



# THE CENTRE OF INNOVATION

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Read LankaPay Annual Report 2022-23 Online  
<https://www.lankapay.net/downloads/>



# THE CENTRE OF INNOVATION

With innovation at its core, LankaPay has been able to revolutionise the financial services sector in the country for two decades by introducing cutting-edge technologies. Consumers from all walks of life have enjoyed convenience at their fingertips, as we continue to up our game in exceeding the expectations of a growing legion of customers whose financial behaviour has shifted online. With our services pushing the boundaries to change the face of digital engagement, we have deployed them with speed, ease of use and the highest security to move consumers towards a less-cash world. We are at the centre of innovation in providing much-needed options to an increasing number of digital consumers while constantly exploring new ways to make our solutions more accessible, reliable and safer than ever to bridge the gap towards a seamless digital experience.



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# Introduction to the Report

## About the Report and Guiding Principles and Standards

- This annual report marks LankaPay's eighth Integrated Annual Report, covering the period from April 1, 2022, to March 31, 2023, providing a concise and comprehensive analysis of our overall business strategy, performance, and the processes employed to execute it. Our capital management and value creation process adhere to the guidelines set forth by the 2021 International Integrated Reporting Council (IIRC).
- The financial statements contained in this report comply with the Sri Lanka Financial Reporting Standards for Small and Medium-sized Entities established by the Institute of Chartered Accountants of Sri Lanka.
  - The Audit Committee has diligently reviewed the financial statements to ensure their accuracy and fairness in representing the organisation.
  - PricewaterhouseCoopers, Chartered Accountants Sri Lanka has provided external assurance on the Financial Statements.
  - Furthermore, this report aligns with the requirements outlined in the Companies Act No. 7 of 2007.
- LankaPay sustainability model covers 14 out of 17 Sustainable Development Goals identified under GRI framework and we have covered them comprehensively in our reports in relevant sections.
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka as applicable.
- Reposting on ESG framework.

## Boundary

The report covers the below principal activities of the organisation:

- National Payment System Operator for LKR cheque clearing (CITS)
- National Payment System Operator for interbank electronic batch mode payments (SLIPS)
- National Payment System Operator for US Dollar Draft clearing (UITS)
- Operator of the national interbank Common ATM Switch (CAS)
- Operator of the national interbank real-time Common Electronic Fund Transfer Switch (CEFTS) comprising:
  - LankaPay Government Payment Platform (LPOPP) for institutional payments
  - JustPay for mobile base retail payments
  - LANKAQR for standardised QR code payments
  - PEN: Payment Exchange Name easing interbank fund transfers
  - Direct Debit for pulling money from another bank account upon predefined instructions
  - Lanka Remit to facilitate foreign remittances
- Request to Pay Service (PayMe)
- Operating the hosted ATM switch for Banks/ FIs (LankaPay - SAS)
- Operator of the national interbank Point of Sale Switch (CPS)
- Operator of the National Card Scheme (NCS)
- Operating the hosted card management solution for Banks/FIs (LankaPay - CMS)
- Integration of Regional and International payment Networks

- National Payment System Operator for interbank electronic batch mode US Dollar payments
- Operating the national financial sector certificate authority (LankaSign)
- Attending to financial sector computer security incidents (FinCSIRT)

## Stakeholders

- Central Bank of Sri Lanka as the regulator
- Shareholders
- Government institutions and relevant ministries
- Board of Directors, management and employees
- Licensed commercial banks and financial institutions
- FinTech apps
- Indirect customers
- Suppliers
- International business partners
- Auditors, media, agencies, industry bodies and professional institutes

## Accuracy and Restatement of Information

We have taken meticulous care to ensure that this report presents a balanced, comprehensive, and accurate overview of our operations. Our objective is to provide credible information consistently, facilitating clarity and comparability. The CEO, along with the members of the corporate management team, assumes responsibility for the sustainability practices and disclosures reflected in this report.

No information had been restated under this report.

## Certifications

- The operations of LankaPay Common Card and Payment Switch Payment backend is PCI-DSS/PA-DSS compliant and the first entity to be so in Sri Lanka
- LankaSign process is ISO 27001 certified

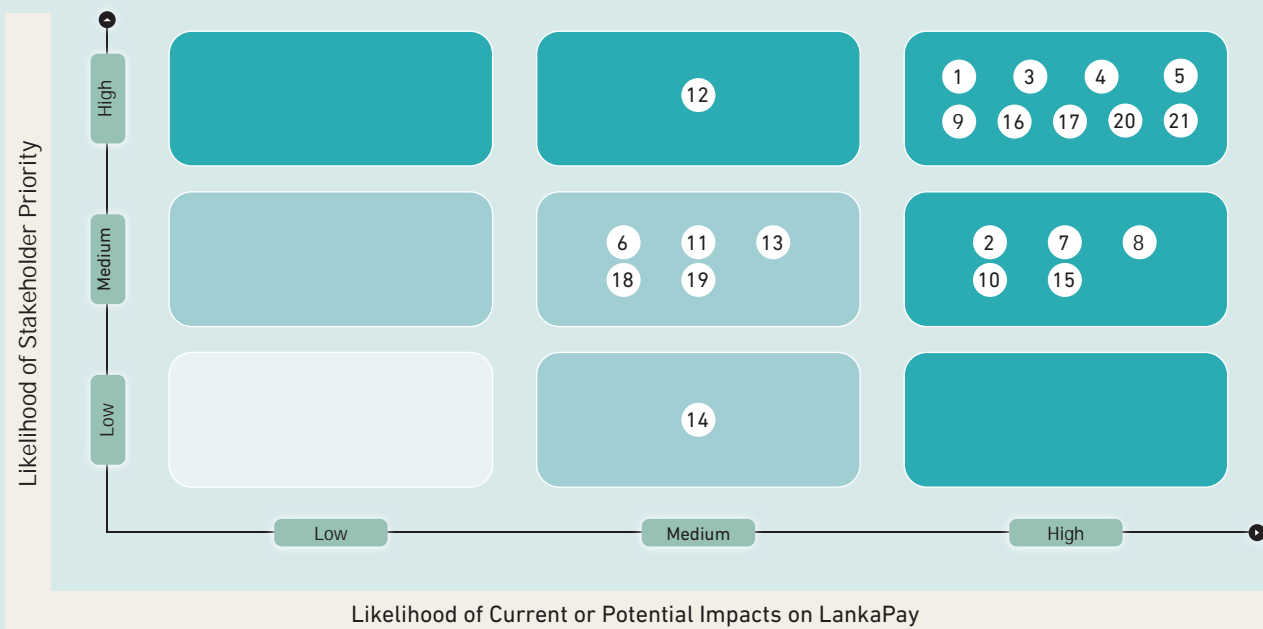
## Reporting Improvements 2022/23

- Inclusion of a market analysis
- Reporting on macro environment factor analysis
- Reporting on ESG framework
- SWOT analysis for LankaPay
- Board Procurement Committee Report

## Integrated Thinking

### Materiality Assessment

- The scope of this report encompasses the operations of LankaPay (Pvt) Ltd, and includes topics identified as material to the company based on an evaluation of stakeholder priorities and their impact on the organisation.
- We have addressed key topics derived from stakeholder engagement, regulatory mandates, industry trends, opportunities, and risks in this Annual Report, focusing on their significance to both the organisation and our key stakeholders.
- This assessment is conducted annually, involving the participation of the entire Management team based on their areas of expertise and stakeholder engagement. Regular evaluations take place during Board and Management meetings, and the findings are integrated into organisational and departmental goals.



### The Material Topics Covered in the Report

The material topics, which are of high importance to both LankaPay and stakeholder interests, are summarised below and further elaborated upon throughout this report. The topics have been categorised as high, medium, and low priority and are represented on the accompanying grid. The following list outlines the material topics considered for inclusion in this report:

1. Ensuring trust and high availability of all payment systems within the LankaPay network.
2. Improving, upgrading, and maintaining the efficiency and reliability of the existing IT infrastructure to ensure the seamless operation of the LankaPay payment systems.
3. Enhancing information security and compliance to uphold world-class standards.
4. Implementing industry best practices for LankaPay card operations.
5. Managing the seamless integration of LankaPay products with banks and financial institutions.
6. Providing value-added services to customers.
7. Introducing innovative and technologically advanced payment solutions to drive financial inclusivity and encourage widespread adoption of LankaPay services by the general public.
8. Increasing awareness and fostering brand loyalty among the general public through direct and indirect engagements.
9. Enhancing customer satisfaction levels.
10. Ensuring the availability of a highly qualified, trained, efficient, and motivated team of staff members.
11. Actively engaging with employees to address grievances, reduce turnover, and promoting a positive work environment.
12. Ensuring fair and equitable compensation and benefits for all employees.
13. Establishing an enhanced and effective procurement process to improve operational efficiency and transparency.
14. Reducing energy consumption by enhancing usage efficiency.
15. Maintaining suitable environments and timely equipment and operational maintenance to support staff.
16. Enhancing the overall financial health of the organisation by achieving revenue and profitability growth, cost efficiencies, and safeguarding company assets.
17. Safeguarding contractual rights and maintaining contractual safeguards with contractors, vendors, service providers, and other relevant parties.
18. Encouraging member participation in LankaPay products.
19. Contributing to sustainable development efforts.
20. Maintaining good governance controls.
21. Establishing partnerships with regional payment networks.

# About Us

## The Centre of Innovation

LankaPay, with innovation at its core, has been a pioneering force in revolutionising the financial services sector of the country for two decades. By introducing cutting-edge technologies, we have seamlessly catered to the evolving needs of a growing legion of customers, offering convenience, security, and a transformative digital experience that propels Sri Lanka towards a less-cash future.

Having grown by leaps and bounds since its incorporation in 2002, LankaPay's quest is to empower every Sri Lankan with faster, convenient, secure and affordable payment solutions, thereby creating financial inclusivity.

As the National Payment Network that functions under the guidance and supervision of the Central Bank of Sri Lanka, LankaPay is regarded as one of the best Public-Private Partnerships (PPP) in the region.

The entity is owned by the Central Bank of Sri Lanka along with other licensed public and private commercial banks operating in the island nation.

## Our Vision

To be Asia's most trusted and reliable payment network

## Our Mission

To be the trusted National Payment Network that facilitates high quality electronic financial services at affordable prices in a secure, reliable and convenient manner to all Sri Lankans



# Core Values

"This is How We Do It"

## 01 Responsibility and Accountability

We act responsibly and take accountability for our actions as we know that our decisions and actions affect our stakeholders. We know that confidence will be built based on our verbal and written commitments, which we reliably meet.

## 02 Respect Others for Who They Are

It is not by a designation, race, or creed that people are valued and respected by all of us at LankaPay. We respect, value and honour them for who they are and what they do.

## 03 Be a Catalyst for Change

Change is in our lifeblood and, no matter what happens, our passion for change and hunger for finding better ways of doing things will never stop. We continue to search for and provide the latest technology-based solutions to our customers while justifying our drive to become a valued payment infrastructure facilitator.

## 04 Leadership

Everything we do at LankaPay is aimed at making people passionate about their contribution and to become leaders in their own areas of expertise.

## 05 Integrity and Trust

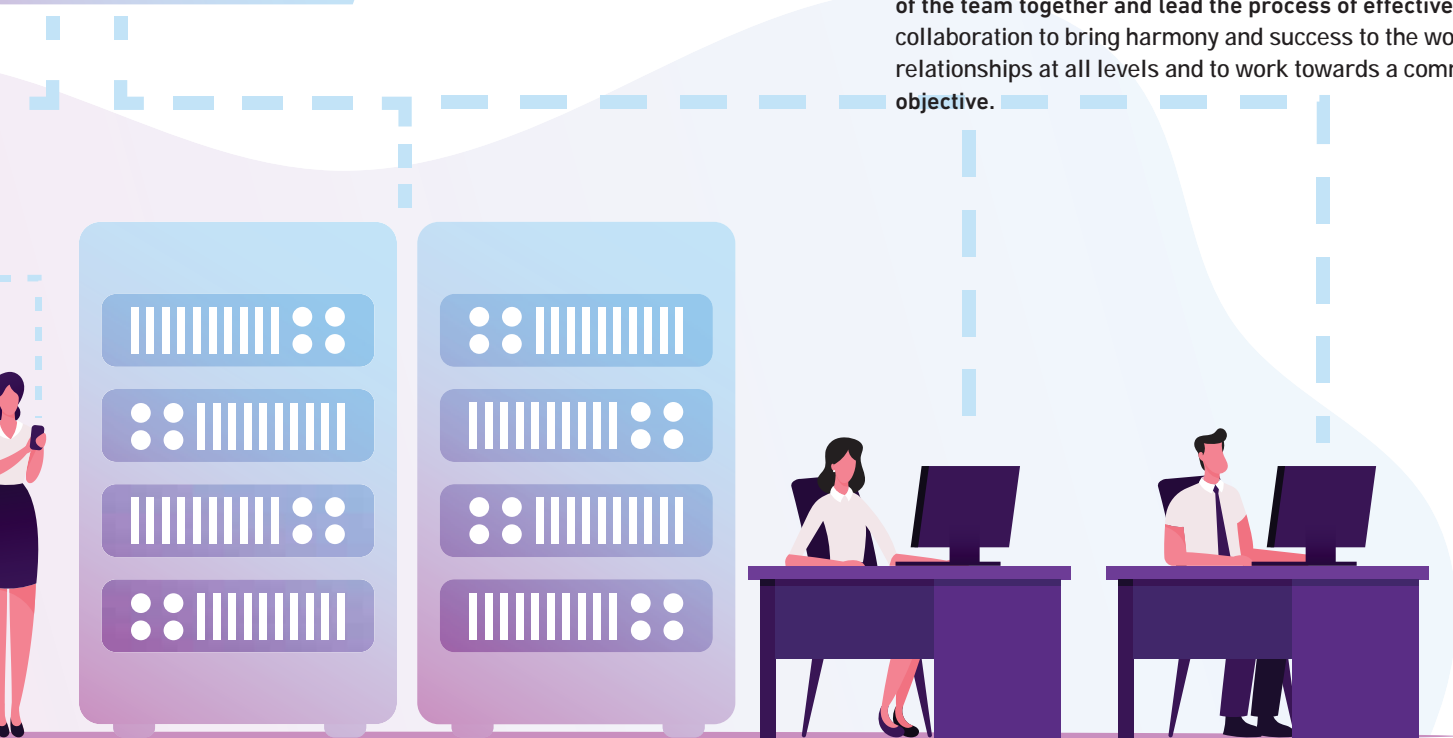
We, at LankaPay, proclaim that we make promises that we can keep while claiming ownership for what we speak and do as individuals as well as a company.

## 06 Availability and Accessibility

We are available for assistance at all times and our services incorporate a high level of information security. The accuracy, trust, and accessibility of our systems are our strengths. We cherish our commitment to payment infrastructure facilitation as the emerging most reliable and trusted entity in the region.

## 07 Teamwork & Collaboration

We know that the success of a team is dependent on how well the members of the team care for each other and work as one. It is our forte to bring the members of the team together and lead the process of effective collaboration to bring harmony and success to the working relationships at all levels and to work towards a common objective.



# Awards and Recognitions



**Certificate of Compliance under Service Organisations Sector**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka



**Bronze Award under Service Organisations Sector**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka



**Gold Award under Infrastructure and Utilities Sector**  
at the National Business Excellence Awards organised by the Ceylon Chamber of Commerce



**Silver Award under Infrastructure and Utilities Sector**  
at the National Business Excellence Awards organised by the Ceylon Chamber of Commerce



**Silver Award under Small and Medium-sized Entities**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka

**Silver Award under Small and Medium-sized Entities**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka

**Merit Award under Commercial Category**  
at the Bestweb.lk Competition organised by LK Domain Registry



**Bronze Award under Small and Medium-sized Entities**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka



**Gold Award under Small and Medium-sized Entities**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka



**Gold Award under Small and Medium-sized Entities**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka, for the second consecutive year



**Gold Award under Small and Medium-sized Entities**  
at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka, for the third consecutive year

**Silver Award under ICT Services Sector**  
at the National Business Excellence Awards organised by the Ceylon Chamber of Commerce

**Gold Award under ICT Services Sector**  
at the National Business Excellence Awards organised by the National Chamber of Commerce

**Gold Award under ICT Services Sector**  
at the National Business Excellence Awards organised by the National Chamber of Commerce, valid for two years, including 2018



# 2022

**Silver Award under Small and Medium-sized Entities at the TAGS Awards organised by the Institute of Chartered Accountants of Sri Lanka.**



**Gold Award under Small and Medium-sized Entities** at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka, for the fourth consecutive year



**Gold Award under ICT Services Sector** at the National Business Excellence Awards organised by the National Chamber of Commerce

**Overall Bronze Award under the Large Organisations Category** for the first time at the National Business Excellence Awards, organised by the National Chamber of Commerce

**Merit Award for Capacity Building** for the first time at the National Business Excellence Awards organised by the National Chamber of Commerce

**Silver Award under Small and Medium-sized Entities** at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka



# Our Milestones

**2006**

Commenced nationwide T + 1 cheque clearing and truncation - 1st in South Asia and 2nd in the world

**2008**

Established a fully-functional DR site for LankaPay payment systems

**2009**

Launched 'LankaSign' - The only commercially operating Certification Service Provider (CSP) in Sri Lanka

**2010**

Commenced submission of cheque images via CD for CITS, ending the era of physical cheque submission

Implemented nationwide same-day electronic fund transfer (SLIPS) - 1st in South Asia

**2011**

Introduced the direct connectivity mode for CITS settlement clearing for all banks using digital certificates for greater security

Extended CD (cheque) submission time from 6:30 pm to 7:30 pm via efficiency enhancements of the CITS main clearing

Advanced the inward return delivery time from 2:00 pm to 1:30 pm to reduce the cheque realisation time and provided greater convenience to customers

**2013**

Launched 'LankaPay' Common ATM Network

Extended outward (cheque) clearing cut-off time from 7:30 to 8:00 pm for greater customer convenience.

Implemented the help desk call monitoring and tracking system to improve customer service process for financial industry

**2014**

Launched Bank Computer Security Incidents Response Team (BankCSIRT) - 1st in South Asia (renamed in 2015 as FinCSIRT)

Amalgamated Sri Lanka Rupee Drafts System into CITS in July 2014

Migrated CITS front-end hardware to virtual infrastructure 'VM' for better and achieve cost efficiencies

**2015**

Launched LankaPay Realtime Payment Network (CEFTS) for real-time payments

Launched LankaPay Shared ATM Network (SAS) and LankaPay Card Management System (CMS), thereby providing a shared solution for ATM switching and card management

Launched LankaPay Common POS Switch (CPS) & Common Mobile Switch

Launched the USD Online Payment system

**2016**

Launched CITS Online Image Transfer Solution - 1st in South Asia

Launched 'JustPay' via CEFTS to facilitate low-value retail payments using mobile devices

Upgraded CITS System Software for improved performance

**2017**

Became the first entity in Sri Lanka to obtain PCI-DSS version 3.2 certification

Digitised many internal documents and introduced digital signatures to promote a 'paperless' environment at LankaPay

Introduced an additional clearing cycle for SLIPS to ensure faster clearing of SLIPS transactions

Implemented LankaPay Online Payment Platform to facilitate online payments for customs declarations to be extended later for online payments towards other government services

**2018**

Introduced a process for liability to shift from issuer to acquirer for EMV-enabled transactions

Launched a number of mobile payment applications facilitated via 'JustPay'

Upgraded LankaSign system to the status of a fully-fledged commercial CSP (Certification Service Provider) via technology and security improvements

Obtained the PCI-DSS version 3.2 recertification

**2019**

Implemented the back end to facilitate LankaQR - National Quick Response (QR) code-based transactions

Introduced four settlement cycles among member banks for CAS and CEFTS clearing to reduce the interbank settlement risk

Implemented Clearing and Settlement Interface (CSI) Project for CITS to fully automate the data submitted by banks to LankaPay reducing manual work and enhancing data security

Designed and built a brand-new state-of-the-art data centre with a two-hour fire resistance enclosure aligned with "Uptime Tier 3" standard

Implemented an automated clearing process for USD draft/cheque clearing for the convenience of participating banks where bank representatives do not have to carry physical drafts/cheques to LankaPay

Enabled JCB cross-border transactions through cards issued under the National Card Scheme (NCS) and JCB cards issued internationally

Obtained the PCI-DSS version 3.2.1 recertification

## 2020

Launch of Payment Exchange Name (PEN) to facilitate online payments based on a mobile number and a nickname

Launch of Direct Debit

Implemented an Automated Customer Support System (ACSS) to better serve customer queries

Migrated all clearing systems from obsolete DogTag Certification Authority (CA) to new Windows CA

Migrated the entire LankaSign process from a physical document-based system to an online approach

Obtained the PCI-DSS version 3.2.1 recertification

## 2021

Introduced 5th settlement cycle for Common Card and Payment Switch (CCAPS)

Enabled online tax payments to the Department of Inland Revenue (IRD) via the LankaPay Government Payment Platform (LPOPP)

Enabled online payments to Sri Lanka Ports Authority (SLPA)

Upgraded Facetone to enable ticketing functionality and work delegation

## 2022

Implemented the LankaPay Cheque Imaging and Truncation System (CITS) Clearing and Settlement Interface Contingency Solution (CSI-CS) to streamline the clearing operation during contingency scenarios

Upgraded the Common Card and Payment Switch (CCAPS) to a higher version which provides better functionality and security

Successfully achieved the PCI-DSS compliance recertification for the year 2021/22

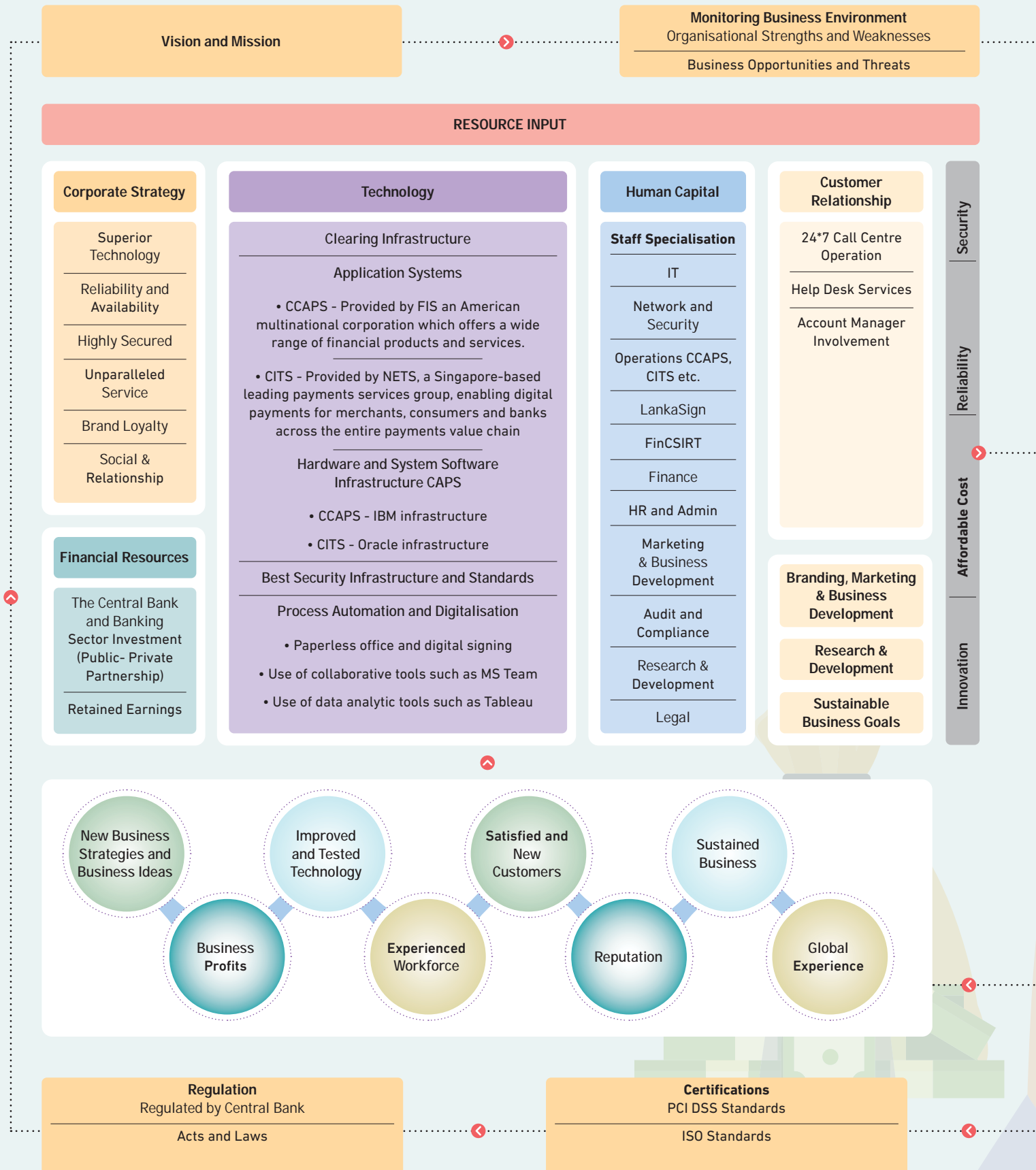
Enabled online payments to the Employees' Provident Fund (EPF), Import & Export Control Department (IECD), Sri Lanka Standards Institution (SLSI) via LankaPay Government Payment Platform (LPOPP)

# 2023

1. Launch of LankaRemit mobile application and implementation of the following features:
  - Money Transfer
  - Bill Payments
  - Remittances Status Check
2. Launch of Request to Pay (PayMe) app
3. Obtained the membership in Asian Payment Network (APN)
4. Integrated with UnionPay International for LankaQR
5. Issued the first LankaPay/JCB co-branded credit card in collaboration with Commercial Bank under the National Card Scheme.



# Business Model



## KPIs and Goal Achievement

### PRODUCT RANGE

#### Facilitating Realtime Payments

CEFTS

JustPay

LankaQR

LPOPP

Direct Debit

PEN

CPS

CAS

SAS and CMS

NCS

#### Facilitating Batch Mode Digital Payments

USD Online Payment System

SLIPS

#### Paper Based Payments Automation

CITS

UITS

#### Clearing Supporting Products

LankaSign

FinCSIRT

Financial Inclusion

### MARKETS SERVED THROUGH BANKS, FINANCIAL INSTITUTIONS AND FINTECH

#### Corporates

CITS - Clearing interbank cheque payments

CEFTS - Facilitating real-time transfers below Rs. 5 Mn

LPOPP - Facilitating Government sector payments for corporates

#### Retail Customers

JustPay - Facilitating retail payments

NCS - Facilitating retail card payments

CPS - Facilitating retail merchant payments

CAS - Facilitating cash withdrawals

#### Financial Industry

SAS and CMS - Providing cost effective solutions

JustPay & LankaQR - Powering FinTech apps

FinCSIRT - Sri Lanka Financial Sector Computer Security Incident Response Team

#### Government Sector

LPOPP - Facilitating government sector payments

#### SME Sector

LankaQR - Facilitating SME sector merchant payments under low cost structures

#### USD Payments

Facilitating USD payments through USD Online Payment System and UITS

#### Global Markets

Union Pay

Asian Payment Network

#### Digital Economy

Digital payment products powering digital payments

LankaSign powering the authenticity of the digital information flows

National Payment Network

Accomplishment of Vision, Mission and Goals

### OUTPUT

Financial Inclusion

Sustainable Business

Reduce Costs

Secure Transactions

Global Reach

Business Profits

Cashless Society

Audit Assurance  
Information Security Audits

Financial Audits

Process Audits

Corporate Governance  
& Risk Management Framework

# Participants in LankaPay Payment Systems

Bank Code	Bank Name	CITS	CAS	SAS	CEFTS			Batch Mode (SLIPS)	LPOPP			
					CEFTS All	Direct Debit Participants			CUSTOM	BOI	IRD	EPF
						Acquirer Wise	Issuer Wise					
7010	Bank of Ceylon											
7038	Standard Chartered Bank											
7047	Citi Bank NA											
7056	Commercial Bank of Ceylon PLC											
7074	Habib Bank Ltd.											
7083	Hatton National Bank PLC											
7092	The Hongkong and Shanghai Banking Corporation Ltd.											
7108	Indian Bank											
7117	Indian Overseas Bank											
7135	People’s Bank											
7144	State Bank of India											
7162	Nations Trust Bank PLC											
7205	Deutsche Bank AG											
7214	National Development Bank PLC											
7269	MCB Bank Ltd.											
7278	Sampath Bank PLC											
7287	Seylan Bank PLC											
7296	Public Bank Berhad											
7302	Union Bank of Colombo PLC											
7311	Pan Asia Banking Corporation PLC											
7454	DFCC Bank PLC											
7463	Amana Bank PLC											
7481	Cargills Bank Ltd.											
7700	Bank of China Ltd.											
7719	National Savings Bank											
7728	Sanasa Development Bank PLC											
7737	HDFC Bank											
7746	Citizen Development Business Finance PLC											
7755	Regional Development Bank											
7764	State Mortgage and Investment Bank											
7603	Softlogic Finance PLC											
7612	Co-Operative Regional Rural Bank Ltd. Polgahawela											
7630	Singer Finance (Lanka) PLC											



# Participants in LankaPay Payment Systems

Bank Code	Bank Name	CITS	CAS	SAS	CEFTS			Batch Mode (SLIPS)	LPOPP			
					CEFTS All	Direct Debit Participants			CUSTOM	BOI	IRD	EPF
						Acquirer Wise	Issuer Wise					
7658	Lanka Credit and Business Finance PLC											
7667	CBC Finance Ltd.											
7676	Asia Asset Finance PLC											
7773	LB Finance PLC											
7782	Senkadagala Finance PLC											
7807	Commercial Leasing & Finance PLC*											
7816	Vallibel Finance PLC											
7825	Central Finance PLC											
7834	Kanrich Finance Ltd.											
7852	Alliance Finance Company PLC											
7861	LOLC Finance PLC											
7889	Richard Pieris Finance Ltd.											
7898	Merchant Bank of Sri Lanka & Finance PLC											
7904	HNB Finance PLC											
7913	Mercantile Investment and Finance PLC											
7922	People's Leasing and Finance PLC											
7931	Sarvodaya Development Finance PLC											
7940	Fintrex Finance Ltd.											
7959	Bimpuh Finance PLC											
7968	Siyapatha Finance PLC											
7977	LOLC Development Finance PLC											
7995	Dialog Finance PLC											
8004	Central Bank of Sri Lanka											
Total		25	30	2	48	11	11	45	16	6	15	7

	Participants joined prior to FY 2022/23
	Participants went live during the FY 2022/23

\* During the Financial Year 2022/23, the following participants discontinued their participation in LankaPay products.  
Commercial Leasing & Finance PLC



# Our Contribution to the Economy



**Over LKR 24 Tn and USD 922 Mn** worth of transactions facilitated through LankaPay Systems



**104 Mn** online real time 24x7 interbank fund transfers/payments facilitated via **48 CEFTS members**



**Over 89 Mn** interbank debit card transactions facilitated for withdrawal of cash



During the year security of transactions and documents ensured through **476,831** LankaSign digital certificates



**Over 15 Mn** retail sector payment facilitation through JustPay. **Growth of 29% in JustPay registration** and a **growth of 46% in JustPay transactions** during the year



**24x7 call centre to support** banks and financial institutions year around with regard to technical issues

## 55 Participants

Connected including Central Bank, 24 Commercial Banks, 6 Specialised Banks and 24 Financial Institutions.

Payment back-end is **PCI-DSS/ PA-DSS compliant** and the first entity to do so in Sri Lanka.

LankaSign process is **ISO 27001 certified & the sole authorised** certification provider in Sri Lanka.

## 28 Mobile Apps

**Connected to LankaQR** supported by 21 issuers, 20 merchant acquirers and 21 transaction acquirers.

## 5,800 +

**ATMs+CRMs+CDMs** Island wide connected to LankaPay - Common ATM Network **99.86% covered.**

## USD 922 Mn +

worth of transactions facilitated through USD Online & USD Draft clearing systems.

## 32 Mn +

Cheques cleared worth of **over LKR 9.9 Tn.**

## 476,831+

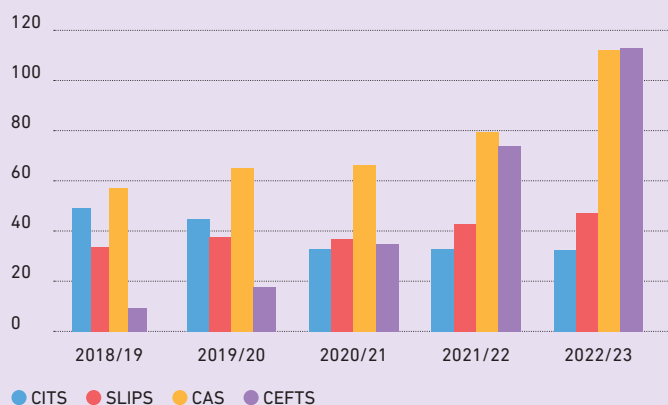
**Mobile, application specific, E-mail signing and Document signing** certificates issued.

**76 Bn + Worth of JustPay transactions** being transacted during the year under review via **28 mobile applications supported by 17 financial institutions. Customers of 24 financial institutions** can add their accounts and pay.



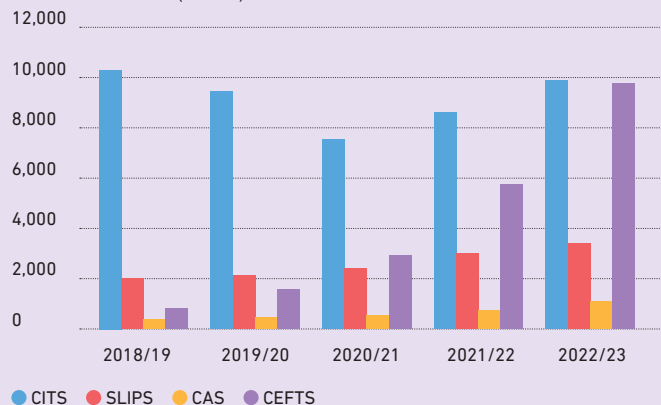
## Annual Transaction Volumes By Products

Transaction Volume



## Annual Transaction Value By Products

Transaction Value (Rs. Bn)



## Infrastructure Enhancement

1. LankaPay Cheque Imaging and Truncation System (CITS) achieved a system uptime of 99.72%.
2. Common Card and Payment Switch (CCAPS), achieved a system uptime of 100% without pre-planned downtimes.
3. Successfully obtained recertification for the prestigious Payment Card Industry Data Security Standards (PCI-DSS version 3.2.1), which is the highest level of security conformance in the world for payment card industry.

## Certification & Integration

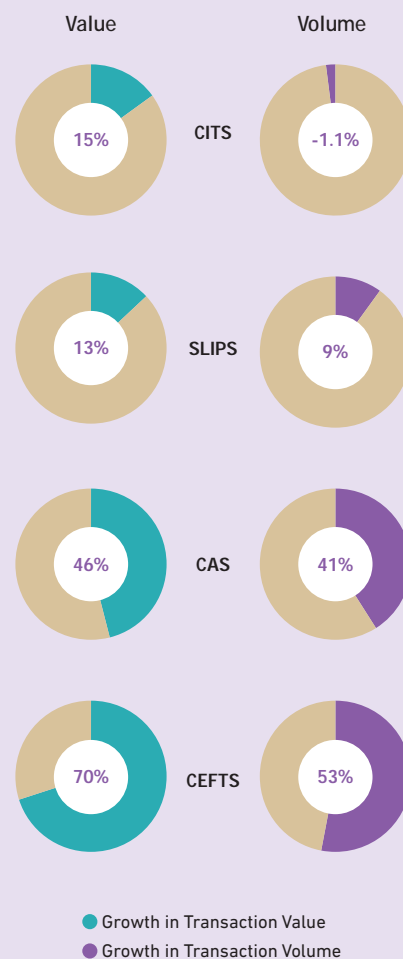
This process ensures the seamless assimilation of participants into LankaPay's products, once their system interfaces have been certified to meet the necessary standards and configurations, ensuring accurate information flow between systems. During the year under review, a range of product certifications was conducted for various products as follows.



**01**  
CPS  
**01**  
CAS  
**01**  
NCS Debit/  
Credit

**04**  
CEFTS Credit  
**03**  
LankaQR  
**01**  
NCS  
2 in 1 Card

## Growth of Transaction Volume & Value 2022/23



# Financial Highlights

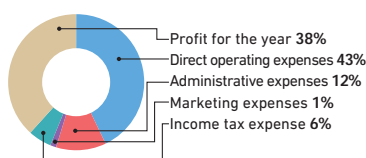
	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
<b>Results for the Year (Rs. Mn)</b>						
Revenue	1,705	1,329	1,057	1,098	1,029	918
Gross Profit	741	596	477	532	533	463
Profit Before Tax	984	617	518	561	520	425
Income Tax Expenses	125	49	28	75	90	64
Profit for the Year	860	568	490	486	430	361
<b>At the Year End (Rs. Mn)</b>						
Total Assets	4,902	3,911	3,339	2,966	2,586	2,104
Total Capital Assets	777	748	806	621	608	582
Shareholders' Funds	4,311	3,555	3,092	2,702	2,290	1,912
Long Term Financial Investments	1,038	-	385	532	1,093	782
Short Term Financial Investments	2,263	2,455	1,757	1,519	549	506
<b>Information per Ordinary Share</b>						
Earnings per Share	56.38	37.26	32.10	31.85	28.28	23.78
Dividend per Share (Proposed)	11.30	7.45	6.42	6.37	4.95	3.50
Net Assets Value Per Share	282.67	233.11	202.77	177.17	150.17	125.78
<b>Ratios</b>						
Gross Profit Ratio	43%	45%	45%	48%	52%	50%
Net Profit Ratio	50%	43%	46%	44%	42%	39%
Return on Equity	20%	16%	16%	18%	19%	19%
Return on Assets	18%	15%	15%	18%	17%	17%

**51%**   
(YoY Increase)



**Profit After Tax**  
Rs. 860 Mn

## Cost & Profitability Composition



**25%**   
(YoY Increase)



**Total Assets**  
Rs. 4,902 Mn

**21%**   
(YoY Increase)



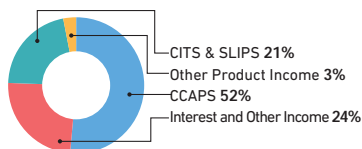
**Return on Assets**  
18%

**28%**   
(YoY Increase)



**Revenue**  
Rs. 1,705 Mn

## Revenue Contribution



**150%**   
(YoY Increase)



**Interest and Other Income**  
Rs. 542 Mn

**21%**   
(YoY Increase)



**Total Capital Employed**  
Rs. 4,442 Mn

**31%**   
(YoY Increase)



**Return on Capital Employed**  
22%

**21%**   
(YoY Increase)



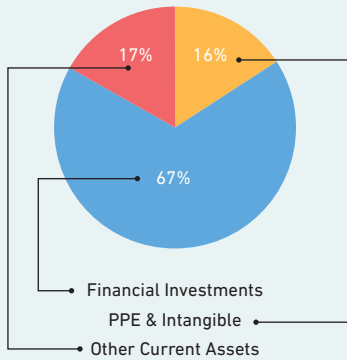
**Total Shareholder Funds**  
Rs. 4,311 Mn

**25%**   
(YoY Increase)



**Return on Equity**  
20%

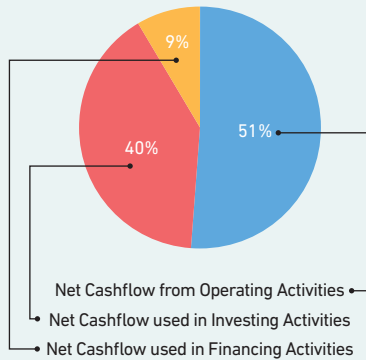
### Total Asset Distribution



63%  
Return on PPE & Intangibles

\* For the calculation, the return considered is excluding the net of tax investment income.

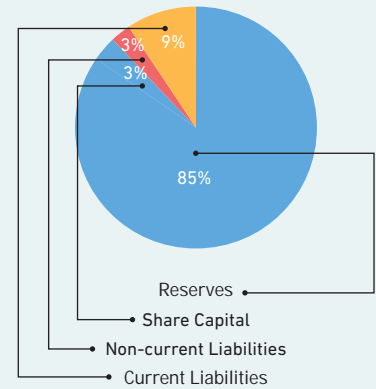
### Cash Flow



40%  
OCF/Revenue

\* Operating Cash Flow to Revenue, showing the company's ability to convert its sales into cash.

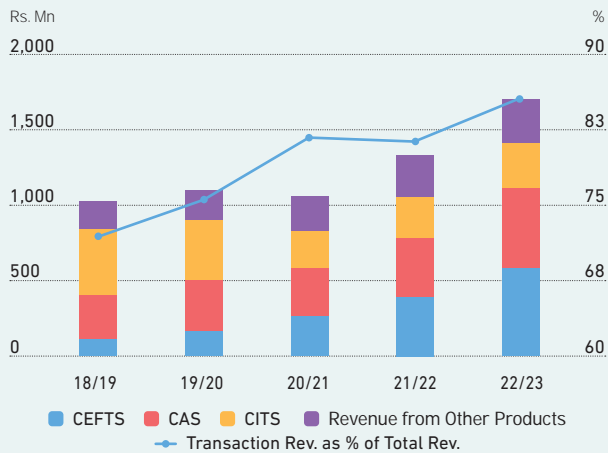
### Capital Structure



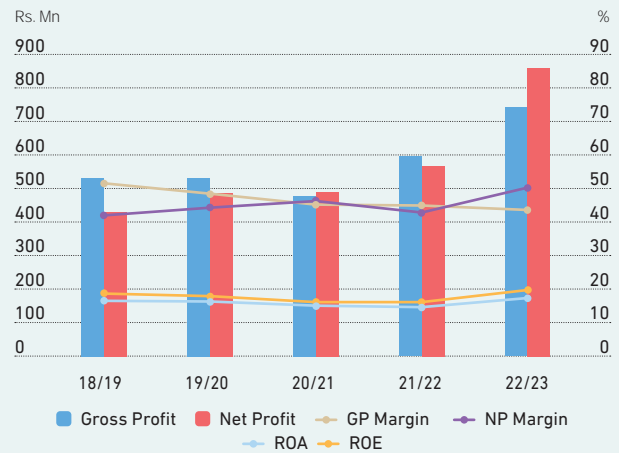
48%  
Return on Equity Excluding the Equity Invested in Financial Investments

\* For the calculation, the considered return is the Profit After Tax, excluding the net of tax investment income. The considered equity is excluding the value invested in financial investments.

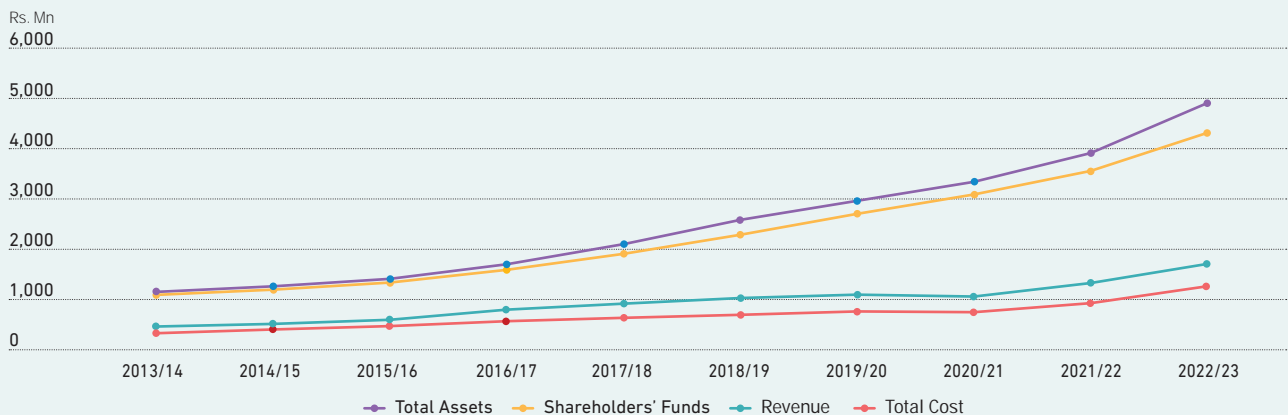
### Revenue Analysis



### Profitability Analysis



### Ten-Year Financial Performance - From 2014 to 2023



# Sustainability Highlights

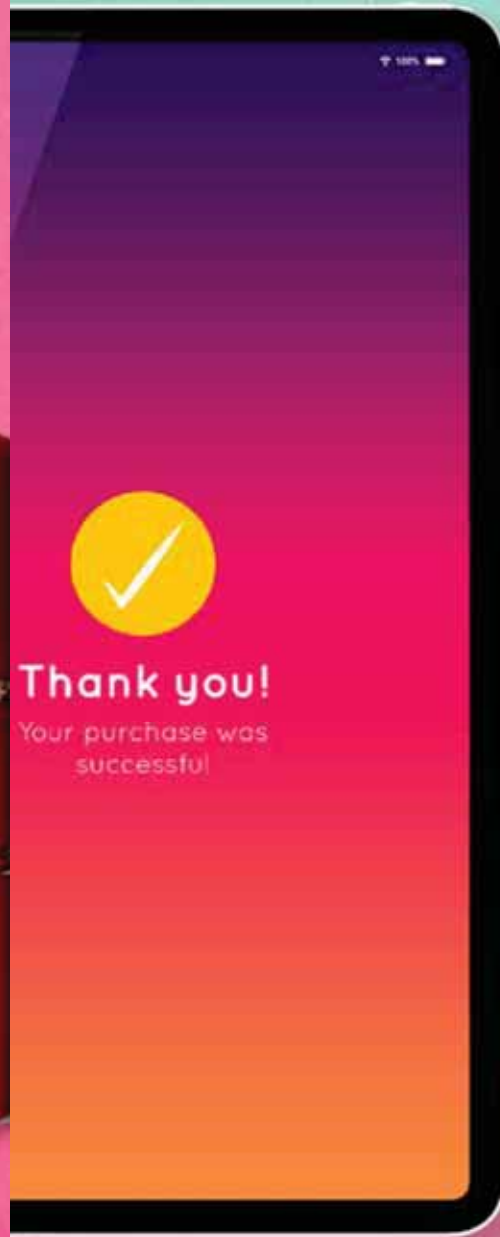




# STEWARDSHIP

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# THE CENTRE OF SPEED

# Chairman's Review



Ethical governance is at the core of our operations and remains unwritten law. At LankaPay, the Board of Directors and Senior Management are committed to upholding the highest standards of integrity, transparency, and accountability. Through robust governance frameworks and compliance procedures, we ensure ethical practices throughout our organisation.

As Chairman of LankaPay, I am pleased to present the annual report for the year 2022/23, highlighting global payments and settlement trends, our financial performance and achievements, and, finally, the outlook for the country and our new business model and future of the company. Despite the challenges posed by the ongoing debt restructuring and IMF programme and the highly volatile global economic landscape, LankaPay has continued to navigate these choppy waters to drive innovation and foster growth in the payments and settlements industry in Sri Lanka. LankaPay has been at the forefront of driving innovation and digital transformation in Sri Lanka's payments and settlements industry, positioning the country as a global player in the field. By leveraging advanced technologies, fostering collaboration, and embracing emerging trends, LankaPay has created numerous opportunities for Sri Lanka to establish itself as a leading player in the global payment ecosystem. The payments and settlements landscape has been evolving rapidly on a global scale, with digital transformation and technological advancements reshaping the way transactions are conducted. Today, customers expect fast, seamless, convenient, and cost-effective payment

options that are available anytime, anywhere.

To meet these evolving customer needs, we must continue to innovate and develop new solutions that leverage the latest advances in technology. From mobile payments to blockchain-based settlements, there are countless opportunities for us to create new and more efficient ways of transacting. The COVID-19 pandemic has further accelerated the shift towards digital payments, with consumers and businesses increasingly adopting digital channels for their transactions.

## Global Payments Trends

Some of the key global payments and settlements trends that we have witnessed in 2022/2023 are:

- a. **Rise of Digital Payments:**  
The global adoption of digital payments has continued to grow, with consumers and businesses embracing various forms of digital payments such as mobile wallets, contactless payments, and peer-to-peer transfers. This trend has been driven by factors such as convenience, security, and speed of digital payments.
- b. **Blockchain and Distributed Ledger Technology:**  
Blockchain and distributed ledger technology have gained prominence in the payments and settlements industry, with their potential to enhance the security, transparency, and efficiency of transactions.

These technologies are being explored for various use cases, including cross-border payments, supply chain management, and identity verification.

**c. Central Bank Digital Currencies (CBDCs):** Central banks around the world have been exploring the issuance of CBDCs, which are digital forms of national currencies. CBDCs are seen as a potential tool for central banks to enhance payment systems, reduce transaction costs, and mitigate risks associated with cash handling.

**d. Open Banking and API Economy:** Open banking, fueled by the rise of application programming interfaces (APIs), has been transforming the payments and settlements landscape by enabling greater collaboration between financial institutions, FinTechs, and other stakeholders. Open banking has the potential to spur innovation, competition, and customer-centric services in the payment ecosystem.

LankaPay being the national entity for payments and settlements is committed to embracing emerging technologies such as blockchain, artificial intelligence, and data analytics as we embark on this exciting new journey and business model positioning the company as a competitive global player. This also presents significant

opportunities for Sri Lankan banks and businesses alike, enabling them to expand their operations and enjoy seamless real-time cost-effective payments and settlements. By leveraging these technologies, LankaPay is cognisant of the need for a strong cyber security framework, and efficiency of transactions, while also driving innovation in areas such as cross-border payments, supply chain management, and identity verification. This technological leadership can position Sri Lanka as a gateway for cutting-edge payments and settlement solutions, attracting investments, fostering collaborations, and driving economic growth.

Furthermore, LankaPay has adopted a collaborative approach, working closely with financial institutions, FinTechs, regulators, and other stakeholders, and has created a conducive ecosystem for innovation and growth in the payments and settlements industry. This collaborative approach has not only fostered innovation but has also positioned Sri Lanka as a global player in payments and settlements by showcasing the country's ability to collaborate and adapt to changing market dynamics.

#### Financial Performance

LankaPay's financial strength and strong balance sheet have been key factors in its success and continued growth in Sri Lanka's payments industry. The company's financial stability is a result of its prudent management practices and strategic

investments in technology and infrastructure. LankaPay has been profitable since its inception, and this year our results are noteworthy, as we have witnessed a stellar financial performance and remained consistently strong over the years. The company's revenue has grown steadily, and its profitability has remained robust, thanks to its diverse revenue streams, including transaction fees, service charges, and interest income.

Despite challenging market conditions, the Company achieved its highest revenue of Rs. 1.7 Bn (2021/2022 – Rs. 1.3 Bn), a robust growth of 28% (2021/2022 – 26%) over the last year. The bottom line increased remarkably by 51% (2021/2022 – 16%) from the previous year to reach Rs. 860 Mn (2021/2022 – Rs. 568 Mn). The Company has significant interest-bearing investments, and the increase in policy interest rates led to significant profit growth during the period under review.

Total assets of the Company improved by 25% (2021/2022 – 17%) during the year and stood at Rs. 4.9 Bn (2021/2022 – Rs. 3.9 Bn) as of 31st March 2023. The impressive profits enabled the company to record an EPS of Rs. 56.38 growing from Rs. 37.26 reported last year. Notably, LankaPay maintained a strong capital structure, fully funded by equity, which contributed to its resilience in navigating the demanding market environment.

Net Asset Value per Share was recorded as Rs. 282.67 (2021/2022 – Rs. 233.11) which is an increase of 21% compared to the previous year (2021/2022 – 15%). Significant improvement in the company's return on equity from 16% (2021/2022) to 20% (2022/2023) was enabled by improved performance. Since the value to the shareholders increased considerably, I am pleased to inform you a dividend per share of Rs. 11.30 was recommended by the Board of Directors.

#### Our Stance on Sustainability and Governance

At LankaPay, we are deeply committed to sustainability as it is crucial in shaping our organisation, society, and the environment. We have established three key pillars to guide our sustainability efforts, namely, environmental stewardship, social responsibility, and ethical governance.

#### Environmental Stewardship

We have embraced digital transformation to reduce our carbon footprint and minimise waste. Through paperless operations and streamlined processes, we actively conserve natural resources. We also promote environmental awareness among our employees, fostering a culture of sustainability. By leveraging green technologies and promoting responsible practices, we aim to contribute to a cleaner and greener future.

# Chairman's Review

## Social Responsibility

We engage in initiatives that advance education, healthcare, and inclusive economic growth. Our Corporate Social Responsibility programmes enable us to make a positive impact on the communities we serve. As we strive to prioritise diversity and inclusion within our workforce and collaborate with local organisations to address social challenges and empower marginalised groups. As a company, we believe in investing in social development, as we strive to create a more equitable and sustainable society.

## Ethical Governance

Ethical governance is at the core of our operations and remains unwritten law. At LankaPay, the Board of Directors and Senior Management are committed to upholding the highest standards of integrity, transparency, and accountability. Through robust governance frameworks and compliance procedures, we ensure ethical practices throughout our organisation. Data privacy and information security are paramount, as we safeguard the trust of our stakeholders. By maintaining a strong ethical culture, we foster trust, strengthen relationships, and enhance the sustainability of our operations.

Hence, sustainability is a fundamental aspect of our business strategies, and we aim to create long-term value for our stakeholders while making a positive impact on the environment and society.

Through our commitment to environmental stewardship, social responsibility, and ethical governance, we set a benchmark for sustainable practices in the financial industry, driving positive change for a better future.

## Our Achievements

It gives me great pleasure to present the "Our Achievements" section of our annual report, where we highlight the significant accomplishments of LankaPay during the year 2022/2023.

As the leading provider of interbank payment infrastructure in Sri Lanka, we have remained steadfast in our commitment to driving innovation, fostering financial inclusion, and ensuring the seamless flow of transactions throughout the nation. This has been achieved through strategic partnerships, cutting-edge technologies, and a dedicated team. We have achieved remarkable progress in revolutionising the payment landscape and delivering exceptional value to our stakeholders. In this section, I will delve into the key achievements that have propelled us forward on our journey towards becoming the most trusted and reliable payment network partner.

## LankaSign Global Acceptance

LankaSign, LankaPay's digital signature platform, has been a game-changer in Sri Lanka's payments ecosystem. With its robust security features and compliance with international standards, LankaSign has enabled secure and authenticated

digital transactions, boosting trust and confidence among consumers and businesses. The implementation of LankaSign has not only elevated Sri Lanka's digital payment infrastructure but has also positioned the country as a leader in digital signatures, paving the way for international recognition.

LankaPay has been actively pursuing strategic partnerships and certifications to further solidify Sri Lanka's position in the global payments industry. One of the notable initiatives is the LankaSign WebTrust project, which aims to provide a trusted digital signature and identity verification platform. Through this project, LankaPay is enabling secure and convenient digital transactions, enhancing Sri Lanka's digital infrastructure, and positioning the country as a leader in digital identity management. Moreover, LankaPay's recent achievement of the WebTrust Certification also underscores its commitment to security and transparency in global payments and settlements. This certification, which is globally recognised, validates LankaPay's adherence to international standards and best practices in information security and privacy, strengthening Sri Lanka's credibility in the global payments industry. The WebTrust certification has reinforced Sri Lanka's reputation as a reliable and secure destination for payments and settlements, attracting international partners and investors.

## Launching of the National Card Scheme

In addition to these efforts, LankaPay also plays a pivotal role in the development of Sri Lanka's National Card Scheme and Transit Card initiatives. The National Card Scheme aims to establish a local payment card network with global acceptance and superior technology. We believe this National Card can provide a cost-effective and secure alternative to international card schemes, promoting financial inclusion and reducing dependence on foreign networks. Meanwhile, the Transit Card initiative, which is a joint effort between LankaPay, the Ministry of Transport, and the National Transport Commission, aims to provide a cashless payment solution for public transport, enhancing convenience and efficiency for commuters. The introduction of a unified transit card powered by LankaPay's payment infrastructure has streamlined fare collection, enabled contactless payments, and expanded access to convenient and affordable transportation for all Sri Lankans. This initiative has not only enhanced the efficiency of the public transportation system but has also positioned Sri Lanka as a global leader in transit payment solutions.

## Payments and Settlements Global Partnerships

LankaPay's partnerships with China UnionPay (CUP) and the National Payments Corporation of India (NPCI) also present significant opportunities for Sri Lanka to establish itself as a global player in payments and

settlements. The partnership with CUP, one of the largest card schemes in the world, enables Chinese and Sri Lankan cardholders to use their cards at millions of merchant outlets and ATMs in Sri Lanka, China, and other countries boosting cross-border payments and promoting tourism and trade. Meanwhile, the partnership with NPCI, which operates India's Unified Payments Interface (UPI), provides an opportunity for Sri Lanka to tap into India's rapidly growing tourism and digital payments market, thereby enhancing cross-border remittances and more trade. LankaPay's strategic collaborations and certifications have been instrumental in positioning Sri Lanka as a global player in payments and settlements. LankaPay has driven Sri Lanka's payments industry towards international recognition, fostering growth, and positioning the country as a leader in the global payments landscape. LankaPay's strategic partnerships with global payment giants China UnionPay and NPCI have showcased our local talent pool and been a significant factor in driving Sri Lanka's payments industry towards global recognition. These collaborations have facilitated cross-border payment services, enhanced interoperability, and fostered knowledge exchange and technology transfer. Our partnerships have not only expanded LankaPay's reach but have also positioned Sri Lanka as a preferred destination for international

payment collaborations, creating new opportunities for growth and development.

#### **LankaPay Now part of the Asian Payment Network**

The Asian Payment Network (APN) is a collaborative platform that connects payment systems and networks across Asia, enabling cross-border payment services and promoting interoperability. LankaPay's participation in the APN presents an exciting new horizon of opportunities for growth and development in Sri Lanka's payments industry. One of the key opportunities presented by the APN is the expansion of LankaPay's payment services beyond Sri Lanka's borders. The APN's network of payment systems and networks in Asia provides a platform for LankaPay to offer cross-border payment services, allowing Sri Lankan consumers and businesses to transact with counterparts in other APN member countries. This initiative will enhance Sri Lanka's financial ecosystem and promote trade and economic growth across the region. The APN's collaborative platform provides a forum for LankaPay to work with 13 other payment systems and networks in the region, to develop new payment solutions and services that address the unique needs and challenges of the region. This collaborative approach will foster innovation and create new business opportunities for LankaPay and its shareholders.

#### **The Future of Sri Lanka Payments and Settlements**

The payments and settlements industry has been undergoing significant transformation in Sri Lanka, with LankaPay at the forefront of driving innovation and modernisation. As we look toward the future, we see several key opportunities and challenges for Sri Lanka's payments and settlements landscape:

- a. **Increasing Adoption of Digital Payments** - Sri Lanka has witnessed growing adoption of digital payments, especially among the younger generation and urban population. We expect this trend to continue, driven by factors such as increasing internet penetration, smartphone adoption, and changing consumer preferences.
- b. **Enabling Financial Inclusion** - Sri Lanka has made significant progress in improving financial inclusion, but a sizable population remains underserved or excluded from formal financial services. We believe that digital payments and settlements can play a crucial role in bridging this gap and bringing more people into the formal financial ecosystem.
- c. **Strengthening Cybersecurity and Fraud Prevention** - With the growing reliance on digital payments, ensuring robust cybersecurity and fraud prevention measures will be paramount. One

of the most pressing challenges is the need to ensure that our payment systems are secure, reliable, and efficient. That is why we are giving more emphasis to security vis-à-vis institutionalising FINCSIRT. With the increasing prevalence of cyber threats and the growing complexity of our financial systems, it is more important than ever that we invest in the latest technology and security measures to protect our customers' financial transactions and our business integrity. LankaPay remains committed to implementing advanced security measures and collaborating with stakeholders to safeguard the integrity and security of the payment ecosystem.

- d. **Embracing Emerging Technologies** - Emerging technologies such as blockchain, artificial intelligence, and data analytics hold significant potential for the payments and settlements industry in Sri Lanka. LankaPay will continue to explore and harness the power of these technologies to enhance our services and drive innovation in the industry.

#### **Our Business Model and the Future of the Company**

##### **Our New Business Model**

Today, we are working together towards a shared vision of taking LankaPay beyond the borders of Sri Lanka and connecting with

# Chairman's Review

customers from all over the world. This new model represents a significant step forward for our organisation, and I am confident that it will help us to achieve our goals and serve our customers even better. The merging of our company name and brand name from LankaClear (Pvt) Ltd. to LankaPay (Pvt) Ltd. with effect from 29th September 2022 aligns with our strategic direction, as we move to global partnerships. We are leaders in our industry, and this new model is a testament to our commitment to innovation and our staff's unceasing levels of energy. However, to us at LankaPay, innovation alone is not enough. As Jeff Bezos once said, "Your brand is what other people say about you when you're not in the room". Our brand is built on our reputation for excellence, which this new model will help to further enhance.

One of the key opportunities for LankaPay to become a global player is through collaborative partnerships that would enable the continued growth of digital payments in Sri Lanka. With increasing internet penetration, smartphone adoption, and changing consumer preferences, digital payments have a significant potential to become the preferred mode of transaction in Sri Lanka. LankaPay's innovative digital payment solutions, including its real-time interbank fund transfer system and mobile payment platform, have already gained traction among consumers and businesses, providing them with safe, convenient,

and efficient ways to transact. Furthermore, LankaPay's efforts toward financial inclusion mandate also seek to position Sri Lanka as a global player in the payments and settlements business domain. By expanding access to formal financial services through an interoperable and inclusive payment infrastructure, LankaPay has played a pivotal role in bringing more individuals and businesses into the formal financial ecosystem.

As we continue to work with FinTechs both locally and globally, this space opens-up exciting new possibilities for the future of payments in our country. Together, we continue to explore new avenues such as mobile wallets, shared KYC, peer-to-peer payment apps, and contactless payment solutions. LankaPay is a firm believer in leveraging its expertise and our existing infrastructure to serve the various customer segments, as we hope to create innovative payment options that provide convenience, security, and regional accessibility to individuals and businesses across Sri Lanka. We firmly believe that technology has the power to bring financial services to underserved populations. By leveraging on the existing infrastructure, we hope to develop a seamless digital lending platform and boost microfinance vis-à-vis combining Shared e-KYC, LankaQR and LankaSign solutions, as we hope to extend access to financial services to rural communities, small businesses, and

individuals who were previously excluded. Our goal is to empower these communities and drive economic growth and prosperity. This will not only boost the company's bottom line but will also stimulate economic growth and development in Sri Lanka. These efforts would garner international recognition and positioned the country as a leader in the journey of ensuring all citizens are included in the drive to provide access to financial services in a trusted, secure, and cost-effective manner.

## Concluding Thoughts

As we come to the end of another successful year, I want to take a moment to reflect on the incredible accomplishments that we have achieved together. It has been an honour to serve as your Chairman and witness the dedication, hard work, and resilience of our staff and Senior Management team. I want to pay tribute to all our staff for their commitment and passion for our mission. It is your unwavering efforts and tireless dedication that have made our achievements possible. I am incredibly proud of the work that we have accomplished together, and I know that our future holds even greater promise and potential. I also want to thank our Senior Management team of LankaPay, for their restless pursuit of excellence and for delivering outstanding services to our customers. I also thank the Governor of the Central Bank of Sri Lanka Dr. Nandalal Weerasinghe and the Department of Public

Enterprises staff, for their leadership and tremendous support. Your guidance, expertise, and strategic vision have been instrumental in guiding our organisation through these challenging times.

Finally, I want to extend my deepest appreciation to the Board for their energy and support. Your commitment to our mission and your unwavering dedication to excellence have been a source of inspiration to us all. As we look ahead to the future, I am confident that we will continue to achieve great things together. With your ongoing support and commitment, I know that we can accomplish anything we set our minds to. Thank you all again for your incredible contributions and unwavering dedication to our organisation. Let us continue to work together to achieve even greater success in the years to come.



**Dr. Kenneth De Zilwa**  
*Chairman*

16th May 2023  
Colombo

# General Manager/ CEO's Review



As we navigate the dynamic and very challenging business environment due to current macroeconomic conditions, our focus remains on driving growth via innovation and collaboration to overcome all the odds. We have partnered with various stakeholders, including banks, financial institutions, and government bodies, to drive interoperability, promote digital payments, and advance financial inclusion in Sri Lanka.

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It is with great pleasure that I present the integrated annual report and the financial statements of LankaPay for the financial year ending 31 March 2023.

We, as the trusted National Payment Network of Sri Lanka, continued to be in the forefront of revolutionising the country's financial services landscape and consistently strived to enhance efficiency, convenience and security in carrying out digital financial transactions while catering to the evolving needs of individuals, businesses, government and the economy as a whole.

This report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). We have attempted to present a comprehensive overview of our achievements, initiatives and financial performance of the financial year under review. We aim to provide our stakeholders with a clear understanding of our strategic direction, operational highlights and commitment in delivering innovative and secure payment solutions. We have tried to improve upon the success of our previous reports, which have received recognition for their excellence in communication

and transparency. In line with the prestigious awards won by LankaPay for its integrated annual reports in the past, we aspire to continue that tradition by presenting our combined financial, operational, and sustainability information with absolute clarity.

Throughout this report, we have provided a holistic view of our activities, focusing on our key strategic pillars and how we have aligned our operations to support the country's broader economic goals. We have highlighted the milestones we have achieved, the challenges we have overcome and the initiatives we have undertaken to foster innovation and inclusivity within the payments industry. Moreover, this report delves into our financial performance, shedding light on our revenue and profitability growth and the key financial indicators. We have outlined the investments we have made in technology and infrastructure to ensure a robust and resilient payment ecosystem. Additionally, we have discussed our risk management practices and how we have prioritised data security and privacy to maintain the trust and confidence of our stakeholders.

As we recognise that sustainability is an integral part of our long-term success, in this report we have elaborated on our commitment to corporate social responsibility, environmental stewardship, and ethical business practices that we have adopted. We have showcased our efforts to empower communities, support financial literacy in the country, and foster a culture of diversity and inclusion within our organisation.

# General Manager/ CEO's Review

As we navigate the dynamic and turbulent business environment in the midst of the current macroeconomic conditions, our focus has remained on driving growth via innovation and collaboration to overcome all odds. We have partnered with various stakeholders, including banks, financial institutions, and government bodies, to drive interoperability, promote digital payments, and advance financial inclusion in Sri Lanka.

I invite you to explore this annual report to gain a better insight into our financial performance, operational excellence, achievements, and future plans. We would like to express our gratitude to our valued stakeholders, including our shareholders, customers, employees, and regulators, for their continued support extended and trust placed on LankaPay. Together, we are shaping a dynamic and an inclusive payment ecosystem that will drive the economic growth of Sri Lanka.

The year under review was easily the most challenging time period compared with the two decades of operations of the company as the country went through one of the worst years in its history. When the country was just coming out of the COVID-19 Pandemic, the country was thrown into the worst-ever economic crisis it had ever faced. Beginning with hyperinflation and shortages of many essential items led to mass protests that created everyday disruptions to the daily lives of all citizens. However, we were able to adapt to the situation due to our technological capabilities and provide staff with the environment to carry out the operations without any interruptions.

## Country Economic Outlook and Impact on Industry

The economy of Sri Lanka had shown signs of weakness even prior to the negative economic impacts created by the COVID-19 pandemic. Growth had slowed down for several years, and the devastating impact on tourism and the inward remittances during the pandemic triggered the worst economic crisis the country had ever faced. Fiscal disparities experienced for many years, driven primarily by low revenue collections, and significant tax reductions contributed to the high fiscal deficits and a rapid growth in unsustainable debt.

The country had lost access to international financial markets after downgrades from credit rating agencies. Without market access, Sri Lanka continued to service its external debt and pay for imports using official reserves and loans from the banking sector. Official reserves dropped and net foreign assets in the banking system also fell in 2022. These severe foreign exchange limitations were felt across the economy, especially from the second quarter of 2022, with shortages experienced in the supply of fuel, medicines, cooking gas, electricity, and other raw material needed for manufacturing and production. These economic difficulties led to unprecedented mass public protests, which resulted in a change in country's political leadership. However, political tensions remained heightened during the year with the continued economic crisis. The economy and all key sectors contracted during 2022 primarily due to shortages of imports and supply chain disruptions.

YOY inflation reached unprecedented levels in 2022, largely due to extremely high food inflation. This was a result of the impact of rising global commodity prices and a significant currency depreciation. The negative impact of the Russia-Ukraine war on both exports and imports dealt another significant blow to the economy. The ban on chemical fertilisers and related impact on crop yields affected the domestic food supplies, agriculture earnings and food security. These negative economic activities forced the Central Bank to raise policy rates to curb inflation. The financial services sector in which the company operates had a devastating impact throughout the financial year.

The banking sector remained resilient and was able to withstand the negative macroeconomic conditions that arose during the pandemic, leveraging accumulated capital and liquidity buffers. The sector shouldered much of the weight by providing required support and stimulus to the ailing economy that severely constrained from the impacts of reduced income from tourism as well as meagre inward remittances. The sector was further battered by sovereign rating downgrades, prompting the Central Bank to grant regulatory concessions. With the debt default announced in April 2022, sharp depreciation in the exchange rate in March 2022, and tightening of policy rates again in April 2022, the banking sector faced unprecedented challenges in the first half of 2022. However, the sector navigated through these tensions with their practical approaches and prudential measures while benefiting from

policy concessions. The sector was permitted to reclassify its holdings in government securities, facilitating it to rebalance risk exposures. Credit growth decelerated during the nine months ending September 2022, emulating the current macroeconomic conditions.

The financial system infrastructure, which is critical to ensuring smooth functioning of the financial system of the country functioned without any major disruption while effectively catering to the needs of the economy amidst rising macroeconomic challenges. The payment and settlement system, which is the major component of the financial system infrastructure, operated efficiently and effectively during the period.

## Strategies and Focus

We firmly believe that innovation is the lifeblood of our progress, propelling societies and organisations towards new frontiers of growth and prosperity. Our mantra for the financial year, "The Centre of Innovation" served as a guiding light, illuminating the principles and strategies required to foster a culture of innovation at the very heart of our organisation. We focused on the significance of innovation in the ever-evolving business landscape to unlock the full potential of our individuals and pave the way for groundbreaking achievements.

At the heart of our operation was the fundamental concept of embracing a culture of innovation. We worked hard to foster an environment where innovation is not just an afterthought but rather embedded in every aspect of our business. By creating a culture that encourages risk-taking,

collaboration, and continuous learning, we empowered our employees to think outside the box and generate novel ideas.

Throughout the year, we stressed the importance of building an innovative infrastructure within our organisation. This involved establishing structures, processes, and systems that support and nurture innovation as a part of everyday life. By creating teams that focus on research and development, innovation, establishing cross-functional collaborations, and integrating innovation metrics into performance evaluations, we were able to strengthen our capabilities to innovate. We carried out market research to validate some of our concepts, which further strengthened our portfolio to be more relevant to address market needs.

We highlighted the significance of strategic innovation throughout our organisation and focused on developing innovative business models and identifying new growth opportunities. We continued to challenge our existing business models, anticipating shifts in the market and proactively responding to emerging trends. By aligning innovation with the organisation's strategic objectives and constantly exploring new horizons, we were able to gain a competitive edge in a rapidly changing landscape.

We understand that innovation is not just about creating new solutions or services, but rather it is about addressing the market gaps with the evolving behaviour of customers. We emphasised the value of customer-centric innovation, advocating our employees to

deeply understand consumer behaviour and look at the customer journey throughout the innovation process. By conducting in-depth market research, leveraging customer feedback, and co-creating with customers, we were able to develop solutions that truly provided a superior customer experience. We focussed on the power of collaboration in fostering innovation. We emphasised the need to break down silos and encouraged collaboration across departments, functions, and even external partners. By fostering a collaborative environment that promotes open communication, knowledge sharing, and cross-pollination of ideas, we unlocked new synergies and drove breakthrough innovation.

Our objective for the financial year under review was to provide innovative financial services to all consumers across the country at every instance they do a financial transaction. When the country went through its worst economic crisis, we had to innovate even more to provide relief to the consumers who were battered and bruised. When the economy was going through the worst shortage of foreign exchange, LankaPay came forward to help the economy and partnered with regional financial service players to enable cross-border payments. The company changed its business strategy to become a regional player and forged international partnerships to bring much needed foreign exchange to the country. In doing so, LankaPay was able to attract new sources of income to its existing portfolio and achieve further growth. Thus, it presented the company

with an opportunity to grow into additional business areas.

### Operational Review

The financial year under review marked a remarkable growth period for LankaPay, as it continued to strengthen its position as the National Payment Network of Sri Lanka. Building upon the previous year's accomplishments, LankaPay expanded its service portfolio by extending its services into the region, enhanced operational efficiency and spearheaded technology innovations to drive the digital transformation of the country's financial ecosystem. The company changed its name from LankaClear (Pvt) Ltd. to LankaPay (Pvt) Ltd. to remove the confusion of dual brand names and to go as a single force to the market. This change also reflected with the company focusing more, on digital payment channels further reducing its dependency of cheque clearing and related product lines. This change was also in line with the company's new strategic direction to go regional with the establishment of partnerships with other regional players in the payments industry.

LankaPay made significant strides in expanding its service portfolio, catering to the evolving needs of the market. The introduction of PayMe service, a secure messaging platform that caters to improving user experience when carrying out a digital payment is a new product that was added to our portfolio during the year. Among many of its use cases, replacing cash on delivery with 'just pay on delivery' stood out, as the objective was to move consumers away from cash to digital payments. We added further institutions into

the LankaPay Government Payment Platform (formerly known as LankaPay Online Payment Platform) to provide a seamless and secure channel for online transactions, fostering e-commerce growth and financial inclusivity. Additionally, the launch of the API platform for LankaSign marked a significant improvement towards driving adoption of digital signatures. This innovative solution has helped to encourage customers who were using non-PC based end-user equipment--such as IPads, iPhones as well as Andriod based and other mobile devices--to use the existing digital signature infrastructure. This was a long felt need in the market.

LankaPay continued to prioritise operational efficiency, ensuring swift and reliable payment services for its customers. By leveraging advanced technologies, the network achieved a remarkable improvement in transaction processing speeds, reducing settlement times significantly. Furthermore, the improvements in the automated reconciliation systems resulted in enhanced accuracy and minimised operational risks. However, the company also went through some extremely difficult periods, primarily due to the significant uncertainties created by the fuel crisis where operating the National Payment Network on a 24x7x365 basis became a near impossibility. This was also further aggravated by the constant protests and resultant work disruptions. However due to the resilience of our staff, we managed to keep all our systems operational throughout the year.

# General Manager/ CEO's Review

Despite significant challenges, the operational achievements of LankaPay in 2022/23 exhibit remarkable growth in comparison to previous financial years and aptly demonstrate our ability to withstand extremely challenging conditions. The expansion of our service portfolio, including new service offerings and expansion of services into the regional countries, is a testament to our forward-thinking approach in adapting to the evolving digital landscape. Moreover, the significant improvement in transaction processing speed and operational efficiency highlights the network's commitment to providing seamless and reliable payment services despite the entire country going through a crisis. LankaPay's resilience in the face of operational challenges provides evidence of the commitment and dedication of the team, recording a transformative year, marked by expanded service offerings, increased operational efficiency and a further steadfast commitment to financial inclusion. As Sri Lanka's National Payment Network, LankaPay will continue to drive innovation, foster collaboration, and contribute to the country's digital transformation. Looking ahead, LankaPay remains committed to delivering further cutting-edge payment solutions and initiatives to empower individuals, businesses and the nation to help the economy going through its worst crisis.

The National Payment Network facilitated transactions to the value of Rs. 24.4 Tn across all its systems during the financial year under review. CEFTS contributed to Rs. 9.78 Tn via 103,507,611 number of transactions while CAS recorded

to Rs. 1.08 Tn via 112,212,550 number of transactions. CITS facilitated Rs. 10.14 Tn via 33,380,726 number of transactions. CITS facilitated, which, in comparison to its digital payment counterparts, saw a reduced contribution. The digital payment transactions to government institutions continued to grow significantly, recording Rs. 591.53 Bn via 876,391 number of transactions. LankaSign also grew and issued approx. 476,831 digital signatures, driving the mobile payment ecosystem and making it a very popular mode of payment. SLIPS continued to grow marginally during the year, facilitating 47,110,639 number of transactions amounting to Rs. 3.4 Tn, despite some of the bulk mode transactions being moved into CEFTS due to its enhanced convenience. Based on the statistics provided by the Payments Bulletin Q4/2022 published by the Central Bank of Sri Lanka, the value of transactions facilitated via CEFTS during the year 2022 as a percentage of GDP was 36.8%, which shows that the reliability, efficiency and security of the systems and services operated by LankaPay is of paramount importance towards the smooth functioning of the national economy.

## Financial Results

I am delighted to inform all our shareholders that we rose above the unprecedented economic conditions prevailing in the business environment and the uncertainty in the political environment to deliver significant growth in our top line and massive growth in the bottom line during the financial year under review. We grew our revenue by 28.2% to record Rs. 1.705 Bn (2021/22 - Rs. 1.329 Bn) during the year. Our gross

profit (GP) grew by 24.5% to record Rs. 741 Mn (2022/23 - Rs. 596 Mn). Additionally, our Profit Before Tax (PBT) grew to Rs. 984 Mn (2022/23 - Rs. 617 Mn) to record a massive growth of 59.5% with a Profit After Tax (PAT) of Rs. 860 Mn (2022/23 - Rs. 568 Mn) recording a 51.4% YoY growth. These are remarkable results, considering that the country was under severe economic crisis, resulting in significant inflation in the economy, and also massive protests experienced throughout the year that disrupted the day-to-day lives of many.

CITS revenue grew marginally by 32 Mn compared to the previous year. As expected, the CITS revenue contribution as a percentage towards overall revenue declined to 17.8% from 20.4% in the previous year mainly due to the significant increase in electronic payments. Our strategy and focus of growing other digital payments service volumes to reduce the dependency on CITS revenue towards the total revenue mix continue to pay off. The overall revenue from CCAPS grew by 40.5% YoY to bridge this gap. The total transaction revenue grew by 28% to achieve a revenue of Rs. 1.7 Bn where the main contributions for this growth came from CEFTS and CAS which recorded massive growths of 51% and a 41%, respectively. We experienced a significant growth of online transactions as opposed to on-premise transactions, which could be attributed to the behavioural change of consumers from the impact of pandemic as well as our efforts to increase awareness on digital payments.

JustPay continued to provide positive results and recorded a massive YoY revenue growth of 73% and helped to convert a significant portion of low value cash-based transactions into digital payments. Online government payments continued to grow with LankaPay Government Payment Platform recording a transaction volume growth of 24% and helped to facilitate nearly Rs. 600 Bn worth of transactions to government departments even though the revenue contribution to our top line was marginal. We were able to grow the merchant base covered by LankaQR to 350,000 although the transaction volume didn't have a significant impact on the top line.

To maintain continuous and sustainable revenue growth and growth in profitability in the medium to long-term, we would need to significantly increase transaction volumes in all digital payment modes by creating better awareness, targeting new use cases and introducing new digital solutions that address market gaps to attract the attention of the younger generation of consumers.

## Stakeholder Management

In the dynamic and interconnected world of business, effective stakeholder management plays a crucial role in achieving sustainable success. Organisations that understand and engage with their stakeholders are better equipped to navigate challenges, capitalise on opportunities, and foster long-term growth. LankaPay, Sri Lanka's National Payment Network, exemplifies the significance of stakeholder management in achieving its objectives while promoting collaboration, trust, and

inclusivity. We understand that our stakeholders are all individuals or groups who have a vested interest in the activities, outcomes, or performance of our organisation. They include employees, customers, shareholders, regulators, business partners and the wider community. Acknowledging and understanding the expectations, concerns, and aspirations of these stakeholders was essential for LankaPay to effectively manage its relationships and achieve its overarching goals.

LankaPay understands the importance of forging strategic alliances with stakeholders to achieve its mission. Our external stakeholders included the Central Bank of Sri Lanka, banks, finance companies, FinTech service providers, partner networks, government departments and businesses and individual customers who consume our services etc. Better collaboration with financial institutions, government bodies, regulatory authorities, and technology partners has been instrumental in developing a robust and inclusive payment ecosystem. In this line, we conducted our annual flagship customer recognition event, LankaPay Technnovation Awards, for the fifth time with an appropriate theme 'Innovation to the Core'. The objective of the competition was to reward our members who championed the cause of innovative financial services to their customers utilising the LankaPay National Payment Network and remained steadfast to the cause of promoting digital financial services. By aligning interests and leveraging each stakeholder's unique expertise, LankaPay has successfully expanded its service offerings,

improved operational efficiency, and ensured the resilience of the national payment infrastructure.

As one of the primary stakeholders, end-consumers are at the heart of LankaPay's solutions and operations. The organisation places significant emphasis on understanding customer needs, expectations, and preferences. Through regular surveys, feedback mechanisms, use cases and end-user-testing initiatives, LankaPay continuously enhances its payment solutions, ensuring convenience, security, and reliability for end-users. This customer-centric approach has not only resulted in increased adoption of electronic payments but has also strengthened the organisation's reputation and trustworthiness.

To effectively manage stakeholders, LankaPay employs robust measurement and evaluation mechanisms. The organisation sets clear objectives and key performance indicators (KPIs) aligned with stakeholder expectations. Regular performance assessments, feedback loops, and data-driven insights enable LankaPay to identify areas for improvement and adjust its strategies accordingly. By embracing a culture of continuous improvement, LankaPay strengthens its stakeholder relationships and sustains its position as a trusted partner in the payment industry.

We continued to instill a high-performance culture within the entire organisation in which accountability and integrity are regarded as the two key pillars. We always encouraged our staff to contribute their ideas, suggestions and opinions via many initiatives to promote

innovation, harmony, recognition and inter-departmental collaboration. We also formulated many strategies to better manage the expectations of our staff and to reward the high performers in a more systematic manner. We gave emphasis on our approach in investing heavily on training and development to ensure that our people are ready to face a future with many challenges. Our stakeholder engagement is discussed in detail under Stakeholder Engagement Section in this report.

### Corporate Governance

As a responsible entity in the corporate world, LankaPay continued to be a role model and a responsible corporate citizen via our ethical and transparent business processes and embedded these principles into our culture. To maintain stability, foster innovation, and uphold public trust, LankaPay has implemented a set of robust corporate governance practices. Through our defined corporate governance practices and continuous commitment towards compliance, we were able to deliver a remarkable performance throughout the year. Our Internal Information Systems Auditor who reports directly to the Board Audit Committee and the new role of Manager Risk and Compliance reporting to the Board Risk Committee assisted us to keep the team on track in this regard by maintaining a constant vigil on good governance aspects.

Transparency and accountability are fundamental principles of corporate governance, and LankaPay places a strong emphasis on both. The organisation maintains open and clear lines of communication with its stakeholders, including

member banks, regulatory authorities, and the public. Regular reports and disclosures are provided to ensure that all relevant information is readily available. This transparency has helped build trust and confidence in LankaPay's operations.

LankaPay has a well-structured and diverse Board of Directors responsible for overseeing the organisation's strategic direction and decision-making processes. The composition of the Board and the Board Sub-committees that represents key stakeholders, ensures a high level of governance and compliance in all our activities. We have always strived to exceed expectations of all our stakeholders while fully complying with the regulations, directions and standards set by the Central Bank.

LankaPay recognises the importance of robust risk management practices in safeguarding its operations and the broader financial infrastructure of Sri Lanka. The organisation has established a comprehensive risk management framework that identifies, assesses, and mitigates risks associated with its activities. Regular risk assessments, internal audits, and compliance reviews are conducted to ensure adherence to applicable laws, regulations, and industry best practices.

Ethics and a strong code of conduct form the foundation of LankaPay's corporate governance framework. The organisation emphasises the highest standards of integrity, honesty, and fairness in all its dealings. Employees are required to adhere to a strict code of conduct that outlines

# General Manager/ CEO's Review

acceptable behaviour and professional ethics. Whistle-blower policy has been implemented to encourage the reporting of any unethical or illegal activities, thereby promoting a culture of accountability and responsibility.

## Sustainability As a Key Enabler

How the systems of LankaPay support sustainability efforts of the country are evident through its contributions to environmental conservation, economic stability and social inclusion. By promoting electronic transactions and digital signatures, LankaPay contributes to reducing paper usage, energy consumption and carbon emissions, thereby supporting environmental sustainability. The network's interoperable systems and affordable payment solutions foster financial inclusion and drive growth of the digital economy, enhancing economic sustainability. Lastly, by connecting individuals, businesses, and financial institutions across the country, the company promotes social inclusion and empowers individuals to participate actively in the formal financial system. With its multifaceted approach, LankaPay stands as a critical enabler of sustainable development in Sri Lanka, aligning with the nation's vision for a prosperous and inclusive future.

We contribute to environmental sustainability by promoting electronic payment solutions that reduce the need for paper-based transactions. The system facilitates various digital payment options such as online banking, mobile banking and electronic fund transfers, which minimise the use of physical cash and paper documents. By

reducing paper waste and the associated carbon footprint, LankaPay helps to conserve natural resources and mitigate environmental degradation. Furthermore, the shift towards digital payments reduces the energy consumption and carbon emissions associated with traditional banking processes, such as branch visits and transportation.

The National Payment Network enhances the economic sustainability of Sri Lanka by fostering financial inclusion and promoting efficient payment mechanisms. The network connects various financial institutions, including banks, non-bank financial institutions and mobile network operators, and regional partner networks, creating a seamless payment infrastructure that benefits businesses, individuals, and the overall economy. Through interoperable systems, LankaPay enables faster and more secure transactions, leading to increased productivity and reduced transaction costs. By providing affordable and accessible payment solutions to all segments of society, LankaPay promotes financial inclusion, empowering individuals and businesses to participate actively in the formal economy. All our systems contribute towards the growth of the country's digital economy. The network's infrastructure provides a robust platform for innovative financial technology solutions (FinTech), including mobile payments, e-commerce and digital wallets. These technologies facilitate entrepreneurship, job creation, and the development of new business models, thus contributing to sustainable economic growth and reducing income inequality.

LankaPay systems play a crucial role in advancing social sustainability in Sri Lanka. By promoting digital financial services, the network helps to bridge the gap between urban and rural areas, ensuring that individuals in remote locations have access to banking services. This inclusivity helps to reduce social inequalities and empowers marginalised communities by providing them with the tools to manage their finances effectively. Furthermore, by promoting financial literacy and education, LankaPay empowers individuals with the knowledge and skills necessary to make informed financial decisions, leading to improved financial maturity and long-term economic stability.

## Corporate Social Responsibility

Corporate Social Responsibility (CSR) has become an integral part of the business landscape, as companies recognise their role in addressing societal challenges and contributing to sustainable development. LankaPay, the National Payment Network of Sri Lanka, has exemplified a strong commitment to CSR by leveraging its resources and influence to foster financial inclusion and empower communities. Through various initiatives and partnerships, the company has demonstrated how responsible business practices can make a significant positive impact on society. We have recognised the importance of financial inclusion as a means of alleviating poverty, reducing inequality, and driving economic growth. The organisation has implemented several initiatives to enhance access to financial services, particularly for underprivileged and underserved segments of society.

LankaPay's commitment to corporate social responsibility is commendable, as the organisation has effectively utilised its resources and influence to promote financial inclusion and empower communities. By facilitating access to financial services, promoting digital payments, and supporting to improve financial literacy and environmental initiatives, LankaPay has made a tangible and positive impact on Sri Lankan society. The organisation's emphasis on collaboration and partnerships further strengthens its CSR efforts and ensures the sustainability of its initiatives. LankaPay serves as an inspiring example of how businesses can contribute to social welfare, demonstrating that responsible business practices are not only beneficial to the bottom line but also crucial for building a more inclusive and sustainable future.

We have recognised that collaboration is crucial in addressing complex societal challenges. The organisation actively engages in partnerships with various stakeholders, including government agencies, non-profit organisations, and community-based initiatives. By leveraging these collaborations, LankaPay has been able to amplify the impact of its CSR initiatives and extend its reach to diverse communities. This collaborative approach ensures that the organisation's efforts are aligned with the needs and priorities of the communities it serves.

## Awards and Accolades

I am proud to announce that LankaPay was able to secure the Silver Award under the SME category at the TAGS Awards organised by the Institute of Chartered Accountants of Sri

Lanka in 2022. Under the apt theme 'One for All', the annual report of the previous year highlighted the contributions made by the company towards the entire economy, spreading its multitude of services across the country covering all communities. Winning the Silver Award required a phenomenal effort and stands as a testament to the team who worked tirelessly on this task with very limited resources. The awards and accolades also came in the form of endorsements from the community for the yeoman services provided by the company especially during COVID-19 pandemic, fuel crisis and the economic crisis. These recognitions demonstrate the company's commitment to excellence in business and continued improvements in business processes whilst contributing to the economic progress of the country.

### Future Outlook

After delivering many pioneering solutions in the local market, we explored extending our service beyond the shores of Sri Lanka. Alongside our partnership with JCB International for the National Card Scheme, during the year we established partnerships with China Union Pay, National Payment Corporation of India and Discover Financial Services to facilitate transactions of international payment networks locally as well as enable foreign inward remittances into Sri Lanka at a much lower cost. LankaPay also became a member of the Asian Payment Network (APN) that connects ATM and EFT networks of 13 member networks spanning 12 countries in the Asia-Pacific region and this partnership is expected to propel much of the future cross-border transaction

growth for the company. To drive further growth, we consolidated the LankaRemit app as an aggregated solution to provide a seamless experience to the expatriate Sri Lankans domiciled in other countries to send inward remittances at the lowest possible cost. These efforts are intended to bring much needed foreign exchange to the country at much lower costs per transaction, which would encourage more people to remit money to Sri Lanka.

LankaPay continued to identify the gaps in the market to provide further convenience in financial services and introduce innovative solutions to bridge these gaps. In line with this, we implemented PayMe service, which is a secure messaging platform that allows individuals, financial institutions, utility companies and corporates to send payment requests digitally and provides an option for the payee to use any of the payment modes available in the payment instrument he/she is using to make the payment. One significant use case of these solutions is replacing the current cash-on-delivery option with just pay on delivery via digital channels. The feedback we received from the market is that this solution would revolutionise the payments landscape in the near future with many applicable uses to attract many Gen Z and younger generation customers to adopt digital payments.

LankaPay is at the verge of obtaining world renowned WebTrust certification for our Certification Authority business - LankaSign, to ensure that our digital signatures would get cross-border acceptance. The demand for digital signatures is growing in the private sector

while the government has also issued a circular instructing all departments to move their communications to electronic form. These would drive the demand for LankaSign digital signatures and also enable cross-border document signing to support the country to go up the ladder of the ease of doing business index.

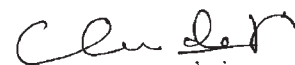
With a clear focus of innovating to the core, we continued to invest in technologies to provide further convenience to individuals, businesses and government institutions engaged in digital transactions. Based on growth in digital transactions during the financial year under review, the future looks very bright for some of our key solutions. As more people move into digital payments, there would be a continuous push on moving the entire value chain to digital as well, which would give our digital signature business a significant upward push. We will continue to push the boundaries in implementing cutting-edge technologies in the future to empower our people and organisations as well as addressing the pressing financial needs of all communities we serve.

### Acknowledgements

I would like to applaud our dedicated staff wholeheartedly who ensured uninterrupted services amidst numerous challenges. We saw a passionate set of individuals who overcame many challenges to maintain a 99.9% uptime on a 24x7 basis across all our service lines throughout the year. We were also able to maintain the highest level of security across all our systems. I appreciate the efforts of every single member of our team towards ensuring that

financial sector stability was maintained.

I sincerely acknowledge the direction and support provided by our Chairman, the Board of Directors and all other shareholders for their unwavering support and encouragement. I am grateful to the members of my corporate management team for supporting me and the management team to deliver positive results through their dedication and exceptional skills. I would like to convey my gratitude to all our member banks, financial institutions, FinTechs and their customers for their support towards LankaPay. I am extremely positive about our future in terms of growth and potential of our solutions and am eager to guide our organisation to becoming a regional leader in the payments landscape and supporting our country in its quest towards becoming a digital economy.



**Channa de Silva**  
General Manager/CEO

16th May 2023

# Board of Directors



**01. Dr. Kenneth De Zilwa**  
Chairman

Top economist and senior banker, Dr. Kenneth De Zilwa, assumed duty as the 5th Chairman of LankaPay on 01st June 2021 after having been appointed by the Governor of the Central Bank of Sri Lanka for a tenure of three years.

Dr. De Zilwa counts over 20 years of experience in banking, managing Investment Banking business at a senior managerial level across all verticals. He is an expert in Treasury and Capital Markets, especially in the areas of risk management, money markets, and debt markets, in both domestic and international financial markets, alike. He was a part of the Global Advisory team for the Government of Sri Lanka's USD initial Sovereign Bond Issuance and worked closely with the senior officials of the Central Bank of Sri Lanka. He was instrumental in drafting the derivative guidelines for the market during his tenure at HSBC.

Dr. De Zilwa was appointed by the Governor of the Central Bank of Sri Lanka as the Chairman of the Financial Systems Stability Consultative Committee which overlooks systemic and macro-prudential conditions. He was also appointed by the Governor to the Monetary Policy Consultative Committee as a Board Member and was also a Board Member of the Institute of Policy Studies (IPS). He is also an active Member of the National Payment

Council, chaired by the Central Bank of Sri Lanka. He was the President of the Sri Lanka Forex Association and has been instrumental in setting up of the ACI Market Ethics Committee, Education Committee, and a Regulatory Framework, inspiring and leading the Association to new heights. Under his leadership, Dr. De Zilwa was able to gain Sri Lanka Forex the full membership of ACI International and make the Association internationally reputed. He was appointed Secretary for the ACI Model Code Committee by the Central Bank of Sri Lanka and was responsible for Sri Lanka's First Interest Rate Option and Currency Derivative Transactions in Sri Lanka and developed the First Islamic Finance Rupee Bond i.e., Sukuk, for the country. He was recently appointed by UNDP as a consultant to the Ministry of Finance & Planning apart from being a consultant to several leading local and international organisations.

A veteran in Business Cycles and Real Economy, Dr. De Zilwa holds a Ph.D., an MA in Economics, and a Postgraduate Diploma in Development Economics from the University of Colombo. He also holds an MA in Economics for Development from the ISS/Erasmus University, Netherlands, apart from the Postgraduate Diploma in Bank Management and Finance from the Institute of Bankers Sri Lanka. He has been featured in many television talk shows, delivered many keynote speeches and continues to participate in policy discussions. He has contributed to many newspaper articles and published papers in reputable journals, including the anniversary edition of the Association of Professional Bankers.



**02. Mr. C. P. S. Bandara**  
Director

Mr. Bandara has over 26 years of experience at the Central Bank of Sri Lanka (CBSL) in the areas of financial system stability, economic and price stability, corporate services, agency functions, business continuity planning, enterprise-wide risk management and, strategic planning.

He holds the position of Assistant Governor of CBSL and oversees the Employees' Provident Fund, Payments and Settlements, Information Technology and Foreign Exchange Departments. He serves as a Member of the Boards of LankaPay (Pvt.) Ltd., Canwill Holdings (Pvt.) Ltd., Sinolanka Hotels & Spa (Pvt.) Ltd.; Member of the Employees' Provident Fund Investment Oversight Committee, Internal Investment Oversight Committee; Chairman of Committee for Contingency Events and Disaster Recovery for LankaSettle System, the national payment and settlement system; representative of CBSL for the National Steering Committee on Education Reforms established by the Ministry of Education for formulating education reforms for the general education system, higher education and technical and vocational education, and as the Co-Chair of the National Certification Authority Task Force.

He functioned as the Secretary to the Sovereign Ratings Committee, a Member of the Steering Committee

for international sovereign bond issuances by the Government of Sri Lanka, Secretary to the Payments Reform Steering Committee, Assistant Secretary to the Board Risk Oversight Committee, Secretary to the Non-Financial Risk Management Committee, and an observer of the Monetary Board Advisory Audit Committee, Business Continuity Planning Committee, International Reserves Investment Oversight Committee, Internal Investment Oversight Committee, and the Financial System Stability Committee. He also served as a Member of many Cabinet-appointed committees established to improve the country's financial market infrastructure by implementing national-level projects.

He has served in the Departments of Risk Management, Policy Review and Monitoring, Payments and Settlements, Public Debt and Information Technology.

He was instrumental in establishing the first online communication network between CBSL, licensed commercial banks and the primary dealers, and the establishment of the Lanka Financial Services Bureau Ltd. He designed and developed the electronic bidding systems for the primary auction of government securities, the settlement system for open market operations and the online financial market monitoring and regulatory reporting systems of CBSL. He played a key role in implementing the national payments and securities settlement systems infrastructure of the country. He also supervised the teams that implemented the national QR code standard of the country and the Financial Technology Regulatory Sandbox of CBSL.

He functioned as a Director of the Board and a Member of the Board Human Resource Committee and the Board Audit Committee of LankaPay Private Ltd., and as Chairman and Member of several technical and steering committees of LankaPay (Pvt) Ltd. He was nominated as a Director of the Board of the Sri Lanka Computer Emergency Readiness

Team, and a Member of the Steering Committee of the Technology Industry Development Strategic Business Unit of the Information and Communication Technology Agency of Sri Lanka. He served as a Chief Examiner of the Institute of Bankers of Sri Lanka.

He holds a Master of Science Degree in Information Technology from Charles Sturt University, Australia, a Bachelor of Technology Degree in Computer Science from Monash University, Australia, and a Diploma in Central Banking. He is also a Member of the Computer Society of Sri Lanka.



**03. Mr. H. M. P. B. Herath**  
**Director**

Mr. Herath is a highly experienced and accomplished IT professional with over 25 years of experience. He is currently the Director of the Information Technology Department of the Central Bank of Sri Lanka.

He has a strong technical background with an MBA from the Postgraduate Institute of Business Management (PIM) of the University of Sri Jaywardenepura, and a B.Sc. (Engineering) degree specialising in Computer Science and Engineering from the University of Moratuwa, Sri Lanka. He is a Chartered Engineer and a Corporate Member of the Institute of Engineers Sri Lanka (IESL).

With extensive experience in technology and project management, he has successfully led multiple projects, driving innovation and efficiency. He has played different roles in several internal and external forums/committees in information technology and payment technology-related fields. He has played instrumental roles and is the Project Manager for the implementation of Real Time Gross Management System (RTGS), Securities Settlement System, Reserve Management System, Capital Market Development, SWIFT-related implementation etc.

Mr. Herath currently chairs the Steering Committee of the FINCSIRT (Sri Lanka Financial Sector Computer Security Incident Response Team), which strives to ensure the IT Security of the Sri Lanka Financial Sector.

# Board of Directors



**04. Mr. W. P. R. H. Fonseka**  
Director

Mr. Russel Fonseka joined the Bank of Ceylon in January 1990. In his tenure of over 33 years in the Bank, he has gained a wealth of experience serving in various capacities within the Bank in local and international settings. Mr. Fonseka was serving as a Member of the Corporate Management of the Bank since 2012 and he rose to the position of General Manager/ Chief Executive Officer in January 2023.

Mr. Fonseka has played a pivotal role by deploying his expertise in many and varied roles in the Bank as a Senior Member of Corporate Management. He held the positions of Chief Financial Officer, Senior Deputy General Manager (Corporate & Offshore Banking), Deputy General Manager (International, Treasury, and Investment), Deputy General Manager (Retail Banking), and Deputy General Manager (Finance & Planning) of the Bank.

B.Sc. in Business Administration graduate from the University of Sri Jayewardenepura, Mr. Fonseka also earned the Postgraduate Diploma in Management from the Postgraduate Institute of Management (PIM) Sri Lanka. He has obtained a Master's Degree in Business Administration (MBA) from the University of Southern Queensland, Australia.

He is a Senior Fellow Member of the Institute of Bankers of Sri Lanka, a

Fellow Member of the Institute of Chartered Accountants of Sri Lanka, and an Alumnus of the Harvard Business School of USA.

He serves as a Director of the Institute of Bankers of Sri Lanka, LankaPay (Private) Limited, Credit Information Bureau of Sri Lanka and many other subsidiaries and associate companies of the Bank of Ceylon. He also holds responsibilities as the Chairman of the Audit Committees of Property Development PLC and LankaPay (Private) Limited.



**05. Mr. Clive Fonseka**  
Director

Mr. Fonseka is a fellow of the Institute of Bankers of Sri Lanka and holds a Master's Degree in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura. He has received a distinction for the ACI dealing certificate and counts more than 29 years of experience in treasury management. He is also a certified member (CMA) of the Institute of Certified Management Accountants of Australia.

He has acted as the President of the Association of Primary Dealers during the period of 2018 to 2020, as a member of the National Payment Council, Financial System Stability Consultative Committee, the task force to study and design a new alternative benchmark interest rates and as a Member of the Market Working Group on Domestic Financial Market Infrastructure Development Project of Central Bank of Sri Lanka. He also acts as a Non-Independent, Non-Executive Director at People's Leasing & Finance PLC, People's Leasing Property Development Limited, Lankan Alliance Finance Limited and LankaPay (Pvt) Limited at present. Furthermore, he has acted as a Chief Examiner for the Institute of Bankers of Sri Lanka's IABF/ DABF examinations previously.

Mr. Fonseka joined People's Bank in 2002 and has been a Member of People's Banks' Senior Corporate Management team since November

2011, as Deputy General Manager overseeing the foreign exchange operations, activities of the Primary Dealer Unit, Investment Banking Unit and USD & LKR money market operations. Furthermore, he is responsible for the management of the relationships of local and foreign commercial banks and financial institutions. Prior to joining People's Bank, he served at American Express Bank and Standard Chartered Bank.

He was appointed as the Acting Chief Executive Officer/General Manager of People's Bank with effect from 02nd January 2023.



**06. Mr. Sanjay Wijemanne**  
**Director**

Mr. Sanjay Wijemanne is the Deputy General Manager, Retail & SME Banking at Hatton National Bank PLC and manages the areas of personal financial services (leasing, pawning, personal and housing loans), SME/microfinance, credit cards, sales and business development, network management, deposit mobilisation, market communications, customer service, Club and Priority banking, digital banking, inward remittances, inward remittances and Exchange House relationships and bancassurance. He has a B.Sc in Business and Finance from Mount Saint Mary's University, USA. He is also a Director at Acuity Stockbrokers (Pvt) Ltd., HNB General Insurance, Acuity Partners (Pvt) Ltd., and National Advisory Board for Impact Investing (NABII) in Sri Lanka.

He commenced his career with Ceylinco Securities and Financial Services and then joined HNB as a Management Trainee/Executive at HNB. Thereafter, he joined HSBC where he held different positions such as Vice President Custody and Clearing, Head of Sales, Head of Branches including Premier Banking, Branch Manager Kollupitiya, Branch/Manager Premier Centre.

He then joined Standard Chartered Bank and held positions of Head of Retail Banking, General Manager Premium

Banking Branch Sales and Services, and General Manager Wealth Management Value Centre.

He represented Sri Lanka in tennis and played for the Sri Lanka Davis Cup team while in school. He was a Member of the Sri Lanka Davis Cup team from 1989 to 1995. He captained the Sri Lanka Davis Cup team in 2002 and represented Sri Lanka at the SAF games in Colombo and India, winning two bronze medals. He was captain of the Royal College tennis team in 1989.

# Board of Directors



**07. Mr. Ravin Basnayake**  
**Director**

Mr. Ravin was appointed as the Citi Country Officer (CCO) in Sri Lanka with effect from 01st January 2012. He is a veteran Citibanker, with over 33 years of banking experience, and has served in several key positions within the Sri Lanka franchise. Prior to his appointment as CCO, he served as Head of the Corporate Banking Group, where he led the Global Banking business in Sri Lanka.

Mr. Basnayake has served on the board of the American Chamber of Commerce and has held office as President of AmCham.

He holds an MBA from the Post Graduate Institute of Management, University of Sri Jayewardenepura, and is an Associate Member of the Institute of Financial Services of the United Kingdom.



**08. Mr. N. H. T. I. Perera**  
**Director**

Mr. Thimal Perera is the Executive Director & Chief Executive Officer (CEO) of DFCC Bank PLC.

Mr. Perera is also the Chairman of DFCC Consulting (Pvt) Ltd., Synapsys Limited, Acuity Partners Limited and Lanka Industrial Estates Ltd and serves as a Director of LankaPay (Pvt) Ltd., Lanka Ventures PLC, and LVL Energy Fund PLC, and is also a Director of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

He has held several senior positions in banking and has over 3 decades of experience in the financial services sector, both locally and internationally, having been with the HSBC Group, Commercial Bank of Qatar, Barclays Bank PLC and was at HNB prior to joining DFCC.

He is a Member of The Institute of Chartered Accountants of Sri Lanka and a finalist of the Chartered Institute of Management Accountants (CIMA), UK.



**09. Mr. E. R. de Silva**  
**Observer**

Mr. Ravi de Silva brings well-seasoned skill and expertise in banking, finance, and commerce to his role at SLBA through which he comes to the Board of LankaPay as an Observer. His wide-ranging knowledge and particular experience in the areas of Credit and Risk have been gained through a career of over 45 years in which he has held progressively senior positions in banking and financial services in Sri Lanka and internationally. He left Sri Lanka in 1988 and has had varied international experience with the HSBC Group serving in subsidiaries in the Credit and Risk function, as Chief Credit Officer and Chief Risk Officer.

After retiring from the HSBC Group at the end of 2012, he lived in the UK, undertaking ad hoc consultancy assignments until his return to Sri Lanka in August 2016. He assumed the current role as Secretary-General at SLBA on 1 August 2017. Mr. de Silva holds a Bachelor of Laws degree from the University of Sri Lanka, is a Fellow of the Chartered Institute of Bankers UK, and has been admitted as an Attorney at Law of the Supreme Court of Sri Lanka.

# Corporate Management Team



**Mr. Channa de Silva**  
**General Manager /CEO**  
Well-known business and technology professional, Mr. de Silva has been the CEO of LankaPay since 2015. He is a Board Member of the Sri Lanka CERT and a Member of the National Digital Certification Authority (NCA) Task Force.

Previously, he headed the Software Group of IBM, Sri Lanka and served as the Director Enterprise Business and Public Sector at Microsoft Sri Lanka. He was also the CEO of Lanka Internet, a pioneering internet service provider in Sri Lanka.

He was recognised by the Internet Society as Sri Lanka's first-ever webmaster for developing the first commercial website and the engineer responsible for the first dedicated Internet connection in 1995.

He obtained his B.Sc. and M.Sc. in Electrical and Computer Engineering from the State University of New York, USA and holds an MBA from the Postgraduate Institute of Management (PIM) Sri Lanka.



**Mr. Dinuka Perera**  
**Chief Operating Officer**  
Dinuka holds a Bachelor of Science Degree in Computer Science from the University of Regina, Canada and a Master's in Business Administration (MBA) from the Postgraduate Institute of Management (PIM) of Sri Lanka. He is also Project Management Professional (PMP) credential holder and Certified Scrum Master (CSM).

With over 25 years of diverse experience spanning the private and public sectors, Dinuka has specialised in project management, operations, business process reengineering, procurement, and change management. Prior to joining LankaPay, Dinuka had successful stints at organisations such as HSBC, ICTA (Information and Communication Technology Agency of Sri Lanka), and Informatics International.

At LankaPay, Dinuka oversees the operations of the organisation ensuring the critical payment systems which constitute the national payment infrastructure operate at an optimal level with minimal downtimes and the systems remain technically robust.



**Mr. Rasika L. Galappaththy**  
**DGM - Finance**  
Rasika assumed a leadership role in shaping financial strategy, driving financial performance, and ensuring the long-term financial sustainability of LankaPay, encompassing crucial areas of corporate finance such as financial strategy, planning and budgeting, analysis, control and reporting, investor relations, investment and treasury management, financial risk management, compliance and governance.

He is a Fellow Member of CIMA, UK, having graduated from the University of Moratuwa in Civil Engineering with a B.SC ( Second Upper), Rasika is an Associate Member of IESL. He holds an MBA from the Postgraduate Institute of Management (PIM).

He served in the National Water Supply and Drainage Board, EY, Acuity Knowledge Partners, and Assetline Holdings before joining LankaPay.



**Mr. Lakshman C. Palliyaguruge**  
**Head of HR & Administration**  
Lakshman holds a BSc Degree In Business Administration from the University of Sri Jayewardenepura and Master's Degree from the University of Colombo. He also holds a Post Graduate Diploma in HR from the University of Colombo.

He has successfully served in various industries including IT, business process management (BPM) and electronics, and counts about 30 years of work experience in HR and organisational development.

Lakshman helped LankaPay to streamline HR, facilities and procurement functions by effectively managing the processes. As an HR professional, Lakshman also worked towards bringing about adaptive and innovative HR solutions that lead and establish a trustworthy organisational culture.

# Management Team



**Mr. Dilantha Samarasinghe**  
AGM IT



**Ms. Srimali Premalal**  
Senior Manager  
Information Systems Audit



**Mr. Hemanthe Samaliarachchi**  
Chief Manager Payment  
Systems (Head of Certification  
& Integration)



**Ms. Thusha Mukunthan**  
Chief Delivery Officer



**Mr. Chamath Algawatta**  
Chief Information Security  
Officer



**Mr. Manoj Fernando**  
Senior Manager IT Security  
Solutions



**Mr. Danushka Uyanahewage**  
Senior Manager Operations  
- Automated Payment  
Systems



**Mr. Janith Ranasinghe**  
Senior Manager IT



**Mr. Delan Wimalaratne**  
Senior Manager  
Operations - Electronic  
Payment Systems



**Mr. Asela Hapuarachchi**  
Senior Manager HR &  
Administration



**Ms. Wayomi Gunathilaka**  
Senior Manager Marketing



**Mr. Harsha de Silva**  
Senior Manager  
Operations - Card Services



**Mr. Dhammika Guruge**  
Manager Network



**Mr. Lakdas L Ponweera**  
Senior Manager  
Operations - Digital  
Payment Systems



**Mr. Shehan Wijewickrama**  
Management Accountant



**Ms. Nishamani Rathnayake**  
Lead Manager Research & Development



**Mr. Praveen Ramanayake**  
Manager Facilities & Maintenance



**Ms. Sanjeevani Seneviratne**  
Manager Legal



**Mr. Lakshanth Jayasekara**  
Manager IT



**Mr. Ravindra Liyanage**  
Manager Procurement



**Mr. Mahesh Thanthirige**  
Manager Operations - Payment Systems Applications



**Mr. Lasantha Rathnayake**  
Manager IT



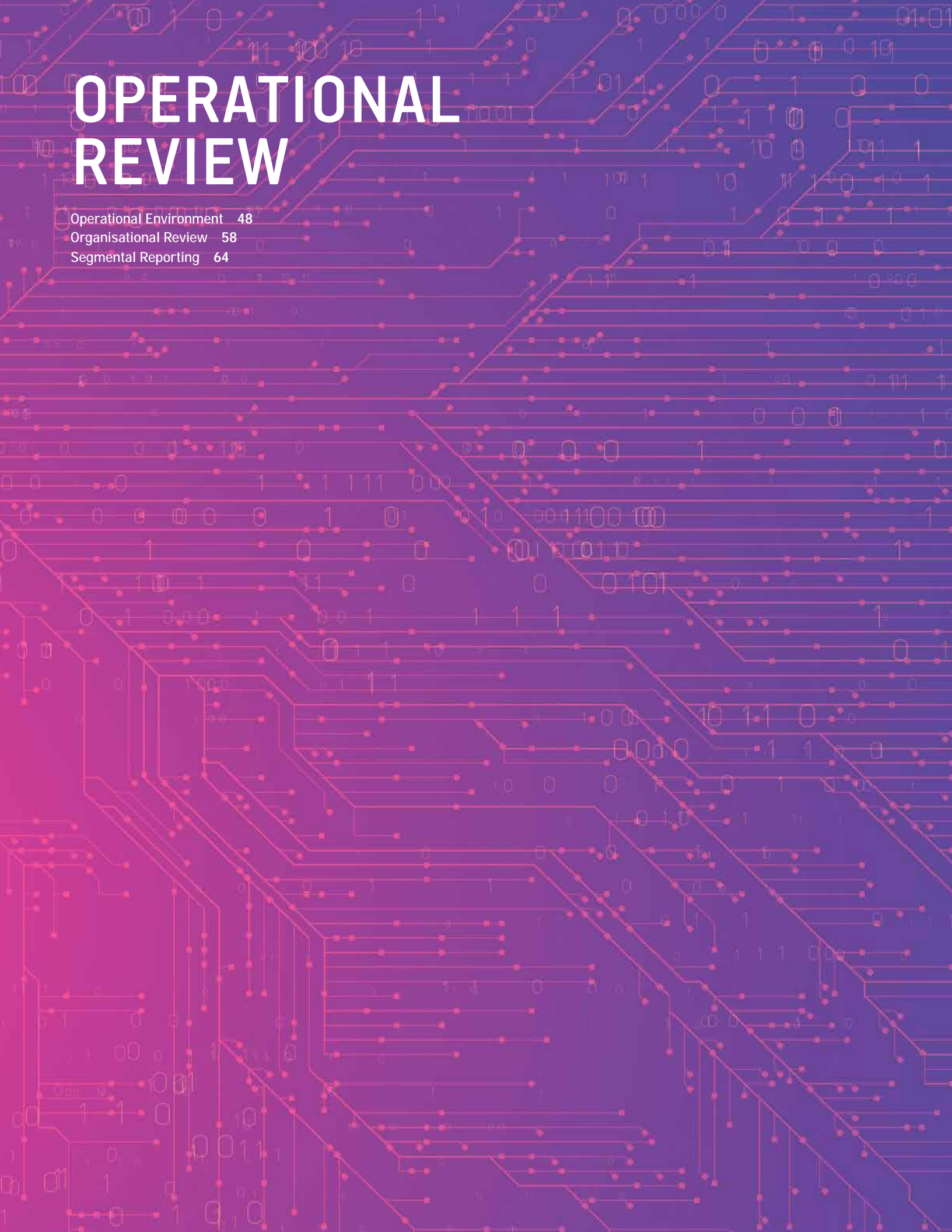
**Mr. Amila Ekanayake**  
Manager Operations - Shared Payment Services



**Mr. Kanishka Rathnayake**  
Manager Information Security - FINCSIRT



**Mr. Dilshan Fonseka**  
Manager Business Development



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# THE CENTRE OF CONVENIENCE

# Operational Environment

## External Macro Environment Factors

LankaPay as the National Payment Network identifies the below aspects as some of the main external environmental dynamics:

### 1. Markets Served

- LankaPay primarily focuses on the domestic market in Sri Lanka, specifically within the financial industry, where it facilitates interbank transactions.
- Nevertheless, by establishing integrations with international entities like JCB, China Union Pay, and Asian Payment Network, LankaPay is expanding its operational reach to international territories. This expansion aligns with the organisation's new strategy to tap into international markets.
- In addition to its role as the National Payment Network, LankaPay has also positioned itself as the national certificate authority, issuing digital certificates to numerous local organisations, including those in the financial sector.

### 2. Partner Ecosystem

- LankaPay often has to rely on partnerships with financial institutions, FinTech apps, merchants, technology providers and other stakeholders to expand their reach and offerings.

### 3. Competition

- As the National Payment Network, LankaPay provides certain products that enjoy a monopolistic market position. Nonetheless, considering the unique structure of the organisation, with its customers being the shareholders, LankaPay is committed to serving its customers with utmost efficiency and cost-effectiveness.
- Some of its products operate within a competitive market where multiple players offer similar services such as National Card Scheme, Shared ATM Switch, Card Management System and Digital Signatures. The actions and strategies of competitors, including other payment networks, can significantly impact the network's market share, pricing and growth prospects.

### 4. Technological Advancements

- Technological advancements and innovations in the broader financial and payment industry shape the external environment of LankaPay.
- Emerging technologies such as blockchain, mobile wallets, contactless payments, and artificial intelligence impact the expectations and preferences of consumers, driving the need for payment networks to adapt and integrate these technologies into their services.

### 5. Regulatory Landscape

- LankaPay is subject to various regulations and oversight from the Central Bank of Sri Lanka and certification authorities such as PCI-DSS, ISO, etc.
- Changes in regulations, compliance requirements, and industry standards can have a significant impact on the operational and legal aspects of payment networks.

### 6. Economic Factors

- Economic conditions, such as GDP growth, inflation rates, interest rates, and unemployment levels, can influence consumer spending patterns, transaction volumes, and the overall health of the payment industry.

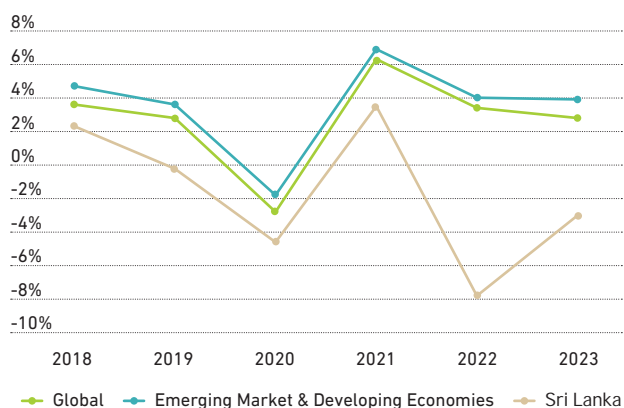
### 7. Consumer Preferences and Behaviour

- Factors such as financial literacy, convenience, security and acceptance impact consumer choices and adoption of payment methods.

## External Macro-Environment Analysis

### Macro-Economic Factors - Economic Growth

#### Summary During the Year



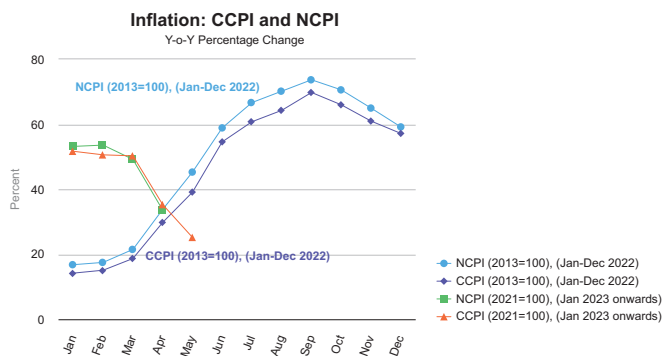
In 2022, the global economy experienced a moderate growth trajectory, with a GDP growth rate of 3.4%, a decline from the robust 6.3% growth witnessed in 2021. However, the Sri Lankan economy faced a contrasting situation, as it entered a recession with a negative growth rate of 7.8% in 2022, following a 3.5% growth in the previous year. The industrial sector experienced a significant decline of -16%, while the agriculture sector saw a contraction of -4.6%. Similarly, the services sector recorded a negative growth rate of -2% throughout the year, as reported by the Central Bank in its Annual Report.

Impact	Response	Future Outlook
Growth of FinTech innovations as businesses and consumers seeking alternative solutions to traditional financial services.	LankaPay collaborated closely with FinTech applications, providing essential support to offer innovative FinTech solutions.	LankaPay will continue to support FinTech apps through new developments such as PayMe.
Increased focus on financial inclusion as more individuals experience financial difficulties.	Financial inclusion is a key objective of LankaPay, and the organisation's products contribute significantly to achieving this: <ul style="list-style-type: none"> <li>LankaQR facilitates electronic payments for small-scale businesses in a cost-efficient manner.</li> <li>NCS enables financial organisations to issue payment cards cost-effectively, providing value-added features for all Sri Lankans.</li> <li>Our Common Card and Payment Switch integrates all local banks into a unified payment system, enabling hassle-free transactions and cash withdrawals across banks.</li> </ul>	LankaPay plans to introduce lower tariff rates for transactions aimed at disseminating funds to the underprivileged public.
Reduction in transactions due to lower economic activities resulting from reduced business activities and consumer spending.	The economic contraction significantly affected products such as CITS, resulting in greatly reduced volumes. However, the organisation's diversification into products like CEFTS and CAS helped maintain better performance due to their adoption, convenience, and innovation.	With the economy rebounding, CITS has shown increased volume, and other products have also experienced significant growth.

# Operational Environment

## Macro-Economic Factors -Inflation

### Summary During the Year



During the period from April 2022 to March 2023, Sri Lanka faced significant inflationary pressures, driven by factors such as increased fuel and energy costs, food price volatility, and exchange rate fluctuations. Despite efforts by the Central Bank to manage inflation, prices continued to rise, impacting the cost of living for citizens and posing challenges for businesses. The government implemented fiscal and monetary policies to address these inflationary pressures and stabilise the economy. Headline inflation, as measured by the year-on-year (YoY) change in the Colombo Consumer Price index, increased to 50.3% in March 2023 (18.7% in March 2022) after reaching as high as 69.8% in September 2022.

Impact	Response	Future Outlook
Increased transaction volume due to periods of high inflation, as consumers have to spend more and make larger purchases to hedge against rising prices.	Accordingly, transaction volumes for CEFTS and CAS increased. Particularly, CAS volumes experienced significant growth as the general public had to withdraw cash more frequently to cope with the increased prices.	As the economy eases, the aforementioned inflationary pressures are also expected to ease. However, the adoption of digital payment solutions will continue to drive significant transaction volume increases.
Higher operating costs. Inflation typically leads to higher costs for businesses, including infrastructure, technology, staffing and other operational expenses.	The organisation faced significant challenges in managing these rising costs while maintaining competitive pricing for its services. However, with cost management initiatives, increased revenue, and interest income, the organisation achieved its expected profitability targets.	With the stabilisation of the economy and inflation rates, the organisation expects costs to reach manageable levels against revenue.
Customer affordability of the services provided by LankaPay.	Amidst significant cost increases, the organisation only raised the tariff for CITS, while keeping other tariffs constant, ensuring the affordability of its services for customers throughout the year.	With the stabilisation of the economy and inflation rates, the organisation expects costs to reach manageable levels against revenue, ensuring continued affordability.

## Macroeconomic Factors - Government Policies

### Summary During the Year

Government policies on well-defined and stable regulatory frameworks, interoperability standards, financial inclusion, financial stability, consumer education, digital economy and infrastructure development, and support for innovation and start-ups have facilitated the growth of the industry as well as LankaPay.

Impact	Response	Future Outlook
The government's positive response to the digitalisation of the economy and support for infrastructure development has been key enabler for the organisation's successful initiatives.	The organisation serves as a prime example of a successful public-private partnership, operating efficiently and generating financial success without burdening government budgets. All products launched by LankaPay align with the national payment roadmap and receive strong support from the government and the Central Bank of Sri Lanka.	With the government's ongoing initiatives to enhance digitalisation, the organisation is optimistic about the progress facilitated by future government policies. LankaPay is also currently engaged in projects with the government to provide value-added services to the payment industry and the general public, such as implementing a shared KYC system and establishing a national certificate authority etc.

### Macroeconomic Factors - Interest Rates and Exchange Rates

The impact on interest and exchange rates is discussed under financial capital.

### Macro-Technological Factors

Technological factors such as advancements and innovation, automation, digitalisation, research and development and intellectual property are discussed throughout the report.

### Macro-Environmental Factors

Environmental factors focus on environmental sustainability, climate change, natural resources, ecological concerns, and the impact of business activities on the environment are discussed under the sustainability report of LankaPay.

### Macro-Sociocultural Factors – Customer Adoption

Summary During the Year		
Sociocultural factors significantly impact the acceptability and adaptability of the products of the organisation and are majorly impacted by the adoption of digital payment, mobile payment growth, shift towards cashless transactions and peer influence, and social norms.		
Impact	Response	Future Outlook
Increased adoption of digital payments.	The establishment of the organisation as the National Payment Network and continuous uninterrupted reliable operations lead customers to have confidence in the security, reliability, and efficiency of a payment network and to adopt the use of its services. Higher transaction volumes are a testament to the positive customer experiences and trust in the network's capabilities.	With the innovations in the pipeline and operation excellence, the organisation expects to retain high customer trust and customer adoption in future, too.
Increased adoption of mobile payments.	Increased adoption of mobile payments is a significant trend in the industry and LankaPay is actively supporting mobile payments with its innovative products such as JustPay, Request to Pay and PEN.	LankaPay expects to innovate heavily on mobile payments by enhancing the capabilities of the product lines as well as introducing new products.
Privacy and security concerns impact consumer confidence about data breaches, identity theft, or unauthorised access to personal and financial information leading to reluctance or hesitance in adopting digital payment methods, and affecting transaction volumes and growth.	LankaPay adopts the highest security standards, certifications and infrastructure to mitigate security threats and to maintain the privacy of the customers. Some of major security standards prescribed by PCI-DSS, ISO are currently adopted.	LankaPay expects to further enhance its security standards by enhancing the high-security standards it currently follows and also adopting new security standards such as WebTrust.

# Operational Environment

## Market Share Analysis

### Cash in Circulation

- The main competitor of LankaPay is cash.
- During the year 2022, the currency held by banks increased by 29% whilst currency held by the public reduced by 5.4%, which is a good trend indicating that the public is moving away from cash as a primary mode of payment.

### Payment Cards

Licensed Service Providers of Payment Cards (as at end Q4 2022) / (as at 31st March 2023)

Class of Business	Total Number of Service Providers	LPPL Number of Service Providers
Issuers of Debit Cards	34	8
Issuers of Credit Cards	17	1
Issuers of Stored Value Cards	10	3
Financial Acquirers of Payment Cards	12	7

Debit Card Transactions	2022 (a) (Total Market)	2022 (LPPL)	Market Share
Total number of cards in use (as at end period)	18,753,071	133,228	0.710%
Total volume of transactions (b)	146,500,000	3,768	0.003%
Total value of transactions (Rs. Mn) (b)	528,900	15	0.003%

(a) Provisional

(b) Transactions carried out at POS terminals during the period

### ATM Terminal Transaction

Description	2022 (a) (Total Market)	2022 (LPPL)	Market Share
Total volume of financial transactions during the period (Rs. Mn) (c)	358.70	84.10	23%
Total value of financial transactions during the period (Rs. Bn) (c)	5,721.80	1,012.90	18%

(a) Provisional

(c) Cash withdrawals and transfers at ATMs during the period

### Internet-based Payment Systems

Description	2022 (a) (Total Market)	2022 (LPPL)	Market Share
Total financial transactions (during the period) (volume Mn)	187.20	91.80	49%
Total financial transactions (during the period) (value Rs. Bn)	10,596.40	8,881.30	84%

### Clearing Product as % of GDP

Clearing Product	As % of GDP
Cheque transaction value	40.60%
SLIPS transaction value	13.90%
CEFTS transaction value (includes CEFTS, LPOPP, LANKAQR, and JustPay transactions)	36.80%
CAS transaction value	4.19%

Source: Central Bank of Sri Lanka

# SWOT Analysis for LankaPay

<div>S</div>	<div>W</div>	<div>O</div>	<div>T</div>
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"><li>Reliable and innovative product portfolio.</li><li>Monopolistic position for some products.</li><li>Low tariff structures.</li><li>Regional tech innovation leader.</li><li>Sound Industry-related skills and knowledge.</li><li>Strong brand recognition.</li><li>Low business risk.</li><li>Healthy financial profile.</li><li>Increase in strategic regional partnerships.</li><li>Government support.</li><li>Strong governance and risk management structure.</li></ul>	<ul style="list-style-type: none"><li>Limited product portfolio primarily focused on payment and settlement systems.</li><li>High dependence on partnerships such as banks and financial institutions.</li><li>At the initial stages of international reach.</li><li>Lack of awareness among some consumers.</li></ul>	<ul style="list-style-type: none"><li>Growing digital payments, increased adoption of mobile banking, e-wallets, and QR-enabled apps.</li><li>Potential for market expansion beyond payment and settlement systems.</li><li>Leverage ongoing advancements in payment system technologies.</li><li>Supportive government policies.</li><li>Potential strategic regional partnerships.</li></ul>	<ul style="list-style-type: none"><li>Global competitors.</li><li>Stringent laws and regulations.</li><li>Cybersecurity and data privacy concerns.</li><li>Low financial literacy.</li><li>Significant infrastructure cost increases.</li></ul>



# Operational Environment

## Global Trends in Payment Systems

Global Trends – Payment Systems	Our Response
<ul style="list-style-type: none"> <li>• Social and live commerce: <ul style="list-style-type: none"> <li>• Social media has evolved from a place of social interactions with friends to a place where brands can further engage their customers in shopping experiences. Now, customers can immediately buy what they see without leaving an app or platform, making it easier than ever to turn a want into a purchase. Global social commerce sales reached \$492 Bn in 2021, a number expected to nearly triple by 2025 to \$1.2 trillion.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Some of the products which have the potential to tap into social and live commerce are: <ul style="list-style-type: none"> <li>• LankaQR is a project initiative from the Central Bank of Sri Lanka to ensure all QR codes and QR-based transactions in Sri Lanka are standardised and interoperable. Central Bank of Sri Lanka has entrusted LankaPay to implement and operate LankaQR. LankaQR members use CEFTS and JustPay payment platforms to ensure interoperability.</li> <li>• A Request to Pay (RtP) is an online-generated message which not only notifies the user of his bills but also creates a real-time payment portal where the payment could be made without having to enter details which are usually required.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Tech innovation: Blockchain, real-time payments and open banking take centre stage. <ul style="list-style-type: none"> <li>• Blockchain: Blockchain has broad applications across many industries, including real estate, banking and financial, legal and payments. It will be used in payments in several ways: <ul style="list-style-type: none"> <li>• Faster payments - Thanks to its agile, decentralised structure, blockchain technology increases the pace of payment processing with real-time verification of transactions without needing intermediaries.</li> <li>• Digital currencies - Many digital currencies run on blockchain technology, where a decentralised system verifies and maintains transactions and records rather than a central authority.</li> <li>• Peer-to-peer (P2P) payments - P2P payments are payments made between two individuals. Blockchain's global reach and decentralised nature mean that it can rapidly and affordably facilitate P2P transactions across borders.</li> <li>• As blockchain matures, innovations in payments will emerge with it—taking advantage of its versatility, transparency and easily accessible capabilities. Analysts expect the global blockchain market to grow at a CAGR of more than 85% between 2022 and 2030.</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• LankaPay is looking at usage of blockchain technology in the areas such as Shared KYC System.</li> </ul>

Global Trends – Payment Systems	Our Response
<ul style="list-style-type: none"> <li>Realtime payments. <ul style="list-style-type: none"> <li>A blend of new technology, regulatory pressure, and customer expectations is driving the growth of real-time payments.</li> <li>Instead of the traditional process where transactions are batched, sent to a merchant's bank and processed at scheduled intervals, real-time payments process and in many cases - settle instantly. As the demand for real-time payments increases, payment rails are working to quicken the pace of money movement. The settlement will also need to evolve from batch to real-time.</li> <li>For many small businesses, cash reserves are shallower than those of their larger counterparts. It matters to a small- or mid-sized business to get that money at four o'clock in the afternoon versus four o'clock the next morning.</li> </ul> </li> <li>Open banking <p>Today, open banking—one form of real-time payments—enables third-party payment and financial services providers to access consumer banking information. This includes transactions and payment history, with and when the consumer consents to this access. Experts expect the open-banking market to exceed \$116 Bn by 2026. The transformation in structures and relationships is already beginning to change how banks relate to their customers while creating new services.</p> </li> <li>Digital currency <p>Digital currencies are coming into focus for emerging use cases, including cross-border payments and remittances, loyalty and rewards and digital-wallet integration, even as the market ebbs and flows. Cryptocurrency has been experiencing market volatility, bad actors and scrutiny by regulators, investors and consumers. As a result, we don't expect cryptocurrency to be accepted as a payment type at the point of sale anytime soon. Trust in digital currency systems by all stakeholders, including financial institutions, businesses and governments, will have to be restored before widespread adoption will occur.</p> </li> </ul>	<ul style="list-style-type: none"> <li>Some similar features to open banking are made available by JustPay payment platform and PEN.</li> <li>Sri Lanka is at the very initial stages when it comes to digital currencies.</li> </ul>

# Operational Environment

Global Trends – Payment Systems	Our Response
<ul style="list-style-type: none"> <li>In the year 2021, the offline and online worlds merged for good, solidifying the digital-first economy as the new normal for businesses and consumers. <ul style="list-style-type: none"> <li>Even though in-person shopping has largely reopened, consumers have become accustomed to the simplicity and ease of e-commerce.</li> <li>We have merchants, issuers, and FinTechs to thank for creating and enabling frictionless digital experiences at scale.</li> <li>The melding of online and offline means that omnichannel commerce has become a business requirement.</li> <li>Investing in meeting customers when, where, and how they want to shop is critical—making it simple for consumers to transact while providing the support and confidence they need across any channel.</li> </ul> </li> <li>2021 also witnessed notable labour and product shortages due to the 'Great Resignation,' continued impact from the COVID-19 pandemic, and constricted supply chains. <ul style="list-style-type: none"> <li>While the causes for these shortages may be temporary, the actions businesses took to overcome them are not.</li> <li>By embracing automation, businesses now do more with less while serving customers more effectively.</li> <li>As workers return and supply chains start flowing again, these actions will leave businesses better prepared to serve customers in the digital-first economy.</li> </ul> </li> <li>Customer expectations are changing, and businesses are adapting. <ul style="list-style-type: none"> <li>After two years of shifting habits to working and shopping largely online, consumers are now more comfortable navigating the world through a digital lens.</li> </ul> </li> <li>The investment in digital customer experiences begins with payments. <ul style="list-style-type: none"> <li>Businesses are expanding their payment options to meet customer preferences for digital payments, both contactless in-store and flexible choices online.</li> <li>People want to have a frictionless commerce experience at the point when they want to transact.</li> </ul> </li> <li>Digital wallets. <ul style="list-style-type: none"> <li>A digital wallet is a virtual version of your everyday wallet.</li> <li>An estimated 4.4 Bn global consumers will shop with a digital wallet by 2023, accounting for 52% of ecommerce payments globally.</li> <li>1.6 Bn global consumers will pay by digital wallets at the Point of Sale (POS) in 2023, accounting for 30% of POS payments.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>CEFTS under the LankaPay network is a pioneer product in enabling digital transactions, providing the infrastructure for interbank real-time digital transactions.</li> <li>During the year under review, CEFTS processed 104 Mn transactions for a 50% YoY increase, allowing many people to conduct financial transactions with ease and security at a low cost via the internet and mobile banking applications.</li> <li>The LankaPay network introduced many innovative products to the market by leveraging the CEFTS platform, such as JustPay, LankaQR, LPOPP, and PEN.</li> <li>These breakthrough solutions opened the door for many FinTech firms to thrive by basing their apps on these product platforms, resulting in mutually beneficial collaboration.</li> <li>JustPay aims to facilitate low-value retail transactions, thereby helping to attract a portion of the unbanked cash that is being circulated into the banking system. JustPay was initiated as a highly secure payment mechanism with two factor authentication and end-to-end encryption in addition to further strengthening the security measures taken by banks for mobile applications and internet-based transactions in keeping with Central Bank of Sri Lanka-approved security standards. JustPay is a critical backbone connecting the digital platforms of banks. The unique platform revolves around the ubiquitous smartphone, leveraging its versatility to usher in a host of benefits for consumers, merchants, banks, FinTech companies and the economy, as a whole.</li> <li>LankaQR is a project initiative from the Central Bank of Sri Lanka to ensure all QR codes and QR-based transactions in Sri Lanka are standardised and interoperable. Central Bank of Sri Lanka has entrusted LankaPay to implement and operate LankaQR. LankaQR members use CEFTS and JustPay payment platforms to ensure interoperability.</li> <li>LankaPay Online Payment Platform facilitates real-time payments to main government institutes such as Sri Lanka Customs, Inland Revenue Department, Sri Lanka Ports Authority, Board of Investment, Employee Provident Fund, Sri Lanka Standards Institute and Department of Imports and Exports Control. This is a successful project where the government institutes reduce time-consuming steps.</li> </ul>

Global Trends – Payment Systems	Our Response
<ul style="list-style-type: none"> <li>• QR-code payments. <ul style="list-style-type: none"> <li>• By 2025, QR-code payment users are expected to exceed 2.2 Bn, equating to 29% of all mobile phone users globally.</li> <li>• Throughout the buyer's journey, businesses are using QR codes in innovative ways to drive additional sales and improve the customer experience.</li> </ul> </li> <li>• Pay by link and digital invoicing. <ul style="list-style-type: none"> <li>• Pay-by-link allows businesses to create instant custom links to send to customers to initiate payments online.</li> <li>• While similar to pay-by-link, business-to-business (B2B) payments traditionally use digital invoicing, an invoice that can be viewed and paid digitally.</li> <li>• Both forms of digital payments are on the rise; one pay-by-link provider reports seeing 6x growth in transactions from 2020 to 2021, while digital invoicing is projected to grow at a compound annual rate of 20.4% from 2019 to 2027.</li> </ul> </li> <li>• With the recent move to a more remote workforce, businesses see that their employees need to manage their accounts receivable and payable functionality outside of a physical office. <ul style="list-style-type: none"> <li>• Digitising B2B payments, including accounts payable, accounts receivable, expense reimbursement, and employee-initiated spending, is the solution with significant benefits.</li> <li>• With digital B2B payments, a business has more visibility into what funds are going where, and why. In turn, they gain the transparency and control needed to optimise cash flow, reduce errors, and mitigate payment-related fraud.</li> <li>• Another benefit in reducing your manual payment processes is related to the bottom line: saving money. Reducing cheques by 10-50% equates to USD 1.3 Bn - USD 58.3 Bn savings each year. The hard costs of B2B cheques payments disappear when migrating to digital processes including paper, postage, and the time it takes to stuff envelopes.</li> <li>• For all of these reasons, global B2B non-cash transactions will increase to nearly 200 Bn transactions by 2025, from 121.5 Bn in 2020, according to Capgemini estimates.</li> </ul> <p>Source: <a href="https://docs.globalpaymentsinc.com/v/2022-commerce-and-payment-trends-report-en">https://docs.globalpaymentsinc.com/v/2022-commerce-and-payment-trends-report-en</a></p> </li> </ul>	<ul style="list-style-type: none"> <li>• Central Bank of Sri Lanka launched the National Remittance Mobile Application, LankaRemit, in February 2022 which provides Sri Lankans working abroad direct access to the existing remittance channels, as well as facilitates their ability to choose more convenient and cost-effective remittance channels to send money to Sri Lanka. LankaRemit has been deployed by the LankaPay network, which is also integrated into CEFTS, to conveniently receive foreign remittances to the local dependents.</li> <li>• Payment Exchange Name (PEN) is a nickname-based real-time person-to-person or peer-to-peer (P2P) payment system facilitated via CEFTS. PEN enables customers to make P2P payments amongst PEN member banks conveniently, securely, and error free. With PEN, Customers no longer have to provide their bank name, branch, account number and other details when requesting a fund transfer. This would minimise the mistakes made by customers in carrying out an electronic fund transfer. Due to the ease of making fund transfers, PEN is expected to attract less tech-savvy customers to also adopt electronic payment modes in making fund transfers, which is key to making financial inclusivity a reality.</li> <li>• LankaPay Payment Card is positioned as an everyday payment card instrument that can be used at a corner shop to pay for groceries, to withdraw money from any ATM and to use it as a transit card to purchase a ticket in any transport mode.</li> <li>• As the next phase of the LankaPay Card, it will be enabled with e-commerce purchase option with necessary 3D security features.</li> <li>• These initiatives will provide a truly convenient home-grown payment mechanism across all payment channels to suit the lifestyle of the digital consumer, especially the mobility demanded by the millennials and Generation Z.</li> <li>• Further, the LankaPay Card is not limited to domestic usage. It has an international reach as well through the JCB network. LankaPay Card can be used in any ATM or a POS terminal through the JCB network worldwide.</li> <li>• LankaSign, as the financial sector's Certification Service Provider (CSP), is widely used in almost all financial sector organisations and a few others to automate their documentation process by digitally signing electronic copies of documents and adding high security to the electronic document exchange process.</li> <li>• CITS, which replaced the physical cheque with electronic information flowing throughout the clearing cycle, facilitated the clearing of 32 Mn cheques during the year under review and continued to decline by 1% YoY.</li> </ul>

# Organisational Review

## Our Corporate Strategy and Achievement of Strategic Objectives

LankaPay, as Sri Lanka's National Payment Network, has revolutionised the country's financial ecosystem through its innovative and inclusive corporate strategy. As a joint venture between the Central Bank of Sri Lanka and a consortium of commercial banks, the company aims to drive financial inclusion, enhance payment efficiency and foster economic growth. LankaPay has innovations as its core strategy to deliver high-quality digital financial services at affordable prices in a secure, reliable and convenient manner to all Sri Lankans. The company attempts to identify the gaps in the digital consumer experience and deliver solutions to bridge these gaps.

At the core of our corporate strategy lies the objective of promoting interoperability among financial institutions and payment service providers. By connecting banks, non-banking financial institutions, and other entities through a common infrastructure, LankaPay facilitates seamless fund transfers, enabling customers to transact across different accounts and platforms with ease. This interoperability minimises the need for physical cash and promotes digital transactions, fostering financial inclusion and reducing the cost and risks associated with cash-based transactions.

LankaPay's corporate strategy places a strong emphasis on expanding financial access to underserved segments of society through the deployment of innovative technology. Through its services such as JustPay, LankaQR, LankaPay Online Payment Platform, LankaRemit, Payment Exchange Name, PayMe and LankaSign, the organisation enables individuals and businesses, regardless of their geographic location or size, to access a wide range of financial services. By bridging the gap between rural and urban areas, LankaPay empowers marginalised communities, promotes small and medium enterprises, and catalyses economic growth. We are committed to fostering innovation and collaboration within the financial sector. Through its platform, the organisation encourages banks and FinTech service providers to develop new products and services, promoting healthy competition and customer-centric solutions.

Recognising the importance of security in an increasingly digital world, LankaPay incorporates stringent security measures into its corporate strategy such as PCI-DSS certification, ISO 27001-2013 and Digital Signatures. The organisation collaborates with member institutions to establish and enforce industry-leading and world-class standards for data protection, encryption, and fraud prevention. By safeguarding customer information and transactional data, we have instilled trust and confidence in the financial ecosystem, promoting widespread adoption of digital payment methods.

LankaPay actively collaborates with government institutions to support national initiatives and economic development goals. By aligning its corporate strategy with government priorities, we facilitate the disbursement of government payments and salaries of government sector workers, streamline tax collections and support the digital transformation of public services via solutions such as LankaPay Online Payment Platform. This collaboration contributes to the government's vision of a digital economy and promotes the efficient allocation of resources.

Our corporate strategy has been instrumental in transforming Sri Lanka's payment landscape, driving financial inclusion, and fostering economic growth. Through its focus on interoperability, financial inclusion, innovation, security, and collaboration, we have revolutionised the way individuals and businesses transact, making digital payments accessible to all segments of society. As LankaPay continues to evolve and expand its services, it will play a vital role in shaping Sri Lanka's financial ecosystem, contributing to the country's progress towards a modern and inclusive economy.



Our strategy objectives and progress in achieving the desired goals are outlined below and discussed in detail throughout the operation review.

**Timely introduction of innovative and efficient payment solutions and services to exceed customer expectations.**

- Support digital payments, saving time and energy.
- Through innovative products such as JustPay, LPOPP, LankaQR, progress steadily growing transaction volume growth of 149%, 472% and 261% respectively.
- Through CAS, saving time for banks' customers by without requiring visit their own ATM.
- Through CITS reducing the clearing and settlement period significantly by introducing T+1 clearing and settlement island-wide and introducing online image presenting for banks.
- Through LankaSign, powering digital document signing to promote paperless concepts.

**Manage and deliver stakeholder expectations whilst maintaining good governance and contributing to sustainable development.**

- Pursuing different objectives which cover the various requirements of the multiple stakeholders. This is extensively discussed in the "Stakeholder" section.
- Voluntary publication of the annual report.
- Promoting digital payments contribution to preserving the nature.

**Ensure trust and high availability of all payment systems and services.**

- Our robust and scalable IT infrastructure, along with our continued process and technology improvements ensured that all our payment systems were available 24x7, and 365 days of the year to serve the general public.
- During the year under review, LankaPay implemented a comprehensive Cheque Imaging and Truncation System technology stack with improvements and virtualised infrastructure at Disaster Recovery Site (DRS).
- CITS achieved a system uptime of 99.72% during the year 2022/2023.
- Common Card and Payment Switch (CCAPS), which is the interbank payment switch, achieved a system uptime of 100% excluding pre-planned downtimes.
- LankaPay also adheres to a robust Business Continuity Plan and, in the year 2022/2023, conducted two drills to test our preparedness to handle operations in case of a disaster to the primary site.

**Enhance and sustain information security and compliance on all platforms.**

- In 2022/2023, we successfully obtained the recertification for the prestigious Payment Card Industry Data Security Standards (PCI-DSS version 3.2.1), which is the highest level of security conformance in the world. This is a testament to our commitment to maintaining the highest level of security for our payment systems.

**Take LankaPay brand to the masses.**

- Radio campaigns and social media campaigns targeting both customers as well as merchants.
- Continued campaign towards raising public awareness on LankaPay's leading role as the National Payment Network, which was timely with 'going local' becoming a focal point with rupee depreciation.

**Enhance the overall financial health of the organisation by achieving revenue and profitability growth targets, while safeguarding company assets.**

- Rs. 1.7 Bn revenue recorded with a YoY increase of 28%.
- Rs. 860 Mn net profit after tax recorded with a YoY increase of 51%.
- Rs. 4.3 Bn Net Assets recorded with a YoY increase of 21%.

**Enhance customer satisfaction levels.**

- Operating around the clock, our call centre team continued to serve member banks and consumers even throughout economic constraints.
- Improvements in customer surveys.
- International Customer Service Week programme.
- LankaPay Online Quiz Competition.

**Establish partnerships with regional payment networks**

- Partnership already established with JCB, the Japanese card scheme, and China Union Pay.
- Progressing on partnering with major card schemes such as Discover and RuPay.
- Obtain membership with Asian Payment Network.

**Improve productivity through human capital development to facilitate organisational growth and regional expansions.**

- Total training hours 2067.
- Investment in training Rs. 9.6 Mn.
- Employee goal achievement 87%.
- Turnover per employee Rs.15 Mn (YoY increase 24%).

# Organisational Review

## Use of Advanced Technology

The platform used by the LankaPay network is scalable, reliable, and secure, running on an operationally proven technology back-end. This superior technology platform has been successfully implemented in multiple countries as their National Payment Switch while other payment networks have also been implemented on the same back-end. The current switch has been tested and is proven to process approximately seven Mn commercial transactions a day and implemented in multiple countries.

During the year under review, we took steps to improve our critical back-end by carrying out numerous improvements to the Common Card and Payment Switch (CCAPS) software while the network infrastructure was also upgraded for better performance and security. Maintaining reliability and availability by achieving 100% uptime for all our systems throughout the year is a benchmark for the operational team at LankaPay. In addition, high reliability and availability across all our systems as ensured via a tried and tested Business Continuity Plan and our state-of-the-art Disaster Recovery Site (DRS). We are using clustering for high availability for all systems in the Primary Data Centre (PDC) while the data is replicated to DRS in real-time. This was to ensure that PDC had extremely high availability at all times and, even in an unlikely event where the PDC

becomes non-functional, it is possible to activate DRS immediately.

## Maintain High Security Across all Systems

During the year under review, LankaPay was recertified for world-renowned PCI-DSS certification for the sixth consecutive year, which is the top-notch security standard in the payment card industry. LankaPay was the first entity in the country to achieve this status a few years ago. Hence, all systems of LankaPay have been designed and implemented with the highest level of security in mind and our payment back-end is PA-DSS compliant and aligned with ISO 27001 standards. The advanced use of MACing and Dynamic Key management ensures greater security, which is an aspect brought into all our payment systems. The system is fully EMV-ready. The network is structured on a layered and segregated basis for greater security. This is to ensure that we fulfil the security requirements from end to end within our entire network to justify and maintain our status quo as the 'Trusted National Payment Network'.

## Superior Customer Service

At LankaPay, we are dedicated to delivering superior customer service to our member banks and financial institutions. We achieve this by maintaining the highest level of service and providing 24x7 support services. Our team comprises highly skilled, committed, and trained staff, whose performance is evaluated based on customer

feedback. We are proud to provide a service that exceeds expectations and helps our clients achieve their goals.

In addition, we also provide banks and financial institutions with incident-related support and proactive alerts and Security Operations Centre (SOC) services via FinCSIRT. The FinCSIRT team provides critical security support to our members based on a Central Bank-approved Baseline Security Standard. This not only ensures that we maintain the highest level of security within our network, but also extends this to our customer banks and financial institutions to maintain financial sector stability.

## Trust Based on Closer Relationships

Throughout the past year, we made efforts to enhance our relationships with member banks and financial institutions by closely collaborating with them and earning their confidence. Our approach of account and relationship management persisted in the past year through personalised engagements, discussions, and presentations with every financial institution, with the aim of fostering trust across all LankaPay systems. We strived to improve the service levels that is mutually beneficial and paved the way for consumers to use digital platforms to engage in interbank transaction.

## Continuous Innovation is Key for Success

In order for us to be a highly

competitive force in the market, we sharpened our focus to implement a host of innovative digital payment solutions to keep abreast with the rapidly-changing technology landscape.

As a result of many innovative solutions introduced by LankaPay in the recent past, many banks and financial institutions had the opportunity to start reaping the benefits by going live with these new products.

## Security, Availability of Systems with Updated Technology

As the backbone network supporting the Sri Lankan payment industry, LankaPay has to ensure that all its systems maintained the highest levels of security standards, in addition to high availability, with updated technology. Hence, all our systems are deployed using cutting-edge technology and state-of-the-art infrastructure that is already tried and tested across the world.

As we deploy innovative technology to facilitate all interbank transactions, we have to ensure that the entire financial sector, as well as their customers, trust our systems. Hence, we have gone the extra mile to maintain the highest levels of information security, reliability and high availability. We have ensured that all our products and services adhere to international security standards and performance benchmarks.

During the year under review, LankaPay implemented a comprehensive Cheque Imaging and Truncation System technology stack with improved and virtualised infrastructure at Disaster Recovery Site (DRS). All IT infrastructure is maintained in a newly built state-of-the-art Data Centre which is aligned with the 'Uptime Tier 3' standard and has capabilities of N+1 availability on power architected primary and secondary feeders and precision air-conditioning systems.

Further, LankaPay upgraded the broadband bandwidth to cater to demanding

business requirements and to facilitate exponential growth in digital payments. LankaPay also upgraded its Security Information and Event Management (SIEM) system which is the core network security infrastructure to protect against cyber security threats and DRS virtual server infrastructure.

During the FY 2022/2023, LankaPay successfully obtained recertification for the prestigious Payment Card Industry Data Security Standards (PCI-DSS version 3.2.1), which is the highest level of security conformance in the world. This is a testament to our commitment

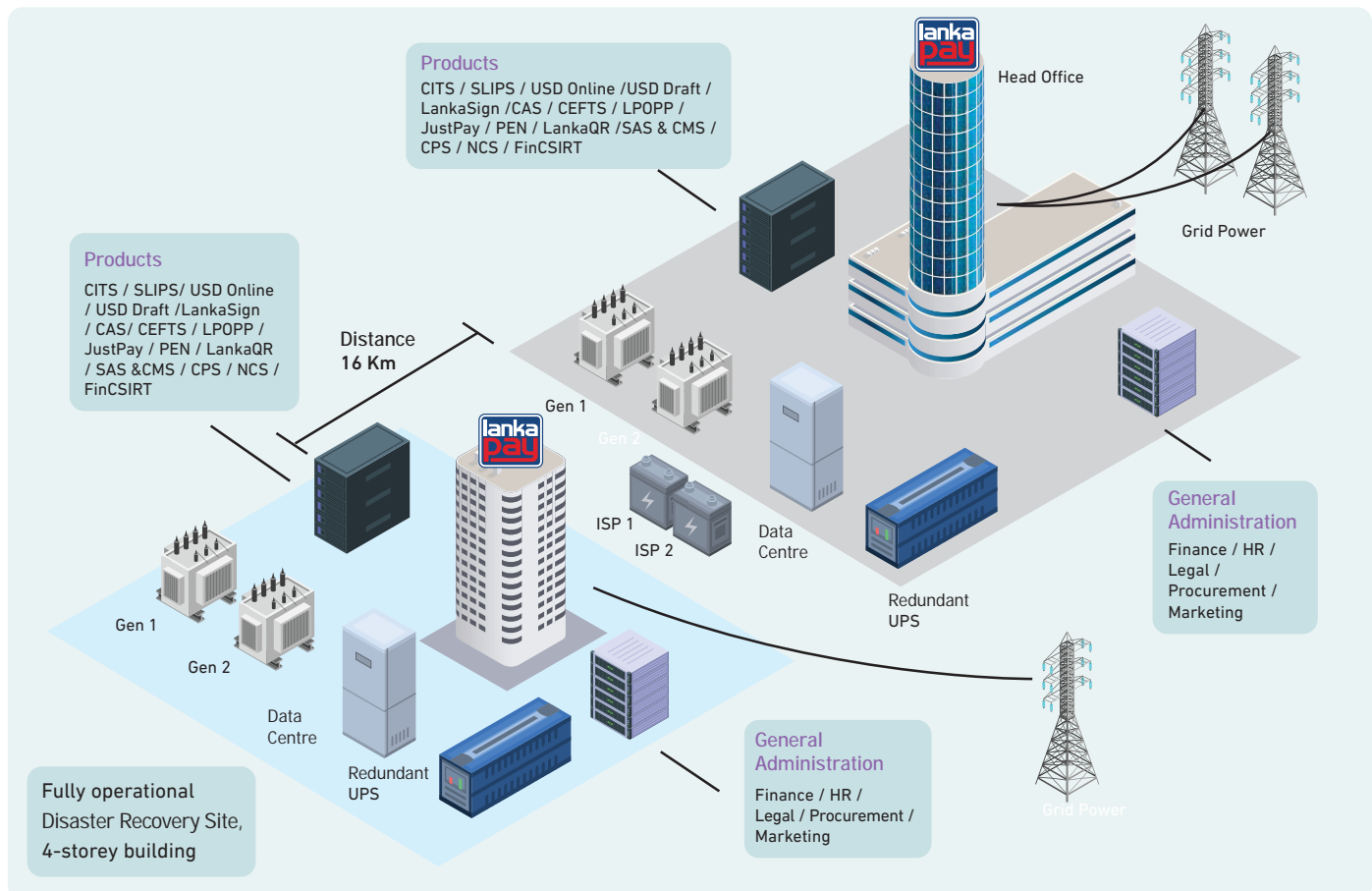
to maintaining the highest level of security for our payment systems.

LankaPay also adheres to a robust Business Continuity Plan and the company conducted a disaster recovery (DR) drill to test its preparedness to handle operations in case of a disaster at the primary site. The drill was completed successfully reflecting on the uninterrupted operation of our readiness to maintain the continuity of all systems even during any eventuality. LankaPay has ensured the uninterrupted operation of all payment systems in the event of a failure in the underlying

IT infrastructure by further investing in a world-class IT environment.

This enterprise-grade clustered IT environment has been designed by adopting application and database clustering and is based on real-time replication of business-critical information to multiple locations. In addition, all the Intel-based systems are in a virtualised environment, facilitating better resource utilisation, monitoring, and management.

The below diagram shows the general blueprint of business continuity at LankaPay.



# Organisational Review

Our robust and scalable IT infrastructure along with our continued process and technology improvements ensured that all our payment systems were available 24x7 and 365 days during the year to serve the general public. This is evident by the demonstrated high availability of our key payment systems during the year 2022/2023. For example, LankaPay Cheque Imaging and Truncation System (CITS) achieved a system uptime of 99.97% during the year 2022/2023. LankaPay Common Card and Payment Switch (CCAPS), which is the interbank payment switch, achieved a system uptime of 100% sans pre-planned downtimes. The high availability features and improvements made by us during the year 2022/2023 in people, processes and technology have ensured that financial institutions and the general public get a secure environment to carry out their daily financial transactions without being inconvenienced by intermittent service interruptions due to IT systems or network failures.

## People are Our Critical Asset

During the year under review, the country was significantly affected by the pandemic conditions and the company had to carry out 24x7 operations, which had significant nationwide importance. Safeguarding the lives of the employees and their families while providing

continuous service was a huge dilemma the management had to grapple with throughout the year. The organisation was never prepared to sacrifice the safety of employees and made untiring efforts to safeguard the staff by taking bold and efficient decisions in achieving both objectives. Timely shift to work-from-home arrangements, providing transport and accommodation and keeping to the health regulations were some of the key success factors, which ultimately paved the way for success in both aspects.

Even though the year was absolutely a challenging one, the company was able to create many learning and development opportunities for our employees.

The right training needs of the staff were identified according to the established mechanism while prioritising the most needed products and services covering all departments. The right online trainings were provided to individuals with the purpose of either filling a competency gap or as an improvement to the process or the individual. As a fundamental protocol, the competency gaps of staff have been identified by measuring the current and required competency level for each job position holder.

## Continuous Process Improvement

During the year we continued to improve our systems and

processes to strengthen the operations by adhering to a structured way of working and ensuring continuous improvements to operational manuals. Further, operations were audited regularly by internal and external auditors to mitigate risks and to ensure strict adherence to our governance principles. Employees were trained to acquire relevant domain expertise of the network operations. A structured approach was followed to ensure that we maintain an efficient operation while driving our operational costs down. This was to ensure that we would be able to provide the highest level of services at the lowest possible cost.

## Monitor Achievements

To monitor the outcomes of several initiatives at LankaPay, measurements were taken in two aspects, such as the organisation achieving its objectives provided via the national agenda through the Central Bank and the banking fraternity, while ensuring the profitability of the organisation. The expectations of the Central Bank and banks were mapped under the Stakeholder Engagement section while the achievements have been discussed. To measure company profitability, annual budgets were submitted for the approval of the Board of Directors at the beginning of the financial year, for them to evaluate and compare against

the final achievements at the end of each month and the end of the year.

## Outlook

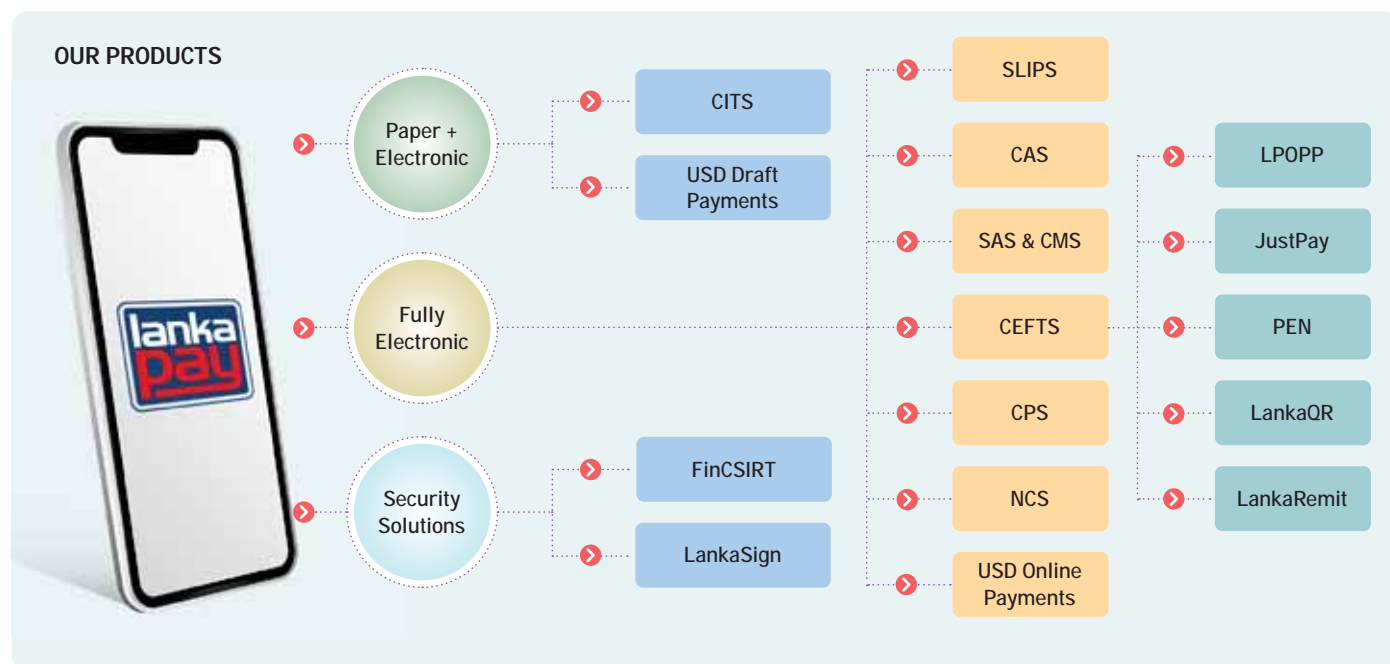
We believe that the only way to determine ultimate success is to measure the outcomes on a regular basis. Hence, as a result of the above strategic initiatives, we wanted to achieve significant growth in the interbank financial transaction volumes across all our solution offerings. We recognised that the way forward to achieve the above high-level outcomes was to cater to the changing needs of the digital consumer by providing convenient and relevant financial services at a nominal cost across any location, device, or time.

Finally, we strived hard to achieve our ultimate objective of supporting the country's vision of ensuring financial inclusivity and moving towards a less-cash society. LankaPay understands that the future success of any technology-based organisation is achieved by being dynamic and depends on its ability to adapt to the rapidly changing business environment. In addition, we believe that by being relevant to the digital consumer's needs and providing them with options to address their different convenience needs, we will continue to be on a growth trajectory.

All our services have been designed with an ultimate objective of catering to the

needs of the digital consumer, as we understand, the pulse of the modern-day customers is driven by their ability to enjoy an ultra-convenient lifestyle and they may consume the services that are offered seamlessly from anywhere, anytime and via any device. Hence, all our services have to be reliable, secure and provide convenience. The future success of our business will depend on our ability to successfully address the ever-changing needs of the digital consumer as well as providing a seamless mechanism to fulfil them via all the services.

# Segmental Reporting



LankaPay product-wise performance and progress made are highlighted in this section.

Product	The volume of Transactions Cleared		Growth %	Value of Transactions Cleared (in Mn)		Growth %
	2021/2022	2022/2023		2021/2022	2022/2023	
CITS - Cheque Presented for Clearing	32,843,785	32,480,479	-1.11%	8,639,984	9,902,832	14.62%
CITS - Cheque Returned for Clearing	1,455,026	900,247	-38.13%	221,375	239,339	8.12%
SLIPS	43,037,464	47,110,639	9.46%	2,997,966	3,400,857	13.44%
CAS - Cash Withdrawals	62,618,159	89,244,191	42.52%	736,403	1,078,064	46.40%
CAS - Balance Inquiry	16,941,409	22,968,359	35.58%			
CEFTS Approved & Declined	73,752,305	112,853,236	53.02%	5,752,751	9,779,787	70.00%
CEFTS Approved	68,889,959	103,507,611	50.25%	5,752,751	9,779,787	70.00%
LPOPP	706,300	876,391	24.08%	240,784	591,532	145.67%
JustPay - Registrations	532,213	685,063	28.72%			
JustPay - Transactions	10,882,998	15,874,495	45.87%			
CPS - Authorisation Advice	1,400	4,462	218.71%	8	17	112.5%
CPS - Purchase	1,355	4,367	222.29%	8	17	112.5%
SAS - Cash Withdrawals	406,779	357,783	-12.04%	5,313	4,905	-7.68%
SAS - Balance inquiry	133,903	115,014	-14.11%			
SAS - Mini Statement	10,357	8,043	-22.34%			
UITS	28,609	59,089	106.54%	260	457	75.77%
USDOPS	20,039	23,895	19.24%	325	465	43.08%

## LankaPay Realtime Payment Network (CEFTS)



### Value to Customers

- Facilitate domestic real-time interbank fund transfers.
- The maximum per transaction value allowed is Rs. 5 Mn.
- 48 participants connected to the system including all licensed commercial banks.
- Platform for many innovative product extensions such as LankaPay Online Payment Platform (LPOPP), LankaQR, JustPay, PayMe, Payment Exchange Name (PEN), LankaRemit due to the real-time processing features of CEFTS.



### Highlights 2022/23

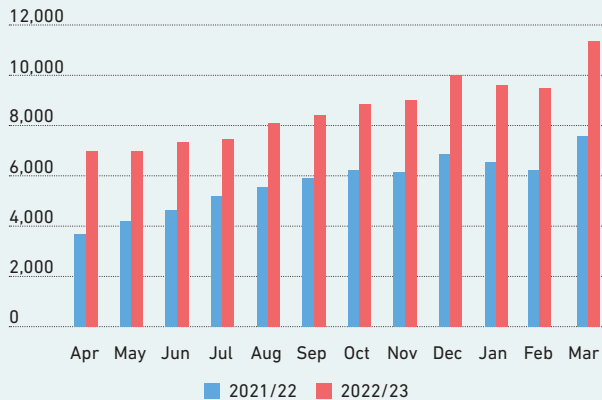
- Transaction volumes have grown by 50.25 % and value by 70% YoY basis.
- 2 new participants (Fintrex Finance Limited and Asia Asset Finance PLC) connected to the system.
- 1 existing participant (Commercial Leasing & Finance PLC) disconnected from the system.
- LankaPay Government Payment Platform (LPOPP), JustPay, Direct Debit, and PEN are all extensions of CEFTS.
- LankaRemit connected to CEFTS during the year under review.



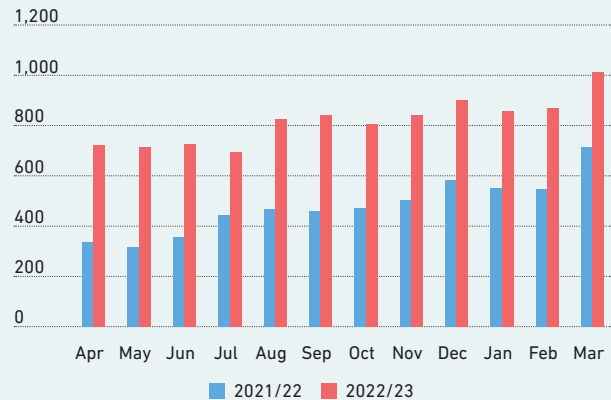
### Outlook

- With digitalisation, we expect CEFTS transactions to flourish at a significant growth rate.
- LankaPay expects to enhance the use and accessibility of new products such as PEN and Direct Debit by enrolling more participants and improving the infrastructure in growing the CEFTS volumes in the near future.

**LankaPay CEFTS - Volume-wise**  
Volume (In '000)



**LankaPay CEFTS - Value-wise**  
Value (In Rs. Bn)



# Segmental Reporting

## JustPay



### Value to Customers

- Facilitates retail payments using smart mobile devices on a real-time basis.
- The tariff scheme is slab-based and significantly low compared to other payment options such as card payments.
- The maximum per transaction value allowed through JustPay is Rs.50,000 for in-app payments and Rs. 200,000 for LankaQR-based payments.
- All JustPay-enabled mobile apps adhere to Central Bank-specified security standards for mobile payment applications.
- No registration cost and hassle-free.



### Highlights 2022/23

- Transaction volumes have grown by 49%.
- New participants connected to the system during the year under review:
  - JustPay-enabled mobile payment apps – 4
  - JustPay Acquirer Banks – 5
  - JustPay Issuer Banks – 4
- Customer account registration attempts have increased by 29% when compared to the previous financial year.
- Introduced a JustPay web solution allowing customers to add their bank accounts into web merchant domains.
- No. of participants as of the end of the year under review:
  - JustPay-enabled mobile payment applications – 28 aptly supported by 17 acquirer financial institutions
  - 24 financial institutions allow customers to add their accounts to a JustPay-enabled mobile payment application

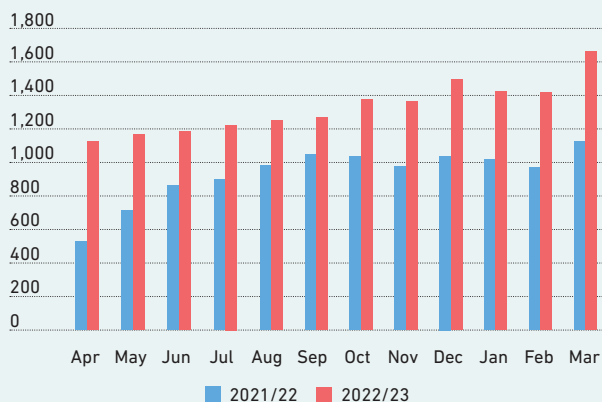


### Outlook

- LankaPay is in the process of enrolling more prominent mobile payment applications for JustPay so that more cash-based retail payments can be captured through the banking system.
- With the popularity of digitalisation and enrolling more apps, we expect JustPay transactions to grow at a significant growth rate.

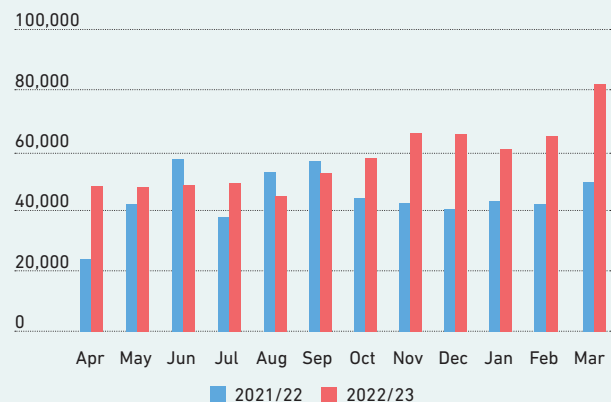
JustPay Transactions - Volume-wise

Volume (In '000)



JustPay Registrations - Volume-wise

Volume



## LankaPay Government Payment Platform (LPOPP)



### Value to Customers

- Connects government organisations enabling acceptance of payment via digital means.
- Government organisations connected:
  - Sri Lanka Customs
  - Board of Investment of Sri Lanka
  - Sri Lanka Port Authority
  - Inland Revenue Department
  - Employees' Provident Fund
  - Import and Export Control Department
  - Sri Lanka Standards Institution
  - Employees' Provident Fund
- Facilitates real-time payments.
- Provision of payment confirmation details on a real-time basis.



### Highlights 2022/23

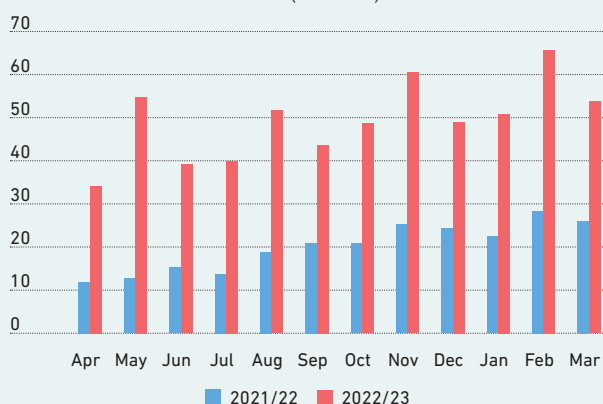
- Transaction volumes have grown by 24% and value by 146% YoY basis.
- New banks connected:
  - Customs – PABC, DFCC, SDB
  - BOI – PABC, NTB, DFCC, Sampath Wishwa new portal
  - SLPA Vessel – DFCC, Sampath Wishwa new portal, Seylan Bank
  - SLPA Cargo – NTB OTC Payment, Sampath Wishwa new portal, Seylan Bank
  - SLPA Entry – NTB, OFCC OTC Payment, Sampath Wishwa new portal, Seylan Bank
  - IRD – Seylan Bank, DFCC, SDB, NTB Mobile payment online, Amana Bank.
  - EPF – Sampath Bank, NTB Mobile via common UI, DFCC, NTB OTC, PABC
  - SLSI – Commercial Bank
  - IECD – DFCC, NTB
- New institutions connected: online payments to SLPA (cargo), EPF, SLSI, and IECD facilitated during the year.



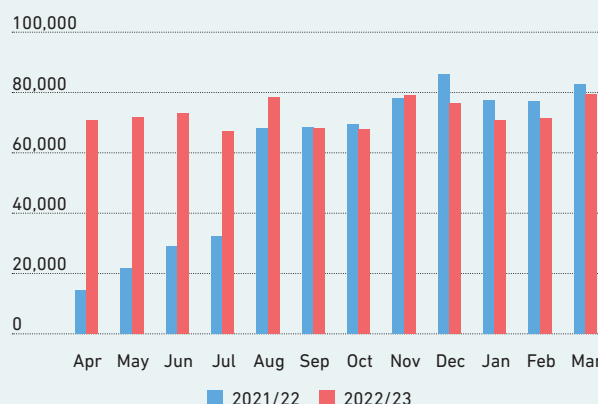
### Outlook

- LankaPay is in the process of enrolling more government institutions to enhance customer convenience and efficiency in the government sector.
- Developing a mobile interface is in progress to provide the service via mobile applications.
- With more government institutions and banks joining the system and enhancing the platform options, we expect the transactions that flow through the platform to grow at a rapid pace.
- Adding new institutions is in progress:
  - Department of Commerce.
  - Employee Trust Fund.
- PEN New API Integration (PEN API for add-modify-delete).
- PEN LPOPP integration.

LankaPay LPOPP Transactions - Value-wise  
Value (In Rs. Bn)



LankaPay LPOPP Transactions - Volume-wise  
Volume



# Segmental Reporting

## LankaQR



### Value to Customers

- Ensure all QR codes and QR-based transactions in Sri Lanka are standardised and interoperable.
- LankaPay Realtime Payment Network (CEFTS) and JustPay payment platforms are used by LankaQR members to ensure interoperability.
- Low-cost digital payment solution, which targets small and medium enterprises.
- Customers are not charged for LankaQR code-based payments made.



### Highlights 2022/23

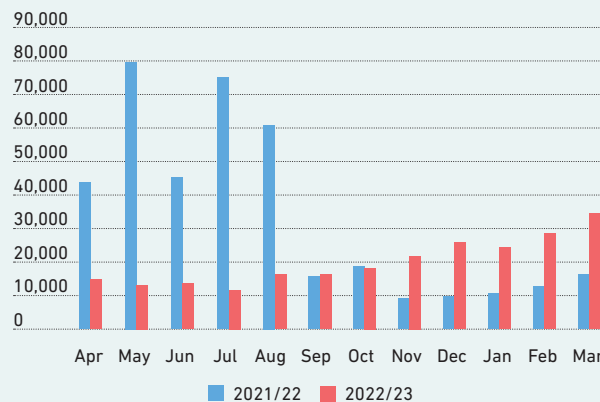
- New participants joined during the year under review:
  - Transaction Acquirers – 1
  - Merchant Acquirers – 1
  - Issuer – 1
- LankaPay entered into a network partnership with UnionPay International enabling UnionPay International customers to access over 350,000 LankaQR merchant locations island-wide. The engagement ensured that there is no need of changing the QR codes issued to merchants due to this implementation.



### Outlook

- Acceptance of LankaQR codes are now not limited to local customers but also to international customers who (tourists) visiting Sri Lanka. LankaPay intends to partner with several international networks to broaden this aspect and allow wider coverage to the LankaQR merchant base.

LankaQR - Volume-wise  
Volume



## LankaPay Common POS Network (CPS)



### Value to Customers



- Links all POS switches of the LankaPay-CPS members to facilitate payment card transactions.
- Has the technical capability of routing domestic interbank POS transactions initiated by any card issued by a local card issuer.
- Low mandated Merchant Discount Rate of 1%.



### Outlook



- LankaPay is in the process of expanding the card base under NCS in order to improve the transactions that may be acquired through CPS, under the National Card Scheme.
- Considering the depreciation of the LKR against the USD, banks and financial institutions are favourable towards issuing LankaPay-JCB co-branded cards, given the expensive fees associated with the foreign card systems with which they are now linked.
- LankaPay is also in the process of integrating with international card schemes in order to acquire international cards under CPS.
- Enabling transit transactions through LankaPay 2-in-1 cards and settlement through the LankaPay CPS settlement system.
- LankaPay co-badged card as a fully pledged card with an e-commerce facility soon.



# Segmental Reporting

## LankaPay Common ATM Network (CAS)



### Value to Customers

- Connect 99.95% of all ATMs in the country with 24x7x365 operation.
- More than 5,500 LankaPay-enabled ATMs island-wide.
- Enabling customers to use literally any ATM in the country.
- Affordable rates.
- Enables customers to withdraw cash and check account balance from any ATM.



### Highlights 2022/23

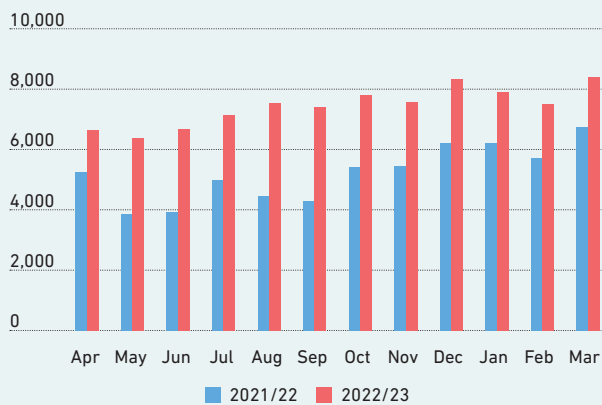
- In the process of connecting international/national card schemes such as Discover, RuPay and China Union Pay to acquire international cards.
- Implementation of lower customer fee for LankaPay co-badged cards.
- Majority of bank decline the fallback transaction, which reduces the number of ATM card-related frauds and strengthens the security aspects of ATM transactions which leads to a reduction of customer reluctance to use off-us ATMs for transactions.



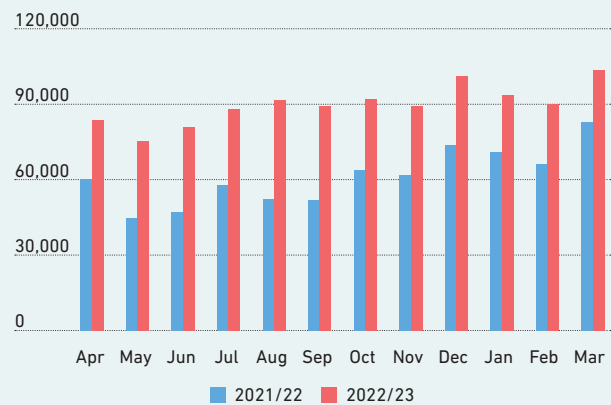
### Outlook

- With the convenience that is brought by the product and the popularity of cash-based transactions, the product is widely used by the general public.
- However with the growing popularity of digital payments, the transaction volume is expected to diminish in the long run.

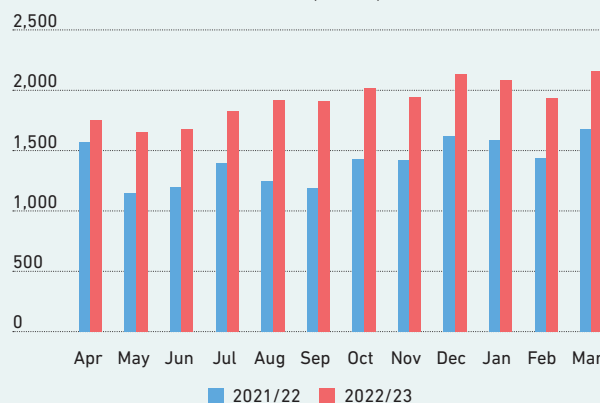
LankaPay CAS Cash Withdrawals - Volume-wise  
Volume (In '000)



LankaPay CAS Cash Withdrawals - Value-wise  
Value (In Rs. Mn)



LankaPay CAS Balance Inquiry - Volume-wise  
Volume (In '000)



## LankaPay Interbank Payment System (SLIPS)



### Value to Customers

- A same-day electronic fund transfer facility.
- Popularly used for periodic or bulk payments such as standing orders, salaries, utility bill payments.
- Low per-transaction cost.
- Future value-dated transaction feature.



### Highlights 2022/23

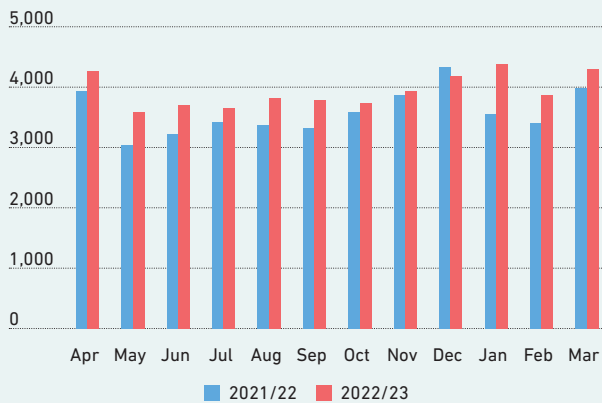
- Transaction volumes have grown by 9.46% and value by 13.44% YoY.
- Despite SLIPS experiencing a low YoY transaction growth due to a decrease in popularity following the introduction of real-time payments, SLIPS was able to achieve a 9.46% YoY increase in transaction growth during the year under review.



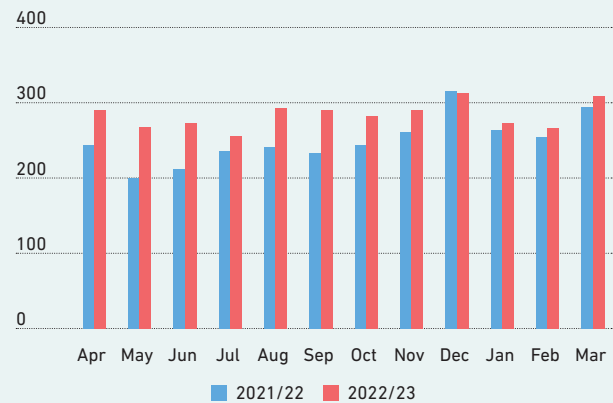
### Outlook

- With the high popularity increase of real-time payments, expecting a low transaction growth in SLIPS further in future.

**Sri Lanka Interbank Payment Systems - Volume-wise**  
Volume (In '000)



**Sri Lanka Interbank Payment Systems - Value-wise**  
Value (In Rs. Bn)



# Segmental Reporting

## LankaPay Cheque Imaging and Truncation System (CITS)



### Value to Customers

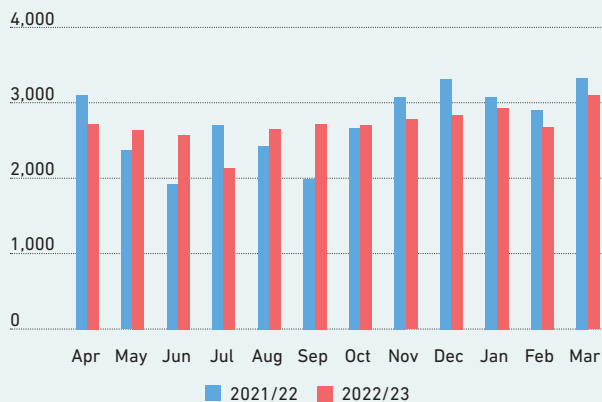
- Eliminates the need to move physical cheques across banks and branches for clearance purposes.
- Facilitates settlement and clearing of cheques on T+1 basis island-wide.



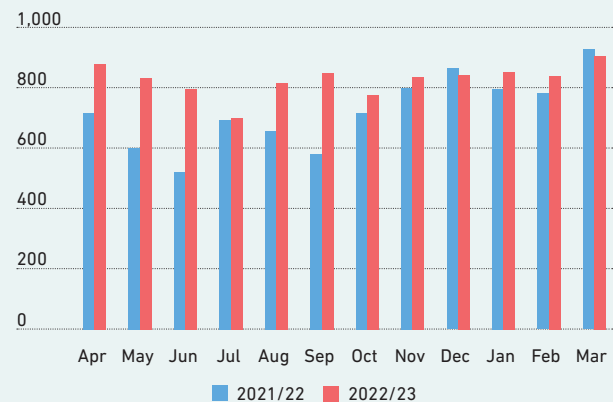
### Outlook

- Cheque volumes are declining with digital payments gaining momentum.

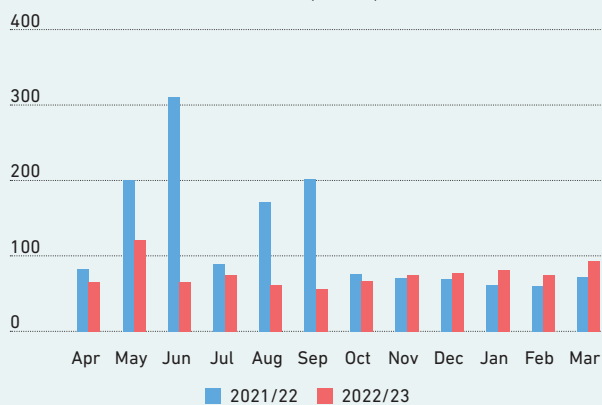
**Cheque Presented for Clearing - Volume-wise**  
Volume (In '000)



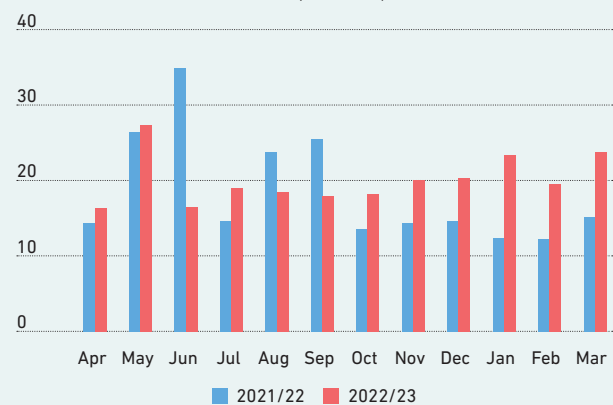
**Cheque Presented for Clearing - Value-wise**  
Value (In Rs. Bn)



**Cheque Returned for Clearing - Volume-wise**  
Volume (In '000)



**Cheque Returned for Clearing - Value-wise**  
Value (In Rs. Bn)



## LankaPay USD Online Payment System (USDOPS)



### Value to Customers

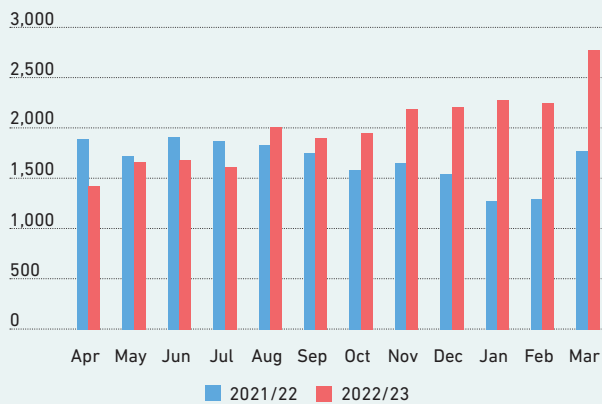
- Routing the domestic USD transactions locally.
- Payments submitted before 12.00 noon, credited to the customer the same day.
- Beneficiary receives full amount with no deductions.



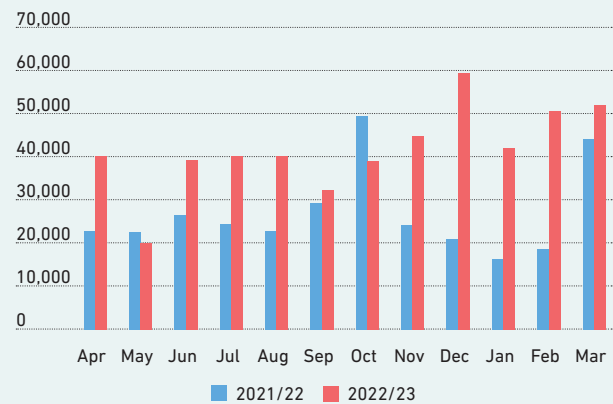
### Outlook

- Low transaction processing fees for member banks.
- Reduces the foreign exchange outflow, being transaction processing fees.
- Enhanced turnaround time (TAT) and prompt in-time zone settlement.
- Less administrative hassle for banks.

USD Online Payment System - Volume-wise  
Volume



USD Online Payment System - Value-wise  
Value USD (In '000)



# Segmental Reporting

## LankaPay US Dollar Draft Online Image Transfer System (UITS)



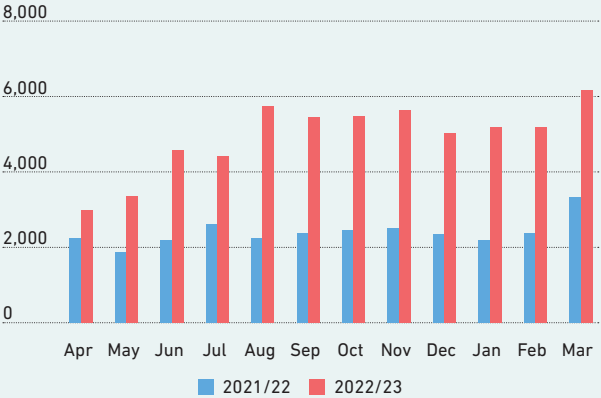
Value to Customers



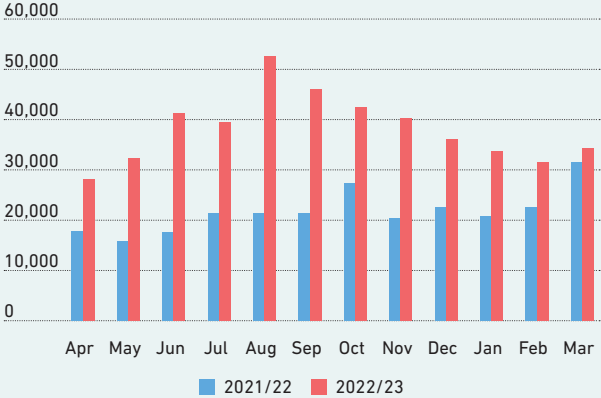
Clearing of the following instruments:

- USD drafts issued by commercial banks in Sri Lanka payable to Sri Lankan individuals and institutions.
- USD drafts issued by banks or exchange houses abroad drawn on commercial banks in Sri Lanka.

US Dollar Draft Clearing - Volume-wise  
Volume



US Dollar Draft Clearing - Value-wise  
Value (In USD '000)



## National Card Scheme (NCS)



### Value to Customers

- Following benefits under NCS for financial institutions and merchants in Sri Lanka:

- Merchant Discount Rate (MDR) is mandated at 1%.
- The interchange fee payable by the acquirer to the issuer is mandated at 0.5%.
- As an issuer no switching fee for non-PIN domestic POS transactions.
- Reduced interchange fee and customer fee for domestic ATM transactions.
- No bulk or volume-based fees.
- No integration with JCB and obtains full access to the JCB network via LankaPay.



### Outlook

#### Current Membership

LankaPay Card Issuer	Contact Debit	Standard Contactless Debit	2in1 Contactless Debit	Standard Contactless Credit	2in1 Contactless Credit
MCB	✓	-	-	-	-
Siyapatha	✓	-	-	-	-
LOLC Development	-	-	✓	-	-
HDFC bank	✓	-	-	-	-
RDB	✓	-	-	-	-
People's Bank	-	-	✓	-	-
NSB	-	-	✓	-	-
Commercial Bank	-	✓	-	✓	-

#### Product wise

LankaPay Card Issuer	Debit			Credit		
	Standard	Gold	Platinum	Standard	Gold	Platinum
MCB	-	✓	-	-	-	-
Siyapatha Finance	✓	-	-	-	-	-
LOLC Development	✓	-	-	-	-	-
HDFC	✓	-	-	-	-	-
RDB	✓	-	-	-	-	-
People's Bank	✓	-	-	-	-	-
NSB	✓	-	-	-	-	-
Commercial Bank	✓	-	✓	✓	✓	✓



# Segmental Reporting

## LankaSign CSP (Certification Service Provider)

LankaSign commenced its operations more than a decade ago in 2009, based on a request of the Central Bank of Sri Lanka, the Sri Lanka Computer Emergency Readiness Team (SLCERT) and Sri Lanka Banks' Association (SLBA). LankaPay established the LankaSign CSP to address the banking and financial sector Public Key Infrastructure (PKI) requirements. Although LankaSign certificates were initially used to facilitate the PKI requirements of LankaPay's internal systems, LankaPay expanded its scope in 2012 by issuing digital certificates to all the clearing systems handled by LankaPay, covering banks and finance companies. Hence, LankaSign became a full-fledged commercial CSP serving the current market demands.

LankaSign is Sri Lanka's first and the only authorised Certification Service Provider (CSP) under National Certification Authority (NCA). LankaSign complies with all the international standards for operating as a commercial CSP and has obtained ISO 27001:2013 certification for its operations. LankaSign CA uses military-grade secure equipment and is physically housed in a Payment Card Industry-Data Security Standard (PCI-DSS) complied environment.

The difficulties of getting physical signatures while working remotely, obtaining approvals when the signatories are travelling or remotely located, and automating the business process to be efficient and productive are some of the key benefits of using LankaSign digital certificates.

For easy automation and integration requirements, LankaSign CSP has introduced a software development kit (SDK) for Android, iOS, and Java platforms, which is currently used by many mobile application developers and solution developers to power their mobile payment applications.

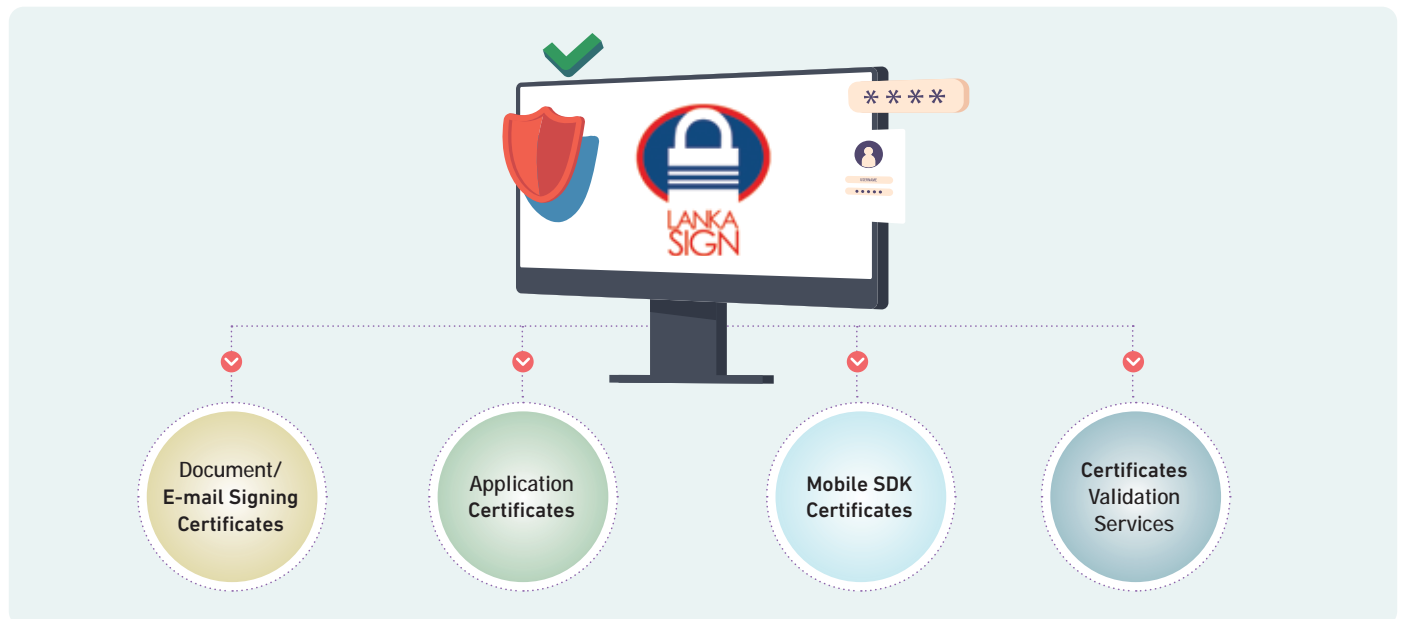
By the end of the financial year under review, LankaSign digital certificates have been used by:

- Over 50 financial institutions for clearing systems operated by LankaPay.
- All commercial banks participating in CITS, SLIPS, UITS & USD Online Systems.
- Sri Lanka Customs and over 500 import and export companies under Sri Lanka Customs.

- Ministry of Justice, Central Bank, Ceylon Electricity Board and many other government and private sector organisations.

## Business Development and Growth

In order to cater to the dynamic market requirements, LankaSign CSP ventured into new security solution areas. As a result, we introduced mobile-based security solutions for JustPay-enabled mobile applications. JustPay, a new payment mode that facilitates low-value cash-based transactions via smart devices, is powered by LankaSign Mobile SDK to cater to the requirements of mobile application security and digital signing requirements.



Further, we enhanced the LankaSign mobile testing systems, which became the test bed for the financial sector to test their mobile payment applications with multiple devices and technologies.

Sri Lanka Customs project is expected to expand the paperless trade facility for Customs declarations up to 25,000 organisations in near future.

The National Certification Authority (NCA) is the entity which ensures overall governance and standards for smooth and effective functioning of CSPs. The Root CA of National Certification Authority is the highest-level Certification Authority in Sri Lanka. NCA was launched in 2020 and LankaSign would soon become a CSP under NCA.

### FinCSIRT Services

**Vision - "To build a resilient Financial Sector in Sri Lanka against the rapidly growing Information Security Threats."**

FINCSIRT - Financial Sector Computer Security Incident Response Team (Formally known as "BankCSIRT") was established in 2014 as a joint initiative of:

- Central Bank of Sri Lanka (CBSL)
- Sri Lanka Banks' Association (SLBA)
- Sri Lanka CERT
- Hosted under Sri Lanka's National Payment Network "LankaPay (PVT) Limited"

With the inclusion of finance companies, BankCSIRT was rebranded as FinCSIRT.

FinCSIRT is a member of the Asian Pacific Computer Emergency Response Team under the "Liaison Membership" category. In order to coordinate security activities within the banking and financial sector, FINCSIRT was founded as a centralised body.

In its initial phase, FinCSIRT started its operations primarily providing a reactive response to the banking sector. However, FinCSIRT has evolved to provide more comprehensive services to the financial sector.

Parties FinCSIRT Offer Services to:

- 39 banks and finance companies
- Central Bank of Sri Lanka
- Sri Lanka Banks' Association
- Sri Lanka CERT
- LankaPay (Pvt) Ltd.
- Supporting parties for the Sri Lanka financial sector – vendors, CID, ministries
- Global parties – financial sector security teams (globally), Asian Pacific CERTs

The services offered by the FinCSIRT are as follows:

### Core Services

- Sharing of threat intelligence among member organisations:
  - Advisory alerts
  - Vulnerability alerts
  - Informational alerts
  - Weekly threat intelligence reports
  - Monthly threat intelligence summary reports
- Incident management

### ISOC - Information Security Operations Centre Services

- Online monitoring of member application downtimes
- Black-box testing of banking and financial online applications
- Monitoring/analysing incoming and outgoing security events
- Log analysis system/ file integrity monitoring system deployment and maintenance
- Financial SOC alerts
- Information Security Operations Centre alerts

### Cyber Security Awareness Campaign

Taking into consideration the rising Cyber Security Threats, FinCSIRT launched an awareness campaign to educate the banking/ financial sector and also reaching out to the public. The awareness campaign consists of awareness videos, weekly security tips and awareness posters. This is a continuous process which FinCSIRT will be conducting.

# Segmental Reporting





## Launch of New Services

In order to secure and serve the Banking and Financial Sector, new products were added to the FinCSIRT service catalogue. The following services will be offered from 2023 onwards:

- Phishing simulation tests
- Internal and external vulnerability assessments
- Penetration testing
- Compliance assessment against CBSL regulations
- Audit (IT general controls, system audit)
- Wireless network assessments

The awareness content is made available through the FinCSIRT website and the official LinkedIn page.

[www.fincsirt.lk/tips.html](http://www.fincsirt.lk/tips.html)  
[www.linkedin.com/company/fincsirt](https://www.linkedin.com/company/fincsirt)

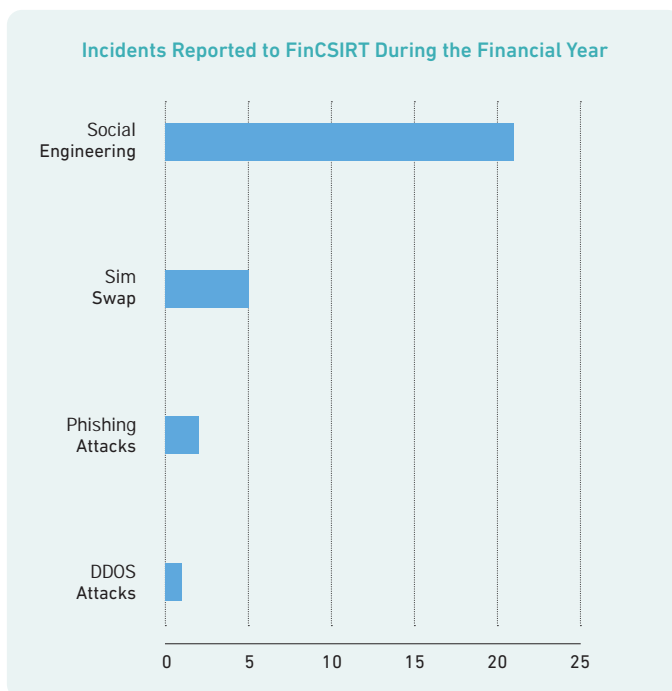
Weekly Security Tip	Awareness Poster
	
Awareness Videos	
	

### Incidents Reported by Member Organisations

During the financial year, reported incidents were mainly in areas such as phishing, DDOS (Distributed Denial of Service), SIM swap and social engineering.

#### Current Member List

1. Amana Bank PLC
2. Asia Asset Finance PLC
3. Bank of Ceylon
4. Bimpuh Finance PLC
5. Capital Alliance Limited
6. Cargills Bank Limited
7. Central Finance Company PLC
8. Citi Bank NA
9. Citizens Development Business Finance PLC
10. Commercial Bank Of Ceylon PLC
11. Deutsche Bank
12. DFCC Bank PLC
13. Habib Bank Limited
14. Hatton National Bank PLC
15. HDFC Bank
16. HNB Finance PLC
17. Hongkong & Shanghai Banking Corporation
18. Indian Overseas Bank
19. LOLC Holdings PLC
20. LB Finance PLC
21. MCB Bank Limited
22. Mercantile Investments and Finance PLC
23. Merchant Bank of Sri Lanka & Finance PLC
24. National Development Bank PLC
25. National Savings Bank
26. Nations Trust Bank PLC
27. Pan Asia Banking Corporation PLC
28. People's Bank
29. Regional Development Bank
30. Richard Pieris Finance Limited
31. Sampath Bank PLC
32. SDB Bank
33. Seylan Bank PLC
34. Singer Finance (Lanka) PLC
35. Siyapatha Finance PLC
36. Softlogic Finance PLC
37. Standard Chartered Bank
38. Union Bank of Colombo PLC
39. Vallibel Finance PLC



# CAPITAL MANAGEMENT

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# THE CENTRE OF ACCESSIBILITY

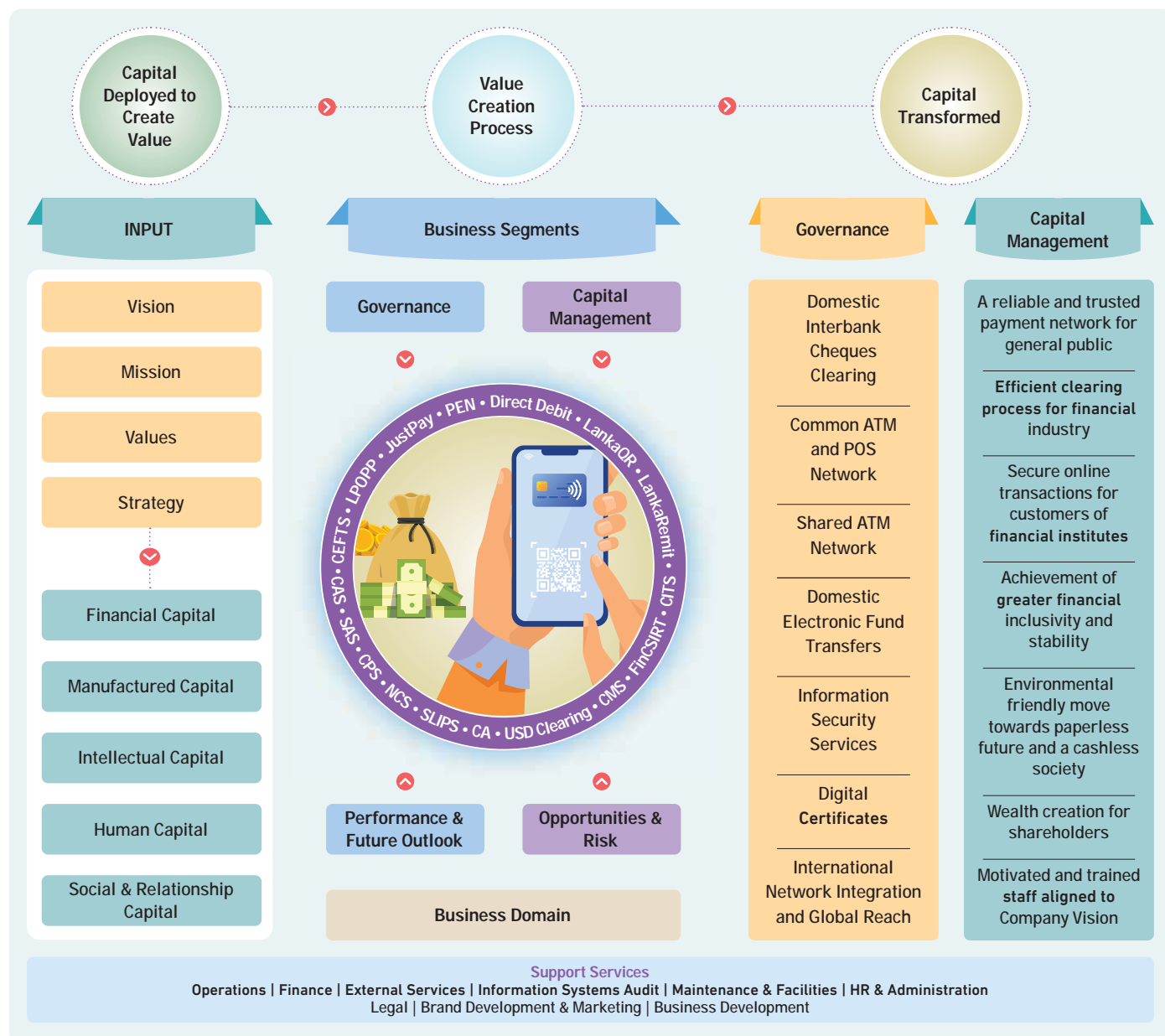
# Value Creation Model

A critical factor that determines the success or failure of any organisation is its process of value creation. Every successful world-class organisation is operated with the purpose of creating value for all its stakeholders, including customers, employees, investors as well as shareholders.

The value creation process of LankaPay is to ensure that all our services are relevant to our customers, offered faster to the market, and secure, which results in business growth for the company, to the benefit of all stakeholders. With a vision to be Asia's most trusted and reliable payment network, LankaPay's long-term objective is to foster greater financial inclusivity in Sri Lanka. The above objectives are achieved by facilitating high-quality financial services at affordable prices in a secure, reliable and convenient manner for the general public.

The capital is utilised in such a way to ensure that innovative technology-based financial services are brought to market continuously, maintaining the highest quality in all intended aspects to serve our customers better.

Our value creation process has been depicted in the diagram below:



# Statement of Value Addition

For the Year Ended 31st March	2022/23 LKR Mn		2021/22 LKR Mn		2020/21 LKR Mn		2019/20 LKR Mn
<b>Value-Added</b>							
Business Revenue	1,704,770,671		1,329,295,649		1,057,154,707		1,097,709,274
Cost of Services	659,889,360		428,242,336		356,709,788		371,369,782
<b>Value-Added by Business Activities</b>	<b>1,044,881,310</b>		<b>901,053,313</b>		<b>700,444,919</b>		<b>726,339,492</b>
Finance & Other Income	542,090,558		217,103,300		209,155,196		225,812,211
<b>Total Income</b>	<b>2,246,861,229</b>		<b>1,546,398,949</b>		<b>1,266,309,903</b>		<b>1,323,521,485</b>
<b>Growth in Value Addition</b>	<b>45%</b>		<b>22%</b>		<b>-4%</b>		<b>9%</b>
<b>Distribution of Value-Added</b>							
<b>To Employees</b>							
Salaries & Other Benefits	464,722,410		359,894,847		236,967,390		248,049,621
Training	9,593,717		2,463,961		2,165,997		7,892,675
	474,316,127	21%	362,358,808	23%	239,133,387	19%	255,942,296
<b>To Providers of Capital</b>							
Dividends to Ordinary Shareholders	113,612,500		97,905,000		97,142,500		75,487,500
	113,612,500	5%	97,905,000	6%	97,142,500	8%	75,487,500
<b>To the Government</b>							
Income Tax	124,589,895		49,160,834		28,175,912		75,488,226
	124,589,895	6%	49,160,834	3%	28,175,912	2%	75,488,226
<b>To Expansion and Growth</b>							
Retained Profits	752,602,680		462,662,170		390,420,123		411,834,841
Depreciation & Amortisation	175,614,620		176,961,494		166,347,093		152,805,327
Deferred Taxation	(53,763,954)		(30,891,693)		(11,618,899)		(19,406,487)
	874,453,346	39%	608,731,971	39%	545,148,317	43%	545,233,681
<b>Cost of Services</b>	<b>659,889,360</b>	<b>29%</b>	<b>428,242,336</b>	<b>28%</b>	<b>356,709,788</b>	<b>28%</b>	<b>371,369,782</b>
<b>Total Distribution</b>	<b>2,246,861,229</b>	<b>100%</b>	<b>1,546,398,949</b>	<b>100%</b>	<b>1,266,309,903</b>	<b>100%</b>	<b>1,323,521,485</b>

LankaPay's contribution to the nation's economy extends beyond its direct economic value. As the facilitator of interbank payments and settlements across Sri Lanka, LankaPay has a significant multiplier effect on the national economy. By implementing advanced IT systems, payment and settlement processes have become more efficient, enabling real-time transactions through the LankaPay network.

In the financial year 2022/23, LankaPay directly contributed Rs. 2.2 Bn to the country's economy. Out of this value, 21% benefited employees, 6% went to the State in the form of taxes, and 5% was distributed among shareholders. Furthermore, LankaPay reinvested 39% of its earnings to enhance technology and capacity, supporting Sri Lanka's long-term development. It is worth noting that all operational expenses and investments in new technologies have been financed through reinvested profits.

Beyond its direct contribution, LankaPay has made significant indirect economic value creation as the National Payment Network. This contribution far surpasses its direct economic impact. In our operations review, we explore the value of transactions cleared through various clearing products, showcasing the immense impact of LankaPay in driving economic growth and financial efficiency.

# Financial Capital

Over the years, LankaPay has not only managed to thrive financially but has also successfully fulfilled its national obligations. This notable accomplishment is highly commendable, as it signifies the organisation's ability to navigate the complexities of the business landscape while simultaneously fulfilling its responsibilities towards the broader community and the nation as a whole.



**51%**

(YoY Increase)

**Profit After Tax**  
**Rs. 860 Mn**



**150%**

(YoY Increase)

**Interest and Other Income**  
**Rs. 542 Mn**



**28%**

(YoY Increase)

**Revenue**  
**Rs. 1,705 Mn**

## Overview

Despite a slew of challenges in the macroeconomic environment, such as illiquid foreign exchange markets, significant increases in interest rates, soaring costs and various socioeconomic and sociopolitical pressures the organisation thrived during the financial year under review.

During the fiscal year under review, the key financial achievements made were:

Financial Indicator	2022/23	YoY Increase	2021/22	YoY Increase
<b>From Financial Performance Perspective</b>				
Revenue (Rs. in Bn)	1.7	28%	1.3	26%
Profit Before Tax (Rs. in Mn)	984	59%	617	19%
Profit After Tax (Rs. in Mn)	860	51%	568	16%
Earnings Per Share	56.38	51%	37.26	16%
Return on Assets	18%	21%	15%	0%
Return on Equity	20%	25%	16%	0%
<b>From Financial Position Perspective</b>				
Total Assets (Rs. in Bn)	4.9	25%	3.9	17%
Total Equity (Rs. in Bn)	4.3	21%	3.6	15%
Net Asset Value Per Share	282.67	21%	233.11	15%
<b>From Cash Flow Perspective</b>				
Net Cash From Operating Activities (Rs. in Mn)	682	12%	606	53%

Table 01

The organisation experienced continued revenue growth, despite facing challenges such as hyperinflation and the depreciation of the LKR against foreign currencies. This growth was primarily driven by the success of the LankaPay Realtime Payment Network (CEFTS) and LankaPay Common ATM Network (CAS), which contributed to a 50% and 39% increase in revenue, respectively. The organisation's diverse product portfolio played a crucial role in maintaining resilience during difficult social and economic conditions, including the pandemic. The CEFTS platform proved to be highly effective in facilitating financial transactions for the general public, leading to its widespread adoption. Similarly, the CAS network saw increased usage due to the economic crisis, as people needed to withdraw cash more frequently.

Additionally, the organisation experienced significant growth in interest income, which further contributed to impressive profit growth.

The resulting healthy profits enabled strong cash flows and the ability to invest in future sustainable activities. As a result, the organisation's balance sheet strengthened, with increases in total assets and equity, while maintaining a debt-free status.

## Revenue

During the year under review, the organisation recorded a revenue of Rs. 1.7 Bn (Rs. 1.3 Bn in 2021/22) recording a YoY growth of 28%.

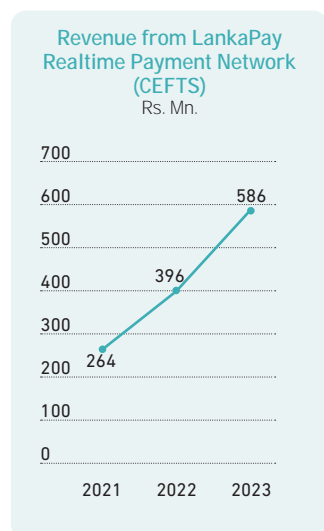
Product	Revenue 2023 Rs. Mn	Product- wise Revenue Contribution %	Revenue 2022 Rs. Mn	Product- wise Revenue Contribution %	YoY Increase % (2022/23)	Contribution % to Revenue Growth (2022/23)
LankaPay Realtime Payment Network (CEFTS)	586	34%	396	30%	48%	50%
LankaPay Common ATM Network (CAS)	531	31%	385	29%	38%	39%
LankaPay Cheque Imaging and Truncation System (CITS)	304	18%	272	20%	12%	9%
LankaPay Interbank Payment System (SLIPS)	177	10%	162	12%	9%	4%
Other Products under LankaPay Common Card and Payment Switch (CCAPS)	39	2%	41	3%	-5%	-1%
LankaSign Certificate Authority (CA)	31	2%	42	3%	-25%	-3%
Financial Sector Computer Security Incident Response Team (FinCSIRT)	29	2%	25	2%	18%	1%
LankaPay USD Online Clearing System (USD Online)	8	0%	7	1%	19%	0%
<b>Total</b>	<b>1,705</b>		<b>1,329</b>		<b>28%</b>	

**Table 02**

The Table 02 provides a snapshot of how individual products contributed to the total revenue of the organisation listed from the highest revenue maker for the year under review.

# Financial Capital

## LankaPay Realtime Payment Network (CEFTS)



LankaPay Realtime Payment Network (CEFTS) has consistently been the organisation's top revenue generator, demonstrating rapid growth and making the largest contribution to year-on-year revenue growth. Since its inception, CEFTS has maintained remarkable revenue growth, establishing itself as the leading revenue generator since the 2021/22 financial year.

In the current fiscal year, CEFTS achieved a total revenue of Rs. 586 Mn, compared to Rs. 396 Mn in the previous year, representing a year-on-year growth of 48% (50% in 2021/22).

Furthermore, CEFTS processed a total of 104 Mn transactions in the current fiscal year, compared to 69 Mn transactions in the previous year, resulting in a 50% increase (110% in 2021/22) year-on-year. Consequently, transaction income for CEFTS

has grown by 51% (56% in 2021/22), generating a revenue of Rs. 552 Mn (Rs. 365 Mn in 2021/22).

LankaPay Realtime Payment Network (CEFTS) has established itself as the primary revenue driver within the LankaPay Payment Network due to several significant factors:

- The LankaPay Realtime Payment Network (CEFTS), operating within the broader LankaPay network, is an innovative solution that has revolutionised digital transactions. It serves as a cutting-edge platform facilitating real-time interbank digital transactions. The public has embraced electronic transactions due to their inherent advantages, including convenience, speed, accessibility, global connectivity, heightened security, cost-effectiveness, seamless integration with digital services, and positive environmental implications.

- The organisation strategically allocated substantial investments towards the development of numerous innovative products that leverage the capabilities of the LankaPay Realtime Payment Network (CEFTS). These products have been designed to facilitate seamless and user-friendly digital online transactions for

end-users. Examples of such integrated innovative products that utilise the LankaPay Realtime Payment Network (CEFTS) include:

- **JustPay** - Launched in 2017, JustPay aims to facilitate low-value retail transactions, thereby helping to attract a portion of the unbanked cash that is being circulated into the banking system.
- **LankaQR** - LankaQR is a project initiative from the Central Bank of Sri Lanka to ensure all QR codes and QR-based transactions in Sri Lanka are standardised and interoperable. CBSL has entrusted LankaPay to implement and operate LankaQR. LankaQR members use LankaPay Common EFT Switch (CEFTS) and JustPay payment platforms to ensure interoperability.
- **LankaPay Government Payment Platform (LPOPP)** - LankaPay Online Payment Platform facilitates real-time payments to main government institutes such as Sri Lanka Customs, Inland Revenue Department, Sri Lanka Ports Authority, Board of Investment, Employee Provident Fund, Sri Lanka Standards Institute, and Department of Imports and Exports Control, which is a

successful project where the government institutes reduce time-consuming steps.

- **Payment Exchange Name (PEN)** - Payment Exchange Name (PEN) is a nickname-based real-time person-to-person or peer-to-peer (P2P) payment system facilitated via LankaPay Realtime Payment Network (CEFTS). PEN enables customers to make P2P payments amongst PEN member banks conveniently, securely and error-free.
- **Request to Pay (RtP)** - A Request to Pay (RtP) is an online generated message which not only notifies the user of his bills but also creates a real-time payment portal where the payment could be made without having to enter details which are usually required.
- **Lanka Remit** - Central Bank of Sri Lanka launched the National Remittance Mobile Application, Lanka Remit, in February 2022 which is the National Remittance Mobile Application provides Sri Lankans working abroad direct access to the existing remittance channels, as well as facilitates with the ability to choose more convenient and cost-effective remittance channels to send money to Sri

Lanka. Lanka Remit has been deployed by the LankaPay network, which is also integrated into CEFTS to conveniently receive foreign remittances to the local dependents.

- **Direct Debit** - Direct Debit is another extension of the LankaPay CEFTS. With the launch of the Direct Debit feature, customers will have the convenience of giving a mandate to the bank of a third party to pull up to a certain amount of funds from their bank account on a given date, without the customer having to initiate the payment at his end.
- During the pandemic, the LankaPay Realtime Payment Network (CEFTS) demonstrated exceptional performance by enabling the general public, confined to their homes, to conduct secure and convenient financial transactions through internet and mobile banking applications. This resulted in the adoption of these favourable practices among the general public, making the LankaPay Realtime Payment Network (CEFTS) increasingly popular and widely used.
- In the banking sector, there was a significant 40% reduction in real-time digital transaction costs in the 2020/21 period, which was a positive

development for digital consumers. Despite facing considerable inflation rates, the organisation successfully maintained lower tariff rates, ensuring that transaction costs remained at a nominal level for end customers.

The organisation witnessed noteworthy year-on-year revenue growth rates in products such as JustPay and LPOPP, with increases of 73% and 160%, respectively. These products played a pivotal role in achieving a strong revenue performance despite the challenges faced. Moreover, these innovative solutions served as a catalyst for the flourishing of numerous FinTech firms, as they built their applications on these product platforms, leading to mutually beneficial collaborations.

However, there was a decline of 44% in revenue from LankaQR (compared to a 141% increase in the previous year), prompting management to initiate an investigation and implement necessary measures to revive the product. To enhance the usage of LankaQR, strategic partnerships were established, such as the collaboration with UnionPay International (UPI), to enable more than 320,000 local LankaQR merchants to accept payments via the UnionPay app. Additionally, discussions are underway with NPCI International Payments Limited to enable QR transactions, aiming to boost LankaQR transactions

and increase foreign exchange inflows to the country.

### LankaPay Common ATM Network (CAS)



LankaPay Common ATM Network (CAS) serves as the connectivity platform for all ATM switches and ATMs belonging to the LankaPay - CAS Members.

In a challenging economic year, the revenue of the LankaPay Common ATM Network (CAS) experienced a notable increase of 38% (compared to 19% in the previous year), reaching a total revenue of Rs. 531 Mn (Rs. 385 Mn in the previous year). The economic downturn itself played a significant role in driving up transaction volumes within the LankaPay Common ATM Network (CAS), as the general public needed to withdraw cash more frequently due to the significant depreciation of the currency's real value.

During the review period, the LankaPay Common ATM Network (CAS) facilitated

112 Mn interbank ATM transactions (compared to 80 Mn in the previous year), originating from ATMs belonging to a LankaPay CAS Member. This represented a year-on-year increase of 42% (compared to 20% in the previous year). Consequently, transaction revenue grew by 41% (compared to 21% in the previous year), amounting to Rs. 504 Mn (Rs. 358 Mn in the previous year).

According to the Central Bank Payment Bulletin, the total volume of cash withdrawals through ATMs in the third quarter of 2022 increased by 27% year-on-year (compared to a decrease of 6% in the third quarter of 2021), reaching 88.5 Mn transactions in 2022 Q3 (compared to 69.8 Mn transactions in 2021 Q3). Furthermore, withdrawals through the Common ATM Switch (CAS) experienced a 39% increase, totaling 23.7 Mn transactions in 2022 Q3 (compared to 17.1 Mn transactions in the previous year's quarter). These figures indicate a growing customer preference for using the nearest ATM over their own bank's ATMs.

# Financial Capital

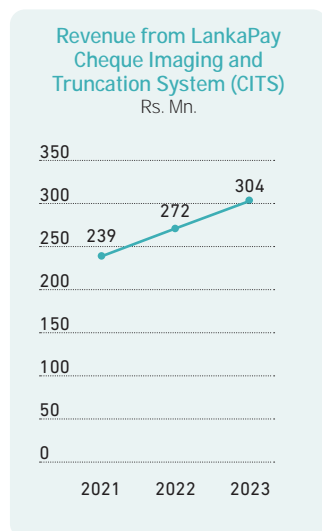
## Sri Lanka Interbank Payment System (SLIPS)



SLIPS, the Sri Lanka Interbank Payment System, is an electronic fund transfer facility operated within the LankaPay network, commonly used for periodic or bulk payments. In the current fiscal year, SLIPS experienced a 10% increase in revenue (compared to 18% in the previous year), reaching a total revenue of Rs. 177 Mn (Rs. 162 Mn in the previous year). It facilitated 47 Mn transactions (compared to 43 Mn in the previous year), representing a 9% year-on-year increase (compared to 16% in the previous year), with transaction revenue amounting to Rs. 167 Mn (Rs. 153 Mn in the previous year), reflecting a 9% year-on-year increase (compared to 16% in the previous year).

However, it is anticipated that the significance of SLIPS will diminish as more users transition to real-time CEFTS transfers.

## LankaPay Cheque Image and Truncation System (CITS)



LankaPay was established to manage the operations of the Sri Lanka Automated Clearing House, with the primary revenue source being the clearing of interbank cheques. However, with the increasing prevalence of digital transactions, the volume of cheques has steadily declined over the years. This decrease in volume has posed challenges in achieving profitability while fulfilling the national responsibility of clearing cheques, even at unprofitable levels. In order to sustain the operations of the cheque clearing system, the tariff for clearing a cheque was raised by Rs. 1.30, providing a lifeline to the viability of this service.

During the review period, the LankaPay Cheque Image and Truncation System (CITS) generated a total revenue of Rs. 304 Mn (compared to Rs. 272 Mn in the previous year), showing a year-on-year

growth of 12% (compared to 14% in the previous year).

CITS, which replaces physical cheques with electronic information throughout the clearing process, facilitated the clearing of 32 Mn cheques in the current year (compared to 33 Mn in the previous year), resulting in a marginal 1% decrease in volume.

## LankaSign Digital Certificate Authority



LankaSign, operated by LankaPay Private Limited, functioning under the supervision of Central Bank of Sri Lanka, is the only Certification Service Provider (CSP) currently operating in Sri Lanka authorised by the National Certification Authority. LankaSign digital certificates are widely used in financial sector organisations as well as by many other sectors to automate their documentation process by digitally signing electronic copies of documents and adding high security to the

electronic document exchange process.

During the year under review, the revenue from LankaSign decreased by 25% YoY basis (14% in 2021/22) to Rs. 31 Mn (Rs. 42 Mn - 2020/21).

The reduction of LankaSign revenue was mainly due to the reduction in JustPay-related certificate sales which is the LankaSign's major revenue generator, which recorded a revenue of Rs.11 Mn (Rs. 23 Mn in 2021/22), a revenue reduction of 53% (1% in 2021/22). The revenue reduced during the financial year under review due to the pricing cap implemented by management for JustPay-related certificate sales in order to induce more registrations for JustPay payment Apps, which led to the rise of JustPay transaction volumes.

During the year under review, revenue from digital certificate sales to importers and exporters through Sri Lanka Customs was also reduced by 63% (863% growth in 2021/22). Management is in the process of evaluating the strategies to increase the sales to importers and exporters through Sri Lanka Customs as initially, the business emerged as a mutually beneficial business engagement to reduce the time taken to process documentation with many conveniences through the usage of LankaSign digital signatures.

During the year under review, LankaSign launched the issuing of digital certificates in real-time for mobile-based payment applications for digitally signing and authenticating electronic documents. This was enabled by a common API developed by LankaSign, which can be easily integrated with such mobile applications via a Software Development Kit (SDK) that is freely distributed to such developers. This new initiative is expected to significantly boost digital certificate sales.

The organisation has identified LankaSign as a product with huge potential as digitalisation has reigned in all areas of a human activities, and providing the digital identity via a valid manner is essential in the digital sphere. LankaSign is shouldering this public necessity in a systematic manner with many technology advancements as well as in the process of obtaining required world wide recognitions via world recognised certifications such as Webtrust.

LankaSign, operated by LankaPay Private Limited, functioning under the supervision of Central Bank of Sri Lanka, is the only Certification Service Provider (CSP) currently operating in Sri Lanka authorised by the National Certification Authority. LankaSign's digital certificates are extensively utilised by financial sector organisations and various other sectors to streamline their documentation processes

by digitally signing electronic documents and enhancing security in the exchange of such documents.

In the current fiscal year, LankaSign experienced a 25% year-on-year decline in revenue (compared to a 14% increase in the previous year), amounting to Rs. 31 Mn (compared to Rs. 42 Mn in the previous year). This reduction in revenue primarily resulted from the decrease in certificate sales related to JustPay, which serves as the primary revenue generator for LankaSign. JustPay certificate sales generated Rs. 11 Mn in revenue during the review period (compared to Rs. 23 Mn in the previous year), indicating a significant 53% decline (compared to a 1% decline in the previous year). The decline in revenue can be attributed to the management's implementation of pricing caps for JustPay certificates to encourage more registrations for JustPay payment apps, consequently driving up JustPay transaction volumes.

Moreover, revenue from digital certificate sales to importers and exporters through Sri Lanka Customs also experienced a substantial decline of 63% (compared to a remarkable 863% growth in the previous year). The management is currently evaluating strategies to enhance sales to importers and exporters through Sri Lanka Customs, as this business segment initially demonstrated a mutually beneficial engagement by

reducing documentation processing time and providing convenience through the use of LankaSign digital signatures.

During the review period, LankaSign introduced the real-time issuance of digital certificates for mobile-based payment applications, allowing for the digital signing and authentication of electronic documents. This innovation was made possible through a common API developed by LankaSign, which can be seamlessly integrated with mobile applications using a freely distributed Software Development Kit (SDK) provided to developers. This new initiative is anticipated to significantly boost sales of digital certificates.

The organisation recognises the tremendous potential of LankaSign, given the pervasive digitalisation across various domains of human activities, where providing a valid digital identity is crucial. LankaSign is actively addressing this public need in a systematic manner, leveraging technological advancements and pursuing globally recognised certifications such as Webtrust to establish its worldwide recognition.

#### **LankaPay Shared ATM Network (SAS) and Card Management System (CMS)**

The introduction of the LankaPay Shared ATM Switch in 2015 aimed to fulfill the requirements of banks and non-bank financial institutions (NBFIs) that desired to provide their customers with the

convenience of accessing their accounts through an ATM network. These institutions, however, faced financial and operational limitations that prevented them from investing in their own ATM network or Card Management System (CMS).

Nevertheless, in the financial year under review, the revenue generated by the LankaPay Shared ATM Network (SAS) and Card Management System (CMS) experienced a decline of 15%, amounting to Rs. 18 Mn (compared to Rs. 21 Mn in the previous year). This decline in revenue indicates a continued loss of momentum for these two products, which can be attributed to market competition and inherent characteristics of the products themselves.

Due to a lack of sufficient participants to share the cost structure, both products consistently incurred operating losses. As a result, the business is currently evaluating available options to address the unfavourable financial situation and make appropriate decisions accordingly.

#### **LankaPay Common POS Network (CPS) and LankaPay National Card Scheme**

The LankaPay Common POS Network (CPS) serves as the intermediary for interbank point-of-sale (POS) transactions between LankaPay acquirers and issuers, ensuring seamless switching and clearing. Under the CPS, POS transactions of LankaPay/JCB co-badged

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debit cards issued through the National Card Scheme (NCS) are also processed. Additionally, the CPS has the capability to route POS transactions for any card issued under any card scheme.

LankaPay (Private) Limited and JCB International Co., Ltd. (JCBI) have established a strategic collaboration to develop the NCS, which operates under the supervision and control of the Central Bank of Sri Lanka. Domestic banks and financial institutions have the option to issue LankaPay-JCB co-branded cards as part of the NCS. These co-branded cards can be used domestically through the LankaPay payment network (ATMs and POS terminals) and internationally via the JCB network, offering cost-effective card acceptance primarily in Asian countries.

In the financial year under review, the LankaPay Common POS Network (CPS) generated revenue of Rs. 7 Mn (compared to Rs. 19 Mn in the previous year). The higher revenue in the previous year was primarily due to one-time membership fees invoiced, mainly from acquirer participants, totaling Rs. 15 Mn. However, the number of transactions processed through the CPS remained minimal due to the limited card base compatible with the network.

To enhance transaction volumes facilitated by the CPS, the LankaPay network is

actively working on expanding the card base under the NCS, as detailed separately in the National Card Scheme initiative. Furthermore, with the significant depreciation of the Sri Lankan rupee (LKR) against the US dollar (USD), major banks and financial institutions are opting to issue LankaPay-JCB co-branded cards to avoid the expensive fees associated with foreign card systems they are currently linked to.

As more banks and financial institutions adopt various LankaPay network products and services, including the NCS, significant cost savings in billions of rupees and foreign currencies can be achieved within the financial industry. Moreover, LankaPay is pursuing integration with international card schemes to enable the acceptance of international cards through the LankaPay Common POS Network (CPS), creating additional revenue opportunities for the network, banks, and financial institutions in a cost-effective manner. The integration eliminates the need for other card schemes to establish individual connections with local banks when they connect to the LankaPay network.

## Sri Lanka Financial Sector Computer Security Incident Response Team (FinCSIRT)

Revenue from Financial Sector Computer Security Incident Response Team (FINCSIRT)  
Rs. Mn.



The Financial Cyber Security Incident Response Team (FinCSIRT), established as a centralised agency to oversee security initiatives in the banking and financial sector, provided ongoing services to the industry, which are detailed in this annual report.

FinCSIRT experienced a year-on-year income growth of 18% (compared to an 11% decrease in the previous year), reaching Rs. 29 Mn (compared to Rs. 25 Mn in 2020/21). This increase in revenue can be attributed to the annual fee adjustments implemented for participating entities.

## Expenses

### Direct Operating Expenses

During the year under review, the total direct operational costs amounted to Rs. 964 Mn (compared to Rs. 733 Mn in 2021/22), reflecting a year-on-year growth of 31% (24% in 2020/21).

The major components of the direct operational costs were as follows: IT maintenance expenditure accounted for 34% (27% in 2021/22), employee costs accounted for 34% (35% in 2021/22), and depreciation accounted for 17% (23% in 2021/22).

The significant increase in IT maintenance costs and employee costs contributed to the overall rise in direct operational costs, with respective growth rates of 70% and 28%. Conversely, depreciation costs experienced a slight decrease of 1%.

The surge in IT maintenance costs can be attributed to the unfavourable movement in the exchange rate, affecting payments made in USD and payments to vendors pegged to USD. Additionally, new IT maintenance payments were necessary and settled during the financial year under review. The devaluation of the rupee by 22% against the US dollar had a notable impact on the cost structure.

Employee costs rose due to salary increments, increased bonus payments, and new recruitments. Since employee expenses form a significant portion of the organisation's cost structure and play a vital role in its operations and growth, talent retention and management are crucial. It is recommended to promptly provide compensatory incentives to retain and motivate valuable staff members.

The decrease of 1% in depreciation expenses can be attributed to most of the capital expenditure's depreciation commencing in the latter part of the year.

#### **Administration Expenses**

Administration expenses witnessed a significant increase of 52% during the year under review (compared to a 25% increase in 2021/22). This cost escalation can be primarily attributed to higher staff costs, corporate branding initiatives, general maintenance expenses, and increased rent fees.

The surge in personnel costs can be attributed to salary increments, increased bonus payments, and the addition of new employees to the workforce. These factors contributed to the overall rise in administration expenditures.

In commemoration of the company's 20th anniversary during the year under review, efforts were made to enhance the corporate image and support sales and marketing operations through activities such as changing the company name and other branding-related endeavours. These initiatives resulted in increased costs incurred during the year.

The increase in rent expenses was a direct consequence of a rate hike imposed by the lessor during the year under review.

#### **Capital Expenditure**

Being the National Payment Network, the organisation is obligated to maintain its payment infrastructure to the best security and performance level. Hence, the capital expenditure continued to focus on supporting the changes required to bring additional convenience to financial services, as well as improving efficiency, reliability, and security through one entire network to meet the increased demands of the financial sector, while empowering all of our valued stakeholders to be connected digitally within their lifestyles to maximise their time to do more things within a day and ultimately use that free time to live a better life.

During the year under review, the company spent Rs. 155 Mn (Rs. 186 Mn in 2021/22) on capital asset purchases, mainly on upgrading its virtual infrastructure, network and security devices and software and middleware development of integration of other payment networks such as UnionPay International.

Many capital expenditure improvements are in the works to strengthen the LankaPay network, including enhancements to clearing products, enhancements and upgrades to technology infrastructure, enhancements to customer service tools and enhancements to internal productivity improvement tools, among others.

#### **Interest Income**

The Central Bank of Sri Lanka (CBSL) has been on a tightening cycle since April 2022, raising interest rates. The benchmark standing lending facility rate (SLFR) and standing deposit facility rate (SDFR) were both raised to 15.5% and 16.5% during the year under review.

Accordingly, the rates offered for treasury bills, treasury bonds and fixed deposits skyrocketed. The organisation managed to take advantage of the high deposit rates by investing in treasury bills, treasury bonds and fixed deposits for a longer tenures.

Accordingly, during the year under review, the interest income recorded as Rs. 514 Mn (Rs. 182 Mn in 2021/22) which is an YoY increase of 183% (7% decrease in 2021/22).

Due to the current high interest rate environment, the investment base at the end of the year was Rs. 3.3 Bn (Rs. 2.4 Bn - 2021/22), with investments at interest rates ranging from 5.50% to 30.00% (5.50% to 14.00% - 2021/22).

Interest income has been a substantial source of revenue for the company, accounting for 52% (29% in 2021/22) of PBT. The retained profits were temporarily placed in financial instruments until they were suitably channelled into capital projects at the correct moment to expand payment infrastructure initiatives, accumulating advantages for

our member banks, who are both direct clients and key shareholders.

Since part of the funds of the organisation was invested in longer-term tenures at higher interest rates, we expect the higher interest income to prevail for an extended period. However, the CBSL has since reversed course and cut interest rates by 250 basis points where the SLFR and SDFR are now set at 13% and 14%, respectively. Hence, the gradually the interest income will decline over the period.

Further, the significant capital expenditure budgeted would impact the interest income.

#### **Taxation**

During the fiscal year being assessed, tax costs experienced a substantial upsurge, reaching Rs. 124 Mn compared to Rs. 49 Mn in the previous fiscal year, signifying a noteworthy year-on-year increase of 153% (with a 74% increase observed in the preceding year). During the considered period, the tax rate was increased 30% from 24%.

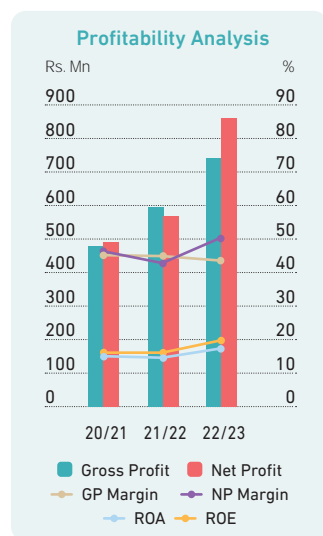
The predominant factor behind the escalation in tax expenditure predominantly stems from the taxation applied to finance income. Notably, finance income witnessed a remarkable rise of 183% during the review period and was subject to a tax rate of 24% during the first half of the year, subsequently rising to 30% during the latter half.

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Moreover, the organisation successfully capitalised on a tax exemption for the IT industry, applicable to items covered by the Common Card and Payment Switch (CCAPS). This exemption played a pivotal role in mitigating the overall tax burden to a certain extent.

However, with the implementation of the increased tax rate and the expiration of the aforementioned tax exemption within the reviewed year, it is anticipated that future tax expenses will escalate significantly.

## Profitability



LankaPay, as a profit-oriented organisation, diligently strives to strike a delicate balance between financial objectives and meeting the nation's requirements. One of the key objectives the organisation consistently pursues is the attainment of its profit targets while ensuring the provision of services to the general

public at an affordable cost. This dual focus on profitability and affordability reflects the organisation's unwavering commitment to delivering value to its stakeholders.

Over the years, LankaPay has not only managed to thrive financially but has also successfully fulfilled its national obligations. This notable accomplishment is highly commendable, as it signifies the organisation's ability to navigate the complexities of the business landscape while simultaneously fulfilling its responsibilities towards the broader community and the nation as a whole.

During the period under assessment, the organisation achieved commendable financial performance. It recorded a Gross Profit of Rs. 741 Mn, reflecting a significant increase compared to Rs. 596 Mn in the previous year (2021/22). The Gross Profit Margin for the year stood at 43%, slightly lower than the 45% margin achieved in the previous year (2021/22).

Moreover, the organisation exhibited robust profitability, as evidenced by its Profit Before Tax (PBT) of Rs. 984 Mn, surpassing the previous year's PBT of Rs. 617 Mn (2020/21). This signifies a noteworthy growth rate of 59% (16% in 2021/22).

Furthermore, the organisation concluded the year with a commendable Profit After Tax (PAT) of Rs. 860 Mn, indicating a substantial increase from

Rs. 568 Mn in the previous year (2021/22). This remarkable growth represents a notable rise of 51% (16% in 2021/22). Additionally, the Net Profit Margin for the year stood at 50%, increasing from the 43% margin achieved in the preceding year (2021/22).

These financial achievements highlight the organisation's ability to generate robust profits and maintain healthy margins, thereby reinforcing its strong financial standing and sustainable growth trajectory.

As elucidated in the revenue analysis, the notable upsurge in organisational revenue played a pivotal role in fostering profitability. This considerable revenue growth was primarily driven by the substantial contribution of electronic payment products, aligning with the prevailing trend of the economy's shift towards a digital landscape. LankaPay's innovative product offerings and targeted awareness campaigns have also played a significant role in facilitating revenue expansion.

Nevertheless, the decrease in the Gross Profit Margin signifies the adverse impact of the prevailing economic conditions and its consequential effect on cost inflation. However, the rise in interest income has played a crucial role in bolstering profitability, enabling the organisation to achieve a higher Profit After Tax.

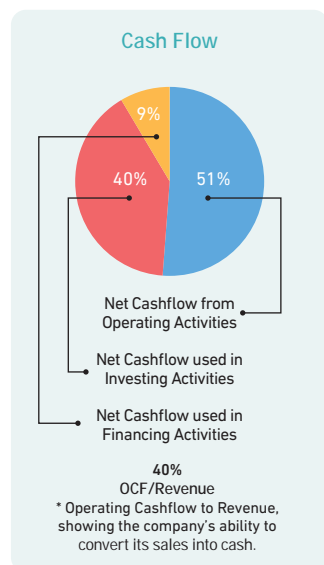
The Return on Capital Employed (ROCE) climbed to 22% (17% - 2021/22) while capital employed increased by 21% year-on-year (16% in 2021/22). With the ongoing improvement in profitability, the company reported an earnings per share (EPS) value of Rs.56.38 (Rs.37.26 in 2021/22) a growth of 51% (16% - 2021/22). Return on Equity (ROE) increased to 20% (16% - 2020/21) and Return on Assets (ROA) increased to 18% (15% - 2020/21) with steep profit growth. The equity and total assets grew by 21% and 25% during the year under review, respectively.

However, a more focused Return on Investment (ROI) can be calculated as 63% (58% - 2021/22) by calculating the return on non-current assets (net profit less Interest on fixed deposits after-tax/ total non-current assets less long-term financial investments) as most of the other assets were parked under financial investments for future use.

With the improvement in profitability, a first and final dividend of Rs.11.30 (Rs.7.45 in 2021/22) per share is recommended, subject to shareholder approval at the company's next Annual General Meeting. This is the largest dividend per share (DPS) proposed in the company's 21-year history. The organisation has consistently paid dividends to its shareholders, and the firm will endeavour to find a balance between healthy dividend distribution and retention to fund future

investment requirements in order to increase long-term shareholder value.

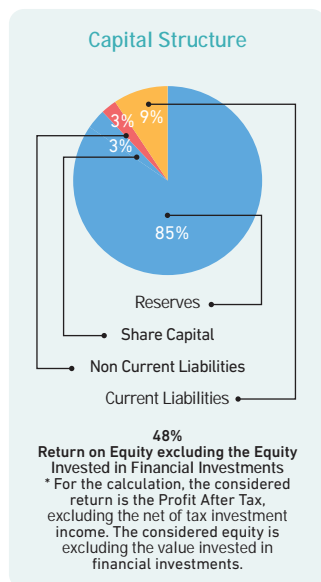
## Liquidity, Capital Structure and Shareholders' Funds



Throughout the year, the company remained debt-free, supporting its investments with cash produced internally. During the year under review, the firm produced net cash from operating operations of Rs. 682 Mn (Rs. 606 Mn in 2021/22) representing a YoY growth of 12% (53% growth in 2021/22). This rise was primarily attributable to a drop in trade and other payables, tax payments and an increase in revenue-related cash flow. For Rs. 536 Mn (Rs.250Mn in 2021/22) and Rs. 114 Mn (Rs.98Mn in 2021/22), the cashflows were used for investment operations and dividend payments, respectively.

At the end of the year, Rs. 2.7 Bn (Rs.2.9Bn in 2021/22) in liquid funds remained in fixed

deposits and repos, while the free cashflow to net cashflow ratio remained at 77% (69% in 2021/22) to be used for future investments to cater to a rapidly changing technology landscape in the payment industry, as well as for other contingencies. With more revenue and decreased cash outlay for capital assets, the ratio improved dramatically during the year under review.



Shareholder funds stood at Rs. 4.3 Bn (Rs. 3.6 Bn in 2021/22) at the end of the year, up 21% (15% in 2021/22) year-on-year, and Net Assets per Share increased to Rs. 282.67 (Rs.233.11 - 2021/22).

## Financial Priorities for Future

Financing the organisational finance requirements on a constant and timely basis is critical to the organisation's survival. As a result, establishing financial priorities and allocating limited financial resources is a top-notch task. Furthermore,

the present economic environment has elevated the importance of this activity, and failure may be fatal for any firm, especially given the current conditions.

- As an organisation that operates on a high-tech infrastructure, funding for ongoing maintenance and upgrading of the infrastructure is a top priority. Making sufficient funds available for the timely enhancement and upgrading of the infrastructure, obtaining the required local and international specialised support for maintenance purposes, and maintaining internal staff and talent are some of the organisation's top priorities in order to keep the organisation running.
- The organisation operates in a digitalised environment that is constantly developing, and the subject industry has a high demand consumer base. As a result, one unquestionable financial goal is to meet consumer needs through continual innovation while retaining dependability and security.

Furthermore, financial transactions in a digitalised working environment are especially exposed to cyber attacks.

- The organisation is funded by the Central Bank of Sri Lanka and licensed commercial banks, who act as both regulators

and customers. Balancing regulatory requirements, consumer needs, and shareholder value all have advantages and disadvantages, and the business must find a balance that has a significant impact on determining financial objectives.

As a commercial organisation, generating sufficient revenue and profits is a critical priority so that the organisation can continue to generate an adequate return for shareholders as well as other stakeholders such as employees and vendors, as well as continue to serve customers by maintaining the infrastructure.

Running operations efficiently and effectively is also a need in order to preserve profitability.

- The macro-environment will shape all organisations' operational perspectives. As a result, the business must keep a close watch on new patterns and be prepared with quick financial and other reactions. Lack of foreign exchange reserves, sharp depreciation of the LKR, increased inflation, shortage of resources, social discontent and low-income levels, and influence on the financial industry are some of the themes the organisation is keeping an eye on.

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- Regardless of how severe the financial issues are, the organisation's ultimate goal is to survive and thrive in difficult times. Organisations exploit their strengths during these difficult times.
- As a highly important national institution, LankaPay cannot run out of fuel, which would bring the entire financial industry to a halt, something we cannot afford in this critical scenario. Having liquid accumulated funds is a significant strength for the business and a source of relaxation for the whole industry.
- The organisation was in the process of consolidating payment industry infrastructure with minimum cost to the industry, saving the most valuable foreign exchange as an effective alternative to the foreign solutions. With these established products, now is an appropriate time for the industry to leverage on those products.
- Maintaining solid controls, risk management, and preserving corporate assets are also essential financial responsibilities for the organisation in order to minimise resource leakage and stay within the firm's risk appetite.



CA Sri Lanka TAGS Awards 2022 - Silver Award under the SME Category

## Financial Snapshot 2022-23

	2022/23	Absolute Growth (YoY) 2022/23	Growth % (YoY) 2022/23	Explanation
<b>Financial Performance</b>				
Revenue	1,704,770,671	375,475,022	+28	Strong performance derived through the increased adoption of CEFT and CAS services, demonstrating the resilience and ability to thrive even in challenging economic conditions.
Direct Operating Expenses	963,514,206	230,084,329	+31%	Cost escalation was primarily driven by factors such as increased expenses related to software and hardware depreciation, direct staff costs including salaries, bonus payments, incentives, and allowances, as well as rising rent expenses.
Gross Profit	741,256,465	145,390,693	+24%	The incremental trend in gross profit is attributed to the increase in revenue outpacing the growth in direct costs, leading to improved profitability.
Other Income	542,090,558	324,987,258	+150%	Experienced a notable increase in investment income, driven by the swift response taken by the management to the upward movement of market deposit interest rates, which was influenced by the implementation of contractionary economic policies in the country. Additionally, maintaining a higher investment base at LankaPay contributes to this positive outcome.
Income Tax Expense	124,589,895	75,429,061	+153%	Caused the increase in profits from CEFTS and interest income while the expiration of the tax concessionary period previously granted for CCAPS products.
Profit for the Year	859,854,090	291,652,028	+ 51%	The profit increase was mainly driven by the substantial growth of 150% in other income attributed to interest income, demonstrating our ability to thrive and surpass challenges even in the face of weak Sri Lankan economic conditions.
<b>Financial Position</b>				
Total Non-Current Assets	1,815,199,692	1,066,892,431	+143%	The increase in long-term financial investments beyond one year caused the increase in the NCA base.
Total Equity	4,310,675,669	755,700,137	+ 21%	As a result of enhanced profitability, a higher retention ratio with a high technology upgrade reserve cause for an increase in equity.
Total Non-Current Liabilities	131,527,408	23,683,873	+ 22%	Due to the increase in both retirement benefit obligation and the deferred tax liability.

# Human Capital

Our human resource initiatives have had a positive impact on our business. We have seen an increase in productivity, a reduction in turnover rates, and a more positive work environment. These outcomes have contributed to the success of our organisation and have helped to position us for continued growth in the future.



## 95.75 %

Retention Ratio Excluding  
Network Department



## Rs. 15 Mn

Revenue per Employee



## 35 Hours

Average Training Hours per  
Employee

### Organisational Development & Talent Management - The Newest Approach by LankaPay

The Organisational Development & Talent Management (OD & TM) contribution during the year has been instrumental in achieving key results and milestones for the organisation in 2022. Through various initiatives and programmes, the HR team extended its help to develop and retain key talent, create a positive work environment, and drive business success. Our talent development programmes have been a key focus in 2022. We have provided our employees with various learning and development opportunities, including training sessions, online courses, and leadership and grooming programmes. As a result, we have seen an increase in employee engagement and productivity, with many of our team members taking on new responsibilities and roles within the organisation.

### Key Indicators of Human Capital

Criteria	2021/22	2022/23
Total Headcount Including Fixed Term Contract Staff	110	114
Retention of Staff	88%	83%
Attrition During the Year	12%	17%
Total Employee Benefits Liability Paid during the Year	359,894,846	464,722,410
Total Number of Leavers	13	19
Total Number of New Recruits	16	23
Working From Home Days (Working Days)	174	N/A
Training Hours per Employee	6	35
Total Number of Employees Receiving Performance Review (%)	100%	100%
No. of Promotions	19	21

## Retention and Employee Satisfaction

Retaining our key talent during the year under review was a challenge, although we understand the importance of retaining our talented employees. We have implemented key strategies to retain our staff which resulted in even a few of our employees decided to rejoin the company by abruptly dropping their resignation decisions. We were also able to improve employee satisfaction as revealed during the internal independent survey conducted by the R&D Department. Our efforts have resulted in a more positive work environment, with higher levels of employee engagement and satisfaction. However, the overall retention ratio during the year was 83% as the attrition in two key departments contributed to the surge. If it was not for the surge of resignations in the said two departments, the overall retention of all other departments together was 95.75%.

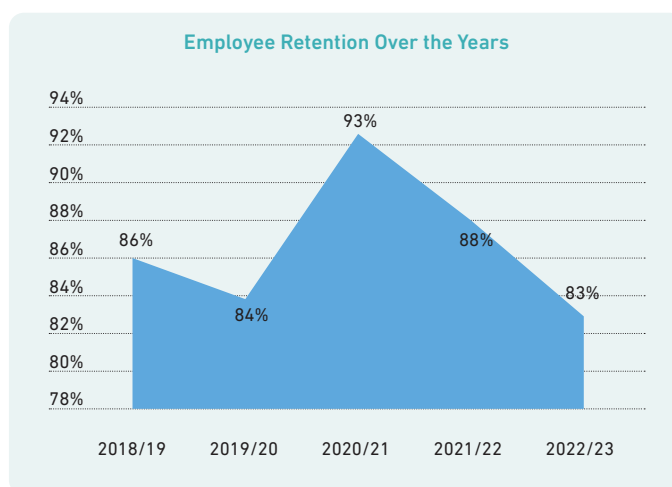
The management focuses on talent retention in the organisation including recognising individual talent and putting employees in positions that make the best use of their skills. The staff promotions that were implemented during the year, with the 21 promotions of employees which represented 18% of the workforce, is a testimony of the management strategy for talent retention and development during the year. This made the staff feel more comfortable with their skills and to enjoy using their

strengths every day at work. We believe that when employees perceive they are being encouraged through talent development initiatives, they feel more confident about their long-term career path in the organisation.

However, the targeted employee retention goals of the company were not able to achieve during the year due to unplanned leavers.

## Employee Retention from 2018/19 to 2022/23

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Retention Ratios	86%	83.5%	92.59%	88%	83% (Without NW)*



\*The attrition during the year at the Network and FinCSIRT Departments was enormously high which resulted in an overall low retention during the year. However, excluding the above two departments' retention grew to an all-time high.

As at March 31, 2023, LankaPay did not face any litigation issues, was not fined, did not get any sanctions imposed nor had any case filed in a court of law for non-compliance with labour regulations.

## Employee Profile of LankaPay as at March 31, 2023

The LankaPay team comprised 114 employees as at March 31, 2023, with the composition of 113 permanent and 1 contract-based staff.

## Diversity and Inclusion

Diversity and inclusion have been a key focus in 2022 and have implemented several initiatives to promote this, including training sessions, employee resource groups, and recruitment programmes aimed at diverse candidates. As a result, we have seen an increase in the representation of diverse candidates at all levels of the organisation.

## Business Impact due to Organisational Development

Our human resource initiatives have had a positive impact on our business. We have seen an increase in productivity, a reduction in turnover rates, and a more positive work environment. These outcomes have contributed to the success of our organisation and have helped to position us

# Human Capital

for continued growth in the future. Overall, the Human Resource Department has achieved several key results and milestones in 2022. We have focused on talent development, retention, employee satisfaction, diversity, and inclusion, and our efforts have had a positive impact on our business. We will continue to prioritise these initiatives in the future, as we believe they are critical to the long-term success of our organisation.

The company completed the financial year on a very successful note with substantial gains in both top and bottom lines. Also, during the year, many large and medium-scale projects were either launched or such projects previously launched were completed. With the help of the company's talent development and enhancement programmes, the management was able to complete the following important milestones during the year:

- Asian Payment Network (APN): Obtained the membership of APN and it enables reliable, innovative, fast, secure and convenient financial services for its customers throughout the Asia Pacific region.
- UnionPay International (UPI): LankaPay partnered with UPI to enable acceptance of LankaQR domestic merchant base to UPI customers visiting Sri Lanka. Any UnionPay mobile application

holder is now capable of scanning any LankaQR code available island-wide and making payments in domestic currency conveniently.

- Implementation of the Employee Share Option Scheme.
- Completion of the new business strategy, vision and mission of the company including the company goals for the next year/s.
- Invested in more than 3,900 training hours for staff development in various in-house and external training programmes.
- LankaPay Online Payment Platform went live with seven (7) Banks.
- Finalised the platform for Payment Exchange Name (PEN) acquiring with a major bank.
- Added the money transfer, bill payment, and remittances status check functionalities to the LankaRemit mobile app.
- While contributing to making QR payments popular, three (3) more financial institutions were added to LankaQR and went live.
- Under the National Card Scheme (NCS), two (2) more financial institutions were added to the network issuing the LankaPay card.

## The New Business Strategy and Core Values of the Company

We took pride in announcing the launch of our new business strategy and core values, which will guide our

## Key Focus Areas of the Strategy



LankaPay Strategy Launch



LankaPay Strategy Launch

organisation's growth and development in the coming years. The strategy and values have been developed in response to the desire to expand our operations beyond local shores, changes in the market, and to remain competitive and innovative.

The new strategy has several key objectives and focus areas mentioned above that we believe will help us achieve our long-term goals. These objectives include:

- **Market Expansion** - Strengthening our market position by expanding our product and service offerings beyond local operations by connecting to International Payment Networks.
- **Brand Image and Marketing** - Focus on improving marketing strategy and building brand awareness.
- **Governance, Risk and Compliance** - Focus on defining a system to guide and control the company, and mitigate business risks, while ensuring regulatory compliance locally and regionally.

- **Financial Growth** - Focus on taking profitable initiatives for products and streamlining operations to ensure consistent financial growth.
- **Product Innovations** - Focus on developing new product innovations in an ever-changing market.
- **People and Culture** - Developing and retaining our high-performing talent by creating a positive work environment and offering competitive compensation and benefits.
- **Sustainability** - Focus on developing sustainable products and ensuring operations have a limited carbon footprint.

#### Implementation of the Business Strategy

To achieve these objectives, we have developed a comprehensive implementation plan that includes specific goals, timelines, and metrics for measuring success. In addition to evaluating the key areas of expanding our service offerings to the international market, supplementary research is being conducted by the R&D Department led by the

Head of HR, as directed by the Chairman. The company also plans to invest in research and development to create new products and services, as well as in marketing and sales to promote our offerings to potential international customers. We will also be investing in technology to improve our operations and customer experience.

We believe that this new business strategy will have a significant impact on our organisation, allowing us to remain competitive and innovative in the market. It will position us for long-term growth and success, while also emphasising our commitment to sustainability and social responsibility.

Further, the new business strategy represents a significant milestone for our organisation. We are confident that this strategy will help us achieve our long-term goals, while also allowing us to remain alert and adaptable in response to changes in the market. We look forward to implementing this strategy and seeing the positive impact it has on our business and our stakeholders.

#### The LankaPay Employee Share Ownership Scheme - The Employee Rewards Scheme

During these challenging times, the only company to come up and implement an Employee Share Ownership Scheme would be, LankaPay. We are delighted to introduce the LankaPay Share Ownership Scheme

with the above "forward-looking statement". One more employee retention and benefits strategy that LankaPay launched during the year was the implementation of the above scheme. The company Employee Share Ownership Scheme which is termed as Employee Rewards Scheme (ERS) allows our employees to participate in the success of our organisation and share in the benefits of our growth.

LankaPay ERS is a cash-settled share-based payment scheme that mimics the benefits accruing from equity shares of the company. In practice, the ERS is considered an effective tool in promoting employee participation to drive financial results in the company, and to align the interest of employees with that of the shareholders. The scheme is designed to be a medium to long-term incentive programme to reward employees for good performance, without creating any dilution of the shareholding of existing shareholders.

In line with the international and local trends, the management of LankaPay launched ERS for the employees of the company to recognise and reward their efforts in their journey to fulfil the aspirations of all the stakeholders of the company. The scheme is expected to create a clear nexus between employee efforts and organisational performance and would enable the company to share value in a meaningful manner with the employees.

# Human Capital



LankaPay Employee Share Option Launch

Hence, the scheme is expected to reinforce the commitment of employees and better-sustained performance in the company so that employees would continue to maintain the growth momentum and push the company towards new greater heights in the future. Also, given that the scheme would align employee interest towards the success of the company, the scheme also enables the management to take decisions to achieve longer-term objectives, with wider support from the employees.

The objectives of the ERS of LankaPay are as follows:

- Establish a strong foundation for consistent sustainable performance and create a performance-driven culture in the organisation.

- Continue to motivate employees and increase their commitment and loyalty towards the company.
- Create a sense of belonging to the company, which will drive ethical and appropriate behaviours in conducting and managing the affairs of the company.
- Enhance motivation among employees and thereby aid retention of critical and specialist skills.
- Position the company as an organisation that offers attractive long-term rewards that are directly, linked to performance facilitating attraction and retention of good talent.

## Summary of the Employee Share Ownership Scheme

The scheme will be for the employees of LankaPay. The scheme will commence in FY 2023/24, based on the performance of the company during FY 2022/23. Given that the company's performance entails the granting of share options, the company will grant rewards to qualified employees annually until FY 2027/28 based on the performance of the company.

## The Benefits Under the Stock Appreciation Right (SAR) Scheme

The benefits will accrue to employees in any particular year only if the company's Net Profit after Tax (NPAT) for each financial year under consideration has increased by a minimum of the inflation rate plus 500 basis points (5%) as against the previous year.

## Eligible Employees

The Board of Directors, with the recommendation by the Management, have decided to make the Senior Executive Level and above employees eligible for this scheme.

## Number of Share Options

In arriving at the number of share options to be granted to an employee, the level, the performance during the past several years etc, were considered.

## The Quantum of Share Option to be Offered Under the Scheme

If the corporate performance entails the granting of share options, depending on the circumstances, the Board of Directors will have the discretion to decide on the exact size of an annual tranche. As this is an equity-linked compensation plan, LankaPay will extend a maximum of 5% of the total number of shares issued by the company to the share option scheme. This percentage is also in compliance with the listing rules where companies ensure that the number of shares underlying the options that are granted but not exercised by the employees, or the number of shares allotted but where the ownership of shares has not absolutely transferred to the employees, does not exceed 5% of the total number of shares issued by such listed entity at any given time. Going by this practice, the maximum number of shares that may be considered by LankaPay to be offered as

part of the scheme for a fixed period of four years would amount to 762,500 shares (i.e. 15,250,000x5%) which may be granted to qualified employees during this period. Going by this standard, the size of an annual tranche of SARs will be 190,625 shares (i.e. 15,250,000x1.25%).

The eligible employee mentioned above will qualify to be granted SARs if he/she has met the expected performance levels as defined in the annual performance appraisal scheme of the company for the applicable year. Eligible employees with performance below expectations will not qualify to be granted SARs under a tranche of the scheme.

#### Share Option Grant Dates and Prices

The grant relating to a particular year/tranche will be made to the qualified employees within three-and-a-half (3.5) months of the release of the Audited Financial Statements in respect of a financial year immediately preceding the grant date, when the post-tax profit is known, and the annual performance assessment of the eligible employees is concluded. The grant price of the share options will be the Net Asset Value (NAV) of the shares of the company as at the financial year end, immediately preceding the grant date.

#### Benefits and Financial Returns to Employees

Upon exercising, for each share option held, an employee will be entitled to

receive a cash benefit equal to the appreciation of the NAV of shares of the company. The appreciation of the NAV of shares will be the difference between the grant price and the exercise price.

As indicated above, the LankaPay employee share option plan provides several benefits to our employees. It allows them to invest in our organisation and benefit from our growth, which can be a powerful motivator for employee engagement and retention. It also aligns the interests of our employees with those of our shareholders, which can help to create a more collaborative and cohesive organisation. Additionally, by offering share options free of cost, the plan provides a valuable financial benefit to our employees.

We believe that the employee share option plan will have a positive impact on our organisation. It will help to create a more engaged and committed workforce, while also providing a valuable financial benefit to our employees. By aligning the interests of our employees with those of our shareholders, we believe that we can create a more cohesive and effective organisation, one that is focused on achieving our long-term goals and objectives.

In line with the above, based on prevailing conditions (i.e. NAV of shares, interest rates, volatility, dividend yield etc.), the estimated fair value of the first tranche of the scheme is

Rs. 27.264 Mn and is required to be expensed equally (1/3rd) over the vesting period of 3 years (i.e. 9.088 Mn).

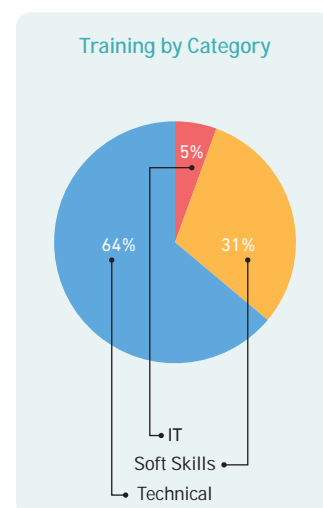
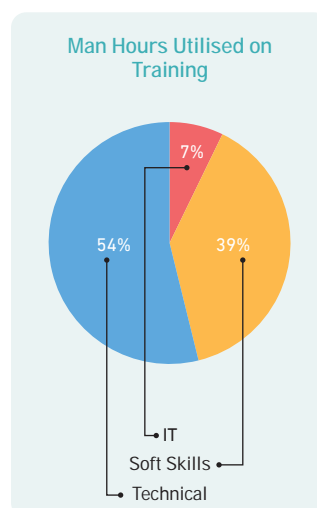
#### Employee Compensation and Benefits including Bonus Schemes

The Company's annual bonus scheme was also revised and ensured all staff are given a fair share for their contribution to the organisation. The overall employee cost for the financial year as a result of the changes implemented by the management, including payroll and bonus cost and connected profit sharing schemes, had risen from Rs. 359 Mn to Rs. 465 Mn, an increase of 29.52 % compared to 2021/22. The benefits of the compensation revision of LCPL were aimed at the improvement in performance which will foster a more competitive workforce. The compensation strategy

also resulted in a higher level of productivity as each employee strives to increase the level of performance and service to the clients.

#### Training & Development - A Newer Approach to Organisational Development

Throughout the year under review, we offered a range of training programmes to our employees. These were designed to enhance their skills and knowledge, promote professional growth, and support our organisational objectives. Our programmes covered a range of topics, including leadership development, technical skills, language and communication skills and professional development programmes. We also provided access to online learning resources to allow our employees to pursue self-directed learning opportunities.



# Human Capital



New Year and Secret Santa Celebrations

## Professional Development

We recognise the importance of ongoing professional development for our employees. To support this, we offered opportunities for our employees to attend conferences, seminars, and workshops. These events provided them with exposure to the latest industry trends and best practices, as well as opportunities to network with peers and experts. In addition, the company increased the upper level of the professional membership reimbursements from Rs. 75,000 to Rs. 150,000. Our training and development initiatives are an integral part of our overall employee engagement strategy. By providing our employees with opportunities for growth and development, we demonstrate our commitment to their success and foster a culture of continuous learning. This, in turn, contributes to increased employee engagement, satisfaction, and retention.

The impact of our training and development initiatives can be seen in several key areas including the increase in the overall goal-achievement ratio of the company. Our employees have demonstrated increased proficiency and confidence in their roles, which has contributed to improved productivity and quality of work.

We are proud of the training and development initiatives we have implemented during 2022/23. These programmes have had a positive impact on our employees, our organisation, and

our stakeholders. We remain committed to providing ongoing opportunities for growth and development to our employees and look forward to the continued success and growth of our organisation in the years to come.

## Synopsys of Training Matrices

Total Training Programmes Conducted during the Year	36
Total Man Days of Training	494
Total Training Man-hours	3,957
Average Training Man-hours and Man-days per Person	35 hours and 4.3 days
Total Investment on Training	9.6 Mn
Average Goal Achievement Percentage of the Workforce	81%

## LankaPay Outbound Training for Staff

LankaPay organised two Outbound Training (OBT) sessions during the year, aiming to strengthen employee engagement and promote team-building activities outside the traditional office environment. These sessions provided employees with opportunities to enhance their interpersonal skills, foster collaboration, and develop a stronger sense of camaraderie within the organisation.



LankaPay Outbound Training for Staff - Batch 1



LankaPay Outbound Training for Staff - Batch 1



LankaPay Outbound Training for Staff - Batch 2

# Human Capital



LankaPay Outbound Training for Staff - Batch 2



## HR Scorecard – 2022/23

	Key Enabling Factors/Strategic Priority	Actual Performance in 2022/23								
1	Launch of new business and HR strategy.	With consultancy assistance from KPMG, the company launched its long-awaited business strategy during the year.								
2	Payment of temporary discretionary allowance to staff to cushion the impact of hyperinflation.	The employees were paid temporary allowance.								
3	Annual salary increments and promotions.	21 employees were promoted to new positions during the year and the annual salary increment percentages were designed to compensate adequately for the hyperinflation and to recover the net salary loss due to huge tax increases. <table><tr><td>Ranking 1</td><td>20%</td></tr><tr><td>Ranking 2</td><td>18%</td></tr><tr><td>Ranking 3</td><td>16%</td></tr><tr><td>Ranking 4</td><td>10%</td></tr></table>	Ranking 1	20%	Ranking 2	18%	Ranking 3	16%	Ranking 4	10%
Ranking 1	20%									
Ranking 2	18%									
Ranking 3	16%									
Ranking 4	10%									
4	Launch of Employee Share Ownership Scheme.	The first ever share ownership scheme of an entity owned by the CBSL and banks was launched in LankaPay. This scheme provides an array of financial benefits and allows employees to grow their net worth of shares by furthering the exercise period.								
5	Protection of employees by introducing new work arrangements and facilities to provide uninterrupted services to the country.	With the spread of the COVID-19 virus, and as many parts of the country were locked down from time to time, the management introduced many new facilities to employees to continue LankaPay services without interruption such as accommodation, transport services, work-from-home facilities, etc.								
6	Introduction of new health and safety guidelines to protect employees from the COVID-19 virus.	The company introduced new health and safety guidelines and practices, sanitary and disinfectant services in both HO and DR site.								
7	Reviewing the annual bonus scheme to share a 4 months bonus to employees.	Rs. 73 Mn out of Rs. 860 Mn (8.5%) of the company profit after tax was shared among all employees during the year under review compared to Rs. 32.1 Mn out of Rs. 568 Mn (5.65%) in 2021/22.								

# Intellectual Capital

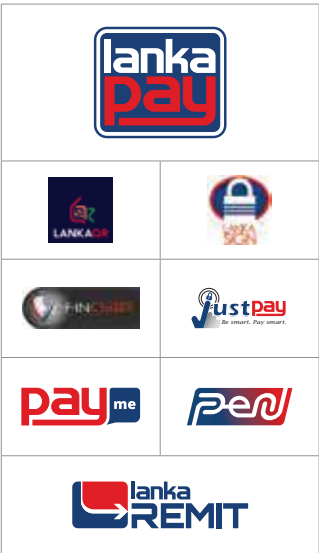
From a brand point of view, the year under review turned out to be eventful. The change of corporate name from LankaClear to LankaPay was a great move towards building greater brand affinity under a unified brand name.



59% 

(YoY Increase)

Investment in Branding and Marketing  
Rs. 32 Mn



According to Statista, the global digital payments market has grown to become a USD 8.35 Tn industry in 2022 from USD 7.48 Tn in 2021. Despite the economic turmoil and unprecedented challenges faced by the country, Sri Lanka, too, kept pace with its global counterparts.

Although a great deal of normalcy had been resumed after the pandemic, the economic crisis hampered the daily lives of people with unprecedented levels of uncertainty and volatility across many sectors. With the rise in the cost of travel, digital payments became relatively cheaper and more desirable option for financial consumers. The digital payments sector, once again, has been amongst the few industries to have thrived during these testing times and LankaPay has been no exception.

## Marketing Performance

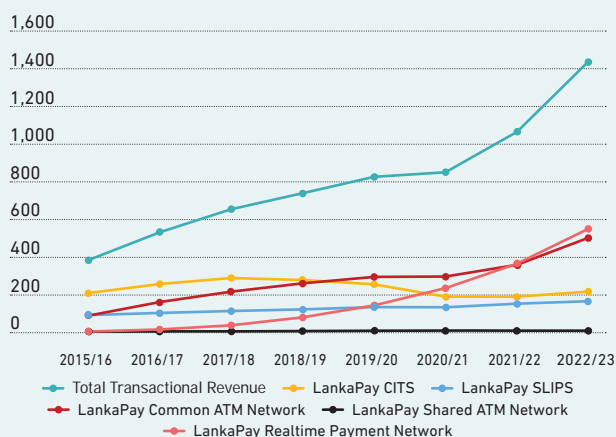
LankaPay marked the highest growth in the topline since 2016/17 with 28% growth YoY in 2022/23, with an astounding 35% growth in transactional revenue. Amidst numerous challenges posed by the turbulent operating environment, the company recorded a total revenue of Rs. 1,704,770,671 compared to Rs.1,329,295,649 in 2022/23 with a 28.25% YoY growth.

The Marketing Department of LankaPay is primarily responsible for overall marketing and communication strategy, planning, and execution as well as driving transactional revenue which is the biggest contributor to the overall revenue. Despite the volatility in the external environment, the company managed to post a healthy financial performance with the right marketing strategies by seizing every opportunity in the midst of chaos.

Despite the unprecedentedly challenging market conditions, we continued to thrive and make commendable progress towards propagating digital payments in the country in 2022/23. Due to the concerted efforts towards diversifying the product portfolio and mitigating the risk of dependency on traditional payment products like CITS and SLIPS, revenue from CCAPS products further ascended to contribute 74% of the transactional revenue from 68% in the previous year. Transactional revenue as a percentage of total revenue reached an all-time high of 85% during the year under review when compared to 80% in 2021/22. In terms of driving transactional revenue,

# Intellectual Capital

Product-wise Contribution to the Transactional Revenue  
Rs. Mn



during the year, more focus was placed on the LankaPay Real-time Fund Transfer Network, the LankaPay Common ATM Network, and JustPay mobile payments.

The number of interbank ATM transactions facilitated rose to 112 Mn during the year, followed by the Real-Time Fund Transfer Network which facilitated 104 Mn transactions. LankaPay Interbank Payment System (SLIPS) recorded 47 Mn transactions and interbank cheques cleared remained around 32 Mn in 2022/23.

The company identified its heavy reliance on LankaPay Cheque Imaging and Truncation System (CITS) and LankaPay Interbank Payment System (SLIPS), which accounted for 85% of the total transactional revenue in 2014/15. Having analysed the overall risk of over-dependence on these products, which were at the maturity stage, the company diversified its product

portfolio, increasing the contribution from electronic payment products over the years. Accordingly, by 2022/23, the share of LankaPay Cheque Imaging and Truncation System (CITS) and LankaPay Interbank Payment System (SLIPS) was as low as 26% of total revenue compared to 32% during the previous year. The company's far-sighted approach to diversifying its product portfolio in time, coupled with the overall marketing strategy, once again paid rich dividends, enabling the company to weather the adverse macro-environmental conditions and post a remarkable performance in the year under review.

From a brand point of view, the year under review turned out to be eventful. The change of corporate name from LankaClear to LankaPay was a great move towards building greater brand affinity under a unified brand name. Alongside this, all the corporate stationery was redesigned.

The year 2022 marked the 20th anniversary of LankaPay and, to mark the same, a corporate communication campaign was carried out in November 2022 to establish the contribution we have silently made towards bringing convenience to the lives of every Sri Lankan. The campaign was carried out mainly on digital channels and TV.

Regular marketing activities were adjusted in line with the macroeconomic changes to ensure optimum ROI.

During the year, JustPay continued to post a remarkable 42% growth, surpassing the 15 Mn threshold, facilitating over Rs. 76 Bn worth of transactions. JustPay registrations grew by 29% during the year. The practical difficulties faced by customers in performing daily

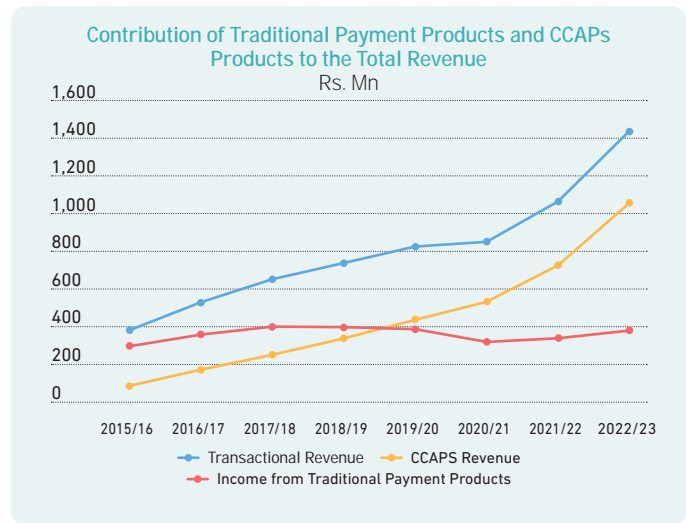
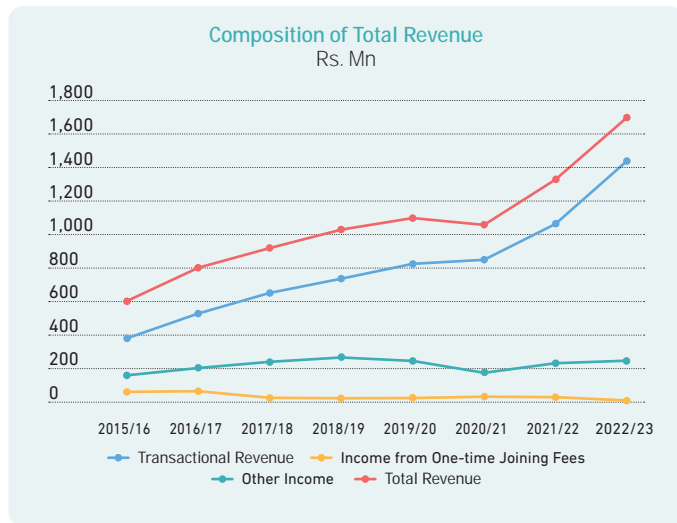
chores during the year due to fuel shortage were found to be a compelling reason to shift from cash payments to mobile payments for day-to-day transactions. Several social media campaigns and joint promotions with JustPay-enabled apps were carried out to drive transaction volumes and registrations. It was heartening to note that we were able to keep some of those micro and SME enterprises alive by empowering them with a convenient, affordable and accessible mode of payment in partnership with the JustPay-enabled apps and member banks whilst helping the economy to function in an exceptionally challenging environment.

With the fuel shortage, organisations across the country faced difficulties in



getting documents signed physically in a distant working set-up. LankaPay identified the need to facilitate the corporate sector with digital signature solutions through the product LankaSign.

In addition to the above, the company continued to campaign towards raising public awareness of its leading role as the National Payment Network, which was timely with 'going local' becoming a focal point alongside the rupee depreciation. In this direction, the merchant acquisition drive towards onboarding merchants for the LankaPay National Card Scheme (NCS) was found to be effective in getting more merchants as well as creating an interest in potential acquirer banks joining the scheme which is paramount towards the success of the project.



### Future Outlook

The marketing efforts of the company will continue to be driving the LankaPay CAS and LankaPay CEFTS volumes which are the highest revenue contributors. JustPay and LankaSign are also considered high on our agenda which are categorised as star category products under the BCG matrix and which have tremendous potential for growth. A public awareness campaign towards countering social engineering attacks is currently in the pipeline of the marketing campaigns. Thought leadership is one of the key aspects of our overall marketing strategy and plays a key role in building and sustaining our corporate reputation as the National Payment Network which drives payment technology innovations in the country. More focus will be placed on LankaPay NCS with a couple of banks commencing the issuance of LankaPay cards.

# Intellectual Capital

## Marketing Performance Summary

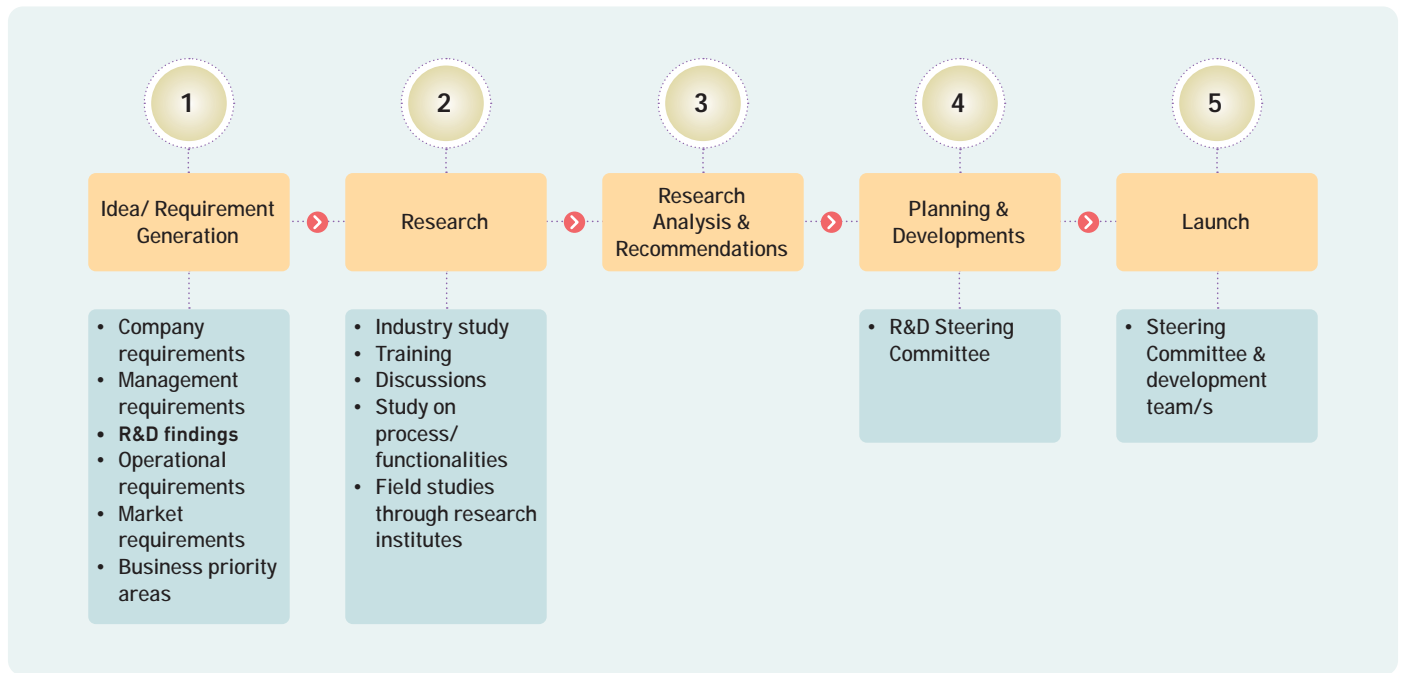
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Transactional Revenue</b>								
CITS	206,192,887	257,150,837	290,693,941	278,848,207	254,467,199	185,412,586	185,522,866	214,154,279
SLIPS	88,261,281	100,607,905	110,966,154	120,918,805	134,322,353	132,519,768	153,266,692	167,313,254
CAS	84,559,093	157,848,247	214,410,862	258,703,476	293,705,955	295,635,544	358,536,163	504,382,713
SAS	28,148	483,640	1,070,687	1,466,956	2,149,728	2,208,427	2,472,819	2,190,385
CEFTS	675,308	12,020,138	34,095,731	76,752,496	140,484,530	233,800,865	364,691,147	552,009,619
<b>Total Transactional Revenue</b>	<b>379,716,717</b>	<b>528,110,767</b>	<b>651,237,375</b>	<b>736,689,939</b>	<b>825,129,764</b>	<b>849,577,190</b>	<b>1,064,489,687</b>	<b>1,440,050,250</b>
CCAPS Revenue	85,262,549	170,352,025	249,577,280	336,922,928	436,340,213	531,644,835	725,700,129	1,058,582,717
Income from One-time Joining Fees	63,730,000	68,952,500	25,359,511	22,575,000	24,325,000	32,726,190	30,446,137	9,006,377
Other Income	158,194,249	203,698,037	241,906,616	269,792,165	248,254,510	174,851,327	234,359,826	249,945,908
<b>Total Revenue</b>	<b>601,640,965</b>	<b>800,761,303</b>	<b>918,503,011</b>	<b>1,029,057,105</b>	<b>1,097,709,274</b>	<b>1,057,154,707</b>	<b>1,329,295,649</b>	<b>1,699,002,535</b>
Growth in Transactional Revenue (%)	18%	39%	23%	13%	12%	3%	25%	35%
Growth in Income from One-time Joining Fees	65%	8%	-63%	-11%	8%	35%	-7%	-70%
Growth in Other Income (%)	0%	29%	19%	12%	-8%	-30%	34%	7%
Share of Transactional Revenue as a Percentage of the Total Revenue	63%	66%	71%	72%	75%	80%	80%	85%
<b>Revenue from CCAPS Transactions</b>	<b>85,262,549</b>	<b>170,352,025</b>	<b>249,577,280</b>	<b>336,922,928</b>	<b>436,340,213</b>	<b>531,644,835</b>	<b>725,700,129</b>	<b>1,058,582,717</b>
Growth in CCAPS Transactional Revenue	74%	100%	47%	35%	30%	22%	37%	46%
Revenue from CCAPS as a Percentage of Transactional Revenue	22%	32%	38%	46%	53%	63%	68%	74%

## R&D as a Key Enabler for Future

To plan for future direction and growth of the company, research and development was identified as a key enabler and we established a Research and Development (R&D) Department in 2021. The objective was to understand the latest developments in the technology sphere as well as how financial sector would embrace these developments so that LankaClear could map its business model to explore new opportunities. On this journey, the initial work was proposed to be conducted via desk research and the areas for research were to be determined based on company's strategic directions, such as:

- Identify new solutions/services
- Improve existing products
- Gain market insights
- Improve customer service
- Improve existing processes

In this context, our first exercise was to develop the organisation's basic research and development strategy and scope.



Any task that comes to R&D to be executed in five stages:

#### Stage 1: Idea/Requirement Generation

The R&D Department is tailored to meet a variety of requirements. For example, R&D reports can explore business priorities for the company, support management requests, handle operational or market requirements, or it may be a report that addresses a specific area identified by the management. These requirements may initiate at the company Board and the Management level of the company.

#### Stage 2: Research

The R&D team will conduct the study, prioritising research and development

for key requirements. Understanding the R&D requirement and prioritising is done via necessary discussions, after which the research will begin. Each research may differ from each other and could require relevant industry studies, training sessions, discussion sessions, process/ activity studies, and could involve field studies with the assistance of external research agencies.

#### Stage 3: Research Analysis & Recommendations

Once the information is gathered, R&D Department will compile and scrutinise them to generate meaningful outcomes. The information will be meticulously analysed by the R&D team to meet the initial requirement and

to reports the outcomes to the R&D Steering Committee with the necessary recommendations.

#### Stage 4: Planning & Development

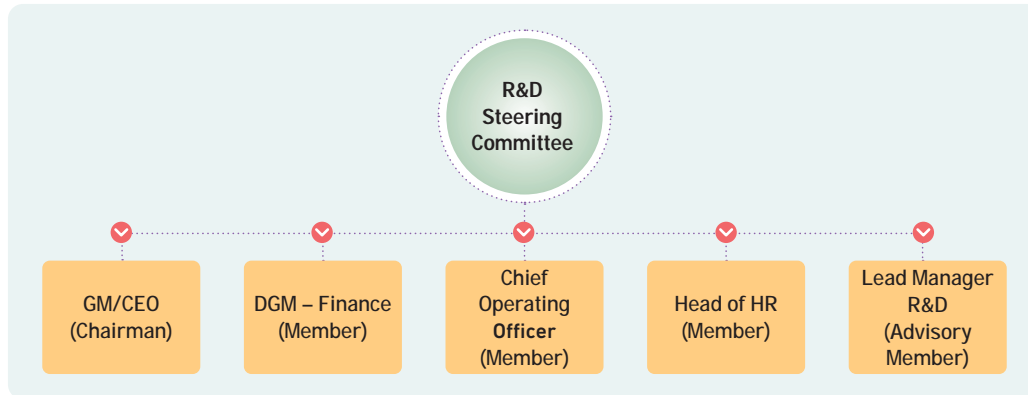
The R&D Steering Committee is chaired by the General Manager/CEO of LankaPay and has three other Senior Corporate Managers as members of the Committee. Lead Manager R&D is an advisory member to the Steering Committee, who submits/presents the R&D reports to the Steering Committee and does not govern the decisions of the Committee. The R&D Steering Committee meetings are scheduled for each quarter to follow up on the action items.

All action items were recorded and followed by General Manager/ CEO's office for continuous review of decisions and the development team's appointments made at the meeting. Lead Manager R&D may also closely work with the Steering Committee and development teams to oversee and follow up on the action items as required.

# Intellectual Capital

## Stage 5: Launch

The launch stage is the final stage of implementing the R&D recommendations and R&D Committee decisions. These results can be tangible or intangible. For example, insights received from market research can be used to improve marketing strategies, while consumer survey results and recommendations can be used to improve operations and technical services. The R&D insights are supposed to be reflected in all the development decisions of the company.



### A Year of Breakthroughs in Research and Development

During the year under review, the Research and Development Department (R&D) played a significant role in conducting various forms of research, with a primary focus on market research, desk research, customer surveys, employee surveys and conceptualisation of ideas.

LankaPay R&D aimed to gain insights into the behaviour of people using smartphones and travelling in public transport through an external survey conducted through Survey Research Lanka, in support of the Sri Lanka Transit Card and Virtual Card initiatives. During the extensive study, researchers collected a wealth of information on various aspects of public transport users' smartphone usage. This included, but was not limited to, the proportion of users who use smartphones, their language preferences, frequency of internet and

media use, the prevalence of smartphones and the types of activities carried out using smartphones. Our marketing and future product development communications can benefit from these inputs.

R&D has recently conducted an internal survey among employees, focusing on the theme of "HelpUsHelpYou." The survey aimed to assess employee satisfaction levels and gather their valuable feedback on how internal services can be improved. This marks the first time that such a survey has been conducted by LankaPay R&D.

Another significant achievement in R&D involves the establishment of a sustainability framework for the company. This involved a substantial amount of brainstorming, conceptualisation and discussions with multiple stakeholders. As a result, the regular work practices of staff

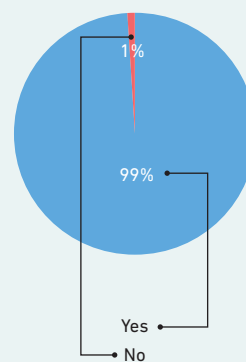
can now be synchronised with the sustainability framework of the company.

Throughout the year, R&D conducted a number of secondary researches to gain a better grasp of emerging concepts such as Central Bank Digital Currency (CBDC), Internet of Things (IoT), E-commerce, Internet Payment Gateways and Shared KYC, etc. Further, R&D conducted

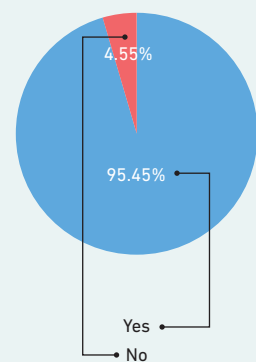
extensive desk research as to how other countries operate their payment and clearing systems. This enabled LankaPay to get a more comprehensive understanding of these concepts, revise its strategies and make more informed decisions.

Furthermore, an additional survey was conducted by the R&D team for member banks and financial institutions of LankaPay, contributing to the fulfillment of a corporate objective for the current year. In addition, a survey was carried out among customers utilising digital signatures from LankaPay to obtain valuable insights on enhancing customer satisfaction for the next year. R&D anticipated that these customer satisfaction surveys would provide holistic customer feedback to the company for improvements, new product/service development, better reputation management and enhancement of customer engagement.

Proud to be An Employee of LankaPay



Satisfied with the Support Received from LankaPay



# Social & Relationship Capital

As the operator of the country's National Payment Network, LankaPay provides an essential national service providing a secure and reliable common back-end network for the entire financial sector.



55

Participants



24x7

Call Centre Support



Within  
24 hours

Inquiries/Activities are  
Address

As the operator of the country's National Payment Network, LankaPay provides an essential national service providing a secure and reliable common back-end network for the entire financial sector. This has a far-reaching impact on the economy and Sri Lankans from all walks of life in every nook and corner of the island. We are true to our quest to foster financial inclusivity by empowering every Sri Lankan with faster, secure, convenient, reliable and accessible digital financial services and enriching their lives.

As a socially responsible entity, we, at LankaPay, have always believed that our success is dependent on, not just the quality of our products and services, but also on the relationships we build with our stakeholders. We recognise that maintaining and strengthening these relationships is key to creating value for all our stakeholders, and our focus on social and relationship capital is integral to our success.

Our approach to social and relationship capital is built on the foundation of our core values—transparency, integrity, and customer-centricity. We believe that transparency and integrity are key to building trust with all our stakeholders. Therefore, we ensure that all our interactions with them are transparent, and our actions are always guided by ethical principles.

We take pride in the fact that we are a customer-centric organisation, and this is reflected in the way we interact with our customers. We believe that customer satisfaction is not just about providing excellent products and services, but also about how we make them feel. Therefore, we focus on providing personalised experiences to our customers, understanding their unique needs, and exceeding their expectations.

During the past year, the COVID-19 pandemic has affected the world in ways that were unimaginable. It has challenged our ability to maintain relationships with our stakeholders and has forced us to adapt to new ways of interacting with them. We are proud to say that we have risen to this challenge and have managed to maintain our relationships with our stakeholders, despite the challenging circumstances.

# Social & Relationship Capital

One of the ways we have done this is by leveraging technology to ensure that our stakeholders can use our products and services seamlessly. We have invested heavily in our digital infrastructure to ensure that our customers can use our products and services from the comfort of their homes. This has not only helped us to maintain our relationships with our customers but has also allowed us to serve them more efficiently.

In addition to our focus on our customers, we have also placed a significant emphasis on our relationships with our employees, suppliers, and the communities we operate in. We believe that our employees are our greatest asset, and their wellbeing is integral to our success. Therefore, we have implemented policies and programmes that prioritise their physical and mental health.

We have also strengthened our relationships with our suppliers by working closely with them to ensure that we can continue to provide high-quality products and services to our customers. We recognise that our suppliers are an integral part of our value chain, and their success is essential to our success.

Finally, we have continued to focus on our relationships with the communities we operate in. We believe that it is our responsibility to give back to the communities that have supported us, and we have implemented programmes

that focus on creating sustainable value for these communities.

In conclusion, we believe that our focus on social and relationship capital has been instrumental in creating long-term value for all our stakeholders. Our commitment to transparency, integrity, and customer centricity has helped us build trust with our stakeholders, and our ability to adapt to changing circumstances has helped us maintain these relationships, even in challenging times. We are confident that our focus on social and relationship capital will continue to be a key driver of our success in the years to come.

## Investments in Improving Customer Experience

### Seasonal Compliments to its member participants

In an effort to foster goodwill and strengthen our relationships with our valued member participants, LankaPay initiated a delightful gesture this year by sending out seasonal compliments. This gesture was aimed at expressing our gratitude for their continued support and collaboration throughout the year. By extending these thoughtful gestures, we aimed to convey our appreciation for their ongoing partnership and dedication to the LankaPay ecosystem. We believe that these small but meaningful actions contribute to nurturing long-lasting relationships with our members, and we look forward to continuing this tradition of seasonal

compliments in the years to come.

### International Customer Service Week - 2022

Efforts were made to commemorate International Customer Service Week, acknowledging the significance of our customers, and expressing gratitude for their valuable contributions to our business. Once again, we celebrated International Customer Service Week during the year 2022, under the theme "Celebrate Service" and the theme is colourfully illustrated in a teal, lime-green, fuchsia and purple logo that emphasises the importance of our customers and recognises their role in our success.

Throughout this week, we successfully fostered a wide understanding of the value of exceptional customer service by organising a competition where our customers created video clips showcasing the introduction of LankaPay products to customers. Additionally, we enhanced our staff's knowledge of customer service by distributing informative e-flyers and conducting puzzle games among the staff. Apart from decorating LankaPay office premises, gifts were distributed to appreciate the excellent customer service that they provided throughout the year.

Customer Service Week Celebrations at LankaPay 2022



Gifts to LankaPay Employees



Winner of the Puzzle Game Conducted for LankaPay Staff - LankaPay CITS Operations Team



LankaPay Decorations Under the Theme "Celebrate Service"



Organising Team – LankaPay External Services Department



Winner of Creating Video Clips on Introducing LankaPay Products to Customers – NDB Bank

# Social & Relationship Capital

## LankaPay Online Quiz - Season III - 2022

In response to high demand, we proudly hosted the third annual “60 Questions in 60 Minutes” LankaPay Interbank Quiz Competition, aimed at fostering strong customer relationships. Taking into account the prevailing health guidelines, the event was conducted virtually. In August 2022, the competition concluded with great success, showcasing intense competition and culminating in LOLC Finance claiming the coveted first-place position, while Sampath Bank Team 2 and Sampath Bank Team 1 secured the second and third places, respectively. We awarded valuable prizes to these accomplished teams as a token of recognition for their achievements.

## Winners of the LankaPay Online Quiz Competition 2022 – Season III



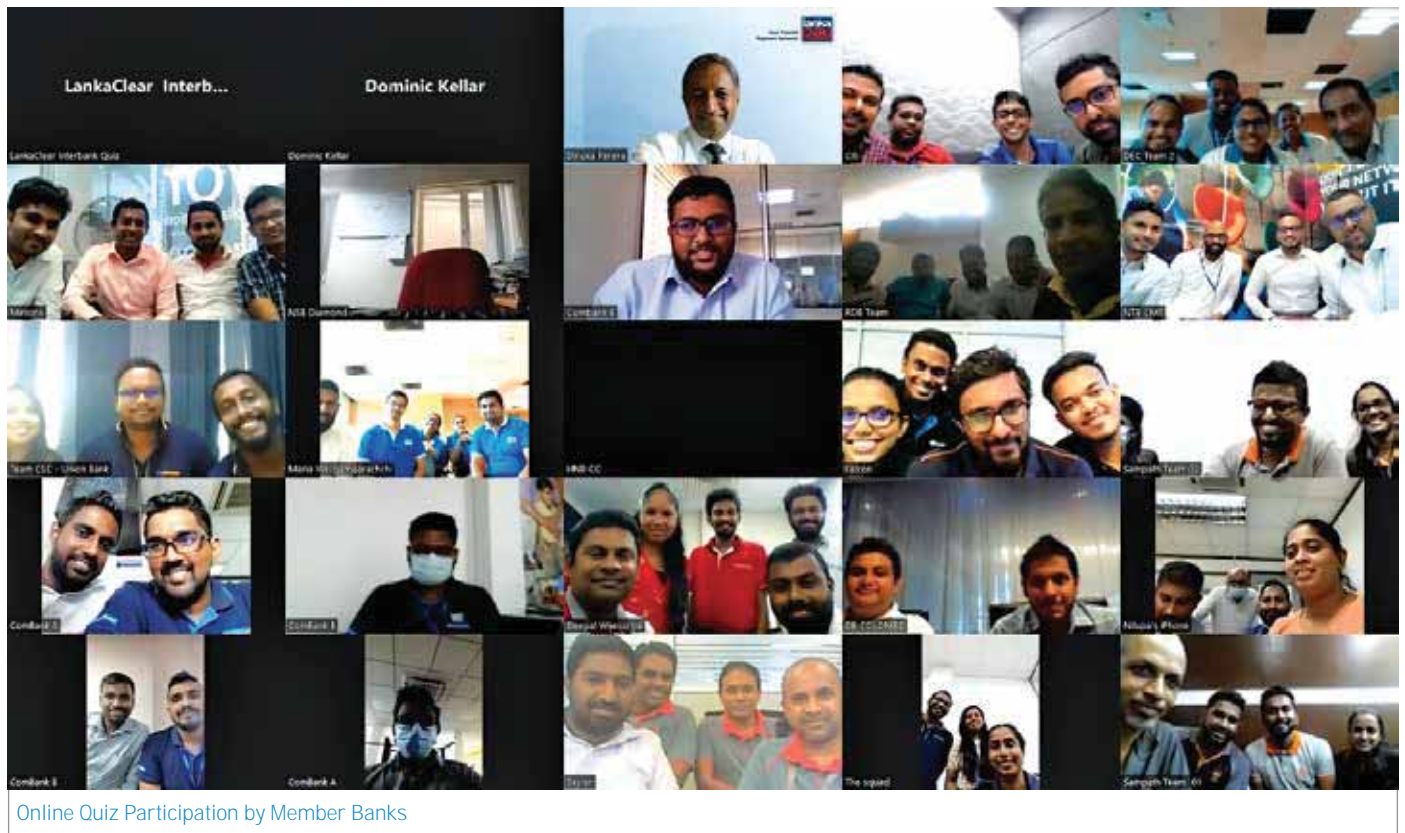
1st Place – LOLC Finance Team “Celebrate Service”



2nd Place – Sampath Bank Team 2

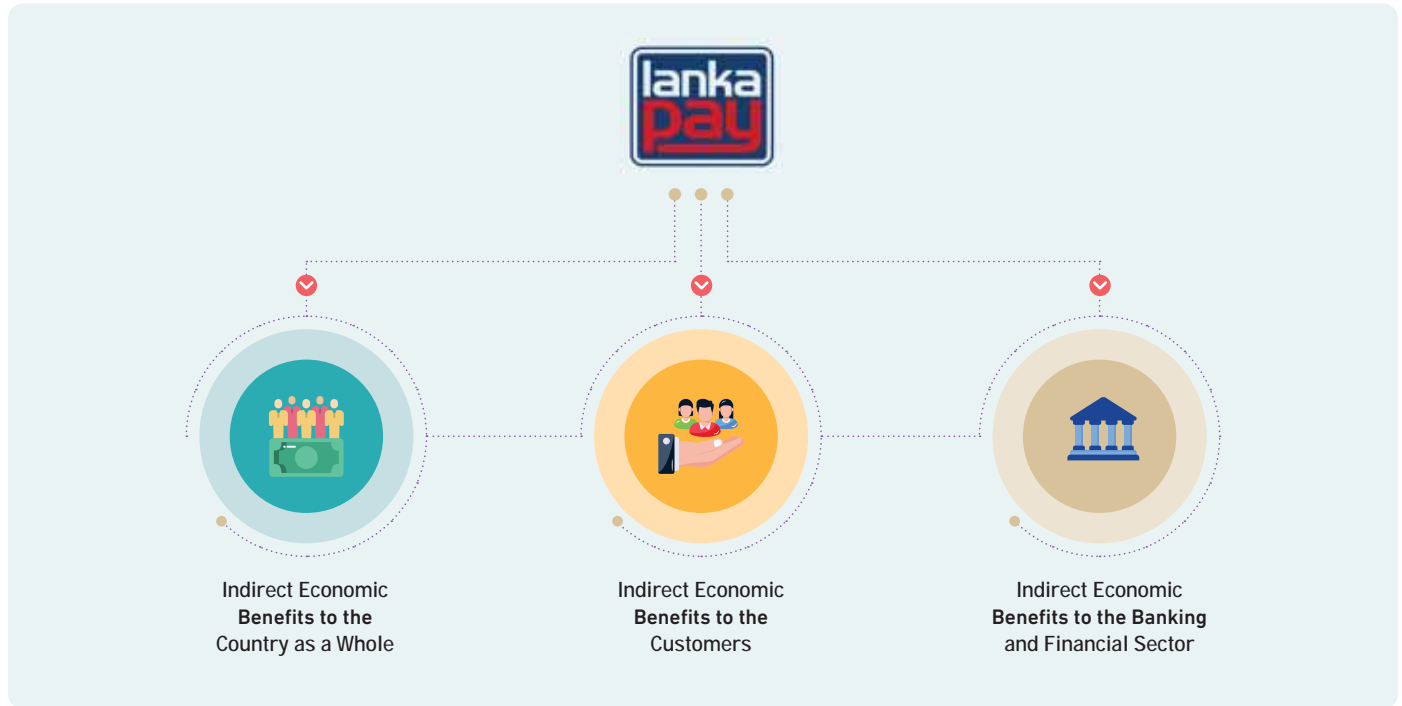


3rd Place – Sampath Bank Team 1



# Social & Relationship Capital

## Indirect Economic Benefits of LankaPay Operations



Operating under the guidance of the Central Bank, LankaPay provides the interbank payment infrastructure to the country's financial sector. The economic benefits of our operations are multitudinous and are generated mainly due to reduced transactional cost, payment technology innovations and saving of valuable foreign exchange to the country.

### Indirect Economic Benefits to the General Public

The very purpose of our existence extends beyond mere commercial intent and boils down to harnessing financial inclusivity by empowering every Sri Lankan with convenient, accessible,

secure, affordable, and humanised digital financial services.

Payment is often not a need but an inevitable step in filling a need in day-to-day life. We strive to make this a hassle-free exercise for our customers as we understand the value of time. Financial consumers today expect our services to be omnipresent and accessible from wherever they are, any device they use, at a time convenient to them and with minimum effort and time. Therefore, we identify our ultimate objective to be providing convenience to everyone, whenever they carry out a digital financial transaction by saving their

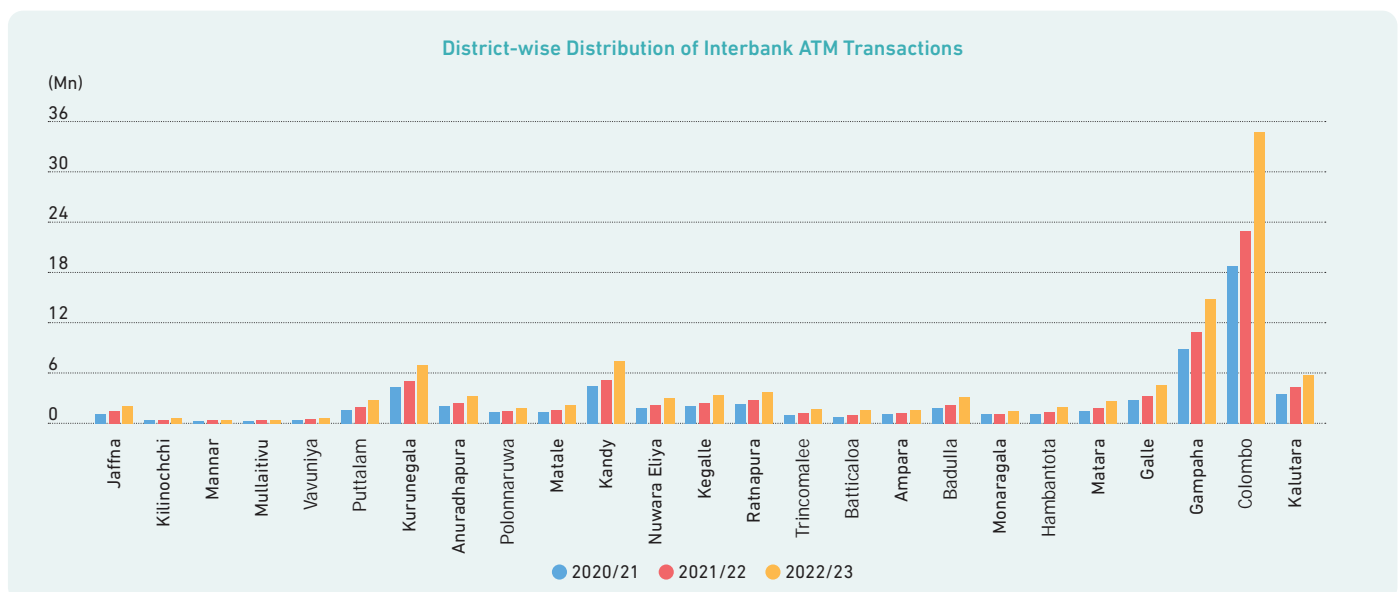
time so that they could spend that time on what really matters to them.

Throughout our journey spanning over 20 years, we have silently touched the lives of every Sri Lankan by facilitating interbank financial transactions from cheque clearing to interbank ATM transactions to interbank fund transfers to interbank mobile payments to interbank QR transactions to almost every single time they carry out an interbank financial transaction.

By establishing the critical interbank payment infrastructure, LankaPay has drastically brought down transaction costs to banking customers. By doing so, the company has made banking services more affordable to a larger segment of the population. This is clearly reflected in the below breakdown of our product-wise business volumes, which is essentially the number of times we have silently facilitated financial transactions performed by customers.

Product Name	2015/16 Volume	2016/17 Volume	2017/18 Volume	2018/19 Volume	2019/20 Volume	2020/21 Volume	2021/22 Volume	2022/23 Volume
Interbank Cheque Clearing	50,290,948	52,577,612	51,450,255	49,353,665	45,045,603	32,816,387	32,843,785	32,480,479
Interbank Same-day Fund Transfers	24,088,234	27,643,863	30,701,857	33,680,734	37,511,191	37,093,664	43,037,464	47,110,639
Interbank ATM Transactions	19,984,603	35,823,455	48,045,269	57,658,471	65,818,146	66,913,946	80,110,607	112,693,390
Interbank Real-time Fund Transfers	77,177	1,373,731	3,897,573	8,882,020	16,993,057	32,730,939	68,889,959	103,507,611
Real-time Payments to Government Institutions			3,026	19,060	49,272	123,476	706,300	876,391
Interbank Mobile payment Transactions			233	139,342	1,481,608	4,366,968	10,882,998	15,874,495
Other Transactions	1,716,428	1,988,331	2,209,962	2,191,901	2,081,643	2,088,444	2,038,642	1,677,123
<b>Total</b>	<b>96,157,390</b>	<b>119,406,992</b>	<b>136,308,175</b>	<b>151,925,193</b>	<b>168,980,520</b>	<b>176,133,824</b>	<b>238,509,755</b>	<b>314,220,128</b>

Making digital financial services accessible and affordable to all is paramount to harnessing financial inclusivity. Being the country's National Payment Network operating under the guidance of the Central Bank, our primary objective is to create financial inclusivity, which in all instances supersedes commercial intent. Accordingly, we have been facilitating interbank payments at much lower rates compared to international payment networks. By reducing transaction costs and introducing multiple payment options that can cater to the changing customer needs, we have propelled greater adoption of digital payments. This is reflected in the steady growth in our transaction volume over the years. In 2022/23, a total of 314 Mn transactions were facilitated compared to 238 Mn transactions in the previous year, by recording a growth in transaction volume of 32% and 35%, respectively. During the year under review, 51.18% of interbank ATM transactions were performed outside the Western Province. With our revolutionary retail payment product, we have also been able to channel small-value day-to-day transactions via digital means and it is heartening to note that the majority of JustPay transactions are below Rs. 250 in value, which is a testament to our pledge towards making digital payments a part of everyday life of everyone. The below Table depicts the district-wise interbank ATM transaction volume distribution from 2020 to 2023.



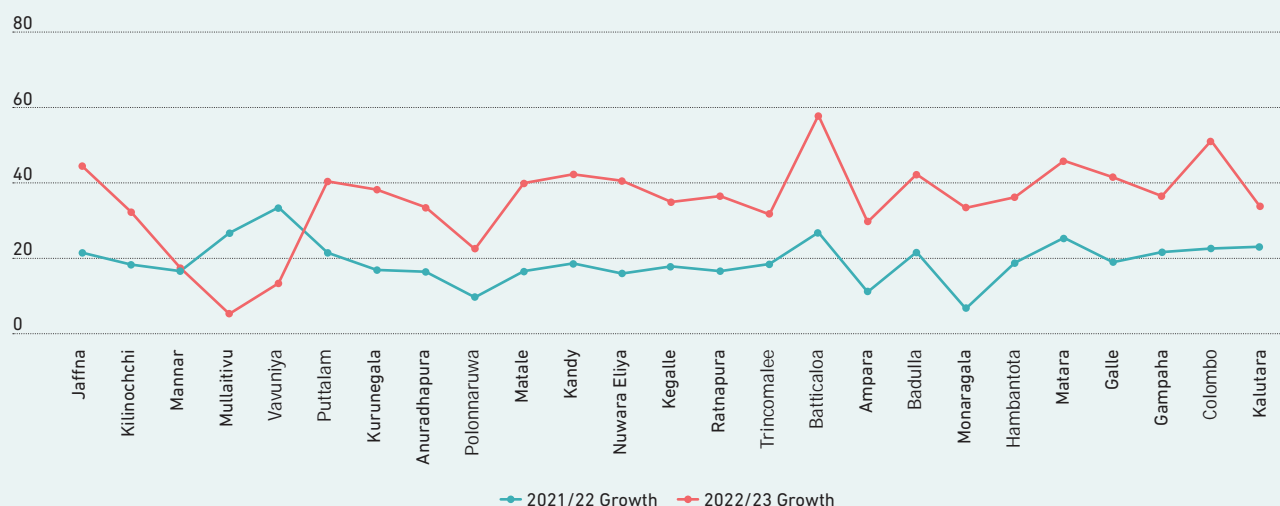
# Social & Relationship Capital

The graph above demonstrates a remarkable surge in interbank ATM transactions, showcasing an impressive growth trajectory in districts with high economic activity. Among these districts, Jaffna, Puttalam, Kurunegala, Anuradhapura, Kandy, Ratnapura, Galle, Gampaha, Colombo, and Kalutara are prominent, witnessing a substantial increase in interbank ATM transactions. This surge highlights the thriving financial landscape and the widespread adoption of modern banking practices in these dynamic regions.

## District-wise Distribution of Interbank ATM Transactions from 2020 to 2023

Province	District	2020/21	2021/22	2022/23	% of ATM Transaction Distribution During FY 2022/23
Northern Province	Jaffna	1,166,105	1,416,643	2,045,155	3.75%
	Kilinochchi	391,554	463,745	613,212	
	Mannar	317,750	370,514	435,952	
	Mullaitivu	340,681	431,229	455,186	
	Vavuniya	431,284	574,314	652,026	
North-western Province	Puttalam	1,614,616	1,960,643	2,749,849	8.61%
	Kurunegala	4,274,456	4,999,687	6,907,845	
North-central Province	Anuradhapura	2,120,297	2,472,154	3,299,847	4.62%
	Polonnaruwa	1,395,298	1,533,354	1,880,162	
Central Province	Matale	1,350,209	1,575,771	2,203,447	11.26%
	Kandy	4,374,190	5,191,100	7,377,235	
	Nuwara Eliya	1,870,743	2,170,896	3,047,848	
Sabaragamuwa Province	Kegalle	2,099,522	2,476,142	3,338,964	6.30%
	Ratnapura	2,340,858	2,730,999	3,724,592	
Eastern Province	Trincomalee	1,060,534	1,256,433	1,654,365	4.36%
	Batticaloa	795,738	1,008,884	1,590,735	
	Ampara	1,137,623	1,266,574	1,641,991	
Uva Province	Badulla	1,815,454	2,209,202	3,139,760	4.15%
	Monaragala	1,063,188	1,137,847	1,517,864	
Southern Province	Hambantota	1,170,719	1,390,470	1,892,958	8.13%
	Matara	1,453,841	1,821,574	2,653,152	
	Galle	2,714,126	3,231,296	4,570,908	
Western Province	Gampaha	8,828,264	10,739,489	14,653,828	48.82%
	Colombo	18,570,376	22,743,933	34,344,102	
	Kalutara	3,495,898	4,298,036	5,747,336	
Total		66,193,324	79,470,929	112,138,319	

**District-wise Growth of Interbank ATM Transactions**  
(%)



The graph presented above depicts the remarkable expansion of interbank transactions across various districts, revealing a positive growth trend in the majority of regions. This observation indicates the presence of a well-informed and financially literate population, underscoring the successful market penetration of the interbank transactions under consideration. However, it is noteworthy that the districts of Mannar, Mullaitivu, and Vavuniya exhibited a distinct pattern with a less favourable outcome as day-to-day life resumed after the pandemic.

With consumers becoming more receptive to digital payments, it is envisaged that the adoption of other payment instruments, such as payment cards, digital wallets, and mobile payments, will also increase in the future.

### Indirect Economic Benefits to Financial Sector

As the operator of the National Payment Network, LankaPay has contributed to the stability, growth, and greater autonomy of the country's financial sector.

Prior to the establishment of LankaPay, interbank clearing operations were carried out by international payment switches at a considerably higher cost. This had a significant impact on the operational cost structure of the banking and financial services sector. By routing these transitions locally, LankaPay has been able to bring down the transaction fees to its member banks drastically. This has contributed immensely towards the growth and profitability of the country's banking and financial sector.

In carrying out its operations, LankaPay has brought greater autonomy to the financial sector by routing most domestic interbank transactions locally, which would have otherwise been routed via international payment networks. Being an entity under the direct purview of the Central Bank, and jointly owned by the Central Bank and all licensed commercial banks in the country, the very purpose of our existence is to serve the country's financial sector.

Since its inception in 2002, the company is fully funded by equity and has been financially independent and stable, without being a burden to the Treasury. The company has also maintained service levels on par with industry standards whilst conforming to the highest international security standards, thereby contributing towards uplifting

public confidence in the banking system and its smooth operation, both of which critical for the sector's stability and growth.

By creating a common payment infrastructure that is shared amongst all its members, the company has promoted a level playing field for all industry players irrespective of their capacity, resource capabilities, and size. As a result, any of our members can now offer the same level of convenience and accessibility to their customers, irrespective of their individual financial and operational prowess, to invest in and maintain a fully-fledged payment system. By doing so, LankaPay has been able to increase usage and enhance the economies of scale of the common payment infrastructure of the country. The existence of a common payment infrastructure alone

# Social & Relationship Capital

has helped foster competition in the industry, which in turn has created numerous benefits for the general public.

Furthermore, by pioneering payment technology innovations, LankaPay has facilitated the banking and financial sector to be innovative and to enhance its product offering. The payment technology innovations pioneered by the company during its 2 decade-long journeys are mentioned under the "Our Milestones" section.

Taking another step forward in the same direction, LankaPay launched LankaPay Technnovation Awards in 2017. The 5th edition of the awards competition was

conducted during the year under review with a view to recognising the banks, Non-banking financial institutions (NBFIs) and FinTechs for their payment technology innovations.

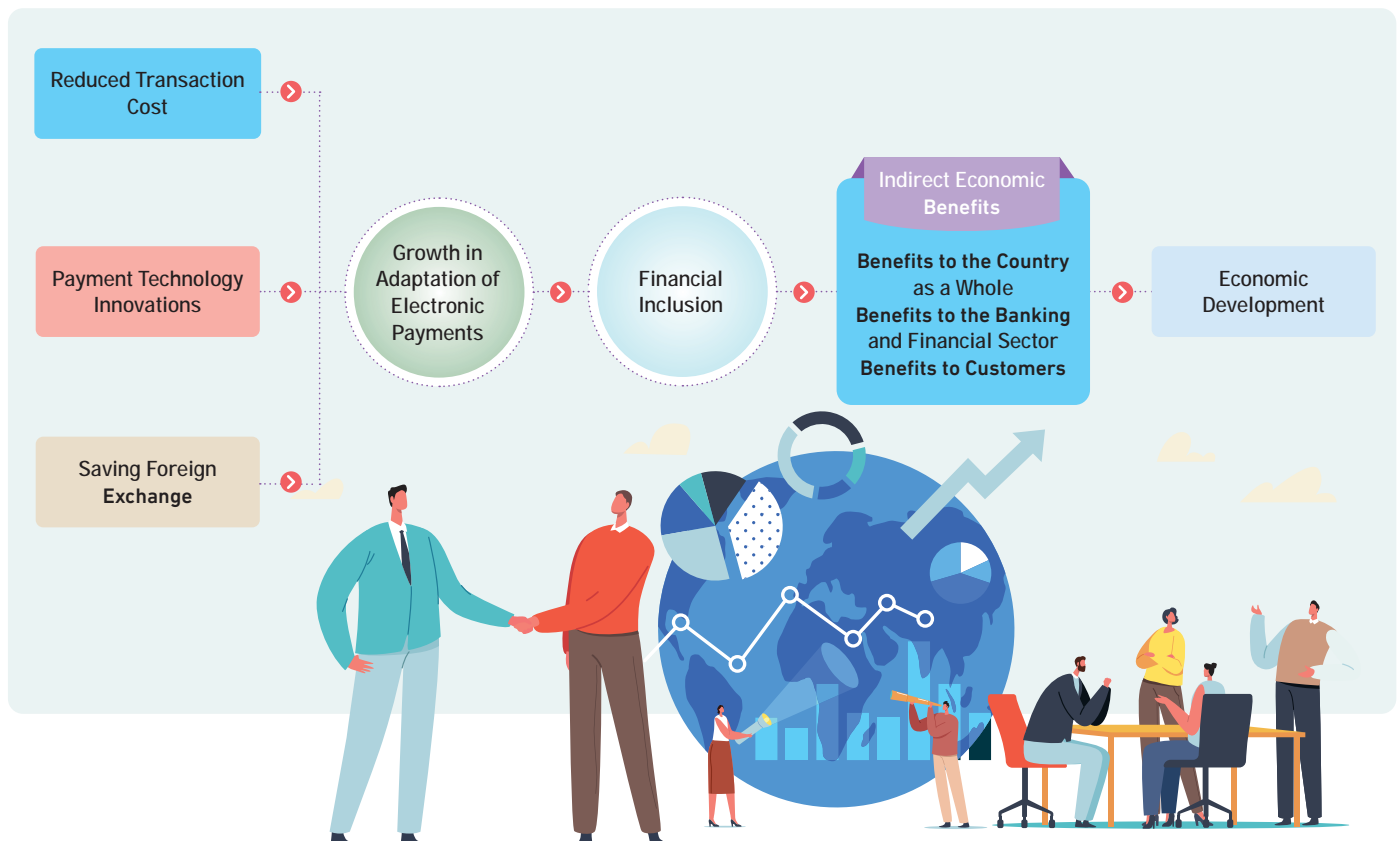
## Indirect Economic Benefits to the Country

The establishment of LankaPay marks one of the most significant milestones in the history of Sri Lanka which has contributed immensely toward the greater socio-economic needs of the country, on terms that are favourable to the country, allowing domestic interbank payments to be routed locally, without having to depend on international payment switches for the same.

Having a domestic autonomous payment switch allows the country to be independent which wouldn't have been so pertinent ever before. Throughout its journey that spans over two decades, we have saved the country billions of dollars of valuable foreign exchange which would have otherwise been paid to international payment switches.

Lower transaction fees and greater convenience have helped take banking services to a larger segment of the population, by making it far more affordable and accessible to them. The ultimate objective of gaining financial inclusivity is expected to make a positive

contribution to attracting currently unbanked cash into the financial ecosystem. This in turn would reduce cash in circulation while helping to uplift their lives, providing them access to digital financial services.



# Natural Capital

The company's business activity of moving the general public into a cashless society, or moving away from a paper-based economy, demonstrates the long-term view of LPPL towards its environmentally friendly business activities while contributing significantly towards reducing paper consumption and waste, which leads to a reduction of cutting down trees.



104 Mn

Online Real-time Payments



55%

Reduction of Paper Usage from Prior Digitalisation



3%

Carbon Emission Increase on Power Consumption against 32% Transaction Volume Increase

## Sustainability

The concept of sustainability is of paramount importance in almost all disciplines and fields across the globe. The integration of this concept into any business through a combination of economic, environmental, and social aspects will pave the way to myriads of positive outcomes, ensuring future success and thereby achieving the sustainability-related, environmental, and socially friendly goals and objectives of the organisation. Global developments have already ensured that the concept of sustainability has increasingly gained momentum throughout the last few years.

Sustainability is the ability to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. Non-consumption of resources that replace themselves is a component of sustainability when producing goods and services. A sustainable business is a business that strives to meet the triple bottom line, which consists of the social, environmental, and economic pillars. LPPL is promoting the sustainability concept to ensure the reduction of total emissions due to its daily operations. This concept of sustainability can be implemented in a vast range of activities that are done on a regular basis. Since the company has made significant profits and it is covered in the "Financial Capital" section and Audited Financial Statements comprehensively, this section is not touching the area of profitability. Also, with respect to people or social aspects, it is covered comprehensively in "Human Capital" and "Social and Relationship Capital" sections. Therefore, this article focuses on the planet or the environmental activities through which LankaPay made its positive contribution towards that area during the FY 2022/23.

## Environmental Responsibility

LankaPay's business activities revolve around facilitating electronic payments that do not lead to significant negative environmental impacts made by traditional businesses such as companies in the manufacturing sector. Also, it does not utilise scarce nonrenewable energy for production purposes, water, and plants, thereby avoiding any contribution to deforestation. On the contrary, the company's business activity of moving the general public into a cashless society, or moving away from a paper-based economy, shows the long-term view of LPPL towards its environmentally friendly business activities while contributing significantly towards reducing paper consumption

# Natural Capital

and waste, which leads to a reduction of cutting down trees. This is achieved in two ways through the introduction of digital products instead of manual processes to facilitate and minimise paper usage by the stakeholders and by internally promoting, introducing, and currently practising digital processes to manual internal business activities.

The introduction of the digital signature system has cut down on paperwork significantly and was extensively used during the pandemic to become a paperless office. It currently extends to the existing and new processes. The system uses digital signing certificates maintained by the certificate authority of LankaPay since 2018. Further, the usage of CDs for cheque clearing is discontinued with the introduction of an online system called CITS Online Image Transfer Solution which has led to a cut down in total emissions due to the activities of LankaPay's business operations. In addition to this with the regulations and awareness programmes initiated by LankaPay, all waste is segregated and sent for recycling or disposal, based on the type of waste. Awareness and monitoring programmes have significantly contributed to achieving 100% waste segregation and addressing environmental concerns.

## Energy Management

LankaPay initiated a new state-of-the-art Data Centre that is more efficient than the previous Data Centre. The

total and sectional energy consumption is regularly monitored and recorded to make sure that the efficiency of the system is always higher which leads to saving energy as well as reducing emissions. The staff were instructed to power down the air conditioning, lights, and computers upon leaving the office premises or when the electronic devices are not in use. In order to reduce the energy wastage of LPPL, several awareness programmes were conducted and all the bulbs were replaced with highly efficient LED bulbs.

## Impact of Online and Mobile Transactions on Sustainability

Online transactions can be identified as the one of most convenient means to transfer money from one bank to another bank and pay bills including electricity, water, telephone, etc. For instance, with multiple duties piled up at the place of work, wasting your time on depositing funds and paying bills while staying in never-ending queues at banks and other bill payment accepting touchpoints would lead to much inconvenience and discomfort.

But with the conversion of behaviour patterns of traditional payment methods to transfer money and pay bills online, all those unnecessary burdens will be off their shoulders. The below can be listed as the benefits of moving towards traditional payment methods to online.

- Ease of doing payments without considering the nearest bank or touchpoint since most of the online transactions happen within 30 seconds via CEFTS (Common Electronic Fund Transfer Switch)
- Time-saving on spending for counting the cash stack, filling unnecessary forms on paying a single bill, transportation.

Analysing the situation in detail, online transactions can be recognised as an effortless, trouble-free and simple mode to augment the concept of sustainability.

As an entity driving towards success, implementing the sustainable concept more widely within the organisation is vital. To promote this concept within the business, the governance structure should explicitly and directly consider the environmental and social performance of the company. It holds a major role in sustainable development in addition to financial performance.

Therefore, while the company's direct negative environmental impacts are minimised, its indirect positive environmental impacts are much more significant and will also improve with time, as an increasing number of Sri Lankans are expected to move towards a paperless future via electronic and mobile transactions powered by the LankaPay National Payment Network.

## Minimising Environmental Impacts

As a responsible corporate entity and as the operator of the National Payment Network, LankaPay is conscious of its environmental responsibility and has also introduced many internal processes to identify and minimise potential direct negative environmental impacts.

At LankaPay, every possible effort is put into making sure all e-waste produced is disposed of according to the current best practices. As a technology-intensive company, it is absolutely critical to ensure all e-waste corresponding to servers, storage drives and other portable media are disposed of and recycled without compromising sensitive data, meeting the guidelines issued by the Central Environmental Authority (CEA) of Sri Lanka. A similar process is followed when disposing of archived CITS CDs, where the company has crushed and sent them for recycling. Moving forward, the requirement to archive on CDs is greatly reduced due to the increase in online clearing cycles while the high reliability of VPN services has shifted the archival media mostly to online modes. The company expects to dispose of the e-waste accumulated due to the completed CCAPS Server upgrade, upcoming head office refurbishment and completed staff workstation upgrades in an eco-friendly manner.

Hazardous waste, such as used lead acid batteries, is returned to the authorised local agent for proper disposal to ensure no waste is used for landfills or hazardous materials added to the soil. This is a practice that LankaPay has maintained since its inception and, to date, the company has not participated in or encouraged any landfills. This signifies the company's commitment towards environmental conservation and sustainability. In addition to that, LPPL has taken substantial measures to reduce its carbon footprint as well by implementing the following:

- 1) Close monitoring of energy consumption through sectional measurement and monitoring of different work areas (Data Centre, LPPL office area etc.).
- 2) Lighting in common areas has been rearranged with the use of LED lights and natural lighting is integrated into the LPPL office areas, where possible, in both the Head office & DR site.
- 3) Generator fuel consumption is monitored in each run and test runs are scheduled to optimise consumption and equipment wear.
- 4) Water consumption on site is closely monitored and the use of air-cooled precision air conditioners for the Data Centres has led to minimum use of water usage by the Data Centre infrastructure.

- 5) Inverter-type air conditioners are used for comfort cooling in office spaces fitted with micro energy meters to monitor and optimise energy consumption while strictly non-CFC-based refrigerants are used.
- 6) Municipal waste is segregated into organic and inorganic waste to be disposed of in an environmentally friendly manner.
- 7) All e-waste is sent for recycling to a CEA-approved recycling company.
- 8) Automated systems and procedures have been implemented to reduce physical printing requirements, thereby reducing paper consumption and waste as a result of LPPL business activities.
- 9) Recycling of LPPL paper waste to produce notebooks for LPPL staff and other stakeholders making optimal use of resources.

#### Highlights 2022/23

Type of Waste	Quantity	Method of Disposal
UPS Batteries (Units)	34	Sealed lead batteries were handed over to a local authorised agent.
Landfills	0	Zero landfills from LankaPay business operations.

The company has further strengthened its commitment towards greater sustainability by implementing best practices in green building concepts in its new Data Centre construction with the integration of high-efficiency precision air conditioning units and UPS systems along with sectional measurement to ensure higher efficiencies which would lead to improved margins. Further, at its core structure, the Data Centre dry walls are constructed using compressed paddy straw boards which are fully recyclable and are manufactured locally according to international standards, while ensuring optimum fire protection capability using native paddy waste.

Moving forward, LPPL hopes to strengthen its commitment towards greater sustainability by implementing green practices, using renewable energy sources and several other effective practices which would contribute to better efficiencies within the organisation and a further reduction of any adverse environmental impacts.

All the stakeholders of the organisation, including both internal and external parties, have been made aware of the positive consequences of working in accordance with the concept of sustainable development. As a recognised private company operating in Sri Lanka, LPPL is in understanding of numerous benefits that can be obtained via these sustainable initiatives, including effective use of resources, reduction in costs, wastage and enhanced LPPL staff morale and motivation. Finally, all these initiatives have led to an enhanced business image, which would help to identify and undertake new business opportunities and ventures.

#### CO2 Emission (Kg)

Power (Electricity) Consumption				
Location	2021/22	2022/23	CO2e (Kg) 2021/22	CO2e (Kg) 2022/23
DR Site	286,388	267,801	151,299	141,479
HO	298,195	307,547	157,536	162,477
Total	584,583	575,348	308,835	303,956
Diesel Consumption				
DR Site	1,489	6,632	3,977	17,712

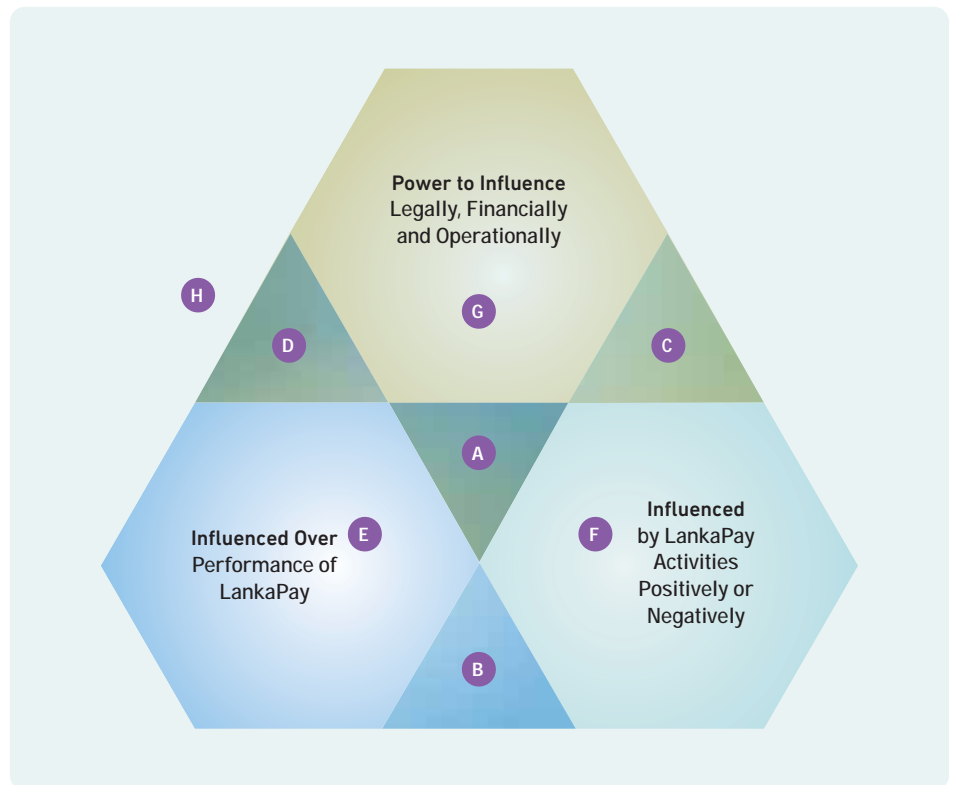
# Stakeholder Engagement Process

As the operator of the National Payment Network, LankaPay has been engaging with multiple stakeholders including both direct and indirect customers in the financial sector. The company's stakeholder engagement process has evolved over the years and is illustrated below:

## 1. Stakeholder Identification

The company's stakeholders were identified via a comprehensive process governed by the criteria depicted in the diagram.

- Those who exhibited all three of the identified characteristics were considered as the critical stakeholders for engagement (a) - **Central Bank of Sri Lanka as the regulator, shareholders, other relevant ministries and government institutions, Board of Directors, Management and employees, licensed commercial banks and major suppliers.**
- Those who exhibited two of the identified characteristics were identified as the next most important stakeholders for engagement. (b, c & d) - **Shareholders other than those who are on the Board, competitors, FinTech apps and customers.**
- Those who exhibited only one or none of the identified characteristics were treated with the lowest significance (e, f, g and h) - **Non-shareholder customers, suppliers, international business partners, auditors, media, agencies, industry bodies and professional institutes.**



## 2. Stakeholders & Method of Engagement 2022/23

Close engagement and careful management of activities with the relevant stakeholders were critical business activities. To ensure that the company achieves its planned outcomes, a comprehensive mechanism to engage with each stakeholder category was designed and implemented. The priority and the effort of the stakeholder engagement were based on the above selection criteria. The frequency at which such engagements take place, methods of engagement, other material aspects concerning stakeholders and our responses are listed in the table below.

### 01. Central Bank of Sri Lanka

#### Description

The Central Bank of Sri Lanka is the financial sector regulator and the largest shareholder of LankaPay. The National Payment Network is operated under the guidance and approval of the Central Bank of Sri Lanka. LankaPay needs to collaborate with the Central Bank of Sri Lanka at multiple levels in designing, implementing and driving an agenda for financial inclusivity via the National Payment Network.

#### Method of Engagement

- Support and assist in devising and executing the payment systems roadmap of the Central Bank via the National Payment Council.
- Discussions at monthly Board meetings and other policy-driven initiatives such as regular meetings and forums.
- Obtaining support and advisory services on all regulatory matters related to payments and settlements - general directions, mandates, participant approvals.
- Consultancy on best business practices.
- Through the provision of settlement-related financial services.
- Driving new payment and settlement initiatives for the banking and finance sector.
- Driving awareness amongst industry stakeholders.
- Joint initiatives towards driving adoption of electronic and digital payments. One of such notable initiatives implemented during the year was the launch of national remittance mobile application-LankaRemit.

### 02. Board of Directors

#### Description

The Board constitutes of two Directors and the Chairman of the Board is nominated by the Central Bank of Lanka. There are two Directors representing the two state banks, two Directors representing the private local commercial banks, one Director representing the branches of the foreign banks and one Observer representing the Sri Lanka Banks' Association.

#### Method of Engagement

- Engagement at monthly Board meetings.
- Via submitting Board papers for approval and information.
- Engagement in Board HR, Risk and Audit Committee meetings (Refer to details under the "Corporate Governance" section).
- One-on-one engagements as required.
- Monthly and quarterly management accounts and annual audited financial statements.

### 03. Shareholders

#### Description

Central Bank and all licensed commercial banks which have contributed to the share capital of LankaPay.

#### Method of Engagement

- AGM held on 28th August 2022.
- Annual/monthly reports and circulations.

# Stakeholder Engagement Process

## 04. Banks, Non-bank Financial Institutions and Other Select Corporates

### Description

All licensed banks and non-banking financial institutions serve as direct customers of LankaPay as all its services are offered via those institutions. The company also provides a limited set of customised solutions on digital security and other payment-related services outside the scope of the national switch to a selected number of corporate customers and government organisations.

### Method of Engagement

- The company assigned account managers for high-volume member banks and NBFIs who act as relationship managers for those banks. Review meetings are held weekly and the account managers actively engage with those banks in their interactions with LankaPay.
- LankaPay Member Portal was launched as an add-on to the company website, allowing permitted staff of member banks to access information relating to LankaPay products and services conveniently.
- Customer satisfaction surveys are conducted annually.
- LankaPay Technnovation Awards has been a great platform to promote healthy competition among member institutions.
- LankaPay organised LankaPay Technnovation Awards for the 4th consecutive year in 2022 March, attended by over 200 participants, mainly decision-making level officials of member institutions.
- Conducted an awareness session on the legal validity of digital signatures for banks in association with ICTA.
- LankaPay Interbank Quiz Competition conducted for the second year.
- LankaPay engages with its member institutions on a regular basis:
  - through the provision of clearing and other services.
  - progress review meetings.
  - through the charges levied for LankaPay services.
  - provide advisory services.
  - training and awareness programmes on LankaPay products and services. During the year 12 trainings were conducted for member banks, NBFIs and FinTech apps.
  - Joint promotions - during the year LankaPay conducted over 13 joint promotional activities engaging banks, NBFIs and FinTechs for JustPay.

## 05. Relevant Ministries and Government Institutions

### Description

The company works closely with the Ministry of Finance, Ministry of Telecommunication and Digital Infrastructure and other ministries and government institutions when required to facilitate citizen payments towards government services as well as digital certificate-based services.

### Method of Engagement

- Meetings and deliberations relating to payment-related policy making and e-government initiatives. Amongst numerous government agencies that LankaPay is closely associated during the year are the Ministry of Digital Infrastructure, Ministry of Transport, National Transport Commission (NTC), Sri Lanka Transport Board (SLTB), ICTA, Sri Lanka Customs, Sri Lanka Port Authority, Inland Revenue Department, Import Export Control Department, BOI, Sri Lanka Standard Institute and EPF Department.
- Together with ICTA, a mandate was issued to all government institutions via the Presidential Secretariat directing all government institutions to accept LankaSign digital certificates.
- Together with Sri Lanka Customs and Inland Revenue Department, LankaPay conducted awareness sessions for their customers.
- LankaPay works closely with several government institutions with regard to LankaPay Government Payment Platform.
- Chairman of ICTA headed the judging panel of LankaPay Technnovation Awards. LankaPay also collaborated with ICTA for several e-government projects during the year.
- LankaPay partnered with the Ministry of Transport, SLTB and NTC to launch the Sri Lanka Transit Card project.

## 06. Employees

### Description

A core set of stakeholders equipped with special technology and financial industry-related skills and experience in operating the National Payment Network.

### Method of Engagement

- Engagement with employees happens at multiple levels and is done extensively, which is described in detail under the "Human Capital" section of this report.

## 07. Customers

### Description

Any Sri Lankan with a bank account is potentially a consumer of our services. They are the ultimate beneficiaries of convenience provided through our product offerings. They are customers of our member banks and financial institutions which can be individuals, merchants, corporates as well as government institutions. Their adoption of electronic payments and digital payment instruments directly affects the business outcomes of LankaPay.

### Method of Engagement

- Advertising on radio, print and social media.
- On-air promotions with radio stations.
- Social media engagement campaigns.
- Market research activities.
- Interactions through joint promotions with banks and JustPay-enabled app. LankaPay carried out several common promotions for JustPay and exclusive promotions with a few selected JustPay-enabled apps during the year.
- Media releases, strategic PR and blogs.

## 09. Suppliers

### Description

Suppliers/vendors of technology solutions play a vital role in providing and supporting the world-class technology back-end on which the mission-critical National Payment Network is being operated.

LankaPay has identified two categories under this stakeholder group. The major suppliers are those who provide operational critical services and supplies; and other suppliers who provide non-critical services and supplies.

### Method of Engagement

- In-house vendor support staff.
- The 24x7x365 service support.
- Suppliers' forums (local/foreign).
- Tender/RFP/EOI procedures.
- Timely payments.
- Concept briefing/pre-bid meetings.
- Scheduled meetings with existing vendors.
- Awareness sessions conducted by vendors.
- Planning and implementing interventions with suppliers.
- Building wider credibility through transparency.
- Embrace and invite supplier-led innovation.

## 08. Competitors

### Description

The biggest competitor of digital payments is cash. Being a cash-based economy where over 95% of the transactions are taking place in cash, LankaPay considers its biggest competition to be coming from cash. Other organisations who carry out similar business activities as LankaPay in the local market such as international card schemes are the other competitors.

### Method of Engagement

- With the launch of the National Card Scheme (NCS) the only domestic card scheme in Sri Lanka, the company has entered into direct competition with existing international cards schemes to compete for the payment card industry in Sri Lanka.
- LankaPay considers its biggest competition to come from the habit of using cash with over 95% of retail transactions taking place via cash. In this light, the company constantly monitors the market to understand the emerging and unmet needs of the public, as our prime objective is to promote financial inclusivity by ensuring that our offerings are accessible and affordable to a larger segment of the population in addition to being convenient and secure.

## 10. International Business Partners – JCB International

### Description

LankaPay has partnered with JCB International to establish the National Card Scheme and facilitate the domestic payment card which is co-branded with JCB International.

### Method of Engagement

- Service provision to LankaPay customers internationally.
- Ongoing agreements.
- Technology sharing.
- Brand support given to LankaPay.
- Brand and marketing support given to LankaPay.

# Stakeholder Engagement Process

## 11. International Business Partners – UnionPay International

### Description

LankaPay has partnered with UnionPay International to establish the acceptance in LankaQR to UnionPay International customers.

### Method of Engagement

- Service provision to UnionPay customers within Sri Lanka.
- Technology sharing.

## 12. International Business Partners – Asian Payment Network (APN)

### Description

LankaPay obtained membership in the Asian Payment Network (APN). APN enables reliable, innovative, fast, secure and convenient financial services for its customers throughout Asia Pacific.

### Method of Engagement

- Technology sharing.
- Agreement sharing.

## 13. Third Party Payment App Developers (FinTech)

### Description

LankaPay collaborates with innovative software development companies that create creative payment applications and their acquiring financial institutions to facilitate initiatives such as JustPay.

### Method of Engagement

- LankaPay closely associates with premier industry bodies FITIS, BCS Sri Lanka Region, and Computer Society of Sri Lanka towards raising awareness on LankaPay product offerings amongst the IT fraternity.
- LankaPay continued with the joint initiative with BCS Sri Lanka to support "The Best Mobile Payment Application of the Year" category at the NBQSA 2021.
- LankaPay GM/CEO was the Deputy Chairman of the FITIS Digital Services Chapter.
- Technical guidance.
- Facilitating partnerships with LankaPay members to promote such payment applications.

## 14. Auditors

### Description

Auditors of LankaPay carry out the following external audits:

1. Financial audits – internal & external audits.
2. IT audits.
3. Systems security audits.
4. Compliance and procedural audits.

### Method of Engagement

- Auditors' reports.
- Meetings with Board Audit Committee, management, etc.
- Advisory and assurance services.
- Provision of information required to auditors as and when requested.

## 15. Media

### Description

LankaPay intends for local media to create awareness for its services under a single umbrella brand 'LankaPay'. Given the national significance of the role played by the company, the media plays a pivotal role in the successful implementation of the company's thought leadership initiatives which is essential in shaping public opinion on the company and its services. This is to put a concerted effort into build brand equity (awareness and loyalty).

The company engaged with media buying houses, electronic media stations, and newsprint publications, business editors, leading business magazines and outdoor advertising agencies during the year under review to drive awareness, in addition to social media which, too, has become an integral part of the company's media mix.

### Method of Engagement

- Media events such as press conferences.
- Press releases and interviews.
- Press advertisements.
- One-on-one engagements and meetings.
- Other goodwill measures such as sponsorships.

## 16. Agencies

### Description

LankaPay engaged with a wide range of external agencies to carry out its branding and communications-related activities. These include advertising, media buying, outdoor, digital media, PR and research agencies, etc.

### Method of Engagement

- Execution of communications and branding activities.
- Strategy meetings/pitch presentations and reviews.
- Timely payments.

## 17. Industry Bodies and Professional Institutes

### Description

LankaPay closely works with Sri Lanka Bank's Association (SLBA). The Secretary General of SLBA serves on our Board as an Observer. GM/CEO of LankaPay serves on the Board of SL CERT. He also served as the Digital Services Chapter-Deputy Chairman of FITIS. LankaPay has been associated with AAT SL, CIMA Sri Lanka, FITIS, Bar Association of Sri Lanka, Ceylon Chamber of Commerce – SME Chamber and BCS Sri Lanka also during the year.



LankaPay Partnering with UnionPay International

# Stakeholder Engagement Process

## Stakeholder Feedback & Review 2022/23

The status of material aspects about stakeholders during the year 2022/23 are elaborated in the below table:

Stakeholder Group	Feedback Under Each Material Aspect
Central Bank of Sri Lanka, Member Banks, NBFIs, FinTechs, Customers	<b>Ensure trust and high availability of all payment systems in LankaPay National Payment Network</b>
	<ul style="list-style-type: none"> <li>We are continuously committed to ensuring delivery cut-off times, no breaches of financially and legally critical rules and regulations, ensuring system patches are implemented at the earliest possible times, timely update of operations documents, identification and filling skill gaps, ensuring required Disaster Recovery site live runs and Business Continuity Plan Management.</li> <li>During the year, uptime of 99.72% and 100% was maintained for CITS and CCAPS, respectively.</li> <li>During the year under review, we implemented a brand new primary Data Centre to further strengthen the IT and security infrastructure of the organisation. We designed and built our brand new state-of-the-art data centre with 2 hours of fire resistance enclosure, which is aligned with the 'Uptime Tier 3' standard and has capabilities of N+1 availability on power architected with primary and secondary feeders, and precision air-conditioning system.</li> <li>During the year under review, a major upgrade of the infrastructure of Common Card and Payment Switch was undertaken for hardware and software enhancing the capacity and the security in many ways.</li> </ul>
	<b>Enhance information security and compliance</b>
	LankaPay as the first entity in Sri Lanka to obtain the certification of PCI-DSS reaffirmed compliance for the 6th consecutive year as well, which affirmed the best-of-class security standards. Regular scans, tests and audits were carried out during the year to identify gaps, which were bridged immediately.
	<b>Implement industry best practices for LankaPay products</b>
	<ul style="list-style-type: none"> <li>Obtaining PCI-DSS recertification for CCAPS.</li> <li>Obtaining ISO 27001 recertification for LankaSign.</li> <li>Maintaining Business Continuity Plan Management to the industry's best practices.</li> </ul>
	<b>Timely introduction of innovative and efficient payment solutions and services to best meet customer expectations whilst driving financial inclusivity</b>
	<p>We have continuously strived to deliver value for customers where new products were introduced while others were further improved. During the year under review:</p> <ul style="list-style-type: none"> <li>JustPay is in full-scale operation with many FinTech applications, enabling customers to make retail payments using their bank accounts via the JustPay-enabled apps.</li> <li>Facilitating the operation of LankaQR, the company has enabled multi-bank QR payments through a unified QR code introduced in 2020 under the guidance of the Central Bank.</li> <li>During the year under review, the company launched LankaRemit, the national remittance mobile application, towards attracting remittances through formal channels.</li> <li>LankaPay, through the LankaPay Government Payment Platform, extended its services to the Inland Revenue Department, Board of Investment, Sri Lanka Ports Authority, Sri Lanka Customs and e-Local Government to facilitate tax and government payments. This would provide a more convenient and economical option to the existing manual process, which is cumbersome and time-consuming. With the new system, customers could make payments online and in real time by simply logging into the member banks' internet banking portal.</li> <li>Significant progress was made in the National Card Scheme towards making 'cards' an affordable option for many customers. MCB Bank was the first bank to issue a debit card under the NCS initiative in August 2018, which is a chip-based (EMV) co-branded LankaPay card with international acceptance via the JCB network. LankaPay is in the process of introducing the "LankaPay 2in1" card, a chip-based NFC card with both debit and stored value functionality for providing a secure tap-and-go convenience for low-value payments. Currently, LankaPay together with National Transport Commission, Sri Lanka Transport Board and People's Bank is working towards issuing the first-ever Transit Card in Sri Lanka with the use of the 'LankaPay 2in1' functionality.</li> <li>Common QR code for the financial sector and Payment Exchange Number (PEN), which are novel solutions, were introduced and gained momentum during the year.</li> </ul>

Stakeholder Group	Feedback Under Each Material Aspect
	<b>Manage banks and financial institution integration with LankaPay products</b> Smooth integration of the new participants to LankaPay products is a vital task in an environment where the product line is continuously enhancing. The task was achieved whilst keeping the systems stable and providing the best experience for new participants.
Customer	<b>Enhance customer satisfaction levels</b> <ul style="list-style-type: none"> <li>• Conduct quarterly progress review meetings, achieving laid-out KPI targets.</li> <li>• Market research.</li> <li>• Customer surveys during brand activations and awareness campaigns.</li> <li>• We have taken continuous efforts to celebrate International Customer Service Week to recognise the importance of customers and appreciate the internal and external customers for their day-to-day support.</li> <li>• All inquiries/activities and complaints are resolved within the stipulated target timelines unless otherwise extended due to official reasons.</li> <li>• Inquires/activities are addressed within 24 hours.</li> <li>• Complaints are addressed within 48 hours.</li> </ul>
Management	<b>Ensure the availability of a highly qualified, trained, efficient, and motivated team of staff members</b> Even though the year was very challenging, the company was able to create many learning and development opportunities for our employees in the accomplishment of new projects. During the period under review, the company was able to fill many of the identified competency gaps even though the facilitating of external training was beyond our reach.
Employees	<b>Ensure fair and equitable compensation and benefits to all employees</b> Amidst challenging financial conditions, full salary amounts were paid with fair increments and bonuses.
Shareholders, Management, Employees	<b>Enhancing the overall financial health of the organisation through driving increased revenue and profitability growth while safeguarding company assets</b> Annual and monthly revenue profit targets were set and financial performance was monitored regularly.  Further cost management initiatives were undertaken continuously. Cost items were regularly monitored and procurements were negotiated to obtain the best prices in the market.  Account management paid special attention to enhancing revenue and driving required promotional activities and customer enrolments.  The close monitoring of revenue accounts and cost management initiatives was instrumental in achieving improved financial results.  Achieving healthy financial results over the years is a key indicator to sound financial performance and the health of the organisation and further details are discussed under "Financial Capital".
Shareholders, Management, Suppliers	<b>Ensuring continued contractual safeguards and contractual rights</b> Timely negotiation, drafting and execution of new contracts or renewing of existing contracts and timely serving of contractual/legal notices, letters of demand or imposition of penalties against defaulting parties.

# Stakeholder Engagement Process

Stakeholder Group	Feedback Under Each Material Aspect
Shareholders, Management, Customers	<p><b>Take the LankaPay brand to the masses</b></p> <p>Brand building and creating awareness is one of the key challenges that LankaPay had to address to make optimum use of the payment systems offered for the greater benefit of society, which would lead to adequate revenue generation for the company and its members.</p> <p>During the year under review, a strong promotional brand development plan was executed through print, media, social media campaigns, and event sponsorships.</p> <p>LankaPay conducted a social media campaign towards raising public awareness of social engineering and preventing financial scams as a means to addressing the fear factor, which is one of the primary deterrents for adopting digital payments, and safeguarding customers from rising financial crimes across the board.</p> <p>The company has been working with FinTech apps connected to JustPay that cater to the masses in driving digital adoption amongst underserved masses. It was heartening to note that a large percentage of JustPay transactions are below Rs. 250 in value and comes from areas outside the Western Province.</p> <p>The company carried out several radio campaigns in Sinhala and Tamil languages during the year to raising awareness of LankaPay products.</p> <p>The company has allocated a minimum of 4 social media posts per month for Sinhala and Tamil language communications.</p>
Shareholders, Management, Customers, General Public	<p><b>Contribute to sustainable development</b></p> <p>Contribution to sustainable development is one of the key expectations of the stakeholders. We made our best efforts to contribute to sustainable development. Our highest energy consumers were data centres at primary and disaster recovery sites, which were designed to minimise energy use with technologies such as the use of virtual servers, identifying optimum temperature levels, etc. LankaPay implemented a process to revamp its Data Centre to further reduce its power consumption.</p> <p>The possibility of generating power through solar energy was also looked into, as a more sustainable and cleaner source of energy.</p> <p>Sustainable development is further discussed in the "Sustainable Development" section.</p>
Central Bank of Sri Lanka, Shareholders, Management, Customers, General Public and Media	<p><b>Maintaining good governance controls</b></p> <p>Maintaining good governance within the organisation is an essential aspect of an organisation with national importance. The higher levels of governance and controls maintained at all times within LankaPay are discussed in detail under the "Governance" section.</p>
Management, Employees, Customers, General Public, Media	<p><b>Promoting social harmony by contributing to a worthy CSR cause</b></p> <p>We, at LankaPay, value being a responsible corporate citizen.</p>

## LankaPay Technnovation Awards 2023

LankaPay for the fifth consecutive year organised the LankaPay Technnovation Awards 2023 held at the Shangri-La Hotel Colombo. The first and the only payment technology innovation awards in the country were initiated with the objective of recognising the trailblazers of the country's payment technology innovations, who are steadfast to the cause of providing excellence and convenience by promoting digital payments. The event was witnessed by over 400 guests from banks, non-banking financial institutions, FinTechs, policy makers and top government officials, etc. The awards ceremony was held under the patronage of Dr. Nandalal Weerasinghe, Governor of the Central Bank of Sri Lanka, as the Chief Guest. The Keynote Speaker was Mr. Neal Cross who is the former Managing Director and Chief Innovation Officer of DBS Bank (The Development Bank of Singapore Limited) in Singapore, popularly known as the World's Best Digital Bank. He is also a serial startup

entrepreneur being the Co-Founder of PictureWealth and the Non-Executive Director of Peppermint Innovation.

Commercial Bank of Ceylon PLC bagged the pinnacle of all awards by winning the Overall Gold Award for "Excellence in Interbank Digital Payments" under the "Banking Institutions" category while Bank of Ceylon claimed the Overall Silver Award. Sampath Bank PLC was adjudged the Overall Bronze Award Winner while Peoples' Bank bagged the Overall Merit Award. Under the "Non-Bank Financial Institutions" category, LOLC Finance PLC was crowned with the Overall Gold for "Excellence in Interbank Digital Payments" for the fourth consecutive year, while Dialog Finance PLC made its way to become the Overall Silver Award winner for the first time.

Since its inception in 2017, LankaPay Technnovation Awards has become the de facto recognition standard and one of the most looked forward to events amongst the country's banking fraternity.

The Gold Sponsor of the event was UnionPay International. The Silver Sponsors were JCB and NETS Singapore. JCB International has been partnering with this event as a sponsor since its inception in 2017, and it was the second consecutive year that NETS Singapore was associated with the event. Daily Mirror, Daily FT, Sunday Times, Daily Mirror Online, Daily FT Online, Times Online, Hi Online, FM Derana and TV Derana were the media sponsors.

The Chairman of the Panel of Judges of LankaPay Technnovation Awards 2023 was Mr. Rajeeva Bandaranaike, Chief Executive Officer of the Colombo Stock Exchange and Vice Chair Emerging Markets Task Force of the World Federation of Stock. The other members of the panel of judges were Mr. Asite Talwatte FCA, FCMA, MBA (SriJ), Chairman Management Systems (Pvt) Ltd. and Past President CIMA and CA Sri Lanka, former Country Managing Partner of Ernst & Young; Mr. Lasantha Wickremasinghe, Past President CA Sri Lanka and



Partner BR De Silva & Co, Chartered Accountants; Mr. Manil Jayasinghe (FCA, FCMA, CPFA), Country Managing Partner of Ernst & Young Sri Lanka & Maldives and Past President CA Sri Lanka; Mr. Dulith Herath, Founder & Chairman of Kapruka Holdings PLC, Founder of Global Shop, Founder of Java Lounge, Founder of Tech Root, Co-Founder of Grasshoppers, Eisenhower Fellow; and Ms. Chamila Cooray, Vice President/General Manager Operations at WNS Global Services and Former Council Member of CA Sri Lanka.



LankaPay Technnovation Awards 2023 - Overall Award Winners



Panel of Judges of LankaPay Technnovation Awards 2023

# Stakeholder Engagement Process

## Winners for the Overall Excellence in Interbank Digital Payments under the Banking Institutions Category



Overall Gold Award Winner – Commercial Bank of Ceylon PLC



Overall Silver Award Winner – Bank of Ceylon PLC



Overall Bronze Award Winner – Sampath bank PLC



Overall Merit Award Winner – People's Bank

## Winners for the Overall Excellence in Interbank Digital Payments under the Non-banking Financial Institutions (NBFIs) Category



Overall Gold Award Winner – LOLC Finance PLC



Overall Silver Award Winner – Dialog Finance PLC



LankaPay CEO - Mr. Channa de Silva



Chief Guest - Dr. Nandalal Weerasinghe, Governor of the Central Bank



Keynote Speaker - Mr. Neal Cross - Former Managing Director & CIO of DBS Bank







LankaPay Technnovation Awards 2023

# Stakeholder Engagement Process




Altogether 35 awards under 11 categories were on offer at this year's awards and the Gold Award winners were:

## Gold Award Winners


### 01. Bank of the Year for Excellence in Customer Convenience

Category A	Category B	Category C	Category D
 HNB YOUR PARTNER IN PROGRESS	 CargillsBank Banking on the Human Spirit	 NSB	 LOLC FINANCE


### 02. Best Common ATM Enabler of the Year

Category A	Category B	Category C
 PEOPLE'S BANK The Bank of the People	 සමපත් බැංකුව சம்பத் வங்கி SampathBank	 Amāna Bank It's Your Bank




### 03. Bank of the Year for Financial Inclusivity

Category A	Category B	Category C	Category D
 BANK OF CEYLON BOC මහ බැංකුව இலங்கைக் கவங்கி	 Nations TrustBank	 CargillsBank Banking on the Human Spirit	 LOLC FINANCE

### 04. Most Innovative Bank of the Year

 COMMERCIAL BANK
--

### 05. Most Popular Digital Payment Product

Internet Banking	Mobile Payment App	FinTech
People's Bank (Product: People's Wave)	Bank of Ceylon (Product: SmartPay)	Bhasha Lanka Private Ltd. (Product: HelaPay)
		

#### 06. Best Bank for Retail Payments



#### 07. Best Mobile Application for Retail Payments

Via JustPay		Via LankaQR
Banks and Non-Banking Financial Institutions Category	FinTech Category	Banks and Non-Banking Financial Institutions Category
LOLC Finance PLC (Product: iPay)	Pay Master Solutions Pvt Ltd. (Product: PayMaster)	Commercial Bank of Ceylon (Product: Com Bank Q+)
		

#### 08. Best Acquirer on LankaPay Government Payment Platform



#### 09. Best LankaPay Card Implementer of the Year



ප්‍රාදේශීය සංවර්ධන බැංකුව  
பிரதேச அபிவிருத்தி வங்கி  
Regional Development Bank

#### 10. Financial Institution of the Year for Best Digital Payment Strategy



සම්පත් බැංකුව  
சம்பத் வங்கி  
SampathBank

# GOVERNANCE

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# THE CENTRE OF LIVING

# Corporate Governance

We, at LankaPay, believe that Corporate Governance is the mechanism by which a company is directed, controlled, and monitored in the right direction. This includes mechanisms, rules, practices, processes, and procedures, which essentially involve balancing the interest of the company's stakeholders, such as shareholders, Board of Directors, Management, employees, customers, suppliers, creditors, government, and the community as a whole, whilst specifying the rights and responsibilities of each stakeholder for better decision-making. By doing so, it provides a framework through which the objectives of the company are set and means of attaining same while periodically monitoring its performance and compliance.

Accordingly, LankaPay operates within a good Integrated Corporate Governance Framework which is built on the core principles of:

1. Innovative
2. Collaborative
3. Inclusive
4. Convenient
5. Accessible
6. Trustworthy

With adherence to the mandatory requirements of the Companies Act No. 07 of 2007, the directions, rules, regulations and circulars issued by the Central Bank of Sri Lanka from time to time, rules and regulations of the Institute of Chartered Accountants of Sri Lanka and

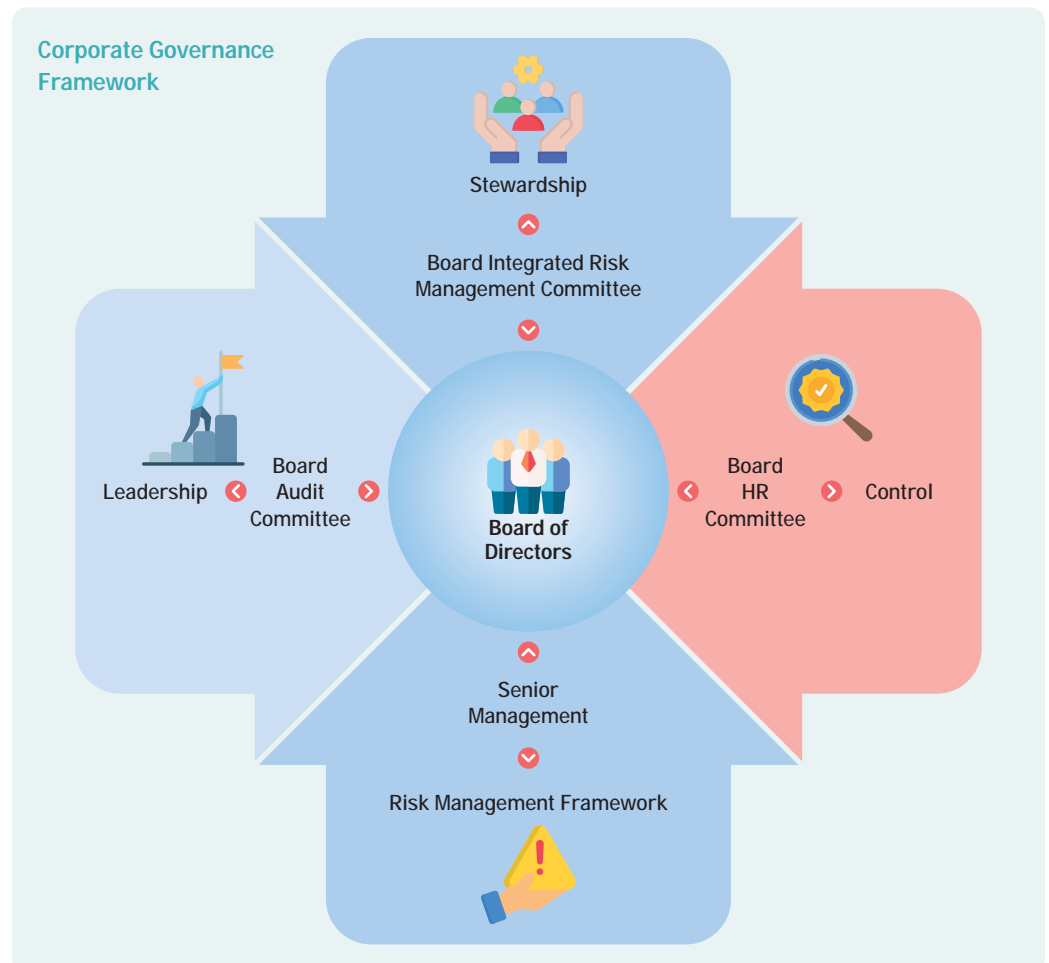
legislations of the Government of Sri Lanka as applicable, PCI-DSS requirements and also with the guidance of accepted National and/or International policies, procedures and best practices relevant to the business of LankaPay.

We have also established our own set of internal policies and procedures in meeting established best practices in governance, with the guidance and direction of the Board of Directors to ensure the long-term sustainable economic growth of LankaPay.

The Governance Structure of LankaPay, which is given below, facilitates the efficient operation of its business while encouraging its employees to elevate the Corporate Governance standards at all times. LankaPay has established a sound, transparent communication channel to communicate all decisions, policies, processes and procedures laid down by the Board to all employee levels through internal circulars; the authority has been given to the Senior Management to review the same, periodically, and to inform the Board whether any

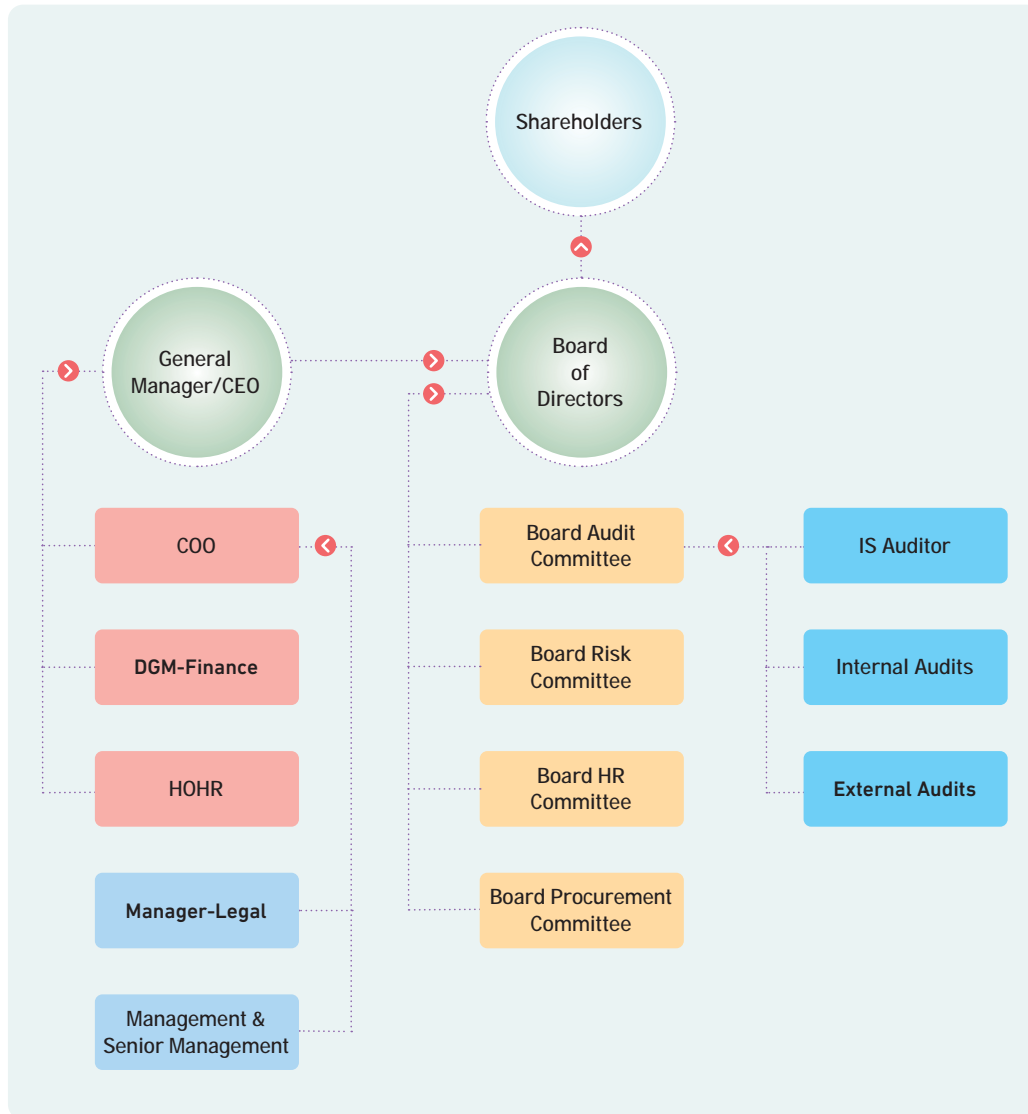
amendments are required to ensure that all elements of its governance framework are fit for its purpose.

LankaPay further ensures that the company has sound levels of risk management processes, and also that periodic, effective financial, operational and IT/IS audits are performed and findings are closely monitored through risk management, not merely to satisfy regulatory requirements, but also to showcase transparency of LankaPay to all our stakeholders and to the general public.



## Governance Structure

Our Governance Structure facilitates efficient operation while ensuring sufficient checks and balances to safeguard the rights and interests of all stakeholders. It also ensures compliance with regulatory requirements and internal policies.



The Board of Directors is the ultimate governing body which directs, leads and controls LankaPay. It comprises eight Non-Executive Directors who are eminent professionals in their respective fields who possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgment, who collectively contribute towards the effective control and overall management of the company. Individual profiles of the Board of Directors are given under the "Board of Directors" section of this Annual Report on pages 38 to 42.

### Composition of the Board of Directors:

- The Chairman is appointed by the Governor of the Central Bank of Sri Lanka, in accordance with the Articles of Association.
- Two Directors represent the interests of the Central Bank of Sri Lanka.
- Two Directors represent the two state banks. (Bank of Ceylon & People's Bank)
- Three Directors are nominated by the Sri Lanka Banker's Association, two of whom represent the private local commercial banks and the other represents foreign banks.
- The Secretary-General of the Sri Lanka Banker's Association constitutes the final Board member, who participates as an observer and is usually invited to express his views.

### A.1 The Board of Directors

The company's Articles of Association define LankaPay's purpose, duties and responsibilities of its members. The Board of Directors is the company's highest governing body and the formation of the Board is as stipulated in the Articles of Association. Conscious of their obligation to comply with applicable laws and regulations, the Board of Directors of LankaPay have committed themselves to ensuring that there is effective oversight of the business affairs of the company and to ensure that all such business affairs are conducted adhering to best practices and highest business standards.

# Corporate Governance

The Board is responsible for setting the strategic direction and establishing a sound control framework as well as the ultimate supervision and accountability for the stewardship function of the company. Its overriding objective is to deliver superior returns to stakeholders, demonstrating responsible corporate behaviour and acting in a transparent manner. In all actions taken by the Board, the Directors are expected to exercise their business judgment considering the best interests of the company.

We, at LankaPay, have adopted best practices as stated in the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The executive summary is given as follows:

Rule No.	Subject	Compliance Status and Comment
A.1.1	Board Meetings	The Board meets regularly and there were 12 Board meetings during the year under review (Refer to Table No.1).
A.1.2	Board Responsibilities	Separately given in detail in this Report.
A.1.3	Access to Independent Professional Advice	The Board collectively and individually acts in accordance with the laws of Sri Lanka. Provisions are made for the Directors to seek independent professional advice, in furtherance of their duties, where necessary.
A.1.4	Access to Company Secretary	The Board has access to the Company Secretary. Details are separately given in this Report.
A.1.5	Independent Judgment	The Board brings independent judgment with the expertise required for the business of the company.
A.1.6	Dedication of Adequate Time and Effort by the Board	The Board has dedicated adequate time for the fulfilment of their duties as Directors of LankaPay. Other than attending Board Meetings and Sub-Committee Meetings, the Board of Directors has also contributed to decision-making via circular resolution, where necessary.
A.1.7	Training for Directors	When a new Director is appointed to the Board, Chairman will give a brief idea of the business of the company and, when necessary, LankaPay may arrange for the required training or workshop for the Directors.

## A.1.2 Board Responsibilities

The business of the company is conducted by its senior managers, managers and employees under the direction and oversight of the Board. The Board aims at fulfilling its responsibilities by creating value that is sustainable and beneficial for all stakeholders.

**The Board is primarily responsible for:**

- Setting strategies, direction and establishing goals for management.
- Monitoring performance against goals and objectives as well as ensuring adequate internal control with the highest ethical standards.
- Ensuring the financial health of the company.
- Appointing the Chief Executive Officer and determining the remuneration of Management and staff.
- Reporting to shareholders.

## Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees while retaining final decision-making rights, pertaining to matters under the purview of these Committees.

The Board Sub-Committees are as follows:

### The Board Audit Committee

The Board Audit Committee comprises of three Directors as follows:

- Mr. W. P. R. H. Fonseka - Chairman
- H. M. P. B. Herath
- Mr. E. R. De Silva - Member

The Audit Committee met on four occasions (04) during the year under review and at these meetings the quarterly internal audit reports, information system audit reports and actions taken were reviewed, whilst actions to be taken were recommended by the Board Audit Committee. These actions were reported to the Board to ensure compliance and governance.

### The Board HR Committee

The Board HR Committee consists of the Chairman of LankaPay (who is also the Chairman of this Committee) and two members of the Board of Directors as follows:

- Dr. Kenneth G. C. De Zilwa - Chairman
- Mr. Sanjaya Wijemanne - Member
- Mr. E. R. de Silva - Member

The Terms of Reference of the Board HR Committee include making recommendations to the Board relating to the regulation of the organisation structure, salary increments, and bonuses.

The Board HR Committee held three meetings during the year under review and took up matters such as, distribution, amendments to salary scales, changes to company policies or major changes to procedures and the final selection of candidates for Senior Management positions. Matters discussed and recommendations by the Board HR Committee are detailed in the Board HR Committee Report of this Annual Report.

#### **The Board Integrated Risk Management Committee**

The Board Integrated Risk Management Committee consists of three members of the Board of Directors as follows:

- a) Mr. Ravin Basnayake - Chairman
- b) Mr. Clive Fonseka - Member
- c) Mr. E. R. de Silva - Member

The committee is governed by the Risk Committee Charter and Terms of Reference. It reviews significant risks and their related mitigations and reports back to the LankaPay Board.

The Committee held three meetings during the year under review. Matters discussed and recommendations made appear in the "Board Integrated Risk Management Committee Report" of this Annual Report.

Further actions taken in managing the risks are highlighted in detail in the "Enterprise Risk Management" section of this Annual Report.

#### **The Board Procurement Committee**

The Board Procurement Committee comprises of three Directors as follows;

- a) Mr. H. M. P. B. Herath - Chairman
- b) Mr. W. P. R. H. Fonseka - Member
- c) Mr. Sanjay Wijemanne - Member

The Board Procurement Committee met on two (02) occasions during the year under review. These meetings were held to approve procurements above the value of Rs.10 Mn as Board Procurement Committee is the approving authority for such procurements as per the procurement manual.

Upon approval by the BPC, every such approval is submitted to the Board via an information paper prior to awarding for good governance.

#### **Compliance with Statutory and Regulatory Requirements**

A number of statutes govern LankaPay operations. As of March 31, 2023, the Company's compliance status is listed below.

Regulation/ACT	Noncompliant	Partially Compliant	Fully Compliant
The Payment and Settlement Systems Act No. 28 of 2005			•
Electronic Transactions Act No. 19 of 2006			•
Payment Devices Frauds Act No. 30 of 2006			•
Monetary Law Act (Chapter 422)			•
Companies Act No. 7 of 2007			•
Circulars issued by the Central Bank of Sri Lanka during the period April 1, 2014 – March 31, 2023			•
Shop and Office Employees Act No 19 of 1954			•
Right to Information Act No.12 of 2016			•
Data Protection Act No.09 of 2022			•

#### **Board and Board Sub-Committee Meetings**

The Board held twelve (12) Board meetings during the year under review and the attendance of each Director at Board and Board Sub-Committee meetings is given in Table No. 01.

# Corporate Governance

**Table no. 01 - Board and Board Sub-Committees Composition and Attendance - 2022/23**

Name	Appointments and Resignations Made During the Year Under Review	Board Meetings		Board Audit Committee Meetings		Board HR Committee Meetings		Board Risk Committee Meetings		Procurement Committee Meetings	
		Held*	Present	Held*	Present	Held*	Present	Held*	Present	Held	Present
Dr. Kenneth G.C. De Zilwa - Chairman	Appointed w.e.f. 01st June 2021	12	12			03	03				
Mr. R. A. A. Jayalath	Resigned w.e.f. 18th July 2022	3	1								
Mr. K.V.K. Alwis	Resigned w.e.f. 15th July 2022	03	03	03	03			03	01		
Mr. W. P. R. H. Fonseka		12	07	04	04					03	03
Mr. R. Kodituwakku	Retired on 02nd July 2022	03	03					03	01		
Mr. Sanjay Wijemanne	Retired on 28th March 2023	12	10			03	03			03	03
Mr. Thimal Perera		12	10								
Mr. Ravin Basnayake		12	10					03	03		
Mr. Rohana Kumara - Alternate Director to Mr. W. P. R. H. Fonseka		12	04								
Mr. Clive Fonseka	Appointed w.e.f. 02nd July 2022	09	08					03	01		
Mr. Dharmasiri Kumaratunge	Resigned w.e.f. 20th September 2022	05	02								
Mr. H.M.P.B Herath	Appointed w.e.f. 18th July 2022	09	05	02	02					03	03
Mr. C. P. S. Bandara	Appointed w.e.f. 18th October 2022	06	06								
Mr. Kapila Ariyaratne	Appointed w.e.f. 30th March 2023	01	00								
Mr. E.R de Silva - Observer (SLBA)						03	03	03	01		

\* Held –Total number of meetings held during the term of office.

Rule No.	Subject	Compliance Status and Comments
A.2	Chairman and CEO	Due to the nature of roles and responsibilities, two different persons hold the positions of Chairman and CEO. This ensures the balance of power and authority, such that any individual does not have any unfettered power of making all the decisions.
A.3	Chairman's Role	<p>The primary role of the Chairman is to provide effective leadership to the Board in discharging its responsibilities. The Chairman is also responsible for conducting Board proceedings in a proper manner by ensuring that the Directors receive accurate, timely and clear information, on the company's current performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the company.</p> <p>General Manager/CEO is responsible for the day-to-day management of the business of LankaPay, in line with the strategy and long-term objectives approved by the Board.</p>
A.4	Financial Acumen	The Board consists of members who have sufficient financial acumen and knowledge to offer guidance on respective matters and business of the company.
A.5	Board Balance	<p>The purpose of having a balanced Board with Executive and Non-Executive Directors is to ensure that no individual or small group of individuals can dominate the Board's decision-making.</p> <p>As given in this Report, the composition of the Board at LankaPay is such that, it has members to represent the interests of the Central Bank of Sri Lanka, two State Banks, private local banks, foreign banks and also the Sri Lanka Banker's Association. This composition ensures that one individual or group of individuals cannot dominate others.</p>

Rule No.	Subject	Compliance Status and Comments
A.6	Supply of Information	<p>The Board was provided with timely and appropriate information by the Management by way of Board papers, information papers and circular during the year under review. The Board sought additional information, as and when necessary.</p> <p>Board papers are usually sent to the Directors at least 4-5 days before the respective Board meetings giving adequate time for Directors to study the related papers and prepare for a meaningful discussion at the respective meetings.</p>
A.7	Appointments to the Board	The appointment of new Directors to the Board is carried out in a transparent manner. Details are given under the "Composition of the Board of Directors" section in this Report.
A.8	Re-Election	<p>At LankaPay, we have a process of re-nomination. The directors nominated by the Board of the Sri Lanka Banker's Association shall, unless they vacate their office earlier, hold office for a minimum period of one year from the date of nomination and may serve for a further term of one year, unless otherwise decided against by the nominee.</p> <p>The Directors nominated by the two state banks and the director nominated by the Governor of the Central Bank shall, unless they vacate their office earlier, hold office for a period of two years from the date of nomination and shall retire at the end of the period and, unless disqualified, be eligible for re-nomination.</p>
A.10	Disclosure of Information in Respect of Directors	Details of the Directors given on their individual profiles, appointments, and attendance at the Board and Sub-Committee Meetings are given in this Report.
B.	Directors' Remuneration	The Board decides the remuneration of the Chairman. The Chairman shall not participate in such decision-making nor have any influence. The Directors' remuneration is decided by the Board as a whole, in which remuneration will be a nominal value. Details of the remuneration of the Board as a whole are disclosed in note 24 (page 205) to the financial statements.
C.	Relations with Shareholders and Disclosures	<p>In its desire to maintain good relationships with shareholders, the Board of LankaPay follows a policy of disclosing all relevant information, both financial and non-financial, to shareholders. The Board constantly strives to enhance the shareholders' values who have built this winning organisation.</p> <p>The shareholders are given the opportunity to exercise their rights at the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting is voted on separately by them. The notice of the Annual General Meeting and the relevant documents required are published and sent to the shareholders within the statutory period.</p>
D.	Accountability and Audit	<p><b>Financial Reporting</b></p> <p>LankaPay has reported a true and fair view of its financial position and performance for the year-ended 31st March 2023.</p> <p>The "Directors' Report" forms part of the Annual Report and the Financial Statements are in accordance with the Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) and the Companies Act No. 07 of 2007 and the generally accepted accounting principles.</p> <p><b>Going Concern</b></p> <p>The Board of Directors, upon the recommendation of the Audit Committee, is satisfied that the company has sufficient resources to continue in operation for the foreseeable future.</p> <p><b>Internal Control</b></p> <p>At LankaPay, we have established a sound framework of risk management and internal controls and are monitoring its effectiveness on a continuous basis.</p>

# Corporate Governance

Rule No.	Subject	Compliance Status and Comments
		<p><b>Audits</b> In addition to the annual financial audit, it is our desire to ensure compliance with the relevant directions, rules and circulars by the Central Bank of Sri Lanka. Internal audits are conducted on a quarterly basis and audit reports are discussed and required corrective actions to be taken by the Management are agreed upon at the Board Audit Committee meetings.</p> <p>Further, internal and external IT audits were carried out during the year under review and the report by the Auditor has been submitted to the Audit Committee for evaluation.</p> <p><b>Board Audit Committee</b> The details and required disclosures of the Board Audit Committee are given on "Board Audit Committee Report" on pages 159 to 160.</p> <p><b>IT Governance</b> The information technology (IT) landscape is increasingly complex and vulnerable. Also, there is an unprecedented dependency on technology, and intolerable consequences when technology fails. Effective IT governance is required to address such challenges by managing the risks associated with IT.</p> <p>We, at LankaPay, believe that IT governance also plays a pivotal role under the wings of corporate governance. Being an organisation powered by IT, it is imperative that LankaPay manages all IT-related risks to an acceptable level, in keeping with the required levels of availability in services rendered. We manage technology risks by adhering to the IT Governance Framework which identifies the mechanisms to create value and manage risks associated with IT. LankaPay's IT Governance Framework provides the business with a structure, process and authority to set IT direction and oversee key activities in support of the business strategy. Additionally, IT governance helps LankaPay ensure that key IT decisions are made in alignment with the organisation's overall business direction.</p>
		<p><b>Code of Business Conduct and Ethics</b> The Code of Conduct is affirmed by the seven core principles/values of the company which are well institutionalised through structured communication. The degree of employee conformance to the same is monitored and considered in the Reward Recognition Scheme.</p> <p><b>Whistle-blowing Policy</b> A whistle-blowing policy was introduced during the year under review, enhancing the corporate governance of the organisation.</p> <p><b>Voluntary Disclosures</b> Under the stipulations of the Companies Act No. 07 of 2007, LankaPay is required to provide its audited financial statements to all shareholders at the end of the financial year. LankaPay acknowledges the importance of maintaining high standards of governance within the organisation and among all stakeholders.</p> <p>As the National Payment Network, LankaPay voluntarily publishes an Annual Report at the end of each fiscal year and ensures its circulation to all member institutions. In addition, the Annual Report is made available to the general public through the LankaPay website. All department heads of the company take direct responsibility for their areas of operations by personally providing information. This high level of voluntary disclosure is considered an element of good governance by the Board and the Management of LankaPay, as a responsible corporate citizen and, furthermore, as the National Payment Network.</p>

Rule No.	Subject	Compliance Status and Comments
E & F.	Institutional Investors and Other Investors	The company generally maintains a good relationship with the shareholders and potential investors.
G.	Sustainability Reporting	We believe that the combination of financial performance, brand image, and productive workforce along with a prudent and independent Board carries great importance in sustainable development. The company aligns its strategies, plans and goals according to the sustainability content on an annual basis.
H	Internet of Things (IoT) and Cyber Security	<p>Cyber security and information security remain at the heart of LankaPay due to its paramount importance to the economy and country. We have adopted the latest technologies and best practices to safeguard information and to fight against cyber threats. All the devices connected to our network are monitored for security and conformity.</p> <p>Information systems audits are carried out regularly by the Senior Manager Information Systems Audit and by external expertise audit teams on various scopes and aspects.</p> <p>The Board Integrated Risk Committee deals with all the risks of the organisation, including cyber security, at the Board level and reports to the Board.</p> <p>LankaPay (Pvt) Ltd has been continuing to maintain its certifications on ISO 27001 and PCI DSS. Additionally, LankaPay maintains an up-to-date vulnerability management programme to ensure it remains ahead of the rapidly evolving threat landscape.</p> <p>LankaPay has spread its wings to establish and maintain secure communications between entities. LankaSign is the only authorised Certification Service Provider (CSP) in Sri Lanka under the National Certification Authority. LankaSign caters to Public Key Infrastructure (PKI) requirements of the banking and financial sector &amp; other sectors of the country.</p>

### Senior Management

All members of the senior management team are well qualified and experienced to perform the authorities delegated by the General Manager/CEO.

### Secretaries to the Board

Managers and Secretaries (Pvt) Ltd., functions as the Secretaries to the company. The Secretaries are duly registered under the regulations and provide the necessary expertise and advice to the Board.

# Enterprise Risk Management

LankaPay has a robust and effective risk management process where process and asset-related risks are proactively identified, analysed, communicated, and managed across the organisation and all interested parties are kept well informed. This is of paramount importance in order for us to operate the National Payment Network to facilitate numerous interbank payment and settlement transactions on behalf of all banks and financial institutions.

Our Risk Management Framework, which is an integral part of our management practices is a proactive approach to risk management. It plays a significant role in corporate governance as it improves decision-making, ensures smooth functioning of the business operations, enhances accountability, and facilitates business continuity and resilience to achieve greater profits. LankaPay Management is committed to adopting 'Best Practices' in enterprise risk management continuously across our operations, while striving to adhere to international standards and benchmarks, where applicable.

## Risk Management Framework

Risk management at LankaPay for the year under review was governed by the Risk Charter, Enterprise Risk Management Policy Statement, and Terms of Reference for the Risk Committee. As per the current Enterprise Risk Management Policy, the Management Level

Risk Committee is responsible and accountable for the overall risk management of the organisation and is represented by the General Manager/Chief Executive Officer, Chief Operating Officer, Deputy General Manager Finance, Head of HR and Administration, Assistant General Manager IT and Senior Manager Information Systems Audit.

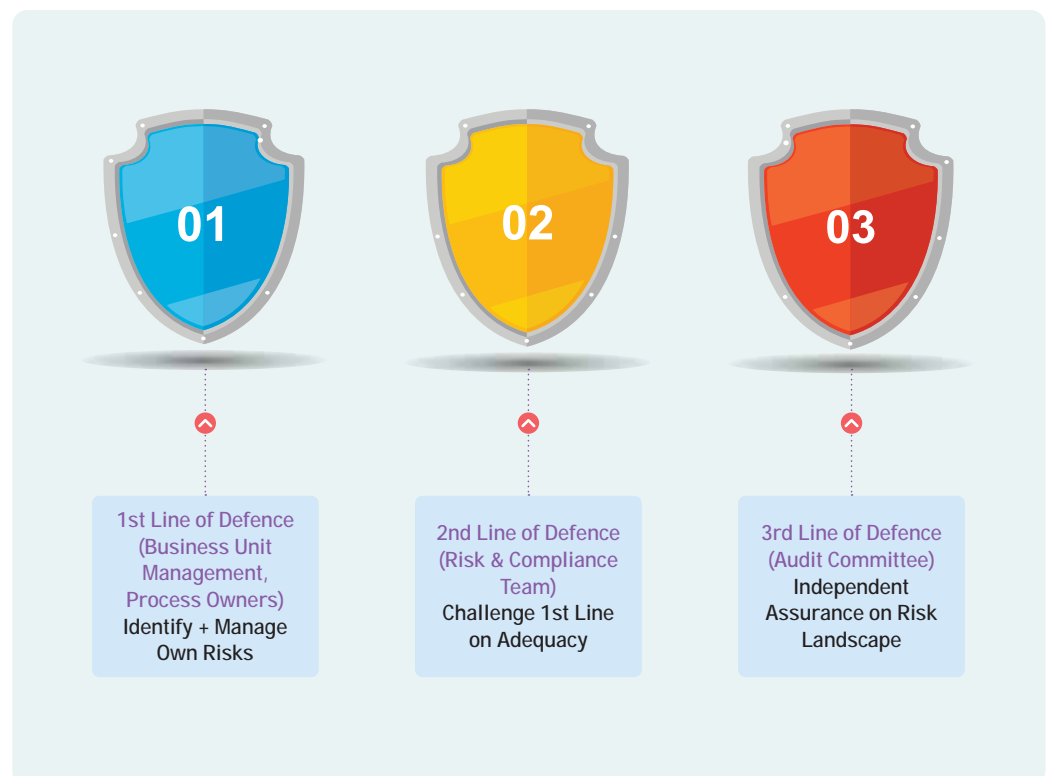
LankaPay adheres to the industry best practice approach for risk management, i.e., 3 Lines of Defence. Business Unit Management and the process owners, as the 1st Line, are responsible for identifying applicable risk to their own processes and assets,

and to bring in appropriate mitigation controls, to adhere to the same, and continuously monitoring the effectiveness. As the 2nd Line, Risk and Compliance Team holds the responsibility of assuring completeness of risks, and of identifying and challenging the proposed controls. Also, the Risk and Compliance Team will be presenting the risk dashboards and progress of mitigation controls to the Corporate Management and BIRMC. The BIRMC reviews significant risk items of each business unit with applicable mitigation. It also evaluates the risk appetite and appropriateness of risk acceptances and continues monitoring that the accepted risks will not exceed the

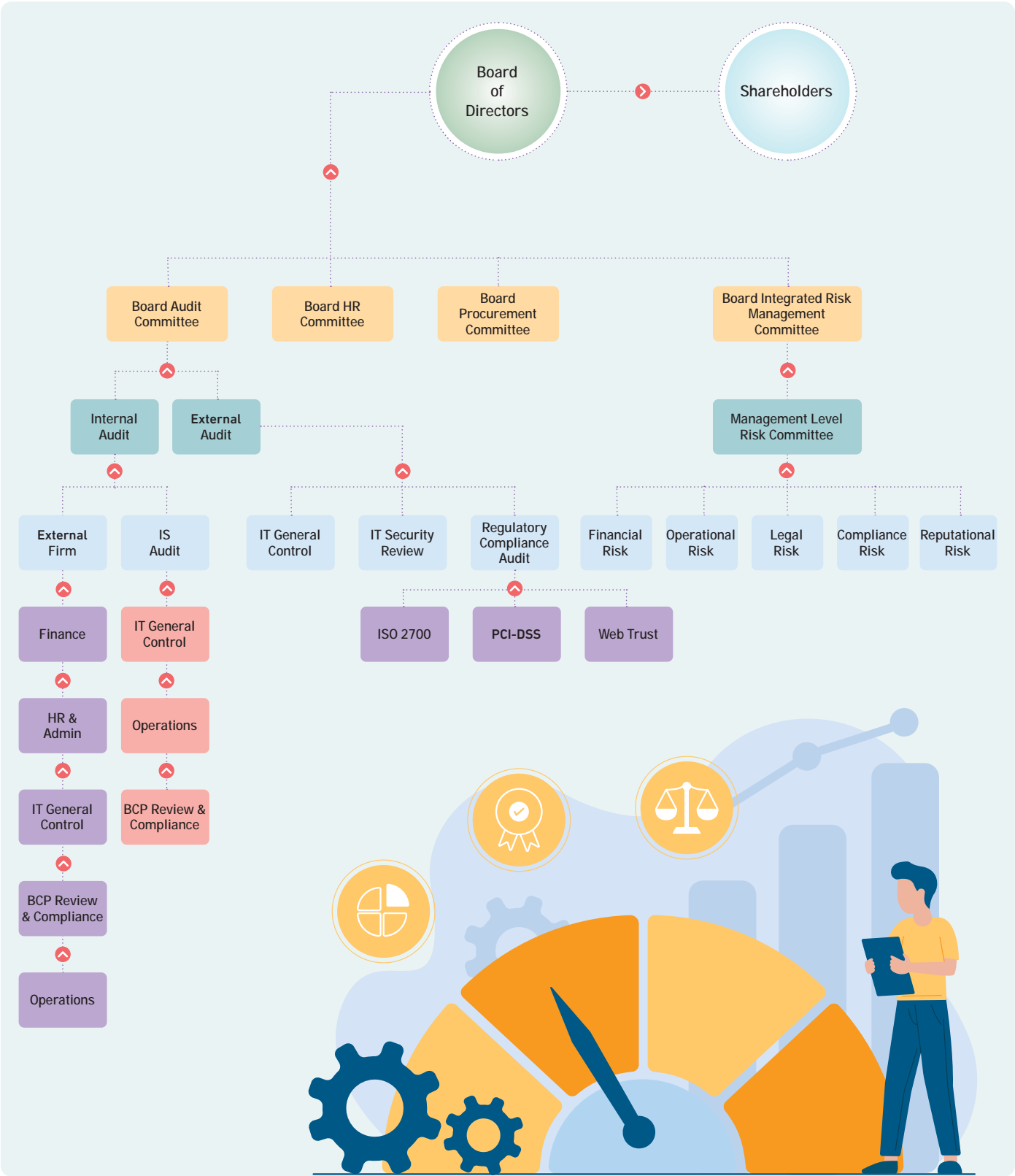
prevailing appetite and cause any unforeseen issues.

BIRMC reports back to the LankaPay Board with any improvements needed, while the Internal Audit and Audit Committee, as the 3rd Line of Defence, focuses on providing independent assurance on the adequacy level of controls and adherence. The combined assurance process of 3 Lines of Defence optimises assurance coverage and ensures that significant risks are adequately addressed, enabling an effective control environment, and ensuring the integrity of information used for decision-making and reporting. The following diagram depicts the current Risk Management Framework in keeping with good governance.

## 3 Lines of Defence



How We Oversee Risk



# Enterprise Risk Management

## Risk Management Process

LankaPay Enterprise Risk Management Process was defined and developed along with the risk management framework and strategies under the supervision of the Board Risk Committee.

Identified product-related risks have been classified under five broad risk categories such as Operational Risk, Financial Risk, Legal Risk, Compliance Risk and Reputational Risk and are monitored, controlled and managed through the Risk Management Process of LankaPay.



## Risk Categorisation

As per the enterprise risk management framework of LankaPay, all potential risks are categorised into predefined risk categories.



### Risk Matrix

To identify and define the "Likelihood of Occurrence", outcomes of the corporate-wide business impact analysis were considered. The impact of the event was assessed by determining the potential loss or unavailability of service that may result and the severity of the impact.

The values of "Probability of Likelihood of Occurrence" were used to measure the risk.

PROBABILITY	Likely 4	4	8	12	16
	Possible 3	3	6	9	12
	Unlikely 2	2	4	6	8
	Rare 1	1	2	3	4
	Type	Low 1	Medium 2	High 3	Critical 4
IMPACT					

Impact categorisation in risk management involves classifying potential consequences of a risk event into four levels: critical, high, medium, and low.

- Critical impact category: Risks with severe and potentially catastrophic consequences, posing a significant threat to the organisation or system.
- High impact category: Risks with substantial repercussions that can significantly impact operations, finances, or reputation.
- Medium impact category: Risks with moderate consequences, causing noticeable disruptions or effects.
- Low impact category: Risks with minimal or negligible consequences, resulting in minor disruptions or limited impact.

Categorising risks based on impact allows for prioritisation and appropriate allocation of resources to manage and mitigate risks effectively.

Probability assessment in risk management involves evaluating the likelihood or chance of a risk event occurring and categorising it into four stages.

- Rare probability: Highly improbable events with minimal historical occurrence and expert judgment.
- Unlikely probability: Events that are improbable but have occurred sporadically in the past.
- Possible probability: Events with a moderate chance of occurrence based on available data and expert judgment.
- Likely probability: Events that have a high probability of happening based on historical trends or current circumstances.

Probability assessment provides a comprehensive understanding of the likelihood of different risks, aiding in prioritising mitigation efforts and effectively allocating resources for risk management helps prioritise mitigation efforts and allocate resources effectively for risk management.

# Enterprise Risk Management

## Risk Categorisation and Risk Management Strategies

The following types of risks are specifically identified due to the severity of the implications/impact such risks could pose on the organisation and its business from among the various types of risks that LankaPay is exposed to, based on the current state of our business.

Operational Risk	
Strategic Risk	Low
Failure to implement strategic plans and address market needs of payment systems on time	
Impact/Implication	Risk Management Strategy
Loss of credibility in the market and impact on the efficiency levels of National Payment Network.	<ul style="list-style-type: none"> <li>Regular meetings are held by the Board of Directors and members of the Management in order to formulate future strategies and to review and revise (where necessary) corporate plans, taking into consideration the dynamic business environment and technology landscape.</li> <li>All Senior Managers attend regular workshops, seminars and professional training programmes in order to update their skills and knowledge and to keep abreast of international trends and technology developments concerning the financial industry.</li> <li>Aligning organisational strategies with the Payment Systems Roadmap of the National Payments Council (NPC) of the Central Bank.</li> <li>Individual and departmental goals are aligned with the annual organisational goals which are revised annually and overall vision and the mission of the organisation.</li> </ul>
Possible reduction in revenue from existing payment systems due to shifts towards more technologically advanced competitor products.	<ul style="list-style-type: none"> <li>Continuously keeping abreast of technological developments in the payments industry globally.</li> <li>Continuous monitoring of the customer demand for efficient payments systems in the local market through the R&amp;D Department which continuously does studies on market expectations, weaknesses in LankaPay product features and capabilities, if any, and ways of improvement, and makes necessary adjustments accordingly.</li> <li>Investments made in upgrading the electronic payments systems infrastructure to meet the growing demand for electronic payments. The Common Card and Payment Switch (CCAPS) is continuously being explored to provide additional payment options to the general public via multiple payment channels such as ATMs, payment cards, smart mobile devices, payments through QR code, PayMe, Payment Exchange Name, internet and payment kiosks.</li> </ul>
Continuous increase in operational costs due to the increase technology, systems and equipment maintenance charges.	<ul style="list-style-type: none"> <li>LankaPay Management has been conscious of rising costs and is continuously looked for ways to better manage costs under various cost management programmes.</li> <li>Procedures are in place to reduce sourcing costs through structured and extensive negotiations by Procurement Committee and by following the procurement processes.</li> <li>The IT Division emphasises on green technology in technology upgrades to reduce the impact on the environment and better manage operational costs.</li> <li>Use of stationery has been minimised by digitising most of the commonly circulated documents within LankaPay and introducing digital signatures.</li> </ul>

Operational Risk	
Product Risk	Medium
Risks associated with system security, reliability and availability of the system	
Impact/Implication	Risk Management Strategy
Loss of confidence and reputation in LankaPay products leading to reputational damage and loss of revenue.	<ul style="list-style-type: none"> <li>A layered design was adopted to segregate functions to reduce risks.</li> <li>All systems are designed to be PA-DSS certified and PCI-DSS and ISO 27001:2013 aligned.</li> <li>Information Security Management System (ISMS) and standard operating procedures of business units are continuously reviewed and enhanced. LankaPay is in the process of obtaining WebTrust certification to increase its acceptance internationally.</li> <li>Security risk analysis and proactive intelligence gathering is carried out on a periodic basis.</li> <li>Process and technological improvements to achieve 99.97% system uptime.</li> <li>Establishment of a new and improved DR Site to ensure high availability.</li> </ul>

Operational Risk	
Economic Risk	Medium
Business impacts due to risks relating to the political-economic climate	
Impact/Implication	Risk Management Strategy
Impact on revenue and profitability due to lower growth rates, cost increases due to inflationary effects and exchange rate fluctuations.	<ul style="list-style-type: none"> <li>Regular reviews undertaken on the socioeconomic climate impact on the payment industry of the country and making necessary alignments.</li> <li>Facilitating government objectives by introducing new payment systems and improving existing systems to create higher efficiency, thereby contributing to financial inclusivity.</li> </ul>

Operational Risk	
Business Continuity Risk	Medium
Risks from natural or man-made disasters	
Impact/Implication	Risk Management Strategy
Loss of assets resulting in financial losses due to a prolonged non-availability of payment systems operated by the company.	<ul style="list-style-type: none"> <li>Financial losses due to loss of physical assets are covered by the company's comprehensive insurance arrangements with leading insurance companies.</li> <li>LankaPay has a comprehensive Business Continuity Plan (BCP) in place which is reviewed and revised (where necessary) regularly and has a fully functional and tested Disaster Recovery Site (DRS) where all clearing systems and their functions have been replicated in order to mitigate the risks associated with natural disasters and/or inability to operate from the primary site in Colombo.</li> </ul>

# Enterprise Risk Management

Operational Risk	
Competitive Risk	Low
Risks from competitive actions of existing market participants and new entrants	
Impact/Implication	Risk Management Strategy
Reduced transaction volumes of existing payment systems and reduced financial viability of new payment systems	<ul style="list-style-type: none"> <li>Some of the national payment systems operated by the company are protected from competitive risks due to the non-presence of credible competitors. However, the company takes every possible action to ensure that a superior service is offered to the customers in order to protect and improve on the current financial status.</li> <li>The company concentrates on the maintenance of high level of standards with respect to its employees, processes and technology in order to mitigate competitive risks.</li> <li>The strategy of offering world-class services at the lowest possible cost to the customer has mitigated the competitive pressure.</li> <li>R&amp;D department continuously evaluates the market to identify new areas we should focus in future.</li> </ul>

Operational Risk	
Process Risk	Low
Inadequate or break down of internal controls, processes and procedures.	
Impact/Implication	Risk Management Strategy
Loss of reputation, business integrity and stakeholder trust on National Payment Systems.	<ul style="list-style-type: none"> <li>LankaPay ensures adherence to operational guidelines for all clearing systems, desk instruction manuals and dual-control mechanisms through manual errors are minimised. We ensure that participating banks also adhere to these processes and guidelines by means of interdepartmental peer audits, internal audits and training.</li> <li>Adherence to processes is monitored through periodic reporting to Audit Committee and Risk Committee.</li> <li>Continuous improvements to operational manuals and desk instruction manuals.</li> <li>The monitoring of activities by the Central Bank through the involvement of two Directors of the company appointed by Central Bank and through periodic system audits.</li> <li>CCAPS has obtained PCI-DSS version 3.2.1 certification, which is the National Payment Switch that processes the retail electronic payments and the LankaSign Certificate Authority has obtained ISO 27001 certification.</li> <li>Annual review of Business Continuity Plan (BCP) and conducting two operations switch-overs between Primary and Disaster Recovery (DR) Site annually which enables LankaPay to ascertain adequacy and accuracy of BCP procedures in place.</li> </ul>

Operational Risk		
Information Technology and Security Risk		Low
Information Technology and Security		
Impact/Implication	Risk Management Strategy	
Loss of confidential information resulting in damage to reputation and possibility of being subject to litigation.	<ul style="list-style-type: none"> <li>LankaPay has a well-defined Information Security Policy aligned with and governed by PCI-DSS and ISO 27001 standards and international best practices in order to mitigate risks associated with information security. LankaPay is in the process of obtaining WebTrust certification, as well. Strict adherence to these IT Security Policies is ensured through the daily monitoring of IT systems, IT housekeeping and through numerous IT audits and assessments. Further, IT infrastructure is re-examined with a comprehensive IT audit carried out independently by an internationally reputed IT audit firm followed by immediate action taken wherever any deficiencies/shortcomings are identified. In addition, every aspect relating to procedural controls is audited via an internal audit function to ensure continuous identification of any deficiencies/shortcomings.</li> <li>Obtaining timely annual recertification of PCI-DSS version 3.2 for CCAPS by conducting regular audits during the previous year.</li> <li>Non-disclosure agreements are signed by all LankaPay employees committing them to ensure the confidentiality of company information.</li> <li>IT systems related to payment and clearing systems are replicated to DR Site and clustered at head office to maintain zero data loss.</li> <li>All documents and communications are annotated with the level of confidentiality as the relevant policy.</li> </ul>	

Operational Risk		
Process Risk		Low
Inability to operate from the primary Data Centre due to natural disaster or technical failure or unanticipated/unforeseen situation		
Impact/Implication	Risk Management Strategy	
The National Payment Systems operated by the company (i.e. CITS, SLIPS, SL Rupee Draft Clearing, USD Draft Clearing, CCAPS) will be affected and, hence, could have an impact to the Sri Lankan business community, state sector and general public.	<ul style="list-style-type: none"> <li>Fully functional DR Site is available for business continuity for all clearing systems in order to mitigate the risks associated with natural disasters and/or inability to operate from the primary site in Colombo.</li> <li>LankaPay has a formalised Business Continuity Plan (BCP) and several DR drills take place annually in accordance with BCP to ensure our capability to effectively and expeditiously recover from a disaster or setback. The CITS having an uptime of 99.8% and 100% uptime for CCAPS for the year under review is testimony to the effectiveness of the fully functional DR Site.</li> </ul>	

# Enterprise Risk Management

Operational Risk	
Employee Risk	Low
Inability to attract the right staff, develop existing staff and retain skilled and experienced staff	
Impact/Implication	Risk Management Strategy
Reduced productivity and quality of service.	<ul style="list-style-type: none"> <li>In order to minimise people-related risks, LankaPay sets SMART (Specific, Measurable, Achievable, Relevant and Time-Bound) corporate objectives to ensure the staff has clarity of what should be achieved. Having a clear direction and clarity of what is expected of employees help them to focus on their objectives and evaluate their own performance against the objectives. The well-defined HR policies, practices and procedures – spanning from hiring, familiarisation, training and development, performance review, personal improvement plans, compensation and benefits, employee engagement to general conduct and a grievance resolution mechanisms—ensure a strong and satisfied workforce.</li> <li>Human resource processes are currently in place to facilitate the recruitment of the right staff, manage performance and rewards, plan and implement training and development, employee engagement and handle succession planning, retention, and career progression of employees.</li> <li>LankaPay HR initiatives involve strong market survey measures such as staff satisfaction surveys, salary surveys, and networking with the industry, which have helped timely adoption of change.</li> <li>The Board HR Committee, which comprises three Board Members, provides the strategic direction to the HR function of the organisation while ensuring compliance, growth and staff development.</li> </ul>

Legal Risk	
Legal Risk	Low
Risk of legal action due to non-performance of legal and statutory requirements and poorly drafted legal agreements	
Impact/Implication	Risk Management Strategy
Inability to enforce terms against vendors, contractors, service providers, etc., due to their obligations, the company's rights, and other protective provisions benefitting the company, indemnities for the company, etc. not being adequately and/or accurately addressed.	<ul style="list-style-type: none"> <li>A comprehensive internal control system is in place supplemented by regular audit from the corporate internal audit.</li> <li>The company has a dedicated Manager specialised in managing/drafting legal agreements to inter alia monitor/draft legal agreements and related obligations, advise the company as to its rights and liabilities under contracts and other transactions, analyse and review contracts which bind or obligate the company, provide legal opinions and recommendations to ensure that the company is properly safeguarded and effectively represented in such matters, and to review, respond to and draft correspondence necessary for certain operations of the company.</li> <li>Ensuring of all statutory and legal obligations are met in all transactions.</li> <li>Obtaining expert external consultancy services in fulfilling legal obligations, where necessary.</li> <li>Introduction of an automated agreement tracking system to mitigate any risks on non-renewal of agreements on a timely basis.</li> </ul>
Higher default rate by parties to contracts with the company.	
Inability to impose or enforce penalties against parties to contracts with the company in events of default.	
High cost of legal and penalty fees resulting in reduction in profits.	
Adverse impact to the organisation's credibility, reputation and brand image.	

Financial Risk	
Credit Risk	Low
<b>The risk of loss of principal amount or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation</b>	
Impact/Implication	Risk Management Strategy
Loss of principal amount invested. Loss of interest/return on investment.	<ul style="list-style-type: none"> <li>Cash surpluses are invested with commercial banks and subsidiaries of banks identifying the most profitable investment opportunities.</li> <li>The credit rating of the financial institution is considered and a maximum limit is determined with regard to any single financial institution in which an investment is made.</li> <li>Following the investment policy to regulate the investment of surplus funds until they are utilised.</li> </ul>

Financial Risk	
Gearing Risk	Low
<b>Risks from high financial gearing</b>	
Impact/Implication	Risk Management Strategy
The possibility of excessive losses is enhanced in highly geared positions.	<ul style="list-style-type: none"> <li>The company is debt-free and has generated cash surpluses enabling the funding of all its proposed investments from internally generated funds.</li> </ul>

Financial Risk	
Interest Rate Risk	Low
<b>Risk of fluctuating interest rates</b>	
Impact/Implication	Risk Management Strategy
The possibility of lower returns on investments due to interest rates' downward movements.	<ul style="list-style-type: none"> <li>In mitigating such risks, the interest rate movements are closely monitored, and the investment tenure is decided accordingly.</li> </ul>

Financial Risk	
Liquidity Risk	Low
<b>Risk of not having sufficient resources to meet financial obligations in full, at a reasonable cost</b>	
Impact/Implication	Risk Management Strategy
Penalty charges and unfavourable terms when obtaining future loans or loan facilities.	<ul style="list-style-type: none"> <li>Regular cash flow forecasts, monitoring of disbursements and collections are used as tools by LankaPay to mitigate the liquidity risk.</li> <li>The company keeps an adequate amount of resources in short-term financial instruments to purchase consumables and pay short-term liabilities.</li> <li>Credit terms provided by vendors are utilised in full to manage cash outflows of the company. Further, emphasis for bringing down the debtors' collection period was carried out by mandating all customers to settle payments via direct debits so that the dues are automatically drawn from the customers' bank accounts.</li> </ul>

# Enterprise Risk Management

Financial Risk	
Foreign Exchange Rate Risk	High
Risk from fluctuating foreign exchange rates	
Impact/Implication	Risk Management Strategy
The possibility of incurring higher costs related to foreign currency payments.	<ul style="list-style-type: none"> <li>Foreign exchange risk has not been a major concern to LankaPay previously. However, with the significant fluctuations of the exchange rates, mainly costs of the IT maintenance and IT equipment procurement were impacted significantly. Apart from forward exchange contracts which are also limited due to availability of counter parties, LankaPay has limited avenues to mitigate foreign exchange-related risks for the moment. This leaves us with limited options and compels us to apply the conversion rate prevailing at the time to pay for such crucial services. Hence, the prices were extensively negotiated to obtained lowest prices and required procurements were done expeditiously to minimise the impact. Most of the maintenance contracts were negotiated in Rupees to reduce exchange risk.</li> <li>Introduction of National Card Scheme where the company would be exposed to foreign exchange fluctuations due to payment being made in dollars.</li> </ul>

Financial Risk	
Placement Risk	Low
Risk of placing funds in projects which do not give adequate returns	
Impact/Implication	Risk Management Strategy
Affects profitability of the company.	<ul style="list-style-type: none"> <li>Undertaking detailed cash flow predictions of income and expenses to check whether projects would make adequate returns based on available market data and conservative assumptions.</li> <li>Business plans were submitted to the Board depicting the plans for achieving the required financial returns from the invested projects.</li> </ul>

Reputational Risk	
Reputational Risk	Medium
Risks arising from the use of social media marketing	
Impact/Implication	Risk Management Strategy
Use of social media marketing could affect the organisation if social media posts are used in an inappropriate or abusive manner by the staff.	<ul style="list-style-type: none"> <li>Development of a culture where we encourage a positive attitude regarding compliance with laws and regulations of the country. Strong corporate values, supported by performance incentives.</li> </ul>

Reputational Risk	
Reputational Risk	Medium
Failure to manage public relationships	
Impact/Implication	Risk Management Strategy
Negative effects of public opinion, customer opinion and market reputation, and the damage caused to the brand by failing to manage public relations.	<ul style="list-style-type: none"> <li>Continuous awareness amongst employees, customers and general public.</li> <li>Several ground-level activation initiatives to improve customer awareness and brand equity.</li> <li>Strong controlled environment with policies procedures and compliance.</li> <li>Healthy relationship with local media.</li> </ul>

# The Board Audit Committee Report

The Board Audit Committee functioned in terms of the Audit Committee Charter approved by the Board of Directors and purposed to assist the Board of Directors of the company in fulfilling its oversight responsibilities for the financial reporting process, internal control, the audit process, and the monitoring process for compliance with laws and regulations.

The scope of the Audit Committee Charter is reviewed and updated regularly incorporating the provisions of the many regulatory requirements, standards and Acts.

Apart from the direct inquiries of the Board Audit Committee, External Auditors, Internal Auditors and Senior Manager Information Systems Audit assist the Committee to fulfil their obligations effectively from different perspectives.

Mainly, External Auditors carry out the audit of financial statements to provide an opinion on the same. Internal Auditors mainly audit the organisation's internal controls based on the assigned scope by the Board Audit Committee. Senior Manager Information Systems Audit ensures overall IT governance, IT risk and IT compliance of the organisation.

The following areas come under the purview of the Board Audit Committee:

## Financial information

- a) Reviews the Financial Statements of the Company in order to ensure the integrity of the financial information presented to shareholders.
- b) Evaluates the adequacy and effectiveness of internal controls and risk management systems over financial reporting.

## Compliance

- a) Reviews the effectiveness of the systems and procedures adopted by the company and monitors compliance with applicable laws and regulations of the country.

- b) Reviews any examination findings by regulatory agencies and/or any auditor on compliance with such laws and regulations.
- c) Follows up on any instances of noncompliance.

## External Audit

- a) Reviews the External Auditor's independence, audit scope and plan, and its audit quality control/assurance processes.
- b) Reviews the performance of External Auditors and makes recommendations to the Board of Directors on their appointment, reappointment, discharge or rotation if necessary.

- c) Reviews the External Audit Report on the Financial Statements and any supplementary report (e.g., Management Letter) outlining the findings, observations and recommendations and management responses and the status of any corrective action plans.
- d) As part of the routine Committee meeting agenda, meets separately with the External Auditors to discuss any matters that the Committee or Auditors believe should be discussed privately.

## Internal Audit

- a) Reviews with Management and the Internal Auditor, the Audit Charter, audit plans, activities, audit scope, reporting requirements, etc. of the internal audit function of the company and approves same.
- b) Reviews findings and recommendations by the Internal Auditors, together with comments made by Management.
- c) Assesses the effectiveness of such findings and responses.

## External IT Audit

Reviews the findings of IT audits carried out by external parties & monitors the implementation of the recommendations to manage the risks highlighted in their reports. This includes findings submitted on ISO/IEC 27001:2013 and PCI-DSS compliance.

## Internal IT Audit

Internal IT Audit is carried out by the Senior Manager - Information Systems Audit (SM - ISA) of LankaPay. LankaPay Board Audit Committee is overseeing the tasks assigned to Information Systems Auditor. The internal IT Audit Charter and IT Audit Plan are reviewed by the Board Audit Committee.

## Composition of the Board Audit Committee

LankaPay Board Audit Committee is comprised of three Non-Executive Directors of the Board. The following Directors served as members of the Committee during the year under review:

Mr. W. P. R. H. Fonseka - Chairman  
Mr. H. M. P. B. Herath - Member  
Mr. E. R. De Silva - Member

The wide range of experience, mainly in financial and IT controls and the banking industry, brought to the Committee from positions held by the present members can be seen in the Directors' biographical details appearing in this Annual Report.

The quorum of the Committee is two members. Chief Operating Officer, Deputy General Manager Finance, Head of HR & Administration, Assistant General Manager IT, Senior Manager Information Systems Audit, Head of Clearing Systems, Head of External Services, Senior Manager Information Security Solutions and other relevant Managers from LankaPay together with representatives

# The Board Audit Committee Report

of the Internal Auditors were present by invitation at the meetings held.

The Secretary to the Board functions as the Secretary to the Board Audit Committee and DGM Finance liaises Board Audit Committee meetings and related Board Audit Committee activities as the Audit Representative based on the instruction of the Board Audit Committee.

## Meetings

The Committee held four meetings during the year under review. The attendance of the members at these meetings is shown under Corporate Governance in the Annual Report. The proceedings of the Audit Committee are reported regularly to the Board of Directors through Board Audit Committee meeting minutes and special remarks made by Board Audit Committee Chairman at the Board meetings.

## Summary of Activities carried out during the Year

During the year under review, the Committee discharged its duties as follows:

### Financial information

- a) Reviewed the financial information and annual Financial Statements of the company.
- b) Evaluated the adequacy and effectiveness of internal controls.

### Compliance

- a) Reviewed the effectiveness of the systems and procedures of the company to monitor compliance with applicable laws and regulations of the country.

### External Audit

Board Audit Committee reviewed the External Auditor's report on the Financial Statements and supplementary reports outlining the findings, observations, recommendations, Management responses and the status of any action plans. External Audit functions were carried out by M/S PricewaterhouseCoopers (Chartered Accountants).

### Internal Audits

- a) Reviewed the internal audit scope and assigned the Internal Auditors at regular intervals to review the effectiveness of the internal control procedures, accounting systems and operations procedures of the organisation through quarterly audits.
- b) Reviewed the Internal Audit programmes to ensure that implementation of internal control is monitored and their adequacy is assessed on a continuous basis.

- c) Reviewed the Internal Audit reports and monitored the implementation of recommendations made therein. Internal Audit functions were carried out by Messrs. B R De Silva & Company (Chartered Accountants).

### Internal IT Audit

The Board Audit Committee reviewed;

- a. The IT general control audit report submitted by Senior Manager - Information Systems Audit on 'physical access security and environmental protection controls over the computer centre.
- b. The IT general control audit report submitted by Manager FinCSIRT on 'The IT department and IT network infrastructure'.

Both reports covered the monitoring of the implementation of the risk remediation actions recommended by the Senior Manager Information Systems Audit and Manager Information Security of FinCSIRT in order to mitigate/ remedy the prevailing risks and vulnerabilities.

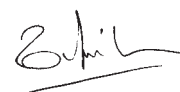
### Appointment of Auditors

The Board Audit Committee recommended the appointment of M/S PricewaterhouseCoopers, (Chartered Accountants) as the External Auditors for the year ending 31st March 2024 subject to the approval of the shareholders at the Annual General Meeting.

### Conclusion

Based on the reports submitted by the External Auditors, Internal Auditors and IT Auditors, the Committee reported to the Board of Directors, identifying matters in respect of which it considers action or improvement was needed and made recommendations as to the steps to be undertaken.

The Audit Committee is satisfied that the internal controls of LankaPay (Pvt) Ltd., provide a reasonable assurance that the affairs of the organisation are managed in accordance with the policies of the organisation and that the organisation's assets are properly accounted for and adequately safeguarded.



**W. P. Russel Fonseka**  
Chairman  
Board Audit Committee

16th May 2023

# The Board HR Committee Report

I am delighted to share some exciting news about the transformation of our HR Department here at LankaPay. As you are aware, we have been working diligently to develop a new organisational structure that will better support our company's global footprint, entrepreneurial growth model, and strategic objectives and facilitate balance sheet growth.

I am pleased to announce that we have successfully implemented our new HR structure, which includes a significant shift in our focus from traditional HR functions to Organisation Development and Talent Management (ODTM). This shift represents a fundamental change in the way we approach our people and culture, and we believe it will help us better align our traditional HR strategy with our new business goals.

The new structure has been designed to create a more agile, responsive, and employee-centric HR team, one that is focused on supporting our people and building an environment that fosters growth and development. We are confident that this change will help us attract, retain, and develop top talent, while also improving the overall employee experience at LankaPay.

To support this transformation, we have invested heavily in talent management tools and resources that will enable us to better identify, develop and retain our top performers. We are also committed to building

a culture of continuous learning and development, where employees are encouraged to take ownership of their own growth and development.

As we move forward, we will continue to work closely with our business leaders to ensure that our ODTM strategy is aligned with our overall business objectives. We believe that this approach will help us build a high-performing organisation that is able to meet the challenges of the future.

The Board HR Committee during the year under review consisted of three (03) Board Members namely Mr. Ranjith Kodituwakku, Mr. Ravi De Silva and the undersigned. The formation of the Board HR Committee was subsequently revised by the Board by appointing Mr. Sanjay Wijemanne due to Mr. Kodituwakku leaving the Committee having completed his tenure on the main Board.

During the financial year 2022/23, the Board HR Committee worked diligently to support the transformation needed in our HR function of the organisation. The key achievements of the Committee over the past year include the following:

- To increase employee participation, we have implemented a number of initiatives that aim to foster greater collaboration and engagement across the organisation.

- We have introduced regular team-building exercises and workshops that encourage employees to work together and share their ideas and insights.
- We have also established a feedback mechanism that allows employees to provide suggestions and feedback directly to the HR department, which has been invaluable in shaping our HR strategy.
- We have invested in new software that automates many of our administrative tasks, freeing up time for employees to focus on more value-added activities.
- We have also introduced a range of training programmes that aim to upskill employees and improve their productivity in areas such as relationship management, project planning, and written and spoken communication.
- As part of our transformation towards organisation development and talent management, we have focused on developing a high-performance team within the organisation.
- As part of our efforts to encourage an entrepreneurial spirit within LankaPay, we have also introduced a Share Option Scheme for employees. This scheme gives employees the opportunity to own a stake in the company and to share in the rewards of its success. We believe that this scheme will help

to motivate and engage employees and encourage them to think and act more like entrepreneurs within the organisation.

Our focus on talent management and succession planning has helped us to identify and develop our high-potential employees, which has contributed to our long-term success. Additionally, our commitment to diversity and inclusion has helped us to attract and retain top talent which has helped us to maintain a competitive edge in our industry.

We are confident that these initiatives laid down by the Board HR Committee will help LankaPay to achieve its objectives of increasing employee participation, introducing new productivity measures, and implementing a reward scheme that reflects the energy employees put into their work. Given the importance of this area, the Board HR committee will continue to monitor and evaluate our talent management initiatives and make adjustments as necessary to ensure that we are meeting and evolving with the needs of our employees and LankaPay's future balance sheet expansion plans.

As the Chairman of the Board HR Committee, I wish to place on record my appreciation of the valuable inputs shared by the members of the Board HR Committee that helped the decision-making process relating to HR management while

# The Board HR Committee Report

improving the profitability and employee satisfaction of the organisation.

On behalf of the Board of Directors, I wish to thank Mr. Ranjith Kodituwakku and Mr. Ravi De Silva and Mr. Sanjay Wijemanne for their contributions, energy, and untiring efforts towards fulfilling their duty as Members of the Board HR Committee.

In conclusion, on behalf of the Committee, I wish to thank Mr. Channa de Silva, the General Manager/CEO, and Mr. Lakshman C. Palliyaguruge, Head of HR & Administration, for their contribution to the functioning of the Board HR Committee.



**Dr. Kenneth De Zilwa**  
*Chairman - Board HR Committee*

16th May 2023

# The Board Integrated Risk Management Committee Report

The Committee is governed by a formal Risk Committee Charter that is reviewed regularly. This charter guides the committee in terms of its objectives, authorities and responsibilities, as assigned by Board of the LankaPay (Pvt) Ltd.

The Enterprise Risk Management (ERM) framework of LankaPay (Pvt) Limited provides a structured, integrated, dynamic and consistent approach to risk management. This integrated approach recognises that effective risk management and governance oversight is critical to the achievement of strategic objectives and the long-term sustainable growth of the business.

## Composition

The Board Integrated Risk Management Committee (BIRMC) comprises three members who are Non-Executive Directors:

1. Mr. Ravin Basnayake - Chairman
2. Mr. Clive Fonseka
3. Mr. Ravi De Silva

Permanent Members of the Management Level Risk Committee (MLRC) are as follows:

1. Mr. Channa de Silva: General Manager/CEO
2. Mr. Dinuka Perera: Chief Operating Officer
3. Mr. Rasika Galappaththy: Deputy General Manager Finance
4. Mr. Lakshman Palliyaguruge: Head of HR & Administration

5. Mr. Dilantha Samarasinghe: Assistant General Manager IT
6. Mr. Chamath Algawatta: Chief Information Security Officer (CISO)
7. Ms. Srimali Premalal: Senior Manager Information Systems Audit

Mr. Prabhath Wisidagama, who was newly recruited as the Assistant Manager of Risk & Compliance, began serving as Secretary of the Risk Management Committee in the financial year 2022.

## Committee Functions

The Board Integrated Risk Management Committee (BIRMC) functions as a Sub-Committee of the Board of Directors and plays a crucial role in overseeing the Risk Management Framework and processes of LankaPay. Its key responsibilities are to identify, assess, and monitor the risks faced by the organisation and ensure that they are appropriately managed.

The Board Risk Management Committee provides guidance and advice to Management on risk management matters and oversees the implementation of risk management action plans. It reports to the Board on the effectiveness of the Risk Management Framework and the key risks facing the organisation.

The Committee ensures that the risk appetite of the organisation is aligned with its strategic objectives, and reviews and considers the appropriateness in view of providing a national service

while not deviating from the risk management budget and resource. The specific functions of the Board Risk Management Committee may vary depending on the needs and objectives of the organisation. Overall, the Committee plays a crucial role in ensuring that risks are effectively managed and the organisation can achieve its strategic objectives in a sustainable manner in a controlled environment.

## Terms of Reference

The Terms of Reference set out by the Board of Directors include the following:

1. Review and analyse the relationship and alignment of risk management with business strategies.
2. Review and analyse the Risk Management Framework at regular intervals in order to assess and recommend the maturity of the framework.
3. Oversee the formal development of risk management policies within the entity, encompassing all products and business and support units and ensuring the development of policy manuals and procedures.
4. Oversee the criteria and methods defined for the identification and analysis of risks.
5. Oversee the formulation of risk treatment strategies and management of the overall risks associated with the entity's activities and satisfy itself with the design and completeness of the framework relative

to the entity's activities and risk profile.

6. Consider any breaches of the entity's risk appetite and each of the approved risk type limits and to approve a reduction plan and/or ratify the excess request.
7. Ensure that the Board of Directors is continuously aware of the entity's risk exposure, realised or potential losses (substantial incidents) and key risk indicators.
8. Submit critical risk items to the Board, seeking its views, concurrence, or specific directions.
9. Review relationships with the regulatory authorities in Sri Lanka and review developments and prospective changes in the regulatory environment, and the company's plans to help influence future regulatory policies.
10. Review the adequacy and quality of the company's compliance and risk management functions.

## Exceptional Risk considerations

As directed by the Risk Committee, efforts are underway to strengthen the controls on vendor involvement by introducing compensating controls. These new measures will enhance the organisation's ability to manage and mitigate/reduce the risks associated with working with third-party vendors. The process of introducing these compensating controls involves a comprehensive review of the current vendor

# The Board Integrated Risk Management Committee Report

management procedure and the identification of gaps and vulnerabilities in the existing control framework.

Risk assessments typically involve a process-based approach where applications falling under the same process are also considered at a high level. However, we have conducted a comprehensive risk assessment cycle on key critical applications such as IST, which is the core switch, and other critical applications such as LankaPay Government Payment Platform (LPOPP), LankaRemit, Data Navigator, Liability Manager, etc. The risks have been considered in terms of the following areas:

- Access management process
- Vendor management
- Change management process
- Infrastructure management
- Dependency on other systems
- Business continuity
- Data privacy and security

## Meetings

Board Integrated Risk Management Committee (BIRMC) met three times during the financial year ending 31st March 2022 and the fourth meeting was held on the first week of April 2023.

## Discharge of Responsibilities

- Reviewing and assessing the effectiveness of the organisation's risk management policies, procedures, and controls. Further, ensuring that a comprehensive Risk Management Framework

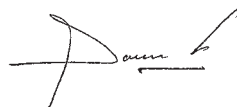
is in place that aligns with the organisation's strategic objectives.

- Overseeing the identification, assessment, and management of risks across the organisation and making recommendations to the management to ensure that risks are managed within the organisation's risk appetite.
- The company continuously seeks to improve and enhance the risk management process, while at the same time maintaining a practical and business-minded approach. The discussions and conclusions reached at the meeting were recorded in minutes and circulated to the Board of Directors for information and advice. Critical issues were taken for discussion at the Board level.

## Conclusion

The Integrated Risk Management Committee met to evaluate the identified risks and the effectiveness of the risk mitigation mechanisms employed by LankaPay. The Committee collectively analysed the residual risks and made recommendations to be implemented, where necessary. As a result of its evaluation, the Committee is of the view that the LankaPay risk management process provides reasonable assurance towards mitigating risks at a desirable level, safeguarding the interest of stakeholders, and assuring sustainable operations.

The Committee's evaluation is essential in ensuring that LankaPay's risk management practices align with industry best practices and regulatory requirements. The Committee's recommendations will help to enhance the organisation's risk management processes and ensure that risks are effectively identified, assessed, and managed. Ultimately, this will help to safeguard the interests of stakeholders and ensure the long-term sustainability of LankaPay's operations.



**Mr. Ravin Basnayake**  
*Chairman*  
*Board Integrated Risk Management Committee*

16th May 2023

# The Board Procurement Committee Report

The Board Procurement Committee (BPC) is established under the direction of the Board and is entrusted with overseeing and guiding the procurement processes of the Company and approving procurements that are above the value of Rs. 10 Mn per procurement. The Board Procurement Committee (BPC) is governed by a Terms of Reference (ToR) approved by the Board and its primary objective is to ensure the organisation's procurement practices align with ethical standards, cost-effectiveness, and the company's strategic goals.

The BPC during the year under review consisted of three (03) Board Members, namely Mr. Russel Fonseka, Mr. Sanjay Wijemanne and the undersigned. During the financial year 2022/23, the BPC worked diligently and reviewed and approved many important IT and operations procurements for the company with a total value exceeding Rs. 240 Mn. The key initiatives and achievements of the Committee over the past year include the following:

**Strategic Sourcing:** The sourcing was mainly through the registered vendors and suppliers who currently engage with LankaPay for the supply of various solutions and services. This ensured an uninterrupted supply of solutions and services amidst the current volatile market conditions.

**Risk Management:** The Committee focused on mitigating procurement risks and enhancing transparency across all procurements. The implementation of performance and bid securities and other safeguards when advance payments are made was streamlined with the involvement of the BPC.

**Cost Reduction Strategies:** The BPC encouraged negotiations with vendors leading to significant savings for the company. Further, the instructions and guidance on the USD value procurements were given to reduce the impact of extraordinary USD rate appreciations against local currency, in a mutually beneficial way.

The BPC remains committed to advancing the company's procurement function, fostering ethical practices, driving cost efficiency, and promoting supplier diversity and sustainability. The Committee will continue to monitor industry trends, identify emerging challenges, and suggest implementing innovative solutions to enhance the organisation's procurement capabilities in the future.

On behalf of the Board of Directors, I wish to thank Mr. Russel Fonseka and Mr. Sanjay Wijemanne for their contributions to fulfilling their duty as members of the BPC.

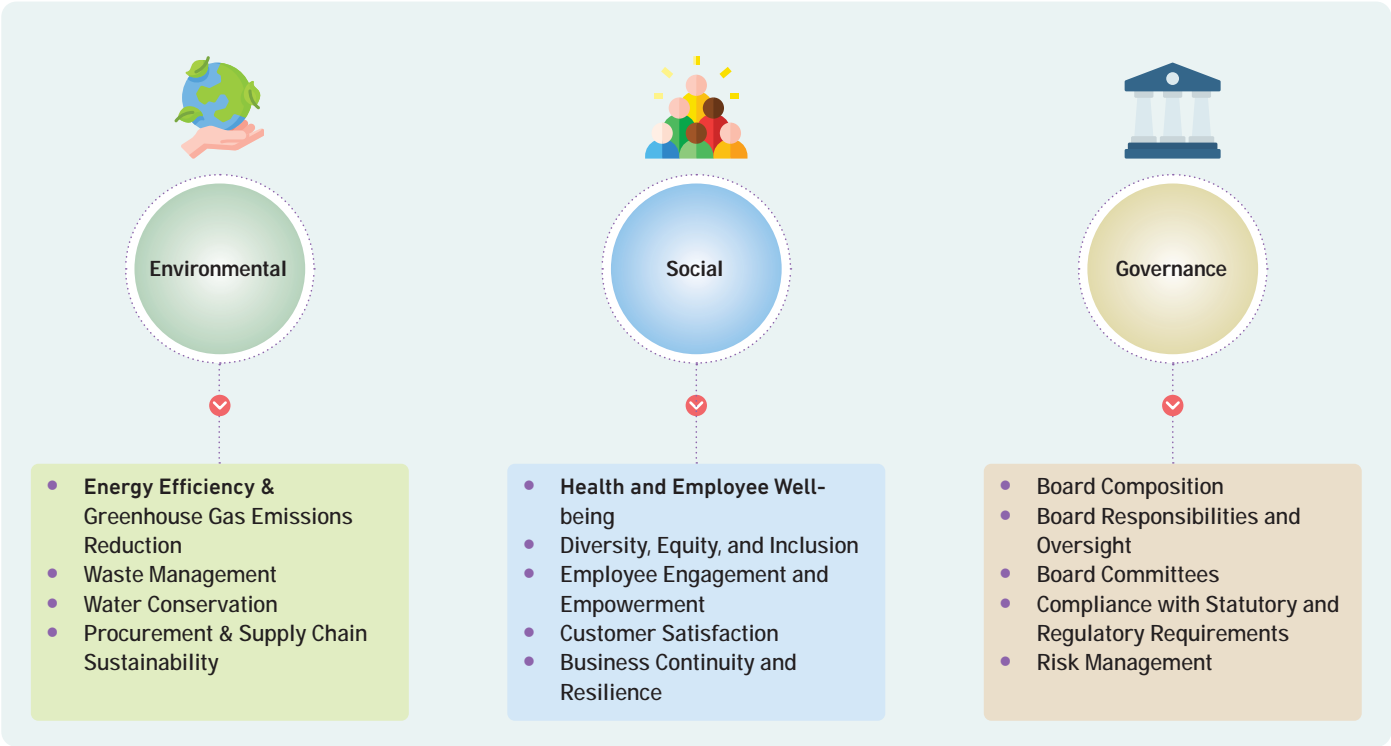
In conclusion, on behalf of the committee I wish to thank Mr. Dinuka Perera, Chief Operating Officer and Mr. Lakshman C. Palliyaguruge, Head of HR & Administration and Secretary of the BPC, for their contribution to the functioning of the BPC.



**Mr. H. M. P. B. Herath**  
*Chairman - Board Procurement Committee*

16th May 2023

# Sustainability Report



## Environmental Key Environmental Aspects

### 01. Energy Efficiency & Greenhouse Gas Emissions Reduction

Implementing measures to optimise energy use and reduce energy consumption within LankaPay's operations. This involves adopting energy-efficient technologies, implementing energy management systems, and promoting employee awareness of energy conservation. LankaPay deployed a new state-of-the-art data centre which is more efficient than the previous data centre. The total and sectional energy consumption is regularly monitored and recorded to make sure that the efficiency of the system is always higher, which will save energy as well as reduce emissions. All the staff were requested to switch off the AC, lights, and computers when they leave the office. Several awareness programmes were conducted to achieve this target. Furthermore, all bulbs were replaced with highly efficient LED bulbs to reduce energy consumption.



Sectional Measurement of Electricity

## 02. Waste Management

LankaPay develops strategies to minimise waste generation and promote proper waste management practices within the organisation which include implementing recycling programmes, reducing paper usage, and promoting responsible waste disposal. At LankaPay, every possible effort is put forward in making sure all e-waste produced is disposed of according to the current best practices. As a technology-intensive company, it is critical to ensure all e-waste corresponding to servers, storage drives and other portable media are disposed of and recycled without compromising sensitive data in a manner that meets the guidelines issued by the Central Environmental Authority (CEA) of Sri Lanka.

A similar process is followed when disposing of archived CITS CDs, where the company has crushes and sends them for recycling. Moving forward, the requirement to archive on CDs is greatly reduced due to the increase in online clearing cycles and the high reliability of VPN services which results in the shift of archival media mostly to online modes. The company expects to dispose of the e-waste accumulated due to the completed CCAPS server upgrade, upcoming head office refurbishment and completed staff workstation upgrades in an eco-friendly manner. Hazardous waste such as used lead acid batteries is returned to the authorised local agent for proper disposal, which ensures no waste is dumped in landfills or hazardous materials added to the soil. This is a commitment LankaPay has maintained since inception and, to date, the company has not participated in or encouraged any landfills signifying its commitment towards environmental conservation and sustainability.



Waste Management through Recycling used Papers



Waste Management - Proper Garbage Distribution

## 03. Water Conservation

LankaPay implement measures to reduce water consumption and promote responsible water management practices within the organisation. The company has introduced and implemented practices and strategies to reduce water usage, minimise waste, and optimise water management. LankaPay uses efficient fixtures and appliances which use less water without compromising functionality, has replaced outdated appliances with energy-efficient models that have water-saving features, regularly inspects plumbing systems and equipment for leaks, and promptly repairs any identified leaks to prevent water wastage. The company conducts training sessions, provides information on water-saving practices and encourages staff members to actively report any leaks they come across or suggest water-saving ideas that can further contribute to effective water management. Additionally, it displays signage and educational materials in restrooms and other water-use areas in the company. By fostering a culture of awareness and providing the necessary tools for action, the organisation make significant strides in its water conservation efforts.



PAC Water Consumption Monitoring

## 04. Procurement & Supply Chain Sustainability

The company has integrated sustainability criteria into the procurement process by considering the environmental and social impacts of suppliers and products/solutions. LankaPay Procurement Division collaborates with world-class suppliers and service providers to promote sustainable practices throughout the value chain. The company has digitalised the procurement process by leveraging technology and digital tools to streamline and automate various stages of procurement, from requisition to payment. All the functions in the procurement process have been digitalised to reduce lead time through e-sourcing and e-procurement, digital signatures, virtual meetings, electronic document management, etc.

# Sustainability Report

## Environmental Impact Assessment

The company conducts regular environmental impact assessments to identify and mitigate potential environmental risks associated with LankaPay's operations. This ensures compliance with environmental regulations and promotes proactive environmental management.

### Environmental Sustainability Strategic Objectives

Objective 01: Reduce the Environmental Impact of Our Operations

Objective 02: Promote Green Concepts and Practices

Objective 03: Promote Environmental Awareness and Employee Engagement

### Objective 01: Reduce the Environmental Impact of Our Operations

LankaPay operates within the realm of facilitating electronic payments, a business activity that does not typically give rise to significant negative environmental impacts typically associated with traditional businesses, such as those in the manufacturing sector. As a financial infrastructure service provider, LankaPay's operations do not heavily rely on scarce nonrenewable energy sources for production purposes, nor do they necessitate large-scale water consumption or plant utilisation that may lead to deforestation. Instead, the company's core business activity revolves around enabling the transition of the general public towards a cashless society, thereby facilitating a shift away from a paper-based economy.

By promoting and facilitating electronic payments, LankaPay plays a crucial role in reducing paper consumption, thereby making a substantial contribution towards environmental sustainability. This shift away from paper-based transactions translates into a direct reduction in the need for cutting down trees, as well as a decrease in the associated carbon emissions resulting from paper production and disposal processes. The transition to a cashless society, facilitated by LankaPay, promotes the efficient use of digital technology for financial transactions, eliminating the need for excessive paper usage and the accompanying environmental burden. Furthermore, LankaPay's emphasis on electronic payments also brings about other environmental benefits. For instance, the reduction in paper usage directly translates into decreased waste generation, lowering the strain on waste management systems and landfills.

### Objective 1 - Initiatives

#### Paperless Operations

Implement a comprehensive paperless initiative within LankaPay's operations by encouraging public to use digital platforms for communication and documentation, promoting electronic storage and sharing of files, and minimising the use of paper in day-to-day activities.

#### Electronic Payment Promotion

Develop campaigns and awareness programmes to promote the adoption of electronic payment methods among the general public. Collaborate with banks, merchants, and other stakeholders to educate and incentivise individuals and businesses to shift away from cash transactions and embrace electronic payment options.

#### Stakeholder Engagement

Engage with key stakeholders, such as banks, merchants, and government agencies, to advocate for the benefits of electronic payments in terms of environmental sustainability. Encourage collaboration and partnerships to drive the adoption of sustainable practices and reduce the reliance on paper-based transactions.

#### Technology Innovation

Continuously invest in research and development to enhance electronic payment systems and technologies. This includes exploring advancements in secure mobile payment solutions, contactless payment options, and digital wallets to provide convenient and environmentally friendly alternatives to traditional payment methods.

### Objective 01 - KPIs

#### Paper Consumption Reduction

Measure the reduction in paper consumption within LankaPay's operations, over time.

#### Electronic Payment Adoption Promotion

Track the increase in the adoption rate of electronic payment methods among the general public. Monitor the number of electronic transactions processed through LankaPay's systems and evaluate the growth in usage and acceptance of digital payment options.

### Objective 02: Promote Green Concepts and Practices

The company has demonstrated its commitment to sustainability through the implementation of best practices in green building concepts during the construction of its new Data Centre. By integrating high-efficiency precision air conditioning units and UPS systems, as well as utilising locally manufactured and fully recyclable compressed paddy straw boards, the company aims to reduce environmental impacts and improve operational efficiencies.

### Objective 02 - Initiatives

#### Green Building Integration

The company has taken significant steps towards promoting green building concepts in the construction of its new Data Centre. High-efficiency precision air conditioning units and UPS systems have been integrated to optimise energy usage and improve overall operational efficiency. Additionally, the company has chosen to use compressed paddy straw boards for the construction of dry walls. These boards are locally manufactured, fully recyclable, and meet international standards. By incorporating native paddy waste for fire protection, the company ensures a sustainable approach to building while maintaining necessary safety measures.

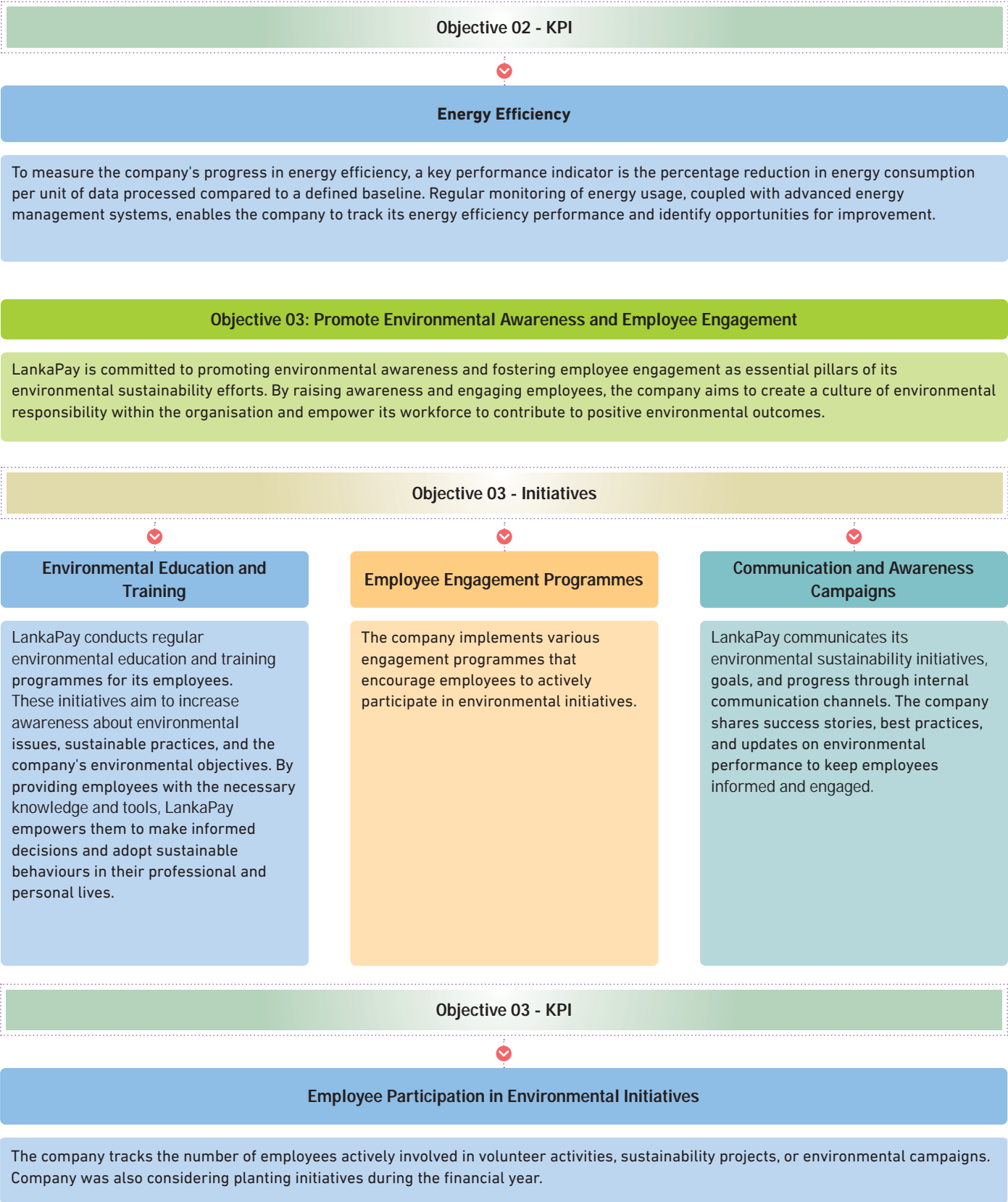
#### Renewable Energy Adoption

As part of its commitment to reducing reliance on fossil fuels, the company is actively exploring opportunities to adopt renewable energy sources. This includes investigating the feasibility of utilising solar or wind power to meet the energy requirements of the Data Centre. By embracing renewable energy, the company aims to minimise its carbon footprint and contribute to a cleaner and greener energy landscape.

#### Resource Efficiency and Waste Reduction

The company recognises the importance of optimising resource usage and minimising waste generation. To achieve this, the company is implementing measures to enhance resource efficiency, particularly in terms of energy and water consumption. Additionally, waste management practices are being improved to reduce waste and promote recycling initiatives within the organisation. The company is also exploring innovative solutions such as waste-to-energy conversion to ensure sustainable waste disposal methods.

# Sustainability Report





## Social

### Key Social Aspects

#### 01. Health and Employee Well-Being

##### Wellness Programmes

Company conducts wellness programmes that are designed to encourage healthy behaviours and lifestyle choices among employees including activities such as fitness challenges, nutrition education and weight management initiatives. By providing resources and incentives for employees to adopt healthier habits, the organisation contributes to their overall well-being.

##### Access to Healthcare Services

The company supports employee well-being by offering access to comprehensive healthcare services. The company provides health insurance plans such as surgical and hospitalisation insurance that covers the employees and their family and workmen's compensation insurance to help employees address their medical needs promptly. The company has enhanced health insurance coverage over the years. Through the insurance coverage, it has introduced a critical illness cover of Rs. 250,000, providing additional protection and support for employees, and raised the claim amounts for spectacles and dental expenses, allowing them to receive higher reimbursements.

##### Mental Health Support

The company recognises the importance of mental health, and employers are increasingly implementing initiatives to support their employees' emotional well-being. The company maintains an open-door policies for grievance handling.

##### Education and Training

Company provides several types of topics such as stress management techniques, healthy eating habits, exercise routines, and mindfulness practices. By equipping employees with knowledge and skills to make healthier choices, organisation empower individuals to take responsibility for their well-being.

##### Stress Management Support

The company addresses workplace stress issues through providing stress reduction workshops, encouraging regular breaks and vacations such as compulsory annual leave, promoting work-life balance, and fostering a positive and supportive work culture.

# Sustainability Report

## 02. Diversity, Equity and Inclusion

LankaPay embraces diversity, equity and inclusion within the company, which is essential for human sustainability.

### Fostering a Diverse Workforce

Diversity encompasses a range of characteristics, including race, ethnicity, gender, age, sexual orientation, disability, and more. The company is actively seeking and cultivating a diverse workforce that brings together individuals with varied backgrounds, experiences, and perspectives. LankaPay promotes a diverse workforce and taps into a wider talent pool, to attract top talent from different demographics, and create a dynamic and inclusive work environment.

### Promoting Equal Opportunities

The company ensures fairness and impartiality in providing opportunities, resources, and support to all employees, regardless of their backgrounds or identities. By promoting equal opportunities, the organisation creates a level playing field where individuals can thrive based on their merit and potential, rather than facing discrimination or bias. The company has implemented a Discretionary Incentive/ Allowance programme to adjust employee compensation in line with current inflation, ensuring fair and competitive remuneration.

### Creating an Inclusive Culture

LankaPay focuses on creating an environment where every individual feels valued, respected, and empowered to contribute their unique perspectives and talents. An inclusive culture acknowledges and appreciates the diversity of the workforce, fostering a sense of belonging and psychological safety. LankaPay's inclusive culture enhances employee engagement, productivity, satisfaction, and overall well-being. The company has implemented an Employee Share Option Plan to make employees feel valued as crucial assets within the organisation.

## 03. Employee Engagement and Empowerment

### Involvement in Decision-making

The company is always seeking employee input, soliciting feedback on important decisions, and involving employees in problem-solving and brainstorming sessions. When employees feel their opinions and perspectives are valued, they develop a sense of ownership and commitment to the organisation's goals and objectives. As an example, when the company decided to change the performance appraisal cycle from calendar year to financial year, the management communicated and gathered employee information and feedback before processing the changes. Skip meetings are another way through which the HR team gathers employee feedback for the decision-making processes.

### Opportunities for Growth and Development

The company continuously provides opportunities for employees to learn, grow, and develop their skills as a crucial aspect of empowerment including offering training programmes, mentorship opportunities, job rotations, or tuition reimbursement for further education. By investing in employee development, the organisation shows a commitment to its employees' professional growth, leading to increased engagement and job satisfaction. LankaPay has introduced an Employee Succession Plan and identifies, develops and trains a high-performing team for the future. These are milestones of employee development and growth in Lanka Pay.

### Promote Employee Engagement Activities

LankaPay promotes employee engagement activities to foster a positive and supportive work environment. LankaPay organises social events and team-building activities to foster camaraderie and a sense of belonging among employees. The company conducts events such as organising a Women's Day celebration for all the ladies in the company, aiming to highlight their importance as valuable assets to the organisation, arranging baby showers for female employees going on maternity leave, hosting a "Paduru Party" at "Ape Gama" to provide employees with a musical experience and promoting increased employee engagement.



LankaPay Musical Evening



LankaPay Women's Day Celebration

#### 04. Customer Satisfaction

LankaPay places customers at the centre of its operations, prioritising the delivery of customised experiences that go beyond customer expectations by comprehending their requirements.

##### Service Quality

LankaPay strives to deliver high-quality services to its customers, including by ensuring reliable and efficient payment processing, secure transactions, and seamless interoperability among member banks and financial institutions. To guarantee a seamless accessibility of our products and services, the company has utilised technology as a key approach. The company has made substantial investments in digital infrastructure, enabling stakeholders to conveniently access offerings from the convenience of their own homes.

##### Customer Support

LankaPay emphasises providing exceptional customer support to address any queries, concerns, or issues customers may have. Prompt and effective customer support enhances satisfaction and builds trust through providing 24x7 customer service.

##### Relationship Management

LankaPay aims to build strong relationships with its customers, fostering trust, loyalty, and long-term partnerships. Effective relationship management contributes to customer satisfaction and retention. Furthermore, the company has placed considerable importance on nurturing its relationships with employees, suppliers, and the communities in which the company conducts its operations. LankaPay celebrated International Customer Service Week emphasising the importance of its customers and recognising their role in the journey to success. LankaPay Online Quiz-Season III-2022 was held to engage with customers. The company has also strengthened stakeholder relationships through sending seasonal gifts.

# Sustainability Report

## 05. Business Continuity and Resilience

In the face of an ever-evolving business landscape characterised by unprecedented disruptions and unforeseen challenges, LankaPay's commitment to business continuity and resilience remains unwavering. This section aims to provide insights into the strategies and initiatives undertaken by LankaPay to build a robust framework that ensures LankaPay operations remain resilient in the face of adversity. By prioritising business continuity and resilience, LankaPay strives to protect stakeholders interests and secure a sustainable future for the organisation.

### Embracing Business Continuity

Business continuity is an integral part of LankaPay's corporate strategy, implemented through the Business Continuity Plan ensuring that essential critical operations are maintained during and after disruptions. Through proactive risk management, meticulous planning, and the implementation of comprehensive strategies, LankaPay minimises downtime, protects brand reputation, and preserves consumer trust.

### Investing in Technology

LankaPay recognises the pivotal role of technology and infrastructure in maintaining business continuity and resilience. The company has embraced digital transformation initiatives, data backup methods, strong cybersecurity measures, and safeguarded operations against technological disruptions. Moreover, LankaPay continually assesses its IT infrastructure to identify areas for improvement and invests in modernisation efforts to enhance operational efficiencies.

### People-Centric

LankaPay's commitment to business continuity and resilience extends to its most valuable asset, its employees. LankaPay understands the employees' well-being and adaptability are vital in navigating challenging times. To support their resilience, the company prioritises employee training and development programmes, ensuring that they are equipped with the necessary skills and knowledge to respond effectively during disruptions.

By prioritising the above areas, LankaPay actively safeguards its sustainability and ensures the best interests of the company's stakeholders. The dedication to business continuity and resilience is not only reflected in this Annual Report but is ingrained in everyday operations, ensuring a sustainable future for the company.

### Governance

LankaPay ensures governance by implementing an Integrated Corporate Governance Framework which is built on the core principles of Innovative, Collaborative, Inclusive, Convenient, Accessible and Trustworthy. LankaPay complies with the necessary obligations stipulated in the Companies Act No. 07 of 2007, as well as the directives, rules, regulations, and circulars issued by the Central Bank of Sri Lanka. The organisation also adheres to the guidelines and regulations set forth by the Institute of Chartered Accountants of Sri Lanka, relevant legislations of the Sri Lankan Government, and the requirements outlined by the Payment Card Industry Data Security Standard (PCI-DSS). Additionally, LankaPay follows accepted national and/or international policies, procedures, and best practices that are applicable to its business operations.

Corporate governance is covered under the "Corporate Governance" section in this report.

### Non-Financial Information Statement

Reporting Requirement	Section of Annual Report
Organisational Profile	About Us–Vision, Mission, Core Values (Pages 6 to 7)
Description of Business Model	Business Model (Pages 12 to 13)
Value Creation	Value Creation Model (Page 83)
Non-Financial Performance	Operational Review (Pages 48 to 57)
Environmental Impact	Sustainability Report (Pages 166 to 170)
Social Impact	Sustainability Report (Pages 171 to 174)
Governance And Ethics	Corporate Governance (Pages 140 to 147)
Stakeholder Engagement	Stakeholder Engagement Process (Pages 124 to 137)
Sustainability Strategy And Goals	Sustainability Report (Pages 175 to 178)
Risk Management	Enterprise Risk Management (Pages 148 to 158)
Future Outlook	Operational Environment (Pages 54 to 57)

## Contribution to United Nations Sustainable Development Goals

### People

#### 01 - No Poverty



- The economic crisis led to a significant increase in poverty due to layoffs, pay cuts and loss of earnings. Even during challenging times, the company did not resort to any layoffs or pay cuts.
- As the operator of the National Payment Network, financial inclusivity is high on our agenda and one of the notable contributions of LankaPay to the nation is making digital transactions more affordable to everyone and as well as making these payment options more widespread and accessible. During the year, JustPay continued to post a remarkable 42% growth, surpassing the 15 Mn volume threshold, facilitating over Rs. 76 Bn worth of transactions. The company was able to keep some of those micro and SME enterprises alive by empowering them with a convenient, affordable and accessible mode of payment in partnership with the JustPay-enabled apps and member banks whilst helping the economy to function in an exceptionally challenging environment.
- LankaPay consequently facilitated the users with affordable charges for the financial transactions.
- The company serves customers from all the income levels across Sri Lanka.

#### 02 – Zero Hunger



- There were predictions of a food shortages stemming from the shortage of fertiliser. There are certain products that are imported to Sri Lanka that needs the SLS certification. There are many other government organisations that are involved in the process of getting food items to Sri Lanka. LankaPay helped, in a way, to increase the efficiency of payments made to these organisations. LankaPay Government Payment Platform connects Sri Lanka Customs, Import and Export Control Department, Sri Lanka Standards Institution, Sri Lanka Ports Authority (vessels, cargo and entry permits) which are directly connected to the import export process. By enabling realtime payments to these institutions seamlessly even during lockdowns, we have contributed towards reducing delays in the importation of essential items.

#### 03 – Good Health and Well-being



- Internal awareness of infectious diseases and public health strategies.
- Display posters about the need for hand hygiene and wearing face masks within LankaPay premises.
- Establishment of an enhanced medical insurance scheme covering all employees and family members and total employee benefits including OEB paid during the year is Rs. 464,722,410.
- Life coverage is also provided to the employee as part of the insurance scheme.
- Pregnant mothers are entitled to maternity leave and their hospital fees are covered by the hospitalisation cover offered by the company.
- Provided medical allowance to employees towards reimbursing medical expenses.
- Workman's compensation insurance is provided to all employees.

#### 04- Quality Education



- Conducted product awareness programmes for A/L and university students.
- Included a payment system module to the curriculum of banking exams conducted by Institute of Bankers of Sri Lanka.
- Continued the "Educational Assistance Programme" for internal staff at a value of Rs. 2.5 Mn.
- 36 training programmes were conducted during the year.
- Total investment on training during the year is Rs. 3 Mn.
- Training hours per employee in the year is 35.
- Invested in more than 3,900 training hours for staff development in various in-house and external training programmes.
- Reimbursement of professional membership contributions to encourage professional affiliation of employees in their respective fields.
- Improving the work-related competences and skills of individuals by identifying and recommending training and skills needed by individuals within the two assessment cycles.
- Internal knowledge sharing programmes and skills development workshops.
- The company increased the upper level of the professional membership reimbursements from Rs. 75,000 to Rs. 150,000.
- Organised outward boundary training programmes for Senior Managers and other staff members, focusing on team building and leadership development.

# Sustainability Report

## 05 – Gender Equality



- Key female incumbents to legal, research & development, marketing, information systems audit & project delivery roles.
- LankaPay condemns and does not practice gender-based discrimination in hiring, promotions, increments and bonus allocation.
- Our services are for all—irrespective of their gender, age, race, religion, etc.
- 17.39% female representation in new recruits.

## 07 – Affordable and Clean Energy



### We manage energy via:

- close monitoring of energy consumption through sectional measurement and monitoring of different work areas (Data Centre, office area etc.);
- monitoring generator fuel consumption in each run;
- scheduling test runs to optimise consumption and equipment wear and tear;

### We have reduced electricity consumption through:

- lighting common areas with LED lights;
- natural light is integrated to office areas wherever possible;
- inverter type air conditioners for comfort cooling in office spaces with fitted micro energy meters to monitor and optimise energy consumption; no CFC-based refrigerants are used;
- periodical upgrades to IT infrastructure to enhance energy and processing efficiency; LankaPay is in the process of upgrading its CITS back-end server infrastructure with the latest Oracle Sparc servers, while making use of optimisation and consolidation methodologies;
- switching off devices including computers, ACs and other electrical equipment at the end of each working day or when staff leave office;
- the facility maintenance team conducts daily inspections to switch off any electrical appliances that are left on after office hours;
- split AC units and maintaining 25°C at all times; these units are only operated when central AC is not available;
- facilitating team by conducting yearly awareness sessions on energy saving best practices; energy-saving best practices are also encouraged through awareness posters and stickers in the premises.;

### Measures to improve efficiency:

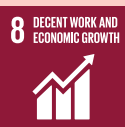
- generator fuel consumption is monitored in each run and test runs are scheduled to optimise consumption and equipment wear and tear;
- periodic maintenance and gas pressure checks are done for all split AC and precision AC units to ensure systems are operated efficiently;

### Decommissioning of inefficient systems and equipment:

- All capital infrastructure equipment are depreciated over a period of 10 years, LankaPay has decommissioned all AC and UPS units that are over 10 years old;

## Prosperity, Peace and Partnerships

## 08 – Decent Work and Economic Growth



- Internship opportunities and career guidance for school leavers and undergraduates with the aim of giving them experience to make them job ready.
- The overall average salary increment granted to confirmed employees : 17%.
- All confirmed employees were granted bonus for the year 2022/23. The increase of bonus cost for year 2022/23 from previous year was 129% (2022/23 Rs. 73.3 Mn and 2021/22 , Rs. 32 Mn).
- Annual customer satisfaction survey to address issues, if any and, to improve.
- 83% employee retention rate.
- The new business and HR strategies, with the consultation of KPMG, were launched during the year.
- The long-term employee compensation scheme to award company share options to employees was implemented with the consultancy assistance from E&Y.

## 09 – Industry, Innovation and Infrastructure



- As the operator of the National Payment Network, LankaPay has been at the forefront of payment technology innovations in the country and has pioneered numerous payment innovations as mentioned in the "Milestones" section of this Report.
- Our overarching objective is driving financial inclusivity in the country which is directly connected to enriching peoples' lives and creating an inclusive society.
- Facilitated over 238 Mn transactions via digital channels during the year under review, recording a 45% growth from the previous year.
- For the 5th time, LankaPay organised LankaPay Technnovation Awards—the first and the only payment technology innovation awards in the country towards recognising the progressive banks.
- NBFIs and FinTechs in the sphere of payment technology innovation.
- Obtained PCI-DSS recertification complying with the highest international standard for payment card industry data security.

## 10 – Reduced Inequalities



- Established a more comprehensive cost of living allowance system covering the crucial staff of the organisation.
- The company has provided 21 promotions during the year.
- Implementation of the Employee Share Option Scheme.
- The company's annual bonus scheme was also revised and ensured all staff are given a fair share for their contribution to the organisation.

## 11 – Sustainable Cities and Communities



- Through various products launched by LankaPay, we are transforming how the community at large is making payments to build sustainable cities and communities.
- Launched the Sri Lanka Transit Card to improve the customer experience in public transport.
- LankaPay Government Payment Platform (LPOPP) connects several government institutions, enabling online real-time payments to those institutions 24x7x365 basis. Currently, payments to Sri Lanka Customs, BOI, Inland Revenue Department, Sri Lanka Port Authority (vessels, cargo and entry permits), EPF, Import and Export Control Department (IECD), and Sri Lanka Standards Institution (SLSI) payments can be made via the platform. During 2022/23 over Rs. 3.97 Bn worth of transactions were facilitated via this platform.
- LankaSign digital certificates provide an affordable and a convenient alternative to physical document signing process thereby help transform the workflows.

## 12 - Responsible Consumption and Production



- Water consumption on site is closely monitored and the use of air-cooled precision air conditioners for the Data Centres has led to minimum water usage by the Data Centre infrastructure.
- Municipal waste is segregated into organic and inorganic waste to be disposed of in an environmentally friendly manner.
- All e-waste is sent for recycling to a CEA-approved recycling company.
- Automated systems and procedures have been implemented to reduce physical printing requirements, thereby reducing paper consumption in business activities.
- Recycling office paper waste to produce notebooks for staff and other stakeholders making optimal use of resources.
- Establishing a risk culture within the company for overall risk mitigation.
- System audits to minimise vulnerabilities.
- Assessing risk perspectives of digital platforms.

# Sustainability Report

## 16 – Peace, Justice and Strong Institutions



- Implemented the company's whistleblower policy.
- The institutional open-door policy also convenes employees in the grievance redressal process.
- Employees of the company are benefited by the provisions of the Shop and Office Act, EPF Act, ETF Act, Termination of Employees Act, Industrial Disputes Act and Gratuity Act.
- Our FinCSIRT team constantly monitors and reports financial crimes, frauds and security incidents, thereby helping the financial sector to be better prepared for similar security incidents.
- The company has been educating the public on cybercrimes and how to protect themselves from such frauds through a series of mini videos shared on social media as a means of countering social engineering.

## 17 – Partnerships for the Goals



- Continued partnership with Central Bank to launch the National Remittance App – version 2.
- Continued partnerships with FITIS, BCS Sri Lanka, AAT, CIMA Sri Lanka, Institute of Bankers of Sri Lanka and Sri Lanka Bank's Association and SLCERT.
- Continued partnership with Ministry of Transport, Sri Lanka Transport Board and National Transport Commission to launch Sri Lanka Transit Card project.
- LankaPay partnered with JCB to launch LankaPay card and acceptance of JCB international cards through Common ATM Network (CAS) and Common POS Network (CPS).
- Partnership with NETS Singapore for our CITS system.
- Partnership with Fidelity Information Systems for Common Card and Payment Switch (CCAPS).
- Partnerships with other software and hardware vendors through periodic agreements.
- Partnerships with local banks and financial institutions as our business partners to reach end customers.
- Adherence to the ISO/IEC 27001:2013 Information Security Management System Standards and annually renewing the same.
- Secured PCI-DSS re-certification.
- Obtained the membership of APN, enabling reliable, innovative, fast, secure and convenient financial services for its customers throughout the Asia Pacific region.
- LankaPay partnered with UnionPay International to enable acceptance of LankaQR domestic merchant base to UnionPay customers visiting Sri Lanka.

## Planet

### 13 - Climate Action



- Electrical accessories and fittings are replaced as soon as new technologies are proven feasible.
- LankaPay changed all fluorescent lights to LED and disposed of relevant electrical waste through an e-waste recycling company.

# Gender Parity

## Gender Parity and Equal Opportunity Policies of LankaPay

We recognise the importance of gender representation in our organisation and are proud to report that we have made progress in this area. In 2023, female staff represented 17% of our total workforce, up from 15% in 2020/21.

Additionally, 20% of our leadership positions were held by women, an increase from 10% compared to 2021/22.

We are committed to pay equity and ensuring that our employees are compensated fairly for their work. According to the pay equity analysis conducted by us, we are pleased to report that there was no gender-based pay gap within our organisation. We will continue to monitor our pay practices to ensure that they remain equitable and free from bias.

## Inclusive Policies

The female staff is represented at every level in the company and this trend improves further, although women participation is 17% of the Management team. The company is also in the process of reviewing its HR Policy to include more opportunities for female staff including appointing female staff to more accountable and responsible positions in the execution of Company policy procedures, overall project management and other key areas. The company has also appointed female staff to Board Committees to ensure that opportunities are made available based on merit. The company is determined

to strengthen our policies to create a culture of acceptance and non-discrimination through training and awareness and a strong grievance handling process. There were no incidents of discrimination or human rights violations during the year under review.

We believe that inclusive policies are critical to creating a workplace that is supportive of all employees. In the year under review, we continued the already introduced new policies aimed at supporting work-life balance, including flexible work arrangements and work-from-home (WFH) arrangements. The WFH engagements were enormously beneficial to few of our employees who had to WFH due to medical advice. These policies are designed to support our employees in achieving their personal and professional goals, regardless of gender.

Our commitment to gender parity has had a positive impact on our organisation. We have seen increased employee engagement and retention, as well as improved productivity and quality of work. Additionally, we believe that our focus on gender equality has enhanced our reputation as an employer of choice, which has helped us to attract top talent and expand our business.

## Gender Parity Metrics

We are proud of the progress we have made in advancing gender parity in our organisation which is shown

in the below table with metrics. We remain committed to creating a more diverse and inclusive workplace and will continue to monitor our progress and make improvements, as necessary. We believe that our commitment to gender parity will help us to achieve our long-term goals and contribute to the success of our organisation and our stakeholders.

Gender Equality Enablers	Indicators of Equality in the Execution
<ul style="list-style-type: none"> <li>Equal opportunities for all recruitment openings in the company. Female staff added to the Network &amp; Security Department.</li> </ul>	From the inception, no female staff was deployed in Network due to the nature of operations. During 2023, the female headcount in the Network Department increased to 13%.
<ul style="list-style-type: none"> <li>Grievance handling and policies are implemented and awareness programmes conducted.</li> </ul>	The policy framework of the organisation was made stronger to address any form of grievance to staff.
<ul style="list-style-type: none"> <li>The HR Policy and manual clearly describe the company's gender parity initiatives where there is no discrimination in recruitment and placement.</li> </ul>	Board-level importance to HR Policy setting through the Board HR Committee.
<ul style="list-style-type: none"> <li>Implementation of the work-from-home policy (WFH) during the pandemic and enabling all to WFH without discrimination.</li> </ul>	The policy provides a wider framework for equal work opportunities for all.
<ul style="list-style-type: none"> <li>Grievance handling procedure of the company is properly administrated to ensure everything is covered.</li> </ul>	Matters are even reported to the Board Risk Committee level for policy definitions.
<ul style="list-style-type: none"> <li>Revision of compensation and benefits.</li> </ul>	The most recent compensation and benefits revision in which the salaries of all staff was revised for all levels without gender discrimination.
<ul style="list-style-type: none"> <li>Equality in pay and employment during COVID - 19 crisis.</li> </ul>	Outsourced workers who are paid daily were treated equally to permanent staff. Their salaries were continued even when working from home, even though they were unable to perform any work-from-home activities.

# FINANCIAL REPORTS

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# THE CENTRE OF LESS CASH

# Director's Responsibilities for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to Financial Statements, is set out in the Report of the Auditors' on the Annual Report.

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 for small and medium-sized entities and provide the information required by the Companies Act No. 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 for small and medium-sized entities as laid down by the Institute of Chartered Accountants of Sri Lanka.

The Directors endeavour 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 the requirements of the Companies Act and Sri Lanka Accounting Standards for small and medium-sized entities.

The Directors have a 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.

PricewaterhouseCoopers, 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, and minutes of Shareholders and Directors meetings and express their opinion in their report on page 186 of the Annual Report.

By Order of the Board  
**LankaPay (Private) Limited**



**Managers & Secretaries (Pvt) Limited**  
*Secretaries*

16th May 2023

# Annual Report of the Board of Directors on the Affairs of the Company

The Directors of LankaPay (Private) Limited have the pleasure of presenting the 21st Annual Report of your Company together with the Audited Financial Statements for the year ended March 31, 2023.

## General

LankaPay (Private) Limited was incorporated as a Private Limited Liability Company under the Companies Act No. 17 of 1982 on February 8, 2002, and re-registered under the Companies Act No. 7 of 2007 on September 18, 2008, under the Company Registration No. PV 7551 under the brand name of LankaClear (Private) Limited, renamed as LankaPay (Private) Limited on 29th September 2022. The registered office of the Company is at Level 18, BOC Square, No. 1, Bank of Ceylon Mawatha, Colombo 01.

## Vision, Mission and Corporate Conduct

The Vision and Mission statements are given on Page 6 of the Annual Report. The business activities of the Company are conducted in keeping with the highest level of ethical standards in achieving its Vision and Mission.

## Principal Activities

- National Payment System Operator for LKR cheque clearing (CITS)
- National Payment System Operator for inter-bank electronic batch mode payments (SLIPS)
- National Payment System Operator for US Dollar

Draft clearing (UITS)

- National Payment System Operator for Common ATM Network (CAS)
- National Payment System Operator for Realtime Payment Network (CEFTS) comprising;
  - LankaPay Government Payment Platform (LPOPP) for institutional payments
  - JustPay for mobile base retail payments
  - LankaQR for standardised QR code payments
  - PEN: Payment Exchange Name easing inter-bank fund transfers
  - Direct Debit for pulling money from another bank account upon predefined instructions.
- Operating the hosted ATM switch for Banks/ FIs (LankaPay - SAS)
- National Payment System Operator for Inter-bank Point of Sale Switch (CPS).
- The operator of the LankaPay National
- Card Scheme (NCS)
- Operating the hosted card management solution for Banks/FIs (LankaPay - CMS)
- National Payment System Operator for inter-bank electronic batch mode US Dollar payments
- Operating the national financial sector certificate authority (LankaSign)
- Attending to financial sector computer security incidents (FinCSIRT)

## Review of the Business and Future Developments

The financial and operational performance during the year

ended March 31, 2023, and future business developments of the Company are provided in the Chairman's message on pages 26 to 30, GM/ CEO's review on pages 31 to 37, Operational review appearing on pages 48 to 79 and Capital management on pages 82 to 137. These reports which form an integral part of the 'Annual Report of the Board of Directors' together with the audited financial statements reflect the state of affairs of the Company.

## Financial Statements and Auditor's Report

The financial statements of the Company for the year ended March 31, 2023, have been prepared in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) duly signed by the Directors and the auditor's report on the Financial Statements are provided on pages 186 to 205.

## Corporate Governance

The Corporate Governance principles and practices of the Company are described on pages 140 to 147 of this report. The Directors confirm that the Company is in compliance with the Companies Act No. 7 of 2007.

## System of Internal Control and

### Risk Management

The Board has implemented an effective and comprehensive system of internal controls which provide reasonable but not absolute assurance that assets are safeguarded and

that the financial reporting system may be relied upon in the preparation of the Financial Statements. The Audit Committee receives and acts upon reports on the results of internal control reviews carried out by independent external auditors.

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company and that financial, operational and compliance controls have been reviewed. Risk assessment and evaluation for the Company takes place as an integral part of the business and the principal risks and mitigating actions in place are reviewed regularly by the Management. Foreseeable risks that may materially impact business are disclosed in the Risk Management Statement on pages 148 to 158 of this Report.

## Going Concern

The Board of Directors after considering the financial position, operating conditions, regulatory and other factors has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

## Accounting Policies

All significant accounting policies adopted by the

# Annual Report of the Board of Directors on the Affairs of the Company

Company have mentioned on pages 192 to 195. There have been no changes in the accounting policies adopted by the Company during the year under review. For all periods up to and including the year ended 31st March 2023, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) and Companies Act No. 7 of 2007.

## Revenue

Revenue generated by the Company amounted to Rs. 1.7 Bn (2022 - Rs. 1.33 Bn)

## Profit & Appropriations

The profit after tax of the Company and the profit attributable to the equity holders for the year was Rs. 860 Mn (2022- Rs. 568 Mn) 20% of the profit after tax amounted to Rs. 172 Mn recommended by the Board to distribute among the Shareholders of the Company as Dividend.

## Dividends

A final dividend of Rs. 11.30 per share for the Financial Year ended March 31, 2023, was recommended by the Board of Directors resulting in a total cash payout amounting to Rs.172,325,000 (2022 - Rs. 113,612,500).

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007,

and has obtained a certificate from the Auditors, prior to paying the final dividend of Rs. 11.30 per share. The final dividend will be paid after obtaining approval from the Shareholders.

## Taxation

The income tax rate applicable on the Company was 24% in first half of the year & 30% in second half of the year. (2021/2022 -24%)

## Property, Plant & Equipment and Intangible Assets

The Company's capital expenditure on property, plant and equipment amounted to Rs. 102 Mn (2022 - Rs.59 Mn) and all other related information and movements have been disclosed in note 5 (page 194) to the financial statements.

Additions of intangible assets of the Company during the year amounted to Rs. 53 Mn (2022- Rs. 127 Mn) and all other related movements are disclosed under note 06 (page 197).

## Investments

A detailed description of the long-term and short-term financial investments held as at the reporting date is given in note 07 and 10 (page 198) to the Financial Statements.

## Stated Capital

The Company's total stated capital as at March 31, 2023, was Rs. 165 Mn (2022 - Rs.165 Mn). The Stated Capital of the Company comprises of 15 Mn Ordinary Shares fully paid up.

## Reserves

Total reserves as at March 31, 2023, for the Company amounted to Rs. 4.1 Bn (2022 - Rs. 3.4 Bn). The movement of reserves during the year is disclosed in the Statement of Changes in Equity on page 190.

## Contingent Liabilities & Capital Commitments

Commitments made for capital expenditure as at March 31, 2023 and the contingent Liabilities as at that date are given in Note 25 to the Financial Statements.

## Events after the End of the Reporting Period

There have been no events subsequent to the reporting date, which would have any material effect on the Company other than those disclosed in Note 26 to the Financial Statements.

## Share Information & Shareholding

The Net Assets Value per Ordinary Share of the Company as at March 31, 2023, was Rs. 282.67 (2022 - Rs. 233.11). The number of shareholders as at March 31, 2023, was 25 (2022 - 25). An analysis of shareholders based on shares held, during the year, is provided on page 207 of this report.

## The Board of Directors

The Board of Directors of the Company as at March 31, 2023, and their brief profiles are given in the Board of Directors section of the Annual Report (Pages 38 to 42).

During the year the following changes took place in the Directorate.

- Mr. R. Kodituwakku of People's Bank representing the State Banks retired w.e.f. 02nd July 2022 and Mr. Clive Fonseka was appointed w.e.f. 02nd July 2022 in his place.
- Mr. K. V. K. Alwis representing CBSL resigned w.e.f. 15th July 2022 and Mr. H. M. P. B. Herath was appointed w.e.f. 18th July 2022 in his place.
- Mr. R. A. A. Jayalath representing CBSL resigned w.e.f. 18th July 2022 and Mr. D. Kumaratunge was appointed w.e.f. 18th July 2022 in his place who resigned effective 20th September 2022 and Mr. C. P. S. Bandara appointed w.e.f. 18th October 2022 in his place.
- Mr. Kapila Ariyaratne of Seylan Bank PLC appointed w.e.f. 30th March 2023 representing the Private Commercial Banks, consequent to the end of the tenure of Mr. Sanjay Wijemanne of Hatton National Bank PLC on 28th March 2023.

## Board Committees

Information relating to members of the Audit Committee, Human Resources Committee, Risk Committee and Procurement Committee including reports of each of the committees and attendance of Directors for each of the committee meetings are disclosed under Corporate Governance on pages 140 to 147.

### Related Party Transactions

Details of the transactions with Director-related entities are disclosed in Note 24 to the Financial Statements on page 205 and have been declared at the Board meeting pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

### Directors' Interests in Contracts

Details of the transactions with Director-related entities are disclosed in Note 24 to the Financial Statements on page 205 and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

### Directors' Remuneration

Details of the remuneration and other benefits received by the Directors are set out in Note 24 of the Financial Statements.

### Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for the Financial Reporting given on page 182 forms an integral part of the Annual Report of the Board of Directors.

### Disclosure of Directors Dealing in Shares

There were no shares held by the Directors as at the reporting date.

### Employment

The Company practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Details of the Company's Human Resource initiatives

are detailed on pages 96 to 104.

The number of persons employed by the Company as at March 31, 2023 was 114 (2022 - 110). There were no material issues pertaining to employees and industrial relations during the financial year.

### Environmental Protection

The Company has not engaged in any activities detrimental to the environment.

### Statutory Payments

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to the Government, other regulatory institutions and the employees have been either duly paid or appropriately provided for in the Financial Statements. The tax position of the Company is disclosed in Note 20 to the Financial Statements.

### Donations

There were no donations made during the Year.

### Auditor's Remuneration and Appointment of Auditors

The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company, including the level of audit. Messrs. PricewaterhouseCoopers Chartered Accountants have indicated their willingness to continue as Auditors of the Company, and a resolution proposing their reappointment as auditors will be tabled at the Annual General Meeting.

Details of the Audit Fees paid to the Auditors are set out in Note 19 of the Financial Statements. Fees paid for performing non-audit services to Messrs. B.R. De Silva & Company a firm of Chartered Accountants amounted to Rs. 1.4 Mn.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report on pages 159 to 160.

### Annual Report

The Board of Directors approved the Audited Financial Statements for issue on 16th May 2023.

### Notice of Meeting

The Annual General Meeting will be held on Level 18, Bank of Ceylon Head office, "BOC Square", No.01, Bank of Ceylon Mawatha, Colombo 01 via Zoom Audio / Video on 28th of July 2023 at 10.00 a.m.

The Notice of the Annual General Meeting appears on page 209.

### Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report

For and on behalf of the Board.

**Dr. Kenneth De Zilwa**  
*Chairman*

**W. P. R. H. Fonseka**  
*Director*

**Managers & Secretaries (Private) Limited**  
*Secretaries*  
*LankaPay (Private) Limited*

16th May 2023

# Independent Auditor's Report



To the Shareholders of LankaPay Private Limited

## Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of LankaPay Private Limited ("the Company") as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities ("SLFRS for SMEs").

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

### Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

### Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Other matter

The financial statements of the Company for the year ended 31 March 2022 were audited by another firm of auditors whose report, dated 5 August 2022 expressed an unmodified opinion on those statements.

### 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 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.

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T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, [www.pwc.com/lk](http://www.pwc.com/lk)

Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, N R Gunasekera FCA, T U Jayasinghe FCA, H P V Lakdeva FCA,  
M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA, K M D R P Manatunga ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **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.

CHARTERED ACCOUNTANTS

COLOMBO  
21 May 2023

# Statement of Financial Position

	Notes	As at 31 March	
		2023 Rs.	2022 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	453,533,802	434,766,010
Intangible Assets	6	323,656,937	313,541,251
Long Term Financial Investments	7	1,038,008,953	-
		1,815,199,692	748,307,261
<b>Current Assets</b>			
Inventories	8	13,997,608	13,950,234
Trade and Other Receivables	9	337,151,035	253,518,415
Short Term Financial Investments	10	2,262,693,817	2,454,602,746
Cash and Cash Equivalents	11	472,629,710	440,697,314
		3,086,472,170	3,162,768,709
<b>Total Assets</b>		<b>4,901,671,862</b>	<b>3,911,075,970</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	12	165,200,000	165,200,000
Technology Upgrade Reserve	13	980,902,485	870,016,322
Retained Earnings		3,164,573,184	2,519,759,210
<b>Total Equity</b>		<b>4,310,675,669</b>	<b>3,554,975,532</b>
<b>Non Current Liabilities</b>			
Retirement Benefit Obligation	14	77,763,454	76,951,842
Deferred Tax Liability	15	53,763,954	30,891,693
		131,527,408	107,843,535
<b>Current Liabilities</b>			
Trade and Other Payables	16	391,666,743	238,421,278
Deferred Revenue		12,946,008	9,835,625
Income Tax Liability	21	54,856,034	-
		459,468,785	248,256,903
<b>Total Equity and Liabilities</b>		<b>4,901,671,862</b>	<b>3,911,075,970</b>
<b>Net Assets Value Per Share</b>		<b>282.67</b>	<b>233.11</b>

It is hereby certified that the above financial statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

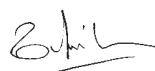


**R. L. Galappaththy**  
Deputy General Manager - Finance

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



**Dr. Kenneth De Zilwa**  
Chairman



**W. P. Russel Fonseka**  
Director

The Accounting policies & Notes on Pages 192 to 205 form an integral part of these Financial Statements

16th May 2023  
Colombo

# Statement of Comprehensive Income

	Notes	Year ended 31 March	
		2023 Rs.	2022 Rs.
Revenue	17	1,704,770,671	1,329,295,649
Direct Operating Expenses	19.1	(963,514,206)	(733,429,877)
<b>Gross Profit</b>		<b>741,256,465</b>	<b>595,865,772</b>
Other Income	18	542,090,558	217,103,300
Administrative Expenses	19.2	(267,115,040)	(175,644,358)
Marketing Expenses		(31,787,998)	(19,961,817)
<b>Profit Before Tax</b>		<b>984,443,985</b>	<b>617,362,896</b>
Income Tax Expense	20	(124,589,895)	(49,160,834)
<b>Profit for the Year</b>		<b>859,854,090</b>	<b>568,202,062</b>
<b>Other Comprehensive Income</b>			
Re-measurement Gain / (Loss) on Retirement Benefit Obligation (Net of Tax)	14.2	9,458,547	(7,634,890)
<b>Total Comprehensive Income for the Year</b>		<b>869,312,637</b>	<b>560,567,172</b>
Earnings Per Share	22	56.38	37.26

The Accounting policies & Notes on Pages 192 to 205 form an integral part of these Financial Statements

# Statement of Changes in Equity

	Notes	Stated Capital Rs.	Technology Upgrade Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 01 April 2021</b>		165,200,000	-	2,927,113,360	3,092,313,360
<b>Comprehensive Income</b>					
Profit for the Year		-	-	568,202,062	568,202,062
Other Comprehensive Income, net of tax		-	-	(7,634,890)	(7,634,890)
<b>Total Comprehensive Income</b>		-	-	560,567,172	560,567,172
<b>Transactions with Owners of the Company - Contribution and Distribution</b>					
Dividend paid	23	-	-	(97,905,000)	(97,905,000)
Special transfer to Technology Upgrade Reserve	13	-	900,000,000	(900,000,000)	-
General transfer to Technology Upgrade Reserve	13	-	154,340,724	(154,340,724)	-
Utilisation of Technology Upgrade Reserve	13	-	(184,324,402)	184,324,402	-
<b>Total Contributions and Distributions</b>		-	870,016,322	(967,921,322)	(97,905,000)
<b>Balance as at 31st March 2022</b>		165,200,000	870,016,322	2,519,759,210	3,554,975,532
<b>Comprehensive Income</b>					
Profit for the Year		-	-	859,854,090	859,854,090
Other Comprehensive Income, net of tax		-	-	9,458,547	9,458,547
<b>Total Comprehensive Income</b>		-	-	869,312,637	869,312,637
<b>Transactions with Owners of the Company - Contribution and Distribution</b>					
Dividend paid	23	-	-	(113,612,500)	(113,612,500)
General transfer to Technology Upgrade Reserve	13	-	246,110,996	(246,110,996)	-
Utilisation of Technology Upgrade Reserve	13	-	(135,224,833)	135,224,833	-
<b>Total Contributions and Distributions</b>		-	110,886,163	(224,498,663)	(113,612,500)
<b>Balance as at 31st March 2023</b>		165,200,000	980,902,485	3,164,573,184	4,310,675,669

The Accounting policies & Notes on Pages 192 to 205 form an integral part of these Financial Statements.

# Statement of Cash Flows

	Notes	Year ended 31 March	
		2023 Rs.	2022 Rs.
<b>Cash Flows from Operating Activities</b>			
Profit Before Tax		984,443,985	617,362,896
Adjustments for			
Depreciation	5.2	83,707,717	89,994,002
Amortisation	6.2	91,906,903	86,967,493
Impairment on Receivables		-	6,391,926
Finance Income		(513,521,164)	(181,759,981)
Gratuity Charge for the Year	14.1	19,356,978	15,023,297
Profit/(Loss) on Disposal of Property, Plant & Equipment		(859,734)	-
Operating Cash Flows before Working Capital Changes		665,034,685	633,979,633
(Increase)/Decrease in Inventories		(47,374)	(9,792,460)
(Increase)/Decrease in Trade and Other Receivables		(83,632,620)	(55,062,383)
Increase in Deferred Revenue		3,110,383	1,556,473
Increase/(Decrease) in Trade and Other Payables		102,330,205	67,395,176
Cash Generated from Operations		686,795,279	638,076,439
Income Tax Paid		-	(27,808,973)
Gratuity Paid	14	(5,033,156)	(4,024,589)
<b>Net Cash From Operating Activities</b>		681,762,123	606,242,877
<b>Cash Flows from Investing Activities</b>			
Acquisition of Property, Plant & Equipment	5.1	(102,475,509)	(58,829,267)
Acquisition of Intangible Assets	6.1	(52,981,908)	(126,860,416)
Capital Work in Progress	6.2	(49,040,681)	66,123,513
Proceeds from Disposal of Property, Plant & Equipment		859,731	-
Investment in Long Term Financial Investments		(1,038,008,953)	385,448,761
Investment in Short Term Financial Investments		191,908,929	(697,730,010)
Finance Income Received		513,521,164	181,759,981
<b>Net Cash Flows Used in Investing Activities</b>		(536,217,227)	(250,087,438)
<b>Cash Flows from Financing Activity</b>			
Dividend Paid	22	(113,612,500)	(97,905,000)
<b>Net Cash Flows Used in Financing Activity</b>		(113,612,500)	(97,905,000)
<b>Net Increase in Cash and Cash Equivalents</b>		31,932,396	258,250,439
Cash and Cash Equivalents at the beginning of the Year	11	440,697,314	182,446,875
Cash and Cash Equivalents at the end of the Year	11	472,629,710	440,697,314

The Accounting policies & Notes on Pages 192 to 205 form an integral part of these Financial Statements

# Notes to the Financial Statements

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

LankaPay (Private) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office and the principal place of business is situated at Level 18, Bank of Ceylon Head Office, "BOC Square", No.1, Bank of Ceylon Mawatha, Colombo 01.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company are to provide cheque clearance transactions to all commercial banks on behalf of the

Central Bank of Sri Lanka through Cheque Imaging and Truncation System (CITS), facilitating online interbank electronic fund transfers through Sri Lanka Interbank Payment System (SLIPS), provide a local switch to facilitate routing of Not-on-Us ATM transactions through Common ATM Switch (CAS), facilitating real-time interbank Electronic Fund Transfers (EFT) through Common EFT switch and provide digital certification services (LankaSign) to the financial sector.

### 1.3 Financial Period and Date of Authorisation for Issue

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with accounting policies and notes, ("Financial Statements") of the Company, for the year ended 31 March 2023, covering the period from 01 April 2022 to 31 March 2023 was authorised for issue by

the Board of Directors on 16 May 2023.

## 2. BASIS OF PREPARATION AND MEASUREMENT

### 2.1 Statement of Compliance

The Financial Statements have been prepared in compliance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with Companies Act No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

#### 2.1.1 Basis of Measurement

The Financial Statements have been prepared based on the historical cost, except for the following matters:

- Employee Benefit is measured using the projected unit credit method.
- Interest Income is recognised as it accrues in the Statement of Comprehensive Income.

### 2.2 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) issued by the Institute of Chartered Accountants of Sri Lanka. The previous year's figures and phrases have been rearranged wherever necessary, to conform to the current presentation as indicated.

### 2.3 Functional Currency

The financial statements are presented in Sri

Lankan Rupees, which is the Company's functional currency. All the financial information presented in Rupees has been rounded to the nearest Rupee.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements in conformity with the Sri Lanka Accounting Standard for Small and Medium-Sized Entities requires Management to make 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 recognised in the period in which the estimate is revised and in any future periods affected.

### 3.1 Assessment of Impairment

The Company assesses at the end of each financial year whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset or Cash Generating Unit (CGU) 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 present value using appropriate discount rates that reflect the current market assessments of the

time value of money and risks specific to the asset.

### 3.2 Useful life-time of the Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Management estimates these values, rates, and methods and hence they are subject to uncertainty.

### 3.3 Useful –lives of Intangible Assets

The Company reviews the residual values, useful lives and methods of amortisation of assets as at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, and methods and hence they are subject to uncertainty.

### 3.4 Going Concern

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Foreign Currency Translation

All foreign exchange transactions are converted to functional currency, at the

rates of exchange prevailing at the time the transactions are affected.

Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the exchange rate prevailing at the end of the reporting period. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are recognised in profit or loss.

## 4.2 Property, Plant and Equipment

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

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives are as follows.

Computer Equipment	4 - 8 years
Furniture and Fittings	10 years
Electronic Equipment	5 years
Other Equipment	5 years
Motor Vehicles	5 years
Building	30 years

If there is an indication that there has been a significant change in asset's useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

### 4.2.1 De-recognition

An item of property & equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the de-recognition of the assets is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and recognised within "Other Income" in the Statement of Comprehensive Income.

### 4.2.2 Restoration Costs

Expenditure incurred on repairs or maintenance of property and equipment in order to restore or maintain future economic benefits expected from the originally assessed standard of performance is recognised as an expense when incurred.

## 4.3 Intangible Assets

An intangible asset is recognised 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. An intangible asset is initially measured at cost.

Purchased computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. It is amortised over its estimated life of 2 - 8 years

using the straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

### 4.3.1 Capital Work-in-Progress

Capital work-in-progress is stated at cost less any accumulated impairment losses. These are expenses directly incurred in the construction of system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset 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.

## 4.4 Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 4.5 Impairment of Assets

At each reporting date, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss has been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 4.6 Long Term Financial Investments

Investments with maturity more than one year from the date of acquisition are considered as long-term financial investments and are initially recognised at fair value.

## 4.7 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

## 4.8 Trade and Other Receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to

# Notes to the Financial Statements

determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

## 4.9 Short Term Financial Investment

Investments with maturities of more than three months and less than one year from the date of acquisition are considered as short-term financial investments and are initially recognised at fair value. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

## 4.10 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Investment with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

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.

Securities purchased under re-sale agreements are advances collateralised by the purchase of treasury bills subject to a commitment to re-sale them at a predetermined price. Such securities remain on the Statement of Financial Position of the Company and the asset is recorded in respect of the consideration

paid and interest accrued thereon.

## 4.11 Trade and Other Payables

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest.

## 4.12 Basic Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured initially at the transaction price (including transaction cost except in the initial measurement of the financial assets and liabilities that are measured at fair value through surplus or deficit). Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or settled and the Company has transferred substantially all risk and rewards of ownership of the financial assets to another party.

## 4.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss 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 assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

## 4.14 Employee Benefits Defined Benefit Plans – Gratuity

Gratuity is a defined benefit plan. In order to meet this liability, a provision is carried forward in the Statement of Financial Position. The provision is calculated based on a projected unit credit method considering the future salary increment rates, discount rates and the expected staff turnover rate (these assumptions are shown in Note 14 to the Financial Statements). The resulting difference between the brought forward provision at the beginning of the year and the carried forward provision at the end of the year is dealt with within the Statement of Comprehensive Income. However, as per the payment of the Gratuity Act No.12 of 1983, gratuity liability is not externally funded. This liability is grouped under non-current liabilities in the Statement of Financial Position.

## Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and will

have no legal or constructive obligation to pay further amounts. Obligations for contribution to Employee Provident and Employee Trust Funds covering all employees are recognised as an expense in profit or loss as incurred. The Company contributes 12% and 3% of the gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

## 4.15 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue from rendering services is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government of Sri Lanka. Revenue from product lines is recognised on a per transaction basis, except for FINCSIRT (Financial Sector Computer Security Incident Response Team) products which are recognised on an annual basis.

## Interest Income

Revenue is recognised on a time proportion basis that takes into account the effective interest rate on assets.

## Rental Income

Rental income is recognised on an accrual basis.

## 4.16 Expenditure Recognition

Expenditure is recognised in the Statement of Comprehensive Income on the basis of a direct association

between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, plant and equipment in the state of efficiency has been charged to income in arriving at the profit for the period.

For the presentation of the Statement of Comprehensive Income, the Directors are of the opinion that the nature of the expense method presents fairly the element of the Company's performance, and hence such presentation method is adopted.

#### 4.17 Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The Company is taxed under Inland Revenue Act No. 10 of 2006 and amendments thereto.

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 mentioned tax legislation.

As per the Gazette Notification date 29th June 2021, Services rendered by LankaPay with regard to Common ATM Switch (CAS), Common Electronic Fund

Transfer Switch (CEFTS), Sri Lanka Interbank Payment System (SLIPS) and USD Online System fall within the scope of "System Integration" and profits are qualified for tax exemption.

#### 4.18 Deferred Taxation

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as a deferred tax expense and conversely, any net decrease is recognised as a reversal to deferred tax expense, in the Income Statement.

#### 4.19 Earnings Per Share

The Company presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. 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.

#### 4.20 Cash Flow Statement

The cash flow statement has been prepared using the "indirect method". Cash and cash equivalents are short-term, highly liquid investments held to meet short-term cash commitments rather than for investment or other purposes. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

#### 4.21 Capital Commitments and Contingent Liabilities

All material capital commitments and contingent liabilities are considered and necessary adjustments or disclosures are made in these financial statements.

# Notes to the Financial Statements

## 5. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2023 Rs.
<b>5.1 At Cost</b>				
Computer Equipment	929,256,729	97,651,357	5,593,584	1,021,314,502
Furniture and Fittings	20,759,257	685,094	-	21,444,351
Electronic Equipment	28,703,572	-	-	28,703,572
Other Equipment	21,437,219	4,139,058	-	25,576,277
Motor Vehicle	6,695,000	-	-	6,695,000
Freehold Land	21,238,620	-	-	21,238,620
Freehold Building	68,940,628	-	-	68,940,628
<b>Total Value of Assets</b>	<b>1,097,031,025</b>	<b>102,475,509</b>	<b>5,593,584</b>	<b>1,193,912,950</b>

	Balance as at 01.04.2022 Rs.	Charge for the Year Rs.	Disposals Rs.	Balance as at 31.03.2023 Rs.
<b>5.2 Depreciation</b>				
Computer Equipment	583,092,427	76,199,402	5,593,584	653,698,245
Furniture and Fittings	15,714,193	1,537,532	-	17,251,725
Electronic Equipment	24,902,924	1,283,158	-	26,186,082
Other Equipment	16,923,334	2,389,604	-	19,312,938
Motor vehicle	6,695,000	-	-	6,695,000
Freehold Building	14,937,137	2,298,021	-	17,235,158
<b>Total Depreciation</b>	<b>662,265,015</b>	<b>83,707,717</b>	<b>5,593,584</b>	<b>740,379,148</b>

	2023 Rs.	2022 Rs.
<b>5.3 Net Book Values</b>		
Computer Equipment	367,616,257	346,164,302
Furniture and Fittings	4,192,626	5,045,064
Electronic Equipment	2,517,490	3,800,648
Other Equipment	6,263,339	4,513,884
Motor Vehicle	-	-
Freehold Land	21,238,620	21,238,620
Freehold Building	51,705,470	54,003,491
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>453,533,802</b>	<b>434,766,010</b>

5.4 During the financial year, the Company acquired property, plant & equipment by means of cash with an aggregate cost of Rs. 102 Mn (2022 - Rs. 59 Mn).

5.5 Based on the assessment of potential impairment carried out internally as at 31 March 2023, no provision was required to be made in the financial statements as at the reporting date.

5.6 There were no items of Property, Plant and Equipment pledged as securities for liabilities.

## 6. INTANGIBLE ASSETS

	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2023 Rs.
<b>6.1 At Cost</b>				
Computer Software	1,042,018,857	52,981,908		1,095,000,765
	1,042,018,857	52,981,908	-	1,095,000,765
<b>Capital Work in Progress</b>				
National Certificate Authority (NCA)	-	39,090,681	-	39,090,681
National Card Scheme (NCS)	-	9,950,000	-	9,950,000
	-	49,040,682	-	49,040,681
<b>Total Value of Assets</b>	1,042,018,857	102,022,589	-	1,144,041,446

	Balance as at 01.04.2022 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2023 Rs.
<b>6.2 Amortisation</b>				
Computer Software	728,477,606	91,906,903	-	820,384,509
<b>Total Amortisation</b>	728,477,606	91,906,903	-	820,384,509

	2023 Rs.	2022 Rs.
<b>6.3 Net Book Values</b>		
Computer Software	274,616,256	313,541,251
<b>Capital Work in Progress</b>	49,040,681	-
<b>Total Carrying Amount of Intangible Assets</b>	323,656,937	313,541,251

# Notes to the Financial Statements

6.4 During the financial year, the Company acquired intangible assets by means of cash with an aggregate cost of Rs.53 Mn (2022 - Rs.127Mn).

6.5 Based on the assessment of potential impairment carried out internally as at 31 March 2023, no provision was required to be made in the financial statements as at the reporting date.

## 7. LONG TERM FINANCIAL INVESTMENTS

	2023 Rs.	2022 Rs.
Investment in Fixed Deposits	717,000,000	-
Investment in Treasury Bonds	249,699,483	-
Accrued Interest on Long Term Financial Investments	71,309,470	-
	1,038,008,953	-

## 8. INVENTORIES

	2023 Rs.	2022 Rs.
Inventories	13,997,608	13,950,234
	13,997,608	13,950,234

## 9. TRADE AND OTHER RECEIVABLES

	2023 Rs.	2022 Rs.
Trade Receivables	234,891,164	166,847,598
Advances and Prepayments	78,007,200	26,911,552
Security Deposit	4,909,200	-
Refundable Deposits	500,700	450,700
Income Tax Refund	-	46,693,147
Other Receivables	18,842,771	12,615,418
	337,151,035	253,518,415

## 10. SHORT TERM FINANCIAL INVESTMENTS

	2023 Rs.	2022 Rs.
Investment in Fixed Deposits	1,668,512,450	2,326,364,849
Investment in Treasury Bills	415,156,953	-
Accrued Interest on Short-term Financial Investments	179,024,414	128,237,897
	2,262,693,817	2,454,602,746

#### 11. CASH AND CASH EQUIVALENTS

	2023 Rs.	2022 Rs.
Cash in Hand and Bank Balances	472,629,710	440,697,314
	472,629,710	440,697,314

#### 12. STATED CAPITAL

	2023		2022	
	Number	Rs.	Number	Rs.
<b>Fully paid Ordinary Shares</b>	15,250,000	165,200,000	15,250,000	165,200,000
Balance at the Beginning of the Year	15,250,000	165,200,000	15,250,000	165,200,000
<b>Balance at the End of the Year</b>	15,250,000	165,200,000	15,250,000	165,200,000

#### 13. TECHNOLOGY UPGRADE RESERVE

	2023 Rs.	2022 Rs.
Balance at the Beginning of the Year	870,016,322	-
Special Transfer to Technology Upgrade Reserve	-	900,000,000
General Transfer to Technology Upgrade Reserve	246,110,996	154,340,724
Utilisation of Technology Upgrade Reserve	(135,224,833)	(184,324,402)
<b>Balance at the End of the Year</b>	<b>980,902,485</b>	870,016,322

Technology upgrade reserve represents profits reserved by the Company for the replacement of capital assets that have either completed their useful economic life or with outdated technology necessitating replacements. Company allocates 25% of profit before tax to the Technology upgrade reserve annually.

#### 14. RETIREMENT BENEFIT OBLIGATION

	2023 Rs.	2022 Rs.
Balance at the Beginning of the Year	76,951,842	55,907,226
Gratuity Charge for the Year (Note 14.1)	19,356,978	15,023,297
	96,308,820	70,930,523
Payments made during the Year	(5,033,156)	(4,024,589)
(Gain)/Loss arising from Changes in Assumptions (Note 14.1)	(13,512,210)	10,045,908
<b>Balance at the End of the Year</b>	<b>77,763,454</b>	76,951,842

# Notes to the Financial Statements

The Company has adopted Section 28 of Sri Lanka Accounting Standard for SMEs - Employee Benefits in determining the Retirement Benefit Obligation as at 31st March 2023. The Present Value of the Retirement Benefit Obligation is estimated using Projected Unit Credit method under Actuarial Valuation.

The principal assumptions used in determining this obligation were,

	2023	2022
Discount Rate	14.00%	15.30%
Salary Increment Rate	10.00%	14.80%
Staff Turnover Factor	15.00%	12.80%

## 14.1 Expenses recognised during the year in Statement of Comprehensive Income

	2023 Rs.	2022 Rs.
Gratuity Charge for the Year recognised in Profit or Loss	19,356,978	15,023,297
Actuarial (Gain)/Losses recognised in Other Comprehensive Income	(13,512,210)	10,045,908

## 14.2 Retirement Benefit Obligations (Net of Taxes)

	2023 Rs.	2022 Rs.
Actuarial (Gain)/Losses recognised in Other Comprehensive Income	(13,512,210)	10,045,908
Tax Expense/(Refund) Tax at 30% (2022 - 24%)	4,053,663	(2,411,018)
	(9,458,547)	7,634,890

## 15. DEFERRED TAXATION

	2023 Rs.	2022 Rs.
Deferred Tax Liability	53,763,954	30,891,693
	53,763,954	30,891,693

Deferred Tax relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Property, Plant and Equipment and Intangible Assets	(77,092,990)	(49,360,135)	(27,732,855)	(24,323,501)
Retirement Benefit Obligation	23,329,036	18,468,442	4,860,594	5,050,708
<b>Deferred Tax Liability</b>	<b>(53,763,954)</b>	<b>(30,891,693)</b>		
<b>Deferred Tax Expense</b>			<b>(22,872,261)</b>	<b>(19,272,793)</b>

Reconciliation of Deferred Tax Liabilities, net

	2023 Rs.	2022 Rs.
<b>As of 1 April</b>	<b>30,891,693</b>	<b>11,618,899</b>
Tax expense during the period recognised in Profit or Loss	18,818,598	21,683,812
Tax Reversal/(expense) during the period recognised in OCI (Note 14.2)	4,053,663	(2,411,018)
<b>As at 31 March</b>	<b>53,763,954</b>	<b>30,891,693</b>

## 16. TRADE AND OTHER PAYABLES

	2023 Rs.	2022 Rs.
Sundry Creditors and Accruals	242,109,849	128,627,513
Advance Received	126,149,443	102,868,307
Value Added Tax (VAT)	18,795,318	6,925,458
Social Security Contribution Levy (SSCL)	4,612,133	-
	<b>391,666,743</b>	<b>238,421,278</b>

## 17. REVENUE

	2023 Rs.	2022 Rs.
Revenue from Cheque Imaging and Truncation System (CITS)	303,737,674	271,576,672
Revenue from Common Card and Payment Switch (CCAPS)	1,155,542,041	822,487,565
Revenue from Sri Lanka Interbank Payment System (SLIPS)	176,767,779	161,781,692
Revenue from Financial Sector Computer Security Incident Response Team (FINCSIRT)	29,403,608	24,954,449
Revenue from LankaSign Certificate Authority (CA)	31,235,819	41,703,521
Revenue from USD Online Clearing System (USD Online)	8,083,750	6,791,750
	<b>1,704,770,671</b>	<b>1,329,295,649</b>

# Notes to the Financial Statements

## 18. OTHER INCOME

	2023 Rs.	2022 Rs.
Interest on Fixed Deposits	348,576,438	175,997,308
Interest on Treasury Bonds	44,053,443	-
Interest on Treasury Bills	85,579,399	-
Interest on Securities Purchase under Resale Agreement	29,049,934	4,509,454
Interest on Saving Account - LKR	4,642,141	502,597
Interest on Saving Account - USD	1,619,809	750,622
Rental Income	9,846,801	9,056,503
Other Income	3,927,739	3,611,759
Exchange Gain	13,935,120	22,675,057
Profit on Disposal of Fixed Assets	859,734	-
	<b>542,090,558</b>	<b>217,103,300</b>

## 19. EXPENSES

### 19.1 Direct operating expenses

	2023 Rs.	2022 Rs.
IT maintenance services	332,369,932	195,032,920
Personnel costs	325,970,214	253,250,917
Depreciation and amortisation	175,104,535	165,849,514
Archival charges	51,709,020	48,454,458
Rent	20,657,972	14,387,039
Electricity	18,951,871	13,507,378
Other	38,750,662	42,947,651
	<b>963,514,206</b>	<b>733,429,877</b>

### 19.2 Administrative expenses

	2023 Rs.	2022 Rs.
Personnel costs	163,471,387	118,154,527
Promotional Expenses	22,440,116	7,824,951
Rent	21,935,784	15,276,960
Maintenance	19,315,851	7,859,881
Audit Fees	2,164,963	1,579,622
Other	37,786,939	24,948,417
	<b>267,115,040</b>	<b>175,644,358</b>

## 20. INCOME TAX EXPENSES

	2023 Rs.	2022 Rs.
The major components of Income Tax expense for the Year ended 31 March are as follows :		
<b>Current Income Tax Expense</b>		
Current Income Tax Charge (Note 20.1)	105,860,857	27,477,023
(Over)/Under Provision of Current Taxes in Respect of Previous Year	(89,560)	-
<b>Deferred Income Tax Expense</b>		
Relating to Origination of Temporary Differences (Note 15)	22,872,261	19,272,793
Tax(Expense)/Refund (Note 14.2)	(4,053,663)	2,411,018
<b>Total Income Tax Expense</b>	<b>124,589,895</b>	<b>49,160,834</b>

### 20.1 Reconciliation of Accounting Profit to Income Tax Expense

	2023 Rs.	2022 Rs.
Profit before Tax	984,443,985	617,362,896
Profits not liable for Tax	(579,062,060)	(488,759,084)
Aggregate Allowable Expenses	(635,509,183)	(291,025,837)
Aggregate Disallowable Expenses	82,108,463	86,843,758
Adjusted Business Income	(148,018,795)	(75,578,267)
Other Income	521,748,156	190,065,862
Taxable Income	373,729,361	114,487,595
<b>Current Tax on Profit for the Year</b>	<b>105,860,857</b>	<b>27,477,023</b>

The Current tax has been computed in accordance with the provisions of Inland Revenue Act No. 24 of 2017 and amendments thereto.

Current tax has been computed at the rate of 24% for the first half of the financial year and at the rate of 30% for the second half of the financial year (2022 - 24%).

Profits and income earned from Common ATM Switch, Common Electronic Fund Transfer Switch, Sri Lanka Inter Bank Payment System, USD Online Clearing System and LankaSign are exempted from income tax under the Gazette Notification issued dated 29th June 2021.

# Notes to the Financial Statements

## 21. INCOME TAX LIABILITY

	2023 Rs.	2022 Rs.
Balance at the beginning of the year (Note 9)	(46,693,147)	-
During the year income tax liability (Note 20.1)	105,860,857	27,477,023
Less: Over provision of current taxes in respect of previous years	89,560	
Less: Tax credits		
Self assessment payments	-	74,170,170
Previous year refunds setoff	-	-
Withholding tax credit	4,222,116	-
Balance at the end of the year	54,856,034	(46,693,147)

## 22. EARNINGS PER SHARE

	2023 Rs.	2022 Rs.
<b>Amount used as the Numerator</b>		
Net Profit attributable to Ordinary Shareholders	859,854,090	568,202,062
<b>Number of Ordinary Shares used as the Denominator</b>		
Weighted average number of Ordinary Shares in Issue	15,250,000	15,250,000
<b>Earnings Per Share</b>	<b>56.38</b>	<b>37.26</b>

The calculation of Earnings Per Share is based on the profit attributable to Ordinary Shareholders and the weighted average number of Ordinary Shares outstanding during the year.

## 23. DIVIDEND PER SHARE

	2023 Rs.	2022 Rs.
Final Dividend paid in respect of 2020/21	-	97,905,000
Final Dividend paid in respect of 2021/22	113,612,500	-
Dividend Per Share	7.45	6.42

## 24. RELATED PARTY DISCLOSURES

	2023 Rs.	2022 Rs.
<b>Transactions with Related Parties</b>		
Central Bank of Sri Lanka *		
Service rendered through LankaPay Cheque Imaging and Truncation System (CITS)	199,942	53,791
Service rendered through LankaPay Sri Lanka Interbank Payment System (SLIPS)	325,533	348,439
Purchase of Digital Signing Certificates	153,698	42,739
Dividend paid	22,251,839	19,175,410

\*Central Bank of Sri Lanka is the main investor of the company and it gives the main guidance for strategies of the Company.

### Transactions with key Management Personnel of the Company (KMP)

According to Section 33 of Sri Lanka Accounting Standard for SMEs "Related Party Disclosures", Key Management Personnel are those persons 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 and their immediate family members have been classified as Key Management Personnel.

	2023 Rs.	2022 Rs.
Short Term Employment Benefits	6,445,000	5,710,000

No other significant transactions had taken place during the year with the parties/entities in which Key Management Personnel or their close family members were involved.

## 25. COMMITMENTS AND CONTINGENCIES

### 25.1 Capital Expenditure Commitments

The capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements is as follows:

	2023 Rs.	2022 Rs.
Commitments in relation to Security Information and Event Management Solution - Approved and Contracted for	53,160,271	-

### 25.2 Litigation against the Company

There were no litigation outstanding against the Company as at the reporting date.

## 26. EVENTS AFTER THE END OF REPORTING PERIOD

There were no material events occurring after the reporting period that requires adjustments to or disclosure in the Financial Statements other than those disclosed.

# Ten Year Summary

Year ended 31 March (Rs. Mn)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>OPERATING RESULTS</b>										
Revenue	463.03	517.87	601.64	800.76	918.50	1,029.06	1,097.71	1,057.15	1,329.30	1,704.77
Gross Profit	260.90	247.16	262.17	390.04	462.61	532.54	532.38	468.03	595.87	741.26
Other Income	95.30	68.04	58.60	90.69	144.47	186.02	225.81	209.16	217.10	542.09
Administrative Expenses	128.01	121.81	126.40	138.18	161.57	165.26	173.13	140.90	175.64	267.12
Finance Cost	-	-	-	-	-	-	-	-	-	-
Marketing Expenses	-	10.76	9.57	20.50	20.41	33.02	23.92	18.53	19.96	31.79
Profit Before Tax	228.20	182.63	184.81	322.04	425.10	520.28	561.13	517.75	617.36	984.44
Income Tax Expenses	41.41	53.15	11.06	43.55	63.67	89.81	75.49	28.18	49.16	124.56
Profit for the Year	186.79	129.48	173.74	278.49	361.43	430.47	485.64	489.58	568.20	859.85
<b>CAPITAL EMPLOYED</b>										
Stated Capital	158.25	158.25	158.25	158.25	158.25	165.20	165.20	165.20	165.20	165.20
Technology Upgrade Reserve	229.67	222.04	236.15	245.58	265.56	258.16	139.13	-	870.02	980.90
Capital Reserves	120.00	-	-	-	-	-	-	-	-	-
Retained Earnings	586.21	816.73	949.76	1,188.41	1,488.07	1866.70	2397.56	2,927.11	2,519.76	3,164.57
Non Current Liabilities	17.26	18.39	24.32	33.75	42.31	54.59	64.37	67.53	107.84	131.53
Total	1,111.39	1,215.40	1,368.48	1,626.00	1,954.19	2,344.65	2,766.27	3,159.84	3,662.82	4,442.20
<b>ASSETS EMPLOYED</b>										
Property, Plant and Equipment	175.59	224.74	268.86	241.96	249.55	248.02	288.01	461.92	434.77	453.53
Intangible Assets	117.95	235.52	293.04	327.94	332.90	359.63	332.86	343.78	313.54	323.66
Long Term Financial Investments					781.74	1092.80	531.69	385.45	-	1,038.01
Deferred Tax Asset	1.12	0.65	-	-	-	-	-	-	-	-
Net Current Assets	816.72	754.50	806.58	1,056.11	590.00	644.20	1,613.70	1,968.69	2,914.51	2,627.00
Total	1,111.39	1,215.40	1,368.48	1,626.00	1,954.19	2,344.65	2,766.27	3,159.84	3,662.82	4,442.20
<b>CASH FLOW</b>										
Cash Flows from/(used in) Operating Activities	138.65	106.56	164.31	285.38	389.57	338.81	524.67	395.40	606.24	681.76
Cash Flows from/(used in) Investing Activities	(87.81)	(72.67)	(124.35)	(37.69)	(572.13)	(301.61)	(368.54)	(247.15)	(250.09)	(536.22)
Cash Flows from/(used in) Financing Activities	(23.01)	(26.60)	(26.60)	(30.40)	(41.80)	(46.25)	(75.49)	(97.14)	(97.91)	(113.61)
Net increase/(decrease) in Cash and Cash Equivalents	27.83	7.29	13.36	217.29	(224.36)	(9.05)	80.64	51.11	258.25	31.93
<b>KEY INDICATORS</b>										
Net Profit Margin	40%	25%	29%	35%	39%	42%	44%	46%	43%	50%
Earnings Per Share	12.32	8.52	11.43	18.32	23.78	28.28	31.85	32.10	37.26	56.38
Net Assets Per Share	72.18	78.75	88.41	104.75	125.78	150.17	177.17	202.77	233.11	282.67
Revenue Growth Rate	8%	12%	16%	33%	15%	12%	7%	-4%	26%	28%
Dividend Per Share	1.75	1.75	2.00	2.75	3.50	4.95	6.37	6.42	7.45	11.30*
Dividend Payout (Rs. Mn)	26.53	26.60	30.40	41.80	53.20	75.49	97.14	97.91	113.61	172.33
Return on Equity	17%	11%	13%	17%	19%	19%	18%	16%	16%	20%

\* Dividend Proposed in 2022/2023

# Share Information

## Shareholding as at 31st March 2023

"LankaPay shares were owned by the Central Bank of Sri Lanka and 24 Commercial Banks operating in Sri Lanka, including State Banks, Private Banks and Foreign Banks."

Shareholders	Number of Shares	%
Central Bank of Sri Lanka	2,986,824	19.59%
Hatton National Bank PLC	2,214,521	14.52%
Bank of Ceylon	2,113,861	13.86%
People's Bank	2,126,213	13.94%
Sampath Bank PLC	2,000,000	13.11%
Seylan Bank PLC	1,006,601	6.60%
Commercial Bank of Ceylon PLC	1,000,000	6.56%
The Hongkong and Shanghai Banking Corporation Ltd.	200,000	1.31%
National Development Bank PLC	150,990	0.99%
Standard Chartered Bank	150,990	0.99%
Deutsche Bank AG	150,000	0.98%
Nations Trust Bank PLC	150,000	0.98%
Citibank NA	100,000	0.66%
DFCC Bank PLC	100,000	0.66%
Indian Bank	100,000	0.66%
Indian Overseas Bank	100,000	0.66%
MCB Bank Ltd.	100,000	0.66%
Pan Asia Banking Corporation PLC	100,000	0.66%
Public Bank Berhad	100,000	0.66%
Amana Bank PLC	50,000	0.33%
Bank of China Ltd.	50,000	0.33%
Cargills Bank Ltd.	50,000	0.33%
Habib Bank Ltd.	50,000	0.33%
State Bank of India	50,000	0.33%
Union Bank of Colombo PLC	50,000	0.33%
<b>Total</b>	<b>15,250,000</b>	<b>100.00%</b>

# Glossary

**'ATM'** shall mean an Automated Teller Machine

**'Bank'** shall mean a company or body corporate licensed under the Banking Act No. 30 of 1988 to carry on banking business in Sri Lanka; and the Central Bank of Sri Lanka in the capacity of a CITS participant.

**'BCP'** shall mean Business Continuity Plan

**'BIRMC'** shall mean Board Integrated Risk Management Committee

**'Business Day'** shall mean a day on which banks are ordinarily open for business in Sri Lanka.

**'CA: Certificate Authority'**  
A CA is an entity, which is core to many PKI (Public Key Infrastructure) schemes, whose purpose is to issue digital certificates to other parties. It authenticates a trusted third party.

**'CAS'** shall mean LankaPay Common ATM Network

**'CCAPS'** shall mean LankaPay Common Card and Payment Switch.

**'CEFTS'** shall mean LankaPay Realtime Payment Network (CEFTS).

**'CMS'** shall mean Card Management System

**'CITS'** shall mean LankaPay Cheque Imaging and Truncation System (CITS) which includes LankaPay systems, processes and procedures for the electronic clearing and archiving of CITS items and non-clearing items, if any.

**'CSP'** shall mean Certification Service Provider

**'CPS'** shall mean LankaPay Common POS Network (CPS).

**'DR Site/ DRS'** Disaster Recovery site of LankaPay.

**'FinCSIRT'** shall mean Financial Sector Computer Security Incidents Response Team

**'ISOC'** shall mean Information Security Operations Centre.

**'LankaQR'** - LankaQR is a project initiative from the Central Bank of Sri Lanka to ensure all QR codes and QR based transactions in Sri Lanka are standardised and inter-operable.

**'LankaPay'** shall mean LankaPay (Pvt) Limited, incorporated under the Companies Act No. 17 of 1982, and re-registered under the Companies Act No. 07 of 2007.

**'NCS'** shall mean National Card Scheme.

**'PA-DSS'** shall mean Payment Application Data Security Standards

**'PCI-DSS'** shall mean Payment Card Industry Data Security Standards

**'PEN'** - "Payment Exchange Name" - System to facilitate peer-to-peer payments via a mobile number and a nickname.

**'POS'** shall mean Point of Sales

**'PKI: Public Key Infrastructure'**

A PKI enables users of a basically unsecured public, private network such as the Internet or Virtual Private Network to securely and privately exchange data through the use of a public and a private cryptographic key pair that is obtained and shared through a trusted certification authority.

**'RTGS'** shall mean Real Time Gross Settlement System which is, operated by Central Bank of Sri Lanka.

**'SAS'** shall mean LankaPay Shared ATM Network (SAS).

**'SLIPS'** shall mean LankaPay Interbank Payment System (SLIPS).

**'JustPay'** Highly secured payment mechanism which facilitate secure real-time retail payments below Rs. 50,000 under an extremely low tariff scheme, enable customers to make everyday payments by using their Savings or Current account by using smart mobile phones and other smart devices.


**'GRI'** shall mean Global Reporting Initiatives

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of LankaPay (Private) Limited will be held on 28th of July 2023 at 10.00 a.m. at the Board Room of LankaPay(Private) Limited, Level 18, Bank of Ceylon Head Office, "BOC Square", No.01, Bank of Ceylon Mawatha, Colombo 01 via Zoom Audio/ Video (Virtual AGM) for the following purposes:

- 1) To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 together with the Report of the Auditors thereon.
- 2) To declare payment of a First & Final Dividend of Rs. 11.30 per share as recommended by the Directors.
- 3) To re-appoint M/s PricewaterhouseCoopers, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board  
**LankaPay (Private) Limited**



**Managers & Secretaries (Pvt) Limited**  
*Secretaries*

Colombo,  
16th May 2023

# Supplementary Notice to Shareholders

## Dear Shareholder/s,

The AGM of LankaPay (Private) Limited is planned to proceed with audio visual technology.

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

1. The key officials who administer formalities of the meeting and shareholders will participate via the online meeting platform.

2. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform, with log-in information forwarded to the representatives of the Shareholders in advance of the meeting.

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 Proxy Form/Registration Form.

3. The meeting Invitation / link along with necessary details will be forwarded to the Shareholders for information and connecting to the meeting, on receipt of the completed Form of Proxy/Form of Registration.

4. Shareholders will be given opportunity to raise any questions or comment on the matters listed on the Agenda and Vote on the items via the online platform or the designated ancillary online application. All of such procedures will be explained to the Shareholders along with the communique on the meeting link.

6. The Proxy/Registration must be forwarded to [renuka.fernando@lankapay.net](mailto:renuka.fernando@lankapay.net) or to the registered office of the company, 48 hours prior to the date of the AGM.

For any queries regarding any of the documents sent, please contact the Chairman's Secretary on Tel: 0769735635 during regular office hours.

The Board wishes to thank the 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  
**LankaPay (Private) Limited**



**Managers & Secretaries (Private) Limited**  
*Director/Secretaries*

16th May 2023

# Form of Proxy

## LANKAPAY (PRIVATE) LIMITED 21st Annual General Meeting

### Form of Proxy/Form of Registration of Shareholder

We the undersigned, ..... bearing

Registration No. .... of .....

being a member of LankaPay (Private) Limited, hereby appoint

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

as our Proxy/Representative to represent us and vote for us on our behalf at the 21st Annual General Meeting of the Company to be held on 28th of July 2023 at 10.00 a.m. at the Board Room of LankaPay (Private) Limited, Level 18, Bank of Ceylon Head Office, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01 via Zoom Audio/ Video and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this ..... day of ..... 2023.

.....

Signature

Authorised Officer

(Under the common seal of the Company)

**Note:** Please refer overleaf for "Notes and Instructions as to the completion of Form of Proxy/ Form of Registration of Shareholder".

# Form of Proxy

## Notes and Instructions as to completion of Form of Proxy/Form of Registration of Shareholder

1. A Shareholder entitled to attend and vote at the meeting but is unable to attend the meeting, can appoint not more than one proxy to attend and vote at the AGM instead of him/her, by completing the Form of Proxy.
2. Please complete the Form of Proxy by filling in legibly, the requested details with the date and signing in the space provided.
3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Registered Office, LankaPay (Private) Limited, Level 18, Bank of Ceylon Head Office, "BOC Square", No.01, Bank of Ceylon Mawatha, Colombo 01 and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 26th of July 2023.
4. If the Appointer is a Company or Corporation, the Form of Proxy should be executed either under its Common Seal or by a duly authorised officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
5. The "Web Link" for participation at the AGM through the online platform will be forwarded to the shareholder's/proxy holders above the noted email address.

# Corporate Information

## Company Name

LankaPay (Private) Limited

## Registered Office and Principal Place of Business

Level 18, Bank of Ceylon Head Office  
BOC Square  
No. 01, Bank of Ceylon Mawatha,  
Colombo 01

## Contact

Tel : +94 11 2356900  
Fax : +94 11 2544346  
Email : info@lankapay.net

## External Services

Tel : +94 11 2356999

## Legal Form and Ownership

### Legal form

Incorporated as a private limited liability company under the Companies Act No. 17 of 1982 on February 8, 2002 and re-registered under the Companies Act No. 7 of 2007.

### Ownership

Operations carried out by Sri Lanka Automated Clearing House (SLACH) which was fully owned and operated by the Central Bank of Sri Lanka, were entrusted to LankaPay (Pvt) Ltd. upon incorporation of the Company on April 01, 2002.

LankaPay (Pvt) Ltd. is owned by the Central Bank of Sri Lanka and all licensed commercial banks of Sri Lanka.

## Company Secretaries

Managers & Secretaries (Pvt) Ltd.  
No. 8, Tickell Road, Colombo 08  
Tel : +94 11 2015900  
Fax : +94 11 2015960

## Bankers

Bank of Ceylon  
Seylan Bank  
Union Bank

## External Auditors

M/s PricewaterhouseCoopers  
Chartered Accountants  
P.O. Box 918, Braybrooke Place, Colombo 02  
Tel : +94 11 7719700  
Fax : +94 11 2303197

## Internal Auditors

M/s B R De Silva & Company  
Chartered Accountants  
No. 22/4, Vijaya Kumaranatunga Mawatha  
Colombo 05  
Tel : +94 11 4510368  
Fax : +94 11 4512404

## Principal Activities

- National Payment System Operator for LKR cheque clearing (CITS)
- National Payment System Operator for inter-bank electronic batch mode payments (SLIPS)
- National Payment System Operator for US Dollar Draft clearing (UITS)
- Operator of the national inter-bank Common ATM Switch (CAS)
- Operator of the national inter-bank real-time Common Electronic Fund Transfer Switch (CEFTS) comprising:
  - LankaPay Government Payment Platform (LPOPP) for institutional payments
  - JustPay for mobile base retail payments
  - LANKAQR for standardised QR code payments
  - PEN: Payment Exchange Name easing inter-bank fund transfers
  - Direct Debit for pull money from another bank account upon pre-defined instructions.
  - Lanka Remit to facilitate foreign remittances
- Operating the hosted ATM switch for Banks/ FIs (LankaPay - SAS)
- Operator of the national inter-bank Point of Sale Switch (CPS).
- Operator of the National Card Scheme (NCS)
- Operating the hosted card management solution for Banks/FIs (LankaPay - CMS)
- National Payment System Operator for inter-bank electronic batch mode US Dollar payments
- Operating the national financial sector certificate authority (LankaSign)
- Attending to financial sector computer security incidents (FinCSIRT)

## Principal Products/Brands

- CITS: Cheque Imaging and Truncation System
- SLIPS: Sri Lanka Interbank Payment System
- LankaPay CAS: Common ATM Switch
- LankaPay SAS: Shared ATM Switch
- LankaPay CMS: Card Management System
- LankaPay CEFTS: Common Electronic Fund Transfer Switch
  - LPOPP: LankaPay Government Payment Platform
  - JustPay
  - LANKAQR
  - PEN: Payment Exchange Name
  - Direct Debit
  - LankaRemit
- LankaPay CPS: Common POS Switch
- LankaPay Card issued under the National Card Scheme (NCS)
- USD On-line : Sri Lanka Interbank US Dollar On-line Payment System UITS: US Dollar Draft Online Image Transfer System
- LankaSign: Digital Certificate Authority for the Financial Sector
- FinCSIRT: Financial Sector Computer Security Incidents Response Team

## Markets Served

Banking and Financial Services Sector of Sri Lanka

## Total No. of Employees

114

## Net Revenue

Rs. 1,704,770,671

## Stated Capital

Rs. 165,200,000



LankaPay (Private) Limited  
Level 18, Bank of Ceylon Head Office, "BOC Square", No. 01,  
Bank of Ceylon Mawatha, Colombo 01  
Tel: +94 11 2356900 | Fax: +94 11 2544346