



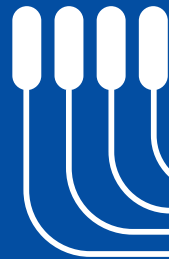
Leading the way in payment and settlement system in the region, enabled through cutting edge technology, continuous process improvements and an empowered talent pool.



Efficient payments and settlements



Technology driven



Connecting people and businesses

MISSION

Facilitate an efficient National Payment & Settlement System as a matter of public policy to increase financial market liquidity in accordance with the National Monetary policies of Sri Lanka.

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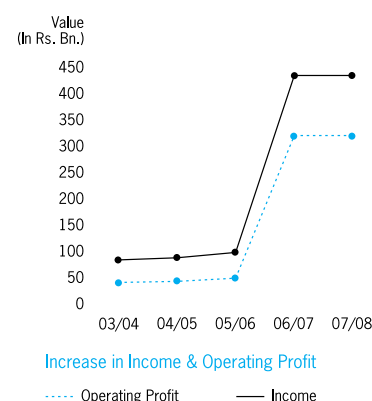
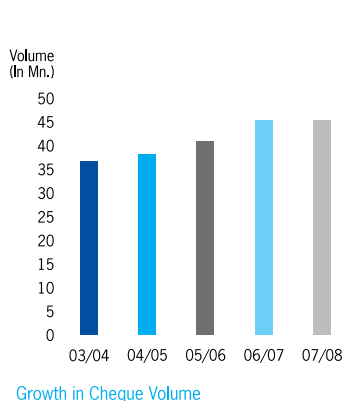
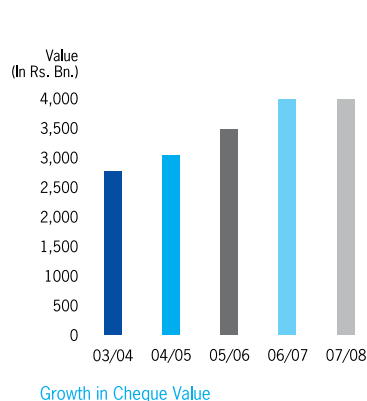
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VISION

Sustain an efficient, secure and robust Payment & Settlement System, ensuring integrity and timeliness strengthened with reliability and security to uphold market confidence to ensure safe and sound functioning of financial markets.

Financial Highlights

	2003/04	2004/05	2005/06	2006/07	2007/08
Cheque Volume	36,881,701	38,129,850	40,793,832	45,711,210	45,858,533
Cheque Value (in Rs. billion)	2,771	3,045	3,485	3,981	4,390
Income	82,699,658	85,696,045	96,719,549	433,151,283	452,845,431
Operating Profit	37,004,993	40,504,655	46,916,434	318,673,098	275,605,062
Interest Income	9,288,326	11,234,690	6,949,572	14,802,302	64,132,044
Administrative Expenses	21,869,424	33,157,427	40,628,732	98,584,010	91,940,894
Image Implementation Expenses	-	4,805,538	32,392,632	-	-
Net Profit/(Loss) Before Tax	24,450,309	13,975,621	(19,075,726)	216,575,026	228,670,692
Income Tax on Profit	12,214,152	4,651,864	6,189,105	77,236,071	86,222,610
Net Profit/(Loss) After Tax	12,236,157	9,323,757	(12,886,621)	139,338,955	142,448,082
Assets					
Non-Current Assets	35,831,548	48,855,396	515,716,185	458,418,554	362,085,681
Investments	134,670,718	155,926,803	49,255,843	261,006,052	258,851,862
Other Current Assets	24,122,367	24,694,097	31,327,141	64,491,303	225,031,094
	194,624,633	229,476,296	596,299,169	783,915,909	845,968,637
Liabilities					
Borrowings	-	24,684,177	109,944,770	156,261,235	128,869,608
Current Liabilities	2,976,684	17,315,073	26,572,009	85,875,313	126,839,821
Shareholders' Funds					
Share Capital	150,000,000	150,000,000	150,500,000	150,500,000	150,500,000
Capital Reserves	6,000,000	9,000,000	12,000,000	15,000,000	18,000,000
Revenue Reserves	21,836,020	20,659,777	4,773,156	141,112,111	262,500,193
Capital Employed	177,836,020	179,659,777	167,273,156	306,612,111	431,000,193
Growth in Cheque Volume	2.59	3.38	6.99	12.05	0.32
Growth in Cheque Value	11.96	9.89	14.45	14.23	10.27
Gross Profit Ratio	44.75%	47.27%	48.51%	73.57%	60.86%
Net Profit Ratio	14.80%	10.88%	-13.32%	32.17%	31.46%
ROCE	13.75%	7.78%	-11.40%	76.61%	58.95%
Current Ratio	53.35	10.43	3.03	3.79	3.81
Return on Assets	12.56	6.09	-3.20	27.63	27.03
Revenue per Volume (Rs.)	2.17	2.10	2.37	9.48	9.87



“ LankaClear would continue to be a catalyst and would play a lead role in introducing state-of-the-art technology and system to facilitate efficient payment and settlement systems for the banking community ”



Chairman's Review

It is indeed a pleasure to report another year of good performance by LankaClear.

The year 2007/08 marked a successful era where the new Cheque Imaging and Truncation System (CITS) implemented in May 2006 reached greater stability boosting our core competencies which resulted in continued good performance overall for the period under review.

Major Trends in Payment Systems

In recent years, important efforts have been carried to increase the efficiency and safety of the payment system in Sri Lanka for both high value and for retail transactions. The most important initiatives for the development of two systematically important payment settlement system. The Lanka Settle System operated by the Central Bank and the Cheque Imaging and Truncating (CIT) system operated by LankaClear. The two systematically important payment systems accounted for 99% of the non-cash payments during 2007 and are benchmark to international standards.

The Central Bank devoted much attention to strengthening the oversight function mainly focusing on crediting the proceeds of cheques to customer accounts on a T+1 basis, reducing the cheque returns and ensuring the operational robustness of the system. Currently, the returned cheques account for 5.5% by volume of cheque presented for clearing; while value-wise they account to 3.2%. We are confident that the returned cheques for lack of funds will further reduce with the introduction of the new rule that such cheques are treated as non-representable from this year.

Improvements to Current System

An Information Systems Security Policy and Standards are currently being developed with the assistance of a reputed consultancy company in this field. LankaClear also envisages to obtain the ISO 27001 Certification for Information Security during the course of next year.

LankaClear is also in the process of facilitating the migration of current physical cheque submission banks to CD submission banks, and consequently all banks to direct connectivity. This will enable banks to offer extended counter cut-off times for cheque deposits whilst achieving T+1 clearing.

A RFP was issued for the establishment of a Common Payment Switch in March 2008. The contract for this is to be

awarded shortly. It is envisaged that the Common Payment Switch would go live in the first quarter of 2009. This would be another significant milestone in the Payments and Settlements System in Sri Lanka, where this kind of Switch would be one of the first to go into operation in the South-East Asian Region.

To facilitate the security requirements of image and data transfer of the CITS Direct Connectivity and Common Payment Switch, LankaClear with the assistance of the Central Bank of Sri Lanka, ICT Agency of Sri Lanka and University of Moratuwa, is in the process of implementing a Certificate Authority for the financial sector. This sector specific Certificate Authority (Certification Service Provider) would be set up under the provisions of the Electronic Transactions Act No. 19 of 2006.

We are also pleased to record that LankaClear has always endeavoured to conform to the main elements of the Road Map envisaged by the National Payment Council set up at the Central Bank.

Company Performance - Financial and Physical

The Company was able to achieve a net revenue of Rs. 453 million for the 2007/08 financial year and recorded an after tax profit of Rs. 142 million. It is significant to note that despite high inflation rates experienced during the year, the Company had been able to reduce the administrative expenses by 6.7% compared to the previous financial year. In spite of increasing operational costs, the Company was able to achieve a 31% net profit margin. The Company maintained a debt:equity ratio of 23:77 as at 31st March 2008. The Company has also maintained a healthy current ratio of 3.8 and recorded an impressive ratio on equity of 95% based on stated capital for the 2007/08 financial year.

The principal activity of the Company which is the Rupee Cheque Clearing recorded a marginal increase both in volume and value during the year under review, reflecting 0.32% increase in volume 10.3% increase in value. Sri Lanka draft clearing reflected a decrease of 42.14% compared with the previous year. The US\$ clearing items also demonstrated a decrease of 15.14% with a marginal increase of 1.30% value-wise. The Sri Lanka Interbank Payment System continued its positive trends this year as well by registering increases in both volume and value by 41.70% and 44.34% respectively.

The Chief Executive Officer in his review will deal with the Company's operational performance in greater detail in other sections of this report.

Future Outlook

The Company is looking forward to the implementation of the Sri Lanka Common Payment Switch, which would in the first phase link all commercial banks through a common-switch facilitating on-line real time transactions. LankaClear envisages the Common Payment Switch to be the foundation for banks to innovate cost effective on-line payment solutions for their customers. The Company is also looking forward to the migration of all Banks to Direct Connectivity mode, which would facilitate T+1 cheque clearing throughout the island, which would further enhance the efficiency of the cheque payments. LankaClear would continue to be a catalyst and would play a lead role in introducing state-of-the-art technology and system to facilitate efficient payment and settlement systems for the banking community.

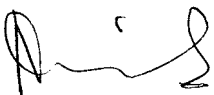
LankaClear also look forward to contribute and learn from the SAARC Payment Initiative which will result in payment and settlement systems of member countries to reduce risk, increase efficiency and safety in line with international best practices.

In Appreciation

Over the course of our six years short history, we were fortunate to have the dedication of capable and accomplished people, without whose support our growth would not have been possible. For this year, we take this opportunity to commend our Management Team and Staff whose collective effort was outstanding.

Our gratitude for unstinted support and guidance also extend to the Central Bank of Sri Lanka, including among others, the Governor Mr. Ajith Nivard Cabraal, Deputy Governors Dr. (Mrs.) Ranee M. Jayamaha and Mr. W.A. Wijewardena and the Assistant Governor, Mr. Priyantha D.J. Fernando. Sri Lanka Banks' Association represented by its Secretary General, Mr. Upali de Silva was a tower of strength.

To my colleagues on the Board for their unwavering support and confidence and continued guidance also our shareholders for their ongoing trust.



Mr. Sarath de Silva

Chairman





Board of Directors



1. Mr. Sarath de Silva - Chairman

Mr. de Silva is the Chairman of LankaClear (Pvt) Ltd. and Lankaputhra Development Bank and has been at the helm of a number of Government as well as Private Sector organizations. He is a former General Manager of Bank of Ceylon, Chairman of the Sri Jayawardenapura General Hospital, Ceylease Financial Services (Pvt) Ltd. and Lanka Archives Management Services and Acting Chairman of the State Pharmaceuticals Corporation. He is a Director of the Strategic Enterprise Management Agency (SEMA) and a number of other companies. He was also Commissioner of Local Loans and Development Fund.

Mr. de Silva has been on the Director Board of a variety of financial as well as other organizations and served as an Advisor to the Ministry of Industries and Head of Bureau Services Indian Line of Credit. He was a Consultant to the International Fund for Agricultural Development (IFAD/FAO).

He has also been the Chairman and Vice-Chairman of the Sri Lanka Banks' Association. Mr. de Silva was Chairman of the Chartered Institute of Bankers (London), Colombo Centre (2001-02) and the Association for Professional Bankers, Sri Lanka (2001-02). He holds a B.A. in Public Administration and is a Fellow of the Chartered Institute of Bankers, London and a Fellow of the Institute of Bankers, Sri Lanka.

2. Mr. P.D.J. Fernando - Director

Mr. Fernando is the Assistant Governor of the Central Bank of Sri Lanka which post he has held since 2004. He commenced his career at the Central Bank in 1976 and subsequently held the posts of Additional Director, Statistics Department from 1999-2000 and Director, Information Technology from 2000-04. He is currently a member of the Steering Committee of the E-NIC Project of the Ministry of Internal Administration; a Director of the Lanka Financial Services Bureau jointly owned by the Central Bank of Sri Lanka, commercial banks, primary dealers as well as LankaClear (Pvt) Ltd. and a member of the National Payment Council.

Mr. Fernando has a B.Sc. Honours Degree from the University of Peradeniya and a M.Sc. (Statistics) Degree from the University of Birmingham.

3. Mr. K.U. Pushpakumara - Director

The Deputy General Manager (Branches) of People's Bank

Mr. Pushpakumara's experience over three decades in the industry covers Branch Banking, Development Banking, HR Management, International Banking and Development Banking. He is an alternate Director of the Governing Board of Institute of Bankers' of Sri Lanka (IBSL) and also a Council Member of the University of Moratuwa.

He obtained his first Degree in Mathematics from the University of Peradeniya and also a MBA from the University of Colombo.

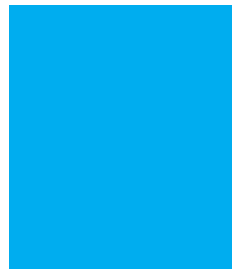
Mr. Pushpakumara is a member of the Chartered Management Institute - UK, the Institute of Management - Sri Lanka, the Association of Professional Bankers of Sri Lanka, the Organization of Professional Associations and the prestigious TMC (The Management Club).

4. Ms. Rose Matilda Siriwardhane - Director

Director of the Payments and Settlements Department of the Central Bank of Sri Lanka (CBSL) since 2002, Ms. Siriwardhane commenced her career with the bank in 1975. She has worked in a number of different departments of the CBSL including the Economic Research Department, Finance Department, Centre for Banking Studies, Exchange Control Department and the Banking Department. She was actively involved in the implementation of the RTGS system which went live on 8th September 2003.

Ms. Siriwardhane is the Secretary of the Committee for Contingency Events and Disaster Recovery for Lanka Settle of CBSL. She also holds membership in several CBSL Committees. She headed the team which drafted the Red Book 'Payment Systems in Sri Lanka', which was published by the Bank for International Settlements in 2004 and the 'Financial Systems Stability Review' which was published by the CBSL in 2006.

She has a Bachelor's Degree in Economics and a Bachelor of Philosophy Degree in Economics from the University of Sri Lanka. She also holds a Master's degree in Economics from the Institute of Social Studies in Hague, Netherlands.



**5. Mr. Eran Wickramaratne - Director
Chief Executive of NDB Bank**

Prior to the merger of the National Development Bank and NDB Bank Ltd., Mr. Wickramaratne functioned as Director/Chief Executive Officer of the NDB Bank Ltd. He joined the NDB in 1999 from Citibank, where he was Vice-President and Corporate Bank Head. Mr. Wickramaratne was a pioneer of the Government of Sri Lanka's Information Communication Technology driven Development Programme, E-Sri Lanka. He was Chairman of the Information Communication Technology Agency (ICTA) and also served as a Director on the Board of Investment. He holds a Degree in Economics and Politics and a Master's, in Economics from the University of London. Mr. Wickramaratne is an Eisenhower Fellow. He assumed duties as the Chief Executive of NDB Bank on 1st April 2008.

6. Mr. A.M. Pasqual - Director

B.Sc. (Bus. Admin.), USA

Appointed to the Board of LankaClear (Pvt) Ltd. on 19th December 2007.

Currently Director/General Manager/Chief Executive of Seylan Bank PLC. He joined Seylan Bank PLC in January 2003 as the Additional General Manager, was appointed General Manager/Chief Executive on 01st January 2004 and as Director on 12th January 2004. Counts over 27 years experience in Banking. Commenced his Banking career with Hongkong & Shanghai Banking Corporation in June 1980 and has wide experience and exposure in Corporate Banking, Trade Finance and Treasury.

He also serves as a Director of Lanka Financial Services Bureau Ltd., an elected member of the Governing Board of the Institute of Bankers of Sri Lanka and Board of Trustee of National Agri Business Council.

**7. Mr. Rohan Rodrigo - Director, Chief Country Officer/
Head of Global Markets**

Deutsche Bank AG, Sri Lanka

Mr. Rohan Rodrigo joined Deutsche Bank AG, Sri Lanka in July 1981 and has over 19 years of experience in Global Markets and Treasury activities.

He was appointed Head of Global Markets in July 1995, which post he holds to-date.

He was appointed Chief Country Officer of Deutsche Bank AG, Sri Lanka in October 2001 and served in that post till July 2003.

With effect from 1st November 2007 Mr. Rohan Rodrigo was reappointed Chief Country Officer of Deutsche Bank AG, Sri Lanka.

Mr. Rohan Rodrigo holds MBA from the University of Wales.

He is also an Associate of the Institute of Bankers, Sri Lanka.

8. Mr. B.A.C. Fernando - Director

Mr. B.A.C. Fernando - General Manager - Bank of Ceylon (the General Manager is the Chief Executive of the Bank)

Mr. Fernando possesses 38 years experience in banking. In branch banking his experience ranges from branch operations level activity to the management of the large branch network at both area/ province level and as an entire division.

Mr. Fernando is a specialist in credit. At branch, provincial and divisional levels he has experience in consumer credit. He has handled corporate credit at all levels and has been in charge of the large portfolio of the Corporate Branch. He has contributed to improve the credit knowledge and skills of the bank staff through training.

He has also provided active leadership in training and restructuring initiatives.

Mr. Fernando has a Bachelor's Degree in arts and a Master's Degree in Business Administration. He is a fellow of the Institute of Bankers of Sri Lanka and is also a Director of the Institute. Mr. Fernando has undergone extensive training, both local and overseas, in banking and management.

He is a Director in many of the banks subsidiaries and associate companies.

9. Mr. Upali De Silva - Observer

Retired Senior Deputy General Manager - Administration and Marketing, Hatton National Bank Ltd. Has over 42 years experience in banking including 15 years at corporate management level.

Presently holds the post of Secretary General, Sri Lanka Banks' Association (Guarantee) Ltd. Director, HNB Assurance Ltd., Lanka Financial Services Bureau Ltd. and Sri Lanka Cert (Pvt) Ltd. He is a Fellow of the Chartered Institute of Bankers (London) and a Past President of the Association of Professional Bankers and of the Colombo Centre of the Chartered Institute of Bankers (London).

▶▶ Chief Executive Officer's Review

It is with great pleasure that I present this report on the achievements and performance of LankaClear during the year 2007/08, which was a year of many new achievements and developments.

The Year 2007/08 was a very eventful year for LankaClear where the new Cheque Imaging and Truncation System (CITS) implemented in May 2006 reached greater stability, after the initial teething problems experienced. The average uptime of the CITS System during the 7 months ended 31st July 2008 was 99.2%. LankaClear's ability to achieve the cut-off times for clearing on the average was 92.7% during this period, despite carrying out operations from the Disaster Recovery Site in two occasions.

A significant achievement during the last year was the upgrading of the Disaster Recovery (DR) Site to a fully functional DR Site. A well proven backup technology of international repute was acquired for the upgrading of the DR Site. The Site was tested live on three occasions during the period January 2008 to July 2008 with all commercial banks and the Central Bank. With the successful live tests, the confidence of LankaClear, Member Banks and the Central Bank of Sri Lanka on using the DR Site during system outages at the primary site is now at the highest levels. In addition to the strengthening of the DR Site, the on-site recovery capabilities were also enhanced with the implementation of a point-in-time backup and recovery capability and a Data Validation Programme.

Operational Performance

The Rupee Cheque Clearing volumes continued to experience a growth trend where 45,858,533 cheques were cleared through the CIT System with a marginal growth of 0.32% during the financial year 2007/08. The value of cheques cleared showed an increase of 10% over the same period. However, the cheque returns continued to be matter of concern with 5.6% of the cheques being returned during



“ A significant achievement during the last year was the upgrading of the Disaster Recovery Site to a fully functional DR Site ”

the 2007/08 financial year. With the cheques being returned due to lack of funds (under the return code 'refer to drawer') being made non-representable from 1st April 2008 and various other measures taken by the Central Bank and commercial banks to reduce the percentage of cheque returns, it is expected that the cheque returns would reduce during the 2008/09 financial year.

The items cleared through the Sri Lanka Interbank Payment System (SLIPS) showed a significant growth of 42% during the 2007/08 financial year confirming the increasing usage of electronic payment modes. The value of items cleared through SLIPS also showed a significant growth of 44%, with over Rs. 191 billion worth of items getting cleared during the 2007/08 financial year. Taking into account the significant growth rates experienced in SLIPS transaction volumes during the last couple of years, the SLIPS application software was upgraded in April 2008.

The total number of items cleared through US \$ clearing has been steadily declining over the last couple of years. During the 2007/08 financial year the number of items declined by 15% although there was a slight increase of 1.3% of the value of items cleared.

The total value of Rupee Drafts cleared during the financial year 2007/08 through draft clearing amounted to Rs. 1.82 billion compared to Rs. 3.14 billion during the financial year 2006/07 showing a significant decrease of 42.1%. This decrease could be partly attributable to the fact that cheques which did not conform to the CITS Standards and Specifications were cleared through 'Rupee Draft Clearing' during 2006 after the cut-over to CITS, where this was not accommodated after 2007. The decrease also could be partly attributable to the increased preference of bank customers to move towards electronic fund transfers.

Financial Performance

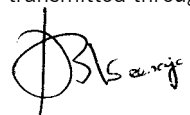
The Company's net revenues recorded a modest growth of 4.5% compared to the previous financial year despite a very marginal increase in the cheque volumes. The increase in

SLIPS transaction volumes, no doubt, is a contributory factor to the revenue growth. The net profits increased by a marginal 2.2% despite a 55% increase in the cost of sales, which is partly attributable to the application software maintenance costs incurred during the financial year 2007/08 after the lapse of the warranty period, increase in depreciation and provisions made for claims from banks. The pressure on bottom lines due to increasing maintenance costs were somewhat eased by the significant increase in interest income from Fixed Deposits and Treasury Bills enjoyed due to the prevailing high interest rates. The outstation Regional Centers continued to make losses during the financial year due to the low usage of the front-end services offered. Mainly, only four member banks used the services of the outstation Regional Centres during the period, except for Jaffna Regional Centre where five member banks used the services.

In spite of increasing operational costs, the Company was able to maintain a healthy net profit margin of 31%. The Company maintained a debt:equity ratio of 23:77 as at 31st March 2008. Earnings per Share increased from Rs. 9.26 to Rs. 9.47 from the previous financial year.

Developments in the Pipeline

The current SLIPS transactions, which are cleared on T+1 basis would be cleared on line real time basis with the implementation of the Sri Lanka Common Payment Switch, which is envisaged to be in operation in the first quarter of 2009. The Member Banks would be able to improve the current counter cut-off times for cheque deposits for T+1 clearing, with the upgrading of the CITS to accommodate Direct Connectivity of Banks. The Security of Data and Systems also would be enhanced with the proposed implementation of a Certificate Authority for the financial sector, to enable cost effective encryption of data and images transmitted through networks.

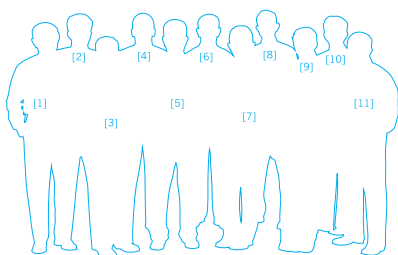


Sunimal B. Weerasooriya

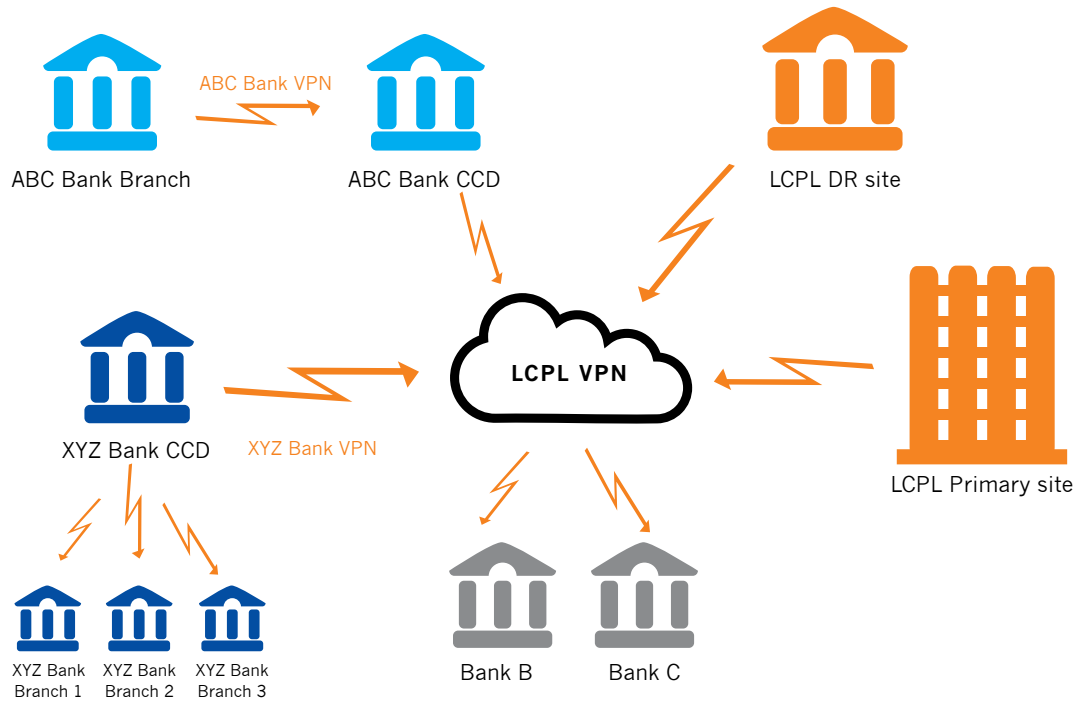
General Manager/Chief Executive Officer

1. *L.G. Abesirigunawardena* - Head of Regional Centres
2. *Aruna Weerakkody* - Data Centre Manager
3. *W.M. Jayaratne* - Operations Manager
4. *Harsha Wanigatunga* - Head of Operations
5. *Sunimal B. Weerasooriya* - General Manager/CEO
6. *Ranjith Gunawardena* - Manager - HR & Administration
7. *Dilantha Samarasinghe* - Systems Manager
8. *Damith Kumarapperuma* - Head of Finance
9. *Mirani A. Rodrigo* - Management Accountant
10. *Isuru Jayaweera* - Help Desk & Bank Services Manager
11. *Roshan Hettiarachchi* - Operations Manager

Management Team



End to End Integration of Cheque Clearing



LankaClear plans to implement Direct Connectivity with banks as an enhancement to the existing Cheque Imaging Truncation System (CITS) in the near future. This will enable banks to directly upload the Cheque Images and Data to the *Main Processing Centre* at LankaClear. The main advantages of direct connectivity would be:

1. Banks could extend their counter cut-off times to further facilitate client needs.
2. T+1 clearing will be possible even at remote locations.
3. Higher integrity and efficiency in the clearing and settlement system.

The above diagram depicts the logical view of this implementation. Also, the diagram shows the logical connectivity of the implemented Disaster Recovery site, which has now being fully tested with zero downtimes.

With these technological enhancements LankaClear is fully geared to meet the future needs of cheque payments in Sri Lanka.

LankaClear Operations

A well defined and executed payment and settlement system is fundamental to the growth and sustainability of an economy. LankaClear (LCPL) contributes immensely towards this end in Sri Lanka with the guidance of the Central Bank of Sri Lanka and the collaboration of all the commercial banks.

LCPL plays a major role as the *National Financial Transaction Clearing Hub*, as it is the entity in Sri Lanka that does Cheque Clearing, Rupee Draft Clearing, US Dollar Clearing and SLIPS.

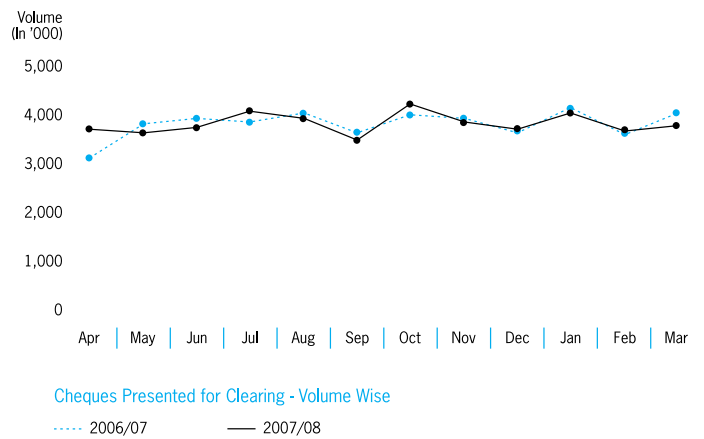
Products and Services Offered by LankaClear

1. Rupee Cheque Clearing - Cheque Imaging & Truncation System (CITS).
2. Sri Lanka Rupee Draft Clearing.
3. US Dollar Clearing.
4. Sri Lanka Interbank Payment System (SLIPS).

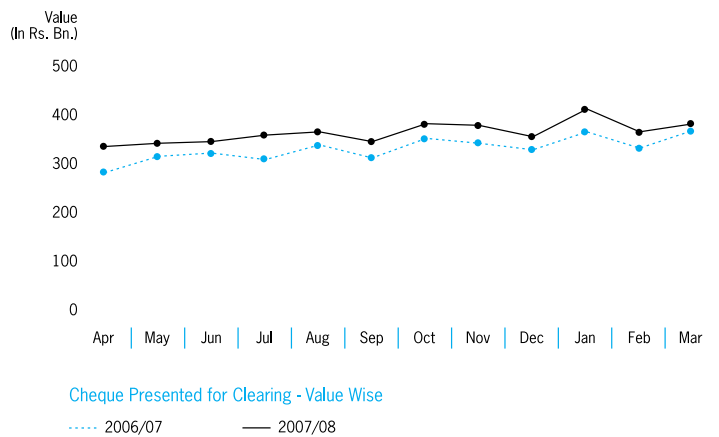
1. Rupee Cheque Clearing - Cheque Imaging & Truncation System (CITS)

Automated cheque clearing and cheque truncation was facilitated by the introduction of the Cheque Imaging & Truncation System (CITS), which utilizes digital technology to expedite the clearing and settlement processes. However, to overcome the barriers between Colombo and bank branches in rural areas, as they lacked the required infrastructure, LCPL had to bring in the Regional Centre concept. Each LCPL Regional Centre is linked to the Colombo Central Processing Centre to realize a common clearing platform, eliminating geographical barriers. As a result, on depositing a cheque the public will be able to get credit for their funds on the following business day (T+1). Currently, around 200,000 cheques are cleared through LankaClear on each business day. We have catered to volumes exceeding 375,000 cheques per day.

The number of cheques cleared and volumes processed through CITS during 2007/2008 as compared with 2006/2007 is depicted in the following diagrams:



The total number of cheques cleared in 2007/2008 through CITS amounts to 45.85 million compared to 45.71 million in 2006/2007. This is a marginal increase of 0.32%.

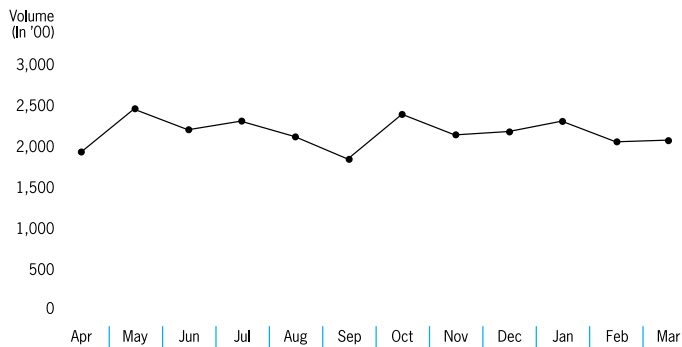


The total value of cheques cleared in 2007/2008 through CITS amounts to Rs. 4,389 billion compared to Rs. 3,980 billion in 2006/07. This is an increase of 10.27%.

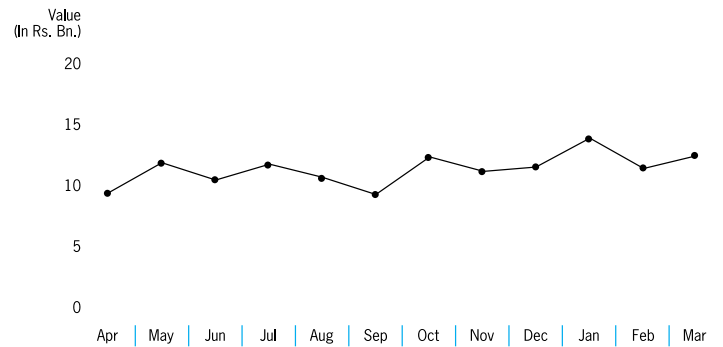
1.1 Settlement Clearing (Cheque Returns)

Cheques are still the most convenient and preferred non-cash payment instrument for commercial transactions in Sri Lanka. 5.6% of the cheques presented for clearing were returned unpaid due to various reasons. Of the total cheques returned, over 50% were due to lack of funds.

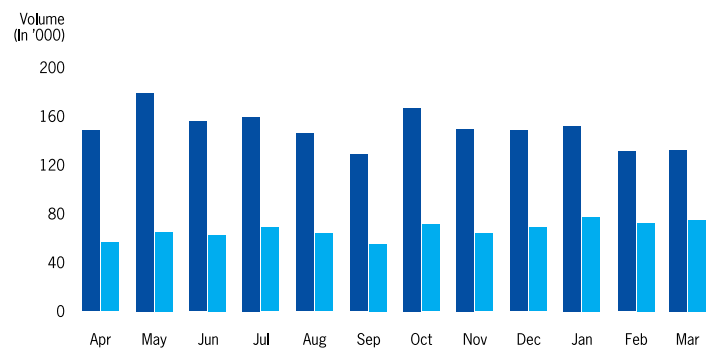
The number of cheque returns and the related values processed through CITS during 2007/2008 is depicted in the following diagrams:



Cheque Returned for Clearing - Volume Wise
2007/08



Cheque Returned for Clearing - Value Wise
2007/08



Cheque Return Codes - Category Wise
■ Representable (1-16) ■ Non-Representable (50-66)

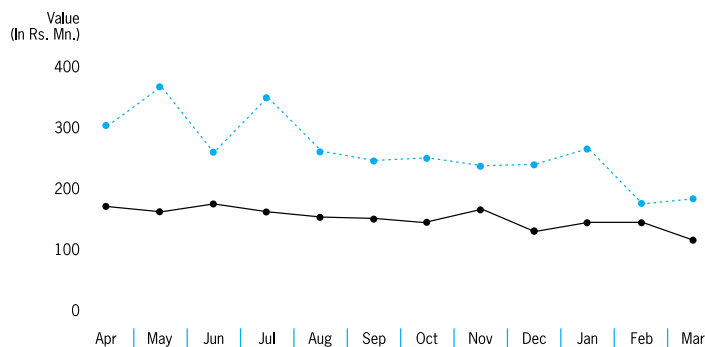
LankaClear Operations

Description of Cheque Return Codes	
Representable	Non-Representable
1. Refer to Drawer (<i>Non-Representable with effect from 1st April 2008</i>)	50. Stale Cheque
2. Effects not Realized	51. Account Closed
10. Payee's Endorsement Required	52. Payment Stopped by Drawer
11. Payee's Endorsement Irregular	53. Drawer Deceased
12. Payee's Endorsement Illegible	54. Funds Attached
13. Post-Dated Cheques	55. Amount in Words and Figures Differ
14. Payment Postponed Pending Drawer's Confirmation	56. Drawers Mandate Determined
15. Credits Not Verified	57. Drawer's Signature Differs from Specimen in Possession
16. Funds in Transition	58. Alteration Not Confirmed by Drawer
	59. Cheque Incomplete
	60. Cheque Not Drawn in Accordance with Mandate
	61. Cheque Crossed to more than One Bank
	62. Cheque Irregularly Drawn
	63. Validity Expired
	64. Scheduled in Error
	65. Encoding Error
	66. Bad Image

2. Sri Lanka Rupee Draft Clearing

The value of Rupee Drafts processed during the year 2006/2007 and 2007/2008 is shown below:

The total value of Rupee Drafts cleared in 2007/2008 through Draft Clearing amounts to Rs. 1.81 billion compared to Rs. 3.14 billion in 2006/07. This is a decrease of 42.1%.

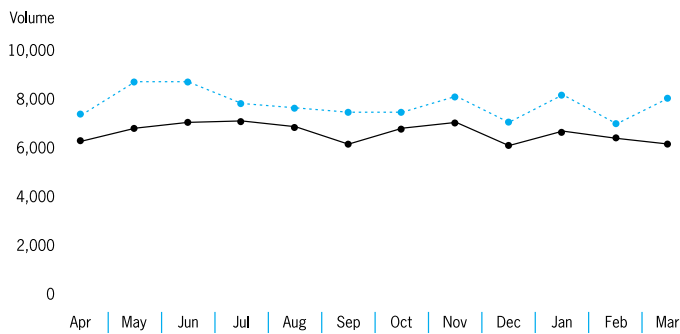


Rupee Draft Clearing - Value Wise

----- 2006/07 — 2007/08

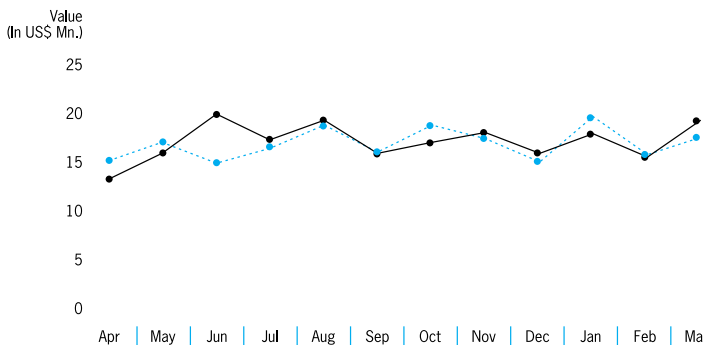
3. US Dollar Clearing

The total number of items cleared through US Dollar Clearing in 2007/2008 amounts to 79.6 thousand compared to 2006/2007 of 93.8 thousand. This is a decrease of 15.1%.



US Dollar Clearing - Volume Wise
 ----- 2006/07 — 2007/08

The total value of items cleared through US Dollar Clearing in 2007/2008 amounts to US\$ 211.5 million compared to 2006/2007 of US\$ 208.8 million. This is an increase of 1.3%.

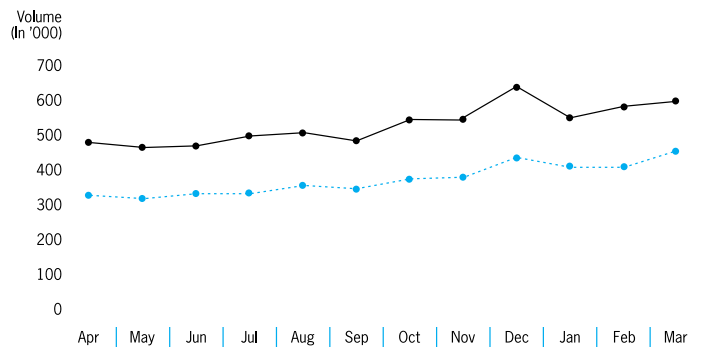


US Dollar Clearing - Value Wise
 ----- 2006/07 — 2007/08

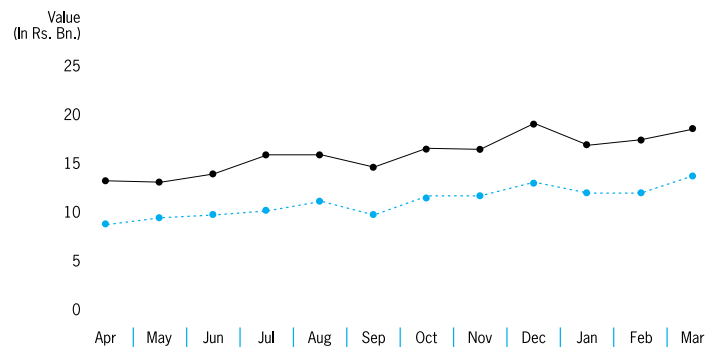
4. Sri Lanka Interbank Payment System (SLIPS)

Electronic Funds Transfer (EFT) is a movement of funds from one account to another without a corresponding piece of paper to authorize or prove that the transfer has been completed. LankaClear provides Offline Electronic Data Transferring Service via SLIPS to all commercial banks.

An average volume of 30,000 plus transactions pass through SLIPS each business day. The increase in number of SLIPS transactions are depicted below:



Sri Lanka Interbank Payment System - Volume Wise
 ----- 2006/07 — 2007/08



Sri Lanka Interbank Payment System - Value Wise
 ----- 2006/07 — 2007/08

The total number of items cleared through SLIPS in 2007/08 amounts to 6.4 million, compared to 4.5 million in 2006/07. This is an increase of 41.70%. The total value of items cleared through SLIPS in 2007/08 amounts to Rs. 191.46 billion compared to Rs. 132.64 billion in 2006/07. This is an increase of 44.34%. This is a trend we expect to see increase with more individuals and institutions moving towards electronic transactions.

Harsha Wanigatunga
 Head of Operations



'Learning couldn't be more fun. This training was invaluable for my personal and professional development.'
- Bank Service Manager



Team work, trust and collaboration are critical for any high performance team. This is what they gained at the outward bound training that was not only educational, but also filled with fun



'This training taught me how to be a leader and be more effective at team work'.
- Help Desk Assistant



Human Resources

LankaClear family after a fun filled annual trip, refreshed and eager to go back to work



Highly technically skilled talent pool



Farewell to one of our long-standing employees at retirement - held at Berjaya



Corporate Governance

At LankaClear (Pvt) Ltd. we are committed to ensuring the best interests of our customers, employees and shareholders. Maintaining transparency and accountability in respect of shareholders is an important function. This is why the Company is conscious of complying with applicable laws and regulations and adheres to the code of best practice on corporate governance published by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors

The Board of Directors at LankaClear (Pvt) Ltd. comprises eight Non-Executive 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 Central Bank of Sri Lanka while two more represent two state banks each. Three additional Directors are nominated by the Sri Lanka Bank's Association of whom two represent private local commercial banks and the other represents foreign banks. The Secretary General of the Sri Lanka Bank's Association constitutes the final Board member and is usually invited to express his views. Each Board member is well qualified and experienced and brings a wealth of knowledge that contribute towards the effective control and function of the Company. The Directors are responsible for protecting the rights and interests of shareholders and are accountable to them for the overall management of the Company.

Responsibilities

The main responsibilities of the Board are as follows:

- Setting strategies, direction and establishing goals for management.
- Monitoring performances against goals and objectives as well as ensuring adequate internal controls with the highest ethical standards.
- Appointing the Chief Executive Officer and determining the remuneration of senior executives.
- Reporting to shareholders.

Board Meetings

Board Meetings are held monthly to consider among other matters, the performance and Financial Statements for the period and to approve routine capital expenditure.

Disclosures to Stakeholders

The Board follows a policy of disclosing all relevant information to stakeholders within the bounds of prudent commercial judgement. It prepares the Financial Statements in accordance with the Sri Lankan Accounting Standards and the Companies Act No. 07 of 2007 and the generally accepted accounting principles.

Going Concern

Upon reviewing the financial position and cash flow of the Company, the Board of Directors is confident that the Company has adequate resources to continue operations in the foreseeable future and prepare Financial Statements on 'going concern basis'.

Compliance Reports

The Directors confirm that to the best of their knowledge, all taxes and duties payable by the Company as well as contributions, levies and taxes payable on behalf of and in respect of the employees of the company and all other statutory dues as were due as at the Balance Sheet date have been paid or provided for in the accounts.

Secretaries to the Board

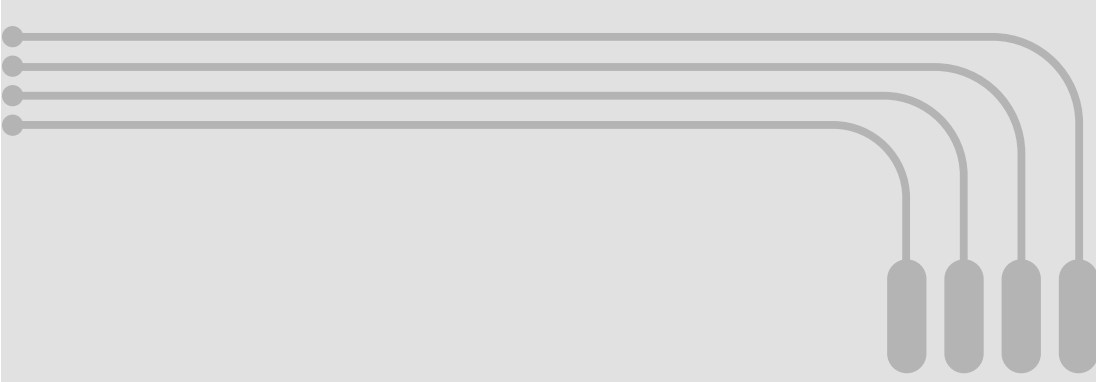
Managers and Secretaries (Pvt) Ltd. function as the Secretaries to the Company. The Secretaries are duly registered under the regulations and provide the necessary expertise and advice to the Board.

Senior Management

Members of the senior management are adequately experienced to perform the delegated authority through the General Manager/CEO.

Relationship with Shareholders

The Company believes in maintaining a good relationship with its shareholders and takes all responsible and necessary steps to disclose both financial and non-financial information.



Financial Statements |



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	Enclosed

Directors' Report

The Directors of LankaClear (Pvt) Ltd., have pleasure in presenting to members their Report together with the audited Financial Statements of the Company for the year ended 31st March 2008 which was approved by the Directors on 15th July 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company was to provide cheque clearing facilities to commercial banks on behalf of the Central Bank of Sri Lanka, which was advanced to image based clearing during the year.

REVIEW OF OPERATIONS

The Net Revenue from the Company's principal activity during the year amounted to Rs. 452,845,431/- after deducting Rs. 67,926,815/- for Value Added Tax.

STATED CAPITAL

The stated capital of the Company is Rs. 150.5 million as at 31st March 2008.

FIXED ASSETS

Details of fixed assets are given in Note 4 to the accounts.

DIRECTORS

The Board of Directors of LankaClear (Pvt) Ltd. as at 31st March 2008 were:

Mr. A. Sarath de Silva - *Chairman*
Mr. B.A.C. Fernando
Mr. P.D.J. Fernando
Mr. M. Wickremasinghe
Mrs. K.R.M. Siriwardhane
Mr. N.S. Welikala
Mr. A.M. Pasqual
Mr. M.M.R.S. Rodrigo

During the year the following changes took place in the directorate:

- Mr. M. Wickremasinghe resigned w.e.f. 16th July 2008 and Mr. K.U. Pushpakumara was appointed in his place.
- Mr. N.S. Welikala was replaced by Mr. E. Wickramaratne of NDB Bank Ltd.

DIRECTORS' INTERESTS IN SHARES

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

THE AUDITORS

The retiring Auditors Messrs Ernst & Young have signified their willingness to continue in office. In accordance with the Companies Act No. 07 of 2007, a resolution relating to their reappointment and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

POST BALANCE SHEET EVENTS

There have been no material events occurring after the Balance Sheet date that require adjustments or disclosure in the Financial Statements.

By Order of the Board



Managers & Secretaries (Pvt) Ltd.

Company Secretaries

Colombo
15th July 2008

Statement of Directors' Responsibilities for Financial Statements

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

The Directors are also required to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act 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.

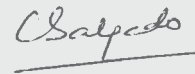
The Directors are of the view that, these Financial Statements have been prepared under the generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka.

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 with the requirements of the Companies Act and Sri Lanka Accounting Standards.

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

Messrs Ernst & Young, the Auditors of the Company have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data, minutes of Shareholders and Directors meeting and express their opinion in their report on page 22 of the Annual Report.

By Order of the Board



Managers & Secretaries (Pvt) Ltd.
Secretaries

Colombo
15th July 2008

Independent Auditor's Report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

TO THE SHAREHOLDERS OF LANKACLEAR PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of LankaClear Private Limited, which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2008 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Colombo
15 July 2008

Balance Sheet

<i>As at 31st March</i>	Note	2008 Rs.	2007 Rs. (Restated)
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	4	230,322,470	308,687,054
Intangible Assets	5	128,562,059	149,731,500
Deferred Tax Asset	18.2	3,201,152	-
		362,085,681	458,418,554
Current Assets			
Inventories	6	3,725,189	3,976,620
Trade and Other Receivables	7	57,777,620	52,791,147
Interest Receivable from Treasury Bills		13,563,424	-
Investments	8	258,851,862	-
Cash & Cash Equivalents	19.1	149,964,861	268,729,588
		483,882,956	325,497,355
Total Assets		845,968,637	783,915,909
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital/Share Capital	9	150,500,000	150,500,000
Reserves	10	18,000,000	15,000,000
Retained Earnings		262,500,193	141,112,111
Total Equity		431,000,193	306,612,111
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	11	128,869,608	156,261,235
Deferred Tax Liabilities	18.2	-	1,549,694
CITS Related Government Grant	12	157,585,764	233,226,930
Defined Benefit Liability	13	1,673,252	390,626
		288,128,624	391,428,485
Current Liabilities			
Trade and Other Payables	14	84,409,776	17,127,752
Income Tax Liabilities	19.2	13,967,035	41,756,788
Interest Bearing Loans and Borrowings	11	27,278,312	22,104,832
Bank Overdrafts		1,184,697	4,885,941
		126,839,821	85,875,313
Total Equity and Liabilities		845,968,637	783,915,909

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Head of Finance

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

Signed for and on behalf of the board by:



Director



Director

The Accounting Policies and Notes on pages 27 through 36 form an integral part of the Financial Statements.

Colombo

15th July 2008

Income Statement

<i>Year ended 31st March</i>	Note	2008 Rs.	2007 Rs.
Revenue	3	452,845,431	433,151,283
Cost of Sales		(177,240,369)	(114,478,185)
Gross Profit		275,605,062	318,673,098
Other Income and Gains	15	6,273,446	12,664
Administrative Expenses		(91,940,894)	(98,584,010)
Finance Cost	17.1	(25,398,967)	(18,329,028)
Finance Income	17.2	64,132,044	14,802,302
Profit Before Tax	16	228,670,692	216,575,026
Taxation	18	(86,226,610)	(77,236,071)
Profit for the Year		142,448,082	139,338,955

The Accounting Policies and Notes on pages 27 through 36 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year ended 31st March 2008

	Note	Stated Capital Rs.	Share Capital Rs.	Technology Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2006		–	150,500,000	12,000,000	4,773,156	167,273,156
Net Profit for the Year		–	–	–	139,338,955	139,338,955
Transferred to Technology Reserve	10	–	–	3,000,000	(3,000,000)	–
Restated Balance as at 31st March 2007		–	150,500,000	15,000,000	141,112,111	306,612,111
Net Profit for the Year		–	–	–	142,448,082	142,448,082
Transferred to Technology Reserve	10	–	–	3,000,000	(3,000,000)	–
Dividend Paid		–	–	–	(18,060,000)	(18,060,000)
Transferred to Stated Capital		150,500,000	(150,500,000)	–	–	–
Balance as at 31st March 2008		150,500,000	–	18,000,000	262,500,193	431,000,193

The Accounting Policies and Notes on pages 27 through 36 form an integral part of the Financial Statements.

Cash Flow Statement

Year ended 31st March	Note	2008 Rs.	2007 Rs.
Cash Flows From Operating Activities			
Net Profit before Income Tax Expense		228,670,692	216,575,026
Adjustments for			
Depreciation and Amortization of Software	4	146,702,694	132,947,121
Amortization of Deferred Income	12	(75,641,166)	(69,337,736)
Finance Income	17	(64,132,044)	(14,802,302)
Provision/Reversal for Define Benefit Plans	13	1,338,026	(75,875)
Loss on Disposal of Property, Plant & Equipment		-	298,540
Finance Cost	17	25,398,967	18,329,028
Operating Profit before Working Capital Changes		262,337,168	283,933,803
(Increase)/Decrease in Inventory		251,431	(1,036,848)
Increase in Trade and Other Receivables		(4,278,729)	(27,164,076)
Increase in Trade and Other Payables		67,282,023	2,367,982
Cash Generated from Operations		325,591,893	258,100,861
Interest Paid		(25,398,967)	(18,329,028)
Income Tax Paid		(118,763,208)	(23,407,656)
Gratuity Paid	13	(55,400)	
Net Cash from Operating Activities		181,374,318	216,364,176
Cash Flows Used in Investing Activities			
Acquisition of Property, Plant & Equipment	4	(47,168,668)	(77,344,727)
Proceeds from Disposal of Property, Plant & Equipment		-	1,396,698
Finance Income Received		49,860,876	14,802,302
Net Proceeds from Investments in Fixed Income Securities		(258,851,862)	-
Net Cash Flows Used in Investing Activities		(256,159,654)	(61,145,727)
Cash Flows from Financing Activities			
Dividend Paid		(18,060,000)	-
Proceeds from Interest Bearing Loans & Borrowings	11.1	-	68,421,300
Repayments of Interest Bearing Loans & Borrowings	11.1	(22,218,147)	(10,672,587)
Net Cash Flows from Financing Activities		(40,278,147)	57,748,713
Net Increase/(Decrease) in Cash & Cash Equivalents		(115,063,483)	212,967,162
Cash & Cash Equivalents at the Beginning of the Year		263,843,647	50,876,485
Cash & Cash Equivalents at the End of the Year	19	148,780,164	263,843,647

The Accounting Policies and Notes on pages 27 through 36 form an integral part of the Financial Statements.

Notes to the Financial Statements

For the year ended 31st March 2008

1. CORPORATE INFORMATION

1.1 General

LankaClear (Pvt) Ltd. is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 18th Floor, Bank of Ceylon NHQ Building, Bank of Ceylon Mawatha, Colombo and the principal place of business is situated at the above mentioned address.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company was to provide clearance transactions to commercial banks on behalf of the Central Bank.

1.3 Date of Authorization of Issue

The Financial Statements of LankaClear (Pvt) Ltd., for the year ended 31st March 2008, were authorized for issue in accordance with a resolution of the Board of Directors on 15th July 2008.

2.

2.1 Basis of Preparation

The Financial Statements have been prepared on a historical cost basis. The Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest integer except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.1 Statement of Compliance

The Financial Statements of LankaClear (Pvt) Ltd. have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year.

2.2 Summary of Significant Accounting Policies

2.2.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional

currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.2.2 Taxation

Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement.

Deferred Taxation

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

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the Financial Statements

For the year ended 31st March 2008

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement.

2.2.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.2.4 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable 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.

The cost incurred in bringing inventories to its present location and condition, are accounted using the following cost formulae:

Consumables and Stationery - Weighted average cost basis

2.2.5 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of allowances for bad and doubtful receivables.

Other receivables and dues from related parties are recognized at cost less allowances for bad and doubtful receivables.

2.2.6 Cash & Cash Equivalents

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

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

2.2.7 Property, Plant & Equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets commencing from the month of purchase or from the month on which the asset was made available to use.

Principal annual rates used are:

Computer Equipment	25%
Furniture and Fittings	10%
Electrical Equipment	20%
Other Equipment	20%
Computer Software	25%
Motor Vehicles	20%

2.2.8 Investments**(a) Current Investments**

Investments in fixed deposits are stated at cost.

(b) Securities Purchased under Resale Agreements

These are advances collateralized by purchase of Treasury Bills and Treasury Bonds subject to a commitment to resale them at a predetermined price. Such securities remain on the Balance Sheet of the Company and the asset is recorded in respect of the consideration paid and interest accrued thereon.

2.2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an 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. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement 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 recognized as an interest expense.

2.2.10 Retirement Benefit Obligations**(a) Defined Benefit Plan - Gratuity**

Gratuity is a defined benefit plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, equivalent to an amount calculated based on a half-month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year net of any payments made, and the carried

forward provision at the end of a year is dealt with in the Income Statement.

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

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

2.2.11 Grants & Subsidies

Grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Company receives non-monetary grants, the asset and that grant are recorded at nominal amounts and, is released to the Income Statement over the expected useful life of the relevant asset on a systematic basis.

2.2.12 Revenue Recognition

Revenue is recognized 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 is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Rendering of Services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

(b) Interest

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

(c) Others

Other income is recognized on an accrual basis.

Notes to the Financial Statements

For the year ended 31st March 2008

3. REVENUE

	2008 Rs.	2007 Rs.
3.1 Revenue		
Sales	452,845,431	433,151,283
	452,845,431	433,151,283
3.2 Goods and Services Analysis		
Rendering of Clearing Services	452,845,431	433,151,283
	452,845,431	433,151,283

4. PROPERTY, PLANT & EQUIPMENT

	Balance as at 01.04.2007 Rs.	Additions Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2008 Rs.
At Cost				
4.1 Gross Carrying Amounts				
Computer Equipment	355,183,223	2,183,866	-	357,367,089
Furniture and Fittings	17,902,304	1,287,387	-	19,189,692
Electronic Equipment	32,653,673	8,343,317	-	40,996,990
Other Equipment	1,754,807	335,075	-	2,089,881
Motor Vehicle	-	6,650,000	-	6,650,000
	407,494,008	18,799,645	-	426,293,652

	Balance as at 01.04.2007 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2008 Rs.
At Cost				
4.2 Depreciation				
Computer Equipment	86,202,641	87,845,327	-	174,047,969
Furniture and Fittings	3,824,913	1,870,093	-	5,695,006
Electronic Equipment	7,341,836	6,799,757	-	14,141,591
Other Equipment	1,437,562	94,885	-	1,532,448
Motor Vehicle	-	554,167	-	554,167
	98,806,952	97,164,228	-	195,971,180

	2008 Rs.	2007 Rs.
At Cost		
4.3 Net Book Values		
Computer Equipment	183,319,120	268,980,582
Furniture and Fittings	13,494,685	14,077,391
Electronic Equipment	26,855,399	25,311,837
Other Equipment	557,434	317,245
Motor Vehicle	6,095,833	-
	230,322,470	308,687,055

4. PROPERTY, PLANT & EQUIPMENT (CONTD.)

4.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 18,799,646/- (2007 - Rs. 77,344,727/-). Cash payments amounting to Rs. 18,799,645/- (2007 - Rs. 77,344,727/-) were made during the year for purchasing Property, Plant & Equipment.

4.5 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 7,299,097/- (2007 - Rs. 3,546,158/-).

5. INTANGIBLE ASSETS

Cost	Balance as at 01.04.2007 Rs.	Acquired during the Period Rs.	Disposal during the Period Rs.	Balance as at 31.03.2008 Rs.
Computer Software	194,805,261	28,369,024	–	223,174,285
	194,805,261	28,369,024	–	223,174,285
Amortization	Balance as at 01.04.2007 Rs.	Amortization during the Period Rs.	Disposal during the Period Rs.	Balance as at 31.03.2008 Rs.
Computer Software	45,073,761	49,538,465	–	94,612,226
	45,073,761	49,538,465	–	94,612,226
Net Book Value				
As at 01.04.2007				149,731,500
As at 31.03.2008				128,562,059

To comply with the SLAS 37 - Intangible Assets, we have changed the classification of Computer Software from Property, Plant & Equipment to Intangible Assets.

6. INVENTORIES

	2008 Rs.	2007 Rs.
6.1 Consumable and Stationery	3,725,189	3,976,620
	3,725,189	3,976,620

7. TRADE AND OTHER RECEIVABLES

7.1 Trade Debtors	51,587,602	51,875,632
Less: Allowances for Doubtful Debts	(154,502)	(6,038,718)
	51,433,100	45,836,914
Refundable Deposit	109,500	40,887
Interest Receivable on Fixed Deposits	4,103,368	3,395,624
Advance & Prepayments	2,131,652	3,517,722
	57,777,620	52,791,147

Notes to the Financial Statements

For the year ended 31st March 2008

	2008 Rs.	2007 Rs.
8. INVESTMENTS		
Investments in Treasury Bills	258,851,862	–
	258,851,862	–

9. STATED CAPITAL/SHARE CAPITAL

	Number	2008 Rs.	Number	2007 Rs.
9.1 Fully Paid Ordinary Shares (9.1.1)	15,050,000	150,500,000	15,050,000	150,500,000
	15,050,000	150,500,000	15,050,000	150,500,000

The Authorized Capital and Par Value concept in relation to Share Capital were abolished by the Companies Act No. 07 of 2007. The total amount received by the Company or due and payable to Company in respect of the issue and calls of the shares are referred to as Stated Capital.

	Number	2008 Rs.	Number	2007 Rs.
9.1.1 Fully Paid Ordinary Shares				
Balance at the beginning of the year	15,050,000	150,500,000	15,050,000	150,500,000
Balance at the end of the year	15,050,000	150,500,000	15,050,000	150,500,000

10. TECHNOLOGY RESERVE

	2008 Rs.	2007 Rs.
At the beginning of the year	15,000,000	12,000,000
Transfers from Retained Profits	3,000,000	3,000,000
At the end of the year	18,000,000	15,000,000

11. INTEREST BEARING LOANS & BORROWINGS

	2008 Amount Repayable Within 1 Year Rs.	2008 Amount Repayable After 1 Year Rs.	2008 Total Rs.	2007 Amount Repayable Within 1 Year Rs.	2007 Amount Repayable After 1 Year Rs.	2007 Total Rs.
Bank Loans (11.1)	27,278,312	128,869,608	156,147,920	22,104,832	156,261,235	178,366,067
	27,278,312	128,869,608	156,147,920	22,104,832	156,261,235	178,366,067

11.1 Bank Loans

	As at 01.04.2007 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2008 Rs.
Seylan Bank Ltd.	178,366,067	–	22,218,147	156,147,920
	178,366,067	–	22,218,147	156,147,920

12. CITS RELATED GOVERNMENT GRANT

	2008 Rs.	2007 Rs.
As of the beginning of the year	233,226,930	302,564,666
Amortized during the year	(75,641,166)	(69,337,736)
As of the end of the year	157,585,764	233,226,930

During the year 2005/06, the Company received a grant from the Central Bank of Sri Lanka in respect of the new Cheque Image and Truncation System (CITS). Total grant amounted to 85% of the cost of the hardware and local taxes. The grant is amortized over the useful life of the CITS equipments.

13. OTHER DEFERRED LIABILITIES

	2008 Rs.	2007 Rs.
Retirement Benefits Obligations - Gratuity		
Balance as at the beginning of the year	390,626	466,501
Charge/(Reversal) for the year	1,338,026	(75,875)
Payments during the year	(55,400)	-
Balance as at the end of the year	1,673,252	390,626

14. TRADE AND OTHER PAYABLES

VAT Payable	2,463,566	3,529,976
Sundry Creditors Including Accrued Expenses	33,298,722	7,982,881
Provisions	48,614,602	5,614,895
Advance Received for Batch Tickets Sales	32,886	-
	84,409,776	17,127,752

15. OTHER INCOME AND GAINS

Other Income	6,273,446	12,664
	6,273,446	12,664

16. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Stated after Charging/(Crediting)		
Directors' Emoluments	1,335,854	1,307,500
Auditor's Fee - External	260,945	150,000
- Internal	-	225,000
Depreciation	97,164,228	132,947,121
Personnel Costs includes		
- Defined Benefits Plan Cost - Gratuity	1,338,026	(75,875)
- Defined Contribution Plan Cost - EPF & ETF	3,332,507	2,743,401
- Other Staff Costs	45,661,762	39,228,754

Notes to the Financial Statements

For the year ended 31st March 2008

17. FINANCE COST AND INCOME

	2008 Rs.	2007 Rs.
17.1 Finance Costs		
Interest Expense on Interest Bearing Loans & Borrowings	25,398,967	18,329,028
	25,398,967	18,329,028
17.2 Finance Income		
Interest on Fixed Deposits	32,603,477	12,537,623
Interest on Treasury Bill Repo	31,528,567	2,264,679
	64,132,044	14,802,302

18. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31st March are as follows:

	2008 Rs.	2007 Rs.
Income Statement		
Current Income Tax		
Current Income Tax Charge	90,054,847	72,508,878
Social Responsibility Levy 1% (2007 - 1%)	918,608	725,088
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (18.2)	(4,750,845)	4,002,105
Income Tax Expense Reported in the Income Statement	86,222,610	77,236,071

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

	2008 Rs.	2007 Rs.
Accounting Profit before Income Tax	228,670,692	216,575,026
At the Statutory Income Tax Rate of 35% (2007 - 35%)	80,034,742	75,801,259
Aggregate Allowable Item	(26,474,408)	(61,310)
Aggregate Disallowed Item	28,348,590	771,032
Social Responsibility Levy 1% (2007 - 1%)	918,608	725,089
At the Effective Income Tax Rate of 37% (2007 - 36%)	82,827,532	77,236,070
Deemed Dividend Tax	3,395,078	-
Income Tax Expense	86,222,610	77,236,070

18. INCOME TAX EXPENSE (CONTD.)**18.2 Deferred Tax Assets, Liabilities and Income Tax relates to the followings:**

	Balance Sheet		Income Statement	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Deferred Tax Liability				
Capital Allowances for Tax Purposes	7,717,800	3,799,964	3,917,836	2,474,879
	7,717,800	3,799,964		
Deferred Tax Assets				
General Provisions on Trade Receivables	(54,076)	(2,113,551)	2,059,475	(2,113,551)
Defined Benefit Plans	(585,638)	(136,719)	(448,919)	14,894
Carried Forward Losses	-	-	-	3,625,884
General Provision for Probable Rent	(1,738,800)	-	(1,738,800)	-
Claim from Bank	(8,540,438)	-	(8,540,438)	-
	(10,918,952)	(2,250,270)	(4,750,846)	4,002,105
	(3,201,152)	1,549,694		

19. CASH & CASH EQUIVALENTS IN THE CASH FLOW STATEMENT**Components of Cash & Cash Equivalents**

	2008 Rs.	2007 Rs.
19.1 Favourable Cash & Cash Equivalent Balances		
Cash & Bank Balances	823,412	7,723,536
Fixed Deposits	43,339,178	207,806,052
TB Repo	105,802,272	53,200,000
	149,964,861	268,729,588
19.2 Unfavourable Cash & Cash Equivalent Balances		
Bank Overdraft	(1,184,697)	(4,885,941)
Total Cash & Cash Equivalents for the Purpose of Cash Flow Statement	148,780,164	263,843,647

19.3 Current year bank overdraft is only a book overdraft, therefore not considered to be an Interest Bearing Borrowing during the current year under Note 11 to these Financial Statements.

20. COMMITMENTS & CONTINGENCIES

There are no significant commitments or contingencies as at the Balance Sheet date, which requires disclosure in the Financial Statements.

Notes to the Financial Statements

For the year ended 31st March 2008

21. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

21.1 Transaction with Related Entities

(a) Transaction with Significant Shareholders

	2008 Rs.	2007 Rs.
As at 1st April	45,808,590	10,839,208
Clearing services provided	520,385,013	497,627,847
Incentives given	-	(158,451)
Cash Received during the year	(514,654,389)	(456,461,296)
Gross Balance as at 31st March	51,539,214	51,847,308
Provisions for Doubtful Receivables	-	(6,038,718)
Net Balance as at 31st March	51,539,214	45,808,590

(b) Bank Loans

As at the year end the balance outstanding Interest Bearing Loans & Borrowings amounting to Rs. 156,147,920/- (2007 - Rs. 178,366,067/-) which were obtained from a related party of the Company. Further interest payments on loans amounting to Rs. 25,398,967/- has been made during the year (2007 - Rs. 14,307,713 /-) and are included in Note 11 to the Financial Statements. No assets have been pledged in this regard.

(c) Fixed Deposits and Repo Investments

As at the year end the Company has invested in Fixed Deposits and Repo Investments amounting to Rs. 287,993,311/- (2007 - Rs. 261,006,052/-) with banks which are related parties of the Company. Further, the Company has received interest income amounting to Rs. 58,436,158/- during the year (2007 - Rs. 14,802,302/-) and are included in Note 7 to the Financial Statements.

21.2 Transactions with Key Management Personnel of the Company or Parent

The key management personnel of the Company are the members of its Board of Directors. Following are the summary of significant transactions that were made with the Company during the year:

(a) Key Management Personnel Compensation

	2008 Rs.	2007 Rs.
Short-Term Benefits	1,335,854	1,307,500

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Corporate Profile

NAME OF THE COMPANY

LankaClear (Pvt) Ltd.

STATUTORY STATUS

A private company with limited liability incorporated in Sri Lanka on 8th February 2002.

HISTORY

The Sri Lanka Automated Clearing House (SLACH) was owned by the Central Bank of Sri Lanka. It was subsequently divested to LankaClear (Pvt) Ltd., and commenced operations on the 1st April 2002.

PRINCIPAL ACTIVITY

Provide cheque clearing facilities to commercial banks on behalf of the Central Bank.

PRODUCT RANGE

Sri Lanka Rupee Cheque Clearing
US Dollar Cheque Clearing
Sri Lanka Rupee Draft Clearing
Sri Lanka Interbank Payment System (SLIPS)

BOARD OF DIRECTORS

Mr. A. Sarath de Silva
Chairman - Ex-GM/CEO, Bank of Ceylon

Mr. P.D.J. Fernando
Director - Assistant Governor, CBSL

Mr. B.A.C. Fernando
Director - General Manager, Bank of Ceylon

Mr. K.U. Pushpakumara
Director - DGM, Peoples' Bank

Mrs. K.R.U. Siriwardhena
Director - Central Bank of Sri Lanka

Mr. Eran Wickramaratne
Director - CEO, National Development Bank

Mr. Ajitha Pasqual
Director - GM/CEO, Seylan Bank

Mr. M.M.R.S. Rodrigo
Director - Head of Global Markets, Deutsche Bank

Mr. M.U. De Silva
Observer (Secretary General - SLBA)

MANAGEMENT TEAM

Mr. Sunimal Weerasooriya
General Manager/CEO

Mr. Harsha Wanigatunga
Head of Operations

Mr. Damith Kumarapperuma
Head of Finance

Mr. Ranjith Gunawardena
Manager - Human Resources & Administration

Mr. L.G. Abeysirigunawardane
Head & Regional Centres

Mr. W.M. Jayarathne
Manager - Operations

Mr. S.R. Hettiarachchi
Manager - Operations

Mr. Dilantha Samarasinghe
Manager - Systems

Mr. A.V.I.G. Jayaweera
Manager - Help Desk & Bank Services

Mr. Aruna Weerakkody
Manager - Data Centre

Ms. Mirani Rodrigo
Management Accountant

REGIONAL CENTRE MANAGEMENT

Mr. D.M. Thilakarathne
Regional Centre Manager - Badulla

Mr. R. Sevugan
Regional Centre Manager - Nuwara-Eliya

Mr. J.B. Senanayake
Regional Centre Manager - Kandy

Mr. S. Sirinivasan
Regional Centre Manager - Jaffna

Mr. S.A. Amarasinghe
Regional Centre Manager - Anuradhapura

Mr. A. Sajan Assan
Regional Centre Manager - Ampara

Mr. M.P. Mendis
Regional Centre Manager - Ratnapura

Mr. T.M.P. Munasinghe
Regional Centre Manager - Polonnaruwa

Mr. C. Pahalagama
Regional Centre Manager - Matara

Mr. B.M. Basnayake
Regional Centre Manager - Kurunegala

Corporate Profile

STATED CAPITAL/SHARE CAPITAL

	Number	Rs.
Fully Paid Ordinary Shares	15,050,000	150,500,000

SHAREHOLDERS

Shareholder	Number of Shares million	Value Rs. million
Central Bank of Sri Lanka	2.95	29.50
Bank of Ceylon	2.10	21.00
People's Bank	2.10	21.00
Sampath Bank	2.00	20.00
Commercial Bank of Ceylon	1.00	10.00
Hatton National Bank	2.20	22.00
Seylan Bank	1.00	10.00
Union Bank of Sri Lanka	0.05	0.50
DFCC Vardhana	0.10	1.00
Pan Asia Banking Corporation	0.10	1.00
Nations Trust Bank	0.15	1.50
NDB Bank	0.15	1.50
Habib Bank	0.05	0.50
Indian Bank	0.10	1.00
Indian Overseas Bank	0.10	1.00
State Bank of India	0.05	0.50
Muslim Commercial Bank	0.10	1.00
Hongkong and Shanghai Banking Corporation	0.20	2.00
Deutsche Bank	0.15	1.50
Citibank NA	0.10	1.00
Standard Chartered Bank	0.15	1.50
Public Bank Berhad	0.10	1.00
ICIC Bank	0.05	0.50
	15.05	150.50

REGISTERED OFFICE & MAIN PLACE OF BUSINESS

Level 18, Bank of Ceylon National Headquarters Building,
Bank of Ceylon Mawatha,
Colombo 01.

COMPANY SECRETARIES

Managers & Secretaries (Pvt) Ltd.
8, Tickell Road,
Colombo 08.
Tel: 5579900
Fax: 5579950

BANKERS

Bank of Ceylon - Corporate Branch
Seylan Bank - Millennium Branch

EXTERNAL AUDITORS

Ms. Ernst & Young - Chartered Accountants
201, De Saram Place,
Colombo 10.
Tel: 2463500
Fax: 2697369

INTERNAL AUDITORS

Ms. B.R. De Silva & Company
Chartered Accountants
No. 22/4, Vijaya Kumaranatunga Mawatha,
Colombo 05
Tel: 4510368
Fax: 4512404

CONTACT

Voice: 2356900 to 2356999
Fax: 2544346
E-mail: info@lankaclear.com

Glossary & Interpretation

‘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.

‘Business Day’ shall mean a day on which banks are 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 exemplifies a trusted third party.

‘CBSL’ shall mean Central Bank of Sri Lanka.

‘CITS’ shall mean ‘Cheque Imaging and Truncation System’ which includes LCPL systems, processes and procedures for the electronic clearing and archiving of CITS items and non-clearing items, if any.

‘CITS Image Items’ shall mean CITS Items in image format, including electronic images of Articles, and complying with such format, content and image quality requirements, specifications and other requirements specified by LCPL from time to time.

‘CITS Clearing’ shall mean the process of receiving, sorting and exchanging of CITS Image Items among CITS participants, balancing of the amounts expressed in Articles thus exchanged and consequently deriving the net balances.

‘CITS System’ shall mean systems operated and maintained by LCPL for, clearing of cheques including without any limitation, receiving, processing, clearing and archival of cheque images and data which could be accessed by participants through Regional Centres and/or through direct connectivity mode.

‘CITS Participant’ shall mean all licensed commercial banks operating in Sri Lanka; and the Central Bank of Sri Lanka in the capacity of a Participating Bank in the CIT System.

‘Clearing and Settlement System’ means a system or arrangement for the clearing or settlement of payment obligations in the financial system, in any currency, and in which there is a minimum of three participants, at least one of which is a financial institution.

‘Clearing House’ means a corporation, association, partnership, agency or organization or other entity or person that provides clearing or settlement services for a clearing and settlement system, but does not include the Central Bank.

‘CMPC’ shall mean ‘Colombo Main Processing Centre’ which is located at the head office of LCPL.

CPS : Common Payment Switch

Serve as a digital infrastructure for on-line real-time fund transfers, paving the way to Straight Through Processing of low value bulk retail payments.

CSP: Certification Service Provider

A CSP is an organization responsible for the issuing, renewing, suspending or revoking of digital certificates. It also decides on the procedures followed in verifying an identity and/or a person’s relationship to that organization. The CSP authorizes the signing of certificates and works through Registration Authorities to approve these requests.

‘Cut-off Times’ shall mean times specified with respect to action to be undertaken or effected in relation to CITS as may be notified by CBSL to LCPL; and by LCPL to CITS participants from time to time.

Glossary & Interpretation

'Cheque Return Notification' shall mean the Image Return Document defined in Section 34 (1) and (2) of the Part III of the Payment and Settlement Systems Act No. 28 of 2005.

'Inward CITS Items' shall mean CITS Items which have been generated by LCPL through the CITS in respect of a Paying Bank based on the Outward CITS Files.

'Inward Return CITS Items' shall mean Return CITS Items which have been generated by LCPL through the CITS in respect of a Presenting Bank based on the Outward Return CITS Files.

'LCPL' shall mean LankaClear (Pvt) Ltd. incorporated under Companies Act No. 07 of 2007 and its network of Regional Centres.

'MICR' shall mean the data known as 'Magnetic Ink Character Recognition' data, encoded on Articles in accordance with the specifications and standards as laid down by LCPL and as from time to time amended by LCPL.

'Outward CITS Items' shall mean CITS Items of an Outward CITS File generated by a Presenting Bank and provided or transmitted to LCPL.

'Outward Return CITS Items' shall mean Return CITS Items of an Outward Return CITS File generated by a Paying Bank.

'Paying Bank' in respect of a CITS Item shall mean a CITS participant to whom an Article is drawn.

'Presenting Bank' or **'Collecting Bank'** in respect of a CITS Item shall mean a CITS participant which presents or represents the Articles for clearing through the CITS System.

PKI: Public Key Infrastructure

A PKI enables users of a basically unsecure 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 authority.

'Regional Service Centre' shall mean one or more Regional Centres set up and maintained by LCPL for imaging of Articles in the CITS System at identified regional locations and electronically connected to the main processing centre of LCPL.

'Return CITS Items' shall mean CITS Items that are submitted to LCPL as returned CITS Items by Paying Banks due to any of the return reasons as specified by LCPL from time to time.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of LankaClear (Pvt) Ltd. will be held on 9th October 2008 at 11.30 a.m. at Garnet Room, Continental Hotel, Janadhipathi Mawatha, Colombo 01 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 2008 together with the Independent Auditor's Report thereon.
2. To reappoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
3. To transact any other business of which due notice has been given.

By Order of the Board

LankaClear (Pvt) Ltd.
Managers & Secretaries (Pvt) Ltd.



Secretaries

Colombo,
15th July 2008

Form of Proxy

We of
.....
being a member of LankaClear (Pvt) Ltd., hereby appoint
.....
of as our proxy to represent us and vote for us and on our
behalf at the Sixth Annual General Meeting of the Company to be held on 2008 and at any
adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day of 2008.

.....
Signature

NOTE

To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company at 18th Floor, Bank of Ceylon NHQ Building, Bank of Ceylon Mawatha, Colombo 01, not less than 48 hours before the appointed time for holding of the Meeting.



 Faster Cheque Clearing	 Direct Connectivity	 Secure Transactions	 Workflow Efficiencies	 Online Operations	 Electronic Payments
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www.lankaclear.com