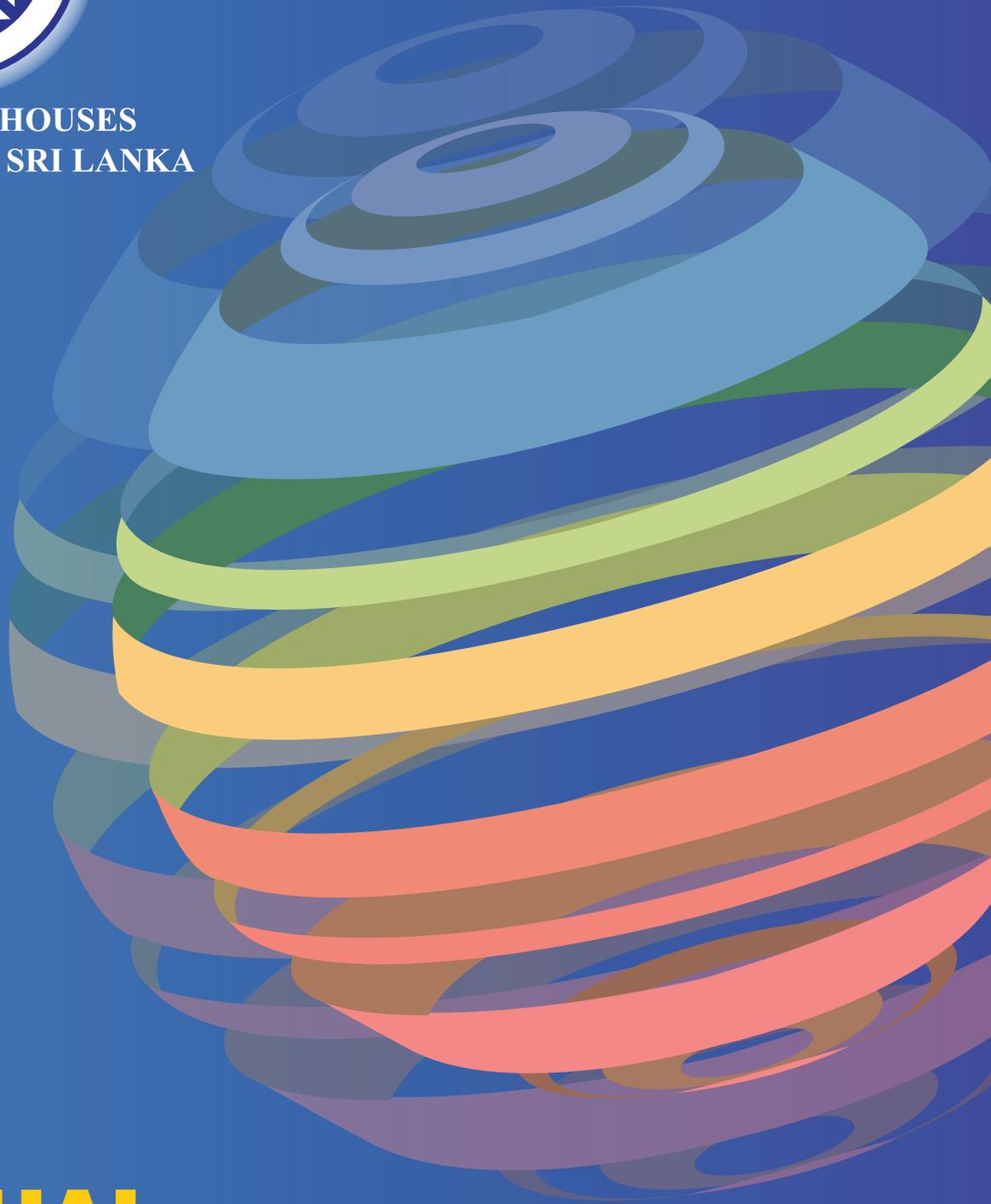




THE FINANCE HOUSES  
ASSOCIATION OF SRI LANKA



**ANNUAL  
REPORT  
2019-20**

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## *About Us*

As the apex body of the Licensed Finance Companies (LFCs) sector in Sri Lanka, the Finance Houses Association (FHA) has enabled the progress of Sri Lanka's economy in myriad ways. Initially established as a platform to unify and further enhance the relationship among the member companies, its role has evolved over the years, positively impacting stakeholders far and wide, across the nation.

Constituting a diverse range of influential finance companies, FHA's legacy extends far beyond policies and legislation. In fact, as evidenced by our results over the

years, the Association's members have truly driven change in the finance industry, focusing on empowering lives through financial inclusion, and building bankable customers - thus propelling the industry to greater heights.

The association acts as the mediator to Non-Banking Financial Institutes (NBFI) sector and is driven by its passion to facilitate financial inclusion in Sri Lanka which is vital for any country to achieve a sustainable economic development. For 62 Years, the FHA has been a key influencer for Sri Lanka's economy by guiding its member companies and representing them at all times.



## THE FINANCE HOUSES ASSOCIATION OF SRI LANKA

Founded in 1958.

Incorporated under the Companies No. 17 of 1982 on 13 July, 2001

### *Objectives:*

- To promote, foster, protect and safeguard the welfare of its members.
- To ensure uniformity in procedure for financing and regulate the proper conduct of business by members
- To advise, instruct and formulate the proper procedure for proper implementation of laws, rules and regulations and other requirements that may have been imposed on the members in the course of their business.
- To provide a forum where the members could voice, comment, communicate, discuss and resolve their problems or make representations to the authorities concerned.
- To liaise with other national and international institutions which have common of similar objects.

### *Services:*

- Guidance in implementation of regulations issued by the regulatory bodies
- Representing the membership at discussion with officials of the Central Bank of Sri Lanka, the Commissioner of Motor Traffic, the Commissioner General of Inland Revenue etc.
- Public relations matters for and on behalf of the members.
- Organising of seminars, workshops and training.
- Providing a forum The Legal Circle for Legal Officers of member companies to discuss common legal issues, suggest amendments and improvements to the present laws and administration of justice and take concerted action.
- Providing guidance and leadership in improving and widening business activities and practices through planned joint ventures. (Finance Houses Consortium (Pvt) Ltd ).
- Circulation among members from time to time, analyses of financial data of the sector.

## *FJA Member Companies*

1. Abans Finance PLC



2. Alliance Finance Co PLC



3. AMW Capital Leasing & Finance PLC



4. Arpico Finance Co. PLC



5. Associated Motor Finance PLC.



6. Asia Asset Finance PLC



7. Bimpuh Finance PLC



8. LOLC Finance PLC



9. Dialog Finance PLC



10. Central Finance PLC



11. Citizens Development Business Finance PLC



12. Commercial Credit & Finance PLC



13. Commercial Leasing & Finance PLC



14. HNB Finance PLC



15. IDEAL Finance PLC



16. Kanrich Finance PLC



17. Lanka Credit & Business Finance Ltd



18. LOLC Development Finance PLC



19. LB Finance PLC



20. Mercantile Investment & Finance PLC



21. Merchant Bank of Sri Lanka & Finance



22. Nation Lanka Finance PLC



23. Fintrex Finance PLC



24. Orient Finance PLC



34. Sarvodaya Development Finance PLC



25. Prime Finance PLC



35. Serendib Finance PLC



26. People's Leasing & Finance PLC



36. Sinhaputhra Finance PLC



27. Richard Pieris Arpico Finance PLC



37. Trade Finance & Investments PLC



28. Peoples Merchant Finance PLC



38. UB Finance PLC



29. Senkadagala Finance PLC



39. Vallibel Finance PLC



30. Singer Finance PLC



31. Softlogic Finance PLC



32. Siyapatha Finance PLC



33. Multi Finance PLC



## Past Chairmen

Mr. Eardley de Silva	27/05/58 – 02/06/61	Arpico Finance Co. Ltd.
Mr. P. Nadesan	02/06/61 – 03/07/63	Hire Purchase Co. Ltd.
Mr. S.T.B.Harasingha	03/07/64 - 29/07/64	Collettes Finance Ltd.
Mr. K. Selvanathan	29/07/64 - 29/06/65	Cey. Finance & Securities Ltd.
Mr. D.K.Subramaniam	29/06/65 - 17/07/67	Mercantile Credit Ltd
Mr. I.M. Bathusha	17/07/67 – 08.07.70	United Motor Finance Co. Ltd.
Mr. H.D.Francis Perera	05/07/73 – 25/07/77	Transport & Gen.Finance Co.Ltd.
Deshabandu Dr. M.S.Gaffoor	25/07/77 – 31/08/77	Consolidated Finance Ltd.
Mr. H.L.de Sayrah	27/07/77 – 31/07/78	Free Lanka Finance Ltd.
Mr. Walter Ediriweera	31/07/78 - 06/08/82	Mercantile Credit Ltd.
Mr. Nanda Amarasinghe	06/08/82 – 09/09/83	The Rupee Finance Co. Ltd.
Mr. Dennis Viswasam	09/09/83 – 12/08/86	The Finance Co. Ltd.
Mr. C.E.Duwearatchi	12/08/86 – 25/09/87	Eastern Investment Trust Ltd.
Mr. C. Wijenai	25/09/87 – 16/11/88	The Central Finance Co. Ltd.
Mr. Pratapkumar de Silva	16/11/88 – 24/01/91	Alliance Finance Co. Ltd.
Deshamanya Lalith Kotelawela	24/01/91 – 16/12/92	The Finance Co. Ltd.
Deshabandu George Ondaatje	06/12/92 – 04/11/94	Mercantile Investments Ltd.
Mr. Lyle D.Peiris	04/11/94 – 31/01/95	L. B. Finance Ltd.
Mr. T.H. Nooramith	31/01/95 – 26/03/96	Arpico Finance Co. Ltd.
Mr. E.H. Wijenaike	26/03/96 – 05/12/97	Central Finance Co. Ltd.
Mr. Kithsiri Wanigasekera	05/12/97 – 18/12/00	Sinhaputhra Finance Ltd.
Mr. Wigna Sellamuttu	18/12/00 – 17/12/03	Finance Land Sales Ltd.
Mrs. Vagdevi Fernando	17/12/03 – 14/12/05	Commercial Credit Ltd.
Mr. Rohan Tudawe	14/12/05 – 13/12/06	Industrial Finance Ltd.
Mr. Shirley Perera	14/12/06 – 13/02/09	Central Investments & Finance Ltd.
Mr. Hafeez Rajudin	14/12/09 – 17/10/11	Merchant Credit of Sri Lanka
Mr. Kamal Yatawara	18/10/11 – 10/10/13	The Finance Company PLC
Mr. Nalin Wijekoon	11/10/13 – 10/12/15	Softlogic Finance PLC
Mr. Ravi Yatawara	10/12/15 – 10/11/16	LB Finance PLC
Mr. Kithsiri Wanigasekera	10/11/16 - 01/11/17	Abans Finance PLC
Mr. Krishan Thilakerathne	02/11/17 - 08/11/18	Commercial Leasing & Finance PLC

## *FHA Council Member - 2019 -2020*



**Mr. Roshan Abeygoonewardena**  
CDB Finance PLC  
(Chairman- FHA)



**Mr. Ananda Seneviratne**  
Siyapatha Finance PLC  
( Vice Chairman- FHA)



**Mr. Arjuna Gunaratne**  
Central Finance PLC  
(Vice Chairman- FHA)



**Mr. Krishan Thilakaratne**  
CEO - Commercial  
Leasing & Finance PLC



**Mr. Romani de Silva**  
CEO- Alliance Finance PLC



**Mr. Sanjeewa Bandaranayake**  
Snr. DGM - Peoples Leasing  
& Finance PLC



**Mr. Niroshan Udage**  
Director - LB Finance PLC



**Mr. Thushan Amarasooriya**  
CEO - Singer Finance PLC



**Mr. Chaminda Prabhath**  
CEO- HNB Finance PLC



**Mr. Jayathilake Bandara**  
CEO Fintrex Finance PLC



**Mr. Conrad Dias**  
CEO- LOLC Finance PLC



**Mr. Chandrin Fernando**  
CEO- Arpico Finance PLC



**Mr. Priyantha Wijesekera**  
CEO- Softlogic Finance  
PLC



**Mr. Dhanushka Fonseka**  
COO- Mercantile  
Investment & Finance PLC



**Mr. Thilak Nanayakkara**  
DGM - Vallibel Finance  
PLC



**Mrs. Shiranthi Gunawardena**  
Legal Consultant - FHA



**Mr. Denzil Mallowa Arachchi**  
Head of Secretariat - FHA

## Changes of Member Companies 2019/20

<b>Name of Company</b>	<b>Name of Old CEO</b>	<b>Name of New CEO</b>
Sinhaputhra Finance PLC	Mr. Ravana Wijeratne	Mr. Saliya de Alwis
Softlogic Finance PLC	Mr. Nalin Wijekoon	Mr. Priyantha Wijesekera
LOLC Finance PLC	Mr. Ravi Tissera	Mr. Conrad Dias
Prime Finance PLC	Mr. Rasika Kaluarachchi	Mr. Maduranga Heenkenda
Abans Finance PLC	Mr. Roshan Nanayakkara	Mr. Dharshan de Silva
Nation Lanka Finance PLC	Mr. Jayantha Perera	Mr. Suresh Amarasekera (COO)
Peoples Merchant Finance	Mr. Nishantha Perera	Mr. Nalin Wijekoon
Fintrex Finance PLC	Mrs. Thamara Dharmakeerthi	Mr. Jayathilaka Bandara
AMW Capital Leasing & Finance PLC	Mr. Brandan Morris	Mr. Pramuditha Mendis

### New Members joined

1. Lanka Credit & Business (LCB) Finance Ltd

### Membership Cancelled

1. TKS Finance PLC
2. The Finance Co. Ltd



Appreciation – Late Mr. Pratap Kumar de Silva  
(Former Advisory Councilor of FHA)

We would like to take a moment to recognise and honour our advisory councilor Mr Pratap Kumar De Silva, upon his demise this year. As one of the former Chairman and advisory councilor, his unparalleled efforts and guidance has made FHA grown in form and stature to discharge a broad range of activities.

## *Council Meeting -2019/2020 (September 2019 to August 2020)*

No. of Meetings Held 12

### ATTENDANCE AT MONTHLY MEETINGS

	<b>Name of Company</b>	<b>Name of Council Member</b>	<b>Attended</b>	<b>Excused</b>
1	Alliance Finance Co. PLC	Mr, Romani De Silva	11	1
2	Arpico Finance Co. PLC	Mr N C D Fernando	9	3
3	Central Finance Co. PLC	Mr. Arjuna Gunaratne	11	1
4	Citizen Development & Finance PLC	Mr. Roshan Abeygoonewardena	12	0
5	Commercial Leasing & Finance PLC	Mr. Krishan Thilakeratne	7	5
6	Fintrex Finance Ltd	Mrs. T Dharmakirti-Herath/Mr.H M J Bandara	8	4
7	H N B Finance Ltd	Mr. B M D C Prabhath	9	3
8	L B Finance PLC	Mr. Nirosan Udage	7	5
9	Lanka Orix Finance PLC	Mr. Ravi Tissera/Mr.Conrad Dias	10	2
10	Mercantile Investment & Finance PLC	Mr D R Fonseka	10	2
11	Peoples Leasing Finance PLC	Mr.Sanjeewa Bandaranayake	9	3
12	Singer Finance Lanka Ltd	Mr. T A Amarasuriya	6	6
13	Siyapatha Finance PLC	Mr. H M A Seneviratne	10	2
14	Softlogic Finance PLC	Mr. Nalin Wijekoon/Mr.Priyantha Wijesekera	9	3
15	Vallibel Finance PLC	Mr.T Nanayakkara	11	1

## Chairman's Review



On behalf of the Council of the Finance Houses Association (FHA), I am pleased to present you with the Annual Report for the year ended 31st March 2020.

Since 1958 we have grown from strength to strength and have proved our metal to be a resilient industry, despite many challenges we face, be it civil unrest, terrorism, natural disaster, industry specific issues and now a pandemic.

At the onset I wish to thank the membership for their commitment to safeguard the industry amidst all challengers and pursue its vision to be a significant contributor for the development of the MSME sector and be the catalyst in transforming the unbankable community.

The year 2019/2020 has been a one of the most challenging years for the NBFIs members, with the negative impact on economic activity which lasted for several months following the Easter Sunday attacks in April 2019 and just as it appeared that the economy was set for a rebound in early 2020, the Covid-19 pandemic brought the country to a virtual standstill at the end of its financial year.

The overall RFCs saw a 2% contraction in credit and an industry-wide deterioration in portfolio quality. The gross average Non performing advances increased to 11.56% compared to 7.82% in March 2019. However the industry recorded a positive 1.61% growth in deposits during the year. During the financial year the Tier I core capital was increased by 20.8% to Rs 150.1 Bn and the Total Regulatory Capital Base increased by 19.0% to Rs 169.4 Bn.

It is noteworthy to state that the FHA has been proactive and has been continuously involved in representing the membership at discussions with key stakeholders to canvas a conducive legal, accounting, and tax and regulatory framework in order to provide a conducive platform to propel economic growth and ensure its sustainability whilst communicating the significant role played by the NBFIs in providing financial services to the MSME's and in particular to the unbankable community.

### Communication with Policy Makers and Public.

Towards this end as a first step a CEO's forum was organized on the 18th of February 2020 at the Kingsbury Hotel Colombo, titled, "Sustainability of the NBF Industry". The panelist for the forum included industry specialist, professionals and key policy makers namely, Mr. Sudhir Amembal world renown Consultant for Equipment Leasing, Mr. J P Gamalath, Director, Department of Supervision NBFIs, CBSL, Mr. Naomal Gunawardena, Partner of Nithya Partners, Mr. Manjula Hettiarachchi, Director of Development Finance, Ministry of Finance, Mr. Prasanna de Silva, DGM, Central Finance PLC. moderated by Tamara Dharmakirti-Herath. The event was sponsored by UNDP.

Following matters were recommended by the panelist to be taken up with the relevant authorities.

- To implement the secured transaction ACT drafted under the assistance of the IFC, whereby registration of equipment and machinery will be compulsory and thereby be traceable to avoid double financing.
- To have specific legislation for operating leases or amend the existing Finance Leasing Act to recognize operating leases and rights and obligations of the lessor and lessee.
- Depreciation of leased assets (operating leases) to be over lease term,
- To re-activate the new Law drafted for the establishment of an asset management Authority to take over the bad debts of financial institutions.
- To draft regulations under Motor Traffic Act enabling the absolute owner to get a vehicle transferred in his name without a notice period.
- Amend - Finance Leasing Act - (Details of

changes noted in the CEO meeting summary report)

- To have meaningful benchmarking.
- To pursue an educational framework to give professional status to leasing professionals.

Further, consequent to the negative publicity received by the leasing industry, stemming from an unfortunate incident that occurred at a un-regulated lending institution, the council took measures to appoint a Public Relation company to manage a series of public awareness activities. As a first step a media conference was held in July 2020 with the participation of twenty print media organizations and is planned to conduct a series of awareness programs for six months.

Engagement with regulators and other key stakeholders

Two members of the council continue to represent the Ceylon Chamber of Commerce and proposals were submitted on policy intervention for NBFIs in a sector document compiled for the 2025 Development Framework. Council members represented the Financial System Stability Consultative Committee (FSSCC) and Inter-Regulatory Committee for Sustainable Finance in Sri Lanka.

A discussion was held with the Secretary to H.E. President and the Secretary to the Finance Ministry with regard enactment of statute by provincial council on loans secured by gold as an approved credit agency.

The Council engaged with discussions with the Regulator regarding the impacts and implications of the following:

1. Maximum interest rates on deposits & debt instrument
2. Credit support scheme to accelerate economic growth
3. Introduction of Ownership Limits of the LFCs
4. Credit Risk management for LFCs
5. Legal and regulatory issues faced by Non Bank Finance Companies Sector

6. Interest Accrual during moratorium period issued by Central Bank of Sri Lanka and circular No.4 of 2020 and 5 of 2020

7. Liquidity support during the Covid-19 pandemic and moratorium Period

Council representative provided proposals to the committee appointed by the CBSL, to look into the irregularities, unlawful acts committed with respect to Finance Business and Finance Leasing Business

### **Compliance Officers' Sub-Committee**

The Compliance Committee has carried out the following activities for the financial year 2019/20.

1. Annual Corporate Compliance Plan developed with the objective of establishing an overall framework that will help to create an effective corporate governance, and enhance compliance culture through a planned set of actions by the compliance department.
2. Compliance Dashboard was prepared to provide information to the management on request.
3. Summarized the important aspects of Compliance functions outlined in the Finance Business Act and Finance Leasing Act. Tabled the Corporate Governance requirements outlined in Finance Companies (Corporate Governance) Direction No. 03 of 2008, Section 8 (2), CSE Listing Rule - Section 7 Continuing Listing Requirements, Section 7.10. and The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka (CASL), 2017 - Section D.3

The Committee organized a program titled "Shaping the Compliance Landscape beyond 2025" was held at the Winchester Ballroom, Kingsbury Hotel on 12th December 2019 from 3.00 Pm to 8.00 Pm to share knowledge on current trends and challenges in the industry. The event was centered on addressing the emerging future challenges of compliance, especially in Licensed Finance Companies in Sri Lanka.

The event was addressed by the Central Bank of Sri Lanka Deputy Governor H.A. Karunarathna as the Chief Guest and Central bank of Sri Lanka Assistant Governor J.P.R Karunarathna joined as the keynote speaker. Further, Central Bank of Sri Lanka Additional Director – DSNBFI J.P Gamalath

and Central bank of Sri Lanka Director – FIU, D.M Rupasinghe also delivered their valuable insights on shaping the compliance landscape beyond 2025 in Sri Lanka. The event also included a session on developing soft skills for compliance officers, conducted by award-winning speaker Arfath Saleem.

## **Human Resources (HR) Sub-Committee**

HR Subcommittee initiated a Cross Functional Teams (CFT) to identify the most suitable methods to meet the challenges faced by the HR fraternity. Employee movements register, Salaries survey, improving professional standards and ethical behavior amongst the member companies are some of the key objectives identified by the HR Subcommittee. The committee also intends to find solutions to upgrade the skills and competencies of the existing staff whilst attracting fresh blood to the NBFI sector.

Under the New Normal Conditions of the COVID 19 era, FHA HR Subcommittee guided its members with the legal consultations offered by The Labour Department and The Employer’s Federation of Ceylon (EFC) through several online programmes/webinars.

In addition the FHA HR Annual Get Together was held during the 2019 however, due to the COVID 19 pandemic 2020 activities have been postponed indefinitely.

Legal Officers’ Sub-Committee ( Legal Circle)

The Committee deliberates on the current legal challenges faced by member companies and during the period in review.

Training -

A two day workshop titled “Driving SME growth through Leasing” was held on 17 and 18 February 2020 at Kingsbury, Colombo conducted by Mr Sudhir Amembal, Chairman and CEO of Amembal & Halladay. A Total of 64 individuals participated which included Corporate

Management, Business development managers, Finance professionals and Sales. Dr. Sudhir Amembal, conducted the respective workshop. The sessions focused mainly on operating Leases. The United Nations Development Programme (UNDP) endorsed this workshop by coming in as Strategic Partner.

Further, a wide range of seminars, training programmes and workshops for our members during the year. 2019/20 sessions were organized for employees of member companies, covering both technical and soft skill development.

## **Other activities**

The annual sports festival was held on 19 October 2019 with the participation of 25 Member companies. Mr S R Attigalle, Deputy Governor of CBSL was the Chief Guest for the sports festival. Due to the Covid-19 pandemic, the 2020 sports festival could not be held.

In concluding, I wish to express my gratitude to the Council Members for their consistent support and guidance. Further, I extend my sincere appreciation to the members of the FHA secretariat for their positive attitude and commitment to work, which has enabled the FHA to effectively deliver on its responsibilities.

Let us together build the credibility of our industry, canvass appropriate policy changers and adopt best practices for the furtherance of the sustainability of our industry.



Roshan Abeygoonewardena  
Chairman

## Total Assets of the Financial System

Institution	2018 (a)		2019 (b)	
	Rs. bn	Share (%)	Rs. bn	Share (%)
<b>Banking Sector</b>	<b>13,711.4</b>	<b>72.3</b>	<b>14,442.1</b>	<b>71.6</b>
Central Bank	1,917.4	10.1	1,919.4	9.5
Licensed Commercial Banks (LCBs)	10,372.4	54.7	10,944.0	54.3
Licensed Specialised Banks (LSBs)	1,421.6	7.5	1,578.7	7.8
<b>Other Deposit Taking Financial Institutions</b>	<b>1,603.2</b>	<b>8.5</b>	<b>1,674.2</b>	<b>8.2</b>
Licensed Finance Companies (LFCs)	1,454.8	7.7	1,484.7	7.4
Co-operative Rural Banks (c)	147.7	0.8	161.7	0.8
Thrift and Credit Co-operative Societies	0.7	0.0	0.8	0.0
<b>Specialised Financial Institutions</b>	<b>241.1</b>	<b>1.3</b>	<b>282.6</b>	<b>1.4</b>
Specialised Leasing Companies (SLCs)	48.7	0.3	43.7	0.2
Primary Dealers (d)	83.6	0.4	77.5	0.4
Stock Brokers	8.7	0.0	9.7	0.0
Unit Trusts / Unit Trust Management Companies	67.0	0.4	113.8	0.6
Market Intermediaries (e)	16.4	0.1	18.4	0.1
Venture Capital Companies	16.8	0.1	19.5	0.1
<b>Contractual Savings Institutions</b>	<b>3,414.0</b>	<b>18.0</b>	<b>3,787.5</b>	<b>18.8</b>
Insurance Companies	606.6	3.2	691.0	3.4
Employees' Provident Fund	2,269.4	12.1	2,540.4	12.6
Employees' Trust Fund	310.8	1.6	343.3	1.7
Approved Pension and Provident Funds (f)	149.1	0.8	149.1	0.7
Public Service Provident Fund	57.2	0.3	63.7	0.3
<b>Total</b>	<b>18,968.8</b>	<b>100.0</b>	<b>20,159.4</b>	<b>100.0</b>

(a) Revised

Source: Central Bank of Sri Lanka

(b) Provisional

(c) Due to unavailability of data, average growth for last four years was used to estimate the asset base of Co-operative Rural Banks for year 2019

(d) Excluding assets of Bank Primary Dealer units, which are included in assets of LCBs and assets of the Entrust Securities Ltd.

(e) Includes Investment Managers, Margin Providers, Underwriters and Credit Rating Agencies

(f) Due to unavailability of data the asset base of Approved Pension and Provident Funds for 2019 was taken as same as the previous year.

## FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY

### Financial Soundness Indicators - Licensed Finance Companies (LFCs)

Category	Per cent				
	2015 December	2016 December	2017 December	2018 December (a)	2019 December (b)
<b>1. Capital Adequacy</b>					
1.1 Core Capital to Risk Weighted Assets (CCR) (c)	9.1	9.9	10.9	9.3	10.5
1.2 Capital Base to Risk Weighted Assets (RWCAR) (d)	9.8	10.2	11.5	10.6	12.0
1.3 Capital Funds to Total Assets	10.4	10.3	10.8	11.5	12.7
1.4 Capital Funds to Deposits	21.0	22.6	20.2	23.3	24.9
1.5 Borrowings to Equity (times)	2.6	3.1	2.2	2.6	2.0
<b>2. Asset Quality</b>					
2.1 Gross Non Performing Advances to Total Advances	6.0	5.6	6.3	7.8	10.8
2.2 Net Non Performing Advances to Total Advances (e)	1.7	1.3	1.6	2.5	3.4
2.3 Provision made against Total Advances	3.6	3.7	4.0	4.5	6.1
2.4 Provision Coverage Ratio (Specific Provisions to NPA)	58.8	63.5	61.4	55.8	54.5
2.5 Provision Coverage Ratio (Total Provisions to NPA) (f)	60.5	65.3	63.5	57.2	56.4
<b>3. Liquidity</b>					
3.1 Regulatory Liquid Assets to Total Assets	7.4	7.0	8.9	7.5	8.7
3.2 Regulatory Liquid Assets to Deposits & Borrowings	9.7	8.9	11.6	9.5	11.3
<b>4. Earnings (g)</b>					
4.1 Return on Assets (h)	2.5	3.8	3.0	2.4	2.0
4.2 Return on Equity (i)	10.3	24.1	15.9	12.0	7.3
4.3 Interest Income to Interest Expenses	211.1	189.1	173.5	179.2	179.7
4.4 Net Interest Margin (NIM) (j)	8.2	7.4	7.2	6.9	7.5
4.5 Efficiency Ratio (k)	73.9	58.8	66.3	68.4	75.2
4.6 Cost to Income Ratio	86.0	79.1	84.9	86.6	89.6
<b>5. Assets/Funding Structure</b>					
5.1 Equity Capital (As a % of Total Assets)	10.6	10.5	11.0	11.6	12.7
5.2 Total Deposits and borrowings (As a % of Total Assets)	76.7	77.7	77.4	79.1	76.7
5.3 Loans and Advances (As a % of Total Assets)	79.3	79.1	78.6	79.9	77.9
5.4 Investments (As a % of Total Assets)	11.3	10.0	9.9	7.8	9.1

(a) Revised, From 01st July 2018, Total Risk Weighted Assets considered for the computation of Capital adequacy ratios includes Risk Weighted Amount for Operational Risk.

Source: Central Bank of Sri Lanka

(b) Provisional

(c) The ratio of Core Capital (Tier 1) to Risk Weighted Assets

(d) The ratio of Total Regulated Capital to Risk Weighted Assets

(e) Ratio of non-performing loans net of interest in suspense and loan loss provisions to total loans and advances

(f) The ratio of total loan loss provisions to non-performing loans

(g) Income and expenses related items are for the 12 months ending December of respective years

(h) Profit before tax as a percentage of average assets

(i) Profit after tax as a percentage of average equity

(j) The ratio of interest income less interest expenses to average assets

(k) The ratio of non-interest expenses excluding loan loss provisions and loans written off to net interest income plus other income less loan loss provisions and loans written off

# Statistical Information from the Annual Report, Socio and Economic Statistics of the Central Bank of Sri Lanka

## Assets and Liabilities of LFCs

### Assets and Liabilities of LFCs

Licensed Finance Companies Sector		Rs .Mn			
End of Period					
Assets	As at March 2016	As at March 2017	As at March 2018	As at March 2019	As at March 2020 **
	<b>994,083</b>	<b>1,135,459</b>	<b>1,334,373</b>	<b>1,408,050</b>	<b>1,392,938</b>
<b>Cash and Bank Balances</b>	<b>68,449</b>	<b>61,728</b>	<b>90,912</b>	<b>97,463</b>	<b>88,100</b>
Cash in Hand	4,449	5,141	6,570	9,292	5,265
Due from Banks and other institutions	64,001	56,587	84,342	88,171	82,835
<b>Investments</b>	<b>106,945</b>	<b>111,811</b>	<b>119,069</b>	<b>128,288</b>	<b>133,154</b>
Investments in Government of Sri Lanka Securities	67,891	71,448	72,089	77,038	73,236
Investment in Shares	34,700	32,822	35,358	23,034	22,254
Other Investments	17,068	17,382	22,011	32,318	41,216
Provision for decline in value of investment securities	(12,714)	(9,841)	(10,390)	(4,102)	(3,553)
<b>Loans and Advances (Net)</b>	<b>766,268</b>	<b>903,965</b>	<b>1,051,580</b>	<b>1,093,857</b>	<b>1,072,414</b>
Leasing	376,164	449,053	542,198	604,428	605,148
Hire Purchase	63,198	36,899	24,421	17,463	14,390
Loans (a)	335,364	427,431	493,314	488,893	482,679
Real Estate	3,539	2,203	2,644	3,027	2,749
Pawning Advances	23,792	28,451	39,405	48,916	62,942
Loan Loss Provision and suspended interest	(35,790)	(40,071)	(50,403)	(68,870)	(95,494)
<b>Trading Stocks (b)</b>	<b>10,074</b>	<b>6,678</b>	<b>9,021</b>	<b>14,648</b>	<b>16,278</b>
<b>Fixed Assets</b>	<b>28,065</b>	<b>33,744</b>	<b>39,115</b>	<b>49,074</b>	<b>54,137</b>
<b>Others Assets</b>	<b>14,282</b>	<b>17,533</b>	<b>24,677</b>	<b>24,720</b>	<b>28,855</b>
<b>Liabilities</b>	<b>994,083</b>	<b>1,135,459</b>	<b>1,334,373</b>	<b>1,408,050</b>	<b>1,392,938</b>
<b>Capital Account</b>	<b>109,488</b>	<b>127,973</b>	<b>153,312</b>	<b>173,285</b>	<b>194,767</b>
<b>Deposits</b>	<b>490,316</b>	<b>558,493</b>	<b>691,798</b>	<b>750,790</b>	<b>762,848</b>
Fixed Deposits	466,180	534,693	659,650	718,621	730,139
Savings Deposits	23,552	23,002	31,092	31,207	31,873
Certificate of Deposits	584	798	1,056	962	836
<b>Borrowings from</b>	<b>321,858</b>	<b>366,027</b>	<b>390,257</b>	<b>413,023</b>	<b>368,148</b>
Financial Institutions	216,920	249,910	284,412	304,729	282,133
Others	104,939	116,117	105,844	108,295	86,016
<b>Other Liabilities</b>	<b>72,420</b>	<b>82,966</b>	<b>99,007</b>	<b>70,951</b>	<b>67,174</b>

Source : Central Bank of Sri Lanka

\* During the quarter one Specialised Leasing Company (SLC) merged with an existing Licensed Finance Company (LFC)

\*\* Provisional

(a) Includes dues from related party

(b) Includes Real Estates, Repossessed Items and Other Inventories for Trading

# Ratios on Capital Adequacy, Asset Quality, Earnings and Liquidity

## Capital Adequacy Ratio %

### Licensed Finance Companies Sector

Capital Adequacy(%)	Mar-16	Mar-17	Mar-18*	Mar-19	Mar-20**
Capital Funds to Deposits (Per cent)	21.22	21.70	20.97	21.95	25.27
Borrowings to Equity (times)	2.94	2.86	2.55	2.38	1.89
Core Capital to Risk Weighted Assets (CCR) <sup>(a)</sup>	9.41	9.95	10.43	8.78	10.62
Capital Base to Risk Weighted Assets (RWCAR) <sup>(b)</sup>	9.90	10.35	10.97	10.06	11.99

Source : Central Bank of Sri Lanka

## Asset Quality (%)

Asset Quality (%)	Mar-16	Mar-17	Mar-18*	Mar-19	Mar-20**
Gross Non Performing Advances to Total Advances	5.45	5.20	5.93	7.82	11.56
Net Non Performing Advances to Total Advances <sup>(a)</sup>	1.31	1.18	1.52	2.29	3.82
Total Advances to Total Assets	76.93	79.64	78.99	78.51	78.28
Provision Coverage Ratio <sup>(b)</sup>	64.31	64.77	62.84	58.83	54.82

Source : Central Bank of Sri Lanka

## Earnings (%)

### Licensed Finance Companies Sector

Earnings (%)	Mar-16	Mar-17	Mar-18*	Mar-19	Mar-20**
Return on Assets (Annualized) <sup>(a)</sup>	3.07	3.44	2.90	2.63	1.70
Return on Equity (Annualized) <sup>(b)</sup>	15.65	20.42	15.56	11.96	6.24
Interest Income to Interest Expenses	207.22	184.33	173.55	181.48	180.93
Net Interest Margin (NIM) <sup>(c)</sup>	8.04	7.32	7.21	7.84	7.41
Efficiency Ratio <sup>(d) (f)</sup>	68.44	62.76	66.06	69.96	77.74

Source : Central Bank of Sri Lanka

## Liquidity (%)

Liquidity (%)	Mar-16	Mar-17	Mar-18*	Mar-19	Mar-20**
Regulatory Liquid Assets to Total Assets	7.69	7.39	8.50	8.77	8.33
Regulatory Liquid Assets to Deposits & Borrowings	9.87	9.48	10.96	11.16	10.99

Source : Central Bank of Sri Lanka

\*\* Provisional

(a) Includes dues from related party

(b) Includes Real Estates, Repossessed Items and Other Inventories for Trading

## Earnings & Profit (Rs. Mn)

Licensed Finance Companies Sector					
Earnings & Profit (Rs. Mn)	12 Months ending 31st Mar 2016	12 Months ending 31st Mar 2017	12 Months ending 31st Mar 2018	12 Months ending 31st Mar 2019	12 Months ending 31st Mar 2020**
Total Interest Income	144,041	179,114	214,604	250,874	246,233
Total Interest Expenses	69,510	97,169	123,656	138,235	136,096
Net Interest Income	74,531	81,945	90,948	112,638	110,137
Non Interest Income	22,555	28,448	34,530	37,781	36,719
Non Interest Expenses (Operating Cost)	61,676	64,888	71,120	88,073	88,008
Loan Loss Provision	6,967	6,997	17,821	24,534	33,645
Total Income	166,596	207,562	249,134	288,655	282,952
Total Expenses	138,153	169,054	212,596	250,842	257,749
Profit for the period (Before Taxation)	28,443	38,508	36,537	37,813	25,202
Profit for the period (After tax)	16,478	24,143	21,674	19,824	11,525

Source : Central Bank of Sri Lanka

\*\* Provisional

## Branch Net Work of LFCs

Licensed Finance Companies Sector					
	Mrach 2016	Mrach 2017	Mrach 2018	Mrach 2019	Mrach 2020**
<b>Province</b>					
Central	130	140	148	155	155
Eastern	94	100	105	105	112
North Central	83	90	93	94	96
North Western	126	130	141	146	152
Northern	72	75	77	81	84
Sabaragamuwa	88	101	104	107	110
Southern	125	132	138	144	144
Uva	57	62	63	63	62
Western	376	403	421	441	472
<b>Total</b>	<b>1,151</b>	<b>1,233</b>	<b>1,290</b>	<b>1,336</b>	<b>1,387</b>

Source : Central Bank of Sri Lanka

\*\*During the quarter one Specialised Leasing Company (SLC) merged with -an existing Licensed Finance Company (LFC)

# New Registration of Motor Vehicles

## New Registration of Motor Vehicles

Period	Passenger Transport						Goods Transport			Land Vehicles		
	Buses	Motor Cars	Three Wheelers	Duel Purpose	Motor Cycles	Lorries	Others	Tractors	Hand Tractors	Other Vehicles	Total	
2017 Annual	3,331	39,182	23,537	16,742	344,380	8,689	2,743	5,309	3,512	4,228	451,653	
2018 Annual	2,957	80,776	20,063	16,931	339,763	7,055	2,316	5,048	2,412	2,822	480,799	
2019 (d)	1,613	38,232	15,490	13,459	284,301	3,738	1,485	3,479	2,217	1,970	367,303	
2019 (d)	101	2,734	1,158	886	21,311	287	86	342	234	114	27,364	
May	77	2,281	970	868	29,530	256	83	317	164	149	34,830	
June	66	2,045	916	913	21,626	267	96	185	131	188	26,576	
July	99	3,515	1,235	1,239	24,948	305	76	166	163	237	32,179	
August	95	3,321	1,156	1,261	25,730	331	95	185	138	189	32,677	
September	260	3,499	1,074	1,223	21,647	327	69	305	142	137	28,829	
October	253	3,618	1,360	1,379	22,203	341	133	604	195	105	30,342	
November	168	2,999	1,048	1,041	18,754	202	96	395	132	98	25,020	
December	93	3,041	938	1,106	19,616	226	89	234	216	156	25,815	
2020 (d)	139	3,753	1,687	1,574	26,903	311	99	196	137	275	35,195	
February	113	3,139	1,539	1,557	24,375	306	125	233	81	244	31,801	
March	43	1,710	786	700	9,908	145	62	116	26	116	13,653	
April	0	0	0	0	0	0	0	0	0	0	0	

(d) Provisional

Source : Central Bank of Sri Lanka - Monthly Bulletin



*Activities during the Year*  
*2019/20*

## *Driving SME Growth through LEASING*

The above workshop titled ‘Driving SME Growth Through Leasing’ was held on 17 and 18 February 2020 at the Kingsbury Colombo and participated senior business managers involved in business development, marketing as well as accountants and finance professionals of the non-banking financial institutions and the banking sector.

Dr. Sudhir Amembal, Chairman and CEO of Amembal & Halladay conducted the respective workshop. He has spearheaded lease consultancy engagements conducted on behalf of over 20 governments including China, Indonesia, Korea, Nigeria, and Russia. These engagements required him to review the overall leasing industry in each country and devise strategic recommendations to facilitate the growth of the industry.

Dr. Amembal emphasized that the banking and finance industry can and must leverage on their resources and networks to formulate real lasting change across these fronts, and to begin pursuing profits with a purpose. There has to be proper channels and financing options to make it more commercially viable for SMEs. He proposed that the financial institutions should support this important sector that is helping to drive economic development through equipment leasing for renewable energy technology.

As a part of the above workshop there was a CEO Forum also held as an evening function at the same venue. Mr. Prasanna de Silva, DGM, Central Finance PLC, Mr. Naomal Gunawardena, Partner of Nithya Partners, Mr. Sampath Rathnayake, Programme Coordinator of UNDP Sri Lanka,





## *FHA Seminars – 2019*

(1)

Name of Seminar : Seminar on Professional Selling for Growing Customers  
Resource Persons : Dr. Ravi Dissanayake, Senior Lecturer, University of Kelaniya..  
Venue : Centre for Banking Studies , Central Bank of Sri Lanka, Rajagiriya  
No. of Participants : 50  
Date : 25 July 2019



(2)

Name of Seminar : Seminar on Managing the Impact of IFRS 9 with a Speedy Recovery Process  
Resource Person : Mrs. Shiranthi Gunawardena, Legal Adviser of FHASL  
Venue : Centre For Banking Studies, Central Bank of Sri Lanka, Rajagiriya  
Date : 16 August 2019  
No. of Participants : 57



# *FHA Annual Sports Festival – 2019*

The Annual Sports Festival of FHASL was held on 19 October 2019 at the Bloomfield Ground Colombo 07.

Mr. Ananda Senevirathne, Chairman of Sport Festival Sub Committee (CEO, Siyapatha Finance PLC) was organized the event with the coordination of Mr. Roshan Abeygoonewardena, Chairman of FHA.

Around 30 member staff strength of Siyapatha Finance PLC coordinated by Mr. Prasad Udugampola, Manager, HR and Mr. Lushan Perera Brand Manager shared their maximum capacity for the successful completion of this event under the advice of Mr. Ananda Senevirathne, CEO of Siyapatha Finance PLC and with the Staff of FHA Secretariat headed by Mr. Denzil Mallawa Arachchi.

The main sponsor for the event was the Allianz Insurance Lanka and Platinum Sponsor was David Peiris Motors Company Ltd) and several other co-sponsors.

Mr. S R Attygalle, Deputy Governor of the Central Bank of Sri Lanka, was the Chief Guest and Mr. W. Ranaweera, Director, Dept. of Supervision of Non-bank Financial Institutions, CBSL was the Guest of Honour at the awards ceremony.

## **Events**

- Cricket (Men / Women)
- 100 Meter Running Event (Men/Women)
- Volley Ball
- FHA King
- Net Ball
- FHA Queen
- Rugby











## FINAL RESULTS

### Final Results

<b>Cricket (Male)</b>	- <b>Champion</b>	- HNB Finance PLC
	- <b>Runner-up</b>	- UB Finance PLC
	- <b>Man of the Final</b>	- Mr. Sampath Ariyadasa (HNB Finance PLC)
	- <b>Best Batsman</b>	- Mr. Dushan Guruge (UB Finance PLC)
	- <b>Best Bawler</b>	- Mr. Wimukthi Rasanjana (HNB Finance PLC)
<b>Cricket (Female)</b>	- <b>Champion</b>	- Commercial Credit PLC
	- <b>Runner-up</b>	- Siyapatha Finance PLC
	- <b>Man of the Final</b>	- Ms. Dewmi Vimansika (Commercial Credit PLC)
	- <b>Best Batsman</b>	- Ms. Akila Anthony (Commercial Credit PLC)
	- <b>Best Bawler</b>	- Ms. Vindya Himali (Siyapatha Finance PLC)
<b>Netball</b>	- <b>Champion</b>	- CDB Finance PLC
	- <b>Runner-up</b>	- Commercial Credit and Finance PLC
	- <b>Netball Queen</b>	- Ms. Induni Navoda (CDB)
	- <b>Best Defender</b>	- Ms. Kaveesha Ekanayake (CDB)
	- <b>Best Shooter</b>	- Ms. S. Ezhilenthini (CDB)
	- <b>Best Center</b>	- Ms. Anne Melesha (Commercial Credit)
<b>Volley Ball</b>	- <b>Joint Champion</b>	- CDB Finance PLC
	- <b>Joint Champion</b>	- Commercial Credit PLC
	- <b>Best Player</b>	- Mr. Ishan Wimarshana (CDB)
	- <b>Best Dasher</b>	- Mr. H P Malindu Dulanjana (Commercial Credit PLC)
	- <b>Best Cetter</b>	- Mr. Avishka Kaushalya (CDB))
<b>Athletic (Female)</b>	- <b>1<sup>st</sup> Place</b>	- Ms. R M Anjela Rosany (CDB)
	- <b>2<sup>nd</sup> Place</b>	- Ms. Sanjani Gunawije (Commercial Credit)
	- <b>3<sup>rd</sup> Place</b>	- Ms. Selva Kuman Naveena (CDB)
<b>Athletic (Male)</b>	- <b>1<sup>st</sup> Place</b>	- Mr. R M Dinida Thiwanka (Mercantile Investments)
	- <b>2<sup>nd</sup> Place</b>	- Mr. W T M Gayantha (LB Finance PLC)
	- <b>3<sup>rd</sup> Place</b>	- Mr. A U Prageeth (HNB Finance PLC)
<b>FHA Queen</b>	- <b>Queen</b>	- Ms. Ayesha Madubashini (HNB Finance PLC)
	- <b>First Runner-up</b>	- Ms. Nihari Wanigasinghe (Central Finance PLC)
	- <b>Second Runner-up</b>	- Ms. Loshni Perera (LOLC Dev. Finance)
<b>FHA King</b>	- <b>King</b>	- Mr. Thilina Ranasinghe (Siyapatha Finance PLC)
	- <b>First Runner-up</b>	- Mr. Dilshan Edirisinghe (Siyapatha inance PLC)
	- <b>Second Runner-up</b>	- Mr. Chamara Fernando (Commercial Credit PLC)
<b>Overall Winner</b>	-	- CDB
<b>Overall Runners Up</b>	-	- Commercial Credit and Finance PLC

*Best wishes from the Chairman of FHA, Chairman of Sport Festival Committee and the FHA Secretariat for all winners.*

## *Publicity and Awareness Campaign of FJA*

FHA decided to launch a PR Campaign considering the negative publicity circulated among the general public with the several incidents related with unauthorized lending institutions during the month of May 2020. As the distorted publicity was adversely effecting to the business and reputation of FHA member companies which are Registered Finance Companies (RFCs) registered with the CBSL, FHA had to take immediate steps to educate the general public of the misconception created among the general public and to clearly distinguish difference between the RFCs and unauthorized institutions.

Accordingly, FHA council decided to make aware the membership of FHA and obtained the service of a media partner for a 6 months period. The first media roundtable was held on 15 July 2020 with the participation of journalists of selected media institutions. The respective media agency has published several news articles, press notices etc. during the period from July 2020 as per the information provided by the FHA.





## *FHA Compliance Sub Committee (SCC)*

The SCC has carried out the following activities for the financial year 2019/20. (August 2019 to July 2020)

- I. Annual Corporate Compliance Plan  
With the objective of establishing an overall framework that will help to create an effective corporate governance, and enhance compliance culture through a planned set of actions by the compliance department, the annual compliance plan was introduced to the compliance officers of the SCC.
- II. Compliance Dashboard  
To improve the Compliance monitoring aspects and provide information to the management on request synchronized the key indicators and prepared the Compliance Dashboard.
- III. Key features of the Finance Business Act and Finance Leasing Act  
Summarized the important aspects of Compliance functions outlined in the Finance Business Act and Finance Leasing Act. Which can be used as a handbook for Compliance officers.
- IV. Guideline/ Direction and Best Practices relating to Composition of Board Sub Committees  
Tabled the Corporate Governance requirements outlined in Finance Companies (Corporate Governance) Direction No. 03 of 2008, Section 8 (2), CSE Listing Rule - Section 7 Continuing Listing Requirements, Section 7.10. and The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka (CASL), 2017 - Section D.3

The SCC has carried out the following training sessions from July 2019 to March 2020

- I. Training on Cybersecurity (10th October 2019)
- II. Training on AML/CFT (12th October 2019)

Training delivered by senior officials of FIU

- III. Training on “Cultivating your personal branding” (20th January 2020)

Training delivered by Mr. Chritha Bandara

## Compliance Ignite 2019

The Sub Committee for Compliance of the Finance Houses Association of Sri Lanka (FHA) has organized a program titled “Shaping the Compliance Landscape beyond 2025” was held at the Winchester Ballroom, Kingsbury Hotel on 12th December 2019 from 3.00 Pm to 8.00 Pm to share knowledge on current trends and challenges in the industry. The event was centered on addressing the emerging future challenges of compliance, especially in Licensed Finance Companies in Sri Lanka.

The event was addressed by the Central Bank of Sri Lanka Deputy Governor H.A. Karunarathna as the Chief Guest and Central bank of Sri Lanka Assistant Governor J.P.R Karunarathna joined as the keynote speaker. Further, Central Bank of Sri Lanka Additional Director – DSNBFI J.P Gamalath and Central bank of Sri Lanka Director – FIU, D.M Rupasinghe also delivered their valuable insights on shaping the compliance landscape beyond 2025 in Sri Lanka. The event also included a session on developing soft skills for compliance officers, conducted by award-winning speaker Arfath Saleem.

## New Office Bearers 2020/21

- |                   |                           |                     |
|-------------------|---------------------------|---------------------|
| • Chairman        | Mr. Jithendra Gunathilaka | LOLC Finance        |
| • Vice Chairman   | Mr.Varuna Perera          | Commercial Credit   |
| • Secretary       | Ms.Mahika Rajakaruna      | Siyapatha Finance   |
| • Asst. Secretary | Mr.M.Suthakar             | Prime Finance       |
| • Committee       | Mr.Suranga Jayaweera      | Singer Finance      |
|                   | Ms.Dilini Wijayathilaka   | Valibel Finance     |
|                   | Mr.Thushara Ranathunga    | Senkadagala Finance |
|                   | Mr.Rohan Thennakoon       | Ideal Finance       |





## *Activities and Initiatives Carried Out by FJA HR Subcommittee of FJASL 2020*

The Finance House Association (FHA) HR Subcommittee was established in the year 2018 with the participation of all HR representatives attached to the FHA Companies at a meeting held at CDB Finance PLC chaired by Mr. Roshan Abeygoonewardena, Chairman of FHA . Mr. Tushan Amarasooriya ,Chief Executive officer at Singer Finance PLC is represent the FHA main council and Mr. Prasad Udugampola from Siyapatha Finance PLC serves as the current President of FHA HR Subcommittee and has been appointed as President for the consecutive second year at the AGM held on 3rd September 2019.. Mr. Prasanna Kalinga from LB Finance PLC and Ms. Shehani Peiris from Siyapatha Finance PLC perform respectively as the Vice President and Secretary of the said subcommittee. Under the leadership and guidance of the Chairman of the FHA main council HR subcommittee anticipates to initiate a number of activities during this year.. During the year we have been conducted eight HR subcommittee meetings and the relevant summery reports have been submitted to the main council periodically.

With a clear mandate to develop human capital and enhance productivity by maintaining the high professional standards across the NBFISector, the HR Subcommittee initiated a Cross Functional Teams (CFT) to identify the most suitable methods to meet the challenges faced by the HR paternity . Employee movements register, Salaries survey, improving professional standards and ethical behavior amongst the member companies are some of the key objectives identified

by the HR Subcommittee. The committee also intends to find solutions to upgrade the skills and competencies of the existing staff whilst attracting fresh blood to the NBF sector.

Under the New Normal Conditions of the COVID 19 era, FHA HR Subcommittee guided its members with the legal consultations offered by The Labour Department and The Employer's Federation of Ceylon (EFC) through several online programmes/webinars .

As an initiation to enhance skills , knowledge and professional standards of the members, the Subcommittee has partnered with reputed institutions such as the Credit Management and City & Guilds and intends to reach out globally through channeled partnership with CIMA and the UK.

In the view of nurturing fellowship and entertainment, the FHA Sports Festival was organized with the full commitment of the members and the participation of their respective families which was executed successfully. In addition the FHA HR Annual Get Together was held during the past year however, due to the COVID 19 pandemic CSR activities have been postponed indefinitely during the present year.

Finally the HR Subcommittee intends to secure the “work life” balance and enhance the productivity of the team members of FHA Companies. In order to further this intension, the HR Subcommittee has forwarded an appeal to reconsider the proposed new guidelines pertaining to the working hours of the private sector. This earnest request was submitted to the relevant regulatory authorities subsequently.

Legal Circle conducted a number of meetings during the year with the participation of members.

In addition to the above Mrs. Shiranthi Gunawardena arranged a special meeting with District Judge of Colombo on 12 June 2019 and discussed on the important matters related to the NBFBI sector. Accordingly the District Judge has agreed some of proposals submitted by the Legal Circle. Some of them are as following.

- Each company/firm will be permitted to obtain 10 journal entries for reference in the morning and after 1 PM for another 10 JEs.
- That the day books will be made available to the court clerks where the calling cases are concerned we can get the confirmation from the day book.
- That early summons returnable dates will be given for all cases filed.
- DDR matters a separate record room separate clerical staff will be provided.
- That a complaint box will be available where we cannot find records or delay in proceedings and any other delay with respect to District Court matters can be dropped in writing to the relevant box which will be opened by the honorable District Judge every Friday.

Further Legal circle has written to the DSNBFI, CBSL on finance leasing carried out by unauthorized entities and practices followed by RFCs on 29 June 2020. The main points of the respective letter was repossession as a statutory right, illegal sale and possession of leased assets, recovery procession through courts and a description on cheque returns.

Since several of our members are engaged in the business of providing Loan Facilities to their customers against the security of the mortgage of gold and gold items (referred to as “Gold Loans”), Legal Circle prepared and submitted a detailed letter to the Governor of CBSL under the topic of ‘Issues in granting loans securitizing gold by approved credit agencies under the Mortgage Act No. 6 of 1949 ‘ with a copy to the Governor of the western province on 02 March 2020.

Legal circle has appointed two sub committees at its meeting held on 27 June 2019 for the intervention to the following matters.

- (a) Automotive related issues
  - Vehicle seizing and Police complaints
  - Issues on absolute ownerships
  - Revision of RMV regulations
- (b) Land sector related Issues
  - Issues on mortgage bonds
  - Registration of caveats
  - Issues related with the regional administrative authorities.

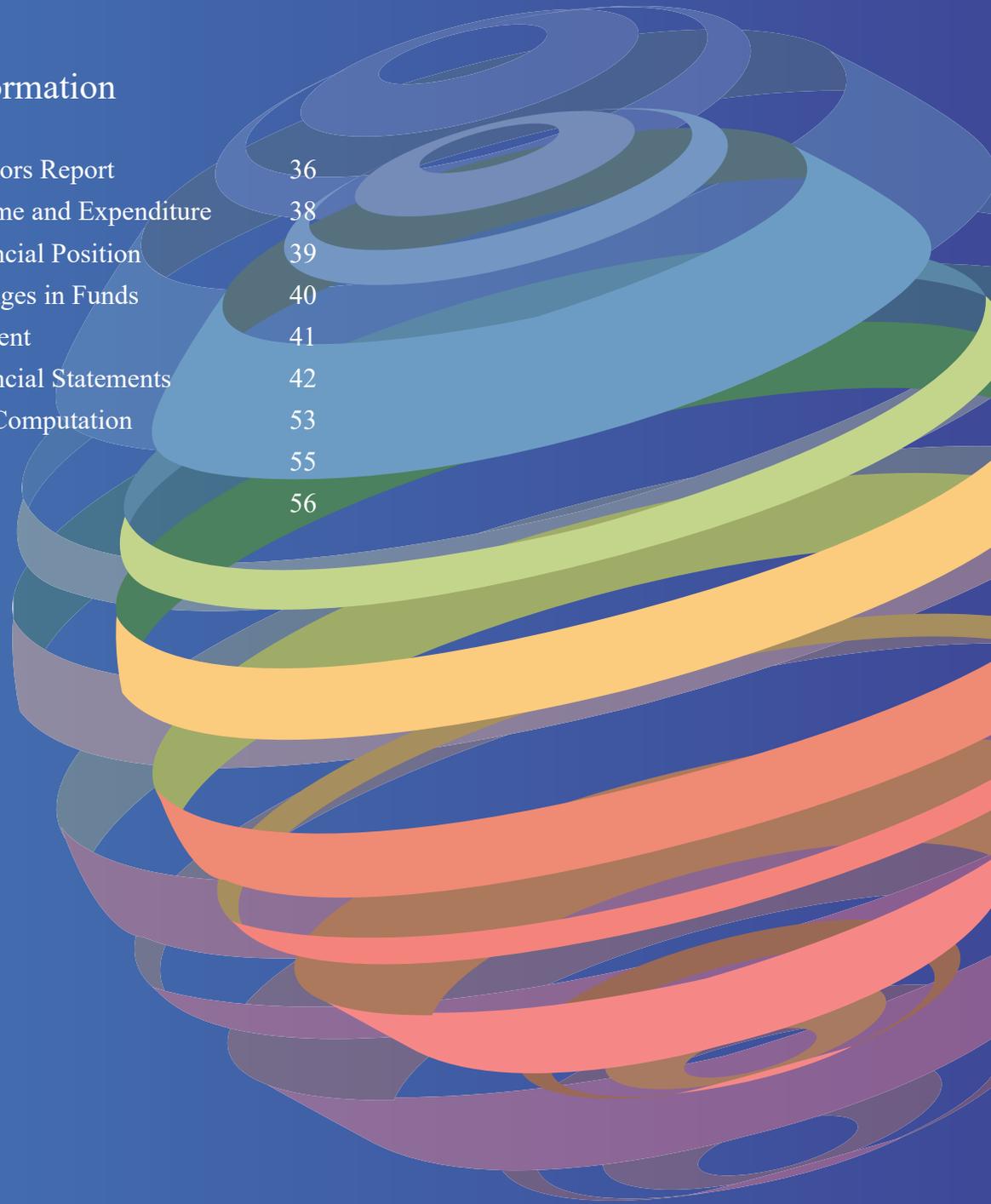
During the period of curfew in the country, the members of legal circle has shared the related legal issues of respective companies using WhatsApp, zoom and other social medias.

# *Financial Statement and Auditors Report*

## *2019/20*

### Financial Information

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## L M ASSOCIATES

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### INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE FINANCE HOUSE ASSOCIATION OF SRI LANKA

#### Opinion

We have audited the financial statements of **The Finance House Association of Sri Lanka**, which comprise the statement of financial position as at 31 March 2020, and the statement of income and expenditure, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies exhibited in page – 07: 17.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Financial Reporting Standards (SLFRSs) for SMEs.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). Our responsibilities under those standards are described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with SLFRS for SMEs, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 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 SLAuS 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.

## Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

  
**LM ASSOCIATES**  
Chartered Accountants  
Colombo



Signed by : **A.M. Jawaamil (M-2034)**

Date: 28/03/2020

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA  
STATEMENT OF INCOME AND EXPENDITURE**

For the year ended 31 March	Note	2020 Rs.	2019 Rs.
<b>Income</b>	<b>3</b>	<b>5,787,278</b>	<b>4,340,125</b>
Other income	4	<u>2,099,916</u>	<u>1,789,065</u>
<b>Gross income</b>		<b>7,887,195</b>	<b>6,129,190</b>
Administrative expenses	5	<u>(5,585,759)</u>	<u>(5,706,405)</u>
Surplus before Interest & Taxation		2,301,435	422,785
Finance costs	6	<u>(12,946)</u>	<u>(8,985)</u>
<b>Surplus before Taxation</b>		<b>2,288,490</b>	<b>413,800</b>
Income tax expense	7	(387,693)	(165,952)
<b>Surplus after Taxation</b>		<u><u>1,900,797</u></u>	<u><u>247,848</u></u>

The accounting policies and notes on pages from 07 to 17 form an integral part of these Financial Statements.



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 March	Note	2020 Rs.	2019 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	8	324,430	414,383
Investment - Fixed Deposits	9	9,950,255	9,885,060
Investment - shares	10	37,410	37,410
		<u>10,312,095</u>	<u>10,336,853</u>
<b>Current Assets</b>			
Due from Members	11	445,330	506,800
Due from Related party	12	89,288	-
Deposit and Advance	13	806,120	441,120
Other Receivables	14	195,958	174,445
Cash and Cash Equivalents	15	2,611,650	1,101,505
		<u>4,148,346</u>	<u>2,223,870</u>
<b>Total Assets</b>		<u><b>14,460,441</b></u>	<u><b>12,560,724</b></u>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS</b>			
Accumulated funds		6,990,495	5,963,100
Other funds	15	6,594,968	5,847,943
		<u>13,585,463</u>	<u>11,811,043</u>
<b>Non Current Liabilities</b>			
Retirement Benefit Obligations	16	472,905	356,471
		<u>472,905</u>	<u>356,471</u>
<b>Current Liabilities</b>			
Trade and Other Payables	17	271,457	305,972
Income Tax	18	130,617	87,238
		<u>402,074</u>	<u>393,210</u>
<b>Total Equity and Liabilities</b>		<u><b>14,460,441</b></u>	<u><b>12,560,724</b></u>



The accounting policies and notes on pages from 07 to 17 form an integral part of these Financial Statements.

Approved on behalf of the Council of Management on ... 27.08.2020

  
 Chairman

  
 Vice Chairman

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA  
STATEMENT OF CHANGES IN FUNDS**

**For the year ended 31 March 2020**



**ACCUMULATED and OTHER FUNDS**

	Accumulated Fund Rs.	Development Fund Rs.	Building Reserve Rs.	Legal Circle Fund Rs.	Medical Fund Rs.	NBFI Sector Stability Fund Rs.	HR Sub-comm Fund Rs.	FHASL Compliance Sub Com Fund Rs.		Other Funds Total Rs.
								Rs.	Rs.	
<b>Balance as at 1 April 2018</b>	5,715,251	1,242,641	1,350,000	300,000	29,000	1,873,787	-	-	-	4,795,428
Fund received during the year	-	-	-	-	-	-	1,482,000	964,072	-	2,446,072
Expenditure for the year	-	-	-	-	-	-	(1,249,644)	(143,912)	-	(1,393,556)
Net Profit for the year	247,849	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2019</b>	<b>5,963,100</b>	<b>1,242,641</b>	<b>1,350,000</b>	<b>300,000</b>	<b>29,000</b>	<b>1,873,787</b>	<b>232,356</b>	<b>820,159</b>	<b>-</b>	<b>5,847,943</b>
<b>Balance as at 1 April 2019</b>	5,963,100	1,242,641	1,350,000	300,000	29,000	1,873,787	232,356	820,159	-	5,847,943
Fund received during the year	-	-	-	-	-	-	-	12,585	-	12,585
Expenditure for the year	-	-	-	-	-	-	(45,015)	(71,750)	-	(116,765)
Net Profit for the year	1,900,797	-	-	-	-	-	-	-	-	-
Transfers	(851,205)	-	-	-	-	-	-	851,205	-	851,205
Prior year adjustment	(22,197)	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>6,990,495</b>	<b>1,242,641</b>	<b>1,350,000</b>	<b>300,000</b>	<b>29,000</b>	<b>1,873,787</b>	<b>187,341</b>	<b>1,612,199</b>	<b>-</b>	<b>6,594,968</b>

**Note :**

Last year overstated interest receivable and unreconciled balances in the Bank reconciliation have been adjusted during the year.

The accounting policies and notes on pages from 07 to 16 form an integral part of these Financial Statements.

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**CASH FLOW STATEMENT**

For the year ended 31 March	2020 Rs.	2019 Rs.
<b>Cash flows from operating activities</b>		
Net profit / (loss) before Taxation	2,288,490	413,800
<b>Adjustments for:</b>		
Depreciation	110,885	114,349
Prior year adjustment	(22,197)	-
Gratuity over provision	116,434	66,097
Interest Income	(1,450,827)	-
<b>Operating profit before working capital changes</b>	<u>1,042,784</u>	<u>594,247</u>
(Increase)/decrease in other receivables	(21,513)	158,352
(Increase)/decrease in due from members	(27,818)	(441,200)
(Increase)/decrease in Deposit and Advance	(365,000)	(109,320)
Increase/(decrease) in trade and other payables	(34,515)	210,565
<b>Cash generated from operations</b>	<u>593,938</u>	<u>412,644</u>
WHT Paid	(53,403)	
Income Tax paid	(290,912)	(82,254)
<b>Net cash flow from operating activities</b>	<u><u>249,623</u></u>	<u><u>330,390</u></u>
<b>Cash Flows from investing activities</b>		
Purchases of property, plant and equipment	(20,930)	(285,290)
Interest Received	1,450,826	-
Investment in fixed deposits & others	(65,195)	(1,500,000)
<b>Net cash used in investing activities</b>	<u><u>1,364,702</u></u>	<u><u>(1,785,290)</u></u>
<b>Cash flows from finance activities</b>		
Share of other funds	(104,180)	1,052,515
<b>Net cash used in finance activities</b>	<u><u>(104,180)</u></u>	<u><u>1,052,515</u></u>
<b>Net Increase in cash and cash equivalents</b>	1,510,145	(402,385)
Cash and cash equivalents at the beginning of the year	<u>1,101,505</u>	<u>1,503,890</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>2,611,650</u></u>	<u><u>1,101,505</u></u>
<b>Cash and cash equivalents comprises</b>		
Cash and bank balances	<u><u>2,611,650</u></u>	<u><u>1,101,505</u></u>

The accounting policies and notes on pages from 07 to 16 form an integral part of these Financial Statements.

<b>1 Cash and cash equivalents comprises</b>		
Cash and bank balances	2,611,650	1,101,505
Bank over draft	-	-
	<u><u>2,611,650</u></u>	<u><u>1,101,505</u></u>

# THE FINANCE HOUSES ASSOCIATION OF SRI LANKA

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 March 2020

### 1. Corporate Information

#### 1.1 General

The Finance Houses Association of Sri Lanka ("The Association"), is an Association, registered under the Companies Act No. 07 of 2007. The Association is incorporated and domiciled in Sri Lanka and its registered office is located at No 150/3, Ward Place, Colombo -07

#### 1.2 Principal Activities

The principal activities of the association is to promote, foster, protect and safeguard the welfare of these institution registered under the Finance Companies Act No.78 of 1988 or any other statute as may be enacted for amendment or replacement thereof and other institution carrying on the business of a similar nature, engaged in a business of developing and managing of retirement resorts.

#### 1.3 Basis of Preparation

The Financial Statements are prepared under the historical cost convention in accordance with SLFRS for SMEs except as stated in these financial statements. No adjustment has been made for inflationary factors affecting these accounts. Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity. These Financial Statements are prepared in Sri Lankan Rupees unless otherwise stated. Where appropriate, the policies are explained in the succeeding notes.

#### 1.4 Members' responsibility statement

The members of the Council of Management takes the responsibility for the preparation and presentation of these Financial Statements.

#### 1.5 Comparative Figures.

Comparative figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

### 2. Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied consistently by the association in presenting and preparing the financial statements. Changes in accounting policies are made only if the Sri Lanka Accounting Standards requires such change or when a change results in providing more relevant information.



**For the year ended 31 March 2020**

**2.1 Accounting for the Receipt and Utilization of Funds**

**Funds**

**a) Development Fund**

This is an accumulated fund consisting of the contributions received from members.

**b) Building Reserve**

This fund is maintained for the purpose of reserving funds to construct our own building.

**c) Legal Circle Fund**

This fund is maintained by the Association to reserve money for any future liabilities on legal matters that may arise.

**d) Medical Fund**

This fund is maintained by the Association to reserve money for any future medical expenses of staff.

**e) HR Sub Committee Fund**

Human Resource Fund Ccommittee has suggested to the FHA Council to create a separate fund in the FHA main account for the administrative and accounting purposes Funds for the HRSC activities (training, seminars, meetings etc.) to be generated through fundraising actives with the consultation of FHA council.

**f) FHASL Compliance Sub Com Fund**

This fund is maintained by the association in order to use for their future activities by the consent of the FHA Council.

**2.2 Assets and Bases of their Valuation**

**2.2.1 Property, Plant and Equipment**

**a) Cost**

All items of Property, Plant & Equipment are recorded at cost.

**b) Depreciation**

Depreciation is provided for on all assets on the straight line basis and is calculated on the cost of all property, plant and equipment in order to write off such amounts less any terminal value over the estimated useful lives of such assets. The depreciation rates are stated as follows:

	<b>Rates %</b>
Furniture & Fittings	15%
Office Equipments	15%
Computer Equipment	15%
Motor Vehicle	20%

**2.2.2 Investments in Fixed Deposits**

Fixed deposits are stated at principal amount plus interest accrued on a time proportionate basis.

**2.2.3 Trade receivables**

Trade receivables and dues from related parties are stated at the amounts they are estimated to realize, net of provisions for bad and doubtful debts.

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**For the year ended 31 March 2020**

**2.2.4 Other receivable**

Other receivable balances are stated as estimated amounts receivable after providing for doubtful receivables.

**2.2.5 Cash and cash equivalents**

For the purpose of cash flow statements, cash and cash equivalents consists of cash in hand and short term deposits in banks net of outstanding bank overdrafts.

**2.3 Liabilities and provisions**

All material liabilities at the Statement of Financial Position date have been included in the accounts.

**2.3.1 Retirement benefit**

A defined benefit plan is a post - employee benefit plan other than a defined contribution plan.

The liability recognized in the Balance Sheet in respect of defined benefit plan is the present value of defined obligation at the Balance Sheet date. The defined benefit obligation is calculated annually by taking the average last monthly salary and multiply by number of services completed.

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

**b) Defined contribution plans-**

All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contribution funds in line with respective statutes and regulations.

**2.4 Taxation**

**a) Current taxes**

The Association's liability to taxation has been computed in accordance with the provision of the Inland Revenue Act No.24 of 2017 and amendments thereto.

**2.5 Income and Expenditure Account**

**2.5.1 Income recognition**

**a) Members Subscription & Entrance**

Income derived from Subscription & Entrance fees of members are recognized in the Income & Expenditure account on accrual basis.

**b) Interest Income**

Interest income from fixed deposits is accrued on a time - apportioned basis on the principal outstanding and at rate applicable unless collectability is in doubt.

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**For the year ended 31 March 2020**

**c) Other Incoming resources**

Income realized from Sports Festival 2020, Administrative Fees, Seminars and others are recognized in the Income and Expenditure only when there is certainty that all of conditions for the receipts of the income sources have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Income and Expenditure account.

**d) Other Income**

Other income is recognized on an accrual basis.

**2.5.2 Expenditure recognition**

Expenses in carrying out the projects and other activities of the Association including other expenses incurred in administrating and running the Association are accounted for on an accrual basis and charged to the Income and Expenditure account.



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March		2020	2019
		Rs.	Rs.
<b>3. Income</b>			
Membership Subscription		2,556,667	2,665,000
Membership Fee		200,000	-
Excess Income on Sports Festival	3.1	584,954	1,029,876
Excess Income on Seminars	3.2	2,343,281	438,317
Directors Get together	3.3	102,376	206,932
Reimbursement of Legal Charges	3.4	-	-
		<u>5,787,278</u>	<u>4,340,125</u>
<b>3.1 Excess Income on Sports Festival</b>			
Income		3,525,523	3,295,200
Less: Expenses		<u>(2,940,569)</u>	<u>(2,265,324)</u>
		<u>584,954</u>	<u>1,029,876</u>
<b>3.2 Excess Income on Seminars -</b>			
<b>3.2.1 Seminar "THE PROACTIVE OF NBFIS IN DRIVING THE SME SECTOR"</b>			
Income		4,311,400	-
Less: Expenses		<u>(3,313,960)</u>	<u>-</u>
		<u>997,440</u>	<u>-</u>
<b>3.2.2 Seminar "SPEEDY RECOVERY PROCESS"</b>			
Income		290,000	-
Less: Expenses		<u>(177,041)</u>	<u>-</u>
		<u>112,959</u>	<u>-</u>
<b>3.2.3 Seminar "GROWING CUSTOMERS "</b>			
Income		250,000	-
Less: Expenses		<u>(188,773)</u>	<u>-</u>
		<u>61,227</u>	<u>-</u>
<b>3.2.4 Seminar "IMPACT OF SLFRS-9"</b>			
Income		328,750	-
Less: Expenses		<u>(173,040)</u>	<u>-</u>
		<u>155,710</u>	<u>-</u>
<b>3.2.5 Seminars "Property Securities"</b>			
Income		-	274,176
Less: Expenses		<u>-</u>	<u>(117,418)</u>
		<u>-</u>	<u>156,758</u>
<b>3.2.6 Seminar "Recovery Management"</b>			
Income		-	283,480
Less: Expenses		<u>-</u>	<u>(150,240)</u>
		<u>-</u>	<u>133,240</u>

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA  
NOTES TO THE FINANCIAL STATEMENTS**

<b>For the year ended 31 March</b>	<b>2020 Rs.</b>	<b>2019 Rs.</b>
<b>3.2.7 Seminar "Current Legal Issues"</b>		
Income	-	216,000
Less: Expenses	-	(138,587)
	<u>-</u>	<u>77,413</u>
<b>3.2.8 Seminar "Credit Evaluation Colombo"</b>		
Income	-	238,700
Less: Expenses	-	(167,794)
	<u>-</u>	<u>70,906</u>
<b>3.2.9 Compliance Symposium 2019</b>		
Income	2,113,845	-
Less: Expenses	(1,097,900)	-
	<u>1,015,945</u>	<u>-</u>
<b>Total Excess Income over expenditure</b>	<u><b>2,343,281</b></u>	<u><b>438,317</b></u>
<b>3.3 Directors Get-to-gather</b>		
Income	972,994	1,256,380
Less: Expenses	(870,618)	(1,049,448)
	<u>102,376</u>	<u>206,932</u>
<b>3.4 Reimbursement of Legal Charges</b>		
Income	-	123,340
Less: Expenses	-	(123,340)
	<u>-</u>	<u>-</u>
<b>4. Other Income</b>		
Interest Income	1,450,827	1,185,368
Reimbursement from LASL	360,000	360,000
Administration Fees	60,000	60,000
Staff Loan Interest	7,361	17,666
Reimbursement of rent from SLICM	174,333	166,031
Sundry Income	47,395	-
	<u>2,099,916</u>	<u>1,789,065</u>
<b>5. Administrative Expenses</b>		
Salaries & Wages	1,806,683	1,642,439
Employees' Provident Fund	216,802	197,093
Employees' Trust Fund	54,200	49,273
Special allowance	49,650	49,650
Travelling Allowance	240,000	240,000
Fuel Allowance	36,000	36,000
LASL allowance	180,000	180,000
<b>Amount carried forward to next page</b>	<u><b>2,583,335</b></u>	<u><b>2,394,454</b></u>



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March	2020 Rs.	2019 Rs.
<b>Balance brought forward from previous page</b>	<b>2,583,335</b>	<b>2,394,454</b>
Entertainment Allowance	240,000	240,000
Office Welfare	9,418	6,777
Gratuity	116,434	66,097
Rent	871,666	830,155
Written off	142,000	195,002
Printing & Stationery	162,348	120,828
Electricity	90,208	85,755
Secretarial Fee	141,075	123,494
Telephone Charges	67,596	91,115
Mobile Telephone Charges	15,000	15,682
Internet / E-Mail Charges	4,631	5,158
Postage	6,605	2,680
Travelling & Transport	16,665	30,140
Audit Fees	100,000	94,000
Depreciation	110,885	114,349
AGM Expense	53,380	485,395
Ceylon Chamber of Commerce Fee	35,204	35,203
Sundry Expense	28,980	46,738
Office Equipment Maintenance	23,889	75,249
Repair maintenance	45,800	-
Bonus	440,654	400,595
Web update charges	45,450	163,150
Cleaning charges	40,250	28,100
Water Charges	9,023	6,967
Auditor's Fees for Attending IRD	4,000	11,000
Compliance Meeting on 20.01.2020	65,000	-
HR Consultancy Fees	10,000	-
Compliance Training - 10.10.19	40,575	-
Professional Fee	65,690	38,324
	<u>5,585,759</u>	<u>5,706,405</u>
<b>6. Finance expenses</b>		
EPF Surcharge	600	-
Bank Charges	12,346	8,985
	<u>12,946</u>	<u>8,985</u>
<b>7. Income tax expenses</b>		
Income tax for the year	<u>387,693</u>	<u>165,952</u>

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2020

**8. Property, Plant & Equipment**

	<b>Cost -Rs.</b>		
	<b>Balance as at 01.04.2019</b>	<b>Additions / (Disposals)</b>	<b>Balance as at 31.03.2020</b>
Furniture & Fittings	164,824	20,930	185,754
Computer Equipment	525,853	-	525,853
Office Equipment	529,161	-	529,161
	<u>1,219,837</u>	<u>20,930</u>	<u>1,240,767</u>

	<b>Accumulated Depreciations -Rs.</b>		
	<b>Balance as at 01.04.2019</b>	<b>Depreciation for the year</b>	<b>Balance as at 31.03.2020</b>
Furniture & Fittings	154,508	5,188	159,696
Computer Equipment	356,707	48,156	404,863
Office Equipment	294,240	57,539	351,779
	<u>805,454</u>	<u>110,884</u>	<u>916,338</u>
<b>Net book value</b>	<u><b>414,383</b></u>		<u><b>324,430</b></u>

As at 31 March

	<b>2020 Rs.</b>	<b>2019 Rs.</b>
<b>9. Investments - Fixed Deposit</b>		
Commercial Leasing & Finance PLC	2,800,000	2,800,000
LB Finance PLC	2,150,000	2,150,000
LOLC Finance PLC	2,575,000	2,575,000
People's Leasing & Finance PLC	2,000,000	2,000,000
UB Finance PLC	28,039	28,039
Seylan Bank PLC	338,800	273,606
City Finance Corporation Ltd	17,054	17,054
Central Investments Finance PLC	41,362	41,362
	<u>9,950,255</u>	<u>9,885,060</u>
<b>10. Investment in Shares</b>		
Lanka Credit and Business Finance Ltd	37,410	37,410
	<u>37,410</u>	<u>37,410</u>
<b>11. Due from members</b>		
Receivable from Mr Denzil	24,260	46,300
Other due from members	<b>Note 11.1</b> 421,070	460,500
	<u>445,330</u>	<u>506,800</u>



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March	2020 Rs.	2019 Rs.
<b>11.1 Other due from members</b>		
Receivable from seminar	350,000	60,500
Receivable from HR Get to gether	-	140,000
Receivable from Sponsorships	-	260,000
Photocopy income	6,070	-
Orient Finance PLC - Annual Subscription	65,000	-
	<u>421,070</u>	<u>460,500</u>
<b>12. Due from Related Party</b>		
LASL - Secretarial Fee	60,000	-
SLICM - Rent	29,288	-
	<u>89,288</u>	<u>-</u>
<b>13. Deposit and Advance</b>		
Receivables - Sponsochip	365,000	-
Rent Deposit	439,320	439,320
Other deposits - American Water	1,800	1,800
	<u>806,120</u>	<u>441,120</u>
<b>13.1 Sport Festival</b>	65,000	-
SM On 17th & 18th February 2020	300,000	-
	<u>365,000</u>	<u>-</u>
<b>14. Other receivables</b>		
Staff Loan	-	33,854
Interest receivable	195,958	140,592
	<u>195,958</u>	<u>174,445</u>
<b>15. Cash and Cash Equivalents</b>		
Commercial Bank of Ceylon Ltd, Colombo 07	(200,074)	97,026
Commercial Bank Saving A/C	2,796,723	989,478
Cash in hand	15,000	15,000
	<u>2,611,650</u>	<u>1,101,505</u>
<b>16. Funds</b>		
Development Fund	1,242,641	1,242,641
Building Reserve	1,350,000	1,350,000
Legal Circle Fund	300,000	300,000
Medical Fund	29,000	29,000
NBFI Sector Stability Fund	1,873,787	1,873,787
FHASL Compliance Sub Com Fund	1,612,199	820,159
HR Sub Committee Fund	187,341	232,356
	<u>6,594,968</u>	<u>5,847,943</u>

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>As at 31 March</b>	<b>2020</b>	<b>2019</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>17. Retirement benefit obligations</b>		
Balance as at 01st April 2019	356,471	290,374
Provision for the year	116,434	66,097
Over provision	-	-
<b>Balance as at 31st March 2020</b>	<u><u>472,905</u></u>	<u><u>356,471</u></u>
<b>18. Trade and other payables</b>		
HR Get-together	-	199,644
Accruals <b>17.1</b>	<u>271,457</u>	<u>106,328</u>
	<u><u>271,457</u></u>	<u><u>305,972</u></u>
<b>18.1. Accruals</b>		
E-Mail Charges	1,952	344
Rent	73,220	-
Petty cash - Mr. Denzil	5,691	-
Electricity	7,647	-
Seminar - Ex-gratia	60,000	-
HR Consultancy fee	4,000	-
Secratarial fee	8,841	-
Audit Fees Payable	100,000	94,000
PAYE Payable	871	871
Telephone Charges	9,234	11,113
	<u>271,457</u>	<u>106,328</u>
<b>19. Income Tax</b>		
Balance as at 01.04.2019	87,238	3,540
Provision for the year	387,693	165,952
WHT Paid	(53,403)	(63,123)
Income tax paid during the year	<u>(290,912)</u>	<u>(19,130)</u>
<b>Balance as at 31.03.2020</b>	<u><u>130,617</u></u>	<u><u>87,238</u></u>
<b>20. Transaction with key management persons (KMPs) &amp; related party</b>		
Related parties include key managerial personnel defined as those persons having authority & responsibility for planning, directing & controlling the activities of the Association. Such key managerial persons include the Committee of Management of the Association.		

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2020

**20. Related party transactions**

The Association carries out transactions in the ordinary course of business in an arm's length basis at commercial rates with related parties. Transactions with related parties listed below have been at commercial rates.

<b>Name of the company</b>	<b>Nature of transaction</b>	<b>Transaction Value Rs.</b>	<b>Outstanding balance as at 31.03.2020 Rs.</b>
The Finance Houses Consortium (Pvt) Ltd	Administration Fees	60,000	60,000
Sri Lanka Institute of Credit Management	Rent	174,333	29,288
Leasing Association of Sri Lanka	Secretarial Services	360,000	60,000

The aggregate value of transactions and outstanding balances relating to entities over which the Members of Council have significant influence are as follows:-

<b>Name of the Company</b>	<b>Name of Member of Council Management</b>	<b>Investment in Fixed deposits 31.03.2020 Rs.</b>
LB Finance PLC	Mr. Niroshan Udage	2,150,000.00
LOLC Finance PLC	Mr. Conrad Dias	2,575,000.00
Peoples Leasing & Finance PLC	Mr. Sanjeewa Bandaranayake	2,000,000.00
Commercial Leasing & Finance PLC	Mr. Krishan Thilakarathne	2,800,000.00

**21. Capital commitments and contingent liabilities**

There were no material capital commitments and or contingent liabilities to be disclosed as at the balance sheet date.

**22. Events after the balance sheet date**

FHA has not been significantly affected by the outbreak of Covid - 19. However, with the spread of Virus on a global scale in mid March 2020, and the stringent measures taken by the Government including the entry barriers and lock downs, have compelled the temporary closure of FHA from March to end of May.



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**STATEMENT OF TAX COMPUTATION**

For the year of assessment 2019/20

<u>Computation of Taxable Income</u>	<u>01st Period</u> Rs.	<u>02nd Period</u> Rs.
Business Income	54,756	-
Investment Income	1,156,113	202,707
<b>Assessable Income</b>	<b>1,210,869</b>	<b>202,707</b>
Less: Qualifying payments and relief u.s 52	-	-
<b>Taxable Income</b>	<b>1,210,869</b>	<b>202,707</b>
Tax @	28%	24%
Tax on taxable income	<b>339,043</b>	<b>48,650</b>

Computation of Income Tax payable

Total Tax		<u>Rs.</u>	<u>Rs.</u>
			387,693
<b>Less: Tax Credit</b>			
WHT on interest income	1	53,404	
Self assessment payment	2	203,674	
		-	(257,078)
<b>Balance tax payable</b>			<b>130,615</b>



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**  
**ANNEXURES TO THE STATEMENT OF TAX COMPUTATION**

For the year of assessment 2019/2020

*Annexure 1*

**Investment Income**

**Peroid 01**

Certificate No	Bank	Gross Interest	WHT 5%	Net Interest
<b>Fixed Deposits</b>		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
0000031379	Central Finance PLC	113,016.00	5,650.80	107,365.20
0000031887	Central Finance PLC	114,896.00	5,744.80	109,151.20
0000042765	Central Finance PLC	81,373.00	4,068.65	77,304.35
0000353222	LOLC Finance PLC	152,591.00	7,629.55	144,961.45
00549875	LB Finance PLC	56,288.52	2,814.43	53,474.09
448148	Seylan Bank PLC	35,124.67	1,756.23	33,368.44
00493492	LB Finance PLC	198,000.00	9,900.00	188,100.00
0000291620	LOLC Finance PLC	75,205.00	2,825.30	72,379.70
1700952700	People's Leasing PLC	264,999.96	9,937.53	255,062.43
<b>Saving Account</b>				
850033538	Commercial Bank	64,618.61	3,077.07	61,541.54
		<b>1,156,112.76</b>	<b>53,404.36</b>	<b>1,102,708.40</b>

**Peroid 02**

Certificate No	Bank	Gross Interest	WHT 5%	Net Interest
<b>Fixed Deposits</b>		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
0000031379	Central Finance PLC	37,398.00	-	37,398.00
0000031887	Central Finance PLC	38,020.00	-	38,020.00
0000042765	Central Finance PLC	26,927.00	-	26,927.00
0000353222	LOLC Finance PLC	50,487.00	-	50,487.00
00549875	LB Finance PLC	18,762.84	-	18,762.84
<b>Saving Account</b>				-
850033538	Commercial Bank	31,112.40	-	31,112.40
		<b>202,707.24</b>	<b>-</b>	<b>202,707.24</b>

*Annexure 2*

**Self assessment payments**

Quarter	Date	Rs.
1	12-Aug-2019	67,891
2	14-Nov-2019	67,891
3	14-Feb-2020	67,892
4		-
		<b>203,674</b>



## Alliance Management Services (Private) Ltd.

Alliance House, 84, Ward Place, Colombo 7, Sri Lanka. Fax : 94-11-2697205  
Telephone : 2673673 E-mail : alserv@sltnet.lk Reg.No : PV 913

### **THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**

#### **NOTICE**

Notice is hereby given that the Sixty First Annual General Meeting of The Finance Houses Association of Sri Lanka will be held on Thursday 24<sup>th</sup> September, 2020 at 10.00 a.m at L B Finance PLC, 6<sup>th</sup> Floor, 20, Dharmapala Mawatha, Colombo 3.

#### **Agenda**

1. To receive and adopt the Audited Accounts for the year ended 31<sup>st</sup> March 2020 with the Report of the Auditors thereon, and the Report of the Committee of Management for the above period.
2. To elect the Council of Management for the ensuing year.
3. To re-appoint the Auditors for the ensuing year and determine their fees.
4. To transact any other business of which due notice has been given.

By order of the Council

**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**

**Sgd:**

**Alliance Management Services (Pvt) Ltd  
Secretaries to The Finance Houses Association of Sri Lanka  
Colombo**

02<sup>nd</sup> September 2020

#### **Note:**

- (i) A member is entitled to appoint a proxy to attend and vote on his/her place.
- (ii) A proxy need not be a member of the Company.
- (iii) A member wishing to vote by proxy at the meeting may use the Form of Proxy enclosed and interpolate the words "right to speak".
- (iv) To be valid, the completed Form of Proxy must be lodged at Alliance Management Services (Pvt) Ltd, Ward Place, Colombo 7 not less than 48 hours before the meeting.

-/kd

Chairman & Managing Director D.L.S.R. Perera ACA, Deputy Chairman Romani de Silva F.I.C.M.(SL),  
Directors Ms.Z.Z. de Silva, J.F.R. de Saram, M.A.M. Barqir Attorney at Law, Ms.M.R.L. Peiris, Ms.D.J. Arputharaj, Ms.R.M. Rahim

## THE FINANCE HOUSES ASSOCIATION OF SRI LANKA

### FORM OF PROXY

We .....

of .....

being a member/members of The Finance Houses Association of Sri Lanka hereby appoints

Mr. Roshan Hasantha Abeygoonewardena of Citizens Development Business Finance PLC	Whom failing
Mr. Kithsen Sanjeewa Bandaranayake of People's Leasing Finance PLC	Whom failing
Mr. Fransisco Kankanamalage Conrad Prasad Niroshan Dias of LOLC Finance PLC	Whom failing
Mr. Krishan Thilakeratne of Commercial Leasing & Finance PLC	Whom failing
Mr. Niroshan Udage of L B Finance PLC	Whom failing
Mr. Muthu Hennadige Priyantha Wijesekera of Softlogic Finance PLC	Whom failing
Mr. Romani Kumar Eardley Patrick De Silva of Alliance Finance Co. PLC	Whom failing
Mr. Sarath Bandara Rangamuwa of Vallibel Finance PLC	Whom failing
Mr. Arjuna Kapila Gunaratne of Central Finance Co. PLC	Whom failing
Mr. Thushan Aiyendra Amarasuriya of Singer Finance Lanka PLC	Whom failing
Mr. Dhanushka Ruwanal Fonseka of Mercantile Investment & Finance PLC	Whom failing
Mr. Bamunuachchi Mangedarage Don Chaminda Prabhath of HNB Finance Ltd	Whom failing
Mr. Hettiveediye Mudiyanseleage Ananda Seneviratne of Siyapatha Finance PLC	Whom failing
Mr Herath Mudiyanseleage Jayathilake Bandara of Fintrex Finance Ltd	Whom failing
Mr. John Paulu Irugalbandarage Shanil Dayawansa of Arpico Finance Co. PLC	Whom failing
.....	Whom failing
.....	Whom failing
.....	Whom failing

to represent and vote for us and on our behalf at the Sixty First Annual General Meeting to be held on 24<sup>th</sup> September 2020 at 10.00 a.m and at any adjournments thereof and at every poll which may be taken in consequence thereof.

As witness our hand this ..... day of .....2020



.....  
Signature

.....  
Signature

- Note:**
- (i) All members Companies should complete the above Form of Proxy and deposit same with the Company Secretaries of the Association of Alliance Management Services (Pvt) Ltd, No. 84, Ward Place, Colombo 7 on or before 21<sup>st</sup> September 2020 at 2.00 p.m.
  - (ii) The Form of Proxy should stipulate the Nominee from the Company who will be representing the Company at the General meeting and be executed under the Common Seal of the Company which should be affixed and attested in the manner prescribed by the Articles of Association of the Company.
  - (iii) The full name and address of the proxy should be entered legibly in the Form of Proxy.

# **CORPORATE INFORMATION**

## **REGISTERED OFFICE**

No. 84, Ward Place, Colombo 7.

## **Secretariat Office**

150, Ward Place, Colombo 07

## **Head of Secretariat**

Mr. Denzil Mallawa Arachchi

## **LEGAL FORM**

An Association Incorporated Under Section 21 of the Companies Act No.17 of 1982.

## **COMPANY SECRETARIES**

Alliance Management Services (pvt) Ltd  
Colombo 7.

## **AUDITORS**

L.M. Associates  
Chartered Accountants

## **BANKERS**

Commercial Bank of Ceylon Ltd



**THE FINANCE HOUSES ASSOCIATION OF SRI LANKA**

*(Incorporated under the Companies Act 7 of 2007)*

*Regd. No G.A. 10*