



SWIFT SHARED INFRASTRUCTURES OF SRI LANKA

ANNUAL REPORT

2020/21

Milestones...

2020/21

THE HOSTED CONNECTIVITY INFRASTRUCTURE; SWIFT ALLIANCE GATEWAY RECORDED ITS 14th SUCCESSIVE YEAR WITH AN IMPECCABLE RECORD OF NETWORK AVAILABILITY 99.99%.

THE HOSTED MESSAGING INFRASTRUCTURE; SWIFT ALLIANCE ACCESS HAS RECORDED ITS 9th SUCCESSIVE YEAR.

LFSBL HAS BEEN RELISTED & CERTIFIED WITH THE 'STANDARD OPERATIONAL PRACTICE' LABEL (SOP)-SIP v2 in 2017, SIP v3 in 2018, v4 in 2019, v5 in 2020

Chairman's Message



It gives me great pleasure to present to you the Annual Report and Audited Accounts for the year 2020/21 of Lanka Financial Services Bureau Limited (LFSBL). Over the past fourteen years, LFSBL as “User Owned” business operation has continued to provide an uninterrupted service to its customers in the midst of numerous unprecedented local and global challenges. Despite the ongoing pandemic, the staff continued to operate remotely providing the required services to the clients.

During the year under review, LFSBL was able to meet the compliance requirements and mandatory enhancements specified by SWIFT International. With the requirements to implement compliance standards the company had to incur significant amount in a single year which resulted the company incurring losses during the financial year 2020/21 as well.

I take this opportunity to thank the Governor of Central Bank of Sri Lanka, and its senior officials for their guidance and support extended during the year.

I wish to thank all the shareholders for the confidence they have placed on the business model and contributing much needed capital.

I would like to extend my sincere thanks to my fellow directors for participating in meetings and strategic discussions and for their valuable suggestions for the progress of the activities of LFSBL. I am thankful to the Company's dynamic team, ably led by its Chief Executive Officer for their untiring efforts for successfully steering the Company in the right direction and I am grateful for their commitment and dedication.

L. H. A. L. Silva

CEO's Message



LFSBL has successfully managed another challenging year which was operationally limited to eight to nine months of full working capacity. The company recovered well from the losses by reducing it to just over 12 million LKR from 27 million LKR by focusing only on the mandatory expenditure of the core business activities which was complemented by the full-effect of the price revision in 2019.

LFSBL keeps performing the 'Remote Working Protocol' effectively during the regular lock-downs to offer uninterrupted services of SWIFT connectivity and messaging to stakeholders, while protecting the staff from the risks of pandemic by strictly adhering to the National Health Guidelines. In addition, the company has been able to adapt several administrative functions to the same protocol since 2020.

The company successfully maintain the mandatory certification from SWIFT on fulfilling the conditions of SWIFT Shared Infrastructure program (SIP) and listed in the group of Asia Pacific List of certified Bureaus continuously. LFSBL made few large investments in accomplishing these mandatory requirements in 2019 & 2020.

LFSBL continues to pursue on on-boarding new customers to the SWIFT Shared Messaging Infrastructure, in closing the revenue gaps created by the exit of customers during 2018, 2019 and 2020 due to the winding up of few institutions, migrating to SWIFT Lite (Cloud) and on zero messaging activity on business. It can considerably be a formidable challenge for the company in finding new sources of revenue which is an ongoing activity of the company. LFSBL has been able to explore several partnerships in security products and compliance services.

The future directions of the company as a 'Corporate Cooperative Business Model' will rely on the sustainability of the SWIFT Shared Infrastructures, strengthening and enhancing new sources of revenue and support of the community who are also the promoters since the inception of the company.

I wish to extend my sincere appreciation to the Chairman and the Board of Directors for the support provided in challenging times, the Governor and key officials of the Central Bank of Sri Lanka and the SWIFT User Group (LSUG). My appreciation and heartfelt thanks to Strategic partners – the Managed Service Provider, service providers for 24/7/365 dedicated services and the staff of LFSBL for their resilience and commitment. Our sincere thanks also go out to the customers who inspire and believe in us by relying upon us for the services of SWIFT Shared Infrastructures of LFSBL.

Mihindu Rajaratne

Board of Directors



A. J. Alles



D. Kumaratunge



Prof. W. D. Lakshman



D. P. K. Gunasekera



R. J. Wanduragala



K. P. Ariyaratne



K. R. D. Bandaranaike



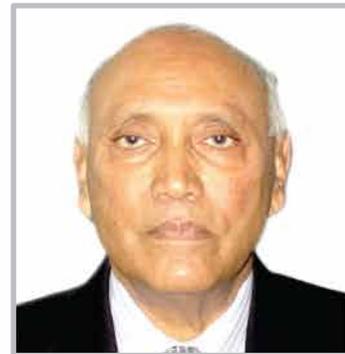
L. H. A. L. Silva



M. N. R. Fernando



Ranjith Kodituwakku



R. De Silva



N.W.R.D.S. Akuretiyagama



S. Renganathan

Annual Report Of The Board Of Directors

FOR THE YEAR ENDED 31st MARCH 2021

The Directors of Lanka Financial Services Bureau Limited have pleasure in presenting to members the Annual Report of the Directors together with the audited financial statements of the Company for the year ended 31st March 2021.

Principal Activities

The Principal Activities of the Company are:

- To provide facilities management and/or data processing services to one or more SWIFT users including operation of a SWIFT interface for prime connection to the network and/or disaster recovery under governance of SWIFT Service Bureaux Rules and Regulations.
- To acquire specific SWIFT products and services necessary to support and operate the connection of the members of the relevant SWIFT service.

Review of Operations

The Company had made a net loss of Rs. 12,156,612/- during the year ended 31st March 2021 as against a net loss of Rs. 27,999,891/- for the year ended 31st March 2020.

Directors

The Board of Directors of Lanka Financial Services Bureau Limited as at 31st March 2021:

Mr. L. H. A. L. Silva

* Mr. A. J. Alles

Mr. K. P. Ariyaratne

Mr. K. R. D. Bandaranaike

Mr. D. Kumaratunge

Mr. M. N. R. Fernando

Mr. E. R. De Silva

Mr. S. Renganathan

Mr. N. W. R. D. S. Akuretiyagama

** Mr. D. P. K. Gunasekara

Ms. Ranjith Kodituwakku

Mr. R. J. Wanduragala

During the period 1st April 2021 to 20th August 2021 the following changes took place in the Directorate.

- * Mr. Dilshan Peter Niros Rodrigo was appointed with effect from 22nd July 2021 in place of Mr. Antonio Jonathan Alles, who resigned with effect from 22nd July 2021 consequent to his retirement from Hatton National Bank PLC.

- * Mr. Aloysius Gerard Rajive Dissanayake was appointed with effect from 22nd July 2021 as the Alternate Director to Mr. Dilshan Peter Nirosch Rodrigo on the Board of LFSBL
- ** Mr. Dhammika Pushpa Kumara Gunasekara resigned with effect from 15th August 2021 and his Alternate Mr. M. D. A. Karunaratne ceased to be a Director.

Directors' Interest in Shares

The Directors together with their spouses and dependent children have no interest in the shares of the Company.

Dividend

A Dividend for the financial year ended 31st March 2021 has not been recommended by the Board of Directors.

Amendments to the scope of the "Objectives" contained in the Articles of Association

The objects clause of the Articles of Association will be amended and special resolution will be proposed at the AGM.

The Auditors

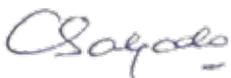
The retiring Auditors M/s Ernst & Young have signified their willingness to continue in office. In accordance with the Companies Act No. 7 of 2007, a resolution relating to their re-appointment and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Events occurring after the Reporting date

There have been no material events occurring after the reporting date that require adjustments or disclosure in the financial statements.

By order of the Board

Managers & Secretaries (Private) Limited



Company Secretaries

Colombo

20th August 2021

Statement of Directors' Responsibilities for Financial Statements

The Companies Act No.07 of 2007 requires Directors to ensure that the Company keeps proper books of accounts of all the transactions and prepare financial statements that give a true and fair view of the state of the Company's affairs and of the profit and loss for the year.

The Directors are also required to ensure that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act 07 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are of the view that these financial statements have been prepared under the generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka.

The Directors endeavor to ensure that the Company maintains sufficient records to be able to disclose with reasonable accuracy, the financial position of the Company and to be able to ensure that the financial statements of the Company meet with the requirements of the Companies Act and Sri Lanka Accounting Standards.

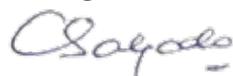
The Directors have reasonable expectation, after making enquiries and following a review of the Company's budget for the ensuing year including cash flows and borrowing facilities, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore have continued to adopt the going concern basis in preparing the Accounts.

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

Messrs. Ernst & Young the Auditors of the Company have examined the financial statements made available by the Board of Directors together with all relevant financial records, related data, minutes of Shareholders and Directors meeting and express their opinion in their report attached to this Annual Report.

By order of the Board

Managers & Secretaries (Private) Limited



Company Secretaries

Colombo

20th August 2021

Audited Financial Statements 31st March 2021

Independent Auditor's Report



Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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Fax : +94 11 5578180
eysl@lk.ey.com
ey.com

NDeS/DSM/AD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANKA FINANCIAL SERVICES BUREAU LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of Lanka Financial Services Bureau Limited, which comprise the statement of financial position as at 31 March 2021, and the statement of income and retained earnings and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Financial Reporting Standards for Small and Medium-sized Entities (SLFRS for SMEs)

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Financial Reporting Standards for Small and Medium-sized Entities (SLFRS for SMEs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

(Contd...2/)

Partners: W.P.H. Fernando FCA FCMA R.N.de.Silva ACA FCMA Ms.N.A.de.Silva FCA Ms.Y.A.de.Silva FCA W.P.H.de.Silva ACA ACMA W.K.B.S.P.Fernando FCA FCMA
S.K.R.M.Fernando FCA ACMA Ms.L.K.H.Fonseka FCA A.P.A.Gunasekera FCA FCMA A.Herath FCA D.K.Hirunjanika FCA FCMA L.B.(Lond) H.M.A.Jayasinghe CA FCMA
Ms.A.A.Ludowyke FCA FCMA Ms.G.G.S.Manalunga FCA V.S.P.V.K.N.Sajeevanani FCA N.M.S.Jayasinghe ACA ACMA S.L.Wijesuriya FCA FCMA
Principals: S.B.Godalan ACMA A.A.J.R.Peroera ACA ACMA T.P.M.Rupera FCMA FCA

A member firm of Ernst & Young Global Limited





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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young

20 August 2021
Colombo

Lanka Financial Services Bureau Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 Rs.	2020 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	4,651,470	5,580,017
Intangible Assets	5	4,088,217	6,475,505
Deferred Tax Asset	13.2	99,917	334,846
		<u>8,839,604</u>	<u>12,390,368</u>
Current Assets			
Trade and Other Receivables	6	9,339,878	17,232,397
Prepayments	7	21,614,724	17,388,020
Income Tax Recoverable		607,002	1,305,647
Other Tax Recoverable	11.1	-	214,775
Investments	15	40,341,327	28,332,552
Cash and Bank Balances	15	2,757,705	5,328,908
		<u>74,660,636</u>	<u>69,802,299</u>
Total Assets		<u>83,500,241</u>	<u>82,192,667</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	8	62,000,000	54,500,000
Retained Earnings		(73,755,837)	(61,599,225)
Total Equity		<u>(11,755,837)</u>	<u>(7,099,225)</u>
Non-Current Liabilities			
Employee Benefit Liability	9	3,999,825	3,535,885
		<u>3,999,825</u>	<u>3,535,885</u>
Current Liabilities			
Trade and Other Payables	10	80,330,716	79,979,795
Other Taxes Payable	11.2	1,759,002	-
Bank Overdraft	15	9,166,535	5,776,211
		<u>91,256,253</u>	<u>85,756,006</u>
Total Equity and Liabilities		<u>83,500,241</u>	<u>82,192,667</u>

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



General Manager / CEO

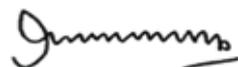


Manager- Finance & Administration

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



Director



Director

The accounting policies and notes on pages 06 through 18 form an integral part of the Financial Statements.

20 August 2021
Colombo



Lanka Financial Services Bureau Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended 31 March 2021

	Note	2021 Rs.	2020 Rs.
Revenue	3	117,756,051	101,995,655
Operating Expenses		(112,308,754)	(111,412,850)
Gross Loss		<u>5,447,296</u>	<u>(9,417,195)</u>
Administrative Expenses		(23,003,727)	(21,360,450)
Other Income	14	6,273,590	3,122,992
Loss Before Tax		<u>(11,282,841)</u>	<u>(27,654,653)</u>
Income Tax Expense	13	(873,772)	(345,238)
Loss for the Year		<u>(12,156,612)</u>	<u>(27,999,891)</u>
Retained Loss at the Beginning of the Year		(61,599,225)	(33,599,334)
Dividend Payment		-	-
Retained Loss at the End of the Year		<u>(73,755,837)</u>	<u>(61,599,225)</u>

The accounting policies and notes on pages 15 through 27 form an integral part of the Financial Statements.

Lanka Financial Services Bureau Limited

CASH FLOW STATEMENT

Year ended 31 March 2021

	Note	2021 Rs.	2020 Rs.
Cash Flows From/(Used in) Operating Activities			
Loss Before Income Tax Expense		(11,282,841)	(27,654,653)
Adjustments for,			
Depreciation	4	1,336,136	533,972
Amortisation	5	3,167,288	3,581,377
Provision for Staff Gratuity	9	463,940	488,991
Disposal Loss on Property, Plant and Equipment		-	870,081
Interest Income	14	(2,712,410)	(3,122,992)
Operating Profit/(Loss) Before Working Capital Changes		(9,027,887)	(25,303,224)
(Increase)/ Decrease in Trade and Other Receivables		8,031,109	1,255,645
(Increase)/Decrease in Prepayments		(4,226,704)	2,594,357
Increase in Other Tax Receivable		214,775	(12,993)
Increase/ (Decrease) in Trade and Other Payables		331,942	808,337
Increase/(Decrease) in Other Tax Payables		1,759,002	(123,804)
Cash Generated from/(Used in) Operations		(2,917,762)	(20,781,682)
Defined Benefit Plan Costs Paid		-	(471,505)
Income Tax Paid		(59,809)	(753,272)
Net Cash Flows From Operating Activities		(2,977,571)	(22,006,459)
Cash Flows From/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	4	(407,589)	(5,126,613)
Acquisition of Intangible Assets		(780,000)	-
Interest Received		2,712,410	3,122,992
Net Cash Flows Used in Investing Activities		1,524,821	(2,003,621)
Cash Flows From/(Used in) Finance Activities			
Shares issued during the year		7,500,000	23,500,000
Net Cash Flows Used in Finance Activities		7,500,000	23,500,000
Net Increase/(Decrease) in Cash and Cash Equivalents		6,047,249	(510,080)
Cash and Cash Equivalents at the Beginning of the Year	15	27,885,249	28,395,329
Cash and Cash Equivalents at the End of the Year	15	33,932,498	27,885,249

The accounting policies and notes on pages 15 through 27 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

1. CORPORATE INFORMATION

1.1 General

Lanka Financial Services Bureau Limited (“Company”) is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is situated at First Floor, Hatton National Bank PLC, Borella Branch, 53/1, D. S. Senanayake Mawatha, Colombo 08.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the company was to provide interbank Financial Telecommunication Services (SWIFT), Connectivity (SAG/SNL) and Messaging Infrastructure (SAA) to connected parties.

1.3 Date of Authorisation for Issue

The Financial Statements of Lanka Financial Services Bureau Limited for the year ended 31 March 2021 were authorised for issue at the Board meeting held on 20th August 2021.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Statements which comprise the Statement of Financial Position as at 31 March 2021, and the statement of Income and Retained Earnings and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and Other Explanatory Notes, have been prepared on a historical cost basis and are presented in Sri Lanka Rupees.

The preparation and presentation of these Financial Statements are in compliance with Companies with Companies Act No. 07 of 2007.

2.1.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (hereafter “SLFRS for SMEs”) as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Changes in Accounting Policies

The Accounting Policies adopted are consistent with those of the previous year.

2.1.3 Going Concern

The financial statements of the Company have been prepared on the basis that the Company is a going concern. However, the Company has incurred a net loss amounting to Rs. 12,156,612/- (2020-Rs. 27,999,891/-) and accumulated losses amounting to Rs. 73,755,837/- (2020-Rs. 61,599,225/-) as at the reporting date. Accordingly, the company is in the position of serious loss of capital in terms of section 220 of Companies Act No. 07 of 2007

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

2.1.3 Going Concern (Contd...)

Further, there is a negative net current assets amounting to Rs. 16,595,617/- (2020-Rs. 15,953,707/-) as at 31 March 2021

However, the Directors are of the view that the Company has the ability to recover from the setback it has experienced and continue as a going concern due to the following factors;

- The Company is managing the SWIFT Shared Infrastructures for the Sri Lankan SWIFT User community including the Central Bank of Sri Lanka and has been in the process of exploring new sources of revenue from 'Value Added' Services for SWIFT operations in Sri Lanka. As a milestone, LFSBL has been able to establish a partnership with a Certified SWIFT Registered Partner to provide the services for the annual SWIFT mandatory audit for the banks and financial institutions who uses SWIFT connectivity, in order to be compliant with the CSCF (Customer Security Control Framework). Further options are currently under evaluation after completing initial discussions with the partners.
- Addition of new customers to the SWIFT Shared Messaging Infrastructure will further bolster its revenue in the short term and the company has launched an aggressive campaign for such on-boarding and now progressing with its innovative approach of providing a first-hand experience of the state-of-the-art messaging infrastructure before joining Live operations, by offering an 'On-Boarding Trail' (OBT). Already two (2) banks have been progressing upto the milestone of signing the MOU for the implementation and it is expected that successful completion of these implementations will accelerate the on boarding process of other banks.
- Propose price increase by 20% was approved by the Sri Lankan SWIFT User community which had only an effect of increased revenue in the last 3 months of the financial year 2019/20. The full benefit of the price revision will be accrued in the financial year 2020/21
- The Outsourced infrastructure (business and operational) model is being reviewed and revamped with emphasis on maximizing the utilization of the internal technical capabilities and exploration of alternate sources of service providers. LFSBL has successfully implemented the mandatory MFA (Multi Factor Authentication) at almost zero cost, leveraging the internal capabilities.

Further, it continues to shows that the cost to individual banks of maintaining their own SWIFT Infrastructures is more expensive than using the existing SWIFT Shared Infrastructures of LFSBL (Connectivity and Messaging) which is already being utilized by 20 banks. Therefore, it would make commercial sense to further invest and support LFSBL, to achieve industry wide cost benefits which are much needed under the economic pressures of the pandemic on the financial sector. LFSBL is also as an integral part of the National Payments System of the Central Bank of Sri Lanka.

Based on the above facts the Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operating.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS , ESTIMATES AND ASSUMPTIONS

2.2.1 Critical Judgements in Applying the Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

2.2.1 Critical Judgements in Applying the Accounting Policies (Contd...)

(a) Deferred Taxation

Deferred Tax Assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised based upon the likely timing and the levels of future taxable profits together with future tax planning strategies.

(b) Impairment for Debts:

The Company reviews at each Statement of Financial Position date all receivables to assess whether impairment should be recorded in the Statement of Income. The Management uses judgement in estimating such amounts in the light of the duration of outstanding and any other factors management is aware of that indicate uncertainty in recovery.

2.2.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below.

(a) Useful Lives of Property, Plant and Equipment

The Company reviews the assets' residual values, useful lives and methods of depreciation or amortization at each reporting date; judgment by management is exercised in the estimation of these values, rates and methods.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Taxation

(a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

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

(b) Deferred Taxation

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

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

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

2.3.1 Taxation (Contd...)

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

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

Deferred income tax relating to items recognised directly in equity is recognised in equity.

(c) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.3.2 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Statement of Financial Position date. All differences are taken to Statement of Income and Retained Earnings. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.3 Trade and Other Receivables

Receivables are stated at the amounts that they are estimated to realize net of impairment for doubtful receivables.

Other receivables are also recognized at cost less impairment for doubtful receivables.

2.3.4 Cash and Cash Equivalents

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

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

2.3.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Income and Retained Earnings in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Income and Retained Earnings in the expenses category consistent with the function of the intangible asset.

2.3.6 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Income and Retained Earnings in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.3.7 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Income and Retained Earnings net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.3.8 Retirement Benefit Obligations

(a) Defined Benefit Plan – Gratuity

The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Statement of Financial Position, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the Statement of Income and Retained Earnings.

This item is stated under Employee Benefit Liability in the Statement of Financial Position.

The gratuity liability is not externally funded.

(b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

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

2.3.9 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset. For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

2.3.10 Income Recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income and associated costs incurred or to be incurred can be reliably measured. Income is measured at the fair value of the consideration received or receivable. The following specific criteria are used for the purpose of recognition of income.

(a) Subscriptions

Subscriptions are recognized on an accrual basis.

(b) Interest

Interest Income is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

(c) Others

Other income is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

3. REVENUE	2021 Rs.	2020 Rs.
Income - SWIFT Alliance Gateway	94,898,115	77,692,343
Income - SWIFT Alliance Access	7,802,325	7,366,447
Income - User Communication Links	15,055,611	16,936,865
	<u>117,756,051</u>	<u>101,995,655</u>

4. PROPERTY, PLANT AND EQUIPMENT	Balance as at 01.04.2020 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2021 Rs.
4.1 Gross Carrying Amounts				
At Cost				
Computer and Accessories	1,142,811	11,200	-	1,154,011
Office Equipment	357,131	5,000	-	362,131
Office Network Infrastructure	-	310,126	-	310,126
Furniture and Fittings	830,139	81,263	-	911,402
SWIFT Technical Equipment	7,879,428	-	-	7,879,428
Water Leak Detection System	573,980	-	-	573,980
Total Gross Carrying Amount	<u>10,783,489</u>	<u>407,589</u>	<u>-</u>	<u>11,191,078</u>

4.2 Depreciation	Balance as at 01.04.2020 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2021 Rs.
At Cost				
Computer and Accessories	815,068	176,692	-	991,760
Office Equipment	328,557	9,041	-	337,597
Office Network Infrastructure	-	12,178	-	12,178
Furniture and Fittings	718,654	36,429	-	755,084
SWIFT Technical Equipment	3,028,255	987,000	-	4,015,255
Water Leak Detection System	312,938	114,796	-	427,734
Total Depreciation	<u>5,203,473</u>	<u>1,336,136</u>	<u>-</u>	<u>6,539,610</u>

4.3 Net Book Values	2021 Rs.	2020 Rs.
At Cost		
Computer and Accessories	162,251	327,743
Office Equipment	24,534	28,574
Office Network Infrastructure	297,948	-
Furniture and Fittings	156,319	111,485
SWIFT Technical Equipment	3,864,173	4,851,173
Water Leak Detection System	146,246	261,042
Total Carrying Amount	<u>4,651,470</u>	<u>5,580,016</u>

4.4 During the financial period, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 407,589/- (2020-Rs.5,126,613/-). Cash payments amounting to Rs.407,589/- (2020-Rs.5,126,613/-) were made during the period for purchase of Property, Plant and Equipment.

4.5 The useful lives of the assets are estimated as follows;	2021	2020
Computer and Accessories	3 Years	3 Years
Office Equipment	5 Years	5 Years
Furniture and Fittings	5 Years	5 Years
SWIFT Technical Equipment	5 Years	5 Years
Water Leak Detection System	5 Years	5 Years

4.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.4,737,108/- (2020 - Rs. 2,944,428/-).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

5. INTANGIBLE ASSETS

	Balance as at 01.04.2020 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2021 Rs.
5.1 At Cost				
SWIFT Products	46,638,910	-	-	46,638,910
Computer Software	394,375	-	-	394,375
Web Site	871,029	-	-	871,029
Orange Upgrade -128Kbps to 256 Kbps-One Time Fee	372,388	-	-	372,388
Arcserve Product License & Implementation - Onetime Fee	1,405,280	-	-	1,405,280
7.2 Platform Swap - Onetime Fee (SWIFT)	3,385,800	-	-	3,385,800
Dual Factor Authontication	-	780,000	-	780,000
	<u>53,067,781</u>	<u>780,000</u>	<u>-</u>	<u>53,847,781</u>

5.2 Amortisation

	Balance as at 01.04.2020 Rs.	Charge For The Year Rs.	Disposals Rs.	Balance as at 31.03.2021 Rs.
At Cost				
SWIFT Products	43,876,402	1,950,318	-	45,826,720
Computer Software	317,771	39,164	-	356,935
Web Site	871,028	-	-	871,028
Orange Upgrade -128Kbps to 256 Kbps-Onetime Fee	198,335	74,273	-	272,609
Arcserve Product License & Implementation - Onetime Fee	256,416	281,057	-	537,473
7.2 Platform Swap - Onetime Fee (SWIFT)	1,072,324	677,160	-	1,749,484
Dual Factor Authontication	-	145,315	-	145,315
	<u>46,592,276</u>	<u>3,167,288</u>	<u>-</u>	<u>49,759,564</u>
	<u>6,475,505</u>			<u>4,088,217</u>

5.3 Net Book Value

5.4 Intangible assets are amortised equally over a period of 5 years commencing from the year of acquisition.

5.5 Intangible Assets includes fully depreciated assets having a gross carrying amount of Rs 40,834,550/- (2020 - Rs.37,758,349/-)

6. TRADE AND OTHER RECEIVABLES

	2021 Rs.	2020 Rs.
Trade Debtors	10,862,815	18,431,702
Other Debtors	355,340	433,980
Less: Provision for For Doubtful Debts	<u>(1,878,277)</u>	<u>(1,633,285)</u>
	<u>9,339,878</u>	<u>17,232,397</u>

7. PREPAYMENTS

	2021 Rs.	2020 Rs.
Current		
Prepayments	<u>21,614,724</u>	<u>17,388,020</u>
	<u>21,614,724</u>	<u>17,388,020</u>

7.1 Prepayments mainly consists of payment of annual fee for SWIFT Rs.13,449,454/- (2019/20 Rs.12,596,962/-). Annual SIP Subscription Fee Rs.3,354,909/- (2019/20 -Rs.2,889,444/-)

Lanka Financial Services Bureau Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

8. STATED CAPITAL	2021		2020	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	5,450,000	54,500,000	3,100,000	31,000,000
Shares issued during the year	750,000	7,500,000	2,350,000	23,500,000
	<u>6,200,000</u>	<u>62,000,000</u>	<u>5,450,000</u>	<u>54,500,000</u>
9. EMPLOYEE BENEFIT LIABILITY			2021	2020
Retirement Benefit Obligation - Gratuity			Rs.	Rs.
Balance as at the Beginning of the Year			3,535,885	3,518,399
Charge for the Year			463,940	488,991
Payment Made During the Year			-	(471,505)
Balance as at the End of the Year			<u>3,999,825</u>	<u>3,535,885</u>
10. TRADE AND OTHER PAYABLES			2021	2020
			Rs.	Rs.
Trade Payables			71,052,713	72,520,594
Sundry Creditors Including Accrued Expenses			9,278,003	7,459,201
			<u>80,330,716</u>	<u>79,979,795</u>
10.1 Trade and Other Payables mainly consist of payable to SWIFT Rs. 25,806,928/- (2019/20-Rs.22,947,590/-) and payable to Dialog Broadband Networks (Pvt) Ltd Rs. 43,751,449/- (2019/20 – Rs.45,046,717/-).				
11. OTHER TAX RECOVERABLE			2021	2020
			Rs.	Rs.
11.1 VAT Receivable			-	214,775
			<u>-</u>	<u>214,775</u>
11.2 Other Taxes Payable				
VAT Payable			1,759,002	-
			<u>1,759,002</u>	<u>123,804</u>
12. SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE			2021	2020
Stated After Charging/(Crediting)			Rs.	Rs.
Auditors' Remuneration			155,000	140,340
Depreciation			1,336,136	533,969
Amortisation			3,128,124	3,527,423
Employee Benefits Including the Following				
- Defined Benefit Plan Costs - Gratuity			463,940	488,991
- Defined Contribution Plan Costs - EPF and ETF			1,863,724	1,773,473
- Other Staff Costs			12,424,829	11,907,247
LCSP - Local User Communication Links - DBN & SLT (Expense)			15,055,611	16,936,865
MSP (Managed Service Provider Fee 7.2 (DBN-SAG & SAA))			19,210,344	19,471,605
SWIFT Recurring Fee			24,926,485	22,011,323
ICSP (International Communication Link-Sita Equant)			<u>23,321,892</u>	<u>23,005,874</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

13. INCOME TAX EXPENSE	2021	2020
Current Income Tax	Rs.	Rs.
Current Income Tax Expense on Ordinary Activities (13.1)	638,842	187,380
Deferred Income Tax		
Deferred Tax Charge (13.2)	234,929	157,858
Income Tax Expense/(Reversal) Reported in the Income Statement	<u>873,772</u>	<u>345,238</u>

13.1 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows:

	2021	2020
	Rs.	Rs.
Accounting Loss Before Tax	(11,282,841)	(27,654,653)
Aggregate Disallowed Items	5,769,656	5,571,440
Aggregate Allowable Items	(5,809,581)	(10,301,245)
Taxable Loss	<u>(11,322,766)</u>	<u>(32,384,458)</u>
Interest on FCBU	-	48,133
Fixed Deposit Income	2,310,047	2,031,918
Money Market Interest	351,795	1,042,941
Tax Losses Brought Forward and Utilized	-	(2,342,245)
Taxable Income	<u>2,661,842</u>	<u>780,748</u>
Statutory Tax Rate %	24%	24%
Current Income Tax Expenses @ 28%	638,842	187,380
	<u>638,842</u>	<u>187,380</u>
Tax Loss Brought Forward	92,766,569	62,724,356
Tax Loss During the year	11,322,766	32,384,458
Loss Utilized During the Year	-	(2,342,245)
Carried Forward Tax Loss	<u>104,089,335</u>	<u>92,766,569</u>

13.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following.

	Statement of Financial Position		Statement of Income and Retained Earnings	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Capital Allowances for Tax Purposes	460,059	781,832	(321,773)	160,306
	<u>460,059</u>	<u>781,832</u>	<u>(321,773)</u>	<u>160,306</u>
Deferred Tax Assets				
Defined Benefit Liability	(559,976)	(495,024)	(64,952)	(2,448)
Effect from Tax Losses	-	(621,654)	621,654	-
	<u>(559,976)</u>	<u>(1,116,678)</u>	<u>556,702</u>	<u>(2,448)</u>
Deferred Tax Charge			<u>234,929</u>	<u>157,858</u>
Net Deferred Tax Asset	<u>(99,917)</u>	<u>(334,846)</u>		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

13.3 Deferred Tax Assets has been recognized in the year 2020 for taxable losses up to the extent amounting to a tax loss of Rs.4,440,385/- that the taxable temporary differences reverse in next 6 years. Deferred Tax Assets has not been recognized on Taxable losses amounting to Rs. 104,089,335/- as at 31 March 2021

14. OTHER INCOME	2021 Rs.	2020 Rs.
Interest from FCBU Accounts	50,568	48,133
Interest from Fixed Deposit	2,310,047	2,031,918
Interest From Money Market Savings Account	351,795	1,042,941
Credit Balances Written Back	3,561,180	-
	<u>6,273,590</u>	<u>3,122,992</u>

15. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

15.1 Favourable Cash and Cash Equivalent Balances	2021 Rs.	2020 Rs.
Cash and Bank Balances	2,757,705	5,328,908
Investments (15.2)	40,341,327	28,332,552
	<u>43,099,033</u>	<u>33,661,460</u>

15.1.1 Unavourable Cash and Cash Equivalent Balances

Cash and Bank Balances	(9,166,535)	(5,776,211)
	<u>(9,166,535)</u>	<u>(5,776,211)</u>
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<u>33,932,498</u>	<u>27,885,249</u>

15.2 Investments

Fixed Deposits	40,341,327	28,332,552
	<u>40,341,327</u>	<u>28,332,552</u>

16. COMMITMENTS AND CONTINGENCIES

16.1 Capital Expenditure Commitments

There are no significant Capital Expenditure Commitment as at the Statement of Financial Position date.

16.2 Contingencies

There are no significant Contingencies as at the Statement of Financial Position date.

17. RELATED PARTY DISCLOSURES

17.1 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the Members of its Board of Directors.

Key Management Personnel Compensation

	2021 Rs.	2020 Rs.
Short Term Employee Benefits (Director's Fees)	325,000	150,000
	<u>325,000</u>	<u>150,000</u>

18. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no material events occurring after the Statement of Financial Position date that require adjustments to or disclosure in the Financial Statements.

19. IMPACT DUE TO THE COVID - 19

Lanka Financial Services Bureau Ltd (LFSBL), which is the SWIFT Shared Infrastructure of Sri Lanka has responded proactively to the Pandemic with a focus on ensuring the health and safety of our employees, while seamlessly adapting to provide uninterrupted services to customers, partners and communities. [(SWIFT) Society for Worldwide Interbank Financial Telecommunications]. LFSBL is governed in accordance with the European and global standards. LFSBL continued to deliver customer service and support to customers via the SWIFT approved 'Remote Working Protocol (RWP) & Standard Operating Procedure (SOP) which were experimented and established in April 2009 with the 21/4 Easter terrorist attack in Sri Lanka. LFSBL responded seamlessly by resorting to the Remote Working Protocol by as early as 12.03.2020, even before the government declared emergency. LFSBL continued an interrupted service to the banking and financial industry of Sri Lanka, which includes the Central Bank of Sri Lanka as well.

LFSBL had not experienced any impact on revenue due to loss of business as the SWIFT connectivity is mandatory to all banking and financial institutions to continue activities on National Payments & Settlements System of the Central Bank of Sri Lanka.

We further improved and consolidated the RWP by the transferring the payments process to online banking completely, creating a comfortable space for initiation, approval and issuance of payments to suppliers and employees.

It is our pleasure to mention that (5) out of nine (9) employees are fully vaccinated as at date and the rest are below the age of 30 years.

LFSBL has adapted fully to the Covid -19 recovery environment by ensuring the enforcement of health standards, security and business continuity with global standards.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **14th** Annual General Meeting of Lanka Financial Services Bureau Limited will be held on **Friday, 24th September 2021** at **4.30 p.m.** via Audio/Video (Virtual AGM) for the following purposes:

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st March 2021 together with the Report of the Auditors thereon.
2. To nominate/re-elect Directors in terms of Article 26 (6)
 - a. In terms of Article 26 (6) of the Articles of Association, Mr. K. R. D. Bandaranaike representing the Entities sending and receiving less than 500 SWIFT messages per day being eligible has offered himself for re-election for the ensuing year.
 - b. In terms of Article 26 (6) of the Articles of Association, Mr. L. H. A. L. Silva representing the Entities sending and receiving between 500-1000 SWIFT messages per day being eligible has offered himself for re-election for the ensuing year.
 - c. In terms of Article 26 (6) of the Articles of Association, Mr. N. W. R. D. S. Akuretiyagama representing the Entities sending and receiving more than 1000 SWIFT messages per day being eligible has offered himself for re-election for the ensuing year.
3. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. Edward Ravindra De Silva who is over 70 years of age.

“IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Edward Ravindra De Silva who is over 70 years of age prior to the Annual General Meeting and that he be re-appointed as a Director of the Company”.

4. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
5. To consider and if thought fit to pass the following resolution as a ‘Special Resolution’ to amend the Scope of the “Objects of The Company” contained in the Articles of Association of the Company.

“RESOLVED that the following clauses to be incorporated under Article No. 2 under ‘Objects of the Company’ as item 2) iii and 2) iv to the existing Articles of Association of the Company.

Article No. 2

- (iii) To provide shared/direct services for related services of information technologies, facilities and infrastructures for both off-shore and domestic customers.
- (iv) To provide shared/direct consultancy, administrative and technical services to both off-shore and domestic customers with the collaboration of global and local service partners/agents/distributors.”

6. To transact any other business of which due notice has been given.

By order of the Board

MANAGERS & SECRETARIES (PRIVATE) LIMITED



Company Secretaries

Colombo

20th August 2021

Form of Proxy

LANKA FINANCIAL SERVICES BUREAU LIMITED - P B 3003

I / We, the undersigned

of

being a member of Lanka Financial Services Bureau Limited, hereby appoint

- Full name of proxy -
 - NIC of Proxy -
 - Address of Proxy -
 - Contact Numbers - Land, Mobile
- Email address

as our proxy to represent us and vote for us and on our behalf at the **14th** Annual General Meeting of the Company to be held on **Friday, 24th September 2021** and at any adjournment thereof.

Please mark your preference with "x"

Ordinary Resolution

	For	Against
1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 st March 2021 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 a.To nominate/re-elect Mr. K. R. D. Bandaranaike representing the Entities sending and receiving less than 500 SWIFT messages per day being eligible has offered himself for re-election for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
b.To nominate/re-elect Mr. L. H. A. L. Silva representing the Entities sending and receiving between 500-1000 SWIFT messages per day being eligible has offered himself for re-election for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
c.To nominate/re-elect Mr.N. W. R. D. S. Akuretiyagama representing the Entities sending and receiving more than 1000 SWIFT messages per day being eligible has offered himself for re-election for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-appoint Mr. Edward Ravindra De Silva as a Director of the company who is over 70 years of age.	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against
4 To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5 To amend the Scope of the "Objects of the Company" Contained in the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2021

Signature

Instructions for completion of Proxy

- 1 Kindly perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
- 2 Proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
- 3 In the case of a proxy signed by an Attorney, the relevant Power-of-Attorney or a certified copy thereof should also accompany the completed form of proxy and must be deposited at the Registered Office of the Company.
- 4 The completed Form of Proxy should be deposited at the Registered Office of the Company at Financial Services Bureau Limited, 53/1, D. S. Senanayake Mw, 1st Floor, HNB Borella Branch, Colombo 08, not less than 24 hours before the appointed time for holding of the meeting in terms of the Articles of Association of the Company.

SUPPLEMENTARY NOTICE TO SHAREHOLDERS

LANKA FINANCIAL SERVICES BUREAU LIMITED

14th ANNUAL GENERAL MEETING

Dear Shareholder/s,

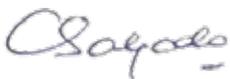
Considering the prevailing situation in the country and the restrictions enforced by the Government of Sri Lanka, the Board of Directors of Lanka Financial Services Limited (Company) has decided to proceed with the AGM using audio visual technology on 24th September 2021 at 4.30 p.m. as per the Notice of Meeting of the AGM.

Please note the following procedure to be adopted in terms of the same;

1. The Annual Report along with the Notice of Meeting, Form of Proxy, Form of Registration and Circular to Shareholder are enclosed herewith.
2. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All Shareholders, will participate via the online meeting platform. This measure is being adopted to observe "social distancing" requirements to mitigate the danger of spreading the virus (COVID 19).
3. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform, with log in information being forwarded to shareholders in advance of the meeting.
4. In order to enable such facilities, Shareholders who wish to participate in the meeting are requested to forward us their details as per the attached Registration Form and Proxy.
5. Shareholders will be given opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the e-mail - **gm@lfsbl.com**
6. Voting on the items on the Agenda will be registered by using an online platform or a designated ancillary online application. All of such procedures will be explained to Shareholders prior to the commencement of the meeting.
7. All the documents relating to the AGM must be forwarded to - **prjc.sec@lfsbl.com** or forwarded to the registered office of the company, **prior to the date of the AGM, as denoted in the respective documents.**
For any queries regarding any of the documents sent, please contact the Company on Tel: 011 269 2424 or mobile 0777 717170 during normal office hours.
The Board wishes to thank their Shareholders of the company for their unwavering cooperation and support to ensure a smooth and uninterrupted process at this Annual General Meeting of the Company.

By Order of the Board

LANKA FINANCIAL SERVICES BUREAU LIMITED
MANAGERS AND SECRETARIES (PRIVATE) LIMITED



Director/Secretaries

20th August 2021

LANKA FINANCIAL SERVICES BUREAU LIMITED

14th ANNUAL GENERAL MEETING REGISTRATION OF SHAREHOLDER DETAILS

To: Mr.
Lanka Financial Services Bureau Limited
01st Floor,
HNB Borella Branch,
No. 53/1,
D. S. Senanayake Mawatha,
Colombo 08.

1. Full Name of the Shareholder:
2. Address of Shareholder:
3. NIC No. / P.P. No. / Co. Reg. No. of Shareholder:.....
4. Contact details of Shareholder (or proxy represented the shareholder)
- Telephone: Residence: Office: Mobile:
- e-mail:(Please print clearly)

.....
Shareholder's Signature/Date

INSTRUCTIONS AS TO COMPLETION

- i. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform.
- ii. The "Web Link" for participation at the AGM through the online platform will be forwarded to the Shareholder's above noted email address.
- iii. As the shareholders are Company/Corporation, the Registration must be under it's common seal which should be affixed and attested.
- iv. In the case of the Registration form signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.
- v. The duly completed Registration Form must be deposited at the Registered Office of the Company Lanka Financial Services Bureau Limited, 1st Floor, HNB Borella Branch, No. 53/1, D. S. Senanayake Mw, Colombo 08 or e-mailed to **prjc.sec@lfsbl.com** 5 days prior to the date of the AGM.

Corporate Information

LEGAL STATUS

Public Limited Liability Company

REGISTERED OFFICE

01st Floor,
HNB Borella Branch,
No. 53/1, D. S. Senanayake
Mawatha,
Colombo 08.
Tel : 011 269 2424

COMPANY SECRETARY

Managers and Secretaries
(Private) Limited,
No. 8, Tickell Road,
Colombo 08.
Tel: 011 201 5900

DATE OF INCORPORATION & RE REGISTRATION NUMBER

15th June 2007

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BOARD OF DIRECTORS

Mr. L. H. A. L. Silva
Mr. A. J. Alles
Mr. K. P. Ariyaratne
Mr. K. R. D. Bandaranaike
Mr. D. Kumaratunge
Mr. M. N. R. Fernando
Mr. E. R. De Silva
Mr. S. Renganathan
Mr. N. W. R. D. S. Akuretiyagama
Mr. R. J. Wanduragala
Mr. D. P. K. Gunasekera
Mr. M. D. A. Karunaratne
(Alternate Director to - Mr. D. P. K. Gunasekera)
Mr. Ranjith Kodituwakku

MANAGEMENT TEAM

Mihindu Rajaratne – General Manager / CEO
N. Gunawardane – Manager (Finance & Administration)
Hasitha Range Bandara – Manager (SWIFT Operations)

AUDITORS

Messrs. Ernst & Young,
201, De Saram Place, Colombo 10.

BANKERS

Hatton National Bank PLC,
Head Office Branch,
479, T. B. Jayah Mawatha,
Colombo 10.

BOARD AUDIT COMMITTEE

Mr. J. Alles (Chairman)
Mr. K. P. Ariyaratne
Mr. R. J. Wanduragala

BOARD INVESTMENTS COMMITTEE

Mr. L. H. A. L. Silva (Chairman)
Mr. E. R. De Silva
Mr. M. Rajaratne

BOARD STRATEGY DEVELOPMENT & EVALUATION COMMITTEE

Mr. S. Renganathan (Chairman)
Mr. M. N. R. Fernando
Mr. D. Kumaratunge
Mr. R. J. Wanduragala

BOARD HUMAN RESOURCES COMMITTEE

Mr. L. H. A. L. Silva (Chairman)
Mr. E. R. De Silva



SWIFT SHARED INFRASTRUCTURES OF SRILANKA