

The Finance Houses Association of Sri Lanka



ANNUAL
REPORT | 2020/21

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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. Associated Motor Finance PLC.



5. Asia Asset Finance PLC



6. Bimputh Finance PLC



7. CBC Finance Ltd.



8. LOLC Development Finance PLC



9. LOLC Finance PLC



10. Dialog Finance PLC



11. Central Finance PLC



12. Citizens Development Business Finance PLC



13. Commercial Credit & Finance PLC



14. Commercial Leasing & Finance PLC



15. HNB Finance PLC



16. IDEAL Finance PLC



17. Kanrich Finance PLC



18. Lanka Credit & Business Finance Ltd



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. Sinhaputhra Finance PLC



26. People's Leasing & Finance PLC



36. UB Finance PLC



27. Richard Pieris Arpico Finance PLC



37. Vallibel Finance PLC



28. Peoples Merchant Finance PLC



29. Senkadagala 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.Harasgama	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 Ondaatjie	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. WignaSellamuttu	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
Mr. Roshan Abeygoonewardena	09/11/18 - 19/11/20	CDB Finance PLC

FHA Council Members - 2020 -2021



Mr. Niroshan Udage
Deputy Managing Director -
LB Finance PLC -
Chairman- FHA



Mr. Ananda Seneviratne
CEO - Siyapatha Finance PLC -
Vice Chairman- FHA



Mr. Thushan Amarasooriya
CEO - Singer Finance PLC
Vice Chairman- FHA



Mr. Roshan Abeygoonewardena
Executive Director -
CDB Finance PLC



Mr. Krishan Thilakaratne
CEO - Commercial
Leasing & Finance PLC



Mr. Arjuna Gunaratne
Deputy CEO -
Central Finance PLC



Mr. Romani de Silva
CEO- Alliance Finance PLC



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



Mr. Conrad Dias
CEO- LOLC Finance PLC



Mr. Chaminda Prabhath
CEO- HNB Finance PLC -



Mr. Jayathilake Bandara
CEO Fintrex 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



Mr. T M A Sallay
CEO - Associated Motor Finance PLC
(Appointed to the Council from june 2021)



Mrs. Shiranthi Gunawardena
Legal Consultant - FHA



Mr. Denzil Mallowa Arachchi
Head of Secretariat - FHA-

Attendance for Council Meetings -2020/2021

(September 2020 to August 2021)

No. of Meetings held - 11

	<i>Name of Company</i>	<i>Name of Council Member</i>	<i>Attended</i>	<i>Excused</i>
1	Alliance Finance Co. PLC	Mr. Romani De Silva	11	0
2	Arpico Finance Co. PLC (up to May 2021)	Mr. N C D Fernando	5	3
3	Associated Motor Finance PLC (From June 2021)	Mr. T M A Sallay	3	
4	Central Finance Co. PLC	Mr. Arjuna Gunaratne	10	1
5	Citizen Development business & Finance PLC	Mr. Roshan Abeygoonewardena	8	3
6	Commercial Leasing & Finance PLC	Mr. Krishan Thilakeratne	9	2
7	Fintrex Finance Ltd	Mr. H M Jayathilaka Bandara	9	2
8	H N B Finance PLC	Mr. B M D C Prabhat	11	0
9	L B Finance PLC	Mr. Niroshan Udage	11	0
10	Lanka Orix Leasing & Finance PLC	Mr. Conrad Dias	10	1
11	Mercantile Investment & Finance PLC	Mr. Dhanushka Fonseka	9	2
12	Peoples Leasing & Finance PLC	Mr. Sanjeewa Bandaranayake	5	6
13	Singer Finance Lanka PLC	Mr. Thushan Amarasuriya	10	1
14	Siyapatha Finance PLC	Mr. Ananda Seneviratne	11	0
15	Softlogic Finance PLC	Mr. Priyantha Wijesekera	5	5
16	Vallibel Finance PLC	Mr. Thilak Nanayakkara	11	0

Changes of Member Companies 2020/21

Name of Company	Name of retired CEO	Name of New CEO
Sinhaputhra Finance PLC	Mr. Saliya de Alwis	Mr. Chandika Weerakoon
AMW Capital Leasing & Finance PLC	Mr. Pramuditha Mendis	Mr. Chamath Munasinghe
Dialog Finance PLC	Mr. Asanga Abeysundara	Mr. Nazeem Mohamed
MBSL Bank & Finance PLC	Mr. Jude Gamalath	Mr.Dammika Hapuhinna

Merged Members

1. Trade Finance Ltd with Commercial Credit & Finance PLC
2. Arpico Finance PLC with Associated Motor Finance PLC

Member name changes

1. Serendib Finance Ltd as CBC Finance Ltd

Chairman's Review

The year under review was idiosyncratic where the world as a whole had to face unprecedented socio-economic challenges caused by the global pandemic of Covid 19. It is needless to say, Sri Lanka being a developing country with a small economy had to face many obstacles in managing the economy whilst controlling the pandemic. The disruptions caused by the pandemic severely affected the economy and the financial system of Sri Lanka. Hence the importance of FHA, as the apex body of the Non-Banking Financial Institutions was further emphasized in this period of high uncertainty. FHA established 1958, thus far has come a long way in creating fellowship among member companies and as a collective body we have been able to conquer many obstacles which would have not been possible as individual institutions.

The overall operating environment in Sri Lanka was weakened in the year under review which is evidenced by the contraction of real GDP by 3.6% in 2020. SMEs being the backbone of the economy and the largest clientele of NBFIs, were hesitant in borrowing and investing in business opportunities due to the uncertainties caused by the evolvement of the pandemic. As a result the contribution of NBFIs to the total assets of the financial system came down to 5.9% in 2020 from 7.1% in 2019. Also the prolonged restriction on motor vehicle importation resulted in a negative manner on the growth of sector assets.

Despite all the challenges, the FHA has made every effort in building a sound and solid industry whilst discharging the duties and responsibilities towards all key stakeholders. Further we have played an instrumental role in representing the NBFI's views and concerns at the forums of policy making. Also all our actions were mainly focused in uplifting the financial inclusion in Sri Lanka which is mutually beneficial to the society as a whole and NBFIs. Moreover the role of FHA was not limited only to regulator and customers but also to other stakeholder groups such as media, government institutions, professional organizations, general public and beyond.

Further the subcommittees have been playing a key role in their respective areas which was tremendously helpful in gathering knowledge and experience in industry specific issues. I believe that, during the current period of stress the role of subcommittees became more important than ever. Finally, I would like to take this opportunity to extend my sincere gratitude to my fellow council members for their great support during the year. Also special thanks go to the Chairmen of subcommittees and its members. The role as the chairman of FHA would have never been successful without your support. So let's get together to further strengthen the NBFI sector in Sri Lanka.

Niroshan Udage
Chairman/FHA

Total Assets of the Financial System

	2019 (a)		2020 (b)	
	Rs. bn	Share (%)	Rs. bn	Share (%)
Banking Sector	14,442.1	72.0	17,087.9	72.5
Central Bank	1,919.4	9.6	2,421.6	10.3
Licensed Commercial Banks (LCBs)	10,944.0	54.5	12,828.8	54.4
Licensed Specialised Banks (LSBs)	1,578.7	7.9	1,837.5	7.8
Other Deposit Taking Financial Institutions	1,553.2	7.7	1,637.6	6.9
Licensed Finance Companies (LFCs)	1,390.8	6.9	1,367.9	5.8
Co-operative Rural Banks (c)	161.7	0.8	268.9	1.1
Thrift and Credit Co-operative Societies	0.8	0.0	0.8	0.0
Specialised Financial Institutions	286.7	1.4	415.3	1.8
Specialised Leasing Companies (SLCs)	41.9	0.2	33.7	0.1
Licensed Microfinance Companies	5.8	0.0	6.8	0.0
Primary Dealers	77.5	0.4	87.2	0.4
Stock Brokers (c)	9.7	0.0	17.1	0.1
Unit Trusts / Unit Trust Management Companies (c)	113.8	0.6	190.5	0.8
Market Intermediaries (d)	18.4	0.1	60.1	0.3
Venture Capital Companies	19.5	0.1	19.9	0.1
Contractual Savings Institutions	3,787.5	18.9	4,429.8	18.8
Insurance Companies	689.6	3.4	790.1	3.4
Employees' Provident Fund	2,540.4	12.7	2,824.3	12.0
Employees' Trust Fund	343.3	1.7	380.4	1.6
Approved Pension and Provident Funds (e)	149.1	0.7	364.9	1.5
Public Service Provident Fund	63.7	0.3	70.1	0.3
Total	20,068.2	100.0	23,570.6	100.0

(a) Revised

(b) Provisional

(c) Due to unavailability of data for Q4 2020, Q-o-Q growth for Q3 2020 was used to estimate the asset base for year 2020

(d) Includes Investment Managers, Margin Providers, Underwriters and Credit Rating Agencies and due to unavailability of data for Q4 2020, Q-o-Q growth for Q3 2020 was used to estimate the asset base for year 2020

(e) Due to unavailability of data, 2019 asset base of Approved Pension and Provident Funds was taken as same as 2018.

Source: Central Bank of Sri Lanka

Department of Co-operative Development

Department of Labour

Department of Pensions

Employees' Trust Fund Board

Insurance Regulatory Commission of Sri Lanka

SANASA Federation

Securities and Exchange Commission of Sri Lanka

Unit Trust Association of Sri Lanka

Venture Capital Companies

FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY

Assets and Liabilities of Non-Bank Financial Institutions (a)

Rs. million

End of Period	2016	2017	2018	2019	2020 (b)
ASSETS	1,211,891	1,354,991	1,431,332	1,432,675	1,401,641
Cash and Bank Balances	76,129	107,746	96,271	99,886	112,101
Cash in Hand	4,463	6,702	7,653	7,086	7,718
Demand Deposits with Commercial Banks	18,869	29,671	35,154	32,031	41,506
Time and Savings Deposits with Commercial Banks	51,175	67,187	50,323	58,854	61,992
Deposits with Other Deposit Taking Institutions	1,623	4,186	3,140	1,914	884
Investments	111,708	118,068	109,667	132,150	158,840
Investments in Government of Sri Lanka Securities	73,205	65,552	65,072	73,427	75,586
Treasury Bills	62,679	58,603	62,806	71,768	61,306
Treasury Bonds	10,526	6,949	2,266	1,659	14,280
Shares Held for Trading Investments	6,221	4,566	4,424	4,070	3,324
Debentures	1,238	2,544	5,440	3,695	4,553
Shares in Other Companies	1,561	1,821	1,731	1,859	4,409
Shares in Subsidiaries and Associate Companies	26,676	26,955	16,674	15,861	15,032
Investment Properties	11,218	14,654	18,116	25,252	29,510
Other Investments	1,543	12,461	2,431	11,728	29,505
Provision for Decline in Value of Investment Securities	-9,954	-10,487	-4,222	-3,743	-3,079
Loans and Advances (Net)	962,672	1,057,097	1,137,046	1,102,738	1,039,870
Leasing	490,412	554,274	635,651	631,800	621,833
Hire Purchase	42,241	27,183	19,112	14,824	11,771
Loans	431,332	475,989	492,413	472,302	445,343
Real Estate	2,194	2,479	2,919	2,782	2,366
Pawning Advances	27,225	35,099	43,943	59,467	71,395
Dues from Related Party	12,901	13,666	10,964	13,491	6,050
Loan Loss Provisions and Suspended Interest	-43,634	-51,594	-67,957	-91,929	-118,888
Trading Stocks	7,662	7,756	13,852	16,379	8,434
Real Estate	2,955	2,985	3,511	3,883	2,662
Repossessioned Items	4,126	4,473	9,410	10,409	3,737
Other	582	298	930	2,088	2,035
Fixed Assets	33,326	38,446	43,925	50,792	51,154
Other Assets	20,394	25,878	30,572	30,730	31,241
LIABILITIES	1,211,891	1,354,991	1,431,332	1,432,675	1,401,641
Capital Account	146,107	169,674	183,671	203,222	248,039
Paid-up Capital	64,297	66,554	71,949	82,537	84,238
Retained earnings and Reserves	81,810	103,120	111,723	120,685	163,801
Deposits	530,740	686,720	716,848	756,687	748,578
Time Deposits	507,688	655,670	681,317	722,234	710,464
Savings Deposits	22,184	30,014	34,601	33,528	37,333
Certificate of Deposits	869	1,036	929	925	780
Borrowings from	438,662	396,030	463,817	405,590	328,042
Financial Institutions	276,588	235,890	340,708	303,952	242,608
Others	162,074	160,140	123,109	101,639	85,434
Other Liabilities	96,382	102,567	66,996	67,175	76,983
No. of Institutions	53	51	48	46	43

(a) Non-Bank Financial Institutions sector represents Licensed Finance Companies and Specialised Leasing Companies

Source: Central Bank of Sri Lanka

(b) Provisional

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

Assets and Liabilities of LFCs

Licensed Finance Companies Sector						Rs .Mn
End of Period						
	Jun-17	Jun-18	Jun-19	Jun-21 ¹	Jun-21 ²	
ASSETS	1,159,024	1,348,436	1,399,705	1,362,032	1,349,951	
Cash and Bank Balances	67,472	86,496	96,826	94,064	76,581	
Cash in Hand	4,675	6,672	7,990	7,325	20,579	
Due from Banks and other institutions	62,798	79,824	88,836	86,739	56,002	
Investments	113,804	114,740	130,810	124,713	164,760	
Investments in Government of Sri Lanka Securities	73,356	70,020	76,622	64,171	80,468	
Investment in Shares	31,398	25,213	21,031	22,345	19,887	
Other Investments	18,988	24,552	37,031	41,283	67,640	
Provision for decline in value of investment securities	(9,938)	(5,045)	(3,874)	(3,086)	(3,235)	
Loans and Advances (Net)	914,590	1,070,509	1,080,994	1,050,531	1,020,440	
Leasing	461,988	564,242	605,436	615,968	572,631	
Hire Purchase	32,966	22,915	16,334	12,044	14,892	
Loans (a)	430,561	499,506	483,695	472,716	458,070	
Real Estate	2,266	2,726	3,035	2,288	11,059	
Pawning Advances	29,336	39,660	51,525	60,323	82,007	
Loan Loss Provision and suspended interest	(42,527)	(58,540)	(79,031)	(112,808)	(118,220)	
Trading Stocks (b)	7,481	11,317	16,550	12,732	6,122	
Fixed Assets	35,868	40,402	49,338	51,278	53,065	
Others Assets	19,809	24,971	25,187	28,715	28,982	
LIABILITIES	1,159,024	1,348,436	1,399,705	1,362,032	1,349,951	
Capital Account	135,155	160,829	179,147	209,636	253,816	
Deposits	590,935	697,517	769,095	728,319	761,567	
Fixed Deposits	567,263	665,461	735,786	698,076	722,729	
Savings Deposits	22,906	31,013	32,129	29,440	38,191	
Certificate of Deposits	766	1,043	1,181	803	648	
Borrowings from	351,183	388,254	385,644	359,978	272,059	
Financial Institutions	236,991	278,192	287,006	271,460	197,414	
Others	114,192	110,062	98,637	88,518	74,645	
Other Liabilities	81,751	101,835	65,819	64,099	62,508	
1 - Revised			Source : Central Bank of Sri Lanka			
2 - 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

Licensed Finance Companies Sector

Capital Adequacy Ratio %

Capital Adequacy(%)	March-17	March-18	March-19	March-20	Mar-21 ¹	Jun-21 ²
Capital Funds to Deposits (Per cent)	21.70	20.97	21.95	25.41	30.92	33.99
Borrowings to Equity (times)	2.86	2.55	2.38	1.89	1.09	1.07
Core Capital to Risk Weighted Assets (CCR) ^(a)	9.95	10.43	8.78	10.62	13.55	15.08
Capital Base to Risk Weighted Assets (RWCAR) ^(b)	10.35	10.97	10.06	11.98	14.84	16.46

Source : Central Bank of Sri Lanka

Asset Quality (%)

Asset Quality (%)	March-17	March-18	March-19	March-20	Mar-21 ¹	Jun-21 ²
Gross Non Performing Advances to Total Advances	5.20	5.93	7.82	11.56	11.32	12.99
Net Non Performing Advances to Total Advances ^(a)	1.18	1.52	2.29	3.82	2.81	3.56
Total Advances to Total Assets	79.64	78.99	78.51	76.98	75.95	75.59
Provision Coverage Ratio ^(b)	64.77	62.84	58.83	54.52	63.98	63.21

Source : Central Bank of Sri Lanka

Earnings (%)

Licensed Finance Companies Sector

Earnings (%)	March-17	March-18	March-19	March-20	Mar-21 ¹	Jun-21 ²
Return on Assets (Annualized) ^(a)	3.44	2.90	2.63	1.70	3.15	1.83
Return on Equity (Annualized) ^(b)	20.42	15.56	11.96	6.24	12.84	6.44
Interest Income to Interest Expenses	184.33	173.55	181.48	180.93	204.22	232.49
Net Interest Margin (NIM) ^(c)	7.32	7.21	7.84	7.41	7.38	7.62
Efficiency Ratio ^{(d) (f)}	62.76	66.06	69.96	77.74	62.37	73.78

Source : Central Bank of Sri Lanka

Liquidity (%)

Liquidity (%)	March-17	March-18	March-19	March-20	Mar-21 ¹	Jun-21 ²
Regulatory Liquid Assets to Total Assets	7.39	8.50	8.77	8.33	8.85	8.39
Regulatory Liquid Assets to Deposits & Borrowings	9.48	10.96	11.16	10.99	12.56	11.94

Source : Central Bank of Sri Lanka

1 - Revised

2 - Provisional

Notes

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

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	12 Months ending 31st Mar 2021*
Total Interest Income		144,041	179,114	214,604	250,874	246,233	213,589
Total Interest Expenses		69,510	97,169	123,656	138,235	136,096	104,589
Net Interest Income		74,531	81,945	90,948	112,638	110,137	109,001
Non Interest Income		22,555	28,448	34,530	37,781	36,719	39,503
Non Interest Expenses (Operating Cost)		61,676	64,888	71,120	88,073	88,008	76,938
Loan Loss Provision		6,967	6,997	17,821	24,534	33,645	25,140
Total Income		166,596	207,562	249,134	288,655	282,952	253,093
Total Expenses		138,153	169,054	212,596	250,842	257,749	206,666
Profit for the period (Before Taxation)		28,443	38,508	36,537	37,813	25,202	46,426
Profit for the period (After tax)		16,478	24,143	21,674	19,824	11,525	28,595

Source : Central Bank of Sri Lanka

* Provincial

Branch Network of LFCs

Licensed Finance Companies Sector

	March- 2016	March- 2017	March- 2018	March- 2019	March- 2020	March- 2021
Province						
Central	130	140	148	155	155	164
Eastern	94	100	105	105	112	120
North Central	83	90	93	94	96	106
North Western	126	130	141	146	152	166
Northern	72	75	77	81	84	98
Sabaragamuwa	88	101	104	107	110	116
Southern	125	132	138	144	144	163
Uva	57	62	63	63	62	71
Western	376	403	421	441	472	526
Total	1,151	1,233	1,290	1,336	1,387	1,530

Source : Central Bank of Sri Lanka

*During the quarter one Specialised Leasing Company (SLC) merged with

-an existing Licensed Finance Company (LFC)

**Provisional

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
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 Annual	1,613	38,232	15,490	13,459	284,301	3,738	1,485	3,479	2,217	1,970	367,303
2020 Annual	578	21,021	7,150	9,532	151,634	3,000	941	4,482	1,543	2,277	202,628
2019 1st Qtr	401	11,179	5,635	3,543	78,936	1,196	662	746	702	597	103,671
2nd Qtr	244	7,060	3,044	2,667	72,467	810	265	844	529	451	88,770
3rd Qtr	454	10,335	3,465	3,723	72,325	963	240	656	443	563	93,685
4th Qtr	514	9,658	3,346	3,526	60,573	769	318	1,233	543	359	81,177
2020 1st Qtr	295	8,602	4,012	3,831	61,186	762	286	545	244	635	80,649
2nd Qtr	63	6,106	1,964	2,661	37,324	544	133	703	204	368	50,166
3rd Qtr	149	5,340	1,064	2,600	45,889	1,081	296	1,580	600	911	59,627
4th Qtr	71	973	110	440	7,235	613	226	1,654	495	363	12,186
2019 December	93	3,041	938	1,106	19,616	226	89	234	216	156	25,815
2020 January	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
May	27	2,929	812	1,045	11,942	138	38	313	56	59	17,408
June	36	3,177	1,152	1,616	25,382	406	95	390	148	309	32,758
July	47	2,688	698	1,351	22,725	446	103	395	274	390	29,176
August	40	1,611	234	767	14,035	331	51	428	137	272	17,938
September	62	1,041	132	482	9,129	304	142	757	189	249	12,513
October	16	279	57	157	3,137	124	48	349	89	54	4,315
November	20	254	29	123	1,856	180	62	289	158	69	3,041
December	35	440	24	160	2,242	309	116	1,016	248	240	4,830
2021 January	25	369	22	141	1,255	303	133	505	93	504	3,350
February	86	516	17	108	1,278	266	178	496	220	496	3,661

(a) Including single cabs.

(b) Including other goods transport vehicles and special purpose vehicles.

(c) Total may differ from sum of sub-categories from 2018 due to the inclusion of two new vehicle categories, quadricycles and motor homes.

(d) Provisional

Source- Monthly Bulletin - Central Bank of Sri Lanka

Activities during the Year

2020/21

Submission of FHA Policy Documents to the CBSL Governor

Titled ‘Code of Conduct of Licensed Finance Companies Sri Lanka’ the updated instrument was handed over to the Governor of Central Bank of Sri Lanka Prof. W.D. Lakshman and Bank’s officials by FHA Council members on 18 March 2021 at the Central Bank premises.

The overall objectives of updating the Code were to comply with all current regulatory and legal requirements while adhering to industry best practices. We take humble pride in the fact that the Code was not imposed on our sector by any authority but was self-introduced by all FHA members on their own will, which demonstrates the members’ strong commitment to sectoral integrity and their social responsibility.

The members of FHA also handed over their ‘Sustainability Mandate’ to the Governor of Central Bank of Sri Lanka, Prof. W.D. Lakshman and to the top officials of the Bank.

The purpose of the Sustainability Mandate is to serve as the guideline for the LFCs to integrate sustainability principles holistically into their businesses, enabling sustainable value creation through their own financing approaches, in line with defined sustainability guidelines that would ultimately contribute towards national sustainability agenda and UN Sustainable Development Goals. As a growing number of financial institutions in the world are adopting policies, systems, and lending practices that reduce the environmental impact of their operational footprint, it is time Sri Lankan LFCs actively follow suit. We are making sure that financing practices for economic development shall not come at the cost of our ecosystems and our future generations.



Activities of FHA Sub Committees

Compliance Forum of the Finance Houses Association of Sri Lanka -

The sub-committee on compliance was re-branded as the Compliance Forum of the Finance Houses Association of Sri Lanka, to bring in line with the names of the other specialist groups in the FHA. The rebranding was approved by the general membership, subsequent to obtaining consent of the FHA chair.

The theme of the Compliance Forum was announced as the creation of a compliant culture across the compliance officers of the in industry and amongst the industry stakeholders in general. With this theme in mind the executive committee installed the following action pillars.

1 Knowledge and skill enablement

In this regard four (4) knowledge sharing sessions were conducted via an online platform on topics of extreme relevance to the compliance fraternity. The resource personnel were drawn from the senior officers of the Central Bank of Sri Lanka as well as from the industry.

2. Enriching regulator relationships

As it is necessary to have good working relationships with the relevant departments of the Central Bank of Sri Lanka, delegations of the executive committee met the respective directors and senior officials of the Department of Supervision of Non-bank supervision, Financial Intelligence Unit and Financial Customer Relations Department. Further to the meetings with the industry regulator, relationships were forged with compliance officers of the licensed commercial banks.

3. Establishing a qualification framework

Discussions were held with the Institute of Bankers of Sri Lanka to install a degree level qualification for the compliance profession. Discussions are underway and the executive committee is optimistic of having same installed in the academic year commencing 2022-23.

4. Convenient access to regulations

As a quick and reliable access to information is key to the effectiveness and efficiency of the compliance officers, the Compliance Forum was taking forward the initiative of the previous executive committee of publishing an updated version of the relevant regulations, as a sequel to the Central Bank of Sri Lanka publication of 2013. As validity and reliability of such information published is critical, executive committee requested the Director to expedite the publication of the updated version of the regulations handbook.

Executive Committee 2020-21

Mr.Jithendra Gunatilake	Chairman	LOLC Finance PLC
Mr.Suranga Jayaweera	Immediate Past Chairman	Singer Finance PLC
Mr.Varuna Perera	Vice Chairman	Commercial Credit & Finance PLC
Ms.Mahika Rajakaruna	Secretary	Siyapatha Finance PLC
Mr.Ramesh Fonseka	Asst. Secretary	Prime Finance PLC
Ms.Zaira Kaleel	Member	Peoples Leasing and Finance PLC
Ms.Dilini Wijatilake	Member	Vallibel Finance PLC
Mr.Thushara Ranatunga	Member	Senkadagala Finance PLC
Mr.Roshan Hewarge	Member	Commercial Leasing and Finance PLC
Mr.Amila Gunwardena	Member	HNB Finance PLC

Activities and Initiatives Carried Out by FHA HR Subcommittee - 2020/2021

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. Mr. Prasad Udugampola - Chief Human Resources Officer of Siyapatha Finance serves as the current President of the FHA HR Sub Committee and Mr. Thushan Amarasuriya Chairman for Education & Training and HR Chief Executive officer of Singer Finance PLC represents the main FHA Council. Mr. Prasanna Kalinga from LB Finance PLC and Ms. Shehani Peiris from Siyapatha Finance PLC respectively perform as the Vice President and Secretary of the FHA HR Sub Committee. Under the leadership and guidance of Mr. Niroshan Udage - Chairman of FHA and Director LB Finance, Mr Ananda Seneviratne - Vice Chairman FHA and Managing Director of Siyapatha Finance PLC and other Executive members of the council, the HR Sub Committee initiated a number of activities during year that covered a wide range of scope.

Committee Meetings

The HR Sub Committee Terms of Reference (TOR) was introduced to the HR fraternity of the NBFIs sector with the purpose of networking, knowledge sharing, and development of relationships. In order to achieve key objectives of the Committee it was essential to have prompt and transparent communication amongst the members, hence a WhatsApp group was created to facilitate this process. During the year 2020-2021, Ten (10) HR Sub Committee meetings were conducted through a virtual platform with an average participation of more than 25 members per meeting and the relevant summary reports have been submitted to the main council periodically.

Code of Conduct and Sustainability Mandate

Following the direction of the FHA main Council, the FHA Code of Conduct and Sustainability Mandate was introduced and implemented in order to lay out vital framework, promote ethical and professional conduct and offer clear directions by ensuring self-initiated actions to serve, reflect and reinforce our FHA Values, thereby keep pace with the altering developments in the areas of law, regulation and professional ethics. FHA code of conduct reflects commitment to quality and excellence with impartial business practices that interconnect individuals and Organization.

Human Capital Development

With a clear mandate to develop human capital and enhance productivity by maintaining the high professional standards across the NBFI Sector, the HR Sub Committee initiated Cross Functional Teams (CFT) to identify the most suitable methods to encounter the challenges faced by the HR fraternity. Amongst the numerous key objectives initiated by the HR Sub Committee, the Employee movement register, Salary survey, IR & ER Teams that were instated to improve professional standards and ethical behavior amongst the member companies are a few of the highlighted objectives. The committee also intends to find solutions to Talent drought and upgrade the skills and competencies of the existing staff whilst attracting fresh blood to the NBFI sector by developing the NBFI sector brand image.

As an initiation to enhance skills, knowledge and professional standards of the members, the Sub Committee has successfully organized several training programmes with reputed institutions and subject experts especially in the areas of Human skills and Conceptual skills development, on a virtual platform with an average participation of over 150 participants per session. The HR Sub Committee is conjoined with other Sub Committees of the FHA and nominates team members for the Risk, Recovery, Compliance and Credit training programs conducted by relevant forums of FHA. Furthermore the Sub Committee has partnered with reputed institutions such as the Institute of Credit Management to uplift the professional standards of the NBFI sector.

Health, Safety & Work Life Balance

Under the New Normal Conditions of the COVID 19 pandemic, an initiation was taken by allocating prime consideration to improve the Health and Safety of team members, their families and valued customers. Initially necessary action was taken to enhance the awareness and prevention methods by consulting reputed subject experts in the Covid 19 prevention unit of the state. The Health and Hospitalization Benefits Scheme was introduced offering cost and service benefit for the FHA team members with a mutual agreement in place with Nawaloka Hospitals PLC.

Furthermore, the FHA HR Sub Committee guided its members following legal consultations offered by the Labour Department and The Employer's Federation of Ceylon (EFC) through several online programmes/webinars on new normal conditions and legal implications pertaining to the pandemic.

To secure the “work life” balance and enhance the productivity of the team members of FHA Companies, the HR Sub Committee has forwarded an appeal to reconsider the proposed new guidelines pertaining to the working hours of the private sector. This earnest request which offers a positive feedback on employee “work life” balance, was submitted to the relevant regulatory authorities.

FHA Legal Circle and its activities during the year

The first meeting of the legal circle, after appointing new Chairman of FHA was conducted on 21.12.2020, in the Auditorium of LB Finance PLC as a physical meeting and Mr. Niroshan Udage, Chairman of FHA chaired the meeting.

The member of legal circle raised the issues related to the legal matters of their companies and Mrs. Shiranthi Gunawardena, Legal advisor of FHA made proposals for the solutions for some of those issues.

Some of the matters discussed at the meeting;

- Refusing of accepting complaints for repossession of vehicles from LFCs.
- Not allowing peruse Court Motion Books and Day Books.
- Limited access (per day) to peruse case records

The Chairman of Legal Circle participated for Meeting on 25 01.2021 at 2.00 pm at Ministry of Justice with Mrs. Shiranthi Gunawardena and two other members of Legal Circle.

Mrs. Shiranthi Gunawardena had a meeting with the Registrar General on 22.12.2020, to discuss issues related to the LFCs specially for notary related matters i.e. Registration of power of attorney, Registration of Caveats etc.

Members of the legal circle were facilitated to participate for webinars organized by the Bar Association of Sri Lanka and get improved their knowledge.

As per the request of the CBSL three members of the legal circle were nominated and represented FHA for the Committee to drafting of proposed Finance Asset Management (FAMA) Bill.

The members were made aware to the 'CORONAVIRUS DISEASE 2019 (COVID - 19) Act No.17 of 2021' which will be in operation from 1st March 2020.

Legal Circle actively participated for the proposed amendments to the existing Finance Leasing Act, as per the request made to the FHA by the DSNBFI, CBSL during the respective period.

The members of the Legal Circle made a remarkable contribution to success of the case filed to release vehicles of which absolute ownerships are with LFCs from an unauthorized money lender.

During the period of curfew and travel restrictions in the country, the members of legal circle were facilitated to share the related legal issues of respective companies using WhatsApp, zoom and other social medias.

FHA Sub Committee for Sustainable Finance

Introduction

‘Sustainable Finance can be broadly defined as financial services integrating environmental, social and governance (ESG) criteria into the decision-making process and business activities of firms, aiming at long lasting benefits for the firm, its clients and the society at large. However, there is no single, agreed global definition on what constitutes Sustainable Finance. Green Finance is a component of Sustainable Financing. Green Finance, in general, refers to the channelling of financial flows towards meeting the challenges of climate change and the transition into a low-carbon economy. The Organisation for Economic Co-operation and Development (OECD) defines Green Finance as finance for achieving economic growth while reducing pollution and greenhouse gas emissions, minimising waste and improving efficiency in the use of natural resources. Today, as a consequence of population growth, environmental degradation, climate change, poverty and inequality, Sustainable Finance practices are fast becoming the future in banking. The United Nations (UN) also recognised the importance of sustainable development and introduced the Sustainable Development Goals (SDGs) to address such challenges and call for action by all countries to promote prosperity while protecting the planet.’

Background

‘The importance of initiating Sustainable Finance in Sri Lanka has been widely discussed among the stakeholders of the financial sector. In 2016, the Central Bank joined the International Finance Corporation (IFC) supported Sustainable Banking Network (SBN), which represents 86 per cent of banking assets in emerging markets’

The CBSL Roadmap for Sustainable Finance

‘The Roadmap for Sustainable Finance was launched in June 2019 with the financial assistance of the Biodiversity Finance Initiative (BIOFIN) of the United Nations Development Programme (UNDP) along with technical assistance of the IFC. The Roadmap was developed in consultation with stakeholders including the Sri Lanka Banks’ Association (Guarantee) Ltd. (SLBA), the Finance Houses Association of Sri Lanka, the Insurance Regulatory Commission of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.’

[Source :Page 193, Annual Report Central Bank of Sri Lanka(2020).]

FHA Sustainability Mandate

FHA published this mandate on November 2020 with the agreement of all LFCs. The purpose of this mandate is to serve as the guideline for the Licensed Finance Companies (LFCs) in Sri Lanka to integrate sustainability principles holistically into their businesses, enabling sustainable value creation through their own sustainable finance approaches, in line with defined sustainability guidelines, that would ultimately contribute towards the national sustainability agenda and the UN Sustainable Development Goals.

FHA has initiated a sub committee for Sustainable Finance with the representation of all member companies, The sub committee will;

- Share the information and new developments related to sustainability
- Undertake periodic assessment of the alignment of the companies with the FHA sustainability mandate
- Explore ways and means to strengthen the contribution of the member companies to the national and global sustainability priorities such as UN SDGs
- Issue periodic disclosures on the member commitment to the national and global sustainability priorities
- Work collaboratively to organize training sessions, workshops and events that will facilitate awareness creation, knowledge sharing and continued dialogue to promote sustainable development

It is noted that whilst many member Companies are making their own individual efforts to become more sustainable, overall there is a lack of cohesion in terms of an industry strategy to create a significant impact to the sustainability imperative which is of critical importance both from a national and global perspective.

Given the fact that the NBFIs industry is best placed to make a positive impact by virtue of serving rural and marginalized customers at the base of the pyramid, it will be the mandate of the sustainability Committee to function as a catalyst and open up opportunities to create the desired ESG outcomes as detailed above.

CEO's of member companies are thus required to push the sustainability agenda in their respective boardrooms in the coming year to enable the industry to raise the bar in the context of sustainable business practices. We hope to receive the fullest co-operation and support for these worthy initiatives which will positively impact society and the environment.

Financial statement and Auditors Report

2020/21

L M ASSOCIATES

CHARTERED ACCOUNTANTS

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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 2021, 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 2021, 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.



A.M.Jawaamil FCA, FCMA, B.Com (Hons), M.Thavaraj FCA, FCMA, J.F. Zahraa ACA, BBA (Finance), MAAT

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: 31/03/2021

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

For the year ended 31 March	Note	2021 Rs.	2020 Rs.
Income	3	2,718,750	5,787,278
Other income	4	2,114,404	2,099,916
Gross income		4,833,154	7,887,195
Administrative expenses	5	(6,388,840)	(5,585,759)
Surplus before Interest & Taxation		(1,555,686)	2,301,435
Finance costs	6	(13,400)	(12,946)
Net Surplus / (Deficit) before Taxation		(1,569,086)	2,288,490
Income tax expense	7	(332,661)	(387,693)
Net Surplus / (Deficit) after Taxation		(1,901,747)	1,900,797

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

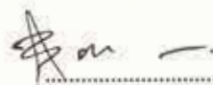
As at 31 March	Note	2021 Rs.	2020 Rs.
ASSETS			
Non Current Assets			
Property, Plant and Equipment	8	223,610	324,430
Investment - Fixed Deposits	9	10,950,255	9,950,255
Investment - shares	10	37,410	37,410
		<u>11,211,275</u>	<u>10,312,095</u>
Current Assets			
Due from Members	11	-	445,330
Due from Related party	12	82,288	89,288
Deposit and Advance	13	531,120	806,120
Other Receivables	14	466,420	195,958
Cash and Cash Equivalents	15	419,837	2,611,650
		<u>1,499,665</u>	<u>4,148,346</u>
Total Assets		<u>12,710,940</u>	<u>14,460,441</u>
FUNDS AND LIABILITIES			
FUNDS			
Accumulated funds		5,029,583	6,990,495
Other funds	16	6,795,401	6,594,968
		<u>11,824,984</u>	<u>13,585,463</u>
Non Current Liabilities			
Retirement Benefit Obligations	17	553,691	472,905
		<u>553,691</u>	<u>472,905</u>
Current Liabilities			
Trade and Other Payables	18	152,577	271,457
Income Tax	19	179,688	130,617
		<u>332,265</u>	<u>402,074</u>
Total Equity and Liabilities		<u>12,710,940</u>	<u>14,460,441</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 27.08.2021


Chairman




Vice Chairman

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

For the year ended 31 March 2021

ACCUMULATED AND OTHER FUNDS

	Accumulated Fund Rs.	Development Fund Rs.	Building Reserve Rs.	Legal Circle Fund Rs.	Medical Fund Rs.	NBF1 Sector Stability Fund Rs.	HR Sub-commun Fund Rs.	FHASL Compliance Sub Com Fund Rs.	FHASL PR Campaign Fund Rs.	Other Funds Total Rs.
Balance as at 1 April 2019	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 Surplus for the year	1,900,797	-	-	-	-	-	-	-	-	-
Transfers	(851,205)	-	-	-	-	-	-	851,205	-	851,205
Prior year adjustment	(22,197)	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	6,990,495	1,242,641	1,350,000	300,000	29,000	1,873,787	187,341	1,612,199	-	6,594,968
Balance as at 1 April 2020	6,990,495	1,242,641	1,350,000	300,000	29,000	1,873,787	187,341	1,612,199	-	6,594,968
Fund received during the year	-	-	-	-	-	-	-	-	2,900,000	2,900,000
Expenditure for the year	-	-	-	-	-	-	-	(32,482)	(2,726,250)	(2,758,732)
• Net Surplus / (Deficit) for the year	(1,901,747)	-	-	-	-	-	-	-	-	-
Transfers	(59,165)	-	-	-	-	-	-	59,165	-	59,165
Balance as at 31 March 2021	5,029,583	1,242,641	1,350,000	300,000	29,000	1,873,787	187,341	1,638,882	173,750.00	6,795,401

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 CASH FLOWS

For the year ended 31 March	2021 Rs.	2020 Rs.
Cash flows from operating activities		
Net profit / (loss) before Taxation	(1,569,086)	2,288,490
Adjustments for:		
Depreciation	100,819	110,885
Prior year adjustment	-	(22,197)
Gratuity over provision	80,787	116,434
Interest Income	(1,400,260)	(1,450,827)
Operating profit before working capital changes	(2,787,741)	1,042,784
(Increase)/decrease in other receivables	(270,462)	(21,513)
(Increase)/decrease in due from members	452,330	(27,818)
(Increase)/decrease in Deposit and Advance	275,000	(365,000)
Increase/(decrease) in trade and other payables	(118,880)	(34,515)
Cash generated from operations	(2,449,752)	593,938
WHT Paid	-	(53,403)
Income Tax paid	(283,589)	(290,912)
Net cash flow from operating activities	(2,733,342)	249,623
Cash Flows from investing activities		
Purchases of property, plant and equipment	-	(20,930)
Interest Received	1,400,260	1,450,826
Investment in fixed deposits & others	(1,000,000)	(65,195)
Net cash used in investing activities	400,260	1,364,702
Cash flows from finance activities		
Share of other funds	141,268	(104,180)
Net cash used in finance activities	141,268	(104,180)
Net Increase in cash and cash equivalents	(2,191,813)	1,510,145
Cash and cash equivalents at the beginning of the year	2,611,650	1,101,505
Cash and cash equivalents at the end of the year	419,837	2,611,650
Cash and cash equivalents comprises		
Cash and bank balances	419,837	2,611,650

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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.



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

For the year ended 31 March 2021

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 Committee 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 activities 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.

g) FHASL PR Campaign Fund

This fund is maintained by FHASL for the usage of expenses related to public awareness and publicity.

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:

	Rates %
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 2021

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.

c) Other Incoming resources

Income realized from Sports Festival, 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 2021

2.5 Income and Expenditure Account

2.5.1 Income recognition

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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		2021	2020
		Rs.	Rs.
3. Income			
Membership Subscription		2,518,750	2,556,667
Membership Fee		200,000	200,000
Excess Income on Sports Festival	3.1	-	584,954
Excess Income on Seminars	3.2	-	2,343,281
Directors Get together	3.3	-	102,376
		<u>2,718,750</u>	<u>5,787,278</u>
3.1 Excess Income on Sports Festival			
Income		-	3,525,523
Less: Expenses		-	(2,940,569)
		<u>-</u>	<u>584,954</u>
3.2 Excess Income on Seminars -			
3.2.1 Seminar "THE PROACTIVE OF NBFIS IN DRIVING THE SME SECTOR"			
Income		-	4,311,400
Less: Expenses		-	(3,313,960)
		<u>-</u>	<u>997,440</u>
3.2.2 Seminar "SPEEDY RECOVERY PROCESS"			
Income		-	290,000
Less: Expenses		-	(177,041)
		<u>-</u>	<u>112,959</u>
3.2.3 Seminar "GROWING CUSTOMERS "			
Income		-	250,000
Less: Expenses		-	(188,773)
		<u>-</u>	<u>61,227</u>
3.2.4 Seminar "IMPACT OF SLFRS-9"			
Income		-	328,750
Less: Expenses		-	(173,040)
		<u>-</u>	<u>155,710</u>



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

For the year ended 31 March	2021	2020
3.2.5 Compliance Symposium		
Income	-	2,113,845
Less: Expenses	-	(1,097,900)
	-	1,015,945
Total Excess Income over expenditure	-	2,343,281
3.3 Directors Get-to-gather		
Income	-	972,994
Less: Expenses	-	(870,618)
	-	102,376
4. Other Income		
Interest Income	4.1 1,400,260	1,450,827
Reimbursement from LASL	440,000	360,000
Administration Fees	60,000	60,000
Staff Loan Interest	4,876	7,361
Reimbursement of rent from SLICM	189,228	174,333
Sundry Income	20,040	47,395
	2,114,404	2,099,916
4.1 Interest Income		
Gross Interest Income	1,400,260	1,450,827
	1,400,260	1,450,827
5. Administrative Expenses		
Salaries & Wages	1,938,879	1,806,683
Employees' Provident Fund	232,665	216,802
Employees' Trust Fund	58,166	54,200
Staff Welfare	6,500	-
Special allowance	49,650	49,650
Travelling Allowance	240,000	240,000
Fuel Allowance	36,000	36,000
LASL allowance	260,000	180,000
Amount carried forward to next page	2,821,861	2,583,335



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

For the year ended 31 March

	2021 Rs.	2020 Rs.
Balance brought forward from previous page	2,821,861	2,583,335
Entertainment Allowance	240,000	240,000
Office Welfare	4,550	9,418
Gratuity	80,787	116,434
Rent	892,140	871,666
Written off	-	142,000
Printing & Stationery	262,625	162,348
Electricity	54,952	90,208
Secretarial Fee	124,351	141,075
Telephone Charges	49,758	67,596
Mobile Telephone Charges	17,000	15,000
Internet / E-Mail Charges	3,372	4,631
Postage	3,450	6,605
Travelling & Transport	14,730	16,665
Audit Fees	100,000	100,000
Book Keeping Charges	90,000	-
Legal Opinion Charges	666,667	-
Rent Agreement Charges	27,500	-
Depreciation	100,819	110,885
AGM Expense	37,245	53,380
Ceylon Chamber of Commerce Fee	32,400	35,204
Sundry Expense	28,128	28,980
Office Equipment Maintenance	109,109	23,889
Repair Maintenance	-	45,800
Bonus	323,146	440,654
Website Update Charges	18,000	45,450
Website Development Charges	198,000	-
Cleaning Charges	33,800	40,250
Water Charges	9,950	9,023
Auditor's Fees for Attending IRD	-	4,000
Compliance Meeting on 20.01.2020	-	65,000
HR Consultancy Fees	24,000	10,000
Compliance Training - 10.10.19	*	40,575
Professional Fee	20,500	65,690
	<u>6,388,840</u>	<u>5,585,759</u>
6. Finance expenses		
EPF Surcharge	-	600
Bank Charges	13,400	12,346
	<u>13,400</u>	<u>12,946</u>
7. Income tax expenses		
Income tax for the year	<u>332,661</u>	<u>387,693</u>



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

As at 31 March 2021

8. Property, Plant & Equipment

	Cost -Rs.		
	01.04.2019	(Disposals)	Balance as at 31.03.2020
Furniture & Fittings	185,754	-	185,754
Computer Equipment	525,853	-	525,853
Office Equipment	529,161	-	529,161
	<u>1,240,767</u>	<u>-</u>	<u>1,240,767</u>
Accumulated Depreciations -Rs.			
	Balance as at 01.04.2019	Depreciation for the year	Balance as at 31.03.2020
Furniture & Fittings	159,696	5,188	164,884
Computer Equipment	404,863	38,092	442,955
Office Equipment	351,779	57,539	409,318
	<u>916,338</u>	<u>100,819</u>	<u>1,017,157</u>
Net book value	<u>324,430</u>		<u>223,610</u>

As at 31 March

	2021 Rs.	2020 Rs.
9. Investments - Fixed Deposit		
Commercial Leasing & Finance PLC	2,800,000	2,800,000
LB Finance PLC	3,150,000	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	338,800
City Finance Corporation Ltd	17,054	17,054
Central Investments Finance PLC	41,362	41,362
	<u>10,950,255</u>	<u>9,950,255</u>
10. Investment in Shares		
Lanka Credit and Business Finance Ltd	37,410	37,410
	<u>37,410</u>	<u>37,410</u>
11. Due from members		
Receivable from Mr Denzil	-	24,260
Other due from members	Note 11.1	421,070
	<u>-</u>	<u>445,330</u>



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

As at 31 March	2021 Rs.	2020 Rs.
11.1 Other due from members		
Receivable from seminar	-	350,000
Photocopy income	-	6,070
Orient Finance PLC - Annual Subscription	-	65,000
	<u>-</u>	<u>421,070</u>
12. Due from Related Party		
LASI - Secretarial Fee	50,000	60,000
SLICM - Rent	32,288	29,288
	<u>82,288</u>	<u>89,288</u>
13. Deposit and Advance		
Receivables - Sponsorship	90,000	365,000
Rent Deposit	439,320	439,320
Other deposits - American Water	1,800	1,800
	<u>531,120</u>	<u>806,120</u>
13.1 Sport Festival	-	65,000
SM On 17th & 18th February 2020	90,000	300,000
	<u>90,000</u>	<u>365,000</u>
14. Other receivables		
Staff Loan	231,374	-
Interest receivable	235,046	195,958
	<u>466,420</u>	<u>195,958</u>
15. Cash and Cash Equivalents		
Commercial Bank of Ceylon Ltd. Colombo 07	(52,031)	(200,074)
Commercial Bank Saving A/C	456,868	2,796,723
Cash in hand	15,000	15,000
	<u>419,837</u>	<u>2,611,650</u>
16. Funds		
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	1,638,882	1,612,199
HR Sub Committee Fund	187,341	187,341
FHASL PR Campaign Fund	173,750	-
	<u>6,795,401</u>	<u>6,594,968</u>



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

As at 31 March		2021 Rs.	2020 Rs.
17. Retirement benefit obligations			
Balance as at 01st April 2020		472,905	356,471
Provision for the year		80,786	116,434
Over provision		-	-
Balance as at 31st March 2021		<u>553,691</u>	<u>472,905</u>
18. Trade and other payables			
HR Get-together		-	-
Accruals	18.1	<u>152,577</u>	<u>271,457</u>
		<u>152,577</u>	<u>271,457</u>
18.1. Accruals			
E-Mail Charges		-	1,952
Rent		-	73,220
Petty cash - Mr. Denzil		-	5,691
Electricity		11,706	7,647
Seminar - Ex-gratia		10,000	60,000
HR Consultancy fee		-	4,000
Secretarial fee		-	8,841
Audit Fees Payable		100,000	100,000
PAYE Payable		871	871
Telephone Charges		-	9,234
Bookkeeping Charges		30,000	-
		<u>152,577</u>	<u>271,457</u>
19. Income Tax			
Balance as at 01.04.2020		130,617	87,238
Provision for the year		332,661	387,693
WHT Paid		-	(53,403)
Income tax paid during the year		(283,589)	(290,912)
Balance as at 31.03.2021		<u>179,688</u>	<u>130,617</u>
20. Transaction with key management persons (KMPs) & related party			
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 2021

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.

Name of the company	Nature of transaction	Transaction Value Rs.	Outstanding balance as at 31.03.2021 Rs.
The Finance Houses Consortium (Pvt) Ltd	Administration Fees	60,000	60,000
Sri Lanka Institute of Credit Management	Rent	189,228	32,288
Leasing Association of Sri Lanka	Secretarial Services	440,000	50,000

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

Name of the Company	Name of Member of Council Management	Investment in Fixed deposits 31.03.2021 Rs.
LB Finance PLC	Mr. Niroshan Udage	3,150,000.00
LOLC Finance PLC	Mr. Conrad Dias	2,575,000.00
Peoples Leasing & Finance PLC	Mr. Sanjeeva 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

There have been no material events occurring after the Reporting Date that require adjustment to or disclosure in the Financial Statements.





Alliance Management Services (Private) Limited

Company Reg. No. PV 913

Telephone : 94-11-2 673673 Fax : 94-11-2 697205 E-mail : alserve@sltnet.lk

THE FINANCE HOUSES ASSOCIATION OF SRI LANKA

NOTICE

Notice is hereby given that the Sixty Second Annual General Meeting of The Finance Houses Association of Sri Lanka will be held on Wednesday 29th September, 2021 at 11.00 a.m – Virtual Meeting

Agenda

1. To receive and adopt the Audited Accounts for the year ended 31st March 2021 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**

06th September 2021

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

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. Niroshan Udage of L B Finance PLC	Whom failing
Mr. Hettiveediye Mudiyanseelage Ananda Seneviratne of Siyapatha Finance PLC	Whom failing
Mr. Thushan Aiyendra Amarasuriya of Singer Finance Lanka PLC	Whom failing
Mr. Roshan Hasantha Abeygoonewardena of Citizens Development Business Finance PLC	Whom failing
Mr. Krishan Thilakeratne of Commercial Leasing & Finance PLC	Whom failing
Mr. Arjuna Kapila Gunaratne of Central Finance Co. PLC	Whom failing
Mr. Romani Kumar Eardley Patrick De Silva of Alliance Finance Co. PLC	Whom failing
Mr. Fransisco Kankanamalage Conrad Prasad Niroshan Dias of LOLC Finance 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. Herath Mudiyanseelage Jayathilake Bandara of Fintrex Finance Ltd	Whom failing
Mr. Muthu Hennadige Priyantha Wijesekera of Softlogic Finance PLC	Whom failing
Mr. Thilak Nanayakkara of Vallibel Finance PLC	Whom failing
Mr. Kithsen Sanjeeva Bandaranayake of People's Leasing Finance PLC	Whom failing
Mr. Tuan Mohamed Anif Sallay of Arpico Finance Co. PLC	Whom failing
.....	Whom failing

of

to represent and vote for us and on our behalf at the Sixty Second Annual General Meeting to be held on 29th September 2021 at 11.00 a.m and at any adjournments thereof and at every poll which may be taken in consequence thereof.

As witness our hand this day of2021



.....
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 27th September 2021 at 11.00 a.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

No : 150/3, Word Place, Colombo 07

Tel: 0112 670335

E-mail : finass@sltnet.lk

Web : www.fhalanka.lk