



*Future of*  
**Digital Healthcare**

Annual Report 2017



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# *Future of* **Digital Healthcare**

eChannelling PLC is the pioneer software development and ICT service provider to the Healthcare industry in Sri Lanka. It is the first company in Sri Lanka to offer a complete e-commerce based service and the first public quoted Technology Company in the Colombo Stock Exchange. eChannelling has consistently been part of the 100 top brands in Sri Lanka.

eChannelling PLC was established in 2001 by Millennium IT (Group company of the London Stock Exchange), another pioneer ICT company in Sri Lanka, known worldwide for advanced investment trading systems. In 2001, when the World Wide Web was gaining momentum, eChannelling envisioned an enabling service to eliminate the hassle and the inconvenience faced by the general public to obtain an appointment to meet a Specialist or Consultant at the time and place convenient to them. At the time when eChannelling was launched, other nations in the region and even UK and USA, did not have service to tie up doctors, patients and hospitals, leveraging the power of the Internet and e-commerce. Now eChannelling has extended its services to video consulting and drug delivery by enhancing their value added services as convenient to the customers.

eChannelling PLC is a subsidiary of Mobitel (Private) Limited, Sri Lanka's National Mobile Service Provider which is a fully-owned subsidiary of Sri Lanka Telecom PLC.

## *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 2017	9 Months ended 31st December 2016
	Rs.	Rs.
Revenue	129,009,036	107,877,945
Profit from operations	39,949,080	34,825,687
Profit before income tax expense	62,735,204	48,071,518
Profit for the period/year	35,571,692	27,933,709
Total Assets	328,414,485	255,229,680
Net Assets	240,629,915	205,480,524
Net Assets Per Share	1.97	1.68
Earning Per Share (EPS)	0.29	0.30
Return on Investment (ROI)	0.15	0.18

## Return on Investment (ROI)

**14.78%**

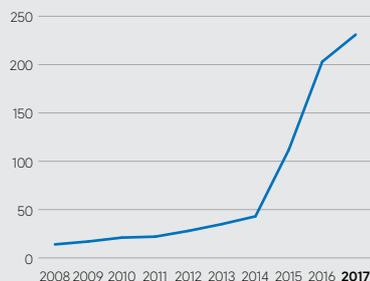
## Total Assets

**328.41 Mn**

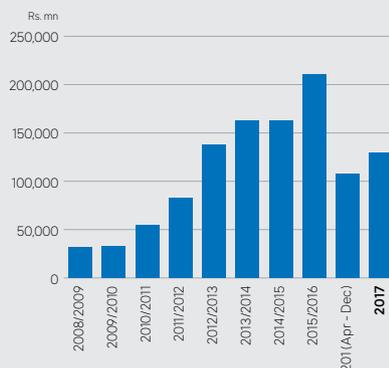
## Short Term Investments

**191.47 Mn**

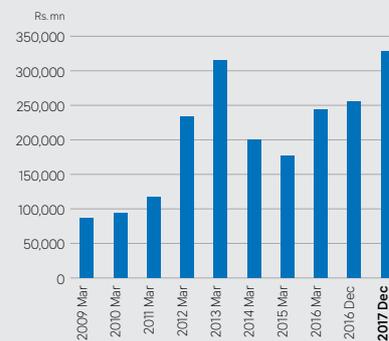
### eChannelling Hospital Network in Sri Lanka



### eChannelling Revenue

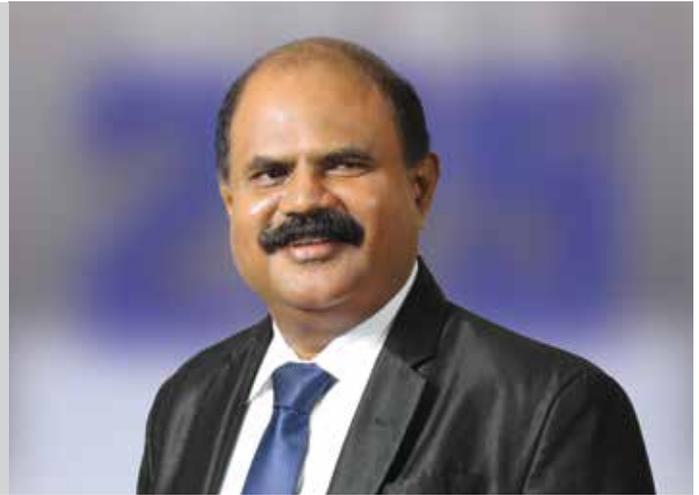


### Total Assets



## CHAIRMAN'S MESSAGE

*"eChannelling PLC will continue to redefine the healthcare sector by changing customer perceptions on health and wellness while parallelly promoting preventative healthcare measures. It is the Company's ultimate aim to change the current paradigms of the healthcare system in Sri Lanka by bringing to patients' convenience, speed and service excellence while simultaneously enhancing the quality of the healthcare sector of Sri Lanka."*



Dear Shareholders,

It gives me great pleasure to share with you the performance of eChannelling PLC which continues its journey of success with another successful year of operations. Consequent to the acquisition by Mobitel (Pvt) Ltd., in the previous financial year, the Company continued to strengthen its brand and market leadership positioning by focusing on increasing the reach both in terms of customers and hospitals. The strength of the Mobitel partnership has further increased the confidence levels of hospitals and other medical institutions in the Company. Consequently, during the year under review our efforts were fruitful and the Company was able to add 28 new hospitals to our network from outstation areas of the country, thus, enabling our services to permeate the entire island. Resultantly, the total volumes of appointment through our services increase by approximately 9% during the year under review. This signifies the slow yet steadily improving acceptance by patients to use eChannelling as their preferred method to channel doctors.

The aim of the Company for 2017 was to improve market share and build volumes. We were able to achieve this aim by focusing on promoting our services to hospitals and other medical institutions not a part of our network, while simultaneously increasing awareness of our services to the public around the country. The year under review was also dedicated to product enhancement and product development that would result in value added service offering to our customers. One such offering is the partnership with 'vDoc', a UK-based consultation website for obtaining second opinions for patients.

Furthermore, the acquisition by Mobitel (Pvt) Ltd., enabled the Company to benefit from synergies that would otherwise have taken us years to build. We were able to leverage the wide presence of Mobitel outlets across the island and further the Company's presence in the outlying areas of the country where our services had yet not reached. The Company also jointly undertook marketing campaigns with Mobitel that enabled us to increase awareness about the Company's services and how to use them. In addition, this

strategic partnership with Mobitel has also enabled the Company to realise a synergistic effect where Mobitel's marketing and strategic expertise has assisted us to drive our business strategy and goals many steps forward. Mobitel's positioning as a technology driven company has also enabled eChannelling to have easier access to enhanced IT-based platforms that will drive our business into the future.

### Information Technology (IT) as a strategic tool

We continue to focus our efforts on improving and enhancing our IT systems and processes. Accordingly, we have finalised plans to revamp the Company's IT security infrastructure to ensure data security and confidentiality as systems evolve and people become more adept at breaching security. The implementation of this new security system is planned for 2018.

In keeping with the change in major shareholder of the Company as well as our pursuit of being state-of-the-art, the Company relocated our Head Office in July 2017 to the modern office building of Mobitel (Pvt) Limited at No.490, R A De Mel Mawatha, Colombo 03. This proximity to Mobitel will enable us to benefit from technological enhancements and conceptualised office atmosphere that revolves around the theme of 'Internet of Things'.

### The way forward

The future for the Company remains lucrative. As people continue to accept and adopt eChannelling as an efficient and convenient way to channel doctors, we will continue to focus on increasing awareness of this facility to the public and as well provide patients greater reach in terms of hospitals, clinics, medical facilities and other medical institutions that they can use through our service offering. We will also focus on strategically aligned value-added channelling services as well as value-added services that go beyond channelling for our customers' long-term benefit.

The continued development of technology will also play a significant role, and the Company will continue to be aligned to modern

technology, while providing our customers different methods to access our services.

eChannelling PLC will continue to redefine the healthcare sector by changing customer perceptions on health and wellness while parallely promoting preventative healthcare measures. It is the Company's ultimate aim to change the current paradigms of the healthcare system in Sri Lanka by bringing to patients' convenience, speed and service excellence while simultaneously enhancing the quality of the healthcare sector of Sri Lanka.

### Appreciation and acknowledgements

I take this opportunity thank my fellow Directors for their guidance and efforts to ensure that the Company succeeds in the years to come. I also thank the tireless efforts by the Managing Director, the management team and the entire staff of eChannelling who work to ensure that our strategies and goals are achieved beyond our expectations. My heartfelt appreciation to Mobitel, our major shareholder, for enabling the Company to reach even greater heights through their backing and strength. To our other shareholders, customers, suppliers and all other stakeholders, we are grateful for the support given and the confidence shown in our ability to continue to build a successful and sustainable long-term business enterprise that will benefit the nation and the healthcare industry.



**P G Kumarasinghe Sirisena**  
Chairman

28th February 2018

## EXECUTIVE DIRECTOR'S REVIEW

*"Aligned to our vision and mission, we continue our efforts to increase the reach of our services across the island while providing more access points for patients' ease. Thus, the focus of the Company during the year under review was two-fold. We concentrated our efforts and resources on increasing awareness of our services to the public in more geographic locations within the country while simultaneously promoting our services to the hospitals and similar medical institutions around the country."*



It is with pleasure that I present to you the 18th annual report for eChannelling PLC for the year ended 31st December 2017. The year under review was positive for the Company's overall performance. We pursued our goals of maximizing wealth for our stakeholders and were successful in achieving our aims. We continue to maintain our market leadership position in Sri Lanka with a strong and growing reach, a respected brand image which has only been enhanced and strengthened with the backing of Mobitel (Pvt) Ltd., our majority shareholder. Resultantly, the Company's revenue of Rs. 129 million and the profitability of Rs. 35.5 million during the year under review reflects the strong position of the Company.

One contributing factor for our success was the launch of the common platform for channelling interconnectivity with collaborating hospitals such as Asiri Group, Durdans PLC and Ninewells. This platform, which was launched in January 2017, increased the Company's revenue significantly. However, we realised our clients would have several options to choose from, which made eChannelling preferred option for our customers.

### Key focus areas of 2017

Aligned to our vision and mission, we continue our efforts to increase the reach of our services across the island while providing more access points for patients' ease. Thus, the focus of the Company during the year under review was two-fold. We concentrated our efforts and resources on increasing awareness of our services to the public in more geographic locations within the country while simultaneously promoting our services to the hospitals and similar medical institutions around the country. One of the biggest highlights of the year was partnering with Galle Co-operative hospital which we had identified as a large medical institute in the southern province.

The Company was able to use the island wide network of Mobitel to further our reach to remote locations by establishing an e-channelling desk within Mobitel offices to assist prospective customers not familiar with using the eChannelling website and/or the mobile app. The partnership with Mobitel also gave us access to use the SLT Teleshops for the same purpose.

During the year the Company also partnered with Mobitel on several island-wide marketing campaigns, including the monthly Mobitel Cash Bonanza promotional event. These marketing initiatives provided the ideal platform to create awareness on eChannelling. We also utilised these events to conduct health camps, by inviting hospitals in the area to organize free medical check-ups for people living in the surrounding communities. Thus, we were able to exponentially increase visibility around the island from both the customer and hospital perspectives.

### Developments during the year

A noteworthy development during the year under review was the partnership we entered into with Lanka Bell, one of the largest fixed wireless operators and the second largest fixed phone operator in the country. This partnership will further the Company's goal of increasing our reach by giving us access to Lanka Bell's subscriber base.

To benefit our customers in the longer term, the Company ventured into a new area of service offering by partnering with 'vDOC', a UK-based consultation service for obtaining second opinions for patients. With this partnership we will be providing our customers a more comprehensive service while concurrently increasing the Company's product portfolio and value to our stakeholders. Plans are also underway to offer our customers local video consultations (oDOC) and enhance the Company's service offering by providing drug delivery services.

The Company's loyalty program was further strengthened during the year under review. NFC memberships were offered to members who could then use these cards to obtain discounts from pharmacies, hospitals and merchants selling medical related items.

Furthermore, the Company also identified a new target market, the Ayurvedic Clinics and medical institutions, to be channelled using our Company's services. We hope to further pursue this new market in the year ahead.

### A year of achievements

The Company is proud to have received recognition in Sri Lanka in the form of awards. During the year under review, the Company received the eSwabimani Award at the ceremony organised by ICTA, and we were also nominated for the 'Online Brand' by the SLIM Brand Awards 2017. An achievement that we are very proud of is to be ranked amongst the 'Top 100 brands in Sri Lanka' by the Lanka Monthly Digest (LMD) 2017. The Company also successfully renewed the ISO 9001:2015 Quality Management Certification during the year under review.

### Caring for the community

During the year under review the Company conducted many programmes as part of our social responsibility initiatives. Being in the healthcare industry, majority of our programmes are aimed at ensuring the dissemination of information about illnesses and living a healthy lifestyle. The theme for the year for our CSR activities was "Prevention is better than cure", with a focus being on wellness and preventative care. Accordingly, we organised programmes in collaboration with other local and international agencies aimed at the early detection of cancer and prevention of dengue, while organising special medical camps to commemorate World Health Day.

Furthermore, we also sponsored events such as 'Run for Their Life', Diabetic Walks, blood donation campaigns. We also assisted communities by providing medicines and relief items during the flood disaster experienced in June 2017. We also set-up medical camps to assist flood relief victims.

## Message from Executive Director

### Future plans

The future of the Company stands bright. We have in the pipeline strategies to increase our value-added services as well as sign up with government hospitals to provide eChannelling services. We also plan to approach specialist hospitals and clinics that treat illnesses such as cancer and other long-term diseases to partner with us and become a part of our expanding network which provides patients an efficient and effective channelling service. Also eChannelling hopes to give customers a better convenience access via Kiosk machines and the first one has already been initiated at Lanka Hospital Cooperation PLC.

### Acknowledgements

I take this opportunity to thank the Chairman and Board of Directors for their continued guidance and support. I also thank my management team for their support and efforts to ensure that the Company's goals are achieved. A special thank you to all employees whose collective efforts makes this Company the success that it is today. I would be remiss if I did not thank our customers, shareholders, partners, hospitals and medical institutions for the trust and reliance placed in our Company and the services that we bring to you.



**Nalin Perera**

Executive Director

28th February 2018

# BOARD OF DIRECTORS



**Mr. P G Kumarasinghe Sirisena**  
Chairman/Director



**Mr. Nalin T M Perera**  
Director



**Mr. Sudharshana Geeganage**  
Director



**Mr. Sampath A Hettiarachchi**  
Director



**Mr. Lawrence M Paratz**  
Director



**Mr. Kanishka Senanayake**  
Director



**Mr. D J Stephen**  
Director

## Board of Directors

### Mr. P G Kumarasinghe Sirisena

*Chairman/Director*

Mr. Kumarasinghe was appointed as Non-Independent Non-Executive Director/Chairman of the Board of eChannelling PLC on the 20th September 2016. He is also the Chairman of Sri Lanka Telecom PLC, Mobitel (Pvt) Ltd, SLT Campus (Pvt) Ltd, SLT Publications (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.

He is professionally qualified in fields of Management, Financial Management, Accountancy, Human Resource Management and possesses expertise combined with more than 25 years of management experience at Senior Executive level, in both public and private sector.

Mr. Kumarasinghe is a Fellow of the Chartered Institute of Marketing (FCIM-CIM), Institute of Certified Professional Managers (FCPM-CPM), Institute of Government Accounts and Finance (IOGAF), Association of Accounting Technicians of Sri Lanka (FAAT) and the Association of Public Finance Accountants of Sri Lanka - the Public Sector Wing of CA Sri Lanka (APFA). He is a Certified Member of the Sri Lanka Institute of Marketing (CM-SLIM), Member of the Sri Lanka Institute of Directors (M-SLID), Member of Institute of Personnel Management Sri Lanka (HM-IPM) and an Associate Member of Association of HR Professionals of Sri Lanka (AM-HRP).

Mr. Kumarasinghe was the Managing Director of State Development & Construction Corporation and CEO/ State Timber Corporation. He has served on the Boards of Mahaweli Engineering Services Ltd and the Sri Lanka Land Reclamation and Development Corporation. He currently serves as a Director on the Boards of Land Reclamation & Development Company Ltd and L R D C Services (Pvt) Ltd. He is also a member of the Governance Board of Saegis Campus and is also the Financial Consultant of the Araliya Group of Companies.

### Mr. Nalin Perera

*Director*

Mr. Perera was appointed as an Executive Director of the Board of eChannelling PLC on the 20th September 2016. A dynamic catalyst in Sri Lanka's Mobile Telecommunications space, Nalin has powerfully influenced the industry's landscape and evolution, cementing his credentials as an industry veteran and front liner. In a stellar career spanning three decades with leading international and local telecoms, his professional growth and success in the Mobile Telecommunication industry is synonymous with the industry's rise to prominence.

A versatile leader, he played a crucial role in pioneer operator Celltel's introduction of mobile telephony to Sri Lanka in 1989, rising rapidly within the Millicom Group to General Manager Sales and Marketing within a short period of time. The launch of the Mobile Pre-Paid concept and its business model in Sri Lanka can be directly attributed to Nalin's unique brand of leadership. An irrepensible ideas man, he has subsequently revolutionized the industry with innovative Value Added Services and Enterprise Business Solutions.

An inspirational leader, Nalin also functions as the Chief Executive Officer of Mobitel, powering the company from one milestone to the next as one of the most profitable and successful Mobile Service Operators. He was appointed as Chief Marketing Officer and Chief Operating Officer at Mobitel previously.

Mr. Perera possesses strong insights into brand management, product and channel development and human resource management, leveraging on a wealth of experience in the mobile telephony industry, while having insights on the pulse of key stakeholders and changing customer behaviours. His vibrant leadership has earned Mobitel a host of local and international awards and accolades over the years.

Nalin holds a Postgraduate Diploma in Marketing (UK) and is a Chartered Marketer (UK). He earned a Master of Business Studies from University of Colombo. He is also a well recognized sports personality in the country.

### **Mr. Sudharshana Geeganage**

*Director*

Mr. Geeganage was appointed to the Board of eChannelling 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 21 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 Finance Officer at Mobitel (Private) Limited, a leading mobile telephony service operator in Sri Lanka.

### **Mr. S A Hettiarachchi**

*Director*

Mr. Hettiarachchi was appointed as an Independent Non-Executive Director of the Board of eChannelling PLC on 1st May 2013. Prior to this appointment, from 2008 to April 2013, he was the Chief Financial Officer at Lanka Hospitals Corporation PLC. Mr. Hettiarachchi has

over 22 years of managerial and leadership experience at leading corporate institutions in both service sector and manufacturing operations including Ansell Lanka Private Limited, Lanka Bell Limited 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)

### **Mr. Lawrence Paratz**

*Director*

Mr. Paratz was appointed to the board of Sri Lanka Telecom PLC as an Independent Non-Executive Director with effect from 26th May 2010.

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 30 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,

## Board of Directors

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 Mobitel (Pvt) Ltd, Sky Networks (Pvt) Ltd., SLT Property Management (Pvt) Ltd., SLT Campus (Pvt) Ltd., SLT Services (Pvt) Ltd, Visioncom (Pvt) Ltd, and SLT Publications (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 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.

### Mr. Kanishka Senanayake

*Director*

Mr. Senanayake was appointed as a Non-Independent Non-Executive Director of the Board of eChannelling PLC on the 20th September 2016. Mr. Senanayake is a graduate of the University of Tampa, USA in a Degree in Finance and also holds a Foundation Degree in Law from the University of Warwick UK.

He started his career at Holcim Lanka Limited in Colombo Sri Lanka as Business Development Manager from November 2009 to May 2013. Holcim was the largest cement manufacturer in Sri Lanka and a global conglomerate.

Currently, he is the Director of Stallion Holdings (Private) Limited, Stallion Consultancy (Private) Limited, Malfani (Private) Limited, John Miller Enterprises (Private) Limited and Bleu Energy (Private) Limited.

He is also the Chief Executive Officer (Director) of Saviru Cement (Private) Limited.

He was appointed to the Board of Directors of Mobitel (Private) Limited and SLT Property Management (Private) Limited in November 2015.

### Mr. D 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 Jayawardanapura (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 (600) six 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, real estate Board of Directors 11 and recruitment with a corporate philosophy of 'Partnering Continuous Excellence' within their client organizations. Recent addition to Kaizen Plus is the online recruitment portal [www.jobsjobs.lk](http://www.jobsjobs.lk), which pioneered the mobile sms alert service for job seekers for the first time locally.

# MANAGEMENT DISCUSSION AND ANALYSIS

eChannelling PLC's performance for the year ended 31st December 2017, far exceeded . It was the combined result of the Company's acquisition by Mobitel Pvt Ltd, the trust in our brand by stakeholders and the efficient and effective services the Company continuously strived to provide to both our customers and our partner hospitals and medical facilities.

As the pioneer in offering e-channelling services to the Sri Lankan healthcare industry we are proud to be identified as one of the top 100 brands in Sri Lanka by the renowned magazine Lanka Business Digest (LMD) over the last few years. We are an ISO 9001:2015 quality management certified company and have been honoured over the years with many accolades and awards.



## Financial performance overview

The year under review proved successful for the Company having achieved a revenue of Rs. 129 million and a profit before tax of Rs.62.73 million. The success in part was a result of the acquisition by Mobitel (Pvt) Limited and partly due to the increasing confidence by our stakeholders in the Company's services.

## ICT as a strategic competitive advantage

The Company's success lies primarily in the application of ICT infrastructure to enable more efficient and effective channelling services to patients to make appointments with their doctors at their preferred choice of hospital. The innovative technology has enabled the Company to improve our services by incorporating value-added services which are aimed at improving customer services and empowering patients to make their appointments hassle-free. Resultantly, the Company is undertaking a trial of an 'eChannelling Kiosk' set-up at Lanka Hospitals in Colombo. We are also working with a third party to develop a kiosk for eChannelling that can be accessed by the public. Furthermore, the Company successfully offers services on a dedicated eChannelling mobile app; as well as on the mobile apps of some leading hospitals in the country.

Our partner hospitals too have realised the worth of the Company's services over the years. By using our services, hospitals are able to offer value-added services to their patients such as sending SMS to patients to confirm their appointment by utilising the existing IT platforms of eChannelling PLC.

## Expanding partner networks

Our expanding operational network that reaches all parts of the country has ensured that our services permeate the island and provide an effortless way in which patients may channel their doctors. Today, eChannelling has over 200 hospitals and medical institutions who are a part of our network of service providers. Furthermore, the Company has tied up with leading Telcos, Banks, agent mobile apps as well 600 post offices and over 500 pharmacies to enable us to extend our customer reach as well as provide easy access of our services to customers.

During the year under review the Company entered into a partnership with Lanka Bell to expand our reach through their subscriber base. Furthermore, the acquisition by Mobitel also enabled us to use their island-wide offices as well as SLT teleshops

from which to base our operations and assist patients in remote location to utilise eChannelling facilities. The Company also expanded services to include new partner medical facilities in towns and cities further South and in other parts of the island, thus enabling patients to now utilise eChannelling services to make appointments to visit doctors who channel at these facilities.

### Ensuring customer satisfaction

Our customers are the key success factor of the Company. The adoption and acceptance of the Company's services by today's technologically adept patients has ensured that the Company is placed in a unique position of success and sustainable growth in the coming years. This is proven by the increase seen in the year-on-year appointments made through eChannelling services.

The Company in turn ensures our customers receive the best possible services we can offer, and we focus much effort and resources to ensure customer satisfaction and retention. To ensure that our customers are updated on latest medical research, new illnesses and cures, and other useful health/medical related developments, we send out informative flyers and leaflets to our registered members on a regular basis. We also send out health tips endorsed by specialist in the medical field via SMS to our registered members at selected times.

During the year under review the Company organised a health camp in collaboration with the WHO government related associations, the Heart Association and the Tobacco Association. These camps were organised as one of the awareness campaign to educate the general public.



The Company also strives to continuously provide value-added services to our customers, and during the year under review we were able to secure the services of a UK-based consultation service whereby our customers could obtain second opinions. We also now offer our customers video consultations which can be accessed through the Company website.

### Range of services

#### Doctor Channelling System and Service

This is the primary service of the Company. This service enables the public to obtain an appointment to meet a Specialist or Consultant at a time and place convenient to them

#### Value Added Services

Over the years the Company has developed additional services that provide greater value to hospitals and patients.

##### \* For Hospitals

- ✦ Doctor Notification – An SMS notification system that informs patients about the updated doctor appointment status
- ✦ D-Doctor Notification – An SMS notification system to inform doctors about their appointment details

##### \* For Patients

- ✦ eChannelling Member Card - offers discounts to patients on eChannelling service charge, and products of 800+ island-wide merchants
- ✦ No Show Refunds - facilitates hassle-free refund of all payments done for the appointment missed by the patient

## *Management Discussion and Analysis*

- ✦ Drug Delivery - Drugs can be delivered by simply uploading the prescription on eChannelling website @ <https://www.echannelling.com/Echannelling/drug-delivery>
- ✦ Video Consulting - Consultant service can be obtained through video conference by patients

### **HIS (Hospital Information System)**

eChannelling has developed and implemented an integrated Hospital Information System (HIS) for one of the largest private hospitals in Sri Lanka. The Company now promotes and markets the HIS solution with its comprehensive modules to small and medium sized hospitals, medical clinics, retail pharmacies and medical laboratories.

# SUSTAINABILITY REVIEW

eChannelling PLC is well-aware of the importance of being a sustainable business entity, and reporting on the economic, environmental, and social impact of our business operations. The nature of our business enables sustainable practices to be adopted by all our stakeholders and the business itself. While we are still in the initial stages of recording formally our sustainability practices, the nature of our business operations facilitates the Company to be sustainable. Our primary service of e-channelling is designed to be a sustainable method of obtaining doctor appointments. Patients or their representative are not required to travel to hospitals or medical facilities to obtain paper-based appointment notes. They can simply get an appointment with a few clicks of the mouse. Furthermore, with the addition of services such as online consultations we have not only provided patients with a more comfortable solution for being treated for their illness, but we have indirectly also reduced the travel that patients would otherwise have to undertake.

As the Company matures and progresses in recording our sustainability activities, we will become more comprehensive in our reporting as well. In the interim we showcase our sustainability efforts related to our employees, our customers and the community at large. We believe that to create even more value in the longer term for all our stakeholders we must embrace sustainability principles fully and ensure that our business operations are conducted in a manner that befits the expectations of all our stakeholders.

## Our employees



Our employees play an integral role in carrying out the day-to-day business operations to ensure meeting long-term business goals. The Company therefore ensures that all employees are treated in a fair and respectful manner and rewarded based on their skills, abilities and the responsibilities they carry out on behalf of the Company.

A key development during the year under review was the comprehensive review of all HR policies and procedures of eChannelling to ensure alignment with the standards and practices fostered and adhered to by our parent company – Mobitel (Pvt) Ltd. This also resulted in changing the performance appraisal and performance management systems to reflect Mobitel standards, as well as a re-designation of all employees' job titles to reflect the grades and style followed by Mobitel. Furthermore, the relocation of our offices to the Mobitel building resulted in our employees gaining a modern working environment and improved facilities. These changes were communicated with our employees in advance and were received positively, leading to greater motivation levels and improved sense of job security and satisfaction by employees.

The Company's aim to ensure that our employees receive ample opportunities for training and development was also enhanced during the year. Accordingly, we focused on investing more on professional and leadership training programmes whereby employees benefited from attending both local and overseas training programmes during the year. We also continue our efforts to build careers for our employees with the Company as opposed to mere jobs. We realise that our employees are the drivers of our strategy and goals, they are our future leaders, and thus have in place a clear guide for recruitments, performance management and rewarding process.

The Company also realises the importance of work-life balance and organises events and activities aimed at employee engagement and building camaraderie among employees. During the year under review we organised many memorable annual trips, sport events and parties for our employees and their families. The Company's

## Sustainability Review

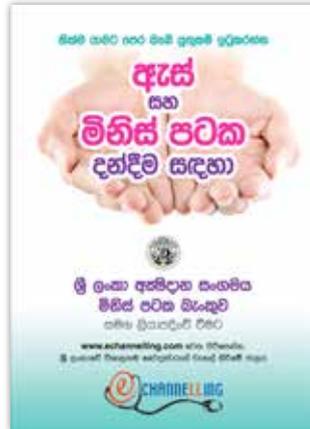
employees also participated in a blood donation drive which was organised by Sri Lanka Telecom, the ultimate parent company of Mobitel. Our culture is such that we foster a sense of community within our organisations and believe that this is one of the key factors which drives the Company's success.

### Our community

As part of our social responsibility efforts, the Company sponsors, organises and conducts many health-related programmes for the public. The key theme for the year 2017 was "Prevention is better than cure" and all our programmes and initiatives were directed along this theme. Accordingly, during the year under review, we conducted a series of programmes in collaboration with the Cancer Survival Organization to create awareness on early detection of cancer. The first detection camp was held in Matara in December 2017 and assisted many people in the area to understand and be better prepared to detect for cancer.

We also conducted a health camps and public awareness campaigns in association with our hospital chain on selected important Health Days. These camps were an immense success with many patients receiving treatment.

eChannelling also sponsored the 'Run for their lives' 5 km charity run in aid of the National Cancer Institute in Maharagama organised by the Rotaract Club of Colombo Uptown. This event which has been held annually since 2010 was held at the Racecourse Grounds in Colombo 7 on 12th October 2017.



*A key activity which the Company has been involved in for the past few years is providing an online-based facility for donors to register for eye and tissue donations through the Company's website. Once these donors are registered, the Company collaborates with relevant hospitals and patients in need to bring all parties together to help patients.*

The Company also took part in the Diabetic Walk in November 2017 conducted by the Sri Lanka Diabetes Federation and the Sri Lanka College of Endocrinologist Association together with a health camp and a public awareness campaign. This was a highly successful event with many people receiving treatment at the camp.

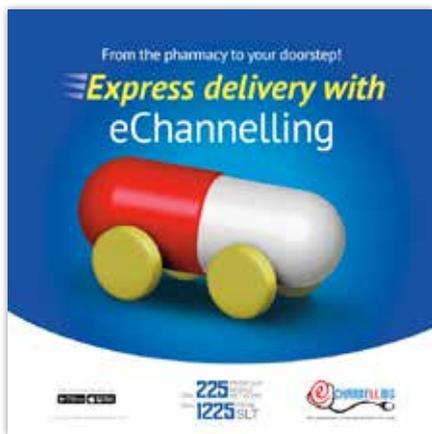
During the flood disaster that affected seven districts of Sri Lanka in May 2017, the Company together with our employees undertook flood relief efforts by providing medicines and other basic relief items to flood victims. The Company also set up medical camps in Ratnapura and Matara districts to assist those victims in need of immediate medical attention in collaboration with the Ratnapura Arya Hospital, Rathnapura Singha Hospital and the Nawinna Medicare Hospital.



## Our suppliers

The suppliers of the Company are mainly the hospitals and medical facilities who partner with us to utilise our e-channelling services. They are an important stakeholder, without whom we would be unable to serve our customers. With the provision of consultations and drug delivery services, the Company's supplier-base has increased and become more diverse.

The Company therefore understands the importance that our suppliers play in our value chain and we work towards ensuring that they are satisfied with our services while ensuring they meet quality and service standards expected by our customers. The Company fosters close relationship with our suppliers by continuously engaging with them. During the year under review, the Company secured the services of several new suppliers and we held several events/programmes which facilitated building friendly relationships with our suppliers.



## Caring for the environment

The Company realises that conserving scarce natural resources is a responsibility of every enterprise and every person. Our business operations do not utilise natural resources to a great degree as we operate mostly on an electronic platform and have a small number of employees. However, we have in place a policy of utilising minimum natural resources to 'get the job done'.

We ensure that all recyclable materials are collected separately and segregated as per requirements before being sent out to authorised third parties for recycling. Whenever possible, we provide electronic letters, invoices and receipts to our stakeholders, thus ensuring the reduced usage of paper. Internal memos and notices are also sent out electronically whenever appropriate.

The most used resource is electricity which the Company gets from the national grid. However, we conscientiously manage our electricity usage by applying processes and procedures to maintain energy usage at optimal levels and educating employees on the application of energy conservation methods. The Company aims to use electricity very efficiently during working and non-working hours by adopting best practices aligned to our parent company's policies.

# RISK MANAGEMENT REVIEW

Risk is defined as any event or incident which if occurs, will adversely affect the achievement of these expected goals and objectives including missed opportunities. Risk management refers to how an organisation manages these risks while carrying out its business activities to meet its long-term goals. Effective risk management plays a critical role in the achievement of an organisation's strategic goals and objectives. To ensure a strong risk management framework an organisation must have in place adequate controls, measures, and monitoring systems integrated into every business activity level across all of operations.

eChannelling PLC's risk management framework follows a simple yet comprehensive approach that identifies, defines, assess, quantifies, monitors and mitigates risks related to procedural, legal and regulatory compliance of business activities. The Company has embedded risk management principles and practices as an integral part of our corporate policies and procedures. The risk management guidelines specify a systematic identification, assessment, measurement and monitoring of the risk events in key areas that have been pre-identified as critical to business success. These areas which include strategic, credit, operational, finance, and external risks are monitored on a regular basis.

To inculcate a healthy risk management culture in the Company, regular training is given to the middle and senior management teams, as well as other employees to ensure that 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 every department and ensures regular monitoring of risks. The Board-level Audit Committee has ultimate oversight for 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.

While it is practically impossible to eliminate all identified risks, the success of a Company depends upon putting inadequate checks and balances to minimise or offset these risk incidents as and when they occur. The Company has in place adequate and well-established processes and procedure which helps manage these risks.

We have a 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 in turn leading to adequate measures to address the sector risks. By utilising the Company's risk management framework, the Company is confident of pursuing its strategic goals and objectives in a risk-managed environment over the medium and long terms.

Identified Risks	Risk Mitigating Activities
<p><b>Economic Risks</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>✎ 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.</li> <li>✎ Continuous focus on process efficiencies and productivity improvements is in place to mitigate increases in support services costs.</li> <li>✎ Maintaining a different pricing structure for Colombo customers and those customers in more remote geographic locations</li> <li>✎ Ensuring a widespread geographic reach by partnering with hospitals and agents across the island.</li> </ul>

Identified Risks	Risk Mitigating Activities
<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>
<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>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>

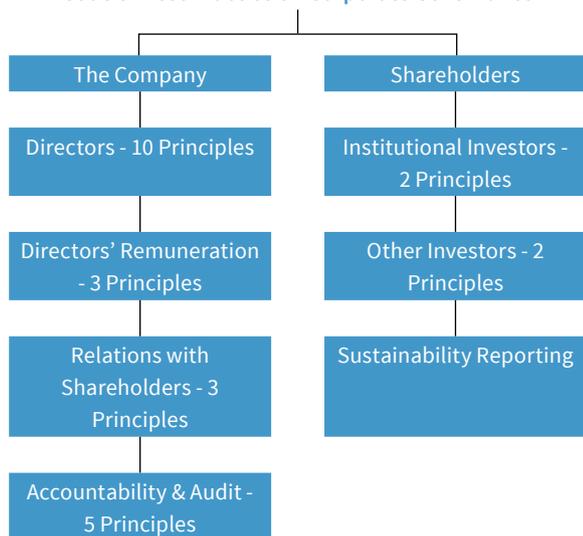
## Risk Management Review

Identified Risks	Risk Mitigating Activities
<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 utilisation of short-term borrowing facilities</li> <li>✔ Ability to offer Company assets as collateral for future funding requirements</li> </ul>
<p><b>Competition Risk</b></p> <p>The competitive advantage we have enjoyed during past being the pioneer in channelling services in the country has reduced within the last two years due to growing competition from new e-channeling services entering the market place. This situation has eroded our overall market share.</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>Human Resource Risk</b></p> <p>The risk associated with losing talented employees and an environment of unpleasant labour 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>

# CORPORATE GOVERNANCE

The Board of Directors of eChannelling PLC recognises that strong corporate governance practices are the bedrock of sustainable value creation and is committed to upholding the highest standards of transparency, accountability and ethical conduct. In pursuit of achieving high standard of Corporate Governance the Board ensures the compliance of the regulations set out in the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Ethics jointly issued by the Securities and Exchange Commission (SEC), the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Companies Act No. 7 of 2007 of Sri Lanka (Companies Act). 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.

#### 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

## Corporate Governance

- Reviewing and approving investments, acquisitions, disposals and capital expenditure
- Monitoring systems of governance and compliance

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 a clear agenda with the Board papers. Directors dedicate adequate time before a meeting to review Board papers. The Company convened four Board Meetings for the period. Information provided covers the monthly accounts and comparison of performance against the past data and the budget, are discussed and remedial action taken when necessary. Senior Managers make presentations on the performance in their respective area on request. When the Board requests additional information, this is also provided.

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

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 them as individuals as well as collectively as members of the Board.

### 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 Positions of Chairman and Executive Director are separated.

### A 3 - Chairman's and Executive Directors' 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 Executive Non-Independent Directors. 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.

#### **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 Articles of Association. All Board appointments are informed to the SEC 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' should be 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 profile 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

## Corporate Governance

with the company are disclosed on pages 36 to 38. 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. Details of the Remuneration Committee and the statement of Remuneration policy are provided on the page 33 of the Annual Report.

#### 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 in the Annual Report. Remuneration for Non-Executive 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 56 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 2017, 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 the 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 2017.

## **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 the Company in accordance with the Sri Lanka Accounting Standards, comprising SLFRSs and LKAs. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of these financial statements. This includes selecting and applying appropriate accounting policies and making estimates that are reasonable.

Chairman's Review, Executive Director's Review and Annual Report of the Board of Directors on the Affairs of the Company are given on pages 4 to 8 and pages 36 to 38. The Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st December 2017 is given on page 40.

### **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 internal control system is periodically reviewed by the Audit Committee and major observations are reported to the Board. The Board reviews the reports arising from internal audits. The Board has reviewed the internal control procedures in existence and is satisfied with its effectiveness.

### **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 Manager Finance and senior management members of the parent company attend the meetings on invitation. The Audit Committee Report is given in 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 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 who then ensure that the company employees behave ethically.

### **D 5 - Corporate Governance Disclosures**

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

Adhered to as per the Corporate Governance principles given in this Report.

### Shareholders

#### 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 the AGM. Company uses the 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 1 - 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.

Compliance with Corporate Governance Rules as in Section 7.10 of the Listing Rules of the Colombo Stock Exchange

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

Rule No.	Subject	Requirement status	Compliance	Details
<b>7.10.1. (a)</b>	Non-Executive Directors	Two or one third of the total no. of directors shall be non-executive directors whichever is higher.	Complied with.	There are seven Directors as at the date of the Annual Report. Out of which six Directors are non-executive directors.
<b>7.10.2. (a)</b>	Independent Directors	Two or one third of the non-executive directors whichever is higher shall be independent.	Complied with.	The Board comprises of two independent non-executive Directors as at the date of the Annual Report.
<b>7.10.2. (b)</b>	Independent Directors	Each non-executive director should submit a declaration of independence in the prescribed format.	Complied with.	All non-executive Directors have submitted their declaration of independence in the Prescribed format.
<b>7.10.3. (a)</b>	Disclosure relating to Directors	Names of independent Directors should be disclosed in the annual report.	Complied with.	The names of the Independent Directors are disclosed on the pages 9 and 13 of the Annual Report.
<b>7.10.3. (b)</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 with.	The Board has not been required to perform such determination.
<b>7.10.3. (c)</b>	Disclosure relating to Directors	A brief resume of each director should be published in the annual report including the area of expertise.	Complied with.	A complete profile of Directors is provided on pages 9 and 13 of the Annual Report.
<b>7.10.5</b>	Remuneration Committee	A Listed company shall have a Remuneration Committee.	Complied with.	Please refer page 33 of the Annual Report for more details on the committee and its functions
<b>7.10.5. (a)</b>	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 with.	The committee consists of two independent Directors and one Non-Executive Director.

## Corporate Governance

Rule No.	Subject	Requirement status	Compliance	Details
7.10.6.	Audit Committee	A listed company shall have an audit committee.	Complied with.	The Company has an Audit Committee comprising of three members.
7.10.6. (a)	Composition of Audit Committee	The Audit Committee shall comprise of two independent Non- Executive Directors, or Non-Executive Directors, a majority of whom shall be independent whichever is higher.	Complied with.	The committee consists of two independent Directors and one Non-Executive Director. The Chairman of the committee is member of a recognized accounting body.

### Meeting Attendance

Board meetings are held quarterly whilst special board meetings are convened as the need arises. During 2017 the board held 04 scheduled meetings. Additionally the following sub-committees also met regularly as summarized below.

Director	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transaction Reviewed Committee
Mr. P.G.K Sirisena	04/04	-	-	-
Mr. N.T.M Perera	04/04	-	-	-
Mr. L.M Paratz	04/04	-	-	-
Mr. K.D Senanayake	04/04	-	-	-
Mr. D.J Stephen	04/04	04/04	02/02	03/03
Mr. S.A Hettiarachchi	04/04	04/04	02/02	03/03
Mr. K.G.D Sudharshana*	03/03	01/01	-	01/01
Total Number of Meetings	04	04	02	03

\* Appointed w.e.f 06.04.2017

- Audit committee w.e.f 11.08.2017
- R.P.T.R committee w.e.f 11.08.2017

# 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 9 to 13 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. The meetings were attended by the General Manager, Senior Manager Finance and senior management members of the parent company on invitation.

## 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 Board 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, non-audit services and recommending to the Board on re-appointment 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 adequacy of the content and quality of routine management information reports forwarded to its members.

## Audit Committee Report

### 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 2018.

### 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.

(Sgd.)

**Sampath Hettiarachchi**

Chairman

Audit Committee

28th February 2018

# REMUNERATION COMMITTEE REPORT

## Composition of the Committee

The Remuneration Committee appointed by and responsible for the Board of Directors comprises two independent Non-Executive directors. The Remuneration Committee comprised of the following members;

1. Mr. S.A Hettiarachchi - Chairman
2. Mr. D.J Stephen

The brief profiles of the Directors are given on pages 9 to 13 of the Annual Report. 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 vested with power to evaluate, assess, decide and recommended to Board of Directors on any matter that may affect Human Resources Management of the company and specifically includes

- Formulate guidelines, policies and parameters for the compensation structures for all executive staff of the company.
- Review informations 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

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.

## Meetings

The committee held two time during the period under review.

Overall the committee is satisfied that it has completed the responsibilities that were delegated to it by the Board for the period under review and the necessary objectives were achieved, and it is forecasted to follow the same practice over the current period.

(Sgd.)

**Sampath Hettiarachchi**  
Chairman  
Remuneration Committee

28th February 2018

# RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

## 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.

## 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 9 to 13 of this report.

Company Secretary acts as the Secretary to the audit committee. The meetings were attended by the General Manager, Senior Manager Finance and senior management members of the parent company on invitation.

## 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.

### Meetings

The Committee met three times during the year and the proceedings of the meetings have been handed over to the Board of Directors in adequate detail.

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

### 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 36 and 37. 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 25 to the Financial Statements.

(Sgd.)

**Mr. S.A. Hettiarachchi**

Chairman

Related Party Transaction Review Committee

28th February 2018

# 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 2017. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007, the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

## Review of the Period

The Chairman's Review and CEO's Review describe the Company's affairs and mentions important events of the period.

## Principal Activity

The principal activity of the Company is to operate an Internet based electronic commerce business to provide a booking service for the consultation of doctors and related medical services.

## Auditor's Report

The Auditor's report on the financial statements is given on page 40.

## Financial Statements

The financial statements of the Company are given in pages 41 to 73.

## Accounting Policies

The accounting policies used in preparation of the Financial Statements of the Company are given at pages 45 to 55 of the Annual Report as required by Section 168 (1) (d) of the Companies Act.

## Directors' Interest

None of the directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 25 to the Financial Statements (Related Party Transactions).

## Director's Remuneration and Other Benefits

Director's remuneration in respect of the Company for the financial period ended 31st December 2017 is given in Note 10 to the Financial Statements.

## Corporate Donations

No donations were made by the Company during the financial period for charitable or political purposes.

## Directors and their Shareholdings

Directors of the Company and their respective shareholdings as at 31st December 2017 are as follows.

	31.12.2016	29.12.2017
Mr. P.G.K. Sirisena	Nil	Nil
Mr. D.J. Stephen	Nil	Nil
Mr. S.A. Hettiarachchi	Nil	Nil
Mr. D.K. Senanayake	Nil	Nil
Mr. L.M. Paratz	Nil	Nil
Mr. N.T.M. Perera	Nil	Nil
Mr. K.G.D. Sudharshana	Nil	Nil

Mr.K.G.D. Sudharshana was appointed to the Board with effect from 06th April 2017.

In terms of Article 86 and 87 of the Articles of Association of the Company Mr.D.K. Senanyaka, Mr.L.M. Parataz and Mr. D.J. Stephen retire by rotation and being eligible offer themselves himself for re-election.

In terms of Article 94 of the Articles of Association of the Company Mr.K.G.D. Sudharshana retires and being eligible offers himself for re-election.

## Related Party Transactions

### Non- Recurrent Related Party Transactions

There were no non-recurrent related party transactions of which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company as per 31st December 2017 audited Financial

Statements, which requiring specific disclosures in the 2017 Annual Report as required by Listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

### Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate exceeded 10% of the consolidated revenue of the Group as per 31st December 2017 audited Financial Statements, which required additional disclosures in the 2017 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

The members of the Board of Directors of the Company have been identified as Key Management Personnel. The Key Management Personnel have disclosed transactions, if any, that could be classified as Related Party Transactions in terms of LKAS 24 - 'Related Party Disclosures', and are given in Note 25 to the Financial Statements.

### Auditors

The Financial Statements for the period ended 31st December 2017 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 305,000 (2016 – LKR 305,000) as audit fees by the Company.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

### Investments

Details of investments held by the Company are disclosed in Note 19 and 20 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 15 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 14 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 2017 amount to LKR 146,629,267. Movements are shown in the Statement of Changes in Equity in the Financial Statements.

### Events Subsequent to the Reporting Date

No significant events have occurred since the reporting date other than those disclosed in Note 27 to 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.

## Report of Directors

### 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 12 to the Financial Statements.

Disclosure as per Colombo Stock Exchange Rule No.7.6

	29.12.17	31.12.16
Market price per share	5.90	7.00
Highest share price during the period	8.30	11.90
Lowest share price during the period	5.40	6.60

### Shareholding

The number of registered shareholders of the Company as at 29th December 2017 was 1,738.

### Major Shareholders

The twenty largest shareholders of the Company as at 31st December 2017, together with an analysis are given on page 76.

### 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 made on time.

### 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 2017.

### Annual General Meeting

The Eighteenth Annual General Meeting of the Company will be held at Lavender Room Bandaranayake Memorial International Conference Hall (BMICH) Bauddhaloka Mawatha, Colombo 07 on 9th May 2018 at 1.00 p.m.

For and on behalf of the Board of Directors of

**E-CHANNELLING PLC**



**P. G. Kumarasinghe Sirisena**  
Chairman



**Nalin Perera**  
Director



**SSP Corporate Services (Private) Limited, Secretaries**

28th February 2018

The image features a hand pointing at a tablet screen. The screen displays the text "Financial Reports" in a white, sans-serif font. The background is a blurred, blue-tinted view of various financial documents, including spreadsheets and charts, creating a professional and data-oriented atmosphere.

# Financial Reports

## INDEPENDENT AUDITORS' 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  
+94 - 11 254 1249  
Internet : www.kpmg.com/lk

### To the Shareholders of E-CHANNELLING PLC Report on the Financial Statements

We have audited the accompanying financial statements of eChannelling PLC, ("the Company"), which comprise the statement of financial position as at December 31, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 41 to 73 of the annual report.

#### Board's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion 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 and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

**CHARTERED ACCOUNTANTS**  
Colombo

28th February 2018

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 ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31st December 2017	9 Months ended 31st December 2016
	Note	Rs.	Rs.
<b>Revenue</b>	08.	<b>129,009,036</b>	107,877,945
Cost of sales		<b>(5,025,971)</b>	(27,946)
<b>Gross Profit</b>		<b>123,983,065</b>	107,849,999
Other income	09.	<b>938,020</b>	588,040
Administrative expenses		<b>(79,725,609)</b>	(64,079,199)
Selling and distribution expenses		<b>(5,246,396)</b>	(9,533,153)
<b>Profit from operations</b>	10.	<b>39,949,080</b>	34,825,687
Finance income	11.	<b>22,786,124</b>	13,245,831
<b>Profit before income tax expense</b>		<b>62,735,204</b>	48,071,518
Income tax expense	12.	<b>(27,163,512)</b>	(20,137,809)
<b>Profit for the year/period</b>		<b>35,571,692</b>	27,933,709
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit &amp; loss</b>			
Remeasurement of employee benefit obligation	23.2	<b>(368,099)</b>	1,553,680
Related tax		<b>103,068</b>	(435,030)
<b>Items that are or may be reclassified to profit &amp; loss</b>			
Net change in fair value of available-for-sale financial assets		<b>(157,270)</b>	281,647
<b>Other Comprehensive (Loss) / Income for the year/period, net of tax</b>		<b>(422,301)</b>	1,400,297
<b>Total Comprehensive Income for the year/period</b>		<b>35,149,391</b>	29,334,006
<b>Earnings Per Share</b>	13.	<b>0.29</b>	0.23

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

Figures in brackets indicate deductions.

## eChannelling PLC

# STATEMENT OF FINANCIAL POSITION

As at 31st December,		2017	2016
	Note	Rs.	Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant & equipment	14.	12,571,218	11,222,113
Intangible assets	15.	1,756,291	4,636,345
Deferred tax assets	16.	126,167	-
<b>Total Non Current Assets</b>		<b>14,453,676</b>	15,858,458
<b>Current Assets</b>			
Inventories	17.	1,430,225	382,288
Trade & other receivables	18.	72,896,032	39,196,822
Amount due from related parties	25.2	41,414,132	12,344,013
Short term investments	19.	191,474,971	172,213,268
Dealing securities	20.	1,811,142	1,968,412
Cash & cash equivalents	21.	4,934,307	13,266,419
<b>Total Current Assets</b>		<b>313,960,809</b>	239,371,222
<b>Total Assets</b>		<b>328,414,485</b>	255,229,680
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	22.	93,758,316	93,758,316
Retained earnings		146,629,267	111,322,606
Available for sale reserve		242,332	399,602
<b>Total Equity</b>		<b>240,629,915</b>	205,480,524
<b>Non Current Liabilities</b>			
Employee benefits	23.	5,756,832	4,068,360
Deferred tax liabilities	16.	-	767,656
<b>Total Non Current Liabilities</b>		<b>5,756,832</b>	4,836,016
<b>Current Liabilities</b>			
Trade & other payables	24.	40,324,459	38,601,376
Amount due to related parties	25.3	-	86,512
Current tax liabilities		9,574,803	6,225,252
Bank overdraft	21	32,128,476	-
<b>Total Current Liabilities</b>		<b>82,027,738</b>	44,913,140
<b>Total Liabilities</b>		<b>87,784,570</b>	49,749,156
<b>Total Equity &amp; Liabilities</b>		<b>328,414,485</b>	255,229,680

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.



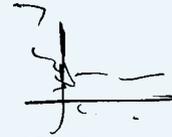
**A.R.R.D. Alahakoon**  
Senior Manager Finance

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;



**P.G.K. Sirisena**  
Chairman



**N.T.M. Perera**  
Director

28th February 2018  
Colombo.

## STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Available for-sale Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April 2016</b>	93,758,316	117,955	82,270,247	176,146,518
<b>Comprehensive income for the period</b>				
Profit for the period	-	-	27,933,709	27,933,709
Other comprehensive income	-	281,647	1,118,650	1,400,297
<b>Total comprehensive income for the period</b>	-	281,647	29,052,359	29,334,006
<b>Balance as at 31 December 2016</b>	93,758,316	399,602	111,322,606	205,480,524
<b>Balance as at 01 January 2017</b>	93,758,316	399,602	111,322,606	205,480,524
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	35,571,692	35,571,692
Other comprehensive income	-	(157,270)	(265,031)	(422,301)
<b>Total Comprehensive income for the year</b>	-	(157,270)	35,306,661	35,149,391
<b>Balance as at 31 December 2017</b>	93,758,316	242,332	146,629,267	240,629,915

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

Figures in brackets indicate deductions.

## eChannelling PLC

# STATEMENT OF CASH FLOWS

	Year ended 31st December 2017 Rs.	9 Months ended 31st December 2016 Rs.
<b>Cash Flow From Operating Activities</b>		
Profit before tax	62,735,204	48,071,518
<b>Adjustments for :</b>		
Provision for depreciation	4,630,966	3,231,524
Provision for amortization	2,880,054	2,544,171
Provision for employee benefits	1,320,373	1,113,196
Interest income	(22,786,124)	(13,245,831)
Profit on disposal of property, plant and equipment	(905,758)	-
<b>Operating Profit before Working Capital Changes</b>	<b>47,874,715</b>	<b>41,714,578</b>
(Increase)/Decrease in inventories	(1,047,937)	27,946
(Increase)/Decrease in trade & other receivable	(33,699,210)	4,849,332
(Increase)/Decrease in related party receivable	(29,070,119)	(12,344,013)
Increase/(Decrease) in related party payable	(86,512)	86,512
Increase/(Decrease) in trade & other payables	1,723,083	(9,634,162)
<b>Cash (Used in)/ Generated from Operations</b>	<b>(14,305,980)</b>	<b>24,700,193</b>
Interest received	21,655,341	13,713,786
Tax paid	(24,604,715)	(27,766,844)
<b>Net Cash (Used in)/ Generated from Operating Activities</b>	<b>(17,255,354)</b>	<b>10,647,135</b>
<b>Cash Flow From Investing Activities</b>		
Acquisition of property plant and equipment	(7,696,713)	(513,774)
Acquisition of intangible assets	-	(1,311,804)
Net proceed from short term investment	(18,130,920)	(21,631,011)
Cash proceeds from disposal of property, plant and equipment	2,622,400	-
<b>Net Cash (Used in) Investing Activities</b>	<b>(23,205,233)</b>	<b>(23,456,589)</b>
<b>Net (decrease) in Cash &amp; Cash Equivalents</b>		
	<b>(40,460,588)</b>	<b>(12,809,454)</b>
Cash & cash equivalents at beginning of the year/period	13,266,419	26,075,873
<b>Cash &amp; Cash Equivalents at end of the year/period</b>	<b>(27,194,169)</b>	<b>13,266,419</b>
<b>Analysis of Cash and Cash Equivalents (Note 21)</b>		
Cash at bank	4,885,269	13,220,476
Cash in hand	49,038	45,943
Bank Overdraft	(32,128,476)	-
	<b>(27,194,169)</b>	<b>13,266,419</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

## 01 Reporting entity

### 1.1. Domicile and Legal Form

eChannelling PLC (the “Company”), is a public limited liability quoted Company incorporated on 27 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 channeling of medical practitioners. In addition, the company provides Hospital information system which supports the efficient operation of hospitals.

### 1.3. Parent & Ultimate Parent

Mobiletel (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. Number of Employees

The total number of employees of the Company as at 31st December 2017 is 30 (2016 Dec – 31).

## 02 Basis of preparation

### 2.1 Statement of compliance

The Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows, together with the notes, (the “Financial Statements”) of the Company as at 31st December 2017 and for the year then ended have been prepared in accordance

with Sri Lanka Accounting Standards SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No 07 of 2007.

The financial statements were authorized for issue by the Board of Directors on 28 February 2018.

### 2.2 Basis of measurement

The Financial Statements have been prepared on an accrual basis except for cash flow information and under the historical cost convention except for following material items in the statement of financial position:

- Available for sale financial assets are measured at fair value.
- Employee benefits are measured at present value

### 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.

### 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.

Estimates and underlying 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.

## Notes to the Financial Statements

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in these financial statements are included in the following notes.

Note 3.3.1 - Impairment of financial assets

Note 3.4.1 - Provision for depreciation

Note 3.4.2 - Amortization of intangible assets

Note 3.5.2 - Employee benefit obligations

Note 3.5.3 - Contingent liabilities

Note 3.6.9 - Deferred taxation

### (i) 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, 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.

### 03 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

#### 3.2 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate 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. Foreign exchange differences arising on translation are recognized in the Statement of profit or loss.

### 3.3 Financial instruments

#### 3.3.1 Non derivative financial assets

##### Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets as appropriate. The company determine the classification of its financial assets at initial recognition. Financial Assets are recognized when and only when the Company becomes a party to the contractual provisions of the financial instruments. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized they are measured at fair value plus directly attributable transaction costs, however in the case of financial assets classified at fair value through profit and loss, directly attributable transaction costs are not considered. The financial assets include cash and cash equivalent, short term investments, and investments in dealing securities, related party receivables and trade and other receivables.

##### Subsequent measurement

The non-derivative financial assets can be classified in to the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivable and available for sale financial assets and the subsequent measurement of non-derivative financial assets depends on their classification. The Company's financial assets are limited to loans and receivables and available for sale financial assets and subsequent measurement is as follows;

##### (a) Loans & receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method (EIR), less any impairment losses. The losses arising from impairment are recognized in the statement of comprehensive income in 'impairment losses on loans and receivables'.

Loans and receivables comprises of cash and cash equivalents, trade and other receivables, short term investments and related party receivables.

Cash and cash equivalents comprise cash in hand and cash at bank balance. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### (b) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. According to LKAS 39 investment in long term equity securities are classified as available for sale financial assets. Available for sale financial assets are recognized at fair value, subsequently measured at fair value, with changes recognized in other comprehensive income and presented within equity in the fair value reserve. If there is significant and prolong decline in fair value, such decline is identified as impairment. Impairment losses shall be recognized in the profit or loss and cumulative losses recognized in the Other Comprehensive Income will be reclassified to profit or loss.

Available for sale financial assets comprises of dealing securities.

## Notes to the Financial Statements

### De-recognition

A financial assets is de-recognised when:

- The rights to receive cash flows from the asset have expired.
- The company has transferred its rights to receive cashflows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either
  - a) The company have transferred substantially all the risks and rewards of the asset
  - b) The company have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

### Impairment of financial asset

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

#### (a) Loans and receivables

The Company considers evidence of impairment for receivables at specific asset level. All individually significant receivables are assessed for specific impairment.

Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. When a

subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### (b) Available for sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying accumulated losses that has been recognized in other comprehensive income and presented in the fair value reserve in equity, to profit or loss. If, in a subsequent period, the fair value of an impaired available for sale asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

### 3.3.2 Non derivative financial liabilities

#### Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determine the classification of its financial liabilities at initial recognition. Financial liabilities are recognized when and only when the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value plus in case of financial liabilities which can be classified in to two categories as financial liabilities at fair value through profit and loss and other financial liabilities. Company has classified its financial liabilities in to other financial liability category.

### **Subsequent measurement**

The Company classifies non derivative financial liability into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Such financial liabilities measured at amortized cost include related party payable, trade and other payables.

### **De-recognition**

A financial liability is derecognized when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a Derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

#### **3.3.3 Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

#### **3.3.5 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3.4 Non-Financial assets and basis of measurement**

#### **3.4.1 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.

#### **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.

## Notes to the Financial Statements

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
Motor Vehicle	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.

### 3.4.2 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.

### 3.4.3 Impairment - non financial asset

The carrying values of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are Grouped together in to the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets ("cash-generating unit or CGU") for the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the Group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decrease or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognized.

## 3.5 Liabilities and provisions

### 3.5.1 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.

### 3.5.2 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.

## Notes to the Financial Statements

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.

### 3.5.3 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.

### 3.5.4 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.

## 3.6 Statement of comprehensive income

### 3.6.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales returns, trade discounts and revenue related taxes.

Revenue for services rendered is recognized in the statement of comprehensive income after completion of the service.

Call charge income is recognized in the profit or loss once the number of call minutes confirmed by the tele communication companies.

### 3.6.2 Profit on disposal of property, plant & equipment

Profits or losses resulting from disposal of property, plant & equipment have been accounted on cash basis in the statement of profit or loss.

### 3.6.3 Dividend income

Dividend income is recognized in statement of profit or loss on the date that the Company's straight to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### 3.6.4 Interest income

Interest income is recognized as it accrues in the statement of profit or loss using effective interest method.

### 3.6.5 Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

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. 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.

### 3.6.6 Finance income

Finance income comprises interest income.

### 3.6.7 Income tax expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

### 3.6.8 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 made to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

### 3.6.9 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, using tax rates 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

## Notes to the Financial Statements

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.

### 3.6.10 Value Added Tax (VAT)

The Company is liable to pay Value Added Tax on taxable supplies.

### 3.6.11 Nation Building Tax (NBT)

The Company is liable to pay Nation Building Tax (NBT) at specified rate.

### 3.6.12 Basic earnings per share (EPS)

The financial statements present 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.

## 04 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 charged.

## 05 Cash flow statement

The statement of cash flows has been prepared by using the “indirect method” of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on ‘Statement of cash flows’.

Cash and cash equivalents comprise of cash in hand and cash at bank.

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

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and have an impact on the future Financial Statements.

### a) SLFRS 9 - Financial Instruments

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in LKAS 39. This standard becomes effective for annual periods beginning on or after January 01, 2018. The adoption of SLFRS 9 will have an impact on classification and measurement of Company’s financial assets.

### b) SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on ‘Revenue’ and LKAS 11 on ‘Construction contracts’. SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018, with early adoption permitted.

**c) SLFRS 16 – Leases**

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual reporting periods beginning on or after 01 January 2019.

**07 The effect to the results of the Company due to the change in financial year end**

During the last financial year the Board of Directors decided to change Company's financial year end from 31 March to 31 December to be in line with the financial year end of its Parent Company and ultimate parent, Mobitel (Pvt) Ltd and Sri Lanka Telecom PLC, respectively. Accordingly, the financial statements of eChannelling PLC contain the results for the year ended 31 December 2017. However, the comparative figures presented in these financial statements are for the nine months beginning from 1 April 2016 to 31 December 2016 and not entirely comparable with the current financial year.

## Notes to the Financial Statements

	Year ended 31st December 2017 Rs.	9 Months ended 31st December 2016 Rs.
<b>08. Revenue</b>		
Revenue from portals	112,972,895	92,294,705
Net revenue from no-show refund	8,583,229	5,300,115
Doctor notification income	3,550,543	5,497,740
Call charges income	2,051,380	3,447,538
Revenue from membership cards	1,019,682	864,542
D-Doctor notification income	18,130	473,305
Software and network commission income	813,177	-
	<b>129,009,036</b>	<b>107,877,945</b>
<b>09. Other Income</b>		
Dividend income	13,664	10,404
Profit on disposal fixed assets	905,758	-
Other income	18,598	577,636
	<b>938,020</b>	<b>588,040</b>
<b>10. Profit from Operations</b>		
Profit from operations is stated after charging all the expenses including the following		
Depreciation	4,630,966	3,231,524
Amortization	2,880,054	2,544,171
Salary related expenses	21,499,402	16,372,236
EPF	3,224,910	3,459,909
ETF	644,982	693,412
Auditor's fee	305,000	305,000
Employee benefits	1,320,373	1,113,196
Legal expenses	3,286,848	6,211,793
Directors' remuneration	3,596,953	7,551,021

	Year ended 31st December 2017 Rs.	9 Months ended 31st December 2016 Rs.
<b>11 Finance Income</b>		
Interest income from short term investments	22,786,124	13,245,831
	<b>22,786,124</b>	<b>13,245,831</b>
<b>12. Income Tax Expense</b>		
Current taxation	18,721,598	16,431,774
Under/(Over) provision in respect of previous years	9,232,669	3,959,703
Origination/(Reversal) of deferred tax (Note 16)	(790,755)	(253,668)
	<b>27,163,512</b>	<b>20,137,809</b>
<b>12.1 Reconciliation Between Accounting Profit to Income Tax Expense</b>		
Profit before tax	62,735,204	48,071,518
Exempt (income)/expenses	(13,664)	(10,404)
Disallowable expenses	10,211,090	15,110,996
Allowable expenses	(6,069,783)	(4,487,203)
<b>Total taxable income</b>	<b>66,862,847</b>	<b>58,684,907</b>
Income tax at 28%	18,721,598	16,431,774
	<b>18,721,598</b>	<b>16,431,774</b>

**13. 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/period as required by LKAS 33 "Earnings per share".

	Year ended 31st December 2017 Rs.	9 Months ended 31st December 2016 Rs.
Profit attributable to equity holders of the company (Rs.)	35,571,692	27,933,709
Weighted average number of ordinary shares	122,131,415	122,131,415
<b>Earnings per share (Rs.)</b>	<b>0.29</b>	<b>0.23</b>

## Notes to the Financial Statements

### 14. Property, Plant & Equipment

	Computer Equipment	Computer Servers	Furniture & Fittings	Motor Vehicle	Office Equipment	Total 2017	Total 2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>							
Opening balance	12,642,488	41,426,759	962,827	4,000,000	2,209,570	61,241,643	60,727,869
Additions during the year/period	1,664,700	-	5,995,383	-	36,630	7,696,713	513,774
Disposals during the year/period	-	-	(962,827)	(4,000,000)	(595,052)	(5,557,879)	-
<b>Closing Balance</b>	<b>14,307,188</b>	<b>41,426,759</b>	<b>5,995,383</b>	<b>-</b>	<b>1,651,148</b>	<b>63,380,477</b>	<b>61,241,643</b>
<b>Accumulated Depreciation</b>							
Opening balance	12,115,171	33,194,798	907,928	1,948,493	1,853,140	50,019,530	46,788,006
Charge for the year/period	689,921	2,610,793	639,146	374,795	316,311	4,630,966	3,231,524
Disposals during the year/period	-	-	(922,897)	(2,323,288)	(595,052)	(3,841,237)	-
<b>Closing Balance</b>	<b>12,805,092</b>	<b>35,805,591</b>	<b>624,177</b>	<b>-</b>	<b>1,574,399</b>	<b>50,809,259</b>	<b>50,019,530</b>
<b>Carrying Amount</b>							
<b>As at 31st December 2017</b>	<b>1,502,096</b>	<b>5,621,168</b>	<b>5,371,206</b>	<b>-</b>	<b>76,749</b>	<b>12,571,218</b>	<b>-</b>
As at 31st December 2016	527,317	8,231,961	54,899	2,051,507	356,430	-	11,222,113

#### 14.1 Fully depreciated assets

Property, Plant and equipment includes fully depreciated assets which are still in use as at reporting date amount into Rs. 43,529,439/- (31.12.2016- Rs. 43,191,583/-)

As at 31st December,	2017	2016
	RS.	RS.

## 15. Intangible Assets

### Cost

Opening balance	21,861,281	20,549,477
Additions during the year/period	-	1,311,804
<b>Closing Balance</b>	<b>21,861,281</b>	<b>21,861,281</b>

### Accumulated amortization

Opening balance	17,224,936	14,680,765
Amortization for the year/period	2,880,054	2,544,171
<b>Closing Balance</b>	<b>20,104,990</b>	<b>17,224,936</b>

<b>Carrying amount</b>	<b>1,756,291</b>	<b>4,636,345</b>
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Intangible assets consist of software licences and hospital net software used by the Company. eChannelling software was purchased in 2001 at Rs, 30,000,000/- has been fully amortised.

As at 31st December,	2017	2016
	RS.	RS.

## 16. Deferred Taxation

Opening balance	(767,656)	(586,292)
Origination/(Reversal)of timing differences – recognised in profit or loss	790,755	253,668
Origination/(Reversal) of timing differences – recognised in other comprehensive income	103,068	(435,030)
	<b>126,167</b>	<b>(767,656)</b>

### Deferred tax (liabilities) / assets have derived as follows;

Temporary difference from property, plant & equipment	(1,485,746)	(1,906,796)
Temporary difference from employee benefits	1,611,913	1,139,140
	<b>126,167</b>	<b>(767,656)</b>

Tax at	28%	28%
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## Notes to the Financial Statements

As at 31st December,		2017	2016
		RS.	RS.
<b>17.</b>	<b>Inventories</b>		
	Member cards	1,430,225	382,288
	<b>Closing Balance</b>	<b>1,430,225</b>	<b>382,288</b>
<b>18.</b>	<b>Trade &amp; other receivables</b>		
	Trade receivable	62,101,776	35,030,617
	Provision for impairment of trade receivable (Note 18.1)	(2,104,352)	(2,104,352)
		59,997,424	32,926,265
	Advance, prepayments and other receivables (Note 18.2)	9,124,359	4,556,892
	WHT and tax receivable	3,774,249	1,713,665
		72,896,032	39,196,822
<b>18.1</b>	<b>Provision for impairment of trade receivable</b>		
	Opening Balance	(2,104,352)	(2,816,352)
	Written off during the year/period	-	712,000
	Closing balance	(2,104,352)	(2,104,352)
<b>18.2</b>	<b>Advance, prepayments and other receivables</b>		
	Advance, prepayments and other receivables	11,689,359	7,121,892
	Provision for impairment	(2,565,000)	(2,565,000)
	Balance as at the end of the year/period	9,124,359	4,556,892
<b>19.</b>	<b>Short term investments</b>		
	Investment in fixed deposits	188,473,258	170,342,338
	Interest receivable	3,001,713	1,870,930
		191,474,971	172,213,268

## 20. Dealing securities

Name of the company	31 December 2017			31 December 2016		
	No. of shares	Cost (Rs.)	Market value (Rs.)	No. of shares	Cost (Rs.)	Market value (Rs.)
Citrus Leisure PLC	31,200	944,741	234,000	31,199	944,741	209,033
Taj Lanka Hotels PLC	10,000	606,702	159,000	10,000	606,702	234,000
Blue Diamonds Jewellery Worldwide PLC	700	2,372	630	700	2,372	700
Serendib Hotels PLC (Voting)	7	162	140	7	162	193
Serendib Hotels PLC (Non Voting)	93	1,628	1,488	93	1,628	1,628
York Arcade Holdings PLC	100	3,847	1,400	100	3,847	1,300
Lanka Century Investment PLC	100	7,100	1,210	100	7,100	1,000
Nations Trust Bank PLC	100	8,100	7,800	100	8,100	7,420
Seylan Bank PLC (Non Voting)	103	7,500	8,982	100	7,500	6,300
Kalamazoo Systems Ltd	1,100	11,396	4,950	11	11,396	28,601
Lankem Developments Ltd	100	58.90	710	100	58.90	400
Citrus Beach Resort Limited	20	20	222	20	20	266
Lake House Printers and Publishers PLC	10,697	1,093,983	1,390,610	10,697	1,093,983	1,195,925
		<b>2,687,611</b>	<b>1,811,142</b>		2,687,611	1,968,412

## Notes to the Financial Statements

<i>As at 31st December,</i>		<b>2017</b>	2016
		RS.	RS.
<b>21.</b>	<b>Cash &amp; Cash Equivalents</b>		
	Cash at bank	4,885,269	13,220,476
	Cash in hand	49,038	45,943
		<b>4,934,307</b>	13,266,419
	Bank Overdraft	<b>(32,128,476)</b>	-
	<b>Cash and cash equivalents for the purpose of statement of cash flows</b>	<b>(27,194,169)</b>	13,266,419
<b>22.</b>	<b>Stated Capital</b>		
	Issued and fully paid 122,131,415 shares	<b>93,758,316</b>	93,758,316
		<b>93,758,316</b>	93,758,316
<b>23.</b>	<b>Employee Benefits</b>		
	Opening balance	4,068,360	4,508,844
	Provision for the year/period (Note 23.1 & 23.2)	1,688,472	(440,484)
		<b>5,756,832</b>	4,068,360
	Payments during the year/period	-	-
	<b>Closing Balance</b>	<b>5,756,832</b>	4,068,360
<b>23.1</b>	<b>The amount recognized in the statement of profit or loss as follows;</b>		
	Current service cost	916,231	780,146
	Interest cost	404,142	333,050
		<b>1,320,373</b>	1,113,196
<b>23.2</b>	<b>The amount recognized in the statement of other comprehensive income as follows;</b>		
	Actuarial loss/(Gain)	368,099	(1,553,680)
		<b>1,688,472</b>	(440,484)
<b>23.3</b>	<b>The employee benefit obligation is calculated based on an internally developed method.</b>		
	Principal assumptions used are as follows;		
	Rate of discount	10%	10%
	Rate of salary increment	10%	9%
	Retirement age	55	55

As at 31st December,	2017	2016
	RS.	RS.

#### 23.4 Sensitivity of assumptions used

If one percentage point change in the assumed discount rate would have the following effects:

Increase by one percentage	317,162	(112,369)
Decrease by one percentage	(339,064)	84,845

If one percentage point change in the assumed annual average salary increment rate would have the following effects:

Increase by one percentage	(335,907)	84,846
Decrease by one percentage	319,976	(83,871)

#### 24. Trade & Other Payables

Trade payables	29,129,882	23,828,505
Payables to employees- ESOT	-	2,417,408
Accrued expenses	11,194,577	12,355,463
	40,324,459	38,601,376

#### 25. 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".

##### 25.1 Parent and Ultimate Controlling Party

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

## Notes to the Financial Statements

As at 31st December,	<b>2017</b>	2016
	RS.	RS.

The amounts receivable from or payable to related parties as at 31st December 2017, are disclosed below,

### 25.2 Amounts due from related parties

Mobitel (Pvt) Ltd	<b>40,091,874</b>	12,344,013
Sri Lanka Telecom PLC	<b>1,322,258</b>	-
	<b>41,414,132</b>	12,344,013

### 25.3 Amounts due to related parties

Sri Lanka Telecom PLC	-	86,512
	-	86,512

### 25.4 Transactions with related entities

Name of the Related Party	Relationship	Nature of Transaction	<b>01-01-2017 to 31-12-2017 Transaction Amount Rs.</b>	30-09-2016 to 31-12-2016 Transaction Amount Rs.
Sri Lanka Telecom PLC	Ultimate parent	IDC Payments	<b>4,706,414</b>	1,154,810
		Telephone charges	<b>76,859</b>	-
Mobitel (Pvt) Ltd	Immediate parent	Mobile charges	<b>747,574</b>	103,308
		Call Charges Income	<b>2,051,380</b>	309,690
		SMS Charges	-	410,240
		Staff Welfare	<b>125,000</b>	-
		Building Rent	<b>1,576,000</b>	-
		Cost reimbursement of fixed assets	<b>5,995,383</b>	-
		M-Cash Online Promotion Income	<b>9,581</b>	-

## 25.5 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.

## 25.6 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 have been classified as KMP. The compensation paid to KMP as short term employment benefits is disclosed in Note 10 to the financial statements.

## 26. Financial Risk Management

### Overview

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

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

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

### Risk Management Framework

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

## Notes to the Financial Statements

### 26.1. Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instruments or customer control leading to a financial loss.

#### 26.1.1. Exposure to credit risk

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

<i>As at 31st December,</i>	<b>2017</b>	2016
	RS.	RS.
Trade Receivables	<b>62,101,776</b>	35,030,617
Short Term Investments	<b>191,474,971</b>	172,213,268
Amount due from related parties	<b>41,414,132</b>	12,344,013
Cash at bank	<b>4,885,269</b>	13,220,476
	<b>299,876,148</b>	232,808,374

## 26.1.2 Management of Credit Risk

### Trade Receivables

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

The ageing of trade receivables at the reporting date that were impaired are as follows;

#### Age analysis of trade receivables

<i>As at 31st December 2017</i>	Past due but not impaired						Total
	Not Past Due	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	
Trade receivables	-	59,780,480	14,022	175,030	2,132,243	(2,104,352)	59,997,424

#### Age analysis of trade receivables

<i>As at 31st December 2016</i>	Past due but not impaired						Total
	Not Past Due	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Impaired	
Trade receivables	-	33,011,590	18,653	-	2,000,374	(2,104,352)	32,926,265

### Short term investments

Company's short term investments are placed in the reputed financial institutions with good credit ratings in order to minimize the Company's Credit Risk.

### Cash & Cash Equivalents

Company's deposits are placed in reputed financial institutions with good credit ratings in order to minimize the Company's Credit Risk.

## Notes to the Financial Statements

### 26.2. 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.

#### 26.2.1 The maturity analysis of liabilities

As at 31st December,	2017			2016		
	Contractual cash flows			Contractual cash flows		
	Carrying amount	6 months or less	6-12 months	Carrying amount	6 months or less	6-12 months
Non derivative financial liabilities						
Trade payables	29,129,882	29,129,882	-	23,828,505	23,828,505	-
Amount due to related parties	-	-	-	86,512	86,512	-
Bank Overdraft	32,128,476	32,128,476	-	-	-	-
	61,258,358	61,258,358	-	23,915,017	23,915,017	-

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

#### 26.2.2 Management of liquidity risk

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;

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

### 26.3. Market Risk

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

#### 26.3.1. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. However the Company is not exposed to currency risk since the Company operates only in Sri Lanka Rupees which is the Company's functional currency.

#### 26.3.2. Interest Rate Risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in 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.

### 26.4 Fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

## Notes to the Financial Statements

As at 31st December 2017	Carrying amount				Fair value				
	Available for sale	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
Dealing securities	1,811,142	-	-	-	1,811,142	1,811,142	-	-	1,811,142
	1,811,142	-	-	-	1,811,142	1,811,142	-	-	1,811,142
<b>Financial assets not measured at fair value</b>									
Trade Receivables	-	-	62,101,776	-	62,101,776	-	-	-	-
Amount due from related parties	-	-	41,414,132	-	41,414,132	-	-	-	-
Short Term Investments	-	-	191,474,971	-	191,474,971	-	-	-	-
Cash and cash equivalents	-	-	4,934,307	-	4,934,307	-	-	-	-
	-	-	299,925,186	-	299,925,186	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Trade payables	-	-	-	29,129,882	29,129,882	-	-	-	-
Bank Overdraft	-	-	-	32,128,476	32,128,476	-	-	-	-
	-	-	-	61,258,358	61,258,358	-	-	-	-

As at 31st December 2016	Carrying amount					Fair value			
	Available for sale	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>									
Dealing securities	1,968,412	-	-	-	1,968,412	1,968,412	-	-	1,968,412
	1,968,412	-	-	-	1,968,412	1,968,412	-	-	1,968,412
<b>Financial assets not measured at fair value</b>									
Trade Receivables	-	-	35,030,617	-	35,030,617	-	-	-	-
Amount due from related parties	-	-	12,344,013	-	12,344,013	-	-	-	-
Short Term Investments	-	-	172,213,268	-	172,213,268	-	-	-	-
Cash and cash equivalents	-	-	13,266,419	-	13,266,419	-	-	-	-
	-	-	232,854,317	-	232,854,317	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Trade payables	-	-	-	23,828,505	23,828,505	-	-	-	-
Amount due to related parties	-	-	-	86,512	86,512	-	-	-	-
	-	-	-	23,915,017	23,915,017	-	-	-	-

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, since their carrying value are a reasonable approximation of fair values, due to short term maturity periods.

## Notes to the Financial Statements

### 26.5 Financial assets by fair value hierarchy

Fair value of financial instruments are based on a fair value hierarchy which is defined below.

#### Level 1

Inputs that are quoted market prices (unadjusted) in active market for identical instruments. The company measures the fair value of an instrument using active quoted prices or dealer price quotations without any deductions for transaction cost. Market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions and arm's length basis.

#### Level 2

Input other than quoted prices included within level one that are observable either directly or indirectly. This category includes instruments valued using ; quoted market prices in an active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques in which whole significant inputs are directly or indirectly observable from market data.

#### Level 3

The input that are unobservable. This category included all the instruments for which valuation techniques includes input not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instrument's for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## 26.6 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.

<i>As at 31st December</i>	<b>2017</b>	2016
	RS.	RS.
Total liabilities	<b>87,784,570</b>	49,749,156
Less : Cash and cash equivalents	<b>4,934,307</b>	13,266,419
Adjusted net debt	<b>82,850,263</b>	36,482,737
Total equity	<b>240,629,915</b>	205,480,524
Adjusted net debt to adjusted equity ratio	<b>34%</b>	18%

## 27. Events Occurring after the Reporting Date

There were no material events occurring after the reporting date as at 31 December 2017 that require adjustments to or disclosure in the Financial Statements.

## 28. Capital Commitments and contingencies

There were no material Capital Commitments or Contingent Liabilities as at the reporting date, which require disclosure in the Financial Statements.

## 29. Comparative Information

Company has changed its financial year end from 31 March to 31 December in the year 2016. Accordingly, the comparative figures presented in these financial statements contain the results of nine months from 1 April 2016 to 31 December 2016. However, the current year's financial statements contain the results of twelve months from 01 January 2017 to 31 December 2017 and therefore entirely not comparable with previous period.

## 30. Directors Responsibilities

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

## FIVE YEAR PERFORMANCE SUMMARY

<i>For the year ended 31 March</i>	2014	2015	2016	2016 -Dec (9 Months)	2017 (31 December)
<b>Revenue</b>	162,536,342	163,143,864	210,626,577	107,877,945	<b>129,009,036</b>
Administrative expenses	(60,365,063)	(62,011,082)	(102,574,926)	(64,079,199)	<b>(79,725,609)</b>
Profit from operating activities	100,746,533	99,513,279	102,323,634	34,825,687	<b>39,949,080</b>
Profit before taxation	111,170,354	103,137,548	110,415,778	48,071,518	<b>62,735,204</b>
<b>Profit/(loss) for the year</b>	90,254,674	63,811,398	78,947,419	27,933,709	<b>35,571,692</b>
<b>Total Assets</b>	200,005,842	176,666,927	243,876,534	255,229,680	<b>328,414,485</b>
<b>Equity</b>	158,484,318	96,124,083	176,146,518	205,480,524	<b>240,629,915</b>
<b>Total Liabilities</b>	41,521,524	80,542,844	67,730,016	49,749,156	<b>87,784,570</b>
	200,005,842	176,666,927	243,876,534	255,229,680	<b>328,414,485</b>
<b>Other Information</b>					
<b>Earnings/ (Loss) Per Share (Rs.)</b>	0.74	0.52	0.65	0.23	<b>0.29</b>
<b>Market Price Per Share (Rs.)</b>	13.70	11.50	8.00	7.00	<b>5.90</b>
<b>Net Assets Per Share (Rs.)</b>	1.30	0.79	1.44	1.68	<b>1.97</b>
<b>Dividend Payout Ratio (Rs.)</b>	1.83	-	-	-	<b>-</b>
<b>Current Ratio (Times)</b>	0.85	1.93	3.58	5.33	<b>3.83</b>

## SHAREHOLDER INFORMATION

The number of share holders as at 31st December 2017 was 1,738 (2016 - 1,725)

### ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31.12.2017

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	996	313,602	0.25	4	1,454	-	1,000	315,056	0.25
1,001 to 10,000 Shares	528	2,075,323	1.7	3	19,000	0.02	531	2,094,323	1.72
10,001 to 100,000 Shares	179	5,559,551	4.55	3	141,000	0.12	182	5,700,551	4.67
100,001 to 1,000,000 Shares	22	5,033,717	4.12	1	851,150	0.70	23	5,884,867	4.82
Over 1,000,000 Shares	2	108,136,618	88.54	-	-	-	4	108,136,618	88.54
	1,727	121,118,811	99.16	11	1,012,604	0.84	1,738	122,131,415	100

Categories of Shareholders	Number of Shareholders	Number of Shares
Individual	1,665	13,923,129
Institutional	73	108,208,286
	1,738	122,131,415

Issued share capital as at 31st December 2017	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	1,737
Public holding as at % of issued share capital	12.41%

## Shareholder Information

### LIST OF 20 MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDING

No	Name of Shareholder	31 st December 2017	
		No of Shares	% Holding
01	Mobitel (Pvt) Ltd	106,974,618	87.59
02	Mr. G.C. Goonetilleke	1,162,000	0.95
03	Mr. F.N. Herft	851,150	0.70
04	Mr. P. Rathnayaka	840,000	0.69
05	EST.OF.LAT Perera (Deceased)	356,900	0.29
06	Dr. M.M. Rinoza	322,400	0.26
07	Mr. M Fazal	300,032	0.25
08	Mr. M.A.B Morahela	292,300	0.24
09	Mr. A.H Munasinghe	277,031	0.23
10	Mrs. Palliya Guruge	260,000	0.21
11	Mr. H.A.V. Starrex	239,281	0.20
12	Mr. Z.G Carimjee	231,933	0.19
13	Mr. D.K.A.K. Weeratunga	219,544	0.18
14	Mrs. T.R. Selvanayagam	201,000	0.16
15	Mr. D.P. Kumarasingha	174,989	0.14
16	MBSL/H.W.R.S Jayawardena	166,303	0.14
17	Dasatha Investments Limited	163,331	0.13
18	Mr. M.H.A Kamil	159,138	0.13
19	Mr. B.M.G Rathnasiri	150,543	0.12
20	Mr. Y.L Nandasena	123,422	0.10

## NOTICE OF ANNUAL GENERAL MEETING

### eChannelling PLC – PQ 205

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the eChannelling PLC will be held at Lavender Room of the Bandaranayake Memorial International Conference Hall (BMICH) Baudhaloka Mawatha, Colombo 07 on 9th May 2018 at 1.00 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 2017, with the Report of the Auditors thereon.
2. To re-elect Mr. D.K.Senanayake a Director who retires at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.
3. To re-elect Mr. L.M.Paratz Director who retires at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.
4. To re-elect Mr. D.J.Stephen Director who retires at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.
5. To re-elect Mr K.G.D.Sudharshana Director who retires at the Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.
6. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration

7. To authorize the Directors to determine contributions to charities for the year ending 31st December 2018.

BY ORDER OF THE BOARD OF DIRECTORS OF

### eChannelling PLC

S S P CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES

12th April 2018

### 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. Pallewatta Gamaralalage Kumarasinghe Sirisena	of Colombo	of failing him
Mr. Dallas Joshua Stephen	of Dehiwala	or failing him
Mr. Sampath Arunapriya Hettiarachchi	of Nugegoda	or failing him
Mr. Dumidu Kanishka Senanayake	of Colombo	or failing him
Mr. Lawrence Michael Paratz	of Colombo	or failing him
Mr. Nalin Tyrone Marcilan Perera	of Colombo	or failing him
Mr. Kapugama Geeganage Dayaneth Sudharshana	of Colombo	

as my/our proxy to represent me/us and vote on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on 9th May 2018 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 2017, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr.D.K.Senanayake a Director who retires at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr.L.M.Paratz Director who retires at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect D.J.Stephen Director who retires at the Annual General Meeting in terms of Article 86 and 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr K.G.D.Sudharshana Director who retires at the Annual General Meeting in terms of Article 94 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. 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"/>
7. To authorize the Directors to determine contributions to charities for the year ending 31st December 2018.	<input type="checkbox"/>	<input type="checkbox"/>

## Form of Proxy

Signed this ..... day of .....Two Thousand and Eighteen.

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. P.G.K.Sirisena - Chairman

Mr. N.T.M.Perera

Mr. L.M.Paratz

Mr. D.K.Senanayake

Mr. K.G.D.Sudharshana

Mr. S.A.Hettiarachchi

Mr. D.J.Stephen

## Secretaries of the Company

S.S.P. Corporate Services (Private) Limited No: 101, Inner Flower Road, Colombo 03.

Tel. 2573894/ 2576871

Contact person: Mr.Lalindra Abeyssekera

## 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

## Registered Office of the Company

No.409, R.A.De.Mel Mawatha, Colombo 03.

## Contact Details

Telephone No: (+94 11) 2 502225

Fax No: (+94 11) 2 553686

Website: [www.echannelling.com](http://www.echannelling.com)

E-mail: [info@echannelling.com](mailto:info@echannelling.com)



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Digital plates & Printed by Printage (Pvt) Ltd



[www.echannelling.com](http://www.echannelling.com)