



Annual Report 2019

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With a vision to be the most sought-after healthcare information infrastructure provider in Sri Lanka, we have over the years expanded and grown with a formidable presence. As we establish our market positioning, we have broadened our healthcare service offerings and reach across many segments whilst venturing beyond borders. Powered by technology and digitalisation we hope to forge ahead with many more innovative healthcare services elevating and enriching the healthcare standards of our nation.

## Our Vision

“To deliver the most sought after information infrastructure for the healthcare industry”

## Our Mission

“Provide healthcare information infrastructure in Sri Lanka and help its people live a vibrant Life”

### **Doctor Channeling System Mission**

Better medical environment to users through doctor channeling business.

### **Healthcare Card Business Mission**

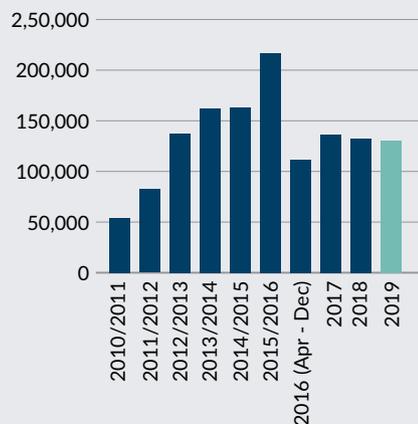
Better access to healthcare services through Healthcare card

# Financial Highlights

Year ended 31st December	2019 Rs.	2018 Rs.
Revenue	130,197,702	132,805,602
Profit from operations	1,630,912	24,219,533
Profit before income tax expense	22,440,862	46,291,644
Profit for the year	15,012,834	33,720,150
Total Assets	349,287,510	317,872,136
Net Assets	260,256,544	244,275,734
Net Assets Value Per Share	2.13	2.00
Earning Per Share (EPS)	0.12	0.28
Return on Investment (ROI)	0.06	0.14
Gross Profit Ratio	79.38%	83.41%

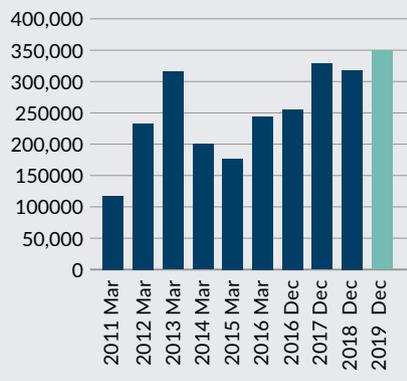
## Revenue

Rs. '000

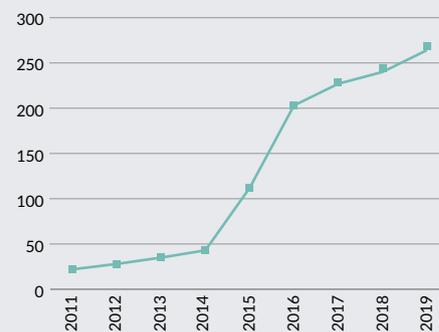


## Total Assets

Rs. '000



## eChannelling Hospital Network in Sri Lanka



## Net Assets Value Per Share



**2.13**

## Total Assets



**349.29 Mn**

## Short Term Investments



**214.57 Mn**

## Chairman's Message



*“eChannelling PLC continued to pursue its strategic goals by expanding services across public and private hospitals while adding value to our customers through new service and product introductions despite the challenging business operating environment of 2019.”*

Dear Shareholders,

It is my pleasure to present to you the eChannelling PLC Annual Report for 2019. The focus for the year was to continue strengthening our partnerships with key hospitals and medical facilities and expanding the reach of our services across all societal strata. This is aligned to our efforts to strengthen availability and accessibility of healthcare and wellness services across the nation. The Company also persisted with our brand building strategies using both traditional and social media to increase the awareness of our services, ensure top-of-mind recall and lead the way in our niche market space.

The Company's achievements continue to be recognised by the Sri Lankan marketing and business community. eChannelling PLC received the silver award for the 'Online Brand of the Year 2019' at the Annual Sri Lanka Institute of Marketing (SLIM) Awards for the second consecutive year in recognition for the efforts to improve healthcare accessibility in the nation. In addition, the Company also received the bronze award for the category 'B2B Brand of the Year 2019' by SLIM. The predominantly digital-based enterprise in the niche market setting of eChannelling PLC has also gained the Company international recognition. As such, in 2019, eChannelling PLC received the coveted 'Cfi.co Award' by Capital Finance International, United Kingdom for 'setting the best healthcare standard as an ICT service provider in Sri Lanka'.

The Company also continues to be ISO 9001:2015 Quality Management System certified in our efforts to continuously maintain high quality standards when conducting business activities.

I am also pleased to say that the enhanced transparency and reporting parameters embraced by the Company in our Annual Report was duly recognised by the Institute of Chartered Accountants of Sri Lanka for eChannelling PLC's 2018 Annual Report. The Company received the Bronze Award in the Service Sector category at the Annual Reports Awards ceremony held in December 2019 for the second consecutive year.

### A Year of Challenges

The year under review brought forth several challenges for our paradise island nation. The terror attacks of Easter Sunday caused much upheaval with loss of life and the reduced feeling of national security by the people. This resulted in a drastic fall in economic growth for a period post April 2019. While there was an upturn towards the latter part of 2019, economic recovery was overall slow and only picked up a positive sentiment post the presidential election of 2019.

eChannelling PLC's business growth continues to be challenged by the persistent usage of traditional methods of obtaining appointments. Key among them is the lacklustre consumer adoption of automated healthcare appointment

services, the preconceived notion that the eChannelling fee can be saved when visiting the hospital without due consideration given to time saving and transportation fees, and the slower growth in the usage of healthcare Apps (such as the eChannelling App) despite the fast paced growth of smart phone users in Sri Lanka.

Furthermore, the requirement to pay the appointment fee using the credit against the mobile service provider is a deterrent as the mobile phone industry of Sri Lanka is dominated by pre-paid customers who must top-up their credit to make the payments. However, the Company continues to find innovative ways to overcome these challenges such as the advance booking system where consumers are given up to 24 hours to settle payments using alternate payment methods. However, to gain momentum and further growth, we must be supported by the healthcare industry and similar service providers.

### Persevering through Strategic Business Growth

While the Company continues to face challenges both old and new, we persist in achieving our strategic goals and objectives. During the year under review, eChannelling PLC continued to grow our business and services to our customers by welcoming two government hospitals and 36 private hospitals (including six

## Chairman's Message

ayurvedic hospitals) across the country into our partnership network. The Company's market reach also grew with the enhancement of service offerings, service levels, and quality standards. Furthermore, our efforts towards customer convenience and security resulted in the upgrade of our information security systems offering greater data security and an integrated IT platform enabling a seamless flow of different services from online doctor's appointment to online consultations. To further extend the Company's services to our service providers, we also introduced a queuing system linked to the eChannelling App system, thereby providing hospitals and healthcare facilities the ability to improve efficient levels in treating patients. This also directly enhances convenience to the Company's customers. Improving volumes by attracting new customers and increasing repeated usage of our services remains another strategic imperative for the Company.

### What the Future Holds

The future for eChannelling PLC remains positive with the promise of improvement in the operating external environment and the forecasted economic growth of the country for 2020 to be nearly 1% higher than that of 2019. As such, the Company's plans for the future remain strong yet versatile to navigate dynamisms within our operating environment. Our continuous focus

on market growth and development will result in innovative solutions and the expansion of services even beyond mainstream healthcare service appointments in the years ahead.

Technology and digitalisation remain a key competitive advantage as well as the basis of our business philosophy of pursuing a sustainable business operation. Thus, the Company will extend the automation of our systems internally for continuous process efficiency which will also extend to our service providers. Automation from an external perspective will allow the Company to reach our customers conveniently and simply, while assisting our service providers to collaborate with us to enhance their service offerings to eChannelling PLC's customers. In the longer term, the next step is to consider integrating Artificial Intelligence (AI) into our systems to obtain the advantage which AI would bring to the healthcare industry in general and the Company's customers in particular.

To capture the new generation of adults, the Company will enhance our digital platforms and build marketing campaigns specifically aimed at digital and social media which will undoubtedly become the mainstream media of the future. To target this newly emerging tech-savvy adult and senior citizen population, eChannelling PLC will expend resources on enhancing the facilities and capabilities of the

Company's website, App, and social media to accommodate the wants and needs of our future customers.

### Appreciations and Acknowledgements

I take this chance to convey my sincere appreciation to the former Chairman, Board of Directors, the management and employees of eChannelling PLC for their faith and efforts in what the business aims to achieve. Their continued support ensures we can meet our annual goals and customer needs. I must also acknowledge our partner networks for the confidence and support given to the Company to lead changes in our market space while embracing changes which enable us to offer higher service levels to our customers. A special thank you to our parent company Mobitel (Pvt) Ltd for access to their systems and expertise and the strong support offered during the last four years. Let me also take this opportunity to thank the regulators and Government Authorities for their support and guidance throughout the year. Last but not most important, I thank our customers for accepting and adopting our services over the years.



**A R H Fernando**  
Chairman

2nd June 2020

## Executive Director's Review



*“While the forthcoming year is expected to be difficult, I foresee eChannelling PLC embarking on a new path of growth and development, overcoming new challenges and building on our existing focus of mutually beneficial partnerships with hospitals, employees and our customers.”*

# Executive Director's Review

As we step into 2020, I foresee eChannelling PLC embarking on a new path of growth and development building on our existing focus of mutually beneficial partnerships with hospitals, employees, and our customers. Last year we took our initial step to report the Company's business progress using the Integrated Reporting (IR) Framework developed by the International Integrated Reporting Council (IIRC) to increase the transparency and accuracy of information we report to our stakeholders. This year, we continue to build on our reporting efforts while showcasing the key risks and challenges faced by the Company during the year ended 31st December 2019.

## Company Performance

The year's ended 31st December 2019 was fraught with myriad challenges ranging from a slowdown in economic growth, political upheaval, to increased issues of public security, all leading to an overall lacklustre year for industry and business growth in Sri Lanka. This situation, coupled with the large hospitals locating in out of Colombo, thus increase in appointments made to healthcare service providers in towns and cities outside of the Greater Colombo Areas and due to this, has resulted in a slowdown in revenue growth by 2% for the Company despite the increase in service usage. Thus, the Company was successful in increasing the number of appointments

made through our service offering by 10% while also growing our customer base by 21%. However, a significant reduction was realised in net profit growth in 2019 compared to the previous year, mainly a result of the increasing focused marketing and promotional activities required to compete and remain a leading player in the market for automated healthcare appointment services in Sri Lanka.

## Challenging Operating Environment

While the Company continues to be a leading player with nearly an 80% market share, there are considerable challenges and risks we encounter in our business operations year-on-year. The most significant is the continued use of traditional channelling services by consumers, despite concentrated efforts to automate the service for greater ease and efficiency. A combination of factors including the offering of traditional methods of channelling by healthcare providers, the slow acceptance by patients to use technology to increase convenience when faced with a fee, the diverse technological platforms used by healthcare service providers, the concerns over doctor-patient confidentiality and data privacy, and the slower adoption of technology by some public hospitals all contribute to growth constraints faced by eChannelling PLC over the years. Furthermore, a limited consumer base and market space increases the difficulty

faced by the Company to expand services and resultantly business growth efforts.

## Efforts to Overcome Identified Challenges During 2019

Having considered and incorporated these challenges and risks into our business planning process has enabled the Company to develop several focused strategies to enable market development and business growth. As such adoption of technology developments, exploring of opportunities for market growth through increased partnerships and innovative service offerings, and diversification into related services are key strategic aspects of ensuring eChannelling PLC remain a sustainable business enterprise into the future.

Based on these key themes, the Company's efforts for 2019 revolved around IT infrastructure development particularly in the sphere of data security and increased efforts to fully automate our services to become paperless, thereby contributing towards the UN's Sustainable Development Goals (SDGs) related 'Responsible Consumption and Production'. The Company also ventured into the initial stages of using technology to offer our customers personalised healthcare records, and to have customised online healthcare profiles for each individual customer of the Company. Furthermore, we are in the process of

improving our IT infrastructure to enable us to have a platform of international standards which will assist in our international market development efforts in the longer term.

Partnerships with healthcare institutions also remain a key competitive advantage for the Company as well the most critical method to develop markets across the nation. During 2019, eChannelling PLC welcomed the Royal, Kings, and Joseph Fraser Memorial Hospitals in Colombo; and the Polonnaruwa Government Hospital; Asiri Hospitals in Matara, Galle, and Kandy as our service providers. International market expansion was pursued in 2019 by incorporating selected hospitals in India to our partner network while we maintained our ties with hospitals and doctors in Singapore. Continued efforts to incorporate small, larger, specialized, and government-run hospitals both local and international within our service provider network will continue to remain a key strategic imperative in the coming years. Innovative service offerings range from the eChannelling App and the Facebook Bot, the ability to make advance appointment bookings and a range of payment gateways which engender customer convenience to online doctor consultations. These efforts were key in ensuring increased services to our

*“The Company’s strong foundations together with our untiring focus on achieving corporate goals amidst challenging macroeconomic and business environs will guide us to successfully adopt new technological developments, explore opportunities for market growth through increased partnerships and innovative service offerings, increase brand awareness amongst the target market, and diversify into related services. We will do all this, while remaining a sustainable business enterprise into the future.”*

customer base and in the Company’s abilities to attract new customer segments to use eChannelling service offerings.

The Company’s strategic imperative to diversify into related services remains in an embryonic stage. While some progress was made in 2019 to incorporate Ayurveda treatment hospitals and

doctors, increase the use of digitalised prescriptions and automate the medicine delivery process, there is still much to be done to maximise the potential of this strategy.

#### **Increasing Market and Brand Awareness**

Key operating activities of the Company to meet the above strategic initiatives revolved mainly around brand building,

# Executive Director's Review

wellness campaigns, and marketing promotions during 2019. As such, eChannelling PLC realised growth in our mobile App users by 46% compared to the previous year. Our Facebook page likes has topped 100,000 and is the most active page in the healthcare industry. Marketing promotions such as credit card tie-ups offering a discounted fee for making appointments using the eChannelling platforms and the cashback offers were well received and helped to increase awareness of the services offered by the Company across the country. Catering to the tech savvy consumers of today was undertaken by concentrating on using digital media for advertising and promotional efforts.

The tie-ups with hospitals out of Colombo has also resulted in increasing consumer awareness of eChannelling PLC's service offerings. Furthermore, co-branding tie ups such as the one with the Kandy Hospital where the Company brand's patient healthcare cards have also helped promote our services in larger cities outside of the Colombo metropolis.

### Continuing Support for the Community

As a part of the healthcare industry, eChannelling PLC is conscientious of the need to educate consumers on communicable and tropical diseases. As such we have organised campaigns

and programs on Dengue prevention, preventing transmission of HIV and Syphilis from mother to child, the benefits of and other pertinent information on breastfeeding, maintaining a healthy lifestyle when ageing, and the most recent Corona virus epidemic. In addition, the Company continued its efforts to educate the public on road safety and offer advice and tips on maintaining a healthy lifestyle to improve the immune system. These programs and campaigns also form the Company's contribution to meet the SDG goal of 'Good Health and Well-being'. During 2019, the Company conducted many social media campaigns aimed at promoting healthy life choices and spread awareness of preventive measures to the public. Majority of these campaigns were supported by healthcare facilities and doctors. The Company also sponsored several physical and digital awareness campaigns such as the program for the National Drugs Day, the World Diabetics Day, the World Heart Day, World Kidney Day, World Cancer Day, World Asthma Day, World Polio Day, and the National STD and AIDS Control Program. To promote convenience to patients and encourage them to visit doctors as a wellness and preventive care measure rather than for illness cures, eChannelling PLC continues to offer our services free of eChannelling service charges to patients visiting

select government hospitals across the country. During the year under review we added two more such hospitals to which we offer free automated appointment services and will continue to bring more such hospitals to our partner networks in the coming years.

### Setting the Path for the Future

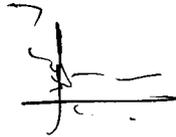
Our strategic goals and objectives span the medium and long terms. As such, while we have endeavoured to achieve much in the year 2019, there is still more to be done to achieve greater future success. The Company will continue to grow our market presence and increase the market size by extending our services across myriad healthcare service facilities across Sri Lanka. The Company will also continue to extend our services overseas, by incorporating healthcare service providers in other nations and increasing the network in countries such as Australia, Singapore, Brunei and the Maldives. Resources will continue to be allocated to enable incorporation of technological advancement to our services to increase healthcare reach among consumers, assist healthcare service providers to increase customer service levels, and bring all automated appointment software services to one easy to access platform. The proposed integration of Artificial Intelligence (AI) to the eChannelling platform will open many

new approaches to enhance customer convenience and increase efficiency of our services. One possible outcome of AI is the search for doctors based on disease symptoms than the current specialisation approach used.

### **Acknowledging Stakeholder Support and Confidence**

In closing, it is imperative that I extend my sincere appreciation to the Company's stakeholders for all your support and confidence placed in us over the years and during 2019. Mr. Sirisena, our Company's former Chairman, Mr. Rohan Fernando, our current Chairman and the Board of Directors continue to be our staunch supporters and offer exemplary guidance to the management in implementing the Company's strategies to success. Mobitel (Pvt) Limited, our parent company, has over the last four years has been the foundation which supports our strategic imperatives. The Company's service provider network, customers, and shareholders continue to trust us and ensure that we lead the way to success. The government authorities must be

acknowledged for being available to help guide us when implementing projects and future plans. And, last but not the least, I take this opportunity to thank all the management team and employees of eChannelling PLC who ensure that the Company meets our goals and objectives by committing their utmost support and working tirelessly to ensure the Company's sustainable success.



**Nalin Perera**  
Executive Director

2nd June 2020

## Board of Directors



- 01. Mr. Rohan Fernando - *Chairman*
- 02. Mr. Nalin Perera - *Director*
- 03. Mr. Sudharshana Geeganage - *Director*
- 04. Mr. Lalith Seneviratne - *Director*
- 05. Mr. Lawrence M Paratz - *Director*
- 06. Mr. Sampath A Hettiarachchi - *Director*
- 07. Mr. Dallas J Stephen - *Director*

## 1. Mr. Rohan Fernando

### Chairman

Mr. Fernando was appointed as Non-Independent Non-Executive Director/Chairman of the Board of eChannelling PLC on the 07th February 2020. He is also the Chairman of Sri Lanka Telecom PLC, Mobitel (Pvt) Ltd, SLT Campus (Pvt) Ltd, SLT Digital Info Services (Pvt) Ltd, SLT VisionCom (Pvt) Ltd, SLT Human Capital Solutions (Pvt) Ltd, Sky Network (Pvt) Ltd, SLT Property Management (Pvt) Ltd and Sri Lanka Telecom (Services) Ltd and Director of Galle Submarine Cable Depot (Pvt) Ltd.

Mr. Fernando has over 40 years of experience in the tea industry and has been successful in innovation, promoting and marketing the traditional beverage of tea in many variants. He is the creator of the global tea brand HELADIV registered in 40 countries. He began his career as a Tea Taster at Carson Cumberbatch & Co., Ltd. In 1975. Mr. Fernando joined Brooke Bond Ceylon Limited and served as a Manager in the Tea Department from 1979 to 1989 with a secondment of one year as a Tea Trader, at its headquarters in the United Kingdom in 1982.

In 1990, he established HVA Lanka Exports as a joint venture with the Dutch agricultural conglomerate HVA Holdings

by and expanded the organisation to include several subsidiary companies, HVA Foods PLC., HVA Beverages & HVA Holdings. He is also the Chairman and CEO of the HVA Group and Chairman of HVA Farms (Pvt) Ltd., an organic agro-resort in the NWP.

He served on the Colombo Tea Traders Association as a member and also as a Director on the Sri Lanka Tea Board and as an Independent Director of the Sri Lanka Industrial Technology Institute from 2015 to 2016.

Mr. Fernando functioned as the President of the National Chamber of Exporters in 2008 and 2009. He served as the elected Chairman of the Tea Exporters Association of Sri Lanka from 2014 to 2016. He is a National award winner since 1997 at the NCE Exports Awards and was selected “Exporter of the Year” winning Gold awards in 4 categories, in 1999. He was also awarded “Sri Lankan Entrepreneur of the year 2015,” winning the National Gold award and “Sri Lankan Entrepreneur of the year 2015,” with a Provincial Gold award.

He is a multi-disciplined sportsman at school and represented and captained Sri Lanka at Rowing. He currently heads the Sri Lanka Amateur Rowing Association

and is also a senior member of the National Olympic Committee.

## 2. Mr. Nalin Perera

### Executive Director

Appointed Director on the Board of Directors of eChannelling PLC on 20th September 2016, Nalin Perera is one of the foremost names in Sri Lanka's Mobile Telecommunications industry. A results-oriented leader, Nalin is the Chief Executive Officer of Mobitel, having completed dynamic stints as Chief Marketing Officer and Chief Operating Officer at the company earlier. He has proven his leadership skills many times over, steering both companies on a path of sustainable profits.

His mastery in brand management, product and channel development, and human resource management skills have lent him an enviable edge when it comes to distinguishing the company's portfolio from the rest in the industry. One of his key success mantras is to be open to change and remain agile, deftly incorporating new trends and evolving customer needs into products and services that exceed all expectations. Along his stellar professional career, Nalin has won for his companies a wide array of local and international recognition and rewards, which has made both eChannelling and Mobitel, trusted and

## Board of Directors

respected household brands in Sri Lanka.

An industry veteran, Nalin has played a pivotal role in pioneer operator Celltel's introduction of mobile telephony to Sri Lanka in 1989, subsequently rising rapidly within the Millicom Group to the position of General Manager - Sales and Marketing.

Nalin spearheaded the launch of the Mobile Pre-Paid concept and its business model in Sri Lanka. Always in the pursuit of infusing greater value to products and services, he has pioneered a host of Value Added Services and Enterprise Business Solutions to elevate the local telecom industry to global standards.

Nalin holds a Postgraduate Diploma in Marketing (UK) and is a Chartered Marketer (UK). He holds a Master of Business Studies degree from University of Colombo. He is an avid sportsman and a prominent corporate personality.

### 3. Mr. Sudharshana Geeganage

*Director*

Mr. Geeganage was appointed as a Non-Independent Non-Executive Director of the Board of eChanneling PLC on 6th April 2017. He is a leading and respected professional in Sri Lanka with a combination of qualifications and experience spanning disciplines of Engineering, Finance and Management. An Engineering Graduate from the

University of Moratuwa and a Post Graduate in Economics from the University of Colombo, he is a Fellow of the Chartered Institute of Management Accountants (FCMA), UK, Chartered Global Management Accountant (CGMA) and Chartered Financial Analyst (CFA).

Mr. Geeganage counts over 24 years of corporate experience and possesses a unique blend of expertise spanning management consultancy, Investment & Development Banking Finance and Strategy. Two thirds of his professional career have been in the telecommunication sector. Having commenced his career at Messrs. Ernst & Young in management consultancy, Mr. Geeganage moved to Vanik Incorporation where he worked in Investment Banking and thereafter to National Development Bank (NDB) where he gained exposure to investment as well as development banking. At present Mr. Geeganage is the Chief Financial Officer at Mobitel (Private) Limited, a leading telecommunication provider in Sri Lanka, heading Finance and Corporate Strategy functions.

### 4. Mr. Lalith Seneviratne

*Director*

Mr Lalith Seneviratne, was appointed to the Board as a Non- Independent Non – Executive Director on 07th February 2020. He serves in the Boards of Sri Lanka Telecom PLC, Mobitel (Pvt) Ltd, Sri Lanka Telecom (Services) Ltd, SLT Digital

Info Services (Pvt) Ltd and SLT Visioncom (Pvt) Ltd.

He is an engineer by training. He has over thirty-five years' experience in the corporate field, primarily with Motorola Corporation.

Mr Seneviratne obtained a Bachelor's degree in Electronics from the University of Kent, UK and a Masters degree in Electrical Engineering from the University of Calgary, Canada. He pursued a career in telecommunications starting in 1982 at the then Sri Lanka Telecommunications Department (present day SLT). In 1988, he became the head of engineering of Celltel, setting up South Asia's first mobile telephone network.

In 1990 Mr Seneviratne accepted a position with Motorola Corporation and moved to Singapore on a regional role. During this period he developed Motorola's relationship with SLT that enabled SLT to provide telephone service to remote areas including restoring telephone service to Jaffna in 1996.

Since leaving Motorola Mr Seneviratne has carried out several professional consulting assignments in telecommunications and renewable energy, while engaging in rural electrification activities during his spare time. He was part of a team that set up four grid connected mini hydropower

systems. He implemented Sri Lanka's first off-grid village solar electrification system in 2001 and Sri Lanka's first off-grid village biomass electrification system in 2004.

In the period 2006 to 2009, Mr Seneviratne was a member of the board of directors of Lanka Transformers Ltd and its Chairman during the latter part. He was a member of the inaugural governing board of the Sri Lanka Sustainable Energy Authority.

Currently Mr Seneviratne is a member of the board of directors of four mini hydropower companies – M/s Escas Owala Pvt Ltd, Escas Ankanda Pvt Ltd, Escas Diggala Pvt Ltd, and Escas Kiula Pvt Ltd.

Mr Seneviratne is the recipient of the Year 1999 Motorola CEO Award for Volunteerism. For his voluntary services to the Department of Wildlife Conservation he was made an Honorary Director in the Department. For his innovation he was elected a Lemelson Fellow and for his sustainable development activities he was elected an Ashoka Fellow. On the 20th Anniversary of the Internet Society of Sri Lanka, he was recognised as one of twenty-five people having contributed to the early development of the Internet in Sri Lanka.

Mr Seneviratne is a Chartered Engineer and a Member of the Institution of Engineering & Technology, UK.

### 5. Mr. Lawrence M Paratz

*Director*

Mr. Paratz was appointed to the board of eChannelling PLC as a Non-Independent Non-Executive Director with effect from 20th September 2016.

Mr. Paratz holds an M. Sc. (Telecommunication Systems) with Distinction, and was awarded the Philips prize from Essex University, and an M. Eng. Sc. from the University of Queensland.

He is a Fellow of Engineers Australia (FIEAust) and an alumnus of the Stanford University Executive Development Programme. He also holds Bachelor's Degrees in Science and Engineering (Honours).

In 2011, he was elected as a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE).

Mr. Paratz has more than 41 years experience in all facets of the telecommunication industries including mobile, fixed, broadband, satellite and international networks both domestic and international. This includes capital and infrastructure development,

operations, sales, customer service and regulatory issues. As a Director and Chief Executive of Acacia Australia Pty Ltd, he was responsible for development of an integrated proposal for delivery of national broadband communication for Australia.

He has served as a Director of Maxis Communication Berhad, Chairman of the Technology Committee of the Board, as a Director of Vernet Pty Ltd, a Company providing ultra high speed Broadband to Universities and Research Establishments in Australia, and a former senior executive of Telstra Corporation. He is a Director of Sri Lanka Telecom PLC, Mobitel (Pvt) Ltd, Sky Network (Pvt) Ltd., SLT Property Management (Pvt) Ltd., SLT Campus (Pvt) Ltd., Sri Lanka Telecom Services (Pvt) Ltd, SLT Visioncom (Pvt) Ltd, and SLT Digital Info Services (Pvt) Ltd. He is also a director of Real Thing Entertainment Pty Ltd, an Australian high technology company and Razorback Pty Ltd, a company incorporated in Victoria, Australia.

Mr. Paratz has held executive responsibility for multi- billion dollar programmes and integrations including network transformations and deployments across multiple technologies, with extensive experience in international, metropolitan and regional and rural communications. He

## Board of Directors

previously served as a member of the Board of the Australian Government's Internet Assistance Programme. He has been an invited speaker at the Australian Health Informatics Conference, and the Australian Academy of Technological Sciences and Engineering.

He was formerly Chairman of the On-Trac@Peter Mac Adolescent and Young Adult Cancer Programme, and has been involved in a number of initiatives in e-health.

### 6. Mr. Sampath A Hettiarachchi

#### Director

Mr. Hettiarachchi was appointed as an Independent Non-Executive Director of the Board of eChannelling PLC on 1st May 2013. From 2008 to April 2013, he was the Chief Financial Officer at Lanka Hospitals Corporation PLC. Mr. Hettiarachchi has over 25 years of managerial and leadership experience at leading corporate institutions in both service sector and manufacturing operations including Ansell Lanka Private Limited, Lanka Bell Ltd and the DCSL Group. Presently he holds directorships in a number of private entities. Mr. Hettiarachchi holds a Master of Business Administration from the Western Sydney University, Australia and is an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA) and a Chartered Global Management Accountant (CGMA)

### 7. Mr. Dallas J Stephen

#### Director

Mr. Joshua was appointed as an Independent Non-Executive Director of the Board of eChannelling PLC on the 26th September 2012. Mr. Joshua holds a Postgraduate Diploma in Marketing (Dip. M) from the Chartered Institute of Marketing, UK. He also holds a Masters in Business Administration (MBA) from University of Sri Jayawardanepura (Postgraduate Institute of Management - PIM). He is a well established practicing marketer with over twenty years of experience in the areas ranging from sales management, product/marketing management, export marketing, service marketing to direct marketing. He has worked in several well known Sri Lankan and multinational organizations, and has over the years acquired a vast amount of invaluable experience in all areas of sales and marketing management. He is a resource person attached to the University of Colombo (for the MBA Program), he has successfully conducted several programmes on CRM and related areas with much success. He was lecturing at the Sri Lanka Institute of Marketing (SLIM) for the CIM (UK) offered by the Chartered Institute of Marketing (UK) as well as lecturing for the Diploma Programme offered by SLIM and the National Institute of Business Management (NIBM). He is an external faculty member of Post Graduate Institute of Management

(PIM), conducting trainings for their Management Development Programmes. He is a visiting consultant attached to the external faculty of several well known organizations, conducting training programs on negotiations skills, personality development, leadership, people management skills, teamwork, decision making, selling skills, presentation skills, performance management, customer relationship management etc.

He has successfully conducted more than (700) seven hundred training programmes. After having acquired a wealth of experience and having risen to the very top in sales and marketing management while being honoured with a MBA from the most prestigious tertiary level management education institution in Sri Lanka, Mr. Joshua finally gave into his entrepreneurial urge, and set up Kaizen Plus SkD (Pvt) Ltd., which essentially specialises in corporate training, management consultancy, outsourcing staff and Head Hunting, with a corporate philosophy of 'Partnering Continuous Excellence' within their client organizations. His client organizations consist of some the prominent entities from diverse sectors, such as banking, fast moving consumer goods, Insurance, manufacturing, retail, technology, services Exports etc.



**Management  
Discussion and  
Analysis**

## Financial Capital



### Key Strategic Imperatives for Creating Financial Capital Value

*Increase in Short-Term Investments* \_\_\_\_\_

*Growth in Net Assets* \_\_\_\_\_

Financial Capital value is derived from the use of financial assets and liabilities in conducting the business operations of eChannelling PLC. Following the rules and regulations as set out in the country, the Company applies technically sound financial principles, policies and procedures which enable the creation of financial value for shareholders and other stakeholders. The basis of the Company's financial resource management is the prudent approach used to optimise the value created for shareholder while simultaneously growing the financial assets value of the Company.

The year 2019 was a challenging year for the Company from a financial growth perspective. The impact of the subdued economic growth together with the Company's continued efforts to increase market share within the increasingly competitive operating environment resulted in lacklustre financial results being achieved. Despite these challenges, the Company's growth in terms of business reach and brand recognition remained highly positive, thus paving the way for the future financial success in terms of revenue and profitability growth.

Some key financial indicators are discussed below.

#### Revenue and Sales Volume

During 2019, eChannelling PLC pursued volume growth mainly through market penetration and market development strategies. As a result, the promotional initiatives used to gain a greater share of the existing market resulted in reduced revenue despite the increasing sales volumes achieved. The Company's increasing hospital network across the country also impacted the overall volume growth. While the number of appointments made using the eChannelling services increased from 7% in 2018 to 10% in 2019, the corresponding revenue growth was negatively impacted due to existing price differentials. This is a challenge that the Company faces, and measures are being evaluated to reduce the negative impact of price differentials on revenue growth in the medium term.

The Company recorded a revenue of Rs. 130.2 million for the year ended 31st December 2019 with a volume growth of 10.18% compared to the previous year.

#### Profit from Operations

The Company's profits from operations recorded only Rs. 1.63 million in 2019 compared to Rs. 24.22 million in 2018. This was mainly due to the high levels of marketing, advertising and promotional activities of the Company together with the increase in the cost of sales from Rs. 22.03 million in 2018 to Rs. 26.8 million during 2019. As a result, the Company's profits from operations recorded only Rs. 1.63 million in 2019 compared to Rs. 24.22 million in 2018.

#### Net Profit

eChannelling PLC recorded a net profit of Rs. 15.01 million during the year ended 31st December 2019 compared to Rs. 33.72 million in the previous financial year. The 55% reduction in net profit is mainly attributable to the increased selling and distribution expenses and the decrease in revenue earned during 2019 by the Company. The key contributor to net profit earnings during 2019 was the net finance income of Rs. 20.81 million which the Company earned from its short-term investments.

## Net Assets/Equity

The success of financial capital growth of eChannelling PLC is recorded in the year-on-year growth of the net assets of the Company. As at 31st December 2019, the Company achieved an equity growth of 7% recording Rs. 260.26 million compared to Rs. 244.3 million as at 31st December 2018. The fundamental reason for this remains as the Company re-invested.

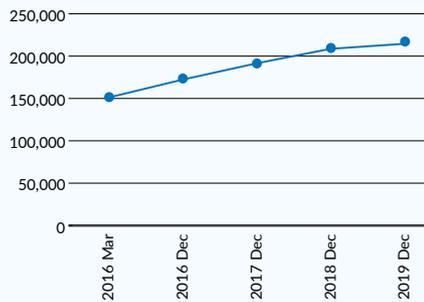
The Company's net assets per share has also been annually increasing for the last five years.

	31st March 2016	31st December 2016	31st December 2017	31st December 2018	31st December 2019
Net Assets Per Share (Rs.)	1.44	1.68	1.97	2.00	2.15

## Short-Term Investments

The short-term investments realised a growth of 3% to Rs. 214.57 million as at 31<sup>st</sup> December 2019 compared to Rs. 208.61 million as at 31st December 2018. The Company's short-term investments mainly consist of investments in fixed deposits, a less risky investment yielding acceptable annual returns.

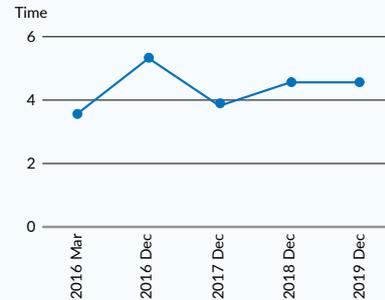
### Short-term Investment Growth



## Current Ratio

The Company's current ratio remained steady at 4.56 as at 31st December 2019 with no change from the previous year. This shows the Company's ability to pay short-term and long-term obligations to shareholders and other stakeholders.

### Current Ratio Time



## Reporting Cycle and Date of Most Recent Previous Report

The Annual Report 2019 of eChannelling PLC reports for the 12 months period from 1st January 2019 to 31st December 2019. This period is consistent with the Company's usual annual reporting cycle. The Company's most recent report was for the financial year 2018.

## Reporting Framework

### Integrated Reporting

- International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC) in December 2013

- A Preparer's Guide to Integrated Corporate Reporting' in year 2015 and relevant Supplement in year 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

## Sustainability Reporting

- GRI Sustainability Reporting Standards 2016 - Core option
- UNGC Principles and UN Sustainable Development Goals

The company has adopted GRI Sustainability Reporting Standards 2016 for the first time for Sustainability Reporting. However an independent assurance report has not been obtained due to the external limitations.

## Intellectual Capital



### Key Strategic Imperatives For Creating Intellectual Capital Value

To maintain brand presence and integrity across the nation \_\_\_\_\_

To become the top-of-mind recall for eChannelling services by every person in the country \_\_\_\_\_

Knowledge enhancement \_\_\_\_\_

Intellectual Capital is comprised mainly of the Company's brand reputation and the knowledge and know-how which our employees bring to the Company. eChannelling PLC mainly adds value to our intellectual Capital through our digital marketing and promotional efforts which endeavour to ensure top-of-mind recall of our services to present and prospective customers. The Company maintains its rights to the eChannelling brand of having registered, its trademark with our corporate name, with the Registrar of Companies in their logo and logo mark at the National Intellectual Property Office Sri Lanka. While the Company's intellectual capital value created cannot be quantified separately as it is an integral part of the growth and success achieved by the Company over the years.

#### Creating Value to the Brand Reputation of eChannelling PLC



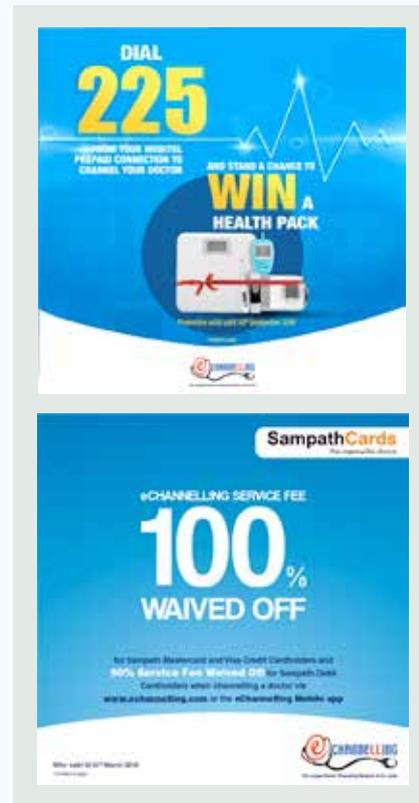
#### Digital Marketing

Digital marketing is the predominant method used by the Company to create intellectual capital value to our stakeholders, especially our customers. Social media marketing through Facebook and Instagram remains the biggest investment to the Company. All events, campaigns, programs, and other notices are posted on these social media sites to ensure our customers and the public can access information at their fingertips.



### Promotional Activities

Target market promotional activities is another integral method used by eChannelling PLC to increase customer awareness of the services of the Company and encourage customer retention and entice new customers to try our services. Some of the promotional campaigns which the Company conducted during 2019 are from credit card discounts, cashback offers, waive-off of the eChannelling service fee, and special healthcare gift packs.



### Sponsorships

The Company also uses sponsorships to create awareness of our services and advantages offered to eChannelling PLC's customers. As such the Company sponsored 35 health camps including on-location awareness campaigns with leading private hospitals island wide, 7 medical camps for pensioners island wide and 60 digital awareness programs which coincided with medical days throughout the year under review. Furthermore, sponsorships were also done to fulfil

## Management Discussion and Analysis

specific needs of hospitals, charitable and non-governmental organisations, as well as other health organisations during 2019.

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Awareness Campaign via Digital Media for National STD and AIDS Control Program in collaboration with the Ministry of Health National STD and AIDS Control Program

Partner of the Awareness Walk for the National STD and AIDS Control Program in collaboration with the Ministry of Health National STD and AIDS Control Program

Sponsored the printing of the Health ID Card for the Kandy General Hospital which included the eChannelling Branding

Sponsored T-Shirts for the project on Dengue Prevention conducted by the Rotary Club of Sri Jayawardhanapura

Sponsored the Joseph Fraser Hospital Profile Book which includes the eChannelling branding to be distributed in the Maldives

Event and exhibition sponsorships is another method used by eChannelling PLC to remain within sight of the public. During 2019, the Company was one of the sponsors of the Medicare Exhibition, SHILPASENA Exhibition, Ayurveda Expo Exhibition, Enterprise Sri Lanka Exhibition, INFOTEL Exhibition and the Digital Health Conference all held in Colombo.

These sponsorships and awareness campaigns also indirectly contribute towards the UN's Sustainable Development Goals (SDGs) related to 'Good Health and Well-being'.

### Traditional Marketing

Above-the-line (ATL) and below-the-line (BTL) forms of traditional marketing and advertising still plays a role in creating and enhancing the eChannelling brand across the country. The Company, therefore, regularly places general and promotional advertisements in magazine and newspapers in all three languages. Furthermore, the Company also collaborates with television and radio stations to undertake sponsored campaign advertisements while also pursuing DJ endorsements for the eChannelling brand. Branding of lifts, wall light panels and doctor boards in prominent hospitals is also successfully used by the Company to spread awareness of our services, as is the display of stickers, posters, and banners. The Company also often brands pharmacy envelopes, branding of mugs, umbrellas, and T-shirts which are distributed at different

events and during promotional campaigns is another method of traditional marketing successfully used by the Company. Printed leaflets are also often distributed at hospitals to make patients aware of the availability eChannelling services and the methods to obtain them.





## Awards and Accolades

Awards and accolades received during 2019 by eChannelling PLC reiterates the success of the Company's marketing and promotional efforts to bring to the fore the brand reputation and image across Sri Lanka.



### B2B Brand of the Year Bronze Award

*By the Sri Lanka Institute of Marketing Brand Excellence Awards*

The presence of the eChannelling brand across the nation's government and private hospitals is attributed to the Company winning this bronze award in 2019.

### Online Brand of the Year Silver Award

*By the Sri Lanka Institute of Marketing Brand Excellence Awards*

For the second consecutive year, eChannelling PLC receives this award in recognition of the Company's marketing and promotional efforts related to our business operations and brand recall built over the last 19 years.



**Best Annual Report of the Year under the Services Sector Category Bronze Award**

*By the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)*

eChannelling PLC's continuous efforts to increase transparency and embrace internationally renowned voluntary disclosure standards was well-recognised from a corporate level, thus enabling the Company to win the bronze award for the second consecutive year at the 55th Annual Reports Awards Ceremony conducted by CA Sri Lanka.



**Best ICT Service Provider Winner**

*By the Capital Finance International (CFI.co) Awards Programme, United Kingdom*

CFI.co is a print journal and an online resource reporting on business, economics and finance based in the United Kingdom. The CFI.co awards aims to recognise individuals and organisations which contribute significantly to the convergence of economies and truly add value for all stakeholders. eChannelling PLC's extensive and innovative use of information communication technology and best practices to automate doctor channelling services has gained favourable international recognition reiterating the Company's success and brand reputation.



**Knowledge and Know-how**

Intellectual capital value is also created through the development and enhancement of inherent knowledge gained by the Company over the years through successes and sometimes failures. Furthermore, the Company's best practices combined with our process-driven operations also add to intellectual capital value for our stakeholders. Knowledge garnered by the management and employees through their industry experience, years of work in fields such as business management, financial management, accounting, human resource management, software development, sales and marketing, engineering, brand management, business development, e-commerce, and digital and social media marketing together with their educational backgrounds in related fields has ensured that the Company is able to achieve its goals successfully by enhancing the Intellectual Capital value of eChannelling PLC through the years.

# Human Resource Capital



## Key Strategic Imperatives For Creating Human Resource Capital Value

- Continuously increase the training and development programs*
- Improve HR processes to enable more efficient management of resources*
- Encourage employees to build a career as opposed to doing a job*
- Increase employees' ability to balance work and life commitments balance in their lives*

Human Resource Capital is essential to eChannelling PLC's value creation process. Our employees are the fundamental drivers of the Company's business strategies and thereby create value across our business value chain and for all our stakeholders. The Company's success over the last 19 years is attributed to our employees' commitment, integrity, and belief in the vision and mission of eChannelling PLC. In turn, the management also rewards employees by ensuring they can achieve their career aspirations, develop new skills, increase knowledge and know-how, and work in a conducive business environment which promotes a work-life balance.

Accordingly, eChannelling PLC creates value for our employees on three main pillars – training and development, career development, and employee welfare and work-life balance. These three pillars are supported by the Company's HR processes and policies to ensure employees can achieve their personal career goals and aspirations while enabling business growth and success.

As part of the Company's efforts to increase the efficiency and effectiveness of our human resource processes and functions, a comprehensive HR Audit was conducted for the first time in 2019 by the Group Internal audit team. Results were very positive with a 90% success rate in conducting all HR functions

within eChannelling PLC. Gaps identified during the audit will be resolved in the coming year which is expected to further benefit our employees while improving the HR function of the Company.



### Employment

The nature of our business requires only a limited employee cadre, and as such, the Company employed 33 people as at 31st December 2019. Still, the Company contributes towards employment in the country and in 2019 recruited five people to fulfil business needs and provided internship opportunities to two university students.

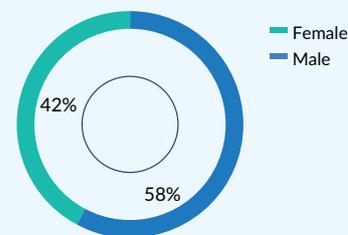
### Total New Recruits 2019

	Recruitments	Age	Gender	Ethnicity
Business Development Executive	01	30 years	Male	Tamil
Software Engineers	02	24 years 23 years	Male Male	Buddhist Buddhist
Systems Administrator	02	23 years 24 years	Male Male	Buddhist Tamil
Intern – Software Development	01	24 years	Female	Buddhist
Intern – Finance	01	24 years	Female	Buddhist
<b>Total</b>	<b>07</b>			

eChannelling PLC's employment practices are fair and non-discriminatory giving an equal opportunity to people from all ethnicities, religious backgrounds and gender to obtain employment with the Company. Employees are recruited on their educational background, experience, skills, and abilities to fulfil the responsibilities of the position being applied for. The Company does not employ child labour and only employs individuals over the age of 18 years. The Company employees are not part of any labour union, but all employees are free to approach the management to discuss any issues or concerns regarding their work and job requirements, compensation and benefits, and working with co-workers or supervisors. There have been no disputes or issues to date, and the small employee cadre also allows for the management to have many opportunities to interact with employees on a one-on-one basis. All employees including senior management of the company are hired from the local community and the company does not have any foreign employee as at reporting date.

A safe and comfortable working environment is also an aspect which eChannelling PLC endeavours to provide our employees. As such during 2019 the Company invested resources to augment and upgrade the workspaces of employees in the head office building thereby providing employees a conducive work environment.

### Employment by Gender 2019



Majority of the Company's employees are below the age of 35 years. This makes most of our employees a part of the Millennial generation known to be confident, ambitious, and achievement oriented. Thus, the Company strives to use engagement and motivation methods that best suit these young individuals while all setting their individual goals to be challenging in alignment with their personal natures.

Age Group	2016	2017	2018	2019
20 to 25 years	5	5	6	7
26 to 30 years	12	11	12	8
31 to 35 years	9	10	10	8
36 to 40 years	2	2	2	7
41 to 45 years	0	0	0	1
45 to 50 years	1	1	1	1
More than 50 years	1	1	1	1
<b>Total</b>	<b>30</b>	<b>30</b>	<b>32</b>	<b>33</b>

## Employee Motivation and Engagement

Engaged and motivated employees are known to give their best in their workplace. As part of the Company's efforts to keep employees' motivational levels high, the management often reiterates the Company's mission and goals while encouraging employees to embrace our corporate value system. The Company mission, vision and values are explained during the induction programme, and practiced from the top-most management to the lowest level employees. We also share our success and achievement with employees to show our appreciation of their efforts on behalf of the Company and to encourage them to do better in their work while building a career with the Company.

Furthermore, employees are also shown they are valued by recognising their personal and professional achievements by sending out congratulatory emails or offering felicitations in small impromptu gatherings during the workday. The Company presents employees with Birthday Gift Voucher & Children Birth Gift Vouchers as the occasions arise annual. The Company also uses employee branding where employees are gifted with branded mugs, t-shirts, diaries, notebooks, umbrellas, etc., for their personal use to enable them to further embrace and strengthen the eChannelling brand values.



## Training and Development

Training and development remain a key pillar of the Company's value creation process for our employees. As such the Company ensures that all employees are given the opportunity to develop new skills, enhance current knowledge and know-how, and develop themselves professionally year-on-year. During 2019, all 33 employees of the Company received an opportunity to participate in various conferences, seminars, and workshops to enable them to keep abreast of development both in the industry and in their professional fields. Employees participated in 27 local and overseas programs during 2019 covering topics such as customer relationship management, finance, cyber security, and content marketing amounting to 458 total training hours. Furthermore, the Company also reimburses employees' membership fee payments in professional institutions such as CIMA, CA Sri Lanka, and CSSL as well as for their educational endeavours. The total training and development investment for 2019 amounted to Rs. 1.823 million.

### Utilisation of Training and Development Costs



### Career Development

Career development is an important pillar in our HR value creation process. The Company believes that our employees must be able to build a career with eChannelling PLC not just do a job. This philosophy drives the Company's endeavours to create a conducive working culture and provide employees with appropriate training and development programs and welfare benefits which in turn enable them to meet their career ambitions. The Company's human resource policies, procedures and tools are also geared towards helping employees successfully progress in their careers with eChannelling PLC. To ensure employees are able to meet the high expectations set-out by the management, the Company recruits individuals based on a series of interviews at different levels testing both soft skills and professional competencies. Only people who will add value to, and effortlessly integrate with existing employees and the eChannelling culture are admitted to our ranks, thereby furthering our attempt to create value for employees. Our endeavours in this regard over the years has resulted in much success with low employee turnover levels and employees on average working with the Company for 6.5 years. Our employees have also proven themselves to be highly adaptive by succeeding in achieving corporate goals and objectives by overcoming obstacles and challenges in the industry operating environment.

	2016	2017	2018	2019
Employee Turnover	2	2	4	3

Service Years	2016	2017	2018	2019
Less than one year	9	7	3	6
1 to 5 years	9	11	13	11
5 to 10 years	10	10	12	7
10 to 15 years	2	2	4	8
More than 15 years	0	0	0	1
<b>Total Employees</b>	<b>30</b>	<b>30</b>	<b>32</b>	<b>33</b>

### Employee Welfare and Work-Life Balance

The third pillar on which our HR value creation process is based on is in ensuring that employees of eChannelling PLC are able to achieve professional success while still managing their personal responsibilities. Thus, the Company provides employees with both monetary and non-monetary benefits which enable them to manage all aspects of their lives.

Furthermore, during 2019 in alignment with the Company's pursuit of following some aspects of the UN's Sustainable Development Goals (SDGs) related 'Good Health and

Well-being', we endeavoured to meet some of the requirements by increasing the care and well-being offered to our employees. As such we implemented a new eChannelling Health & Well-Being Policy which is aimed at increasing the focused efforts of the Company to improve and assist our employees to embrace good health and well-being practices in their lives.

Salaries and wages are paid on-time and aligned to industry standards while taking into account cost of living and inflation. Employees receive annual increments based on their performance and achievement of their personal KPIs.

The bi-annual bonus scheme is available to all employees who have worked with the Company for over one year. The bonus is based on performance and employees overall conduct at work and in carrying out their job responsibilities.

Staff Medical Insurance Policy - Partnering with Sri Lanka Insurance Corporation Limited the Company covers employees and their immediate families (spouse and children) under the staff medical insurance policy. Coverage includes in-patient benefits, out-patient benefits, maternity charges, and some other benefits.

Leave and Vacation Policy - All permanent employees are eligible to the mandated 14 days of annual leave and 7 days of casual leave

as per the Shop and Office Act of Sri Lanka. The Company also provides an additional 07 days of medical leave to our employees. Furthermore, maternity leave is also granted as per employment regulations of the country. On a need basis, the Company also approves compassionate leave and paternity leave to our employees.

- Flexible Working Hour Policy – Employees can work flexible hours during a work week as long as they clock-in the requisite 09 work hours weekly and business of the Company is not adversely impacted.
- Staff Mobile/Device Policy – Employees are given the options to buy or upgrade their smartphones or smart devices every two years with the Company providing an allowance for the purchase aligned to the employee grade.
- Educational Reimbursement Policy – All permanent employees are eligible to obtain a reimbursement for their annual fee paid to professional organisations, and fees paid to obtain an academic/professional qualification (withing pre-agreed limits) from the Company dependent on the bond agreement.
- All employees will be provided with a new laptop every three years for business use dependent on its wear and tear.
- eChannelling Health & Well-Being Policy – This is a new policy

introduced in 2019 to help the Company provide focused health and wellness benefits to our employees. Under this policy employees will receive training, care and tips to maintain good physical and mental well-being, especially that which arises due to work-related stress. During 2019, employees received birthday gifts from the Company while one employee also received a gift for her newborn.

- Company Sponsored Events and Outings - As part of the Company's efforts to maintain work-life balance and ensure employee welfare and motivation, eChannelling PLC annually organises several events for our employees.



## Social and Relationship Capital



### Key Strategic Imperatives For Creating Social And Relationship Capital Value

*Expand choice of local healthcare providers by adding hospitals and clinics in not only primary cities and larger towns, but also in smaller and less populated towns and rural villages*

*Innovate to meet customer needs to improve efficiency and user-friendly aspect of our services*

*Expand business partnerships internationally to include consultations from overseas healthcare providers and expert medical professionals*

For eChannelling PLC creating value for Social and Relationship Capital is integral to business success as healthcare is basic right of all citizens of Sri Lanka. The automated healthcare service offered by the Company is a means to ensure accessibility and efficiency in obtaining primary healthcare services across the nation. Thus, while eChannelling services ranges across myriad digital platforms to cater to the digitally savvy consumer of today, the Company's services are also accessible via a traditional call centre.

As the Company provides in effect a bridging service between healthcare providers and patients who seek appointments with doctors at hospitals of their choice, value creation for this capital extends many stakeholders including customers, the government, business partners, and other suppliers. Therefore, these relationships are a critical success factor for our business. Furthermore, keeping at the forefront the

wider impact of healthcare services, the Company also considers the community when undertaking business activities by providing service which will benefit the overall healthcare facilities of Sri Lanka and resultantly the country's citizens.

#### Creating Value to Customers

The underlying aim of our business is to enable easy accessibility of healthcare services to consumers which is their basic societal right. Thus, the Company's automated healthcare service is geared to increase accessibility while reducing inefficiency when searching for and making appointments with doctors. Our customer value creation encompasses increasing the number of hospitals, clinics, medical facilities, pharmacies, and other non-traditional medical organisations to become a part of our wider network of operators, while also creating diverse platforms through which the eChannelling services can be obtained. At present, the Company

operates a website, a Chatbot, a Mobile App, and a Call Centre through which our customers can make hassle-free doctor appointments from the comfort of their home. For those customers who still find technology a challenge and prefer human contact, eChannelling PLC have appointed co-operate agents who assist customers to make appointments using the eChannelling website and call centre. Furthermore, several payment gateways are also offered to increase convenience to customers.

As social media is becoming more popular, the Company also enhance its Facebook page and is in the process of enhancing our presence on Instagram to ensure meeting customer demands for enhanced services in these social media platforms. The success of our efforts is showcased in the eChannelling Facebook page having exceeded 101,000 likes as of end January 2020.

The growth in the Company's customer base over the years is testament to the acceptance and adoption of our services by the nation and our most critical measurements as to how we have created value to our customers. It must also be noted that as we expand our services across the country, our customer mix is also changing and now consists of 85% in Colombo Area and 15% in other parts of Sri Lanka thereby further strengthening the eChannelling presence across the nation. However, much work is yet to be done to balance this customer segmentation for the sustainable future of eChannelling PLC.

The Company's aim to contribute to towards the UN's Sustainable Development Goals (SDGs) related to 'Good Health and Well-being' and 'Responsible Consumption and Production' is also another aspect of how eChannelling PLC adds value to social and relationship capital aspects of business operations. Many of the Company's social contributions and sponsorships are aimed at promoting the good health and well-being of the nation's people and our customers. While our procurement practices aim towards meeting some of the objectives as set out under the SDG goal of 'Responsible Consumption and Production'.

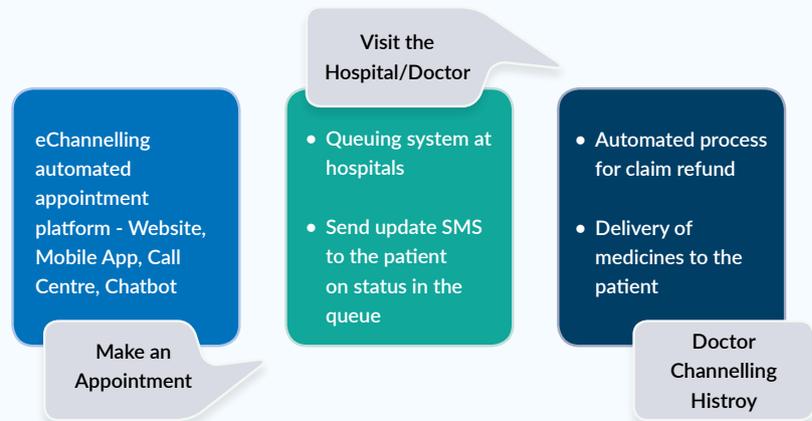
### Customer Privacy

Data protection and securing of personal and medical information is an important aspect of creating value to our customers.

The Company treats customer's privacy and data protection as a high priority and has in place requisite firewalls and other software to enable meeting this target. The Company's policy of obtaining only as much information as absolutely necessary from customers/patients also assists in minimising undue dissemination of private data. As such during the year under review a systems upgrade was undertaken to a platform with higher security features. To further reduce risks related to data protection, the Company also put in place a system of conducting six-month audits and regular vulnerability tests in collaboration with TechCert, which is Sri Lanka's first and largest Computer Emergency Readiness Team. Overall, eChannelling PLC has invested Rs. 3.1 million in such activities during 2019, while creating an immeasurable value in terms of safety and peace of mind to our customers.

### eChannelling Service Portfolio

The Company's service portfolio is used to create the maximum returns to our current and future customers. Currently eChannelling PLC offers a range of core and value-added services aimed at creating high levels of convenience for customers while also slowly merging the different value chain process when visiting doctors.



The Company pursues our service expansion strategy by offering customers access to make appointments with non-mainstream healthcare services such as Ayurveda hospitals/clinics and other alternative medicine clinics through the eChannelling platform. Furthermore, the Company has also set-up video channelling for local patients with specialists residing overseas and plans to consider other suitable value additions to meet the increasing needs of our customers.

### Portfolio of Services of eChannelling

Direct Dial 225 to make an appointment from anywhere on any mobile network or Lanka Bell landline

Direct Dial 1225 to make an appointment from anywhere at any time on the SLT land-line network

Online channelling (web & App)

Walk-in partnerships with pharmacies, banks, and co-operate agents to make an appointment

Pay and Go kiosks located in public places are offer eChannelling service

Online request for lab tests from preferred hospitals/labs or the mobile lab testing unit

Automated process for claiming refunds on the website

eChannelling's own self-help kiosk machines

Launch of 'eChannelling for Government Hospitals'

New website for obtaining services from other non-health related service providers

Video consulting

Running Number (queueing) system

### Customer Feedback

An important aspect of serving our customers is to obtain their feedback whether good or bad. Customers' feedback plays an important role in the Company's strategy of expanding our partner network, creating innovative services, and in the continuous improvement of our service quality. Customers are given several options to reach us including the eChannelling website, dedicated hotline, and email.

For more serious and non-routine customer complaints, the below process is utilised to the satisfaction of all parties concerned. During 2019, there were no major complaints received by our customers on breaches of customer privacy and/or loss of customer data.



#### Customer Feedback

Hotline: +94 (071) 0225225

Email: [info@echannelling.com](mailto:info@echannelling.com)

Receive email or phone call from customers regarding the complaint/issue

Direct customer to the relevant internal person in-charge

Respond within 1-15 minutes of receiving complaint with a preliminary update

Resolve issue/ complaint within 24 hours or escalate to relevant internal/ external authority after informing the customer

### Creating Value to Business Partners

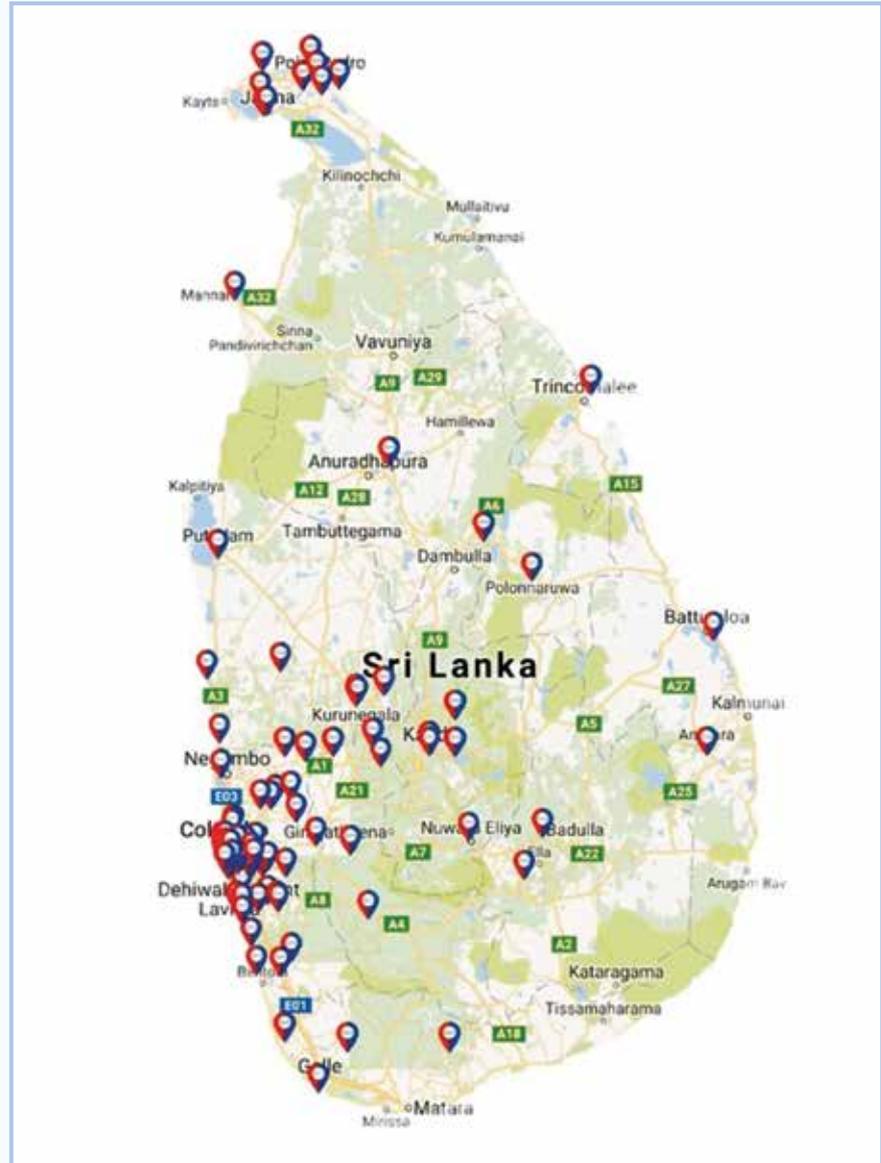
The Company considers our service providers – the hospitals, clinics, and other medical facilities as critical stakeholders. It is these business partners who ensure that eChannelling services remains relevant while they serve our mutual customers effectively and efficiently. The Company currently has 260+ private hospitals/channelling centres and seven government hospitals which uses our platform. The increasing

reach and awareness of the eChannelling brand is the foundation on which these partnerships are built. During the year under review two new government hospitals - Polonnaruwa General Hospital and Chest Hospital (National Hospital for Respiratory Diseases) in Welisara - were enrolled to use the eChannelling platform under the 'eChannelling for Government Hospitals' project undertaken in partnership with the Information Communication Technology Agency of Sri Lanka (ICTA). In 2019, the Company also successfully expanded our partner network by re-connecting three new major hospitals - Joseph Fraser Memorial Hospital, Kings Hospital, and Royal Hospital in Colombo as new business partners. Furthermore, we successfully included three new hospitals of the Asiri Group to our expanding hospital partner network across the country.

To penetrate the rural areas in the country and assist those people who are yet not tech savvy, the Company has been partnering with retail pharmacies and co-operate agents in rural areas to assist customers to set up appointments via the eChannelling website or through the Call Centre. During the year 2019, 30 new co-operate agents were added to our partner network, increasing the accessibility of the eChannelling platform to the rural consumer.

The ever-expanding service provider network of the Company is testament to the trust and value placed on the eChannelling brand by our business partner's year-on-year. To date, the total service provider partnerships stands at

over 7,000 partners 260+ private hospitals, over 6,000 doctors, over 2,000 outlets and coverage of any telecommunication network, over 520 co-operate agents, and seven government hospitals to serve our customers at high quality levels.



### Valuing Suppliers

eChannelling PLC's suppliers consists of those organisations and individuals who supply good and services which assist in the day-to-day business operations of the Company. Our suppliers are broadly divided into three groups – system support & hardware suppliers; media, advertising, printing, and promotional material suppliers; and general administrative and other software suppliers. All our suppliers are local, and this is a policy we try to adhere to as a means of indirectly supporting the economic growth of Sri Lanka.

The Company has a database of pre-approved suppliers who have been vetted in terms of quality of products/services and value for money in terms of prices. In instances when the Company required goods or services from new suppliers, it is a policy that quotations from three suppliers must be evaluated before making a final decision.

As at 31st December 2019 the Company mainly used local suppliers for obtaining good and services for IT system support and hardware; HR software; and media, advertising, printing, and promotional materials. On average, the Company's supplier partnerships range over three years with the longest being over 19 years.

### Creating Value to the Community

While the Company's business is aligned to the betterment of the community

through effective and efficient automation of obtaining doctor appointments, eChannelling PLC also undertakes several targeted activities to help improve the health and wellness of the national populace. As such the Company sponsors many awareness campaigns, participates in medical camps and lends a helping hand when people are in need of healthcare. During 2019, the Company assisted with the following events and programs for the betterment of the community.

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Prevention Program for Mother to Child Transmission of HIV and Syphilis Coloration with National STD and AIDS Control Program Unit

---

Facebook campaign for the Elimination of Mother to Child Transmission of HIV and Syphilis (EMTCT)

---

Sharing of general health and wellness tips on social media to increase public awareness and knowledge.

---

Road Safety Awareness Program in collaboration with the Sri Jayawardhanapura Rotary Club, SLMA

---

Contributing towards religious ceremonies at the Nallur Kandaswamy temple in Jaffna

---

Contributing towards the Kandy Perahera

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Many of eChannelling PLC's business services are also geared towards creating value for the community. For instance, the Company does not charge the eChannelling service fee when appointments are made at government hospitals around the country. Even services such as book-now-pay-in-24-hours are offered to assist the community to benefit from the Company's service offering in the long term. Furthermore, many of the Company's promotional activities too are geared to encourage customers to embrace the eChannelling platform by offering fee-waivers for App downloads, cashback offers, and discounts on credit cards.

The Company's business is such that every inroad to improve our services and expand our partner network results only in greater value creation for the people of the country, and the community we ultimately aim to serve through our business operations.

#### **Legal Actions for Anti-competitive Behaviour, Anti-trust, and Monopoly Practices**

There were no legal actions against the Company for anti-competitive behaviour, anti-trust, and monopoly practices during the year under review.

#### **Incidents of Discrimination and Corrective Actions Taken**

No incidents of discrimination were reported during the year under review.

#### **Operations that have been Subject to Human Rights Reviews or Impact Assessments**

The Company does not have any operations in its business activities which are subject to human rights reviews or impact assessments

#### **Political Contributions**

The Company has not made any political contributions during the year under review.

#### **Social Economic Compliance**

here were no issues pertaining to non-compliance with laws and regulations in the social and economic area of the Company.

#### **Security Practices**

All our security personnels are provided by third party organisations and we have educated them about the Company's human rights policies and procedures.

## Manufactured Capital



### Key Strategic Imperatives For Creating Manufactured Capital Value

*Ensure providing software which is user-friendly and easy to navigate* \_\_\_\_\_

*Continuous adoption of emerging security measures for data protection* \_\_\_\_\_

*Use of up-to date software technology* \_\_\_\_\_

Manufactured Capital of eChannelling PLC comprises the head office building; furniture and fittings; the eChannelling platform including the Mobile App, eChannelling website, and the Call Centre software; third-party software used to carry out day-to-day business operations; and IT and telecommunication equipment used by employees and the Company. All software used by the Company is licenced and updated and upgraded to ensure seamless usage without interruption to services to our customers. The Company also holds the rights to software developed for operating the eChannelling platform.

Creating value to stakeholders in terms of manufactured capital is based on increasing and enhancing the efficacy of our services to our customers by increasing data protection security to safeguard and protect customer information, adopt new technology and upgrade software to ensure less

downtime of services, and cause no loss of internal information. As a result, during the year under review, eChannelling PLC upgraded the security features for our databases by incorporating new perimeter and layered security protocols and migrated core services to a more secure and state-of-the art platform. Furthermore, the transfer of many of our internal databases to cloud-based virtual data storage facilities enabled the Company to reduce physical servers from 20 to two in the year under review. The Company's datacentre is leased from a leading operator in Sri Lanka offering high levels of security and availability.

These changes and upgrades are also aligned to the UN's Sustainable Development Goals (SDGs) related 'Responsible Consumption and Production' which the Company has embraced in the year under review.

The Company invested Rs. 7,574,530 on embracing such new technology and incurred Rs. 684,600 as licensing fees on procuring third-party software used to conduct business operations during 2019.

The Company's practice of upgrading computer hardware such as laptops and PCs every three years resulted in seven laptops being replaced during 2019 at a cost of Rs. 842,000.

Regular maintenance of the head office building is undertaken to ensure a comfortable and conducive work environment. All furniture and fittings are maintained at optimal levels and electronic equipment is regularly checked and serviced to ensure no breakdowns which interrupt business operations. As such eChannelling PLC incurred Rs. 292,772 towards such building maintenance costs and maintenance of equipment, furniture, and fittings.



### Key Strategic Imperatives For Creating Natural Capital Value

*Promoting a paperless working environment*

*Reducing energy usage*

*Enhancing our recycling and waste collection processes*

The business model of eChannelling PLC is based on the concept of promoting and establishing sustainable business practices for the use of natural resources within the healthcare sector of Sri Lanka. The Company's services offering automated appointment facilities, online consultations, and medicine delivery to customers encourage the use of electronic receipts, electronic payments, and electronic transfer of doctor's prescriptions. These in turn facilitate a paperless work environment and the reduced use of paper by consumers. eChannelling PLC's business also indirectly helps to reduce fuel usage and air pollution when Sri Lanka's public use our services than the traditional method of obtaining doctor consultations. Furthermore, the electronic queuing system and the electronic receipts also benefit our medical facility and hospital partners who can more sustainably serve their patients.

eChannelling PLC's value creation activities under natural capital aspects is also aligned to the UN's Sustainable Development Goals (SDGs) related 'Responsible Consumption and Production'. The endeavours to use natural resources in a sustainable manner while continuously attempting to substantially reduce waste generation through prevention, reduction, recycling and reuse mechanisms.

During the year under review, the Company continued efforts to becoming ever more sustainable, embracing and incorporating sustainable business practices when using natural resources in our day-to-day business operations.

#### **Reducing the Use of Paper Internally**

The concentrated efforts to automate internal processes continues to assist in the Company's endeavours to become a paperless workplace. As such, many systems were updated in 2019 to assist in

this venture. Employees of the Company also continue to practice the policy of electronic communications with all stakeholders, except when dealing with mandatory matters requiring a paper trail, while adhering to the Company's 'print only when mandatory' and 'print on both sides of the paper' mandates. However, the Company's paper trail has been reducing over the years by incorporating electronic signatures and other secure means of electronic communications. eChannelling PLC's official communications with employees is also predominantly undertaken using electronic means. As such the Company successfully reduced the internal A4 paper usage by approximately 11% between 2018 and 2019.

During the year more than 4 million appointments were made using the Company's eChannelling platform which sent out SMS and email notifications with appointment details. Assuming our

customers refrained from printing their appointment notifications, the Company believes that we indirectly contributed to saving paper usage across the nation.

### Paperless Services Providing by ECL to our Customers

- Appointment confirmation via email or SMS
- Doctor notification via SMS
- Other notifications via SMS

### Limiting Energy Usage

#### Electricity Usage

eChannelling PLC's business operations are undertaken on an electronic platform. As such the Company uses energy to operate lights, computers and laptops, servers, and data storage centres. While energy is used to operate such equipment, the Company has in place measures to minimise energy usage wherever possible. Furthermore, the recent transfer of data storage to cloud-based systems has furthered the Company's efforts in this regard.

The Company's electricity requirements are supplied by the National Electric Grid.

#### Fuel Usage

The Company's service offering indirectly promoted the reduction of travelling due to the electronic means of obtaining doctor appointments using either our website, mobile App, call centre or the nearest eChannelling agents. In addition, video consulting services with specialist doctors residing overseas, and the transfer of prescriptions

electronically reduces the requirements for travel thereby reducing fuel used for transportation services. Furthermore, the Company's continued efforts to increase our service provider network to reach across every major and small town of Sri Lanka as well as the myriad types of medical and healthcare facilities year-on-year also helps to reduce the fuel usage by giving patients a choice to use the automated appointment platform of eChannelling PLC.

### Practices enabling the reduction of power usage

- Switching off lights and ACs when offices and meeting rooms are not in use.
- Shutting down PCs and laptops at the end of the workday.
- Putting PCs and laptops in sleep/hibernate mode to conserve energy when not in use.
- Installing energy efficient lights.
- Installing Inverter-type ACs.

Employees are also encouraged to reduce fuel usage in carrying out business operations by travelling in one vehicle. Whenever possible, the Company hires a vehicle which is used for group travelling purposes when attending Company organised events and outings.

While not yet able to quantify the reduction indirect fuel usage, eChannelling PLC is ensured that our efforts and business objectives result in

much savings on travel and fuel usage by our customers.

### Waste Management

Waste generated by the Company is minimal and mainly consists of waste which is organic, and paper based. While some plastic, e-waste, and other recyclable waste is generated by employees and in the course of undertaking day-to-day business activities, we promote the reduction of such waste as much as possible. To reduce the Company's e-waste generation, laptops used by employees are updated every three years, and the old laptops sold at a minimal rate to employees for their personal use.

Waste generated by the Company is segregated according to recyclable and non-recyclable materials, and organic waste to ensure proper and safe disposal of waste according to local laws and regulations. At present, all waste is disposed of using the Municipal Council Garbage disposal services. No hazardous waste is generated when undertaking business operations.

### Reducing Emissions

The Company's business operations together with specific initiatives mentioned above enable us to reduce air emissions and thereby assist in the reduction of air pollution of the country, albeit indirectly. As these are indirect results of eChannelling PLC's business operations, we do not have a method to calculate emissions occurring during and because of our business activities, operations or initiatives.

# Stakeholder Interaction

Connecting with stakeholder is the highest priority for our organisation as it significantly impact all the business activities. Also the organization reputation depend on the stake's holder perceptions and the behavior, therefore their understanding, the changing behavior and different reactions of the perceptions will guide us to enable powerful business strategies and reach overall strategic goals during the year.

We believe that by approaching the stakeholder engagement effectively we can ensure organizational yearly goals, strategies and obtain more understanding the needs of the each stakeholder which ultimately support our goals and

objectives as well. Mainly we focus to build our relationships and balance all the stakeholder values every year. As we identified strong communication and engage actively will give more advantages and drive us to the key path. Due to the constant engagement approach, ensuring transparency and maintain responsive relationship enhance our service quality and organizational image.

Our organization operate in a platform where all our stakeholders engage with many different roles and we believe our strong stakeholder engagement will drive us for a better prepare our organization for the future and adapt new technologies for more conveniences , drive innovations

and improve our business model and strategic business goals.

Our Stakeholders are:

- Shareholders
- Employees
- Hospitals & healthcare organizations
- Customers
- Suppliers
- Government regulators
- Communities

Stakeholder Group	Engagement Mechanism	Topics & Concerns
Shareholders	<ol style="list-style-type: none"> <li>1. Annual general meeting</li> <li>2. Interim finance statements (Quarterly)</li> <li>3. Annual report</li> <li>4. Announcements made to the CSE (As and when required)</li> </ol>	<ul style="list-style-type: none"> <li>• Return on Investment (ROI)</li> <li>• Sustainable growth</li> <li>• Corporate governance &amp; Risk Management</li> <li>• New opportunities and outlook</li> </ul>
Employees	<ol style="list-style-type: none"> <li>1. Performance appraisals (Annual)</li> <li>2. Email communications/notices</li> <li>3. Multi-level staff meetings as required</li> <li>4. Work life balance</li> </ol>	<ul style="list-style-type: none"> <li>• Competitive levels of remunerations &amp; Benefits</li> <li>• Training &amp; Development (Local/ Overseas)</li> <li>• Prospects for career progression</li> <li>• Job security</li> <li>• A conducive &amp; ethical work environment</li> <li>• Employee safety</li> <li>• Employee health &amp; well being</li> </ul>

## Stakeholder Interaction

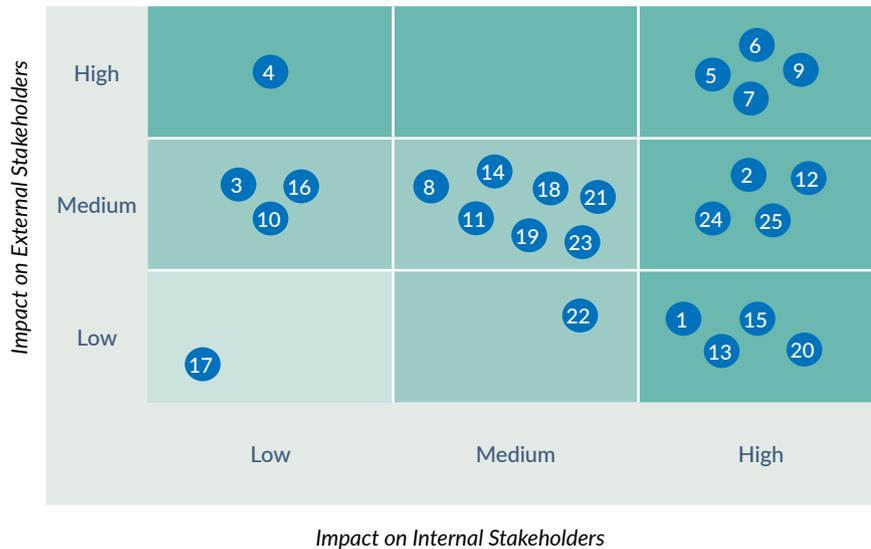
Stake Holder Group	Engagement mechanism	Topics & Concerns
Hospitals & Healthcare Organizations	<ol style="list-style-type: none"> <li>1. Provide channeling management system with its product features.</li> <li>2. Enhance efficiency by providing the QUE management system.</li> <li>3. Enhance effectiveness by providing the HIS (Hospital Information Systems)</li> <li>4. Brand value enhance by value added services and promotional campaigns.</li> <li>5. Modifications and product enhancements with new features for betterment.</li> <li>6. Conduct programs and sponsorships for relevant categories</li> </ol>	<ul style="list-style-type: none"> <li>• Customer service</li> <li>• Customer security and privacy</li> <li>• Service quality</li> <li>• Compliance handling</li> <li>• Proved health related services</li> <li>• Affordability of the service</li> <li>• Enhance the conveniences</li> <li>• Expand the service to cover urban and rural areas.</li> <li>• Latest technology adaption.</li> <li>• Good PR among the hospitals and health organizations.</li> <li>• Customer base maintenance</li> </ul>
Customers	<ol style="list-style-type: none"> <li>1. Our Website</li> <li>2. By dialing 225 (24 hours)</li> <li>3. By dialing 1225 from SLT</li> <li>4. Through by App (Android and IOS)</li> <li>5. Island wide agencies</li> <li>6. Banking partners</li> <li>7. Social media platform</li> <li>8. Running number system for busy customers</li> <li>9. Special promotions</li> <li>10. Value added services</li> <li>11. Compliance handling system</li> </ol>	<ul style="list-style-type: none"> <li>• Expand our services to reach maximum customers.</li> <li>• Quality of the service ad priority given</li> <li>• Access given to private hospitals for affordable rates (Colombo/suburb/outstation)</li> <li>• Save customer's valuable time by providing value added services.</li> <li>• Zero down time and bugs free software provider in healthcare.</li> <li>• Attracting and retaining the customer base.</li> <li>• Innovate new services and value added services to make sure customer experiencing a good service.</li> </ul>

Stake Holder Group	Engagement mechanism	Topics & Concerns
Suppliers	<ol style="list-style-type: none"> <li>1. Maintain healthy relationships</li> <li>2. Growth Potential</li> <li>3. Regular meetings for different requirements</li> <li>4. Contract negotiations</li> <li>5. Product quality management (Branding)</li> <li>6. Contractual performance</li> </ol>	<ul style="list-style-type: none"> <li>• Fair and transparent quotation processes.</li> <li>• Negotiate with suppliers with mutual understanding.</li> <li>• Settling dues in timely manner</li> <li>• Ease of working</li> <li>• Maintain vender register</li> </ul>
Government Regulators	<ol style="list-style-type: none"> <li>1. Actively participating on related meetings and forums.</li> <li>2. Provide value added services to enhance government services.</li> <li>3. Provided our software FOC basis with the request.</li> <li>4. Submit data in timely manner as a support for National Researches.</li> <li>5. Total liable taxation submitted on time.</li> </ol>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Contribute to the development of healthcare regulation</li> <li>• Check policies and procedures with relevant government sector before execute</li> <li>• Healthy relationship with relevant departments.</li> </ul>
Communities	<ol style="list-style-type: none"> <li>1. Conducting various medical campaigns.</li> <li>2. Conducting awareness campaigns in Colombo and rural areas.</li> </ol>	<ul style="list-style-type: none"> <li>• CSR initiatives</li> <li>• Commitment to community</li> <li>• Caring and responsible health care service provider</li> <li>• Following ethical business practices.</li> </ul>

# Material Matters

Material matters are those which substantially affect the Company value creation process in the short, medium and long-term and those likely to influence the decisions or behavior of either the Company or its stakeholders. Issues are ranked as being high, medium or low based on the level of impact the issue could have on our ability to create value and stakeholders' level of concern. Those deemed to be material are covered in detail in our integrated report while other matters are addressed through other platforms.

## Stakeholder Relationship & Materiality



## Material matter identification process of the Company.

### Identify issue

- Matters raised by stakeholders
- Continues monitoring of the external environment
- Business model and the risks associated with the same
- Internal deliberations/ research

### Evaluating & Priorities

- Based on the level of stakeholder concern
- Impact on the Company's ability to create value

### Respond and Monitor

- Specific actions are decided on and monitored regularly

No	Material Matters	GRI Standard	Level of impact	
			To the Company	To the Stakeholder
1	Adopting New Technology	No GRI	High	Low
2	Anti-corruption	205	High	Medium
3	Child Labor	408	Low	Medium
4	Community Development	413	Low	High
5	Corporate Governance	102	High	High
6	Customer Privacy	418	High	High
7	Customer Satisfaction	416	High	High
8	Diversity and Equal Opportunity	405	Medium	Medium
9	Economic Performance	201	High	High
10	Effluents and Waste	306	Low	Medium
11	Emissions	305	Medium	Medium
12	Employee Health & Safety	403	High	Medium
13	Employee Training & Development	404	High	Low
14	Energy Consumption	302	Medium	Medium
15	Expertise Acquisition & Retention	401	High	Low
16	Forced or Compulsory Labor	409	Low	Medium
17	Human Rights	412	Low	Low
18	Indirect Economic Impacts	203	Medium	Medium
19	Materials	301	Medium	Medium
20	Marketing & Labeling	417	High	Low
21	Non-discrimination	406	Medium	Medium
22	Procurement Practices	204	Medium	Low
23	Public Policy	415	Medium	Medium
24	Regulatory Compliance	419	High	Medium
25	Risk Management	202	High	Medium

# Risk Management Review

For eChannelling PLC managing risks is an integral part of doing business. Over the years the Company's risks have been increasing due to the changes in the external environment as well as the development experienced within the niche market space within which the Company operates. As such, managing strategic and operational risks is becoming ever-more important to ensure successfully operating a sustainable business in the long term.

Risk is defined as any event or incident which if occurs, will adversely affect the achievement of the Company's expected goals and objectives including missed opportunities. Risk

management is, therefore, the process by which the Company manages these risks while carrying out our business activities to achieve the corporate mission. The Company views effective risk management as crucial in the achievement of our strategic goals and objectives. As such, the principles and practices of risk management are embedded as an integral part of our corporate policies and procedures. eChannelling PLC also ensures adequate controls, measures, and monitoring systems are integrated into all business operations and across strategic and operational levels to ensure functioning with a strong risk management framework.

eChannelling PLC's risk management framework follows a simple yet comprehensive approach that identifies, defines, assess, quantifies, monitors and mitigates risks which occur in the course of undertaking business activities. Risks are identified and segregated into strategic and operational risks and those which are related to legal and regulatory compliance of business activities. The risk management guidelines specify a systematic identification, assessment, measurement and monitoring of the risk events in key areas that have been classified as critical to business success.



To inculcate a healthy risk management culture within the Company, regular training is given to all employees across all levels of business operations to enhance their knowledge and ensure they are updated and made aware of the risk position and risk factors that can affect business operations.

The Company has in place a Risk Management Committee which overlooks and formulates the risk control strategies for the identified risk in every department while being responsible for the regular monitoring of risks. The Board-level Audit Committee has ultimate oversight for the Company's risk management and

ensures the dedicated Risk Management Committee records and reports on risk status on a regular basis. The Company is now planning to have a separate board-level Risk Committee to address those issues, considering the importance of risk management.

The Company has in place adequate and well-established processes and procedures to enable the Company to be aware of risks as and when they occur. The Company endeavours to minimise or offset all identified risks and whenever possible eliminate such risks if and when they occur. The stringent borrower selection process which ensures

minimal credit risk, and employee training together with a robust audit mechanism helps manage operational risk. While the liquidity and sectoral risks are more external, the Company has a strict policy of adherence to regulatory guidelines which ensures orderly functioning of business activities resulting in adequate measures being adopted to address such risks.

By utilising the Company's risk management framework, the Company is confident of pursuing its strategic goals and objectives in an environment which is geared to manage risks over the medium and long terms.

## Identified Risks

## Risk Mitigating Activities

### Strategic Risks

#### Economic Risks

Economic risks are an ongoing risk that the Company faces mainly due to the nature of our business activities. Macro-economic conditions and levels of consumer spending are two key criteria that can adversely or positively affect the business outcomes of the Company.

- Regular monitoring of economic indicators and changes in consumer spending patterns which form an important input in determining the service price and sale plan for the year.
- Continuous focus on process efficiencies and productivity improvements is in place to mitigate increases in support services costs.
- Maintaining different pricing structures for consumers in the Greater Colombo area and those consumers in more remote geographic locations.
- Ensuring a widespread geographic reach by partnering with hospitals and agents across the island.

# Risk Management Review

Identified Risks	Risk Mitigating Activities
<p><b>Competition Risk</b></p> <p>The competitive advantage the Company has enjoyed as the pioneer in eChannelling services in the country has reduced over the last few years due to growing competition from new eChannelling service providers having entered the marketplace. This situation has eroded the Company's overall market share while increasing marketing and promotional costs.</p>	<ul style="list-style-type: none"><li>• Allocating resources to maintain industry positioning including the practice of value engineering philosophy ensuring value addition to clientele.</li><li>• Continuously evaluating new value-additions and seeking new opportunities.</li><li>• Increasing efficiency through R&amp;D, investment in innovative technology and the adoption of best practices.</li><li>• Diversifying business operations to reduce the impact of competition.</li><li>• Building stronger, and long-lasting relationships with our stakeholders.</li><li>• Undertaking marketing and advertising campaigns aimed at showcasing the strength and experience of the Company.</li></ul>
<p><b>Reputational Risk</b></p> <p>Reputational risk relates to the Company's brand and service-related reputation from the perspective of our stakeholders. Adverse publicity or negative review of the Company's services can affect eChannelling's reputation and negatively impact brand value which could cascade to a negative impact on the stakeholder value creation process of the Company.</p>	<ul style="list-style-type: none"><li>• Engaging regularly with stakeholders to understand their concerns and offer them solutions.</li><li>• The Company has in place a grievance handling process for employees as well as customers</li><li>• Ensuring that any customer complaints are immediately and efficiently considered, and action taken to solve the issue in a mutually satisfactory manner.</li><li>• Engaging in brand building campaigns</li><li>• Developing organisational policies and procedures; and providing training to ensure all employees are able to act responsibly and behave appropriately in any situation.</li></ul>

Identified Risks	Risk Mitigating Activities
<p><b>Innovation Risk</b></p> <p>Risks associated with the Company's use of new and emerging technologies to improve customer convenience and satisfaction. The risk that consumers may consider learning how to use new technologies and consumers reluctance to change is a critical factor to be considered when adopting new technologies.</p>	<ul style="list-style-type: none"> <li>• Have a separate team to evaluate new ideas</li> <li>• The company has strategic focus for next three years and the adaptive nature of innovation must be balanced with those existing priorities.</li> <li>• Continues professional development training programs for all staff members</li> <li>• Frequently engage with your industry's competitors, current customers, and aspirational customers</li> </ul>
<p><b>Operational Risks</b></p>	
<p><b>Operational Risk</b></p> <p>Operational risk is an inherent risk of carrying out day-to-day business activities due to human errors, frauds, and failures in systems and procedures and deviations from designing procedures; any of which could result in a financial and non-financial loss.</p> <p>The risks vary greatly depending on the type of contract and the compensation model. The degree of risk is proportionate to the size of the project and hinges on how well risk management is implemented by the Company. In addition, the choice of technology, method and suppliers also plays a part in operational risk factors that can affect the Company.</p>	<ul style="list-style-type: none"> <li>• Extensive IT Policy enforcement, controls and regular reviews.</li> <li>• The Company has installed a comprehensive network security system.</li> <li>• Regular backups of all databases and mission-critical data and information.</li> <li>• Periodic security reviews are conducted, and recommendations given by the external IT risk assessment team for further improvements.</li> <li>• Regular maintenance of IT hardware.</li> <li>• Investment in modern technology.</li> <li>• Upscaling knowledge through training and development.</li> </ul>

# Risk Management Review

Identified Risks	Risk Mitigating Activities
<p><b>Credit Risk</b></p> <p>Credit risk relates to the potential losses arising from the failure of customers and business partners to perform contractual agreements with the Company by way of default.</p>	<ul style="list-style-type: none"><li>• Undertake a comprehensive review of the customer before credit is granted or extended.</li><li>• Request an initial deposit from our agents.</li><li>• Credit periods are pre-defined based on type of customer or agent and the length of their relationship with the Company.</li><li>• Monthly trade receivable updates are mandatory to be reported to the Board of Directors.</li><li>• Disallowing credit facility for new agents in their initial with the Company. Granting credit facilities, thereafter, based on the recommendation of marketing executives.</li></ul>
<p><b>Liquidity Risk</b></p> <p>Liquidity risk relates to the inability or difficulties the Company may face in meeting its financial obligations as they become due without affecting normal business operations.</p>	<ul style="list-style-type: none"><li>• The liquidity position of the Company is reviewed regularly.</li><li>• The Company maintains good relationships with bank to enable meeting any short-term funding requirements.</li><li>• Company cash reserves have been invested in short term fixed deposits, call deposits, and treasury bills.</li><li>• Period review of, and regular follow-up with trade debtors</li><li>• Strategically planning future funding requirements and utilization of short-term borrowing facilities.</li><li>• Ability to offer Company assets as collateral for future funding requirements.</li></ul>
<p><b>Human Resource Risk</b></p> <p>The risk associated with losing talented employees and an environment of unpleasant employee-management relations.</p>	<ul style="list-style-type: none"><li>• The Company maintains a fair and transparent employee performance evaluation framework.</li><li>• Maintaining an open-door policy and encouraging employees to talk to their managers without fear of repercussions.</li><li>• Providing employment benefits aligned to industry standards.</li><li>• Remuneration packages are benchmarked to ensure that they remain competitive, including incentive arrangement where appropriate.</li><li>• Providing various employee benefits through the welfare society set-up for this purpose by the Company.</li></ul>

Identified Risks	Risk Mitigating Activities
<b>Compliance Risks</b>	
<p><b>Legal Risk</b></p> <p>Legal risk results from any adverse impact to business from the legal or regulatory framework which governs the Company and its transactions with third parties. Regulatory risks relate not only to general laws and regulations on business operations, but also to local regulations and agreements relating to construction operations and taxation as applicable to the different markets the Company operates in.</p>	<ul style="list-style-type: none"> <li>• There is a proper internal control system to ensure compliance with all legal requirements.</li> <li>• Monthly compliance monitoring and mandatory reporting to the Board of Directors.</li> <li>• Being proactive in identifying any potential deficiencies and consequently setting-up compliance process to eliminate the possible threats.</li> <li>• Regular communications with company lawyers and incorporating their recommendations on corporate matters to counter any adverse effects to the business activities of the Company.</li> </ul>
<p><b>Regulatory Risk</b></p> <p>The risk associated with changes in laws and regulations will materially impact the Company's business operations, financial compliance, information security, technology usage, governance, and marketing and promotional activities. As such keeping abreast of such changes is mandatory to operate a successful and ethical business operation.</p>	<ul style="list-style-type: none"> <li>• Maintenance a compliance calendar</li> <li>• Monthly monitoring</li> <li>• Monitor at Board level</li> </ul>

# Corporate Governance

The Board of Directors of eChannelling PLC is committed to meeting high standards of Corporate Governance. The Company strongly believes that the integrity, transparency and accountability of its Board members and employees, supported by a sound system of policies, practices and internal controls are prime concerns that will sustain long term value and returns for its shareholders.

The Company's governance framework, policies and procedures are aligned with the requirements of all relevant statutory requirements while embracing industry and international best practices.

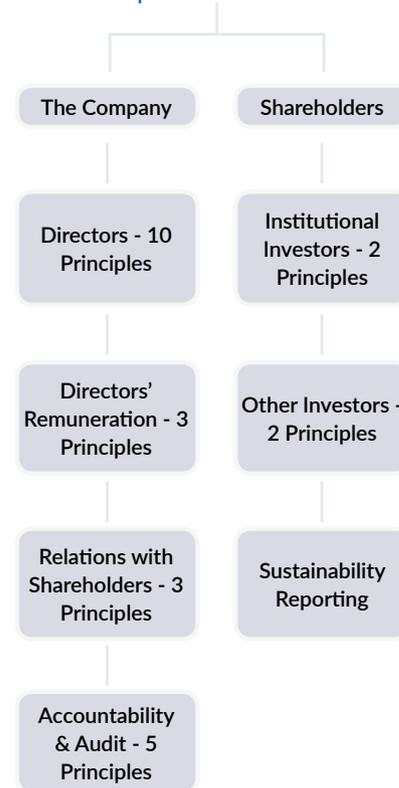
## Corporate Governance Framework

In pursuit of achieving high standard of Corporate Governance the Board ensures the compliance of the following internal and external steering instruments;

Internal steering instruments	External steering instruments
Company comprehensive policy framework	Listing Rules of the Colombo Stock Exchange (CSE)
Articles of Association	Code of Ethics jointly issued by the Securities and Exchange Commission (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
Code of Ethics	Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)
Risk Management Framework	Companies Act No. 7 of 2007 of Sri Lanka (Company Act)
Sub-committee policies	GRI Standards for Sustainability reporting issued by the Global Reporting Initiative

The following diagram demonstrates the manner and the extent to which the eChannelling PLC adheres to the Code of Best Practice on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

## Code of Best Practice on Corporate Governance



### THE COMPANY

#### A Directors

#### A 1 Board Leadership

eChannelling PLC is headed by an effective Board of Directors with wide array of experience and currently comprises of the Chairman and six Directors as evident from the profiles of Board of Directors, eChannelling PLC

Board comprises of professionals as well as entrepreneurs who have many years of experience in the corporate world. The Board gives leadership in setting the strategic direction and establishing a sound control framework and is accountable for the governance of the Company. The Board's composition reflects a sound balance of independence and anchors shareholder commitment.

### Composition of the Board of Directors

Name	Board Skills	Appointed Date
Mr. A R H Fernando	Marketing & General Management	07th February 2020
Mr. L M Paratz	Engineering & General Management	26th September 2016
Mr. N T M Perera	Marketing & General Management	26th September 2016
Mr. D J Stephen	Marketing & Soft Skills Development	26th September 2012
Mr. S A Hettiarachchi	Finance & Risk Management	1st May 2013
Mr. K G D Sudharshana	Engineering & Finance Management	06th April 2017
Mr. L M Seneviratne	Engineering & General Management	07th February 2020

### Responsibilities of the Board

The Board is responsible for the formulation and implementation of sound business strategies and is responsible for ensuring that the Company adheres to the relevant laws and regulations of the country, regulatory authorities, professional institutes and trade associations.

The Board is responsible for:

- Providing direction and guidance to the Company in the formulation of medium and long term strategies
- Reviewing and approving annual plans and long term business plans

- Tracking actual progress against plans
- Overseeing systems of internal control and risk management
- Reviewing HR policies and HR process on management succession planning
- Reviewing and approving investments, acquisitions, disposals and capital expenditure
- Monitoring systems of governance and compliance

### Board meetings and attendance

Board meetings are held at least once a quarter. Sufficient time is dedicated at every meeting to ensure all responsibilities are discharged satisfactorily. Timely information is provided before a meeting with the agenda and Board papers. Directors dedicate adequate time prior a meeting to review Board papers. Information provided covers the monthly accounts and comparison of performance against budget and previous year results, with remedial action taken when necessary. Senior Managers make presentations on the performance in their respective area on request. When the Board requests additional information, that is also provided.

## Corporate Governance

### Attendance of Board and Sub Committee Meetings in 2019

Name of the Director	Board Meeting	Audit Committee	Remuneration Committee	Related Party Transactions Committee
Mr. L M Paratz	06/07	N/A	N/A	N/A
Mr. N T M Perera	07/07	N/A	N/A	N/A
Mr. D J Stephen	03/07	04/04	01/01	04/04
Mr. S A Hettiarachchi	07/07	04/04	01/01	04/04
Mr. K G D Sudharshana	07/07	03/04	N/A	03/04
Mr. P G K Sirisena*	07/07	N/A	N/A	N/A
Mr. D K Senanayake**	03/07	N/A	N/A	N/A

\*Resigned with effect from 22nd January 2020

\*\*Resigned with effect from 23rd January 2020

Board obtains professional advice when required at the expense of the Company. During the period professional advice was sought on legal, accounting and tax matters.

The Directors have not formulated a formalised plan for training. The service and advice of the Company Secretary is made available to the Directors where necessary. The Company Secretary is responsible for keeping the Board informed of new laws, regulations and other requirements that are relevant to Directors as individuals and collectively as members of the Board.

### Independence

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and both Independent, Non-Executive Board members have submitted signed declarations of their independence.

Name of Director	Shareholding	Management/ Director *	Material Business Relationship **	Employee of Company***	Family Member of Director or CEO	Years of Continuous Service
Mr. D J Stephen	None	Director	None	None	None	7
Mr. S A Hettiarachchi	None	Director	None	None	None	6

\* Director of a listed Company in which they are employed, or having a significant shareholding with voting rights more than 10% of total or have a business connection where the transaction value is equivalent to or more than 10% of the turnover of the Company.

\*\* Income non cash benefits derived from Company equivalent to 20% of annual income

\*\*\*Employed by Company two years immediately preceding appointment

## A 2 Chairman and Executive Director

A clear division of responsibility is maintained between the Chairman and the Executive Director ensuring that the balance of power and authority is preserved since the position of Chairman and Executive Director are separated.

## A 3 Chairman's Role

The Chairman ensures that;

- Good governance and effective discharge of Board functions by the Board Members at all times and implementations of decisions taken.
- Effective participation of both Executive and Non- Executive Directors and views of directors are ascertained.
- All Directors are encouraged to make an effective contribution.
- The Board is in full control of the Company's state of affairs and is aware of its obligations to shareholders and stakeholders.
- Proper conduct of meetings, accuracy and timeliness of information and accurate minutes.

The Executive Director ensures that;

- Implementation of policies and achieving of strategic objectives of the company.
- Ensures that the operating model of

the Company is aligned to the short term and long term strategies pursued by the Company.

- Optimising the use of Company's resources within the framework of corporate and financial strategies, annual corporate plans and budget.
- Working closely with the senior management in identifying risks and initiating prompt action to mitigate such risk

## A 4 Financial Acumen

The Board includes directors who possess the necessary knowledge and experience to offer the Board guidance on financial matters. Audit and Related Party transaction Committees are headed by a qualified financial professional.

## A 5 Board Balance

There should be a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking. The Board of eChannelling PLC currently comprises of seven Directors, one of whom is an Executive Non-Independent Director. Two of the five Non-Executive Directors have met the criteria for independence. All the Directors have made a declaration to that effect.

## A 6 Information to the Board

The code requires the Company's management to provide timely

information to the Board in a form and of quality appropriate to enable it to discharge its duties. Procedures exist to ensure that Directors receive timely information on a monthly basis and a clear agenda and papers with guidance on contents. Directors also have open access to the Executive management to obtain further information that could be required.

## A 7 Appointments to the Board

There should be a formal and transparent procedure for the appointment of new Directors to the Board. The appointments to the Board are undertaken by the Board itself, taking into consideration the Board composition required and the strategic input required. This is done according to its Articles of Association. All Board appointments are informed to the CSE as per the existing regulations. A profile of Directors' qualifications, experience and the other directorships are given under the Directors' profile section of the Annual Report. Details of the new Directors are disclosed to the shareholders at the time of their appointment by way of a public announcement as well as in the Annual Report.

## A 8 Retirement and Re-election

All Directors' other than Chairman and Executive Director is required to submit themselves for re-election at regular intervals.

In terms of the Articles of Association, all the Directors are elected by the shareholders at the Annual General Meeting immediately after their appointment. Thereafter, each year one third of the Directors, other than the Chairman, and the Executive Director, retire by rotation. The Directors who hold office for a longest period retire and offer themselves for re-election with the recommendation of the Board of Directors. When they are re-elected at AGM, immediately after their appointment, they have to come up for re-election in three years or shorter period.

In terms of the Section 210 of the Companies Act No. 07 of 2007, Directors reaching the age of 70 years are recommended for re-election on a substantive motion by a shareholder. The details of the Directors who are subject to re-election at the forthcoming AGM are given under the Report of the Directors of the Annual Report.

## A 9 Appraisal of Board Performance

The Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. The Board annually undertake a self-evaluation of itself and that of its committees. The Board carries a quarterly follow up sheet on decisions made by it, and the time

taken to implement them. This sheet is discussed at every other meeting to self-evaluate the Board.

## A 10 Disclosure of Information in respect of Directors

Details in respect of each Director should be disclosed in the Annual Report for information of the shareholders. Name, qualifications, brief profile, nature of expertise, names of other companies each director serves as a Director are given under the Directors Profile section of the Annual Report. Director's interests in the contracts with the company are disclosed on page 69. Scheduled Board meetings and Committee meetings were arranged well in advance and all the Directors were expected to attend each meeting. Any instance of non-attendance at Board meetings were generally related to prior business, personal commitments or illness.

## B Directors' Remuneration

### B 1 Directors' Remuneration

The Company should have a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.

### B 2 Level and Make-up of Remuneration

The Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.

Details of the Remuneration Committee and the Statement of Remuneration policy are provided on the page 65 of the Annual Report. Remuneration for all Directors of the Company consist of a fee paid on monthly fixed basis. The Company does not have an employee share option scheme.

### B 3 Disclosure of Remuneration

The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.

The aggregate remuneration paid to Executive and Non-Executive Directors is disclosed on page 97 of this Report.

## C Relationship with Shareholders

**C 1** Constructive use of the Annual General Meetings (AGM) and conduct of General Meetings and building up relationships with Shareholders. Company should always encourage participation of the shareholders and solicit their views.

The Annual General Meeting and the published reports of the Company are a means of communicating and encouraging shareholder and investor participation. The Board believes that maintaining a good relationship with shareholders is of prime importance. The members of the Board are present at the Annual General Meeting and are willing to answer questions raised by the shareholders. The Notice and the related documents are sent out to the shareholders 15 working days prior to the date of the AGM.

## C 2 Communication with Shareholders

The Board should implement effective communication with shareholders. The Company uses many methods to disseminate information to the shareholders, including the annual and quarterly financials, company publications, information sent to CSE etc.

The Annual Report produced for the year ended 31st December 2019, is available to all shareholders on the Company website or in paper form on request. Shareholders are invited to express their views on any issues of concern at the

AGM. The Board will respond to all validly received shareholder correspondences and will direct the Company Secretary to send the response to the shareholder. Contact persons for shareholder matters are Company Secretary and in the absence of them, the Executive Director.

## C 3 Major and Material Transactions

Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the net assets base of the Company. There is no materially significant related-party transactions or relationships between the Company and the Directors, subsidiary companies or related parties except for those disclosed in the Financial Statements for the year ended 31st December 2019.

## D Accountability and Audit

### D 1 Financial Reporting

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

The Board through the Management is responsible for the preparation and fair presentation of the Financial Statements of Company in accordance with the Sri Lanka Accounting Standards, comprising SLFRSs and LKAs. This responsibility includes designing, implementing and maintaining internal control relevant

to the preparation of these Financial Statements. This includes selecting and applying appropriate accounting policies and making estimates that are reasonable.

The following specialised information requirements are also included in this Annual Report..

- Chairman's Review and Executive Director Review are given on pages 4 to 6 and pages 7 to 11.
- The Statement of Directors' Responsibility for Financial Reporting is given on page 68.
- The Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st December 2019 is given on pages 74 to 77.

## D 2 Internal Controls

The Board should have a process of Risk Management and a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board is responsible for the effectiveness of the internal controls. The effectiveness of the system of internal control is regular basis reviewed by the Audit Committee and major observations are reported to the Board. The Board reviews the reports arising from internal audits. The Director's Report on page 72 includes a declaration

on compliance with laws and regulations, review of the internal controls covering risk management and compliance controls and that they have obtained reasonable assurance of their effectiveness and compliance.

### D 3 Audit Committee

The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, Financial Reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

The Audit Committee among other functions reviews the operation and effectiveness of the internal control systems. The internal controls within the company are designed to provide reasonable assurance to the Directors and assist them to monitor the financial position of the Company.

The Audit Committee comprises of two Independent Directors and one Non-executive Non-independent Director of the Company. The General Manager, Senior management members of the company and the parent company attend the meetings on invitation. The Audit Committee Report is given on the pages 63 to 64 of this report.

### D 4 Code of Business Conduct & Ethics

The Companies must adopt a Code of Business Conduct & Ethics for directors and members of the senior management team (Key Management Personnel) and must promptly disclose any waivers of the Code for Directors or others.

The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission is adopted by the Directors and senior management team who then ensure that the company employees behave ethically.

The Chairman of the Board affirms that there was no material violations of any of the provisions of stipulated in the Code of Conduct. In instances where violations did take place, they were investigated and handled through well established procedures.

### D 5 Corporate Governance Disclosures

The Company should disclose the extent of adoption of best practice in Corporate Governance.

The Board of Directors has taken all reasonable steps to ensure that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the ICASL and other relevant requirements. The Company and its

subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE and also by the Companies Act No. 07 of 2007. The Company has also given due consideration to the Best Practice on Corporate Governance (2017) Reporting guidelines jointly set out by the ICASL and the SEC and has voluntarily adopted the relevant provisions as far as is practicable.

### Sustainability reporting

This Annual Report has been prepared in accordance with the Integrated Reporting Framework published by the IIRC and sustainability reporting is in line with the GRI criteria.

### E Institutional Investors

#### E 1 Shareholder Voting

Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.

All shareholders are invited for AGM. Company uses Annual General meeting as an effective channel to create a dialogue between Directors' and the shareholders. All shareholders are welcome to express their opinion. When evaluating Company's governance arrangements, particularly those relating to Board

structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.

## E 2 Evaluation of Governance Disclosures

Institutional and individual shareholders are provided adequate financial information and other price sensitive and strategic information on the website of the company to enable them to take decisions regarding their investments. Annual Reports are circulated to all registered shareholders within prescribed timelines. Shareholders are also able to contact the Company Secretary for obtaining further information/clarifications. Institutional investors are encouraged to give due consideration to matters relating to the governance arrangements, particularly relating to the structure and composition of the Board.

## F Other Investors

### F 1 Investing/Divesting Decision

Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The shareholders are provided with adequate information on the performance of the Company thereby encouraging them to analyse their investments adequately through CSE web site and other public announcements.

### F 2 Shareholder Voting

All shareholders are encouraged to participate in General Meetings and to exercise their voting rights.

The following table illustrates how the Company has adhered to the corporate governance and listing rules.

Rule No.	Subject	Requirement status	Compliance	Details
7.10.1. (a)	Non-Executive Directors	Two or one third of the total no. of directors shall be non-executive directors whichever is higher.	Complied.	There are seven Directors as at the date of the Annual Report. Out of which six Directors are non-executive directors.
7.10.2. (a)	Independent Directors	Two or one third of the non-executive directors whichever is higher shall be independent.	Complied.	The Board comprises of two independent non-executive Directors as at the date of the Annual Report.
7.10.2. (b)	Independent Directors	Each non-executive director should submit a declaration of independence in the prescribed format.	Complied.	All non-executive Directors have submitted their declaration of independence in the prescribed format.

## Corporate Governance

Rule No.	Subject	Requirement status	Compliance	Details
7.10.3. (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the annual report.	Complied.	The names of the Independent Directors Are disclosed on the pages 16 of the Annual Report.
7.10.3. (b)	Disclosure relating to Directors	In the event a director does not qualify as independent as per rules on corporate governance but if the board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Complied.	The Board has not been required to perform such determination.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each director should be published in the annual report including the area of expertise.	Complied.	A complete profile of Directors is provided on pages 12 to 16 of the Annual Report.
7.10.5	Remuneration Committee	A Listed company shall have a Remuneration Committee.	Complied.	Please refer page 65 of the Annual Report for more details on the committee and its functions
7.10.5 (a)	The composition of Remuneration Committee	The Remuneration Committee shall comprise a minimum of two Independent non-executive directors or non-executive directors, a majority of whom shall be Independent whichever is higher.	Complied.	The committee consists of two independent directors.
7.10.6.	Audit Committee	A listed company shall have an audit committee.	Complied.	The Company has an Audit Committee comprising of three members.
7.10.6. (a)	Composition of Audit Committee	The Audit Committee shall comprise a two independent Non- Executive Directors, or Non-Executive Directors, a majority of whom shall be independent whichever is higher.	Complied.	The committee consists of two independent Directors and one Non-Executive Non-independent Director. The Chairman of the committee is member of a recognized accounting body.
9.2.1 & 9.2.3	Related Party Transaction Review Committee	A listed company shall have a Related Party Transaction Review Committee.	Complied.	The functions of the committee are stated in related party transactions review committee report on pages 66 to 67.

# Our Contribution to Sustainable Development Goals

eChannelling PLC's focused efforts to pursue sustainable business operations and contribute positively towards the global and national pursuit of sustainable goals, has resulted in the voluntary adoption of four principles of the United Nations Sustainable Development Goals (SDGs). These goals which are incorporated within the Company's business strategies and activities also assist in furthering the eChannelling PLC sustainability agenda which is aligned to the business vision and objectives.

<p><b>3</b> GOOD HEALTH AND WELL-BEING</p>  <ul style="list-style-type: none"><li>• The eChannelling PLC business model is built on the basis of bringing patients closer to medical facilities and doctors.</li><li>• Disseminating information on disease and illness prevention using the Company's social media platforms and website.</li><li>• Capitalising on opportunities to sponsor, participate in and/or promote awareness of prevalent health risks in the country.</li></ul>	<p><b>5</b> GENDER EQUALITY</p>  <ul style="list-style-type: none"><li>• Follow a strict policy of non-discrimination against women in the workforce and offer equal opportunity for rewards, promotions and holding of managerial positions within eChannelling PLC.</li></ul>	<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <ul style="list-style-type: none"><li>• Using emerging technology to offer new forms of infrastructure to make doctor appointments and increase convenience to patients.</li></ul>	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <ul style="list-style-type: none"><li>• Working towards minimising the use of natural resources both directly and indirectly.</li><li>• Continuously reviewing and adopting methods to reduce waste generation.</li><li>• Adopting effective means of recycling and reusing resources.</li></ul>
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# Our Contribution to Sustainable Development Goals

## Goal 3 : Good Health and Well-being

### Ensure healthy lives and promote well-being for all at all ages

Selected Targets	eChannelling PLC's Contribution to Meeting Targets
<p>By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases</p>	<ul style="list-style-type: none"> <li>• Company developed social media campaigns to increase public awareness</li> <li>• Awareness campaigns on specific disease and illnesses in collaboration with the hospitals</li> <li>• Sponsorship of health camps offering free consultations to the under privileged</li> <li>• Sponsorship of events/programs organised on dedicated health days</li> <li>• Sponsorship of the Ministry of Health National STD/AIDS Control Program</li> <li>• Sponsorships and awareness campaigns on Dengue Prevention</li> <li>• Awareness campaign on preventing contracting communicable diseases</li> </ul> 
<p>Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol</p>	<ul style="list-style-type: none"> <li>• Company developed social media campaigns to increase public awareness.</li> <li>• Awareness campaign on drinking and driving in collaboration with the Expert Committee on Prevention of Road Traffic Crashes (PRTC) of the Sri Lanka Medical Association (SLMA)</li> </ul> 
<p>Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p>	<p>The service offering of eChannelling PLC is aimed at bringing healthcare closer to patients. By providing an automated doctor appointment service platform we bring to the Sri Lankan people an effective and efficient methods to access quality essential health-care services.</p> 

## Goal 5 : Gender Equality

### Achieve gender equality and empower all women and girls

Selected Targets	eChannelling PLC'S Contribution to Meeting Targets	
<p>Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>eChannelling PLC contributed to this target by practices equal opportunity employment for women, which also encompasses equal pay, rewards, and promotional opportunities for women which is aligned to that which is offered to male employees. Our HR policies are aligned to be non-discriminatory and offer employment and leadership opportunities based on experience and skills of people. As at 31st December 2019 the Company has 03 female employees in managerial positions.</p>	

## Goal 9 : Industry, Innovation and Infrastructure

### Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Selected Targets	eChannelling PLC's Contribution to Meeting Targets	
<p>Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>	<p>The Company's services are spread across the island through internet and mobile App facilities. Furthermore, eChannelling PLC continues to increase our partnerships with government and private hospitals year-on-year by offering the eChannelling platform and related services across Sri Lanka. The Company's services are also being used by overseas hospitals and doctors facilitating video conferencing and online doctor channelling. Our efforts are aimed at enabling easy, convenient, and high-quality access to healthcare facilities for all people across the nation.</p>	
<p>By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>	<ul style="list-style-type: none"> <li>The service offering of eChannelling PLC is aimed at making channelling doctors by outpatients efficient and convenient. By using our service patients need not visit hospitals to make doctor appointments, they also are given access to video conferencing and online doctor channelling services of specialist doctors from overseas, thereby reducing travel and making an indirect positive impact on reducing fuel usage.</li> <li>As patient appointment details are shared electronically, this allows for a more efficient experience while enabling a paperless working environment.</li> </ul> <p>These efforts by eChannelling PLC overall contribute to minimising the use of natural resources.</p>	

## Goal 12 : Responsible Consumption and Production

### Ensure sustainable consumption and production patterns

Selected Targets	eChannelling PLC's Contribution to Meeting Targets	
By 2030, achieve the sustainable management and efficient use of natural resources.	<ul style="list-style-type: none"> <li>• Switching off lights and ACs when not in use.</li> <li>• Shutting down electronic equipment when not in use.</li> <li>• Use of energy efficient lighting, electrical, and electronic equipment.</li> </ul> <p>(Refer Natural Capital on page 38)</p>	
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<ul style="list-style-type: none"> <li>• Segregating waste before disposal.</li> <li>• Printing on both sides of the paper.</li> <li>• Reducing the requirement for printed documents.</li> </ul> <p>(Refer Natural Capital on page 38)</p>	
Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	By offering the eChannelling doctor appointment platform to both private and government hospitals in Sri Lanka, the Company is encouraging such institutions to indirectly contribute to the reduction of paper usage and fuel usage by enabling patients to make appointment at a click of the mouse or by using their smartphones.	

# Audit Committee Report

## Composition of the Audit Committee

The Audit Committee appointed by and responsible to the board of Directors, comprises of the following two independent Non-Executive Directors and one Non independent Non-Executive director.

**Mr. S A Hettiarachchi**  
Chairman

**Mr. D J Stephen**

**Mr. K G D Shudharshana**

Brief profiles of each member are given on pages 14 to 16 of this report.

Their individual and collective finance knowledge and business acumen and the independence of the committee, are brought to bear on their deliberations and judgments on matters that come within the committee's purview.

The Company Secretary acts as the Secretary to the audit committee.

## Regular Attendees by Invitation

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

**Mr. S G Haputhanthri**  
General Manager

**Mr. A R R D Alahakoon**  
Senior manager *Finance*

**Mr. M Hewage**  
Manager Operation

**Ms. A P S Amarasinghe**  
Senior manager  
*Information system*

**Mr. A A Ahamed**  
Senior Manager IT  
*Infrastructure*

## Charter of Audit Committee

The Audit Committee charter is periodically reviewed and revised with the concurrence of the board of directors. The terms of reference of the committee are clearly defined in the charter of the audit committee.

Rules on Corporate Governance under listing rules of corporate governance under Colombo Stock Exchange " Code of best practice on cooperate governance" issued jointly by Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka further regulate the composition, roles and functions of the Audit committee.

## Meeting of Audit committee

The Committee met four times during the period. External Auditors were present at discussions where this was appropriate. The proceedings of the Audit Committee are regularly reported to the Board of directors.

## The Objective and Role of the Audit Committee

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

1. Effectiveness of the Company's internal control and risk management procedures.
2. Appropriateness of the Company's relationship with the external auditors including independence, nonaudit services and recommending to the Board on reappointment of auditors.
3. Effectiveness of the internal audit function and the scope of work.

## Tasks of the Audit Committee

### Financial Reporting System

The Committee reviewed the financial reporting system adopted by the company in the presentation of its quarterly and annual financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee in its evaluation of financial reporting system also recognized the

## Audit Committee Report

adequacy of the content and quality of routine management information reports forwarded to its members.

### Internal Audit

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

### External Audit

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and Audit Management Letter of the Company.

The Audit Committee has reviewed the other services provided by the External Auditors to the company to ensure that their independence as Auditors has not been compromised.

### Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants will continue as Auditors for the financial year ending 31st December 2020.

### Support to the Committee

The Committee received information and support from management during the period to enable it to carry out its duties and responsibilities effectively.

### Sri Lanka Accounting Standards

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the company and made recommendations to the Board of Directors.

The Committee would continue to monitor the compliance with the relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

The committee has pursued the support of Messrs KPMG to assess and review the existing SLFRS policies and Procedures adopted by the company.



**Sampath Hettiarachchi**  
Chairman  
Audit Committee

2nd June 2020

# Remuneration Committee Report

## Composition of the Committee

The Board appointed Remuneration Committee of the Company comprises of two independent, non-executive directors, whose profiles appear on page 16 of this Report.

1. **Mr. S A Hettiarachchi**  
Chairman

2. **Mr. D J Stephen**

The committee members possess experience in the fields of management and human resources. General Manager, Senior Manager Finance and senior management members of the parent Company assist the committee by providing relevant information and participating in its analysis and deliberations, except when their own compensation packages are reviewed. The committee had ensured that the Board is complying with the relevant Statutory Acts in relation to remuneration relating to directors.

## The Scope of the Committee

The Committee is mandated is to formulate the remuneration policy of the Company and recommend to the Board of Directors any matter related to the following;

- Determining the compensation of the Chairman and Directors and ensuring that no Director is involved in setting his or her own remuneration.

- Formulate guidelines, policies and parameters for the compensation structures for all executive staff of the company.
- Review information related to executive pay from time to time to ensure same is in par with the market/ industry rates.
- Evaluate the performance of each department against the predetermined targets & goals.
- Approving annual salary increments, bonus, commission structures and staff benefits.

## Remuneration Policy for eChannelling

The remuneration policy is to attract and retain a highly qualified and experience work force, and reward performance accordingly in the backdrop of industry norms.

## Activities During the Year

The Remuneration Committee met one times during the year and the proceedings of the meetings have been handed over the Board of Directors in adequate detail. Attendance at Committee meetings

is given on page 52 of this Annual Report. During the year, the Committee reviewed and approved the Rewards and benefits policy of the Company, which covers all aspects related to employee remuneration as described above.



**Sampath Hettiarachchi**  
Chairman Remuneration Committee

2nd June 2020

# Related Party Transaction Review Committee Report

## Composition of the Committee

As required by the SEC under its Code of Best Practice for Listed Companies, the Related Party Transactions Review Committee was formed with effect from the 28th April 2016. The Committee will act with the intention of ensuring, on behalf of the Board, that all related party transactions of eChannelling PLC are consistent with the Code of Best Practices on Related Party Transactions issued by the SEC.

The Related Party Transaction Review Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Committee comprised of the following members;

**Mr. S A Hettiarachchi**  
Chairman

**Mr. D J Stephen**

**Mr. K G D Sudharshana**

Brief profiles of each member are given on pages 14 to 16 of this report.

Company Secretary acts as the Secretary to the Related Party Transaction Review Committee. The meetings were attended by the General Manager, Senior Manager Finance and senior management members of the parent company on invitation.

## Role of the Committee

The Committee assists the Board in reviewing all related party transactions carried out by the Company. The Committee also performs the oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

## Policies and Procedures

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

## Mandate and Responsibilities

- To review in advance all proposed related party transactions of the company, either prior to the transactions being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

- Seek any information the committee requires from management, employees or external parties to with regard to any transaction entered in to with a related party.
- Obtain knowledge or experience to access all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial of the entity and its minority shareholders.
- Meet with the management, auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services, or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent /non recurrent related party transactions.

- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining competent independent advice from independent professional experts with regard to the value of the substantial assets of the related party transaction.

#### Related Party Transactions during the Year

During the year 2019, the Committee met four times and the Committee reviewed all the related part transactions and the nature of the such transactions at its meetings and communicated the observations and recommendations of the Committee to the Board of Directors. Attendance at Committee meetings is given on page 52 of this Annual Report.

The following types of related party transactions at Sri Lanka Telecom PLC and Mobitel (Pvt) Ltd are brought to the attention of the Board;

- Services provided and payments made to related parties
- Assets purchased and payments made to related parties
- Review of such transactions and determining whether to permit or prohibit the transaction

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- There is compliance with the code;
- Shareholder interests are protected; and
- Fairness and transparency are maintained

During the year there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 23 to the Financial Statements.

#### Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered

into by the Company during the year, is given in the Report of Directors on page 69. All other related party transactions that could be classified as related party transactions in terms of LKAS 24-'Related Party Disclosures', are given in Note 23 to the Financial Statements.



**Mr. S A Hettiarachchi**

Chairman Related Party Transaction Review Committee

2nd June 2020

## Statement of Directors In Relation to their Responsibility for the Preparation of Financial Statements

The responsibility of the Directors in relation to the Financial Statements of the Company is set out in the following statement. The responsibility of the Independent Auditors, in relation to the Financial Statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 (the Act), is set out in the Independent Auditors' Report on pages 74 to 77 of this report.

The Financial Statements comprise:

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

The Directors are required to ensure that, in preparing these Financial Statements:

- Appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- All applicable Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, as relevant, have been followed;
- Judgements and estimates have been made which are reasonable and prudent.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company, and to ensure that the Financial Statements presented comply with the requirements of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities. The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provide by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and Financial Reporting issues. To ensure complete independence, the Independent Auditors and the Internal Auditors have full and free access to

the members of the Audit Committee to discuss any matter of substance.

The Directors are required to prepare the Financial Statements and to provide the Independent Auditors with every opportunity to take whatever steps and undertake whatever inspections that they may consider to be appropriate to enable them to give the Independent Auditors' opinion.

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

### Compliance report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid, or where relevant provided for, except as specified in Note 25 to the Financial Statements covering contingent liabilities.

By Order of the Board of  
eChannelling PLC



Geredene Soares  
Company Secretary

2nd June 2020  
Colombo

# Report of Directors

The Board of Directors are pleased to present their Report and the Audited Financial Statements of the Company for the period ended 31st December 2019. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007, the Listing Rule of the Colombo Stock Exchange and are guided by recommended best accounting practices.

## Review of the Period

The Chairman's Review and Executive Director's Review describe the Company's affairs and indicate important events during the period.

## Principal Activity

The principal activity of the Company is to operate an Internet based electronic commerce business to provide a software system which provides an efficient mechanism for the channelling of medical practitioners and the company provides Hospital information system which supports the efficient operation of hospitals.

## Auditor's Report

The Auditor's report on the Financial Statements is given in page 74 to 77.

## Financial Statements

The Financial Statements of the Company are given in pages 78 to 120.

## Accounting Policies

The Company prepared the Financial Statements, in accordance with Sri Lanka Accounting Standards which were in effect up to the reporting date and the accounting policies used in preparation of the Financial Statements of the Company are given at pages 82 to 96 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

## Directors' Interest

The Directors have no direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 23 to the Financial Statements (Related Party Transactions).

## Related party transactions

Transactions if any that could be classified as Related Party Transactions in terms of LKAS 24 "Related Party Disclosures" are given in Note 23 to the Financial Statements.

The Company has complied with the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

## Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31st December 2019.

## Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31st December 2019.

Related Party Transactions Review Committee report is set out on pages 66 and 67 of this report.

## Director's Remuneration and Other Benefits

The Director's remuneration paid by the Company during the financial year ended 31st December 2019 is given in Note 06 to the Financial Statements.

## Corporate Donations

The Company has not made any donations during the financial year for charitable or political purposes (2018 - Rs. 00).

## Directors and their Shareholdings

Directors of the Company and their respective shareholdings as at 31st December 2019 are as follows.

# Report of Directors

	31.12.2018	31.12.2019
Mr. P G Kumarasinghe Sirisena	Nil	Nil
Mr. D J Stephen	Nil	Nil
Mr. S A Hettiarachchi	Nil	Nil
Mr. N T M Perera	Nil	Nil
Mr. K G D Sudharshana	Nil	Nil
Mr. D K Senanayake	Nil	Nil
Mr. L M Paratz	Nil	Nil

Mr. P. G. Kumarasinghe Sirisena Non Executive Director / Chairman and Mr. D. K. Senanayake Non Executive Director resigned from Board with effect from 22nd January 2020 and 23rd January 2020 respectively.

The Board wishes to place on record the Company's sincere appreciation to Mr. P G K Sirisena the former Chairman / Non Executive Director and Mr. D K Senanayake, Non Executive Director for their contribution to the Company during their tenure on the Board.

Mr. A R H Fernando Chairman/Non Executive Director and Mr. L M Seneviratne Non Executive Director were appointed to the Board with effect from 7th February 2020.

In terms of Article 86 and 87 of the Articles of Association of the Company Mr. D J Stephen retire by rotation and being eligible offer himself for re-election.

In terms of Article 94 of the Articles of Association of the Company Mr. A R H Fernando and Mr. L M Seneviratne retire and being eligible offer themselves for re-election.

## Board Sub-Committees

Audit Committee, Remuneration Committee and Related Party Transaction Review Committee are in place as required by the Listing Rules of the Colombo Stock Exchange. Composition of these Board Sub-Committees and its functions are presented under the section on Corporate Governance, Audit Committee Report, Remuneration Committee Report and Related Party Transaction Review Committee Report.

## Auditors

The Financial Statements for the period ended 31st December 2019 have been audited by Messrs KPMG, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs KPMG were paid LKR 385,000/- (2018 – LKR 360,000/-) as audit fees by the Company.

Based on the written representations made by the Auditors the Directors are satisfied that the Auditors had no interest or relationship with the Company other than that of External Auditors.

The Directors recommend to the shareholders the re-appointment of Messrs KPMG, as Auditors of the Company for the ensuing year.

## Investments

Details of investments held by the Company are disclosed in Note 16 & 17 to the Financial Statements.

## Intangible Assets

An analysis of the Intangible Assets of the Company, additions and impairments

during the period and amortisation charged during the period are set out in Note 12 to the Financial Statements.

### Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the period and depreciation charged during the period are set out in Note 10 to the Financial Statements.

### Capital Commitments

There are no material capital commitments that would require disclosures in the Financial Statements.

### Stated Capital

The Stated Capital of the Company is LKR 93,758,316/=. There was no change in the stated capital of the Company during the period.

### Reserves

Retained earnings as at 31st December 2019 amount to LKR 165,918,667/- (2018 – LKR 150,283,464 ) Movements are shown in the Statement of Changes in Equity in the Financial Statements.

### Events Subsequent to the Reporting Date

Except for matters disclosed in Note 27 to the Financial Statements, there are no material events as at the date of the Auditor's Report which require adjustment or disclosure in the Financial Statements.

### Going Concern

The Board of Directors is satisfied that the Company will continue its operations in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the Financial Statements.

### Employment Policies

The Company identifies Human Resource as one of the most important factors contributing to the survival and growth of the Company in the current competitive business environment. While appreciating and valuing the service of our employees, a greater effort is made to hire the best talent from external sources to maintain and improve the high quality of the service.

### Taxation

The tax position of the Company is given in Note 08 to the Financial Statements.

### Share trading Information

	31.12.2018	31.12.2019
Closing price per share	4.30	5.50
Highest share price during the period	7.00	6.30
Lowest share price during the period	4.00	2.70

### Share information

The number of registered shareholders of the Company as at 31st December 2019 was 1,752. (2018 - 1,772)

Shareholder Information of the Company as at 31st December 2019, together with an analysis are given on page 122.

Information relating to earnings, dividend, assets and market price per share is given in the 'Five Year Performance Summary' on pages 121.

The public holding percentage is given on page 122.

## Report of Directors

### Substantial Shareholdings

The twenty largest shareholders of the Company as at 31st December 2019, together with an analysis are given on page 123.

### Risk Management and Internal Controls

The Directors are responsible for the Company's system of internal controls covering financial operations and risk management activities and review its effectiveness, in accordance with the provisions of the corporate governance framework.

The Directors consider that the system is appropriately designed to manage the risk and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an on-going process to identify, evaluate and manage significant business risks.

### Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been paid or provided for in the Financial Statements. .

### Environment, Health and Safety

The Company continues to ensure that all environmental health and safety regulations are strictly followed in order to minimise any adverse effects.

### Corporate Governance

The Directors are responsible for the formulation and implementation of overall business strategies, policies and for setting standards in the short, medium and long term and adopting good governance in managing the affairs of the Company.

### Contingent Liabilities

There were no material contingent liabilities outstanding as at 31st December 2019.

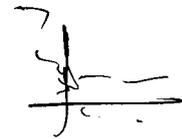
### Annual General Meeting

The Twentieth Annual General Meeting of the Company will be held at the Main Hall of the Bandaranaike Memorial International Conference Hall on 15th July 2020 at 12.30 p.m.

By Order of the Board of eChannelling PLC



**Mr. Rohan Fernando**  
Chairman



**Mr. Nalin Perera**  
Director



**Geredene Soares**  
Company Secretary

2nd June 2020



# Financial Statements

# Independent Auditor's Report



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

To the Shareholders of eChannelling PLC

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of eChannelling PLC ("the Company"), which comprise the statement of financial position as at 31st December 2019, 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 and other explanatory information as set out on pages 78 to 120 of this Annual Report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2019,

and of its financial performance and its 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

**Ms. P.M.K. Sumanasekara FCA**

**Revenue recognition**

Refer the Accounting Policies in Note 3.5.1 and Note 04 to the financial statements

Risk Description	Our Responses
<p>Revenue is recognized predominately from the operational system of eChannelling. Initiating &amp; recording customer channelling transactions are initially recorded in the eChannelling system and from which revenue reports are generated. Based on these reports financial information including revenue are recorded in the general ledger manually. Revenue recognition, including the existence and accuracy of revenue, is considered as a key audit matter because of the inherent risks involved in revenue and the significant reliance on the eChannelling operational system.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>▶ Involving our internal IT specialists, in evaluating the design, implementation and operating effectiveness of key internal controls over the capturing and recording of eChannelling transactions in the system.</li> <li>▶ Comparing the monthly manual journal entries relating to the aggregate revenue balance recorded in the accounting system with reports generated by the IT system.</li> <li>▶ Selecting a sample of revenue transactions, comparing the details therein with the corresponding trade receivables and/or cash receipts.</li> </ul>

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

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

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

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report



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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

**Chartered Accountants**  
Colombo, Sri Lanka

2nd June 2020

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December		2019	2018
	Note	Rs.	Rs.
Revenue	4	130,197,702	132,805,602
Cost of sales		(26,843,481)	(22,034,769)
<b>Gross Profit</b>		<b>103,354,221</b>	110,770,833
Other income	5	560,733	1,747,703
Administrative expenses		(84,232,050)	(75,961,308)
Selling and distribution expenses		(18,051,992)	(12,337,695)
<b>Profit from operations</b>	6	<b>1,630,912</b>	24,219,533
Finance Income	7	23,435,357	22,072,111
Finance Expense		(2,625,407)	-
<b>Net Finance Income</b>		<b>20,809,950</b>	22,072,111
<b>Profit before income tax expense</b>		<b>22,440,862</b>	46,291,644
Income tax expense	8	(7,428,028)	(12,571,494)
<b>Profit for the year</b>		<b>15,012,834</b>	33,720,150
<b>Other Comprehensive Income</b>			
<b>Items that will never be reclassified to profit &amp; loss</b>			
Defined benefit plan actuarial gains/(losses)	20.4	864,402	648,474
Related tax		(242,033)	(181,573)
Equity Investment at FVOCI-net change in Fair Value		345,607	(8,378)
<b>Other Comprehensive Income for the year, net of tax</b>		<b>967,976</b>	458,523
<b>Total Comprehensive Income for the year</b>		<b>15,980,810</b>	34,178,673
<b>Earnings Per Share</b>	9	<b>0.12</b>	0.28

The notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Statement of Financial Position

As at 31st December		2019	2018
	Note	Rs	Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant & equipment	10	9,143,476	8,678,187
Leasehold right-of-use asset	11	17,990,615	-
Intangible assets	12	2,307,584	670,352
Deferred tax assets	13	2,753,177	2,070,845
<b>Total Non Current Assets</b>		<b>32,194,852</b>	11,419,384
<b>Current Assets</b>			
Inventories	14	719,255	931,415
Trade & other receivables	15	61,261,214	59,566,303
Amount due from related parties	23.2	23,548,263	29,841,251
Short term investments	16	214,569,165	208,610,325
Equity Investments	17	2,148,371	1,802,764
Current tax receivable		1,746,505	-
Cash & cash equivalents	18	13,099,885	5,700,694
<b>Total Current Assets</b>		<b>317,092,658</b>	306,452,752
<b>Total Assets</b>		<b>349,287,510</b>	317,872,136
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	19	93,758,316	93,758,316
Retained earnings		165,918,667	150,283,464
Fair value through OCI Reserve		579,561	233,954
<b>Total Equity</b>		<b>260,256,544</b>	244,275,734
<b>Non Current Liabilities</b>			
Employee benefits	20	7,337,480	6,503,844
Leasehold right to use liability	21	12,283,769	-
<b>Total Non Current Liabilities</b>		<b>19,621,249</b>	6,503,844
<b>Current Liabilities</b>			
Trade & other payables	22	55,746,254	60,056,104
Leasehold right to use liability	21	12,330,168	-
Amount due to related parties	23.3	1,333,295	402,690
Current tax liabilities		-	6,633,764
<b>Total Current Liabilities</b>		<b>69,409,717</b>	67,092,558
<b>Total Equity &amp; Liabilities</b>		<b>349,287,510</b>	317,872,136

The notes to the Financial Statements form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of Companies Act No 07 of 2007.



**Dhammika Alahakoon**  
Senior Manager Finance

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Director;



**Rohan Fernando**  
Chairman



**Nalin Perera**  
Director

2nd June 2020  
Colombo.

## Statement of Changes in Equity

	Stated Capital Rs.	Fair value through OCI Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2018	93,758,316	242,332	146,629,267	240,629,915
<b>Total Comprehensive income for the year</b>				
Profit for the year			33,720,150	33,720,150
<b>Other comprehensive income</b>				
- Actuarial gain / (loss) arising from defined benefit obligation, net of tax	-	-	466,901	466,901
- Fair value gain / (loss) of investments valued at FVOCI	-	(8,378)	-	(8,378)
<b>Transaction with owners of the Company</b>				
<b>Distributions to owners</b>				
- Final dividend - 2017			(30,532,854)	(30,532,854)
<b>Balance as at 31 December 2018</b>	<b>93,758,316</b>	<b>233,954</b>	<b>150,283,464</b>	<b>244,275,734</b>
<b>Balance as at 01 January 2019</b>	<b>93,758,316</b>	<b>233,954</b>	<b>150,283,464</b>	<b>244,275,734</b>
<b>Total Comprehensive income for the year</b>				
Profit for the year	-	-	15,012,834	15,012,834
<b>Other comprehensive income</b>				
- Actuarial gain arising from defined benefit obligation, net of tax	-	-	622,369	622,369
- Fair value gain of investments valued at FVOCI	-	345,607	-	345,607
<b>Balance as at 31 December 2019</b>	<b>93,758,316</b>	<b>579,561</b>	<b>165,918,667</b>	<b>260,256,544</b>

Fair Value through OCI Reserve - This represents the cumulative net change in the fair value of equity securities designated at FVOCI until the investments are derecognised.

The notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Statement of Cash Flows

For the year ended 31st December

	Note	2019 Rs	2018 Rs.
<b>Cash Flow from Operating Activities</b>			
Profit before tax		22,440,862	46,291,644
<b>Adjustments for :</b>			
Depreciation on property, plant equipment		7,487,532	5,476,713
Depreciation on right-of-use asset		3,997,915	-
Amotization on intangible assets		497,368	1,714,723
Provision for employee benefits excluding actuarial gain/(loss)		1,698,038	1,529,676
Dividend income		(21,609)	(14,218)
Interest income		(23,435,357)	(22,072,111)
Interest expense		2,625,407	-
Provision for impairment of bad & doubtful debts		1,587,781	-
<b>Operating Profit before Working Capital Changes</b>		<b>16,877,937</b>	<b>32,926,427</b>
Decrease in inventories		212,160	498,810
(Increase)/Decrease in trade & other receivable		(3,282,693)	9,674,634
Decrease in related party receivable		6,292,988	11,572,881
Increase in related party payable		930,605	402,690
Increase/(Decrease) in trade & other payables		(4,309,850)	19,291,983
<b>Cash Generated From Operations</b>		<b>16,721,147</b>	<b>74,367,425</b>
Interest received		24,348,556	19,650,480
Income tax paid		(16,732,662)	(13,983,693)
Employee benefits paid		-	(134,190)
<b>Net Cash Generated From Operating Activities</b>		<b>24,337,041</b>	<b>79,900,022</b>
<b>Cash Flow from Investing Activities</b>			
Acquisition of property plant and equipment		(7,952,821)	(1,583,682)
Acquisition of intangible assets		(2,134,600)	(628,784)
Net proceed from short term investment		(6,872,038)	(14,713,723)
Proceeds from dividend income		21,609	14,218
<b>Net Cash (Used in) Investing Activities</b>		<b>(16,937,850)</b>	<b>(16,911,971)</b>
<b>Cash Flow from Financing Activities</b>			
Dividends paid		-	(30,093,188)
<b>Net Cash (Used in) Financing Activities</b>		<b>-</b>	<b>(30,093,188)</b>
Net Increase in Cash and Cash Equivalents		7,399,191	32,894,863
Cash & cash equivalents at beginning of the year	18	5,700,694	(27,194,169)
<b>Cash and Cash Equivalents at the end of the year</b>	18	<b>13,099,885</b>	<b>5,700,694</b>
<b>Analysis of Cash and Cash Equivalents</b>			
Cash at bank		13,015,963	5,693,586
Cash in hand		83,922	7,108
		<b>13,099,885</b>	<b>5,700,694</b>

The notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. Reporting entity

### 1.1. Domicile and Legal Form

eChannelling PLC (the “Company”), is a public limited liability quoted Company incorporated on 27<sup>th</sup> July 2000 and domiciled in Sri Lanka. The address of the Company’s registered office is No 409, R. A. De Mel Mawatha, and Colombo - 03.

### 1.2. Principal Activities and Nature of Operations

The principal activity of the Company is to provide information infrastructure for the healthcare industry of Sri Lanka where each stakeholder in the healthcare industry can benefit from. Under this mission, the main product of the company is a software system which provides an efficient mechanism for the channelling of medical practitioners. In addition, the company provides Hospital information system which supports the efficient operation of hospitals.

### 1.3. Parent & Ultimate Parent

Mobitel (Pvt) Ltd is the parent of eChannelling PLC which holds 87.59% shares of eChannelling PLC. Sri Lanka Telecom is the ultimate parent of the company.

### 1.4. Responsibility of the Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements as per the provisions of

the Companies Act No 07 of 2007 and SLFRSs.

### 1.5. Approval of financial statements by the Board of Directors

The financial statements were authorized for issue by the Board of Directors on 2<sup>nd</sup> June 2020.

### 1.6. Number of Employees

The total number of employees of the Company as at 31<sup>st</sup> December 2019 is 31 (2018 Dec – 32).

## 2. Basis of preparation

### 2.1. Statement of compliance

The Financial Statements of the Company comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the significant accounting policies and notes to the Financial Statements.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007 and provide appropriate disclosures as required by the listing rules of the Colombo stock exchange (CSE). These Financial Statements except for information on cash flows have been prepared following the accrual basis of accounting.

This is the first set of Financial statements in which SLFRS 16 leases has been applied. The related changes to significant accounting policies are described in Note 3.1

### 2.2. Basis of measurement

The Financial Statements have been prepared on an accrual basis and under the historical cost basis except for the following items in the Statement of Financial Position:

- ▶ Financial assets at Fair Value through Other Comprehensive Income (FVOCI); and
- ▶ Liability for defined benefit obligation recognised based on actuarial valuation. (LKAS 19)

### 2.3. Functional and presentation currency

The financial statements of the company are presented in Sri Lankan Rupees, which is the Company’s functional currency. All amounts have been rounded to the nearest rupee, unless otherwise indicated.

### 2.4. Use of estimates and judgments

The preparation of Financial Statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Underlying estimates, judgements, assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

**Note 13** - Deferred taxation

**Note 15** - Impairment of trade receivables

**Note 20** - Employee benefit obligations

## 2.5. Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future and confirms that they do not intend either to liquidate or to cease operations of the Company. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

## 2.6. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1** : quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2** : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **Level 3** : inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 2.7. Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

## 2.8. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Company.

# Notes to the Financial Statements

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in these Financial Statements and have been applied consistently by the Company, unless otherwise stated.

### 3.1. Changes in Significant accounting policies

#### 3.1.1. Leases

The Company initially applied SLFRS 16 Leases from 1 January 2019. Information about transitional impact on the application of SLFRS 16 is disclosed in Note 28 to the financial statements. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company applied SLFRS 16 using the modified retrospective approach (option B), under which no cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

#### 3.1.2. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

#### 3.1.3. As a lessee

As a lessee, the Company leases many assets including property, plant equipment and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

#### 3.1.4. Leases classified as operating leases under LKAS 17

Previously, the Company classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at:

- ▶ An amount equal to the lease liability.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Company:

- ▶ Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- ▶ Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- ▶ Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- ▶ Used hindsight when determining the lease term.

### 3.1.5. Leases classified as finance leases under LKAS 17

The Company leases a number of items of plant equipment. These leases were classified as finance leases under LKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

### 3.2. Foreign currency transactions

In preparing the Financial Statements, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the functional currencies (i.e. Sri Lanka Rupees) using the exchange rates prevailing at the dates of the transactions. Monetary

assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate prevailing as at the reporting date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions. Non-monetary assets & liabilities that are stated at fair value denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates that the values were determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

### 3.3. Assets and bases of their valuation

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash during the normal operating cycle of the company's business, or within one year from the reporting date, whichever is

shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

### 3.3.1. Property, plant and equipment

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

#### Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

#### Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

# Notes to the Financial Statements

## Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the statement of profit or loss as incurred.

## De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de recognition of an item of property, plant and equipment is included in statement of profit or loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalised. At each such capitalization, the remaining carrying amount of the previous cost is derecognized.

## Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of profit

or loss on straight-line basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Furniture & Fittings	04 Years
Computer Equipment	02 Years
Computer Servers	05 Years
Office Equipments	02 Years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

### 3.3.2. Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

## Basis of recognition

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

## Software

All computer software costs incurred licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and is probable that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less amortisation and any accumulated impairment losses.

## Amortisation

Computer software are amortised over their estimated useful economic life on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives for the current and comparative periods are as follows:

License Software	03 Years
Hospital net Software	10 Years

Amortization methods, useful lives and residual values are reviewed at each reporting date.

## De-recognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

### 3.3.3. Leases

The Company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

#### Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

#### 3.3.3.1. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However,

for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. 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.

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 re-measurements of the 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.

# Notes to the Financial Statements

The lease liability is measured at amortised 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.

The Company presents right-of-use assets that do not meet the definition of investment property in leasehold right to use asset and lease liabilities in leasehold right to use liability in the statement of financial position.

## Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- ▶ Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- ▶ The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - ▶ The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - ▶ The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - ▶ Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

## 3.3.3.2. As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

## 3.3.4. Financial instruments

### 3.3.4.1. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### 3.3.4.2. Classification and subsequent measurement

#### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and

interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Company's investment in equity investments are classified as Fair Value through OCI.

#### Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

## Notes to the Financial Statements

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment,

the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### 3.3.4.3. Financial assets - Subsequent measurement and gains and losses

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
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### Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### 3.3.4.4. Derecognition

##### Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred

or liabilities assumed) is recognised in profit or loss.

#### 3.3.4.5. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### 3.3.4.6. Impairment policy

##### Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e.

## Notes to the Financial Statements

the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 180 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI

### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety

or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### 3.3.5. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

## 3.4. Liabilities and provisions

Liabilities classified as Current Liabilities on the Statement of Financial Position are those, which fall due for payment on the demand or within one year from the reporting date. Non-Current Liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing the Financial Statements. Provisions and liabilities

are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations.

### 3.4.1. Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.4.2. Employee benefits

#### a) Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees.

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund

Contributions in accordance with the respective statutes and regulations.

### Employees' Provident Fund

The Company and employees contribute 15% and 10% respectively of the salary of each employee to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

### Employees' Trust Fund

The Company contribute 3% of the salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

Contributions to defined contribution plans are recognized as an expense in the statement of profit or loss as incurred.

#### b) Defined benefit plans - retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No 12 of 1983. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated as at the reporting date based on an internally generated model using formula.

The liability is not externally funded nor actuarially valued. Under the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five-years of continued service.

## Notes to the Financial Statements

### 3.4.3. Stated Capital

As per the Companies Act No. 07 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

### 3.5. Income Statement

#### 3.5.1. Revenue recognition

##### Performance obligations and revenue recognition policies

The revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgement.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

- Company recognizes revenue from customers as and when the channelling appointments are booked.

- Other revenue recognised as follows:

- ▶ Call charges income – based on the confirmed calculation reports sent by telephone operators.
- ▶ Revenue from membership cards – Fee charged when issuing membership cards.
- ▶ Network commission income – Network commission is the platform sharing commission and recognized when service provided.
- ▶ D- Doctor notification income – SMS charges for notifying the Doctors and recognized when service provided.

#### 3.5.2. Profit on Disposal of Property, Plant & Equipment

Gains / losses on the disposal of property, plant and equipment determined by reference to the carrying amount and related expenses, have been accounted for as other income in profit or loss.

#### 3.5.3. Dividend income

Dividend income is recognized in statement of profit or loss on the date that the Company's right to receive payment is established.

#### 3.5.4. Finance income

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

### 3.5.5. Expenditure Recognition

For the purpose of presentation of statement of profit or loss, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

#### 3.5.5.1. Operating Expenses

All expenses incurred in day to day operations of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement in arriving at the profit or loss for the year Provision have also been made for impairment of financial assets, all known liabilities and depreciation on property, plant and equipment.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the income statement in the year in which the expenditure is incurred. The profit earned by the Company is before income tax expense and after making provision for all known liabilities and for the depreciation of property, plant & equipment

### 3.5.5.2. Financing Costs

Financing costs comprise interest expense on borrowings and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the asset.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movement are in a net gain or net loss position.

### 3.5.6. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity other comprehensive income.

#### 3.5.6.1. Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date,

and any adjustment to tax payable in respect of previous years.

The provision for income tax on the Company's operation is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act No. 24 of 2007.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

#### 3.5.6.2. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period to cover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A differed tax assets is recognized for unused tax losses, tax credits and deductible temporally differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, based on the level of future taxable profit forecasts and tax planning strategies.

### 3.6. Earnings per Share (EPS)

The financial statements presents the basic earnings per share (EPS) for its ordinary shareholders. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.7. Operating segment

There are no reportable operating segments.

# Notes to the Financial Statements

## 3.8. Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

The relevant details are disclosed in the respective notes to the Financial Statements.

## 3.9. Statement of cash flow

The cash flow statement has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalent comprise cash in hand and cash at bank that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

Interest received and dividends received are classified as investing cash flows, while dividend paid is classified as financing cash flows and interest paid is classified under the operating cash flows for the purpose of presentation of Cash Flow Statement.

Bank overdrafts that are re-payable on demand and forming an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.

## 3.10. Events after the reporting date.

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

## 3.11. Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year is disclosed in Note 29 to the financial statements.

The comparative information of Operating Lease for 2018 is reported based on LKAS 17 and is not comparative to the information presented for 2019. The Company has not restated comparative information for the year 2018 in respect of changes due to adoption of SLFRS 16.

## 3.12. Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the Company are disclosed in the respective notes to the Financial Statements.

## 3.13. New Accounting Standards issued but not effective as at the Reporting date.

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in SLFRS Standards.
- Definition of a Business (Amendments to SLFRS 3).
- Definition of Material (Amendments to LKAS 1 and LKAS 8).
- SLFRS 17 Insurance Contracts.

For the year ended 31st December	2019 Rs.	2018 Rs.
<b>4. Revenue</b>		
<b>Revenue from customers</b>		
Revenue from portals	113,560,482	112,839,562
Revenue from no-show refund	12,109,201	13,644,436
Doctor notification income	-	1,641,210
	<b>125,669,683</b>	<b>128,125,208</b>
<b>Other Income</b>		
Call charges income	1,384,762	1,391,399
Revenue from membership cards	671,063	899,180
Software and network commission income	2,472,194	2,389,815
	<b>4,528,019</b>	<b>4,680,394</b>
	<b>130,197,702</b>	<b>132,805,602</b>
<b>5. Other Income</b>		
Dividend income	21,609	14,218
Un-allocated Member Deposit income	539,124	1,733,485
	<b>560,733</b>	<b>1,747,703</b>
<b>6. Profit from Operations</b>		
<b>Is stated after charging all expenses including the following:</b>		
Depreciation	11,485,447	5,476,713
Amortization	497,368	1,714,723
Salary related expenses	26,647,719	24,465,331
EPF	3,996,381	3,624,800
ETF	806,526	724,960
Auditors Remuneration - On statutory audit	385,000	360,000
Auditors Remuneration - Audit related services	-	91,423
Employee benefits	1,698,038	1,529,676
Legal expenses	-	796,338
Directors' remuneration	4,467,857	4,549,238
Impairment provision for trade receivable	1,587,781	-

## Notes to the Financial Statements

For the year ended 31st December	2019 Rs.	2018 Rs.
<b>7. Net Finance Income</b>		
<b>Finance Income</b>		
Interest income from short term investments	22,966,241	21,684,051
Interest income from saving accounts	469,116	388,060
	<b>23,435,357</b>	22,072,111
<b>Finance Expense</b>		
Interest Expense on leasehold right to use liability	2,625,407	-
	<b>2,625,407</b>	-
<b>Net Finance Income</b>	<b>20,809,950</b>	22,072,111
<b>8. Income Tax Expense</b>		
Current tax expense	8,586,768	14,672,250
(Over) / Under provision in previous years	(234,375)	25,495
Provision/(Reversal) of deferred tax (Note 13)	(682,332)	(1,944,678)
<b>Tax expense on Total Comprehensive Income</b>	<b>7,670,061</b>	12,753,067
Deferred tax on Other Comprehensive Income	(242,033)	(181,573)
<b>Total Tax expense on profit/(loss)</b>	<b>7,428,028</b>	12,571,494

In accordance with the provisions of the Inland Revenue Act No 24 of 2017, the Company is liable for Income Tax at the rate of 28% on its taxable income.

For the year ended 31st December	2019 Rs.	2018 Rs.
<b>8.1. Reconciliation Between Accounting Profit to Income Tax Expense</b>		
Accounting profit / (loss) before tax	22,440,862	46,291,644
Aggregate disallowed expenses	13,035,858	9,527,263
Aggregate allowable expenses	(4,809,692)	(3,418,018)
<b>Total taxable income</b>	<b>30,667,029</b>	52,400,889
Income tax for the year - 28% of taxable income (28% - 2018)	8,586,768	14,672,250
<b>Total Income Tax Expense for the year</b>	<b>8,586,768</b>	14,672,250

## 9. Earnings Per Share

The basic earning per share is computed based on the net profit attributable to equity holders of the company divided by the weighted average number of ordinary shares outstanding during the year as required by LKAS 33 "Earnings Per Share".

For the year ended 31st December	2019	2018
Profit attributable to equity holders of the company (Rs.)	15,012,834	33,720,150
Weighted average number of ordinary shares	122,131,415	122,131,415
Earnings per share (Rs.)	0.12	0.28

### 9.1 Diluted Earnings per share

There were no potentially dilutive ordinary shares as at 31st December 2019 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

## 10. Property, Plant & Equipment

	Computer Equipment Rs.	Computer Servers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Total 2019 Rs.
<b>Cost</b>					
Balance as at 01st January 2017	14,307,188	41,426,759	5,995,382	1,651,148	63,380,477
Additions during the year	892,400	-	145,000	546,282	1,583,682
<b>Balance as at 31st December 2018</b>	<b>15,199,588</b>	<b>41,426,759</b>	<b>6,140,382</b>	<b>2,197,430</b>	<b>64,964,159</b>
<b>Additions during the year</b>	<b>7,574,531</b>	<b>-</b>	<b>174,755</b>	<b>203,535</b>	<b>7,952,821</b>
<b>Balance as at 31st December 2019</b>	<b>22,774,119</b>	<b>41,426,759</b>	<b>6,315,137</b>	<b>2,400,965</b>	<b>72,916,980</b>
<b>Accumulated Depreciation</b>					
Balance as at 01st January 2017	12,805,092	35,805,591	624,177	1,574,399	50,809,259
Depreciation Charge for the year	1,125,071	2,610,793	1,502,024	238,825	5,476,713
<b>Balance as at 31st December 2018</b>	<b>13,930,163</b>	<b>38,416,384</b>	<b>2,126,201</b>	<b>1,813,224</b>	<b>56,285,972</b>
<b>Depreciation Charge for the year</b>	<b>2,987,001</b>	<b>2,595,629</b>	<b>1,556,641</b>	<b>348,261</b>	<b>7,487,532</b>
<b>Balance as at 31st December 2019</b>	<b>16,917,164</b>	<b>41,012,013</b>	<b>3,682,842</b>	<b>2,161,485</b>	<b>63,773,504</b>
<b>Carrying Amount</b>					
<b>As at 31st December 2019</b>	<b>5,856,955</b>	<b>414,746</b>	<b>2,632,295</b>	<b>239,480</b>	<b>9,143,476</b>
As at 31st December 2018	1,269,425	3,010,375	4,014,181	384,206	8,678,187

Property, Plant and equipment includes fully depreciated assets which are still in use as at reporting date amount to

## Notes to the Financial Statements

Rs. 44,909,083/- (31.12.2018- Rs. 44,422,916/-)

- There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2019 (2018 – Nil).
- There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date
- There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.
- There was no temporarily idle property, plant and equipment as at the reporting date.

As at 31st December	2019 Rs.	2018 Rs.
<b>11. Leasehold right-of-use asset</b>		
<b>Cost</b>		
Balance at the beginning of the year	-	-
Adjustment on initial application of SLFRS 16	<b>21,988,530</b>	-
<b>Balance at the end of the year</b>	<b>21,988,530</b>	-
<b>Accumulated Depreciation</b>		
Balance at the beginning of the year	-	-
Charge for the year	<b>3,997,915</b>	-
<b>Balance at the end of the year</b>	<b>3,997,915</b>	-
<b>Carrying Amount</b>	<b>17,990,615</b>	-

The lease hold asset appears that the building which ECL head office is being currently operated. The lessor is Mobitel (Pvt) Ltd that is the parent company of ECL. Remaining leasing period is for five years.

As at 31st December	2019 Rs.	2018 Rs.
<b>12. Intangible Assets</b>		
<b>Cost</b>		
Balance at the beginning of the year	22,490,065	21,861,281
Additions during the year	2,134,600	628,784
<b>Balance at the end of the year</b>	<b>24,624,665</b>	22,490,065
<b>Accumulated Depreciation</b>		
Balance at the beginning of the year	21,819,713	20,104,990
Charge for the year	497,368	1,714,723
<b>Balance at the end of the year</b>	<b>22,317,081</b>	21,819,713
<b>Carrying Amount</b>	<b>2,307,584</b>	670,352

Intangible Assets consist of Software licences and Hospital Net Software used by the company fully depreciated assets amounts to - Rs. 21,719, 870

- There were no intangible assets pledged as securities for liabilities as at the reporting date
- There were no restrictions existed on the title of the intangible assets of the Company as at the reporting date.
- There was no temporarily idle intangible assets as at the reporting date.

As at 31st December	2019 Rs.	2018 Rs.
<b>13. Deferred Tax Asset</b>		
Balance at the beginning of the year	2,070,845	126,167
(Provision)/Reversal during the year (Note 13.1)	682,332	1,944,678
<b>Balance at the end of the year</b>	<b>2,753,177</b>	2,070,845
<b>13.1. (Provision)/Reversal for the year</b>		
(Provision)/Reversal during the year recognized in Profit or Loss	924,365	2,126,251
(Provision)/Reversal during the year recognized in Other Comprehensive Income	(242,033)	(181,573)
	<b>682,332</b>	1,944,678

Management has measured the deferred tax asset by applying the tax rates as per Inland Revenue Act No. 24 of 2017 as at 31st December 2019, in accordance with LKAS 12 paragraph 46.

The Deferred Tax Asset is arrived at by applying the Income Tax rate of 28% applicable for the temporary difference as at 31st December 2019. (28% - 31st December 2018)"

## Notes to the Financial Statements

### 13.2. The movement in tax effect of temporary differences during the year is as follows:

	2019		2018	
	Temporary Difference Rs.	Tax Effect on Temporary Difference Rs.	Temporary Difference Rs.	Tax Effect on Temporary Difference Rs.
Property, Plant and Equipment	2,495,296	698,683	892,029	249,768
Employee Benefits	7,337,480	2,054,494	6,503,844	1,821,077
	<b>9,832,776</b>	<b>2,753,177</b>	7,395,873	2,070,845

As at 31st December	2019 Rs.	2018 Rs.

### 14. Inventories

Member cards	719,255	931,415
	<b>719,255</b>	931,415

### 15. Trade & other receivables

Trade receivable	49,510,000	46,532,903
Less : Provision for impairment of trade receivable (Note 15.1)	(3,302,133)	(1,714,352)
	<b>46,207,867</b>	44,818,551
Advance, prepayments and other receivables (Note 15.2)	12,480,221	13,347,380
Withholding Tax Receivable	2,573,126	1,400,372
	<b>61,261,214</b>	59,566,303

#### 15.1 Movement in provision for impairment of trade receivable

Balance at the beginning of the year	1,714,352	1,714,352
Provision made during the year	1,587,781	-
<b>Balance at the end of the year</b>	<b>3,302,133</b>	1,714,352

#### 15.2 Advance, prepayments and other receivables

Advance, prepayments and other receivables	15,435,221	16,302,380
Less : Provision for impairment	(2,955,000)	(2,955,000)
<b>Balance at the end of the year</b>	<b>12,480,221</b>	13,347,380

### 16. Short term investments

Investment in fixed deposits	210,059,019	203,186,981
Interest receivable	4,510,146	5,423,344
	<b>214,569,165</b>	208,610,325

## 17. Equity investments

### Equity securities designated as at FVOCI

The Company designated the investments shown below as equity securities at FVOCI as these equity securities represent investments that the Company intends to hold for the long term for strategic purposes.

Name of the company	31st December 2019			31st December 2018		
	No. of shares	Cost Rs.	Market value Rs.	No. of shares	Cost (Rs.)	Market value (Rs.)
Citrus Leisure PLC	31,200	944,741	377,520	31,099	944,741	149,275
Taj Lanka Hotels PLC	10,000	606,702	144,000	10,000	606,702	130,000
Blue Diamonds Jewellery Worldwide PLC	700	2,372	490	700	2,372	350
Serendib Hotels PLC (Voting)	7	162	154	7	162	119
Serendib Hotels PLC (Non Voting)	93	1,628	1,125	93	1,628	1,525
York Arcade Holdings PLC	10	3,847	752	10	3,847	850
Ambeon Holding PLC	100	7,100	1,290	100	7,100	1,110
Nations Trust Bank PLC	104	8,100	8,320	102	8,100	9,098
Seylan Bank PLC (Non Voting)	107	7,500	5,618	105	7,500	8,190
Kalamazoo Systems Ltd	1,100	11,396	4,070	1,100	11,396	4,180
Lankem Developments Ltd	100	59	350	100	59	410
Citrus Beach Resort Limited	20	20	132	20	20	76
Lake House Priters and Publishers PLC	10,697	1,093,983	1,604,550	10,697	1,093,983	1,497,580
		<b>2,687,610</b>	<b>2,148,371</b>		<b>2,687,610</b>	<b>1,802,764</b>

As at 31st December	2019 Rs.	2018 Rs.
<b>18. Cash &amp; Cash Equivalents</b>		
Cash at bank	<b>13,015,963</b>	5,693,586
Cash in hand	<b>83,922</b>	7,108
<b>Cash and cash equivalents for the purpose of statement of cash flows</b>	<b>13,099,885</b>	5,700,694

## Notes to the Financial Statements

As at 31st December	2019 Rs.	2018 Rs.
<b>19. Stated Capital</b>		
Ordinary shares - issued and fully paid (Nos.)	122,131,415	122,131,415
Issued and fully paid (Rs.)	93,758,316	93,758,316

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share individual present at meeting of the shareholders or one vote per share in the case of a poll.

As at 31st December	2019 Rs.	2018 Rs.
<b>20. Employee Benefits</b>		
Balance at the beginning of the year	6,503,844	5,756,832
Provisions made during the year (Note 20.3 and Note 20.4)	833,636	881,202
Payments during the year	-	(134,190)
<b>Balance at the end of the year</b>	<b>7,337,480</b>	6,503,844
<b>20.1. Movement in the present value of the defined benefit obligation</b>		
Balance at the beginning of the year	6,503,844	5,756,832
Actuarial gains	(864,402)	(648,474)
Benefit paid by the plan	-	(134,190)
Current service costs	1,003,060	924,229
Interest cost	694,978	605,447
<b>Balance at the end of the year</b>	<b>7,337,480</b>	6,503,844
<b>20.2. The amounts recognised in the Statement of Financial Position</b>		
Present value of unfunded obligation	7,337,480	6,503,844
Total present value of obligation	7,337,480	6,503,844
<b>20.3. Expense recognised in the Statement of Profit or Loss</b>		
Current service cost	1,003,060	924,229
Interest cost	694,978	605,447
	<b>1,698,038</b>	1,529,676
<b>20.4. Expense recognised in the statement of other comprehensive income</b>		
Actuarial gain during the year	(864,402)	(648,474)
	<b>(864,402)</b>	(648,474)

The gratuity liability is arrived based on the Projected Unit Credit (PUC) method recommended by LKAS 19, "Employee Benefits" and the principal assumptions used are as follows,

As at 31st December	2019 Rs.	2018 Rs.
Discount Rate	11%	11%
Rate of Salary Increment	10%	10%
Staff Turnover Factor	15%	15%
Retirement age	55 years	55 years

### 20.5. Sensitivity of assumptions used

The sensitivity analysis shown below are the reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

As at 31st December	2019 Rs.	2018 Rs.
Increase /(decrease) in discount rate		
+1%	(370,627)	(343,653)
-1%	395,617	366,993
Increase /(decrease) in salary increment rate		
+1%	395,617	366,993
-1%	(377,205)	(349,751)

### 21. Leasehold right to use liability

Balance at the beginning of the year	-	-
Adjustment on initial application of SLFRS 16	21,988,530	-
Interest cost during the year	2,625,407	-
Repayments made during the year	-	-
<b>Balance at the end of the year</b>	<b>24,613,937</b>	-
Balance due within one year	12,330,168	-
Balance due after one year	12,283,769	-

## Notes to the Financial Statements

Amount  
Rs.

### 21.1 Maturity analysis - contractual undiscounted cash flows

Less than one year	10,017,214
One to two years	5,673,600
Two to three years	6,146,400
Three to four years	6,146,400
More than four years	3,073,200
<b>Total undiscounted lease liabilities as at 31 December</b>	<b>31,056,814</b>

### 21.2 Amount recognized in profit or loss

#### 2019 - Leases under SLFRS 16

Depreciation on right-of-use asset	3,997,915
Interest on lease liabilities	2,625,407
	<b>6,623,322</b>

#### 2018 - Operating lease under LKAS 17

Lease expenses	4,374,156
Contingent rent expenses	-
	<b>4,374,156</b>

### 21.2 Amount recognized in the statement of cash flows

Total cash outflow for lease	-
------------------------------	---

As at 31st December	2019 Rs.	2018 Rs.
<b>22. Trade &amp; Other Payables</b>		
Trade payables	43,226,598	51,071,528
Deferred revenue	336,025	-
Accrued expenses	12,183,631	8,984,576
	<b>55,746,254</b>	60,056,104

### 23. Related Party Disclosure

Company carried out transactions in the ordinary course of business with parties who are defined as related parties as per LKAS 24 "Related Party Disclosure".

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

#### 23.1. Parent and Ultimate Controlling Party

Mobitel (Pvt) Ltd is the parent company of eChannelling. Sri Lanka Telecom PLC is the ultimate Parent.

The amounts receivable from or payable to related parties as at 31st December 2019, are disclosed below,

As at 31st December	2019 Rs.	2018 Rs.
<b>23.2. Amounts due from related parties</b>		
Mobitel (Pvt) Ltd	23,548,263	29,841,251
	<b>23,548,263</b>	29,841,251
<b>23.3. Amounts due to related parties</b>		
Sri Lanka Telecom PLC	1,333,295	402,690
	<b>1,333,295</b>	402,690

# Notes to the Financial Statements

## 23.4. Transactions with related entities

Name of the Related Party	Relationship	Nature of Transaction	01-01-2019 to 31-12-2019 Transaction Amount Rs.	01-01-2018 to 31-12-2018 Transaction Amount Rs.
Sri Lanka Telecom PLC	Ultimate parent	IDC Payments	<b>4,657,385</b>	4,263,839
		Telephone charges	<b>165,685</b>	206,551
Mobitel (Pvt) Ltd	Immediate parent	Mobile charges	<b>811,410</b>	894,880
		Call Charges Income	<b>1,384,716</b>	1,361,508
		Staff Welfare	<b>300,000</b>	300,000
		Building Rent	<b>4,816,414</b>	4,255,200

There were no any non-recurrent Related Party Transactions entered during the year, other than the transactions specified above as per the CSE Listing Rule 9.3.2.

## 23.5. Transactions with Government of Sri Lanka (GOSL) and its Related entities

Entity related to the Government of Sri Lanka (GOSL) by virtue of its ultimate parents major shareholder is the Government of Sri Lanka (GOSL), which holds 49.5% of ownership of the Sri Lanka Telecom PLC.

During the year company has carried out transactions with other Government related entities in the ordinary course of business.

However, there is no individually significant transactions with Government related entities except as disclosed above.

## 23.6. Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosure, " Key Management Personnel " are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Accordingly the Directors of the company are classified as KMP of the Company.

### **23.7 Recurrent Related Party Transactions**

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31st December 2019 audited financial statements, which required additional disclosures in the 2019 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

### **23.8 Non-Recurrent Related Party Transactions**

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st December 2019 audited financial statements, which required additional disclosures in the 2019 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

#### **(i) Loans to the Directors**

No loans have been granted to the Directors of the Company

#### **(ii) Compensation paid to Key Management Personnel**

The compensation paid to KMP as short term employment benefits is disclosed in Note 6 to the financial statements.

#### **(iii) Other Transactions with Key Management Personnel**

There were no other transactions with Key Managerial Personnel other than those disclosed in Note 23.4 to these Financial Statements.

# Notes to the Financial Statements

## 24. Financial Instruments

### 24.1. Financial Instruments - Statement of Financial Position

As at 31st December

	Note	2019 Rs.	2018 Rs.
<b>Financial Assets</b>			
<b>Amortised Cost</b>			
Trade & other receivables	15	48,780,993	46,218,923
Amount due from related parties	23.2	23,548,263	29,841,251
Short term investments	16	214,569,165	208,610,325
		<b>286,898,421</b>	284,670,499
<b>Fair value through other comprehensive income</b>			
Equity Investments	17	2,148,371	1,802,764
		<b>2,148,371</b>	1,802,764
Cash & cash equivalents	18	13,099,885	5,700,694
<b>Total</b>		<b>302,146,677</b>	292,173,957
<b>Financial Liabilities</b>			
<b>Other Financial Liabilities</b>			
Trade payables	22	43,226,598	51,071,528
Leasehold right to use liability	21	24,613,937	-
Amount due to related parties	23.3	1,333,295	402,690
		<b>69,173,830</b>	51,474,218

## 24.2. Financial Risk Management

### Overview

In the course of its business, the Company is exposed to the following risks arising from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - (i) Currency risk
  - (ii) Interest rate 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 Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of eChannelling PLC, oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

#### 24.2.1. Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including trade receivables, short term investments and other financial assets.

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures and contractual agreement made for every high-value transactions. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

## Notes to the Financial Statements

With respect to credit risk arising from the other financial assets of the Company, such as short term investments and cash & cash equivalents. The Company's exposure to credit risk arises from default of the counter party. The Company manages its operations to avoid any excessive concentration of counter party risk and the Company takes all reasonable steps to ensure the counter parties fulfil their obligations.

In addition, Company's short term investments and cash & cash equivalents are placed in the reputed financial institutions with good credit ratings in order to minimize the Company's Credit Risk.

### 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:

As at 31st December	Note	2019 Rs.	2018 Rs.
<b>Financial Assets</b>			
Trade & other receivables	15	<b>48,780,993</b>	46,218,923
Amount due from related parties	23.2	<b>23,548,263</b>	29,841,251
Short term investments	16	<b>214,569,165</b>	208,610,325
Equity Investments	17	<b>2,148,371</b>	1,802,764
Cash & cash equivalents	18	<b>13,099,885</b>	5,700,694
		<b>302,146,677</b>	292,173,957

### Impairment Losses

The aging of Trade Receivables at the reporting date was:

	2019		2018	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
Less than 30 days	<b>42,605,493</b>	-	34,412,118	-
30-60 days	<b>487,936</b>	-	3,001,268	-
61-90 days	<b>177,811</b>	-	4,057,442	-
91-180 days	<b>2,360,580</b>	<b>20,000</b>	874,841	-
181-365 days	<b>736,047</b>	<b>140,000</b>	472,882	-
More than 365 days	<b>3,142,133</b>	<b>3,142,133</b>	1,714,352	1,714,352
	<b>49,510,000</b>	<b>3,302,133</b>	44,532,903	1,714,352

The aging of Amount Due from Related Companies at the reporting date was:

	2019		2018	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
Less than 30 days	23,548,263	-	29,841,251	-
30-60 days	-	-	-	-
61-90 days	-	-	-	-
91-180 days	-	-	-	-
181-365 days	-	-	-	-
More than 365 days	-	-	-	-
	<b>23,548,263</b>	<b>-</b>	<b>29,841,251</b>	<b>-</b>

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in Note 15.1 to the Financial Statements

#### 24.2.2. Liquidity Risk

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

To measure and mitigate liquidity risk, Company will closely monitor its net operating cash flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

The Company'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 Company's reputation. The Company's approach to managing its liquidity risk is as follows;

- a) Regularly monitoring the Company's assets and liabilities in order to forecast cash flows for future purpose.
- b) Arrange adequate facilities with banks as contingency measures.
- c) Daily monitoring the facility limits, i.e. overdrafts with banks

# Notes to the Financial Statements

## The maturity analysis of liabilities

Followings are the contractual maturity of financial liabilities as at 31st December 2019:

	Carrying Amount Rs.	Contractual Cash Flows Rs.	Less than one year Rs.	More than one year Rs.
<b>Non- Derivative Financial Liabilities</b>				
Trade payables	43,226,598	(43,226,598)	(43,226,598)	-
Leasehold right to use liability	24,613,937	(24,613,937)	(12,330,168)	(12,283,769)
Amount due to related parties	1,333,295	(1,333,295)	(1,333,295)	-
	<b>69,173,830</b>	<b>(69,173,830)</b>	<b>(56,890,061)</b>	<b>(12,283,769)</b>

Followings are the contractual maturity of financial liabilities as at 31st December 2018:

	Carrying Amount Rs.	Contractual Cash Flows Rs.	Less than one year Rs.	More than one year Rs.
<b>Non- Derivative Financial Liabilities</b>				
Trade payables	51,071,528	(51,071,528)	(51,071,528)	-
Amount due to related parties	402,690	(402,690)	(402,690)	-
	<b>51,474,218</b>	<b>(51,474,218)</b>	<b>(51,474,218)</b>	<b>-</b>

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

### 24.2.3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's income or the value of its holdings of financial instruments.

The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

#### 24.2.3.1. Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has no significant exposure to foreign currency risk as there is no significant cash flows in foreign currency transactions which are affected by foreign exchange fluctuations and there are no any foreign assets or liabilities as at the reporting date since the Company operates only in Sri Lanka Rupees which is the Company's functional currency.

#### 24.2.3.2. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates.

The Company does not have any floating rate borrowings nor any deposits which earn interest at floating rate. Therefore the interest rate risk to the Company is minimal.

### 24.3 Carrying Amounts And Fair Values of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortized cost. The following table analyze the carrying amount of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments under headings reported in the Statement of Financial Position.

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation techniques.

**Level 01** : Quoted (unadjusted) prices in active market for assets or liabilities.

**Level 02** : Other techniques for which all inputs with significant effect on the recorded fair values are observable either directly or indirectly.

**Level 03** : Techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

## Notes to the Financial Statements

Fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position, are as follows:

31st December 2019	Note	Financial Assets at FVOCI	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total Carrying amount	Fair Value			Total Rs.
		Rs.	Rs.	Rs.	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
<b>Financial Assets</b>									
Trade & other receivables	15	-	48,780,993	-	48,780,993	-	-	-	-
Amount due from related parties	23.2	-	23,548,263	-	23,548,263	-	-	-	-
Short term investments	16	-	214,569,165	-	214,569,165	-	-	-	-
Equity Investments	17	2,148,371	-	-	2,148,371	2,148,371	-	-	2,148,371
Cash & cash equivalents	18	-	13,099,885	-	13,099,885	-	-	-	-
<b>Total Financial Assets</b>		<b>2,148,371</b>	<b>299,998,306</b>	<b>-</b>	<b>302,146,677</b>	<b>2,148,371</b>	<b>-</b>	<b>-</b>	<b>2,148,371</b>
<b>Financial Liabilities</b>									
Trade payables	22	-	-	43,226,598	43,226,598	-	-	-	-
Leasehold right to use liability	21	-	-	24,613,937	24,613,937	-	-	-	-
Amount due to related parties	23.3	-	-	1,333,295	1,333,295	-	-	-	-
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>69,173,830</b>	<b>69,173,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

31st December 2018	Note	Financial Assets at FVOCI	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total Carrying amount	Fair Value			Total Rs.
		Rs.	Rs.	Rs.	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
<b>Financial Assets</b>									
Trade & other receivables	15	-	46,218,923	-	46,218,923	-	-	-	-
Amount due from related parties	23.2	-	29,841,251	-	29,841,251	-	-	-	-
Short term investments	16	-	208,610,325	-	208,610,325	-	-	-	-
Equity Investments	17	1,802,764	-	-	1,802,764	1,802,764	-	-	1,802,764
Cash & cash equivalents	18	-	5,700,694	-	5,700,694	-	-	-	-
<b>Total Financial Assets</b>		<b>1,802,764</b>	<b>290,371,193</b>	<b>-</b>	<b>292,173,957</b>	<b>1,802,764</b>	<b>-</b>	<b>-</b>	<b>1,802,764</b>

31st December 2018	Note	Financial	Financial	Financial	Total Carrying amount	Fair Value			Total
		Assets at FVOCI	Assets at Amortised Cost	Liabilities at Amortised Cost		Level 1	Level 2	Level 3	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial Liabilities</b>									
Trade payables	22	-	-	51,071,528	51,071,528	-	-	-	-
Amount due to related parties	23.3	-	-	402,690	402,690	-	-	-	-
<b>Total Financial Liabilities</b>		-	-	51,474,218	51,474,218	-	-	-	-

The Company has not disclosed the fair values for financial instruments such as trade & other receivables, amounts due from/ to related parties, short term investments, trade payables and lease liability, since their carrying value are a reasonable approximation of fair values, due to short term maturity periods.

#### 24.4. Capital Management

The primary objective of the company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares, have a rights issue or buy back of shares.

	31-Dec-19	31-Dec-18
Total liabilities	<b>89,030,966</b>	73,596,402
Less : Cash and cash equivalents	<b>(13,099,885)</b>	(5,700,694)
Adjusted net debt	<b>75,931,081</b>	67,895,708
Total equity	<b>260,256,544</b>	244,275,734
Adjusted net debt to adjusted equity ratio	<b>29%</b>	28%

#### 25. Capital Commitments and Contingencies

There have been no material capital commitments or contingent liabilities outstanding as at the reporting date.

#### 26. Litigation and Claims

There were no pending litigation or claims as at reporting date.

# Notes to the Financial Statements

## 27. Events Occurring after the Reporting Period

There were no material events occurred subsequent to the reporting date as at 31 December 2019 that require adjustments to or disclosure in the Financial Statements.

### (i) New amendments proposed to Income Tax Law

The amendments to the Inland Revenue Act No. 24 of 2017, which were published by the Department of Inland Revenue on 8 April 2020 are yet to be approved by the parliament. Since these amendments are not substantively enacted at the end of the reporting period, the Company has adopted the tax rates prevailed as at 31 December 2019 in calculating taxes.

The impact of the above amendments has not been quantified yet by the Company due to lack of statutory definitions.

### (ii) The impact of COVID-19

The COVID-19 outbreak since early 2020 has brought about additional uncertainties in the Company's operating environment and has impacted the Company's operations subsequent to the financial year-end. The Company considers this outbreak to be a non-adjusting post balance sheet event.

The COVID-19 pandemic has a direct impact on its business mainly due to travel restrictions (curfew) imposed in the country restricting public movement and private hospitals operating on a reduced scale to limit public interaction and provide services in essential cases.

The Company has been closely monitoring the impact of the developments on the Company's businesses and has put in place contingency measures. These contingency measures include controlling budget, initiating cost savings, maintaining regular contacts with debtors/ members and increasing market responsiveness by adopting new sales strategies.

Especially due to limitations in physical meetings and interactions between doctors and patients, the Company's ordinary business model has been affected by driving down its revenue. To mitigate the above risk and its impact and to diversify Company's business, the management of the Company has taken quick actions which will have short and long term impacts. The Company has started to activate a new wave of innovation and considered to move its business towards technology allowing its customers to use the digitalized environment to fulfil their needs. As the initial step, the Company has introduced audio and video consultation with Consultants in several private hospitals. In addition, several other innovative products are planned to launch in the near future to facilitate the customers to access services from their home in a hassle-free and convenient way.

As far as the Company's businesses are concerned, this has forced us to operate below our capacity. However, the Company's strong balance sheet with zero debt and the highly available liquid fund would help to manage working capital requirements during this critical period, hence the Company is satisfied with the ability to continue its operations for the foreseeable future.

## 28. Impact on Financial Statements - Initial Application of SLFRS 16

On transition to IFRS 16, the Company recognised Rs. 21,988,530/- of right-of-use assets and Rs. 21,988,530/- of lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1<sup>st</sup> January 2019. The weighted-average rate applied is 12.5%.

	Amount Rs.
Operating lease commitment at 31st December 2018 as disclosed in the Company's financial statements	31,056,814
Discounted using the incremental borrowing rate at 1st January 2019	21,988,530
Lease liabilities recognised at 1st January 2019	21,988,530

## 29. Comparative Information

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification as follows:

**29.1.** The provision relating to advance, prepayments and other receivables amounting to Rs. 390,000/- have been reclassified from provision for impairment of trade receivables to provision for advance, prepayments and other receivables as shown below:

	As Previously Reported	Adjustments	As Reclassified
Provision for impairment of trade receivable	2,104,352	(390,000)	1,714,352
Provision for impairment of advance, prepayments and other receivables	2,565,000	390,000	2,955,000

**29.2.** Internet payment gateway charges relevant to Cost of Sales amounting to Rs. 7,534,382/- have been reclassified from Administrative expenses to Cost of Sales as shown below:

	As Previously Reported	Adjustments	As Reclassified
Cost of sales	14,500,388	7,534,381	22,034,769
Administrative expenses	83,495,689	(7,534,381)	75,961,308

**29.3.** Petty cash amounting to Rs. 1,008/- have been reclassified from cash at bank to cash in hand as shown below:

	As Previously Reported	Adjustments	As Reclassified
Cash at bank	5,694,594	(1,008)	5,693,586
Cash in hand	6,100	1,008	7,108

### 30. Directors Responsibilities

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

### 31. Net Assets Per Share

	31-Dec-19	31-Dec-18
Net assets attributable to ordinary shareholders	260,256,544	244,275,734
Weighted average number of ordinary shares in issue	122,131,415	122,131,415
Net assets per share (Rs.)	2.13	2.00

### 32. Dividend Per Share

	31-Dec-19	31-Dec-18
Final Dividend	-	30,532,854
Number of ordinary shares in issue	122,131,415	122,131,415
Dividend Per Share (Rs.)	-	0.25

## Five Year Performance Summary

For the year ended 31st December	2016 (31 March)	2016 -Dec (9 Months)	2017	2018	2019
<b>Revenue</b>	210,626,577	107,877,945	136,129,453	132,805,602	<b>130,197,702</b>
Net Operating Expenses	(107,184,221)	(73,052,258)	(96,180,373)	(108,586,069)	<b>(128,566,790)</b>
Profit from operating activities	103,442,356	34,825,687	39,949,080	24,219,533	<b>1,630,912</b>
Profit before taxation	110,415,778	48,071,518	62,735,204	46,291,644	<b>22,440,862</b>
Profit/(loss) for the year	78,947,419	27,933,709	35,571,692	33,720,150	<b>15,012,834</b>
<b>Total Assets</b>	243,876,534	255,229,680	328,414,485	317,872,136	<b>349,287,510</b>
	-	-	-	-	
<b>Equity</b>	176,146,518	205,480,524	240,629,915	244,275,734	<b>260,256,545</b>
<b>Total Liabilities</b>	67,730,016	49,749,156	87,784,570	73,596,402	<b>89,030,965</b>
	243,876,534	255,229,680	328,414,485	317,872,136	<b>349,287,510</b>
<b>Other Information</b>					
Earning Per Share (Rs.)	0.65	0.23	0.29	0.28	<b>0.12</b>
Market Price Per Share (Rs.)	8.00	7.00	5.90	5.90	<b>5.50</b>
Net Assets Per Share (Rs.)	1.44	1.68	1.97	2.00	<b>2.13</b>
Dividend Payout Ratio (Rs.)	-	-	-	0.89	<b>-</b>
Current Ratio (Times)	3.58	5.32	3.82	4.56	<b>4.56</b>

# Shareholder Information

## Analysis of Shareholders According to the Number of Shares as at 31.12.2019

Shareholdings	Resident			Non Resident			Total		
	Number of Share holders	No. of Shares	Percentage (%)	Number of Share holders	No. of Shares	Percentage (%)	Number of Share holders	No. of Shares	Percentage (%)
1 to 1,000 Shares	1,054	303,972	0.26	3	454	-	1,057	304,426	0.26
1,001 to 10,000 Shares	502	1,923,350	1.57	5	31,940	0.03	507	1,955,290	1.60
10,001 to 100,000 Shares	158	4,698,945	3.85	2	125,000	0.10	160	4,823,945	3.95
100,001 to 1,000,000 Shares	25	5,684,347	4.65	0	-	-	25	5,684,347	4.65
Over 1,000,000 Shares	2	108,136,618	88.54	1	1,226,789	1	3	109,363,407	89.54
	1,741	120,747,232	98.87	11	1,384,183	1.13	1,752	122,131,415	100

Categories of shareholders	Number of Shareholders	Number of Shares
Individual	1,681	13,778,416
Institutional	71	108,352,999
	1,752	122,131,415
Issued share capital as at 31st December 2019		122,131,415
Less		
Parent Company		106,974,618
Subsidiaries of parent		-
Subsidiaries of Company		-
Directors shareholding		-
Spouses & children under 18 of Directors		-
CEO, spouse & children under 18		-
Over 10% holding		
Public holding		15,156,797
Number of Shareholders (Public holding)		1,751
Public holding as at % of issued share capital		12.41%
Float Adjusted Market Capitalization - Rs.		83,362,384

The Company complies with Option 2 of the Listing Rules 7.13.1 (b) - Less than Rs. 1 Bn, Float Adjusted Market Capitalization which requires 10% minimum Public Holding.

**List of 20 Major Shareholders based on their Shareholding**

No	Name of shareholder	31 st December 2019	
		No of Shares	% Holding
1	Mobitel (Pvt) Ltd	106,974,618	87.59
2	Mr. F N Herft	1,226,789	1.00
3	Mr. G C Goonetilleke	1,162,000	0.95
4	Mr. P Rathnayaka	840,000	0.69
5	Dr. M M Rinoza	322,400	0.26
6	Mr. M Fazal	300,264	0.25
7	Dr. M A M S Cooray	297,504	0.24
8	Mr. M A B Morahela	292,300	0.24
9	Mrs. M M Fazeel & Mr. M F M Fazeel	286,570	0.23
10	Mr. A H Munasinghe	277,031	0.23
11	MRS. N D Palliya Guruge	260,000	0.21
12	MR. R E Rabukwella	242,678	0.20
13	Mr. M A Kumarasingha	232,433	0.19
14	Mr. Z G Carimjee	231,933	0.19
15	Mr. D K A K Weeratunga	219,544	0.18
16	Mrs. T R Selvanayagam	201,000	0.16
17	Miss. R D Michel	185,463	0.15
18	MBSL/H W R S Jayawardena	177,511	0.15
19	MR. M H A Kamil	169,138	0.14
20	Dasatha Investments Limited	163,331	0.13
	Sub Total	114,062,507	93.38
	Others	8,068,908	6.62
	Total Shares	122,131,415	100

# GRI Index

GRI Standard	Disclosure	Page No.(s)
<b>GRI 102: General Disclosures 2016</b>	102-1 Name of the organisation	<b>IBC</b>
	102-2 Activities, brands, products, and services	32 & 35
	102-3 Location of headquarters	IBC
	102-4 Location of operations	IBC
	102-5 Ownership and legal form	IBC
	102-6 Markets served	31
	102-7 Scale of the organisation	26,78,79
	102-8 Information on employees and other workers	25-29
	102-9 Supply chain	N/A
	102-10 Significant changes to the organisation and its supply chain	N/A
	102-11 Precautionary Principle or approach	44-49
	102-12 External initiatives	8
	102-13 Membership of associations	N/A
	102-14 Statement from senior decision-maker	8-11
	102-16 Values, principles, standards, and norms of behavior	IFC & 72
	102-18 Governance structure	50-58
	102-40 List of stakeholder groups	39-41
	102-41 Collective bargaining agreements	N/A
	102-42 Identifying and selecting stakeholders	39
	102-43 Approach to stakeholder engagement	39-41
	102-44 Key topics and concerns raised	32
	102-45 Entities included in the consolidated financial statements	N/A
	102-46 Defining report content and topic Boundaries	42
	102-47 List of material topics	42-43
	102-48 Restatements of information	19
	102-49 Changes in reporting	19
	102-50 Reporting period	19
	102-51 Date of most recent report	19
	102-52 Reporting cycle	19
	102-53 Contact point for questions regarding the report	IBC
	102-54 Claims of reporting in accordance with the GRI Standards	19
102-55 GRI content index	124-125	
102-56 External assurance	19	
<b>GRI 103 : Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary	42-43
	103-2 The management approach and its components	42-43

GRI Standard	Disclosure	Page No.(s)
	103-3 Evaluation of the management approach	42-43
<b>GRI 201 : Economic Performance 2016</b>	201-3 Defined benefit plan obligations and other retirement plans	104
<b>GRI 202 : Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	25-29
	202-2 Proportion of senior management hired from the local community	25-29
<b>GRI 203 : Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	36-38
	203-2 Significant indirect economic impacts	36-38
<b>GRI 204 : Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	34
<b>GRI 205 : Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	47
<b>GRI 301 : Materials</b>	301-2 Recycled input materials used	37-38
<b>GRI 302 : Energy</b>	302-4 Reduction of energy consumption	38
<b>GRI 305 : Emissions</b>	305-5 Reduction of GHG emissions	38
<b>GRI 306 : Effluents &amp; Wastage</b>	306-2 Waste by type and disposal method	38
<b>GRI 401 : Employment 2016</b>	401-1 New employee hires and employee turnover	28
<b>GRI 403 : Occupational Health and Safety 2016</b>	403-1 Occupational health and safety management system	26
<b>GRI 404 : Training and Education 2016</b>	404-1 Average hours of training per year per employee	27
	404-2 Programs for upgrading employee skills and transition assistance programs	27
	404-3 Percentage of employees receiving regular performance and career development reviews	27
<b>GRI 405 : Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	26
<b>GRI 406 : Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	35
<b>GRI 408 : Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	26
<b>GRI 410 : Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	35
<b>GRI 412 : Human Rights Assessment</b>	412-1 Operations that have been subject to human rights reviews or impact assessments	35
<b>GRI 413 : Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	26
<b>GRI 415 : Public Policy</b>	415-1 Political contributions	35
<b>GRI 416 : Customer Health and Safety 2016</b>	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	35
<b>GRI 417 : Marketing and Labeling 2016</b>	417-2 Incidents of non-compliance concerning product and service information and labeling	35
<b>GRI 418 : Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	31
<b>GRI 419 : Socio Economic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area	35

# Notice of Annual General Meeting

Notice is hereby given that the twentieth Annual General Meeting of the eChannelling PLC will be held at the Main Hall, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7 on 15th July 2020 at 12.30 p.m.

## AGENDA

1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31st December 2019, with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. D J Stephen, who retires by rotation in terms of Article 86 and 87 of the Articles of Association of the Company.
3. To elect as a Director Mr. A R H Fernando, who retires in terms of Article 94 of the Articles of Association of the Company.
4. To elect as a Director Mr. L M Seneviratne, who retires in terms of Article 94 of the Articles of Association of the Company.
5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration
6. To authorize the Directors to determine contributions to charities for the year ending 31st December 2020.

BY ORDER OF THE BOARD OF  
eChannelling PLC



**Geredene Soares**  
Company Secretary

2nd June 2020

## Note:

- (a) A member who is unable to attend and vote at the above mentioned meeting is entitled to appoint a Proxy to attend and vote in his or her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
- (b) The completed Form of Proxy should be deposited at the Registered Office of the Company, No 409, R A De Mel Mawatha, Colombo 03 not later than 48 hours before the time appointed for the holding of the meeting.

# Form of Proxy

I /We ..... (NIC No .....) of .....  
 being a member/s of the above Company, hereby appoint.....  
 (NIC No.....) of .....or failing him.

- |   |              |
|---|--------------|
| Mr. Anthony Rohan Harsha Fernando           | whom failing |
| Mr. Dallas Joshua Stephen                   | whom failing |
| Mr. Sampath Arunapriya Hettiarachchi        | whom failing |
| Mr. Lawrence Michael Paratz                 | whom failing |
| Mr. Nalin Tyrone Marcilan Perera            | whom failing |
| Mr. Kapugama Geeganage Dayaneth Sudharshana | whom failing |
| Mr. Lalith Mohan Seneviratne                |              |

As my/our proxy to represent me/us and vote on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on 15th July 2020 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	FOR	AGAINST
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31st December 2019, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director, Mr. D J Stephen who retires by rotation in terms of Article 86 and 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect as a Director, Mr. A R H Fernando Director who retires in terms of Article 94 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect as a Director, Mr. L M Seneviratne who retires in terms of Article 94 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine contributions to charities for the year ending 31st December 2020.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Twenty.

Signature: .....

**Note :** Please delete the inappropriate words.

1. Instructions for completion of form of proxy are noted on the reverse.
2. A proxy need not be a member of the Company.
3. Please mark "X" in appropriate cages, to indicate your instructions as to voting.

**INSTRUCTIONS TO COMPLETION OF FORM OF PROXY**

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No 409, R A De Mel Mawatha, Colombo 03, at least 48 hours before the time appointed for holding of the Meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

**Note:**

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No. 07 of 2007 applies to Corporate Shareholders of eChannelling PLC. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this act or not, may where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an individual shareholder.

# Corporate Information

## Name of the Company

eChannelling PLC

## Legal Form

Quoted Public Limited Company incorporated in Sri Lanka in 2000. Ordinary shares of the company is listed on the Diri Savi Board of the Colombo Stock Exchange.

## Company Registration Number

PQ 205

## Board of Directors

Mr. Rohan Fernando - Chairman  
Mr. Nalin Perera - Director  
Mr. Sudharshana Geeganage - Director  
Mr. Lalith Seneviratne - Director  
Mr. Lawrence M Paratz- Director  
Mr. Sampath A Hettiarachchi - Director  
Mr. Dallas J Stephen - Director

## Company Secretary

Ms. Geredene Suares

## Auditors

KPMG  
Chartered Accountants,  
No. 32A, Sir Mohamed Macan Marker Mawatha, P.O. Box 186,  
Colombo 03.

## Lawyer(s)

D. L. & F. De Saram  
No. 47, Alexandra Place,  
Colombo 07.

## Bankers

Sampath Bank PLC  
Nations Trust Bank PLC  
People's Bank  
Commercial Bank of Ceylon PLC  
National Development Bank  
Seylan Bank PLC  
Amana Bank PLC  
DFCC Bank  
Citi Bank

## Registered Office of the Company

No. 409, R A De. Mel Mawatha, Colombo 03.

## Contact Details

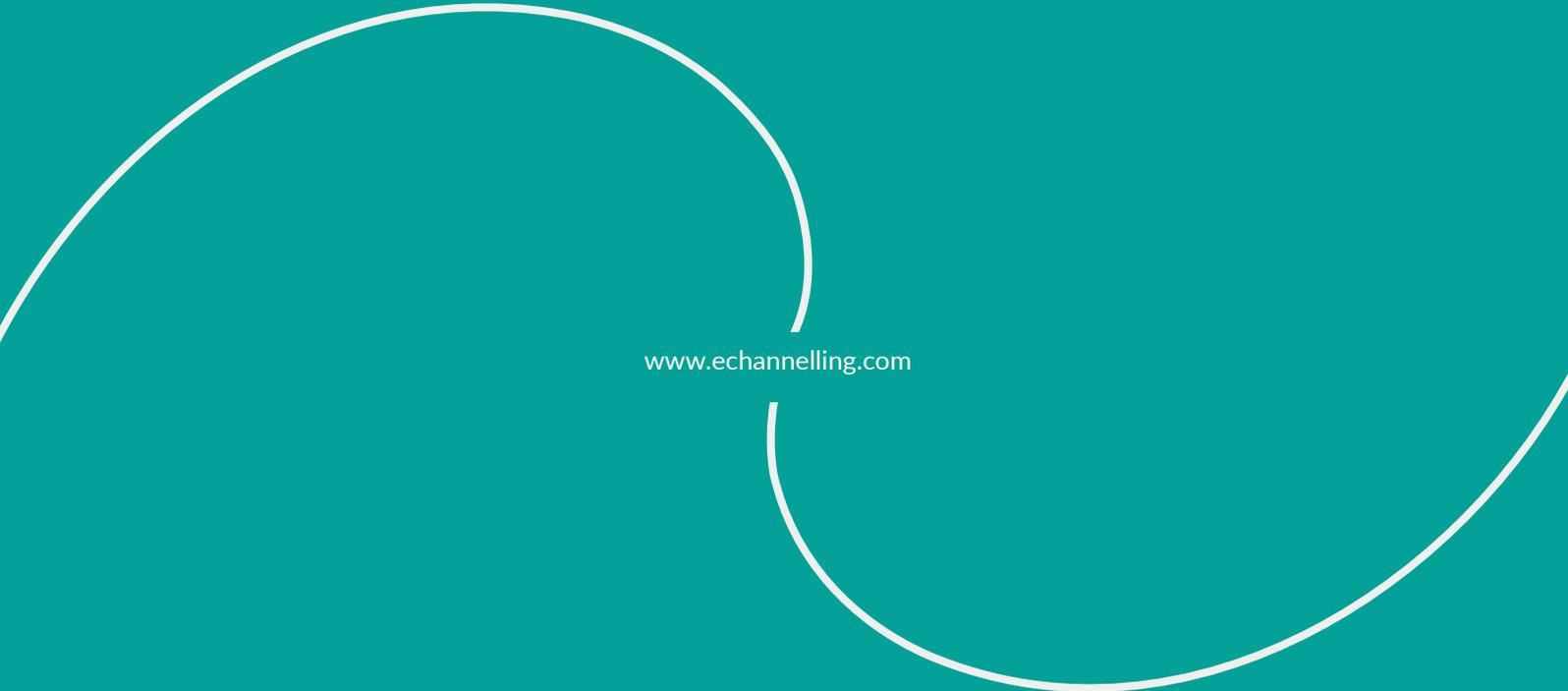
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Telephone No: (+94) 112 502 225  
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