<u>430,977,517</u>	<u>271,763,153</u>	<u>50,520,807</u>	<u>1,494,569</u>	<u>31,518,565</u>	<u>57,673,345</u>	<u>18,007,076</u>

Company	Total	Neither past due or nor impaired	Past due but not impaired				Impaired
			30-60 Days	60-90 Days	90-120 Days	120-365 Days	>365 Days
Gross trade receivable	584,191,263	225,823,299	51,313,172	1,623,527	27,266,409	62,441,782	215,723,073
Less : impairment	(89,197,389)	-	-	-	-	-	(89,197,389)
Net trade receivable	<u>494,993,874</u>	<u>225,823,299</u>	<u>51,313,172</u>	<u>1,623,527</u>	<u>27,266,409</u>	<u>62,441,782</u>	<u>126,525,684</u>

18. OTHER CURRENT FINANCIAL ASSETS**18.1 Investments in fixed deposits**

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Investments in fixed deposits	258,835,421	155,776,372	258,835,421	155,776,372
	<u>258,835,421</u>	<u>155,776,372</u>	<u>258,835,421</u>	<u>155,776,372</u>



Year ended 31 March 2021

19. INTEREST BEARING LOANS AND BORROWINGS

19.1 Group	Amount Repayable		2021 Total Rs.	Amount Repayable		2020 Total Rs.
	Within 1 Year Rs.	After 1 Year Rs.		Within 1 Year Rs.	After 1 Year Rs.	
Bank Loans (Note 19.2)	19,479,180	4,166,651	23,645,831	6,187,500	-	6,187,500
Bank Overdraft	-	-	-	7,033,366	-	7,033,366
Lease liabilities (Note 19.5)	20,382,577	24,203,472	44,586,049	-	-	-
	<u>39,861,757</u>	<u>28,370,123</u>	<u>68,231,880</u>	<u>13,220,866</u>	<u>-</u>	<u>13,220,866</u>

19.2 Bank Loans	Interest Rate %	Balance As at 01.04.2020 Rs.	Loan Obtained Rs.	Repayment Rs.	Balance As at 31.03.2021 Rs.
Hatton National Bank PLC	15%	6,187,501	-	3,375,000	2,812,501
Commercial Bank of Ceylon PLC	4%	-	25,000,000	4,166,670	20,833,330
		<u>6,187,501</u>	<u>25,000,000</u>	<u>7,541,670</u>	<u>23,645,831</u>

19.3 Company	Amount Repayable		2021 Total Rs.	Amount Repayable		2020 Total Rs.
	Within 1 Year Rs.	After 1 Year Rs.		Within 1 Year Rs.	After 1 Year Rs.	
Bank Loans (Note 19.4)	19,479,180	4,166,651	23,645,831	6,187,500	-	6,187,500
Bank Overdraft	-	-	-	7,033,366	-	7,033,366
Lease liabilities (Note 19.5)	17,830,070	24,203,472	42,033,542	-	-	-
	<u>37,309,250</u>	<u>28,370,123</u>	<u>65,679,373</u>	<u>13,220,866</u>	<u>-</u>	<u>13,220,866</u>

19.4 Bank Loans	Interest Rate %	Balance As at 01.04.2020 Rs.	Loan Obtained Rs.	Repayment Rs.	Balance As at 31.03.2021 Rs.
Hatton National Bank PLC	15%	6,187,501	-	3,375,000	2,812,501
Commercial Bank of Ceylon PLC	4%	-	25,000,000	4,166,670	20,833,330
		<u>6,187,501</u>	<u>25,000,000</u>	<u>7,541,670</u>	<u>23,645,831</u>

19.5 Lease liabilities	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance at the beginning the year	-	-	-	-
Add: Impact of adoption of SLFRS 16	72,416,402	-	66,455,058	-
Less: Payment made during the year	(22,807,832)	-	(18,954,408)	-
	<u>49,608,570</u>	<u>-</u>	<u>47,500,650</u>	<u>-</u>
Future finance charges on lease	(5,500,658)	-	(5,467,108)	-
	<u>44,107,911</u>	<u>-</u>	<u>42,033,542</u>	<u>-</u>
Forex Adjustment	478,138	-	-	-
Balance at the end the year	<u>44,586,049</u>	<u>-</u>	<u>42,033,542</u>	<u>-</u>



Notes to The Financial Statements

Year ended 31 March 2021

20. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
20.1 Favorable cash and cash equivalent balances				
Cash and bank balances	261,483,690	219,637,715	107,709,392	99,339,588
Short term deposits (Note 18.1)	258,835,421	155,776,372	258,835,421	155,776,372
	<u>520,319,111</u>	<u>375,414,087</u>	<u>366,544,813</u>	<u>255,115,960</u>
20.2 Unfavorable cash and cash equivalent balances				
Bank overdraft	-	(7,033,366)	-	(7,033,366)
	<u>520,319,111</u>	<u>368,380,721</u>	<u>366,544,813</u>	<u>248,082,594</u>
20.3 Deposits pledged as securities for bank overdraft (Note 25)	(89,087,384)	(59,905,560)	(89,087,384)	(59,905,560)
	<u>431,231,727</u>	<u>308,475,161</u>	<u>277,457,429</u>	<u>188,177,034</u>

21. STATED CAPITAL

	Group/Company		2020	
	2021 Number	Rs.	Number	Rs.
21.1 Fully paid ordinary shares				
Balance as at 01st April	1,958,229	225,775,613	1,958,229	225,775,613
Share issue	25,616	6,270,797	-	-
Re-statement of share capital in line with ROC (Note 21.2)	-	(8,009,783)	-	-
Balance as at 31st March	<u>1,983,845</u>	<u>224,036,627</u>	<u>1,958,229</u>	<u>225,775,613</u>

21.2 Re-statement of share capital in line with ROC

By the Extraordinary General Meeting dated 3rd 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 21st 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.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade payables - related parties (Note 22.1)	141,063	241,063	141,063	241,063
- Others	11,441,225	8,457,555	11,441,225	8,457,555
	<u>11,582,289</u>	<u>8,698,619</u>	<u>11,582,289</u>	<u>8,698,619</u>
Other payables - related parties (Note 22.2)	29,251,340	9,816,342	-	-
- Others	142,024,787	65,583,548	121,501,060	57,536,124
	<u>171,276,126</u>	<u>75,399,890</u>	<u>121,501,060</u>	<u>57,536,124</u>
Customer advances	70,208,956	26,712,240	6,771,377	10,113,172
Accrued expenses	21,733,058	20,486,079	21,733,058	20,290,245
Directors' current accounts	793,905	1,200,603	-	1,101,580
	<u>275,594,334</u>	<u>132,497,431</u>	<u>161,587,784</u>	<u>97,739,740</u>

22.1 Trade payables - related parties

	Relationship	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
hSenid Software International (Pvt) Ltd	Parent	141,063	241,063	141,063	241,063
		<u>141,063</u>	<u>241,063</u>	<u>141,063</u>	<u>241,063</u>

22.2 Other payables - related parties

	Relationship	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
hSenid Mobile Solutions (Pvt) Ltd	Affiliate	29,251,340	9,816,342	-	-
		<u>29,251,340</u>	<u>9,816,342</u>	<u>-</u>	<u>-</u>



Year ended 31 March 2021

23. RETIREMENT BENEFIT OBLIGATION

23.1 Retirement benefit obligation - Gratuity

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance at the beginning	56,001,902	44,419,637	56,001,902	44,419,637
Add: Current Service Cost	12,713,173	14,806,015	12,713,173	14,806,015
Interest Cost	4,144,141	-	4,144,141	-
Less: payments made during the year	(1,427,000)	(3,223,750)	(1,427,000)	(3,223,750)
Balance at the end	<u>71,432,216</u>	<u>56,001,902</u>	<u>71,432,216</u>	<u>56,001,902</u>

Messrs. Actuarial and Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the retirement benefit obligation for hsenid business solutions Pvt Ltd as at 31st March 2021. 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:

23.2 Actuarial assumptions	2021	2020
Discount rate	7.40%	-
Salary increment rate	10%	-
Staff turnover	15%	-
Retirement age	55 Years	-
Mortality	A 1967/70 Mortality Table (Institute of Actuaries, London)	-

23.3 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.

	2021 Rs.	2020 Rs.
Discount rate		
Effect on retirement benefit obligation due to 1% increase	67,729,528	-
Effect on retirement benefit obligation due to 1% decrease	75,532,097	-
Salary increment rate		
Effect on retirement benefit obligation due to 2.5% increase	82,852,729	-
Effect on retirement benefit obligation due to 1% decrease	67,494,103	-

23.4 Expected average future working life of the active participants is 5.85 years.

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

	Group/Company	
	2021 Rs.	2020 Rs.
Within the next 12 months	9,423,953	-
Between 1-5 years	29,214,440	-
Between 5-10 years	21,061,234	-
More than 10 years	11,732,589	-
Total Expected Payments	<u>71,432,216</u>	<u>-</u>

24. COMMITMENTS AND CONTINGENCIES

24.1 Capital expenditure /operational commitments

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

24.2 Purchase and service commitments

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

24.3 Contingent liabilities

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



Notes to The Financial Statements

Year ended 31 March 2021

24. COMMITMENTS AND CONTINGENCIES (Contd ...)**24.4** 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 2021 Rs.
01	Hatton National Bank PLC	Lien over fixed deposits	9,166,050	27Mn	Term loan	2,812,500
02	Commercial Bank of Ceylon PLC	Lien over savings deposits	4,982,155	5Mn	Overdraft	-
		Lien over fixed deposits	73,939,179	164Mn	Bank guarantee	164,224,591
03	Standard Chartered Bank	Lien over savings deposits	1,000,000	1 Mn	Bank guarantee	850,000
			89,087,384			167,887,091

25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the parent and related entities

	Group		Company	
Parent	2021	2020	2021	2020
hSenid Software International (Pvt) Ltd	Rs.	Rs.	Rs.	Rs.
Balance at the beginning	617,567	595,920	617,567	595,920
Intercompany sales	317,594	127,004	317,594	127,004
Fees and reimbursements	(990,000)	(1,518,123)	(990,000)	(1,518,123)
Settlements	1,090,000	1,412,766	1,090,000	1,412,766
Balance at the end	<u>1,035,161</u>	<u>617,567</u>	<u>1,035,161</u>	<u>617,567</u>
Included in				
Trade and other receivable (Note 17.1 and 17.2)	1,176,225	1,046,148	1,176,225	858,631
Trade and other payable (Note 21.1)	(141,063)	(241,063)	(141,063)	(241,063)
	<u>1,035,161</u>	<u>805,085</u>	<u>1,035,161</u>	<u>617,567</u>

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

	Company	
Subsidiary companies*	2021	2020
	Rs.	Rs.
Balance at the beginning	132,441,408	124,439,747
Rendering of services	12,077,680	9,132,568
Collection of debts	-	(1,130,908)
Dividends declared	-	4,787,855
Dividends paid	-	(4,787,855)
Balance at the end	<u>144,519,087</u>	<u>132,441,408</u>
Included in		
Trade and other receivable (Note 17.1 and 17.2)	144,519,087	132,441,408
Trade and other payable (Note 21.1)	-	-
	<u>144,519,087</u>	<u>132,441,408</u>



Year ended 31 March 2021

25. RELATED PARTY DISCLOSURES (Contd...)

- * 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

	Company / Group	
	2021 Rs.	2020 Rs.
Affiliate companies**		
Balance at the beginning	765,164	(1,822,666)
Inter company sales	52,526	1,057,502
Collection of debts	3,699,377	-
Balance at the end	<u>4,517,067</u>	<u>(765,164)</u>
Included in		
Trade and other receivable (Note 16.1 and 16.2)	817,690	765,164
Trade and other payable (Note 21.1)	<u>3,699,377</u>	<u>-</u>
	<u>4,517,067</u>	<u>765,164</u>

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

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

25.2 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors and that of its parent.

25.2.1 Key Management Personnel Compensation

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Short-term employee benefits - Executive	38,170,931	40,636,128	18,833,750	20,562,375
Post-employment benefits - Executive	12,830,000	9,450,000	12,830,000	9,450,000
	<u>51,000,931</u>	<u>50,086,128</u>	<u>31,663,750</u>	<u>30,012,375</u>

25.2.2 Other transactions

No material transactions have taken place during the year with the Key Management Personnel of the Company, which required to disclosure in these financial statements other than those disclosed above.

26. EVENTS OCCURRING AFTER THE REPORTING DATE

26.1 Changes to the share capital

(i) 8,460 of ordinary shares have been issued on June 23, 2021 under the Employee Share Option Scheme (ESOP) at a consideration of Rs. 244.80 per share, thereby increasing the total number of shares of the company to 1,992,305 and the stated capital of the company to Rs. 226,107,634.60.

(ii) 20,025 of ordinary shares have been issued on August 30, 2021 under the Employee Share Option Scheme (ESOP) at a consideration of Rs. 244.80 per share, thereby increasing the total number of shares of the company to 2,012,330 and the stated capital of the company to Rs. 231,009,754.60.

(iii) On August 31, 2021, the Company sub-divided its ordinary shares at a sub-division ratio of 110 shares for each share held by the shareholders, thereby increasing the total number of shares of the Company from 2,012,330 to 221,356,300 ordinary shares. The sub-division did not result in any change to the stated capital of the Company.

Changing the legal status of the Company

After this sub-division the Board of Directors of the Company has approved the change of status of the Company from a private company to a limited company with effect from the adoption of the new articles of association for the Company.



Notes to The Financial Statements

Year ended 31 March 2021

27. FINANCIAL RISK MANAGEMENT

The effect of initially applying SLFRS 9 on the Group's financial instruments is described in Note 2. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

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.

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.

27.1 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.

27.1.1 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;

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade receivables	430,977,517	233,478,715	494,993,874	303,156,367
Short term investments	258,835,421	155,776,372	258,835,421	155,776,372
Cash and cash equivalents	261,483,690	219,637,715	107,709,392	99,339,588
	<u>951,296,628</u>	<u>608,892,802</u>	<u>861,538,687</u>	<u>558,272,327</u>



Year ended 31 March 2021

27. FINANCIAL RISK MANAGEMENT (Contd ...)

27.1.2 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 17.2.

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.

27.2 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.

27.2.1 The maturity analysis of liabilities

Group

Non-derivative financial liabilities	Carrying amount Rs.	Contractual cash flows		
		6 months or less Rs.	6 - 12 months Rs.	Over 1 year Rs.
Trade payables	153,466,012	153,466,012	-	-
Amount due to related parties	29,392,403	29,392,403	-	-
Accrued expenses	21,733,058	21,733,058	-	-
Interest bearing borrowings	23,645,831	11,145,821	8,333,340	4,166,670
Obligations under operating leases	49,608,570	12,238,633	11,469,587	25,900,350
Income tax payable	7,322,016	7,322,016	-	-
	<u>285,167,890</u>	<u>235,297,943</u>	<u>19,802,927</u>	<u>30,067,020</u>

Company

	Carrying amount Rs.	Contractual cash flows		
		6 months or less Rs.	6 - 12 months Rs.	Over 1 year Rs.
Trade payables	132,942,285	132,942,285	-	-
Amount due to related parties	141,063	141,063	-	-
Accrued expenses	21,733,058	21,733,058	-	-
Interest bearing borrowings	23,645,831	11,145,821	8,333,340	4,166,670
Obligations under operating leases	47,500,650	10,500,150	11,100,150	25,900,350
Income tax payable	7,255,702	7,255,702	-	-
	<u>233,218,590</u>	<u>183,718,080</u>	<u>19,433,490</u>	<u>30,067,020</u>

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

Year ended 31 March 2021

27. FINANCIAL RISK MANAGEMENT (Contd ...)

27.2.2 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

27.3 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.

27.3.1 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	540,548,438	489,067,635	546,967,345	494,875,217
Singaporean Dollar	2,081,187	1,882,979	2,081,187	1,882,979
Australian Dollar	10,351,095	9,365,277	113,888,271	103,041,769
Indian Rupee	7,482,810	6,770,161	1,670,144	1,511,083
Kenyan Shilling	212,782,869	192,517,834	14,256,180	12,898,448
Brunei Dollar	5,969,816	5,401,262	5,969,816	5,401,262
Bangladeshi Taka	3,088,235	2,794,117	3,088,235	2,794,117
Maldivian Rufiyaa	6,283,778	5,685,323	6,283,778	5,685,323
Total	<u>788,588,228</u>	<u>713,484,587</u>	<u>694,204,956</u>	<u>628,090,198</u>

27.3.2 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.

27.4 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.



DETAILED COST AND EXPENDITURE STATEMENTS

Year ended 31 March 2021

STATEMENT I

	Group		Company	
	2021	2020	2021	2020
COST OF SALES	Rs.	Rs.	Rs.	Rs.
Project Expenses	222,879,942	227,870,748	119,595,411	107,544,597
Salaries and Wages	171,248,877	180,039,280	138,550,825	143,159,443
EPF and ETF	20,752,586	21,285,230	20,752,586	21,285,230
Gratuity	11,930,765	11,147,070	11,930,765	11,018,209
Staff travelling allowance	21,174,078	23,683,833	21,174,078	23,683,833
	<u>447,986,249</u>	<u>464,026,162</u>	<u>312,003,666</u>	<u>306,691,314</u>

STATEMENT II

	Group		Company	
	2021	2020	2021	2020
ADMINISTRATIVE EXPENSES	Rs.	Rs.	Rs.	Rs.
Directors' Remuneration	38,170,931	40,636,128	18,833,750	20,562,375
Salaries and Wages	10,354,250	7,355,958	10,354,250	7,355,958
EPF and ETF	5,992,434	6,462,775	4,378,200	4,187,750
Over Time	195,863	515,122	195,863	515,122
Staff Incentives	3,831,531	7,678,556	3,831,531	7,678,556
Staff welfare	2,742,598	5,514,045	2,724,708	5,450,922
Staff travelling allowance	8,188,440	10,098,157	7,845,100	9,161,633
Health Insurance	3,961,931	3,907,731	3,584,414	3,519,022
Gratuity	2,941,914	2,427,544	2,941,914	2,148,723
Training and Development	5,409,199	3,395,146	5,333,531	3,305,987
Management Fees	980,000	1,216,327	980,000	1,216,327
Consultancy Fees	6,664,375	4,022,223	2,856,276	-
Secretarial Fees	600,498	893,956	52,300	100,616
Legal Fee	1,101,143	1,023,000	1,101,143	1,023,000
Audit Fees	2,040,824	1,920,987	666,270	612,401
Amortization of right-of-use assets	21,241,243	-	17,527,236	-
Office Rent	1,426,941	25,884,290	911,109	21,801,914
Maintenance	3,818,865	4,858,190	3,685,130	4,199,430
Electricity	2,901,312	3,599,041	2,608,608	3,599,041
Water	127,686	410,296	127,686	410,296
Printing and Stationery	1,357,152	1,658,083	1,235,048	1,512,381
Traveling and Transport	3,428,895	6,511,246	3,235,067	6,354,135
Overseas Travelling	-	101,061	-	85,919
Disallowed VAT	2,026,688	-	2,026,688	-
Telephone and mobile charges	4,365,789	3,770,585	3,301,665	2,508,490
Internet and E-Mails	4,849,653	3,358,910	4,808,188	3,308,757
Internal Meeting Expenses	-	90,288	-	90,288
Postage and Courier Charges	233,152	270,434	233,152	253,266
Promotional Materials	-	-	-	-
Stamp Duty	20,475	49,575	20,475	49,575
Tender Fee	361,629	77,496	361,629	77,496
ISO Expenses	83,421	84,831	83,421	84,831
Subscriptions	3,074,014	845,257	3,054,243	828,859
Staff recruitment expenses	307,420	322,015	307,420	322,015
Domain name registration fees	344,367	355,869	344,367	355,869
	<u>143,144,634</u>	<u>149,315,120</u>	<u>109,550,384</u>	<u>112,680,954</u>



Detailed Cost and Expenditure Statements

Year ended 31 March 2021

STATEMENT III

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
SALES AND MARKETING EXPENSES				
Salaries and Wages	33,513,790	28,035,469	28,023,533	21,296,572
EPF and ETF	3,799,235	3,129,482	3,799,235	3,129,482
Staff travelling allowance	3,693,558	4,884,633	3,693,558	4,884,633
Sales Commissions	38,036,415	34,255,181	38,036,415	34,255,181
Incentives	9,012,874	9,261,238	9,012,874	9,261,238
Gratuity	1,984,634	1,639,082	1,984,634	1,639,082
Business Promotion	2,332,434	14,006,182	2,295,717	13,907,329
Advertising	269,049	270,747	269,049	270,747
Impairment of Trade Receivable	22,241,643	25,213,485	22,081,030	25,213,485
	<u>114,883,633</u>	<u>120,695,500</u>	<u>109,196,046</u>	<u>113,857,750</u>

STATEMENT IV

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
OTHER OPERATING EXPENSES				
Amortization of development cost	63,352,630	56,105,843	61,493,327	56,105,843
Depreciation	3,610,086	3,569,515	3,427,288	2,880,220
Bank Charges	1,524,502	1,050,276	1,293,122	823,377
Penalties	15,000	-	15,000	-
Exchange Loss	313,077	-	-	-
Miscellaneous Expenses	140,978	758,299	-	472,654
	<u>68,956,273</u>	<u>61,483,932</u>	<u>66,228,736</u>	<u>60,282,094</u>

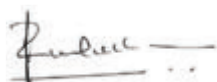


ANNEXURE F – INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JULY 31, 2021

HSENIID BUSINESS SOLUTIONS LIMITED STATEMENT OF FINANCIAL POSITION

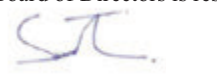
AS AT	GROUP		COMPANY	
	31.07.2021	31.03.2021	31.07.2021	31.03.2021
ASSETS				
Non-Current Assets				
Property, plant and equipment	11,935,184	9,463,710	11,710,537	9,245,801
Right of use Assets	33,201,193	40,468,176	32,133,265	37,975,677
Intangible assets	172,034,377	160,497,821	168,640,716	158,092,148
Goodwill on acquisition	2,008,131	2,008,131	-	-
Investments in subsidiaries	-	-	136,859,362	136,859,362
Deferred tax assets	2,455,682	2,455,682	2,422,063	2,422,063
	<u>221,634,566</u>	<u>214,893,519</u>	<u>351,765,944</u>	<u>344,595,051</u>
Current Assets				
Inventories	19,941,476	19,659,971	19,941,476	19,659,971
Trade and other receivables	396,687,884	444,859,200	467,901,942	531,696,507
Advances and prepayments	40,596,922	51,102,115	8,569,414	6,218,041
Other current financial assets	287,939,296	258,835,421	287,939,296	258,835,421
Cash and bank balances	256,494,801	261,483,690	139,861,351	107,709,392
	<u>1,001,660,380</u>	<u>1,035,940,397</u>	<u>924,213,479</u>	<u>924,119,332</u>
Total Assets	<u>1,223,294,946</u>	<u>1,250,833,916</u>	<u>1,275,979,422</u>	<u>1,268,714,383</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated capital	226,107,635	224,036,627	226,107,635	224,036,627
Currency translation reserve	18,433,112	17,775,308	-	-
Retained earnings	518,468,208	527,476,218	665,788,675	679,757,364
Total Equity	<u>763,008,955</u>	<u>769,288,153</u>	<u>891,896,310</u>	<u>903,793,990</u>
Non-Current Liabilities				
Retirement benefit obligation	72,100,966	71,432,216	72,100,966	71,432,216
Interest bearing borrowings	17,600,736	28,370,123	17,600,736	28,370,123
	<u>89,701,701</u>	<u>99,802,339</u>	<u>89,701,702</u>	<u>99,802,339</u>
Current Liabilities				
Trade and other payables	261,319,191	275,594,334	186,223,014	161,587,784
Deferred income	47,406,182	58,965,318	47,406,182	58,965,318
Interest bearing borrowings	53,494,935	39,861,757	52,391,743	37,309,250
Income tax payable	8,363,981	7,322,016	8,360,472	7,255,702
	<u>370,584,290</u>	<u>381,743,424</u>	<u>294,381,412</u>	<u>265,118,054</u>
Total Equity and Liabilities	<u>1,223,294,946</u>	<u>1,250,833,916</u>	<u>1,275,979,423</u>	<u>1,268,714,383</u>

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



Head of Finance

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



CEO / Director



Director

Annexure F – Interim Financial Statements for The period Ended July 31, 2021

HSENIID BUSINESS SOLUTIONS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31st July

	GROUP		COMPANY	
	31.07.2021	31.07.2020	31.07.2021	31.07.2020
Revenue	261,103,545	240,974,461	206,204,694	217,902,301
Cost of sales	(137,516,279)	(105,870,203)	(99,723,105)	(86,894,326)
Gross profit	123,587,266	135,104,258	106,481,589	131,007,975
Other income	2,278,569	3,401,393	1,214,735	807,424
Administrative expenses	(52,838,360)	(44,669,973)	(41,799,217)	(31,847,414)
Selling and marketing expenses	(26,344,838)	(18,512,805)	(24,686,609)	(18,512,805)
Finance cost	(1,861,425)	(16,047)	(1,832,698)	(16,047)
Finance income	1,346,618	958,734	1,346,618	958,734
Other operating expenses	(24,066,958)	(21,697,860)	(23,584,223)	(21,591,484)
Profit before tax	22,100,873	54,567,701	17,140,195	60,806,384
Tax (expense)/reversal	(1,104,770)	-	(1,104,770)	-
Profit for the year	20,996,103	54,567,701	16,035,425	60,806,384
Other comprehensive income				
Exchange Gain/(Loss) on translation of foreign operations	657,804	2,506,718	-	-
Total comprehensive income for the year	<u>21,653,908</u>	<u>57,074,419</u>	<u>16,035,425</u>	<u>60,806,384</u>
Profit for the year				
Equity holders of the Company	20,996,103	54,567,701	16,035,425	60,806,384
Non-controlling interest	-	-	-	-
Total comprehensive income/profit for the year				
Equity holders of the Company	21,653,908	57,074,419	16,035,425	60,806,384
Non-controlling interest	-	-	-	-
Earnings Per Share - Basic	10.58	27.87	8.08	31.05

HSENID BUSINESS SOLUTIONS LIMITED
STATEMENT OF CHANGES IN EQUITY

Group

	Stated Capital	Currency Translation Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2020	225,775,613	7,835,023	330,275,541	563,886,176
Profit for the period	-	-	54,567,701	54,567,701
Other comprehensive income	-	2,506,718	-	2,506,718
Total comprehensive income	-	2,506,718	54,567,701	57,074,419
Balance as at 31st July 2020	<u>225,775,613</u>	<u>10,341,741</u>	<u>384,843,242</u>	<u>620,960,595</u>
Balance as at 01st April 2021	224,036,627	17,775,308	527,476,218	769,288,153
Profit for the period	-	-	20,996,103	20,996,103
Other comprehensive income	-	657,804	-	657,804
Total comprehensive income	-	657,804	20,996,103	21,653,908
Dividends	-	-	(30,004,113)	(30,004,113)
Share Issue	2,071,008	-	-	2,071,008
Balance as at 31st July 2021	<u>226,107,635</u>	<u>18,433,112</u>	<u>518,468,208</u>	<u>763,008,955</u>

Company

	Stated Capital	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.
Balance as at 01st April 2020	225,775,613	463,948,475	689,724,088
Profit for the period	-	60,806,384	60,806,384
Total comprehensive income	-	60,806,384	60,806,384
Balance as at 31st July 2020	<u>225,775,613</u>	<u>524,754,859</u>	<u>750,530,471</u>
Balance as at 01st April 2021	224,036,627	679,757,364	903,793,990
Profit for the period	-	16,035,425	16,035,425
Total comprehensive income	-	16,035,425	16,035,425
Dividends	-	(30,004,113)	(30,004,113)
Share Issue	2,071,008	-	2,071,008
Balance as at 31st July 2021	<u>226,107,635</u>	<u>665,788,675</u>	<u>891,896,310</u>

Annexure F – Interim Financial Statements for The period Ended July 31, 2021

HSENIID BUSINESS SOLUTIONS LIMITED
STATEMENT OF CASH FLOWS

For the period ended 31st July

	GROUP		COMPANY	
	31.07.2021	31.07.2020	31.07.2021	31.07.2020
Cash Flows from/(used in) Operating Activities				
Profit before tax	22,100,873	54,567,701	17,140,195	60,806,384
Adjustment For				
Depreciation	1,359,333	1,097,895	1,359,333	1,097,895
Amortisation	29,223,496	20,245,431	27,450,148	20,174,111
Impairment/(writing back) of trade receivable	(37)	4,938,162	-	4,935,224
Finance income	(1,346,618)	(958,734)	(1,346,618)	(958,734)
Finance cost	1,861,425	16,047	1,832,698	16,047
Provision for defined benefit plan	2,600,000	2,600,000	2,600,000	2,600,000
Forex loss/(gain)	(1,214,575)	(738,260)	(1,214,575)	(843,824)
Operating profit before working capital changes	54,583,895	81,768,241	47,821,181	87,827,102
Decrease / (Increase) in inventories	(281,506)	(4,423,661)	(281,506)	(4,423,661)
Decrease / (Increase) in trade and other receivables	48,171,352	4,988,818	63,794,565	(564,488)
Decrease/(Increase) in advance and prepayment	10,505,193	(7,146,206)	(2,351,372)	(2,962,389)
Increase / (Decrease) in deferred income	(11,559,136)	(11,197,782)	(11,559,136)	(11,197,782)
Increase / (Decrease) in trade and other payables	(14,275,142)	4,947,199	24,635,232	4,402,540
Cash generated from operations	87,144,657	68,936,610	122,058,963	73,081,322
Finance cost paid	(358,670)	(16,047)	(358,670)	(16,047)
Defined benefit obligation paid	(1,931,250)	-	(1,931,250)	-
Tax paid	(62,805)	(111,288)	-	-
Net cash from operating activities	84,791,932	68,809,275	119,769,043	73,065,276
Cash flows from/(used in) investing activities				
Acquisition of property, plant and equipment	(3,824,069)	(768,400)	(3,824,069)	(768,400)
Acquisition of intangible assets	(33,405,477)	(24,169,219)	(32,156,305)	(22,607,609)
Finance income received	1,346,618	958,734	1,346,618	958,734
Net cash used in investing activities	(35,882,927)	(23,978,885)	(34,633,755)	(22,417,274)
Cash flows from/(used in) financing activities				
Issueance of shares	2,071,008	-	2,071,008	-
Disbursement of term loans	-	25,562,500	-	25,562,500
Payment of lease installments	(8,277,648)	-	(6,800,100)	-
Dividend paid	(30,004,113)	-	(30,004,113)	-
Repayment of bank loans	(7,805,560)	-	(7,805,560)	-
Net cash used in financing activities	(44,016,313)	25,562,500	(42,538,765)	25,562,500
Currency translation adjustment	1,777,569	3,306,942	1,777,569	843,824
Net increase in cash and cash equivalents	6,670,261	73,699,832	43,811,097	77,054,325
Cash and cash equivalents at the beginning of the year	431,231,727	308,475,161	277,457,429	188,177,034
Cash and cash equivalents at the end of the year	437,901,988	382,174,994	321,268,526	265,231,359

HSENID BUSINESS SOLUTIONS LIMITED

INTERIM FINANCIAL STATEMENTS FOR THE FOUR MONTHS ENDED 31ST JULY, 2021

1. 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 2021 and are in compliance with Sri Lanka Accounting Standards - LKAS 34 - Interim Financial Reporting.
2. Where necessary, the presentation and classification of the financial statements of the previous period have been adjusted for better presentation and to be comparable with year end reporting.
3. 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 2021.
4. Events occurring after the balance sheet date
 - (i) 20,025 of ordinary shares have been issued on August 30, 2021 under the Employee Share Option Scheme (ESOP) at a consideration of Rs. 244.80 per share, thereby increasing the total number of shares of the company to 2,012,330 and the stated capital of the company to Rs. 231,009,754.60.
 - (ii) On August 31, 2021, the Company sub-divided its ordinary shares at a sub-division ratio of 110 shares for each share held by the shareholders, thereby increasing the total number of shares of the Company from 2,012,330 to 221,356,300 ordinary shares. The subdivision did not result in any change to the stated capital of the Company
5. Changing the legal status of the Company

After this sub-division the Board of Directors of the Company has approved the change of status of the Company from a private company to a limited company with effect from the adoption of the new articles of association for the Company.

ANNEXURE G – INDEPENDENT CONFIRMATION OF ESOP PRICES BY KPMG



KPMG
(Chartered Accountants)
32A Sir Mohamed Macan Markar Mw
P O Box 186
Colombo 00300
Sri Lanka

Tel 94 (11) 5428 428
Fax 94 (11) 2445 872
Internet www.lk.kpmg.com

15th October 2021

The Board of Directors,
hSenid Business Solutions Ltd.,
50, Ward Place,
Colombo 07.

Dear Sir's,

Independent confirmation on the pricing of shares issued to hSenid Business Solutions Limited (hSenid) ESOP

We have been requested to provide our opinion on whether the price of the shares issued to hSenid Business Solutions Limited ESOP ("ESOP") within the last 12 months, is either equal or higher than the hSenid IPO price, and whether such values will not lead to an undue gain to the existing shareholders at the expense of the investing public.

We have reviewed the following documentation in arriving at our conclusion:

- The Rules of the hSenid Employee Share Option Plan
- Form 6;
 - Dated 12.03.19 for the issuance of 6,872 shares
 - Dated 04.08.20 for the issuance of 25,616 shares
 - Dated 23.06.21 for the issuance of 8,460 shares
 - Dated 30.08.21 for the issuance of 20,025 shares
- Draft research report by NDB Investment Bank and CT CLSA Capital
- Draft prospectus
- Audited financial statements for the YE 31.03.2021
- Board and shareholder resolution relating to the subdivision of shares dated 31.08.21
- ESOP employees list and average years employed with the Company

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T. J. S. Rajakumar FCA
Ms. S. M. B. Jayasekara ACA G.
A. U. Karunaratne ACA
R. H. Rajan ACA
Mr. A.M.Radhika P. Alahakoon
P. Y. S. Perera FCA
W. W. J. G. Perera FCA
W. K. D. C. Abeyaratne ACA R.M.
D.B. Rajapakse ACA
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C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B. K. D. T. N. Rodrigo ACA
Ms. C.T.H.N Perera ACA
Principals: S. R. I. Perera ACMA, LLB Attorney-at-Law, H. S. Goonewardene ACA, Ms.P.M.K. Sumanasekara FCA



Based on our analysis, we note the following:

- The IPO is priced at Rs 12.50 per share
- The most recent shares to the ESOP have been issued at a split adjusted price of Rs 2.23 per share in June and August 2021, which is at an 80% discount to the IPO issue price
- The ESOP was created in 2012, at which point the issue price was fixed at LKR 244.80 (prior to 1 : 110 subdivision done on 31.08.21). This is equal to a split adjusted price of Rs 2.23 per share
- Shares were issued to the ESOP commencing from 2019; prior to the last twelve months (LTM) 32,448 shares were issued (~53% of the shares) in March 2019 and August 2020, with the most recent issue being in June (8,460 shares) and August 2021 (20,025 shares) (~47%) totaling to 60,973 shares. Post-split this is equal to 6,707,030 shares
- As per the audited financial statements of the Company as at 31st March 2021, the consolidated Net Asset Value (“NAV”) per share of the Company is Rs 3.48, adjusted for the share split in August 2021
- The valuation of the shares carried out by the managers to the issue indicate a price range between Rs 14.71 to Rs 28.22, with the Discounted Cashflow based valuation of Rs 14.71 being considered the fair value. Based on the research report examined by us, the managers have, in determining such fair value of Rs. 14.71 per share, taken into account all of the shares of the Company as subdivided on 31st August 2021 including the shares issued under the ESOP in the last 12 months
- Post IPO, the shares issued to the employees under the ESOP account for 2.4% of the total outstanding shares
- The promoters and employees have voluntarily agreed to lock-in their shares for a period of 12 months from the date of the listing of the shares on the CSE, which will limit any immediate impact on trading volumes and share price
- Page 101 of the prospectus discloses the details with regards to the ESOP and its pricing
- The employees to whom the shares have been issued have completed on average of 15 years with the Company (please refer Appendix 1c)

Taking the above information into consideration, and

- considering the contribution of the employees to the historical and future development of the Company
- the terms of the ESOP being set in 2012,
- the shares being voluntarily locked in for 12 months and;
- the quantum of the shares issued versus the total shares in circulation,

we are of the opinion that there is no undue gain to the employee shareholders vis a vis and at the expense of the investing public.

Yours faithfully.

Shiluka Goonewardene
Principal – Deal Advisory

Annexure G – Independent Confirmation of ESOP Prices by KPMG



Appendix 1

a)

Employee Stock Option (ESOP)							
	No. of shares (after split)	% of ESOP	Consideration	Price per share	value per share in	IPO Price	Discount to IPO price
ESOP issued during Last Twelve Months (LTM)							
During June 2021	930,600	13.9%	2,071,008.0	2.23	2.23	12.5	-82.2%
During August 2021	2,202,750	32.8%	4,902,120.0	2.23	2.23		-82.2%
Prior to LTM							
During March 2019*	755,920	11.3%	1,682,265.6	2.23	2.55		-79.6%
During August 2020*	2,817,760	42.0%	6,270,796.8	2.23	2.35		-81.2%

*Value per share is compounded at a respective average annual weighted average deposit rate

b)

ESOP as a % of total number ordinary shares post IPO	
Total number of ESOP issued upto August 2021	6,707,030
Total number of ordinary shares Post IPO	279,995,376
ESOP as a % of Total number of ordinary shares Post IPO	2.4%

c)

Name	Date of joining	Years of service	ESOP	
			Pre Split	Post Split
Chamaka Chathuranga	10-May-05	16	2,500	275,000
Sampath Jayasundara	5-Oct-05	16	30,000	3,300,000
Saman Kumara	5-Oct-05	16	6,929	762,190
Asitha Goonewardena	5-Oct-05	16	3,000	330,000
Mahinda Pathirana	5-Oct-05	16	2,772	304,920
Tasman Rohitha*	5-Oct-05	16	2,772	304,920
Wasantha Ratnayaka	5-Oct-05	16	2,500	275,000
Raveen Lasath	9-Oct-06	15	2,500	275,000
Kapila Gajapala	3-Jan-08	13	3,000	330,000
Pubudu Dissanayake	11-Aug-08	13	2,500	275,000
Vichalya Wijesuriya	2-May-13	8	2,500	275,000
			60,973	6,707,030

*The employee is no longer with the company and ESOP had been allotted to him in March 2019

