

60 Years of driving change



The Finance Houses Association of Sri Lanka
Annual Report 2017/18

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60 Years of driving change

The Finance Houses Association has much to report today, for this year we celebrate our Diamond Jubilee, marking 60 years of diligent service to the nation.

Composed of a formidable force of individual finance entities, the Association exemplifies the characteristics we have chosen to guide us on our journey; our legal and financial expertise, our spirit of caring and our corporate values of integrity and trust. These are the strong fundamentals that have served us well over the years and through the many challenges we have overcome.

This report describes the influential role the finance companies have played over the past 60 years, in supporting the banking and financial community by building bankable customers, and enabling financial inclusion across the island. Together, the companies offer guidance and assistance in the implementation of regulations, representing the membership at high-level discussions with banking and legal authorities, and lobbying for better legislation.

Overall, this has been a great year for the Association and we look forward to achieving even greater success ahead. We're proud to celebrate our 60th anniversary today. But we take even greater pride in how we reached this significant milestone of our journey: through our commitment to serving the nation with value, knowledge and trust - 60 powerful years of driving change.



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About Us

As the apex body of the NBFIs in Sri Lanka, for 60 years, 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.

CURRENT ACTIVITIES

FHA is presently involved in conducting staff training programmes, action to project a more positive public image of the Licensed Finance Companies (LFC) community, and organising social activities that would consolidate the camaraderie among the LFC community. The services provided include, guidance in implementation of regulations issued by regulatory authorities; representing the membership at discussion with officials of Central Bank, the Commissioner of Motor Traffic, the Commissioner General of Inland Revenue, and the banking and financial community at large. Seminars, Workshops and training for the employees of our members are also organised on a regular basis.

The Legal Circle of the Association provides a forum for the Legal officers to discuss common legal issues, suggest amendments and improvements to the present laws and administration of justice and take concerted action. The annual sports festival has turned out to be an iconic project for the development of fellowship among employees of the FHA member companies.



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.
- 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.
- Developing social contact through informal get-togethers.

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.

The FHA works very closely with the Leasing Association of Sri Lanka, the Sri Lanka Institute of Credit Management and the Credit Information Bureau of Sri Lanka, in order to attain the above objectives and provide the above services.

It is represented on the Ceylon Chamber of Commerce, the Credit Information Bureau of Sri Lanka, and the Sri Lanka Institute of Credit Management.

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. Bimputh Finance PLC



8. BRAC Lanka Finance PLC



9. Colombo Trust Finance PLC



10. Central Finance Co. PLC.



11. Citizens Development Business Finance PLC



12. Commercial Credit & Finance PLC



13. Commercial Leasing & Finance PLC



14. ETI Finance Ltd



15. HNB Grameen Micro Finance Ltd



16. Ideal Finance Ltd



17. Kanrich Finance Ltd



18. L.B. Finance PLC



19. LOLC Finance PLC



20. Mercantile Investments & Finance PLC



21. Merchant Bank of
Sri Lanka & Finance PLC



23. Nation Lanka Finance PLC



25. People's Leasing & Finance PLC



27. Richard Pieris
Arpico Finance Ltd



29. Senkadagala
Finance Co. PLC



31. Singer Finance (Lanka) PLC



33. Softlogic Finance PLC



35. Siyapatha Finance PLC



37. The Multi Finance Co. PLC



39. TKS Finance Ltd



41. Vallibel Finance PLC



22. Regal Finance Ltd



24. Orient Finance PLC



26. Prime Finance PLC



28. Sarvodaya
Development Finance Ltd



30. Serendib Finance Ltd



32. Sinhaputhra
Finance PLC



34. Swarnamahal Financial Services PLC



36. The Finance Company PLC



38. Trade Finance &
Investments PLC



40. UB Finance Ltd



Council Members



Seated (L to R)

Mrs Shiranthi Gunawardena
Legal Consultant, FHASL

Mr. Ravana Wijeyerathne
Sinhaputhra Finance PLC

Mr. Thushan Amarasuriya
Singer Finance Lanka PLC

Mr. Roshan Nanayakkara
Abans Finance PLC

Standing (L to R)

Mr. Roshan Abeygoonawardena
Citizen Development Business PLC

Mr. Brandon Morris
AMW Capital Leasing & Finance PLC

Mr. Thilak Nanayakkara
Vallibel Finance PLC

Mr. Shermal Jayasuriya
Mercantile Investment & Finance PLC

Mr. Rohan Tennakoon
Peoples Leasing and Finance PLC

Mr. Arjuna Gunarathne
Central Finance PLC

Mr. Krishan Thilakarathne
Chairman of FHASL

Mr. Ravi Yatawara
LB Finance PLC

Mr. Denzil Mallawa Arachchi
Head of Secretariat – FHASL



Absent:

Mr. Romani de Silva
Alliance Finance PLC

Mr. Ashan Nissanka
LOLC Finance PLC

Mr. Nalin Wijekoon
Softlogic Finance PLC

Mr. Nishaman Karunapala
Vice Chairman

Mr. Shantha Wijeweera
Vice Chairman – up to 31 July 2018

Mr. Pratapkumar de Silva
Advisory Councilor



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. Wijenaik	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. Wijenaik	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

Chairman's Review



Krishan Thilakarathne
Chairman

Review

In the year of its Diamond Jubilee celebrations, the role of the Finance Houses Association (FHA), as the apex body of the Non-Banking Finance Institutions (NBFIs) in Sri Lanka, has become ever so important. FHA was established 60 years ago with the intention of creating fellowship among member companies, but its role has since progressed into a more strategic and comprehensive one, extending to other stakeholders - including the regulator and policymakers, media and the public - and beyond.

"In a significant breakthrough, we agreed on a mutually beneficial customer charter for the first time for NBFIs in Sri Lanka and also took giant strides towards facilitating self-regulation among members."

The NBFI industry today represents companies of all sizes, ranging from small, medium to large scale, as well as national and regional players. However, irrespective of their size and scope, each company plays a key role in the segment of the economy in which it operates. The objective and mandate of the NBFIs has been clear since inception, which is to bring about financial inclusion in Sri Lanka. I am proud to say that this objective is accomplished better than ever today, by NBFIs in the country.

Performance Highlights

During the year under review, FHA engaged with the University of Colombo to conduct a study on the NBFI sector and I am happy to state that the results clearly indicate the extent of financial inclusion brought about by NBFIs. Although the market share of Licensed Finance Companies (LFCs) in the banking industry in Sri Lanka is only 8%, we may have actually even surpassed banks in the number of advances on a monthly and annual basis. Apart from bringing micro and SME clients into mainstream finance for the first time, NBFIs have also been instrumental in ensuring financial discipline and inculcating the savings and insurance habit among new clientele.

FHA, within the past year, worked closely with the regulator, the Central Bank of Sri Lanka, in uplifting the industry and its perception among other stakeholders. In a significant breakthrough, we agreed on a mutually beneficial customer charter for the first time for NBFIs in Sri Lanka and also took giant strides towards facilitating self-regulation among members. This includes interest rate ceilings, ethical practices, monitoring malpractices and talent poaching. I am hopeful that these efforts will continue to eventually create a level playing field among all players. We've seen such models operating successfully in many other markets, especially in Asian countries.

Further, during the year, FHA conducted many programmes covering educational seminars and workshops, and sports festivals, which were hugely successful, along with Directors' get-togethers etc. While creating a sense of unity among the companies, we were also able to learn and appreciate each others' best practices through these initiatives. I firmly believe that there is an adequate market for all players and a role for every single player provided we conduct our business in an ethical and professional manner.

Future Outlook

Going forward, I believe the future for FHA consists of working to uplift and enhance initiatives taken thus far. There's no doubt that the future of business will lie more in digital channels rather than brick and mortar distribution channels. The NBFIs should invest in technology and educate staff and clients along these lines.

Appreciation

I wish to thank my fellow council members for their support and guidance during the year. I have immensely enjoyed working with them and together we were able to create value for the NBFI industry during the recently-concluded financial year.



Krishan Thilakarathne

Chairman

Operational Review

Total Assets of the Financial System

	2016 (a)		2017 (b)	
	Rs. bn	Share (%)	Rs. bn	Share (%)
Banking Sector	10,575.8	69.5	11,897.4	69.8
Central Bank	1,529.2	10.1	1,604.8	9.4
Licensed Commercial Banks (LCBs)	7,843.3	51.5	8,926.4	52.3
Licensed Specialised Banks (LSBs)	1,203.2	7.9	1,366.2	8.0
Other Deposit Taking Financial Institutions	1,246.7	8.2	1,370.4	8.0
Licensed Finance Companies (LFCs)	1,112.1	7.3	1,227.5	7.2
Co-operative Rural Banks	122.2	0.8	132.7	0.8
Thrift and Credit Co-operative Societies	12.4	0.1	10.2	0.1
Specialised Financial Institutions	335.4	2.2	388.9	2.3
Specialised Leasing Companies (SLCs)	99.8	0.7	127.5	0.7
Primary Dealers (c)	77.1	0.5	77.3	0.5
Stock Brokers	10.1	0.1	9.1	0.1
Unit Trusts / Unit Trust Management Companies	106.7	0.7	131.7	0.8
Market Intermediaries (d)	30.8	0.2	28.7	0.2
Venture Capital Companies	11.0	0.1	14.6	0.1
Contractual Savings Institutions	3,058.1	20.1	3,395.8	19.9
Insurance Companies	521.4	3.4	559.2	3.3
Employees' Provident Fund	1,841.5	12.1	2,066.3	12.1
Employees' Trust Fund	248.9	1.6	279.0	1.6
Approved Pension and Provident Funds	398.6	2.6	437.3	2.6
Public Service Provident Fund	47.7	0.	53.9	0.3
Total	15,216.0	100.0	17,052.5	100.0

(a) Revised

(b) Provisional

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

(d) Include Investment Managers, Margin Providers, Underwriters and Credit Rating Agencies

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

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

End of Period	2013	2014	2015	2016 (b)	2017 (c)
ASSETS	684,585	814,553	996,127	1,211,891	1,354,991
Cash and Bank Balances	40,907	44,091	43,844	76,129	107,746
Cash in Hand	2,540	3,097	3,391	4,463	6,702
Demand Deposits with Commercial Banks	12,168	12,637	12,977	18,869	29,671
Time and Savings Deposits with Commercial Banks	24,304	26,149	24,726	51,175	67,187
Time and Savings Deposits with Licensed Finance Companies	340	439	403	695	1,054
Deposits with Other Institutions	1,555	1,769	2,347	928	3,131
Investments	51,776	109,717	99,634	111,708	118,068
Investments in Government of Sri Lanka Securities	30,623	62,325	58,122	73,205	65,552
Treasury Bills	26,327	48,690	49,040	62,679	58,603
Treasury Bonds	4,296	13,636	9,082	10,526	6,949
Shares Held for Trading Investments	4,607	6,990	6,269	6,221	4,566
Debentures	1,684	909	2,418	1,238	2,544
Shares in Other Companies	1,472	1,699	2,616	1,561	1,821
Shares in Subsidiaries and Associate Companies	5,584	26,821	27,408	26,676	26,955
Investment Properties	7,541	8,668	9,990	11,218	14,654
Other Investments	1,522	3,382	5,302	1,543	12,461
Provision for decline in value of investment securities	-1,258	-1,079	-12,492	-9,954	-10,487
Loans and Advances (Net)	521,320	603,748	795,844	962,672	1,057,097
Leasing	249,117	275,593	419,296	490,412	554,274
Hire Purchase	122,176	120,613	73,364	42,241	27,183
Loans	144,443	210,704	307,816	431,332	475,989
Real Estate	5,211	4,308	3,619	2,194	2,479
Pawning Advances	26,279	22,577	23,934	27,225	35,099
Dues from Related Party	5,860	7,554	9,643	12,901	13,666
Loan Loss Provisions and Suspended Interest	-31,765	-37,601	-41,828	-43,634	-51,594
Trading Stocks	15,065	14,572	12,936	7,662	7,756
Real Estate	8,065	7,006	5,737	2,955	2,985
Reposessed Items	4,768	6,173	4,821	4,126	4,473
Other	2,232	1,392	2,378	582	298
Fixed Assets	21,888	25,840	28,305	33,326	38,446
Other Assets	33,628	16,585	15,565	20,394	25,878
LIABILITIES	684,585	814,553	996,127	1,211,891	1,354,991
Capital Account	96,584	116,870	123,139	146,107	169,674
Paid-up Capital	58,894	65,899	63,026	64,297	66,554
Retained earnings and Reserves	37,690	50,971	60,113	81,810	103,120
Deposits	337,297	414,116	480,636	530,740	686,720
Time Deposits	328,062	396,468	457,486	507,688	655,670
Savings Deposits	8,563	16,984	22,568	22,184	30,014
Certificate of Deposits	672	664	581	869	1,036
Borrowings from	193,111	217,385	314,295	438,662	396,030
Financial Institutions	94,938	110,835	176,595	276,588	235,890
Others	98,173	106,550	137,700	162,074	160,140
Other Liabilities	57,593	66,181	78,058	96,382	102,567
No. of Institutions	58	56	53	53	51

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

(b) Revised

(c) Provisional

Source: Central Bank of Sri Lanka

Operational Review

Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) Sector

Category	2013 December	2014 December (a)	2015 December	2016 December	2017 December (b)
1. Capital Adequacy					
1.1 Regulatory Capital to Risk Weighted Assets (RWCAR)	14.8	13.5	11.2	11.7	13.1
1.2 Tier 1 Capital/Risk Weighted Assets (Tier 1 RWCAR)	13.5	12.8	10.5	11.3	12.4
1.3 Capital Funds to Total Assets	13.2	13.4	11.6	11.4	11.8
1.4 Debts to Capital Funds (Times)	2.0	1.9	2.6	3.0	2.4
1.5 Investment Properties to Capital Funds	8.0	7.6	8.2	7.8	8.8
1.6 Net Non-Performing Loans to Capital Funds	14.4	12.9	10.9	8.4	9.7
2. Asset Quality					
2.1 Gross Non-Performing Loans to Total Loans	6.7	6.9	5.7	5.3	5.9
2.2 Net Non-Performing Loans to Total Loans	2.5	2.3	1.6	1.2	1.5
2.3 Required Loan loss Provision to Total Loans	2.9	3.1	2.8	2.9	3.1
2.4 Provision Made against Total Loans	3.8	4.1	3.5	3.5	3.8
2.5 Provision Coverage Ratio (Specific Provisions to NPL)	45.2	50.9	59.4	63.9	61.9
2.6 Provision Coverage Ratio (Total Provisions to NPL)	56.0	59.3	61.0	65.7	64.0
3. Liquidity					
3.1 Regulatory Liquid Assets to Total Assets	8.0	9.6	7.6	7.1	8.9
3.2 Regulatory Liquid Assets to External Funds	10.9	13.0	10.0	9.3	11.7
4. Earnings					
4.1 Return on Assets (Annualised)	2.3	3.1	3.0	4.0	3.2
4.2 Return on Equity (Annualised)	9.0	14.0	12.4	23.1	16.1
4.3 Interest Income to Interest Expenses	163.5	189.9	220.6	195.2	179.7
4.4 Net Interest Income to Profit After Tax	517.7	418.9	542.2	292.6	397.6
4.5 Operating Cost to Net Interest Income	85.0	76.5	81.5	71.2	77.9
4.6 Net Interest Income to Gross Assets	6.9	8.0	8.7	7.9	7.7
4.7 Net Interest Income to Interest Income	38.8	47.3	54.7	48.8	44.3
4.8 Non-Interest Income to Total Cost	13.9	15.9	15.7	16.6	15.3
4.9 Efficiency Ratio (Operating Cost) (a)	72.1	66.5	70.2	58.1	64.9
4.10 Cost to Income Ratio	88.8	84.2	83.5	78.3	83.7
5. Assets/Funding Structure (as a % of total as-sets)					
5.1 Borrowings	26.8	25.4	29.9	34.7	27.9
5.2 Investments	7.4	13.0	10.7	9.6	9.1
6. Lending					
6.1 Total Loans and advances Growth	17.3	16.0	30.6	20.1	10.2

(a) Revised

(b) Provisional

Source: Central Bank of Sri Lanka

New Registration of Motor Vehicles 2008 – 2017

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017(a)
Passenger Transport	222,173	179,286	316,022	453,891	325,740	283,138	283,138	610,204	444,931	410,430
Buses and Coaches	1,180	739	2491	4,248	3,095	1,805	1,805	4,140	2,685	3,331
Private Cars	20,237	5,762	23,072	57,886	31,546	28,380	28,380	105,628	45,172	39,182
Motor Cycles	155,952	135,421	204,811	253,331	192,284	169,280	169,280	370,889	340,129	344,380
Three Wheelers	44,804	37,364	85,648	138,426	98,815	83,673	83,673	129,547	56,945	23,537
Goods Transport	16,894	9,697	23,557	48,336	49,663	30,475	30,475	46,598	34,450	28,174
Lorries	13,588	8,016	10,803	12,446	10,445	4,525	4,525	5,356	5,271	8,689
Dual Purpose Vehicles	2,856	1,280	11,712	33,518	37,397	24,603	24,603	39,456	26,887	16,742
Others	450	401	1,042	2,372	1,821	1,347	1,347	1,786	2,292	2,743
Land Vehicles	26,132	15,092	19,664	23,194	21,892	13,038	13,038	12,105	13,947	13,049
Tractors	3,339	2,286	4,389	6,649	6,221	3,437	3,437	4,299	5,261	5,309
Hand Tractors	20,724	11,473	12,974	13,424	12,229	7,335	7,335	5,678	5,024	3,512
Others	2,069	1,333	2,301	3,121	3,442	2,266	2,266	2,128	3,662	4,228
Total	265,199	204,075	359,243	525,421	397,295	326,651	326,651	668,907	493,328	451,653

(a) Provisional

Source: Central Bank of Sri Lanka

Operational Review

Non-Bank Financial Institutions 2010 – 2017(a)

Rs. Million

Item	2010	2011	2012	2013	2014	2015	2016(b)	2017(c)
ASSETS	370,806	474,229	573,435	684,585	814,553	996,127	1,211,891	1,354,991
Cash and Bank Balances	12,414	20,351	25,887	40,907	44,091	43,844	76,129	107,746
Cash in Hand	1,493	1,517	2,100	2,540	3,097	3,391	4,463	6,702
Demand Deposits with Com. Banks	5,938	8,042	9,850	12,168	12,637	12,977	18,869	29,671
Time & Savings Deposits with Com. Banks	4,685	10,563	12,898	24,304	26,149	24,726	51,175	67,187
Time & Savings Deposits with Licensed Finance Companies"	0	6	500	340	439	403	695	1,054
Deposits with Other Institutions	298	222	539	1,555	1,769	2,347	928	3,131
Investments	51,592	30,724	40,000	51,776	109,717	99,634	111,708	118,068
Investments in Govt. of Sri Lanka Securities	20,237	12,525	18,949	30,623	62,325	58,122	73,205	65,552
Treasury Bills	13,976	12,230	17,465	26,327	48,690	49,040	62,679	58,603
Treasury Bonds	6,261	295	1,483	4,296	13,636	9,082	10,526	6,949
Shares Held for Trading Investments	4,072	4,181	4,344	4,607	6,990	6,269	6,221	4,566
Debentures	1,024	1,055	597	1,684	909	2,418	1,238	2,544
Shares in Other Companies	2,080	2,339	2,136	1,472	1,699	2,616	1,561	1,821
Shares in Subsidiary & Associate Companies	16,668	5,494	6,243	5,584	26,821	27,408	26,676	26,955
Investment Properties	4,899	5,262	6,659	7,541	8,668	9,990	11,218	14,654
Other Investments	2,929	255	1,526	1,522	3,382	5,302	1,543	12,461
Provision for decline in value of investment securities	-316	-386	-455	-1,258	-1,079	-12,492	-9,954	-10,487
Loans & Advances (Net)	248,726	373,104	448,941	521,320	603,748	795,844	962,672	1,057,097
Leasing	87,503	166,052	214,866	249,117	275,593	419,296	490,412	554,274
Hire Purchase	96,036	118,400	122,985	122,176	120,613	73,364	42,241	27,183
Loans	53,545	72,664	91,267	144,443	210,704	307,816	431,332	475,989
Real Estate	7,435	6,000	5,909	5,211	4,308	3,619	2,194	2,479
Pawning Advances	15,231	20,568	31,374	26,279	22,577	23,934	27,225	35,099
Dues from Related Party Loan Loss Provisions and	5,707	4,733	5,296	5,860	7,554	9,643	12,901	13,666
Suspended Interest	-16,730	-15,312	-22,757	-31,765	-37,601	-41,828	-43,634	-51,594
Trading Stocks	19,104	15,716	14,292	15,065	14,572	12,936	7,662	7,756
Real Estate	15,630	11,330	9,926	8,065	7,006	5,737	2,955	2,985
Repossessioned Items	1,560	1,453	2,239	4,768	6,173	4,821	4,126	4,473
Other	1,914	2,933	2,128	2,232	1,392	2,378	582	298
Fixed Assets	19,989	16,479	19,921	21,888	25,840	28,305	33,326	38,446
Other Assets	18,982	17,855	24,394	33,628	16,585	15,565	20,394	25,878
LIABILITIES	370,806	474,229	573,435	684,585	814,553	996,127	1,211,891	1,354,991
Capital Account	48,048	76,853	93,614	96,584	116,870	123,139	146,107	169,674
Paid-up Capital	22,280	51,592	58,829	58,894	65,899	63,026	64,297	66,554
Retained Earnings and Reserves	25,768	25,262	34,785	37,690	50,971	60,113	81,810	103,120
Deposits	146,120	186,016	254,117	337,297	414,116	480,636	530,740	686,720
Fixed Deposits	140,196	179,268	248,516	328,062	396,468	457,486	507,688	655,670
Savings Deposits	5,074	5,938	4,855	8,563	16,984	22,568	22,184	30,014
Certificate of Deposits	850	810	747	672	664	581	869	1036
Borrowings from	138,992	171,682	177,284	193,111	217,385	314,295	438,662	396,030
Financial Institutions	91,412	103,100	96,383	94,938	110,835	176,595	276,588	235,890
Others	47,580	68,582	80,900	98,173	106,550	137,700	162,074	160,140
Other Liabilities	37,647	39,678	48,420	57,593	66,181	78,058	96,382	102,567
No. of Institutions	58	55	60	58	56	53	53	51

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

(b) Revised. (c) Provisional.

Source: Central Bank of Sri Lanka

NBFI Sector : As at end of March 2018

Information on the sector as at 31st March 2018

released by the CBSL is given below for further reference by members.

	March. 2014	March. 2015	March. 2016	March. 2017	March. 2018
ASSETS	717,170	852,909	1,077,793	1,239,085	1,379,243
Cash and Bank Balances	39,837	43,102	74,418	69,229	94,426
Cash in Hand	3,723	4,322	4,486	5,429	6,907
Due from Banks and other institutions	36,114	38,780	69,932	63,800	87,519
Investments	76,084	107,412	110,076	117,528	119,514
Investments in Government of Sri Lanka Securities	54,363	61,893	70,871	77,014	72,386
Investment in Shares	11,911	34,267	34,951	33,074	35,615
Other Investments	11,006	12,440	17,068	17,382	22,012
Provision for decline in value of investment securities	(1,196)	(1,189)	(12,813)	(9,943)	(10,499)
Loans and Advances (Net)	529,874	646,424	837,698	990,369	1,090,008
Leasing	248,824	307,820	426,425	503,123	577,072
Hire Purchase	121,351	105,942	63,621	37,117	24,487
Loans**	162,865	244,384	357,289	460,791	497,542
Real Estate	4,627	4,255	3,574	2,229	2,652
Pawning Advances	24,412	21,031	23,794	28,452	39,437
Loan Loss Provision and suspended interest	(32,206)	(37,008)	(37,004)	(41,343)	(51,183)
Trading Stocks	14,474	14,509	10,139	6,702	9,037
Fixed Assets	24,496	26,539	29,792	35,415	39,903
Others Assets	32,405	14,924	15,670	19,844	26,356
LIABILITIES	717,170	852,909	1,077,793	1,239,085	1,379,243
Capital Account	102,423	121,328	131,571	153,030	166,614
Deposits	370,935	418,301	490,316	558,493	691,798
Fixed Deposits	360,303	400,065	466,180	534,693	659,650
Savings Deposits	10,006	17,600	23,552	23,002	31,092
Certificate of Deposits	626	635	584	798	1,056
Borrowings from	186,846	242,810	375,496	435,867	417,867
Financial Institutions	76,222	127,738	243,631	273,795	297,505
Others	110,624	115,073	131,865	162,072	120,361
Other Liabilities	56,966	70,470	80,409	91,695	103,027

Source: Central Bank of Sri Lanka

Operational Review

Licensed Finance Companies Sector

Rs. Mn

End of Period	March. 2014	March. 2015	March. 2016	March. 2017	March. 2018
ASSETS	651,525	790,739	994,083	1,135,459	1,334,311
Cash and Bank Balances	35,292	38,047	68,449	61,728	90,912
Cash in Hand	3,705	3,194	4,449	5,141	6,570
Due from Banks and other institutions	31,586	34,853	64,001	56,587	84,342
Investments	68,800	105,790	106,945	111,811	119,069
Investments in Government of Sri Lanka Securities	48,861	60,399	67,891	71,448	72,089
Investment in Shares	10,393	34,044	34,700	32,822	35,358
Other Investments	10,650	12,440	17,068	17,382	22,011
Provision for decline in value of investment securities	(1,105)	(1,094)	(12,714)	(9,841)	(10,390)
Loans and Advances (Net)	479,477	593,997	766,268	903,965	1,051,517
Leasing	210,409	266,767	376,164	449,053	542,198
Hire Purchase	118,318	105,205	63,198	36,899	24,421
Loans**	151,835	232,763	335,364	427,431	493,314
Real Estate	4,552	4,209	3,539	2,203	2,644
Pawning Advances	24,410	21,029	23,792	28,451	39,405
Loan Loss Provision and suspended interest	(30,047)	(35,976)	(35,790)	(40,071)	(50,466)
Trading Stocks	13,928	14,413	10,074	6,678	9,021
Fixed Assets	23,293	25,053	28,065	33,744	39,115
Others Assets	30,736	13,438	14,282	17,533	24,677
LIABILITIES	651,525	790,739	994,083	1,135,459	1,334,311
Capital Account	85,264	103,899	109,488	127,973	153,312
Deposits	370,935	418,301	490,316	558,493	691,798
Fixed Deposits	360,303	400,065	466,180	534,693	659,650
Savings Deposits	10,006	17,600	23,552	23,002	31,092
Certificate of Deposits	626	635	584	798	1,056
Borrowings from	143,690	205,439	321,858	366,027	390,257
Financial Institutions	64,927	108,989	216,920	249,910	284,412
Others	78,764	96,450	104,939	116,117	105,844
Other Liabilities	51,637	63,100	72,420	82,966	99,007

Source: Central Bank of Sri Lanka

Specialised Leasing Companies Sector

Rs. Mn

End of Period	March. 2014	March. 2015	March. 2016	March. 2017	March. 2018
ASSETS	65,644	62,170	83,710	103,626	44,932
Cash and Bank Balances	4,545	5,055	5,968	7,501	3,514
Cash in Hand	18	1,127	37	288	337
Due from Banks and other institutions	4,527	3,927	5,931	7,213	3,177
Investments	7,284	1,622	3,131	5,717	445
Investments in Government of Sri Lanka Securities	5,501	1,494	2,979	5,566	297
Investment in Shares	1,518	223	251	253	256
Other Investments	356	0	0	0	1
Provision for decline in value of investment securities	(91)	(95)	(100)	(102)	(109)
Loans and Advances	50,397	52,426	71,430	86,403	38,491
Leasing	38,415	41,054	50,260	54,070	34,874
Hire Purchase	3,033	737	423	218	66
Loans**	11,031	11,621	21,925	33,360	4,228
Real Estate	75	45	35	26	8
Pawning Advances	1	1	1	1	33
Loan Loss Provision and suspended interest	(2,158)	(1,032)	(1,214)	(1,273)	(717)
Trading Stocks	546	96	65	24	16
Fixed Assets	1,204	1,486	1,727	1,671	788
Others Assets	1,668	1,485	1,388	2,311	1,679
LIABILITIES	65,644	62,170	83,710	103,626	44,932
Capital Account	17,159	17,429	22,083	25,058	13,302
Deposits	0	0	0	0	0
Borrowings from	43,156	37,371	53,638	69,840	27,610
Financial Institutions	11,295	18,749	26,712	23,886	13,093
Others	31,861	18,623	26,926	45,955	14,517
Other Liabilities	5,329	7,370	7,990	8,729	4,020

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

Source: Central Bank of Sri Lanka

Operational Review

Constituents of Regulatory Capital, Rs. Mn

Licensed Finance Companies and Specialised Leasing Companies Sector

Constituents of Regulatory Capital, Rs. Mn	2014 Mar-14	2015 Mar-15	2016 Mar-16	2017 Mar-17	2018 Mar-18*
Tier I: Eligible Core Capital (a)	76,446	86,943	93,814	115,255	127,213
Tier II: Eligible Supplementary Capital (b)	8,748	11,872	14,362	14,619	15,938
Total Regulatory Capital Base	83,269	93,722	98,595	120,461	133,292

Licensed Finance Companies Sector

Constituents of Regulatory Capital, Rs. Mn	2014 Mar-14	2015 Mar-15	2016 Mar-16	2017 Mar-17	2018 Mar-18*
Tier I: Eligible Core Capital (a)	63,527	74,529	77,491	94,980	116,194
Tier II: Eligible Supplementary Capital (b)	8,748	11,872	13,634	13,149	15,863
Total Regulatory Capital Base	70,350	81,309	81,546	98,716	122,198

Specialised Leasing Companies Sector

Constituents of Regulatory Capital, Rs. Mn	2014 Mar-14	2015 Mar-15	2016 Mar-16	2017 Mar-17	2018 Mar-18*
Tier I: Eligible Core Capital (a)	12,919	12,414	16,322	20,275	11,019
Tier II: Eligible Supplementary Capital (b)	-	-	728	1,470	75
Total Regulatory Capital Base	12,919	12,414	17,050	21,745	11,094

(a) Eligible Core Capital is the total Core Capital less total amount of deductions/adjustments to total Core Capital

(b) Eligible Supplementary Capital is the Total Supplementary Capital less total amount of deductions/adjustments to Supplementary Capital after limiting to a maximum of 100 per cent of Tier 1 capital

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

Source : Central Bank of Sri Lanka

Earnings and Profits - NBFI Sector

Licensed Finance Companies and Specialised Leasing Companies Sector

Earnings & Profit (Rs. Mn)	12 Months ending 31st Mar 2014	12 Months ending 31st Mar 2015	12 Months ending 31st Mar 2016	12 Months ending 31st Mar 2017	12 Months ending 31st Mar 2018*
Total Interest Income	122,043	133,548	160,219	199,671	223,802
Total Interest Expenses	73,375	65,807	74,221	105,120	126,405
Net Interest Income	48,667	67,740	85,998	94,551	97,398
Non Interest Income	17,337	20,773	24,103	30,181	35,583
Non Interest Expenses (Operating Cost)	42,123	49,307	66,927	72,115	74,426
Loan Loss Provision	9,480	11,785	7,795	7,638	17,838
Total Income	139,380	154,321	184,322	229,853	259,386
Total Expenses	124,978	126,900	148,942	184,874	218,669
Profit for the period (Before Taxation)	14,401	27,421	35,380	44,979	40,717
Licensed Finance Companies Sector					
Total Interest Income	109,718	121,295	144,041	179,114	214,600
Total Interest Expenses	68,032	62,484	69,510	97,169	123,656
Net Interest Income	41,686	58,810	74,531	81,945	90,945
Non Interest Income	16,112	19,590	22,555	28,448	34,650
Non Interest Expenses (Operating Cost)	38,843	45,842	61,676	64,888	71,631
Loan Loss Provision	8,074	10,193	6,967	6,997	17,372
Total Income	125,830	140,885	166,596	207,562	249,250
Total Expenses	114,949	118,519	138,153	169,054	212,659
Profit for the period (Before Taxation)	10,881	22,365	28,443	38,508	36,591
Specialised Leasing Companies Sector					
Total Interest Income	12,325	12,253	16,179	20,558	9,202
Total Interest Expenses	5,344	3,323	4,711	7,951	2,749
Net Interest Income	6,981	8,930	11,468	12,606	6,453
Non Interest Income	1,225	1,183	1,548	1,734	934
Non Interest Expenses (Operating Cost)	3,279	3,465	5,250	7,227	2,795
Loan Loss Provision	1,407	1,593	828	642	466
Total Income	13,550	13,436	17,726	22,291	10,136
Total Expenses	10,030	8,381	10,789	15,820	6,010
Profit for the period (Before Taxation)	3,520	5,056	6,937	6,471	4,125
Profit for the period (After tax)	2,470	3,672	4,778	4,249	2,328

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

Source : Central Bank of Sri Lanka

Operational Review

Branch Network

Licensed Finance Companies and Specialised Leasing Companies Sector

Province	2014 Mar-14	2015 Mar-15	2016 Mar-16	2017 Mar-17	2018 Mar-18*
Central	124	130	141	150	154
Eastern	88	91	102	108	110
North Central	80	84	89	96	97
North Western	112	123	133	137	147
Northern	71	77	79	82	82
Sabaragamuwa	79	85	95	108	108
Southern	120	127	136	143	146
Uva	54	59	62	67	68
Western	351	382	402	430	436
Total	1079	1158	1239	1321	1348

Source : Central Bank of Sri Lanka

Licensed Finance Companies Sector

Liquidity (%)	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18*
Liquid Assets to Total Assets	10.21	8.79	7.69	7.39	8.50
Liquid Assets to Deposits & Borrowings	13.55	11.67	9.87	9.48	10.96

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

Licensed Finance Companies Sector

Capital Adequacy(%)	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18*
Capital Funds to Deposits (Per cent)	22.19	23.81	21.22	21.70	20.97
Borrowings to Equity (times)	1.68	1.98	2.94	2.86	2.55
Core Capital to Risk Weighted Assets (CCR) (a)	11.89	11.31	9.41	9.95	10.43
Capital Base to Risk Weighted Assets (RWCAR) (b)	13.17	12.34	9.90	10.35	10.97

Licensed Finance Companies Sector

Asset Quality (%)	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18*
Gross Non Performing Advances to Total Advances	6.69	6.70	5.45	5.20	5.93
Net Non Performing Advances to Total Advances (a)	2.18	1.98	1.31	1.18	1.52
Total Advances to Total Assets	74.64	76.10	76.93	79.64	78.99
Provision Coverage Ratio (b)	57.49	57.83	64.31	64.77	62.84

Notes

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

(b) The ratio of total loan loss provisions to non-performing advances

Licensed Finance Companies Sector

Earnings (%)	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18*
Return on Assets (Annualised) (a)	1.73	3.01	3.07	3.44	2.90
Return on Equity (Annualised) (b)	6.48	14.35	15.65	20.42	15.61
Interest Income to Interest Expenses	161.27	194.12	207.22	184.33	173.55
Net Interest Margin (NIM) (c)	6.62	7.91	8.04	7.32	7.21
Efficiency Ratio (d) (f)	78.12	67.21	68.44	62.76	66.19

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

Notes

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

(b) Profit after tax (Annualised) as a percentage of average equity

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

(d) The ratio of non-interest expenses to total income less interest expenses, loan loss provisions and loans written off

(e) The ratio of interest income less interest expenses to interest earning assets

(f) Efficiency Ratio is restated from Dec 13 to consider the impact of the loan loss provision and loans written off

Source : Central Bank of Sri Lanka

Activities 2017 / 18



Directors Get-Together

The Directors' Get-Together 2018 of the FHASL was held on 08 June 2018 at the Cinnamon Grand, Colombo. The Governor of the Central Bank of Sri Lanka, Dr. Indrajith Coomaraswamy graced the occasion as the Chief Guest. There were 85 directors from member

companies represented this event with the Chairman and other Council Members of FHA.



Activities 2017/18



FHA Annual Sports Festival – 2018

The Annual Sports Festival of FHASL was held on 14 July 2018 at the Bloomfield Ground Colombo 07. Mr. Rohan Tennakoon, Chairman of Sport Festival Committee organised the event along with Mr. Krishan Thilakaratne, Chairman of the FHA. The staff of FHA headed by Mr. Denzil Mallawa Arachchi and a team of supporting staff from member companies assisted the sport festival to ensure its success.

Mr. C J P Siriwardena, Deputy Governor of the Central Bank of Sri Lanka, was the Chief Guest and Mr. J P R Karunaratne was the Guest of Honour at the awards ceremony.

Opening Ceremony

Mr. Krishan Thilakaratne (Chairman), Mr. Ravi Yatawara (Council Member and Past Chairman), Mr. Rohan Tennakoon (Council Member and Chairman of Sport Festival Committee), Mr. Roshan Abeygunawardena (Council Member) and other representatives from the FHA member companies participated at the opening ceremony.



Activities 2017/18

Awards Ceremony

The awards ceremony of the sports festival was held with the participation of Mr. Krishan Thilakaratne, Chairman of FHA, Mr Ravi Yatawara, Past Chairman of FHA, Mr.Rohan Tennakoon, Chairman of FHA Sport Festival Committee, Mr. Arjuna Gunaratne, Council Member and other representatives from Member Companies. The Chief Guest of the Award Ceremony was Mr. C J P Siriwardena,

Deputy Governor, Central Bank of Sri Lanka and the Guest of Honour was Mr. J P R Karunaratne, Assistant Governor of Central Bank of Sri Lanka. The main sponsor of the sports festival was Fairfirst Insurance Company and Mr. Nelum Weragoda, National Head, Affinity Account Management participated at the awards ceremony.





Activities 2017/18



Final Results

Overall Winner - CDB

Overall Runners Up - Commercial Credit and Finance PLC

Cricket

Champion	- LB Finance PLC
Runner-up	- HNB Grameen Finance LTD
Man of the Final	- Mr. Anushka Perera (LB Finance PLC)
Best Batsman	- Mr. Anushka Perera (LB Finance PLC)
Best Bowler	- Mr. Suleka Ranasinghe (HNB Grameen Finance LTD)

Netball

Champion	- CDB
Runner-up	- Commercial Credit and Finance PLC
Netball Queen	- Ms. Abitha Tharunarajah (CDB)
Best Defender	- Ms. Solange Gunawijaya (Commercial Credit PLC)
Best Shooter	- Ms. Dilki Wathsala (CDB)
Best Center	- Ms. P. I. W. Priyamanna (CDB)

Volleyball

Champion	- CDB
Runner-up	- Central Finance PLC
Best Player	- MR. S. R. N. Saranga (CDB)
Best Dasher	- Mr. P. B. Dillanga (Central Finance PLC)
Best Center	- Mr. P. I. Priyamanna (CDB)

Rugger

Champion	- CDB
Runner-up	- Mercantile Investments (MI)
Best Player	- Mr. Dhanuka Rathnayake (CDB)

Athletic (Female)

1st Place	- Ms. Solangi Gunawijaya (Commercial Credit PLC)
2nd Place	- Mr. Dilini Fernando (Valibel Finance PLC)
3rd Place	- Ms. Shashini Jayakody (CDB)

Athletic (Male)

1st Place	- Mr. H. R. M. Ismath (HNB Grameen PLC)
2nd Place	- Mr. Shamika Dilshan (Valibel Finance PLC)
3rd Place	- Mr. S. Kamal Raj (Commercial Credit PLC)

FHA Queen

Queen	- Ms. Sanduni Gresmar (CDB)
First Runner-up	- Ms. Samithya Perera (LB Finance PLC)
Second Runner-up	- Ms. Dhameshi Perera (CDB)



FHA Seminars – 2018

Seminar on 'Prevention of Money Laundering and Application of KYC Procedures for risk free Day to day Financial Transactions in the NBFIs Sector'

Resource Person

Mrs. Wangeesha Karunaratne, Senior Asst. Director FIU, Central Bank of Sri Lanka.

Venue: Excel World, Colombo 10

Date: 18 January 2018

Number of Participants: 87

Seminar on 'Credit Evaluation'

Resource Person

Mr. Indika Ariyawansa, Asst. General Manager, Credit Evaluation, LOLC

Venue: Sri Lanka Foundation, Colombo 7.

Date: 19 February 2018

Number of Participants: 99

Activities 2017/18



Seminar on Property Mortgages

Resource Person

Mrs. Shiranthi Gunawardena, Legal Adviser of FHASL

Venue: Management Development and Training Centre Wakwella,
Galle

Date: 11 May 2018

No. of Participants : 75

Seminar on Current Legal issues in NBFi Sector and CBSL Regulations on AML and CFT.

Resource Persons

Mrs. Shiranthi Gunawardena and Mr. K G P Sirikumara,
Additional Director, Legal and Compliance, Department of CBSL.

Venue: Centre for Banking Studies, Central Bank of Sri Lanka,
Rajagiriya

Date: 20 August 2018

No. of Participants : 45

Special Assignments -2018

A study of the Non-Banking Financial Institution Sector in Sri Lanka conducted by Faculty of Management & Finance, University of Colombo.

Objectives of the study

- the performance, in terms of advances, deposits and number of clients of NBFIs which participated in the study,
- how NBFIs contributed to the Sri Lankan economy and society,
- the NBFIs sector as opposed to the commercial banking sector, in the perspective of value distribution, and
- the corporate governance framework, such as best practices and compliance to the voluntary disclosure of corporate governance, of the different NBFIs.

Introduction to the study

25 finance companies participated in this study and they represented an 89.14% of total assets of the NBFI sector. The time frame for the study is from financial year 2012/13 to 2016/17. Advances, deposits and number of clients show an increasing trend over the last five years even though dominance of big NBFIs can be observed. However, small and medium NBFIs have grown at a faster rate compared to their big peers in last five years.

NBFIs have contributed to the Sri Lankan economy in many significant ways. One important contribution financial inclusion where NBFIs are mobilising deposits from the Western Province to other provinces in form of advances. Creation of employment opportunities is also a highlighted aspect where their staff growth exceeded total labour force growth in the country.

NBFIs depicted a higher growth in value distribution to employees, government and capital providers over last five years. Further, NBFIs' voluntary compliance to the corporate governance disclosure levels is satisfactorily improving from 2012/13 to 2016/17. It can be concluded that Sri Lankan NBFIs play a vital role in the economy based on above findings.

Role of NBFIs in the Economy

In the Sri Lankan economy, financial inclusion could not be called even a partially successful story, without considering the role of the NBFIs. The NBFIs provide financial services to the citizens at the grass root level. The banking system in the country does not cater to these people. Thus, the poor people do not have access to banks.

The NBFI sector, by largely targeting them, contributes to raise the standard of living of the poor segment of the population by providing specialised credit via microfinance. This noble deed, albeit not being intended, of providing financial facilities to the less benefited segments, would discourage them from the scourge of unauthorised finance businesses, carried out by unscrupulous financial sharks, presenting themselves as the saviors of these helpless people. Furthermore, NBFIs also enhance the economic growth of this segment of the populace, through finance leasing and hire purchasing, while generating employment opportunities designed for about 30,000 employees (CBSL, 2016).

Findings of the Research Study

- » "Overall, this study clearly indicates that there is a gradual improvement in the sector in terms of advances, deposits, and number of clients. This mirrors the higher financial inclusion in the country. Further, this study proves the contribution, though marginal, to the economy, in terms of employment generation, economic growth, and poverty reduction. In this manner, the NBFIs' contribution to the economy underwrites the country's necessity to have them."
- » "The NBFI sector is a rapidly growing segment of the financial system, albeit it being a small part of the overall financial sector. However, they play a very vital role in catering to a segment of the population, which is not adequately, if not hardly, served by the banks. NBFIs, by providing alternative avenues for investments, play a significant role as financial intermediaries. This creates a source of liquidity in the financial system. It augurs well for the economic growth, by mobilising resources from the savings to the deficit units in the economy."



Signing of MOU

» “NBFIs have the ability to meet the diverse financial requirements of business enterprises; especially in microfinance. This is also a growing business for many NBFIs, though it remains under-regulated in the country. They are providing microcredit, gold loans and working capital loans to micro, small and medium enterprises (MSMEs), which constitute the backbone of the economy. By enhancing the opportunities for the MSMEs, the lives of many individuals and communities could be improved. Through this, NBFIs play a vital role in raising the living standards of the less benefitted segments of the population.”



Official submission of Final Report

» “Despite the government’s intervention and strong presence in the financial system, it has failed to identify the needs of the NBFI sector and uplift it to enrich the niche services offered by them. The lack of standardised practices and poor level of sharing information dampen the potential of this sector. Therefore, there is a strong need for legacy and advocacy role that should be initiated by this sector under the umbrella of the prevailing governance systems.”

Employee Movement Register of FHA

FHA Secretariat maintains the FHA Employee Movement Registrar and at the end of July 2018 there were 26 member companies.

The employee movement register was created to share information among the FHA member companies, as a free service of the FHA. It is intended to inform members of the conduct of employees in their previous engagements who may be applying to your company. Especially in cases where the employee may for some reason not mention his engagement with a finance company for whatever reason. Using this recourse in that manner is strictly upto each individual company. However, to gain access to this database,

each company must send in at least three names a month. It is envisaged that in any company it is possible that three or more may resign. When sending the names the letters G or NG may be used. Those leaving without any issue at least at the time of leaving may be denoted as a G, those who have concerns may refer to as NG, so companies may contact respective HR departments about it.

At the end of July 2018, there were 867 records registered in the Employee Movement Register and 350 records out of them were in NG category.



Meeting with the Financial Ombudsman of Sri Lanka

On the request of the FHA, the Financial Ombudsman of Sri Lanka participated at a meeting with FHA members on 15 March 2018 at the Central Finance Auditorium. According to the observations made by him in his presentation, NBFIs have to be more vigilant when dealing with financial products with the customers.

The objective of the Ombudsman scheme is the satisfactory settlement and resolution of complaints/disputes by customers of banks and other financial institutions covered by the scheme, with power to make monetary awards binding on the participating financial institutions.

FHA wishes to maintain the relationship with the office of the Financial Ombudsman of Sri Lanka in the future as well.



First meeting of Compliance Officers Sub Committee



Awareness programme for the members of Compliance Officers Sub Committee

FHA Compliance Officers Sub Committee

Considering the following objectives, a Sub Committee for Compliance Officers have been established on 14 May 2018 with the assent of the FHA Council. Mrs. Zairaa Kaleel was appointed as the Chairperson of the Sub Committee and other nine members were appointed for the rest of positions representing 9 member companies. FHA council has given its consent to attend FHA council meetings where necessary with their issues and proposals.

Objectives of Compliance Officers Sub Committee

- a) Provide a forum for discussion of compliance related issues of the members of the Sub Committee.
- b) Represent the views and serve as a focal point for bringing issues faced by members to the attention of the relevant parties, including the Finance Houses Association and the Central Bank of Sri Lanka and other regulatory bodies and negotiate on behalf of the members to achieve a common goal.
- c) To reach a consensus among the membership with regard to the approach to be taken when liaising with regulatory authorities on new laws and regulations that are enacted.
- d) Undertake, promote and facilitate studies and discussions in the field of compliance in LFC's.
- e) Organise and promote research and to undertake studies in the field of Compliance.
- f) Plan and organise teaching and arrange training programmes in the field of Compliance for LFC's.
- g) Promote understanding, cooperation and fellowship between the LFC's.
- h) Engage in any other activities connected with or incidental to the above objectives.

Active sub committees

Sub Committees of FHA - 2018

Accounts & Finance	Chairman	Mr. Nalin Wijekoon
E-newsletter & Website	Chairman	Mr. Krishan Thilakaratne
Directors' Get-together	Chairman	Mr. Brandon Morris
Education & Training	Chairman	Mr. Ashan Nissanka
Financial Sector Stability	Chairman	Mr. Krishan Thilakaratne
ICT Policy & Disaster Recovery	Chairman	Mr. A.K. Gunaratne
Legal Circle Activities & Recovery	Chairman	Mr. Nishaman Karunapala
Micro Finance	Chairman	Mr. Romani de Silva
Risk & Compliance	Chairman	Mr. Ravi Yatawara
SLICM	Chairman	Mr. Romani de Silva
Sports Festival	Chairman	Mr. Rohan Thennakoon
Tax & Regulator Matters	Chairman	Mr. Sermal Jayasuriya

Council Meetings - 2017/2018 (September 2017 to August 2018)

No. of Meetings held 11

Attendance at Monthly Meetings

Name of the Council Member		Attended	Excused	By Invitation
Mr. Shantha Wijeweera (resigned July 2018)	Singer Finance Lanka Ltd	5	4	
Mr. Krishan Thilakeratne	Commercial Leasing & Finance PLC	10	0	
Mr. Ravi Yatawara	Vice Chairman - L B Finance PLC	6	4	
Mr. Nalin Wijekoon	Chairman - Softlogic Finance PLC	6	4	
Mr. Romani De Silva (or alternate)	Alliance Finance Co. PLC	8	2	
Mr. Roshan H Abeygoonewardena	CBD Finance PLC	7	3	
Mr. Ashan Nissanka	Lanka Orix Finance PLC	5	5	
Mr. Sermal Jayasuriya (or alternate)	Mercantile Investment & Finance PLC	8	2	
Mr. Nishaman Karunapala	MBSL	5	5	
Mr. Rohan M A Tennakoon	Peoples Leasing Finance PLC	10	0	
Mr. Ravana Wijeyeratne (or alternate)	Sinhaputhra Finance PLC	7	3	
Mr. S B Rangamuwa (or alternate)	Vallibel Finance PLC	8	2	
Mr. B P Morris	AMW Capital Leasing & Finance PLC	8	2	
Mr. R A Nanayakkara	Abans Finance PLC	5	5	
Mr. A K Gunaratne (or alternate)	Central Finance Co. PLC	7	3	
Mr. T Amarasuriya (appointed 14th August 2018)	Singer Finance	1		1
Mrs. S. Gunawardena	Legal Consultant	8	2	

Active sub committees

Sub Committees of FHA - 2018

1. Sub Committee of FHA Compliance Officers
2. Sub Committee of FHA Heads of HR and HR Managers
3. FHA Legal Circle

Office Bearers of FHA Sub Committees - 2018

(1) Sub Committee of FHA Compliance Officers

Chairperson	Ms. Zairaa Kaleel	LB Finance PLC
Vice Chairperson	Mr. Ramesh Fonseka	HNB Grameen Micro Finance Ltd
Secretary	Mr. Vishwamithra Kadurugamuwa	People's Leasing & Finance PLC
Asst. Secretary	Ms. Mahika Rajakaruna	Abans Finance PLC
Committee Members	Ms. Dilum De Silva Mahawatta	LOLC Finance PLC
	Ms. Shamali Amarathunga	Merchant Bank of Sri Lanka & Finance PLC
	Mr. H.G.J Chandranath	Kanrich Finance Ltd
	Mr. M.Suthakar	Prime Finance PLC
	Mr. Darshana Amerasingha	Citizen Development Business Finance PLC
	Mr. Suranga Jayaweera	Singer Finance PLC

(2) Sub Committee of FHA Heads of HR and HR Managers

Chairman	Mr. Prasad Udugampola	Siyapatha Finance PLC
Secretary	Mrs. Nimali Ranaweera	UB Finance PLC
Deputy Chairman	Mr. Prasanna Kalinga	LB Finance PLC
Deputy Secretary	Ms Hithaishi Weththasinghe	Bimpuh Finance PLC
Treasurer	Mr. Ashan Buddhakorala	Richard Peris Finance Co Ltd

Committee Members

1. Mr. Arjuna Rankothge	Sinhaputhra Finance PLC
2. Mr. Piyal Salwathura	Commercial Credit Finance PLC
3. Mr. Yohan Dhananjaya	HNB Grameen Micro Finance Ltd
4. Ms. Thanuja Sooriyaarachchi	Multi Finance Co Ltd
5. Ms. Shalani Perera	Sarvodaya Finance Ltd
6. Ms. Anusha Rajapaksha	Ideal Finance Co Ltd

(3) FHA Legal Circle

Chairman	Mr. Kithsiri Gunawardena.	LOLC Finance PLC
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Independent Auditor's Report

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 2018, 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: 16.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, 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: 03/09/2018

Statement of Income and Expenditure

For the year ended 31 March		2018	2017
	Note	Rs.	Rs.
Income	3	4,441,186	3,660,164
Other income	4	1,597,468	1,016,571
Gross income		6,038,654	4,676,735
Administrative expenses	5	(5,773,504)	(4,666,669)
Surplus before Interest & Taxation		265,149	10,066
Finance costs	6	(8,100)	(6,900)
Surplus before Taxation		257,049	3,166
Income tax expense	7	(17,369)	(18,439)
Surplus after Taxation		239,680	(15,273)

The accounting policies and notes on pages from 44 to 53 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	2018 Rs.	2017 Rs.
Assets			
Non Current Assets			
Property, Plant and Equipment	8	243,442	270,751
Investment - Fixed Deposits	9	8,385,060	7,832,047
Investment - shares	10	37,410	37,410
		8,665,912	8,140,208
Current Assets			
Due from Members	11	65,600	65,000
Deposit and Advance	12	331,800	330,000
Other Receivables	13	332,798	657,138
Income tax	18	-	251,887
Cash and Cash Equivalents	14	1,503,890	1,579,340
		2,234,087	2,883,364
Total Assets		10,900,000	11,023,572
Funds and Liabilities			
Funds			
Accumulated funds		5,715,251	5,735,707
Other funds	15	4,795,428	4,795,428
		10,510,679	10,531,134
Non Current Liabilities			
Retirement Benefit Obligations	16	290,374	386,600
		290,374	386,600
Current Liabilities			
Trade and Other Payables	17	95,407	105,837
Income Tax	18	3,540	-
		98,947	105,837
Total Equity and Liabilities		10,900,000	11,023,572

The accounting policies and notes on pages from 44 to 53 form an integral part of these Financial Statements.

Approved on behalf of the Council of Management on 03 September 2018.


Chairman


Vice Chairman

Cash Flow Statement

For the year ended 31 March	Note	2018 Rs.	2017 Rs.
Cash flows from operating activities			
Net profit / (loss) before Taxation		257,049	3,166
Adjustments for:			
Depreciation		76,911	82,205
Prior year adjustment		2,540	-
Gratuity over provision		(96,226)	114,350
Interest Income		(1,115,625)	(938,905)
Operating profit before working capital changes		(875,351)	(739,184)
(Increase)/decrease in other receivables		324,340	(146,544)
(Increase)/decrease in due from members		(600)	(15,000)
(Increase)/decrease in Income tax		-	(72,987)
(Increase)/decrease in Deposit and Advance		(1,800)	(232,500)
Increase/(decrease) in trade and other payables		(10,430)	28,033
Cash generated from operations		(563,841)	(1,178,182)
Income Tax paid		(24,618)	(22,953)
Gratuity Paid		-	-
Net cash flow from operating activities		(588,459)	(1,201,135)
Cash Flows from investing activities			
Purchases of property, plant and equipment		(49,603)	(23,375)
Interest Received		1,115,625	938,905
Investment in fixed deposits & others		(553,013)	(73,647)
Net cash used in investing activities		513,010	841,883
Net Increase in cash and cash equivalents		(75,449)	(359,253)
Cash and cash equivalents at the beginning of the year		1,579,340	1,938,592
Cash and cash equivalents at the end of the year		1,503,890	1,579,340
Cash and cash equivalents comprises			
Cash and bank balances		1,503,890	1,579,340

The accounting policies and notes on pages from 44 to 53 form an integral part of these Financial Statements.

Notes to the Financial Statements

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 Events after the Balance Sheet date

All material events occurring after the Balance Sheet date are considered and where necessary, adjustments are made in the accounts.

1.5 Members' responsibility statement

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

1.6 Comparative Figures.

Previous year's 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.

2.1 Accounting for the Receipt and Utilisation 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) Publicity Fund

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

f) NBFI Sector Stability Fund

Developing NBFI Sector

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	5%
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 realise, net of provisions for bad and doubtful debts.

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 costs

Terminal benefits are provided for only one employee of the Association at the rate of one half of the gross salary applicable of the last month of the financial year, for each year of continuous service in conformity with Sri Lanka Accounting Standard for SME's.

However according to the payment of Gratuity Act No. 12 of 1983, the liability 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-Employees' Provident Fund and Employees' Trust Fund

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. 10 of 2006, and amendments there to. The Association is liable for income tax on its investment income.

2.5 Income and Expenditure Account

2.5.1 Income recognition

a) Members Subscription & Entrance Fees

Income derived from Subscription & Entrance fees of members are recognised 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 realised from Sports Festival 2017, Administrative Fees, Seminars and others are recognised 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 recognised 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.

Notes to the Financial Statements

For the year ended 31 March		2018	2017
	Note	Rs.	Rs.
3. Income			
Membership Subscription		2,616,250	2,050,000
Entrance Fees		200,000	-
Excess Income on Sports Festival	3.1	1,041,332	678,184
Excess Income on Seminars	3.2	532,501	849,499
Directors Get together	3.3	51,103	58,060
HR Get-together		-	24,420
		4,441,186	3,660,164
3.1 Excess Income on Sports Festival			
Income		2,680,000	2,630,000
Less: Expenses		(1,638,669)	(1,951,816)
		1,041,332	678,184
3.2 Excess Income on Seminars -			
3.2.1 Seminar "Prevention of Money laundering and Application of KYC "			
Income		220,000	-
Less: Expenses		(148,261)	-
		71,739	-
3.2.2 Seminars "Competitive Selling Approach of Finance Industry"			
Income		333,000	330,000
Less: Expenses		(230,538)	(186,125)
		102,463	143,875
3.2.3 Seminars "Property Securities"			
Income		210,000	1,062,000
Less: Expenses		(143,646)	(532,798)
		66,354	529,202
3.2.4 Seminar "Recoveries Management"			
Income		200,000	297,500
Less: Expenses		(84,854)	(121,078)
		115,146	176,422
3.2.5 Seminar "Credit Evaluation Colombo"			
Income		481,500	-
Less: Expenses		(304,700)	-
		176,800	-
Total Excess Income over expenditure		532,501	849,499

For the year ended 31 March		2018	2017
	Note	Rs.	Rs.
5. Administrative Expenses			
Salaries & Wages		1,602,299	1,584,408
Employees' Provident Fund		192,276	190,129
Employees' Trust Fund		48,069	47,532
Special allowance		74,475	148,950
Travelling Allowance		286,300	385,200
Fuel Allowance		36,000	27,000
LASL allowance		135,000	-
Entertainment Allowance		190,000	-
Office Welfare		12,085	10,894
Gratuity		-	114,350
Rent		632,083	602,790
Write-off		-	50,000
Secretarial Fee		116,445	92,048
Printing & Stationery		215,732	234,124
Electricity		81,739	56,231
Telephone Charges		103,054	96,322
Mobile Telephone Charges		25,136	38,000
Internet / E-Mail Charges		6,047	5,435
Postage		3,230	5,665
Travelling & Transport		16,415	21,008
Audit Fees		84,700	77,000
Depreciation		76,911	82,205
AGM Expense		17,050	-
Ceylon Chamber of Commerce Fee		35,204	33,979
Sundry Expense		62,500	95,186
Office Equipment Maintenance		50,640	58,950
Balance brought forward from previous page		4,103,389	4,057,407
Ex-gratia payment-Ms.Wimalasena		196,020	-
Study tour Bangladesh		160,600	-
Industry Study on NBFI Sector		957,000	-
Publicity Expenses		15,000	261,000
Bonus		272,448	344,700
Web update charges		45,000	-
Cleaning charges		18,600	-
Water Charges		4,720	3,562
W.H.T		727	-
		5,773,504	4,666,669

Notes to the Financial Statements

For the year ended 31 March		2018	2017
	Note	Rs.	Rs.
6. Finance expenses			
Bank Charges		8,100	6,900
		8,100	6,900
7. Income tax expenses			
Income tax for the year		17,369	18,439
8. Property, Plant & Equipment			
For the year ended 31 March		Cost	
	Balance as at 01.04.2017	Additions / (Disposals)	Balance as at 31.03.2018
Furniture & Fittings	151,166	8,618	159,784
Computer Equipment	389,403	11,450	400,853
Office Equipment	344,376	29,535	373,911
	884,945	49,603	934,547
For the year ended 31 March		Accumulated Depreciation	
	Balance as at 01.04.2017	Depreciation for the year	Balance as at 31.03.2018
Furniture & Fittings	142,054	8,035	150,089
Computer Equipment	270,800	33,816	304,616
Office Equipment	201,341	35,060	236,400
	614,194	76,911	691,105
Net book value	270,751		243,442

As at 31 March		2018	2017
	Note	Rs.	Rs.
9. Investments - Fixed Deposit			
Abans Finance PLC		-	200,000
Alliance Finance Co., PLC		-	68,000
Arpico finance Co., PLC		-	68,000
TKS Finance Ltd		-	200,000
Asian Finance Ltd (TKS Finance Ltd)		-	22,025
Asia Assets Finance PLC		-	52,549
Associated Motor Finance Co. PLC		-	18,000
AMW Capital Leasing & Fiancé PLC		-	200,000
Orient Finance PLC		-	42,550
Colombo Trust Finance plc		-	28,000
Central Finance Co.,PLC		-	800,000
Central Investments Finance PLC		41,362	41,362
Citizen Development Business Finance PLC		-	200,000
Commercial Credit PLC		-	45,137
Commercial Leasing & Finance PLC		2,800,000	1,200,000
City Finance Corporation Ltd		17,054	17,054
Sarvodaya Development Finance Ltd		-	200,000
ETI Finance PLC		-	50,000
Ideal Finance Ltd		-	218,900
LB Finance PLC		2,150,000	1,718,000
LOLC Finance PLC		1,075,000	575,000
Mercantile Investments & Finance PLC		-	68,000
Merchant Bank of Sri Lanka & Finance PLC		-	28,263
BRAC Lanka Finance PLC		-	10,000
Nation Lanka Finance PLC		-	200,000
HNB Grameen Finance Ltd		-	200,000
People's Leasing & Finance PLC		2,000,000	200,000
Richard Pieris Arpico Finance Ltd		-	200,000
Senkadagala Finance Co., PLC		-	43,000
Sinhaputhra Finance PLC		-	102,200
Singer Finance (Lanka) PLC		-	200,000
Soft logic Finance PLC		-	200,000
UB Finance PLC		28,039	28,039
The Finance Co. PLC		-	23,749
Multi Finance Co. PLC		-	43,277
Trade Finance & Investments PLC		-	48,000
Vallibel Finance PLC		-	25,000
Seylan Bank PLC		273,606	247,943
		8,385,060	7,832,047

The accounting policies and notes on pages from 44 to 53 form an integral part of these Financial Statements.

Notes to the Financial Statements

As at 31 March		2018	2017
	Note	Rs.	Rs.
10. Investment in Shares			
City Finance Ltd		37,410	37,410
		37,410	37,410
11. Due from members			
Citizen Development Business Finance PLC		-	50,000
Global HR Solution		65,000	15,000
Receivable from Mrs.Wimalasena		600	-
		65,600	65,000
12. Deposit and Advance			
Rent Deposit		330,000	330,000
Other deposits		1,800	-
		331,800	330,000
13. Other receivables			
Staff Loan		115,104	196,354
LASL		-	30,000
Interest receivable		217,694	430,784
		332,798	657,138
14. Cash and Cash Equivalents			
Commercial Bank of Ceylon Ltd, Colombo 07		(479,020)	63,838
Commercial Bank Saving A/C		1,972,910	1,505,502
Cash in hand		10,000	10,000
		1,503,890	1,579,340
15. 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
		4,795,428	4,795,428
16. Retirement benefit obligations			
Balance as at 01st April 2017		386,600	272,250
Provision for the year		-	114,350
Over provision		(96,226)	-
Balance as at 31st March 2018		290,374	386,600

As at 31 March		2018	2017
	Note	Rs.	Rs.
17. Trade and other payables			
Advance Received		-	2,540
Payable to Mrs.Wimalasena		-	17,350
Accruals	17.1	95,406.88	85,947
		95,406.88	105,837
17.1 Accruals			
Audit Fees Payable		84,700	77,000
Telephone Charges		10,707	8,947
		95,407	85,947
18. Income Tax			
Balance as at 01.04.2017		(251,887)	(174,387)
Provision for the year		17,369	18,439
WHT paid		-	(72,986)
Income tax paid during the year		(24,618)	(22,953)
Unrecovered WHT written off		262,676	-
Balance as at 31.03.2018		3,540	(251,887)

Notes to the Financial Statements

19. 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.

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	Outstanding balance as at 31.03.2018
The Finance Houses Consortium (Pvt) Ltd	Administration fees	60,000 per year	Nil

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 31.03.2018
LB Finance PLC	Mr. Ravi Yatawara	2,150,000
LOLC Finance PLC	Mr. Ashan Nissanka	1,075,000
Peoples Leasing & Finance PLC	Mr. Rohan Thennakoon	2,000,000
Commercial Leasing & Finance PLC	Mr. krishan Thilakarathne	2,800,000

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 were no significant events after the financial position date that require adjustments to or disclosure in the financial statements.

Statement of Changes in Funds

For the year ended 31 March 2018	Other Funds						
	Accumulated Fund	Development Fund	Building Reserve	Legal Circle Fund	Medical Fund	NBFI Sector Stability Fund	Other Funds Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2016	5,750,981	1,242,641	1,350,000	300,000	29,000	1,873,787	4,795,428
Net Profit for the year	(15,273)	-	-	-	-	-	-
Balance as at 31 March 2017	5,735,707	1,242,641	1,350,000	300,000	29,000	1,873,787	4,795,428
Balance as at 1 April 2017	5,735,707	1,242,641	1,350,000	300,000	29,000	1,873,787	4,795,428
Prior year adjustment	2,540	-	-	-	-	-	-
Unrecovered WHT	(262,676)	-	-	-	-	-	-
Net Profit for the year	239,680	-	-	-	-	-	-
Balance as at 31 March 2018	5,715,251	1,242,641	1,350,000	300,000	29,000	1,873,787	4,795,428

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

Statement for Tax Computation

End of Period	Annexure	Rs.
Interest Income From Deposits		
Interest As per accounts		1,115,625
Interest receivable as at 31/03/2018		(217,694)
Interest received during the year (Net of WHT)		897,932
Interest income (Gross)		997,702
Staff loan interest income		17,666
Total interest income for the year		1,015,368
Interest income on which WHT deducted	1	(841,679)
Interest income liable for tax		173,689
Income tax @ 10%		17,369
Self assessment Tax payment for 2017/2018		(13,829)
Income Tax payable		3,540

Interest Income on Which WHT Deducted

Annexure - 1

As per section 32(1a) of the Inland Revenue Act No. 10 of 2006, Interest income on which tax has been deducted under section 135 will not form a part of Assessable income.

Name of Company	Deposit No Certificate Relevant to 2017/2018	Total Interest	W.H.T	Net Interest
Abans Finance PLC	HO/FD/TD/14/011024-03	26,000.00	2,600.00	23,400.00
Arpico Finance Co.PLC	HO14000022	6,250.00	500.00	5,750.00
Arpico Finance Co.PLC	HO14000013	2,250.00	180.00	2,070.00
TKS Finance plc	FD00000043	27,060.00	2,164.80	24,895.20
TKS Finance plc	HED106046	2,759.73	275.97	2,483.76
Asia Asset Finance PLC	SLR/LOCAL/87629/CMB	3,983.87	398.39	3,585.48
Asia Asset Finance PLC	95819	101.80	10.18	91.62
Asia Asset Finance PLC	95120	64.67	6.47	58.20
Orient Finance PLC	HO/FD/FD/00/018846-16	2,070.00	207.00	1,863.00
COLOMBO TRUST FINANCE PLC	KA/FD/TD/12/000145-04	1,100.00	110.00	990.00
COLOMBO TRUST FINANCE PLC	KA/FD/TD/12/000194-04	1,980.00	198.00	1,782.00
Central Finance Co.PLC	01/2/1/382067-08	66,000.00	5,280.00	60,720.00
Commercial Leasing & Finance PLC	SLR/LOCAL/68840/CHO	26,220.00	2,622.00	23,598.00
Sarvodaya Development Finance Ltd	FDBR0000004	25,000.00	2,000.00	23,000.00
Ideal Finance Ltd	HO/FD/TD/13/000018-04	26,268.00	2,626.80	23,641.20
LB Finance PLC	FD00242561	354.11	35.41	318.70
LB Finance PLC	FD00323308	154.60	15.46	139.14
Lanka Orix Finance PLC	352347	9,375.00	750.00	8,625.00
Lanka Orix Finance PLC	SLR/LOCAL/454787/999	62,500.00	5,000.00	57,500.00
Mercantile Investments Finance PLC	FDS1997006187	514.13	41.13	473.00
Mercantile Investments Finance PLC	FDS1997008631	200.51	16.04	184.47
BRAC Lanka finance PLC	403317	1,150.00	115.00	1,035.00
Senkadagala Finance Co.PLC	1043740770	3,000.00	240.00	2,760.00
Singer Finance (Lanka) PLC	310001290	25,000.00	2,500.00	22,500.00
Softlogic Finance PLC	FA28667R02/0-CB	26,000.00	2,080.00	23,920.00
The Finance Co. PLC	RED/FXD/00089197	2,968.62	296.86	2,671.76
Vallibel Finance PLC	HOFD00020504	2,875.00	288.00	2,587.00
Vallibel Finance PLC	HO00020504	133.58	13.36	120.22
Commercial Leasing & Finance PLC	SLR/LOCAL/78880/CHO	87,947.00	8,794.70	79,152.30
Commercial Leasing & Finance PLC	SLR/LOCAL/88535/CHO	75,623.00	7,562.30	68,060.70
LB Finance PLC	FD00549875	62,542.80	6,254.30	56,288.50
Lanka Orix Finance PLC	586024	49,931.00	3,803.38	46,127.62
		627,377.42	56,985.55	570,391.87
RELEVANT TO 2016/2017				-
LB Finance PLC	FD0049492	165,452.05	16,545.21	148,906.84
LB Finance PLC	FD00323308	1,534.19	153.42	1,380.77
SENKADAGALA FINANCE PLC	1043740770	2,000.00	160.00	1,840.00
COLOMBO TRUST FINANCE PLC	KAFD1200019403	1,440.00	144.00	1,296.00
COLOMBO TRUST FINANCE PLC	KAFD1200014503	800.00	80.00	720.00
		171,226.24	17,082.63	154,143.61
RELEVANT TO 2015/2016				-
SENKADAGALA FINANCE PLC	1043740509	960.00	76.80	883.20
Commercial Leasing & Finance PLC	47534	20,055.00	2,005.50	18,049.50
Nation Lanka Finance PLC	CMBJF27416	22,060.27	2,206.03	19,854.24
		43,075.27	4,288.33	38,786.94
Total Received WHT		841,678.93	78,356.51	763,322.42

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Notice of meeting

Notice is hereby given that the Fifty Ninth Annual General Meeting of The Finance Houses Association of Sri Lanka will be held on Thursday 27th September, 2018 at 11.00 a.m at L B Finance PLC, 6th Floor, 20, Dharmapala Mawatha, Colombo 3.

Agenda

1. To receive and adopt the Audited Accounts for the year ended 31st March 2018 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 decide on 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

29th August 2018

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.

Form of Proxy

We

of

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

Mr. Krishan Thilakeratne of Commercial Leasing & Finance PLC	Whom failing
Mr. Dissanayake Mudiyanseelage Nishaman Pradeep Karunapala of Merchant Bank of Sri Lanka & Finance Lanka PLC	Whom failing
Mr. Ravindra Shanaka Yatawara of L B Finance PLC	Whom failing
Mr. Nalin Hemantha Gamini Wijekoon of Softlogic Finance PLC	Whom failing
Mr. Romani Kumar Eardley Patrick De Silva of Alliance Finance Co. PLC	Whom failing
Mr. Kalinga Ravana Buddenipola Wijeyeratne of Sinhaputhra Finance PLC	Whom failing
Mr. Sermal Hemaka Jayasuriya of Mercantile Investment & Finance PLC	Whom failing
Mr. Ashan Nissanka of LOLC Finance PLC	Whom failing
Mr. Rohan Merino Adrian Tennakoon of People's Leasing & Finance PLC	Whom failing
Mr. Sarath Bandara Rangamuwa of Vallibel Finance Co PLC	Whom failing
Mr. Roshan Hasantha Abeygoonewardena of Citizens Development Business Finance PLC	Whom failing
Mr. Arjuna Kapila Gunaratne of Central Finance Co. PLC	Whom failing
Mr. Roshan Anthony Nanayakkara of Abans Finance PLC	Whom failing
Mr. Brandon Philip Morris of AMW Capital Leasing & Finance PLC	Whom failing
Mr. Thushan Aiyendra Amarasuriya of Singer Finance Lanka PLC	Whom failing

.....
.....
to represent and vote for us and on our behalf at the Annual General Meeting to be held on 27th September 2018 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 of2018

Common
Seal

.....
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 25th September 2018 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 Annual 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

150/3, Ward Place, Colombo 07.

Tel. 0112-670335

Email: finass@sltnet.lk

Web: www.fhalanka.lk

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

Designed & produced by

emagewise

Printed by Printage (Pvt) Ltd



60 Years
of driving change
www.fhalanka.lk