



# Lanka Microfinance Practitioners' Association



**ANNUAL REPORT**  
2017 / 2018

## **Vision**

A “Dynamic & Sustainable Microfinance Sector for an Inclusive Financial System in Sri Lanka”

## **Mission**

To “contribute to the development of sustainable and effective microfinance service by, supporting all the stakeholders in the sector and creating a conducive environment through collective action in an effective and efficient manner”.

## **Vision**

A “Dynamic & Sustainable Microfinance Sector for an Inclusive Financial System in Sri Lanka”

## **Mission**

To “contribute to the development of sustainable and effective microfinance service by, supporting all the stakeholders in the sector and creating a conducive environment through collective action in an effective and efficient manner”.

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## Message from the LMFPA President



On behalf of the members of LMFPA it gives me great pleasure to deliver the President's message for the 12th Annual Report.

The year 2017/2018 has been a very challenging year for the association. The first challenge was in the form of being the host for the South Asian Microfinance Forum 2018, the first international conference that was organized by the LMFPA in partnership with the South Asian Microfinance Network (SAMN) which was held in March 2018. The goal of the conference was to explore the possibilities for accelerating financial inclusion in the region, under the theme Deepening Financial Inclusion in South Asia. I'm proud to say that LMFPA was up to the task and the event was highly praised by the stakeholders as a grand success.

The other challenge arose during mid 2018 when the government announced that it was going to write off the microfinance loans of women borrowers in 12 drought affected districts in Sri Lanka. This came over the aftermath of several incidents on over indebtedness and media reports that highlighted the microfinance industry in a very negative light. The LMFPA faced this challenge bravely too by lobbying with the Central Bank and Finance Ministry that gave the association an unprecedented recognition and won the admiration from the authorities as well as key political figures for its dedication to protect the microfinance industry. One of the key admirations LMFPA received was through the launch of the Code of Conduct for microfinance practitioners in July 2018. The Code of Conduct is a set of guidelines to self regulate microfinance institutions advocating good governance, fair competition, transparency in pricing and practice and client protection principles. The launch event was highlighted on primetime television news and LMFPA was also invited to Television discussion programmes to address the microfinance climate of the country and the recent changes.

Since the establishment of the Microfinance Act in Sri Lanka in May 2016, LMFPA has been actively involved in discussions with the regulators for the issuing of microfinance license to both companies and NGOs. While the NGO MFIs have already started with several LMFPA members receiving their license from the NGO Secretariat, the awarding of license to microfinance companies by the Central Bank has been moving at snail space ever since the Department for the supervision of MFIs was integrated to the Department of Supervision of Non Bank Financial Institutions. Nevertheless as a representative body LMFPA will still continue its discussions with the Central Bank to expedite the licensing process for companies.

Capacity Building via Exposure visits continued in 2017/2018 as well when LMFPA organized another exposure visit by sending 11 representatives to the Philippines in September 2018. Apart from this, the association also strengthened its relationship with Foreign Organizations such as the Jeevan Bikas Samaj of Nepal and the Rural Microfinance Development Centre of Nepal by organizing several exposure visits in Sri Lanka for their MFI representatives. Appreciation should go to our members who gave their fullest support in organizing field visits for these Exposure Visits.

The financial strength of the association continued to remain positive during the financial year of 2017. This is due to the sheer dedication of its staff and the constant support we received from our members. I take this opportunity to convey my sincere appreciation to our members, stakeholders, board of directors and staff for their continued dedication and support throughout this period for the success and the sustainability of LMFPA.

**Imran Nafeer**  
**Hony President – 2017/2018**

## Corporate Information

**Address:** 371, Colombo Road, Pepiliyana

**Tel:** + 94 11 4367621, 4369612

**Fax:** +94 11 2099511

**Email:** [info@lankamicrofinance.com](mailto:info@lankamicrofinance.com)

**Web:** [www.microfinance.lk](http://www.microfinance.lk)

**Legal Form:** Re-registered under the Companies Act no.7 of 2007 Registration no- GA 136

**Auditors:** Edirisinghe & Co. Chartered Accountants

**Secretaries:** Hemba Waduge Thilanka Priyadarshana Sampath

**Bankers:** Commercial Bank of Ceylon PLC

## The Board of Directors



**Mr. Imran Nafeer**  
Hony. President

Mr. Imran Nafeer is a Director of Muslim Aid Micro Credit Company and has experience and exposure both local and international level as a Microfinance consultant in various aspects including Social Performance Management, Research & Product Development, Islamic Microfinance and Micro Insurance. He is an accredited trainer of CGAP and Frankfurt School of Finance & Management. Recently he was awarded as a certified Social Auditor from CERISE France on behalf of LMFPA. He holds an Honours Degree in B. Com. (Marketing) Special from the University of Sri Jayawardenapura. He obtained Post Graduate Qualifications in Marketing from Chartered Institute of Marketing (UK) and in International Relations from Bandaranaike Centre for International Studies (BCIS). He also serves as a lecturer in the Microfinance Diploma course by the Institute of Bankers of Sri Lanka (IBSL).



**Mr. Priyantha Dematagoda**  
Hony. Treasurer

Mr. Dematagoda is the General Manager/Chief Executive Officer of Sewa Community Credit Limited, is a Professional Banker with 23 years of Commercial Banking experience. He is a Faculty member of the Institute of Bankers of Sri Lanka (IBSL), Center for Banking Studies CBSL, and at various other Government and Private Banks. He is a Certified Trainer in Micro Finance by Frankfurt School for Finance and Management. He holds a Masters Degree in Business Studies and a Post Graduate Diploma in Business Administration from the University of Colombo. He also holds a Diploma in Human Rights (Institute of Human Rights Sri Lanka). He has also undergone professional training at National University of Singapore (NUS), and with the Association for Development Financing in Asia and Pacific (ADFIAP) and University of Sri Jayawardhanapura.



**Mr. Wasantha Gunawardhane**  
Hony. Vice President

Mr. Wasantha Gunawardhane is the Senior Manager of People's Microfinance Limited, a fully owned subsidiary of People's Leasing & Finance PLC which has state ownership through being the subsidiary of People's Bank. He obtains twenty four years exposure in microfinance & community development fields. Mr. Wasantha has vast work knowledge & experience in General Administration, Human Resource Management & Operations Management in NGO sector and co-operatives focused on Business Development & Animal Husbandry. Meantime being a chairman of co-operative sector he gathered corporate level management exposure.

He started his career as the first employee of Berendina and developed his career growth by being the resident project Manager in the same company. Thereafter he acted as Head of Field Operations in Lak Jaya Microfinance. Previously Mr. Wasantha served as the Hony. Vice President of LMFPA in 2013/2014 and also as a Director in 2014/2015 and 2016/2017.



**Ms. Renuka Rathnahewage**  
Hony. Asst. Secretary

Renuka Rathnahewage is a finalist of Chartered Accountants of Sri Lanka, holds postgraduate diploma in Finance & Accounting, Certified Professional Manager, Member of Management Accountants of Sri Lanka & Member of Accounting Technicians of SL. Since starting her career as an Audit Senior at A.I. Macan Macar & Co, Chartered Accountants in 1993, Ms. Rathnahewage has held positions such as Accountant and Finance & Admin Manager and General Manager at People's Rural Development Association (PRDA), thereafter becoming the Chief Executive Officer at Sewa Lanka Community Financial Services Limited. Since 2013 to present she is the Chief Executive Officer of Sejaya Micro Credit Ltd. She has international exposure through Social Performance and PPI Workshops in India and Boulder Microfinance course in Italy. She has a proven track record in finances where she was successful in expanding the Microfinance programme.



**Mr. S. W. Kiriarachchi**  
Director

Mr. Kiriarachchi is the chairman of Agro Micro Investments Ltd and a Director of Agromart Foundation and has vast experience in Microfinance and community development fields. Mr. Kiriarachchi has immense hands-on experience in administration, Agriculture, human resource management with his career in the public sector. He is a Retired Secretary who served in Chief Ministry and Ministry of Agriculture, Lands, Irrigation, High ways, Local Government, Transport, Industries, Housing and Construction, etc. He also held the post of Chairman of Wayamba Development Authority, Passenger Transport Board Machinery Authority, Industrial Service Bureau, Human Resources Development Authority and Wayamba Training Institute. Mr. Kiriarachchi has also served as the chairman of LMFPFA in the years 2010/2011 and 2014/2015 and his wide experience and knowledge in Microfinance and administration had given the LMFPFA an unprecedented driving force to move forward with dignity.



**Dr. Bisowela Gunasekara**  
Director

A founder member of LMFPFA, Dr. Bisowela Gunasekara has previously served the LMFPFA as Treasurer, Secretary and Manager. He is a Journalist by profession. He is also an experienced banker since 1968 and has worked at People's Bank and Seylan Merchant Bank. In 1977 Dr. Bisowela started his Microfinance career through a Children's' Savings Programme with the help of Sarvodaya movement. During this period he was working for Sarvodaya movement and with the guidance of its chairman Dr. A. T. Ariyaratne he was able to start SEEDS (GTE) Ltd and for 13 years served in its Advisory panel.

He also served in the advisory panel of Sewalanka Foundation and pioneered its microfinance programmes and managed the organization's community mobilization programmes. At the same time he served at the Arthacharya Foundation microfinance initiatives and served as one of the directors of the board.

Presently Dr. Bisowela is the Chairman and Managing Director of Sustainable Appropriate Projects Co. Ltd (SAPCO) and Community Based Microfinance Institution Network (CBMIN). He was also the Director and Treasurer of SIYB Association of Sri Lanka (ILO)



**Mr. Gamini Jayaweera**  
Director

Mr. Gamini Jayaweera is the founder member of Business Development Co-operative Society (Co-op Bank) and serves there as the General Secretary. He has vast experience as a Management Consultant and also has international exposure in microfinance in India and in Philippines. He has a B.B.A (Special) UC. Prior to working in Co-op Bank, he had served as the Chief Executive Officer at Sanasa Printers and Publishers.

His other activities include:

- Participation in the National Work Shop on Good Governance and Leadership at Sri Lanka Foundation in 2012.
- Participation in the Capacity Building Training Programme at Institute of Bankers of Sri Lanka. (IBSL)
- Participation in the Programme of Studies on Excellent Management for Non-Governmental Organizations at National Institute of Business Management (NIBM) in 2005.
- Successful completion of the Diploma Course in Human Rights at Institute of Human Rights in 2004.



**Mr. Ramesh Fonseka**  
Director

Mr. Fonseka is a Graduate from the University of Charleston WV USA in Business Administration and a Post Graduate Diploma Holder in Business Administration from PIM-SUJ and a former President PIM alumni association. He also holds a Diploma in International Trade shipping and Logistics and a certificate in Micro Finance.

Mr. Fonseka has over 10 years hands on experience in MFI and currently holds the post of AGM-MIS/Compliance at Prime Grameen Micro Finance Ltd. Prior to it he has held many coveted posts as Deputy Director at Grameen Micro Finance Ltd and Senior AGM Ceylinco Grameen Automobiles Ltd. He started his carrier as a factory executive at Anglo Asian Supermarkets Ltd and became one of the youngest Regional Managers at Bata Shoe Company (Ceylon)Ltd. Prior to joining the Ceylinco Group in 2004 he held the post of Marketing Manager E.S.F. International Forwarders.



**Mr. Rohana Kumara**  
Director

Mr. Rohana Kumara is the CEO of BRAC Lanka Finance PLC attached to the LOLC group and has experience of 22 years in the Finance/Banking sector. He holds a MBA from Cardiff Metropolitan University and is a MCIM member of Chartered Institute of Marketing (UK).He had been the Chief operating officer of LOLC Micro Credit Ltd prior taking over the responsibilities at BRAC Lanka Finance PLC.



**Mr. Samuel Jebaratnam**  
Director

Mr. Samuel Jebaratnam is the Executive Director/ CEO of VisionFund Lanka (VFL). He is a versatile banker with 36 years of experience in Banking, including two reputed foreign banks in Sri Lanka. Prior to his commitment with VFL, he served as the Senior Deputy General Manager of Seylan Bank PLC, with wide exposure to Credit, Operations, Human Resources, Administration, International Banking and Information Technology and has represented the bank at various Boards, Committees, Conferences and Forums in Sri Lanka and overseas.

He holds an MBA from the Postgraduate Institute of Management (PIM) of the University of Jayawardenpura, a Postgraduate Executive Diploma in Bank Management and a Fellow from the Institute of Bankers of Sri Lanka. He has also undergone training in Barclays Bank, London and Industrial development Bank of India and is a recipient of the prestigious "Achievers Award" from the Postgraduate Institute of Management Professional Association (PIMPA).

Mr. Jebaratnam has had an illustrious career at the helm of Banking and has proven himself to be of exemplary character, a highly motivated and result oriented leader within the Banking industry, encompassing valuable experience in all its spheres.



**Mr. Gnanasiri Abewardhana**  
Director

Mr. Gnanasiri Abewardhana counts more than 20 years of experience in financial service sector having commenced his career at Central Finance in 1995 and afterwards serving at People Leasing where he setup their respective leasing divisions & branch network. Later on He joined Asset Line Company Ltd in 2005 as Assistant Manager to steer the financial service cluster of the David Pieris Motor Company. He was promoted as Regional manager until 2008. He monitored & covered Branch Administration, Marketing function (Leasing Hire purchase, loan) & Recovery function in the following areas: Jaffna Mannar, Vavuniya, Anuradhapura, Puttalam, Trincomalee, Kurunegala, Polonnaruwa, Kuliyaipitiya, Rathnapura & Matara.

Mr. Abeywardhana holds a Bsc Management Degree from University of Jayawardenepura. Currently he is the Vice President of Alumni Association of Public Administration Department in Sri Jayawardhanapura University and also an active Executive committee member in the Alumni Association of University of Sri Jayawardenepura.

Currently he is working as General Manager and Chief Executive Officer in Dumbara Micro Credit since 2015.



**Mr. Sujeewa Perera**  
Director

Mr. Sujeewa Perera is a senior manager of SANASA Development Bank PLC. He is a professional banker with 13 years' experience in field of Microfinance, Development finance and cooperative sector.

He holds a B.Com (Accountancy) Special from University of Sri Jayawardenepura and is an associate member of the Institute of Bankers of Sri Lanka (IBSL). He is also a certified trainer in microfinance.



**Mr. Udaya Wewelwala**  
Director

Mr. Udaya Wewelwala is the General Manager of Development Facilitators (Pvt ) Limited and well experienced consultant, researcher and trainer with local and international experience in fields of Microfinance, Soft Skills, Institutional Development, Community Development and MSME development. He is a licensed/accredited trainer in fields of Microfinance and Enterprise Development certified by CGAP, Asian Development Bank Institute & Tokyo Development Learning Centre, Frankfurt School of Finance & Management and ILO-SIYB. He was a consultant to design and develop leading microfinance operations in Sri Lanka and has developed a large number of training modules to capacitate microfinance staff of many MFIs in the country. He also serves as the Head of lecturer panel and course material designing consultant in the Microfinance Diploma course offered by the Sri Lanka Institute of Credit Management (SLICM).

He is a Master Degree holder in Development Studies from University of Colombo, an Attorney-at-Law and holds a BSc (Agric. Majoring in Agric Economics) from University of Peradeniya.

### **Meeting Attendance**

<b>Board Member</b>	<b>Meetings Attended</b>	<b>Meetings Apologized</b>	<b>Attended by representative</b>	<b>Total</b>
Imran Nafeer	14	2		16
Wasantha Gunawardena	7	5	4	16
Priyantha Dematagoda	14	2		16
Renuka Rathnahewage	1	9	5	15
S. W. Kiriarachchi	9	7		16
Bisowela Gunasekara	13	3		16
Gamini Jayaweera	1	3	12	16
Ramesh Fonseka	10	6		16
Rohana Kumara		11	4	16
Samuel Jebaratnam	10	6		16
Gnanasiri Abeywardhana	16			16
Udaya Wewelwala	11	5		16
Sujeewa Perera	1	12		13

## Our Members

01	Agro Micro Investments Ltd	34	Prosperous Capital & Assurance Ltd
02	Akmeemana Women Development Society	35	Purewin Credit & Investments Ltd
03	Alliance Finance Co. PLC	36	Puttalam District Isuru Development Company
04	Arthavida Intermediary Ltd		
05	Berendina Micro Investment Company Ltd	37	Rajarata Participatory Development Foundation
06	Bimpuh Finance PLC		
07	Brac Lanka Finance PLC	38	Rajarata Praja Kendraya
08	Business Development Co-operative Society	39	Rajeeda Holdings (Pvt) Ltd
09	Capital Credit & Investments (Pvt) Ltd	40	Reliance Investments Co (Pvt) Ltd
10	Care Investments (Pvt) Ltd	41	S. N. Micro Credit (Pvt) Ltd
11	Commercial Credit & Finance PLC	42	SANASA Development Bank PLC
12	Development Facilitators (Pvt) Ltd	43	SANASA Federation Ltd
13	Dumbara Micro Credit Company	44	Sareeram Sri Lanka National Foundation
14	ECLOF Lanka (Gte) Ltd	45	Sarvodaya Development Finance Ltd
15	Gampola Udapalatha Prajashakthi Foundation	46	Saviya Development Foundation
16	Graduate Investment Ltd	47	SEEDS (Gte) Ltd
17	Habaraduwa Participatory Development Foundation	48	Sejaya Micro Credit Ltd
18	Hambantota WDF	49	Senkada Micro Credit Co. Ltd.
19	HNB Grameen Finance Ltd	50	Sewa Community Credit Ltd
20	IDEAs Consultancy (Pvt) Ltd	51	Silvereen Micro Credit Company Ltd
21	Janatha Microfinance (Pvt) Ltd	52	SIYB Association of Sri Lanka
22	Lak Jaya Microfinance Ltd	53	South Asia Partnership Sri Lanka
23	Lanka Credit & Business Finance Ltd	54	Sri Lanka Business Development Centre
24	Lanka Financial Services for Underserved Settlements	55	Sri Lanka Savings Bank
25	Loans & Land Investment (Pvt) Ltd	56	Stromme Micro Finance Asia (Gte) Ltd
26	LOLC Micro Credit Ltd	57	SAPCO
27	Muslim Aid Micro Credit (Gte) Ltd	58	INDECOS
28	Nation Lanka Finance PLC	59	Uva Govijana Kendraya
29	Negombo Community Development Company	60	Ventura Crystal Investments Ltd
30	Nomic International Ltd	61	VisionFund Lanka Ltd
31	People's Microfinance Ltd	62	Wickramaratna Micro Credit (Pvt) Ltd
32	Pragathi Sewa Foundation	63	Wijitha Finance Ltd
33	Prajashakthi Eksath Sangamaya	64	Y GRO Ltd
		65	Yes Foundation
		66	YMCA Batticaloa

## Major Activities during 2017/2018

### Lobbying & Advocacy

#### Launch of LMFPA Code of Conduct

A Code of Conduct targeting microfinance practitioners was introduced by LMFPA on 24th July 2018, at the Centre for Banking Studies in Colombo. Dr. Harsha De Silva, State Minister of National Policies and Economic Affairs delivered the keynote address at this landmark event and Mr. J. P. R. Karunartne, Assistant Governor of the Central Bank presided over the ceremony as the Guest of Honour.



The importance for a Code of Conduct to be adopted by the microfinance sector was underscored by the recent public debate around rising levels of indebtedness resulting from microfinance loans. The practices adopted by microfinance institutions, both those that are regulated and unregulated, have therefore, come under much scrutiny. Under these circumstances, the LMFPA felt the need to introduce a Code of Conduct that would help guide and anchor the sector as it expands its services to a growing client base.

The adoption of the Code by practitioners will help ensure that the highest level of professionalism, ethical conduct and good governance are observed by the members of the LMFPA. Since the microfinance institutions cater to a particular socioeconomic stratum in society, the Code of Conduct helps ensure that microfinance services are provided in a manner that benefits and respects clients.

Developed in consultation with multiple stakeholders, upon adoption by the sector, the Code of Conduct promises to be a powerful document that would shape how microfinance institutions carry out their



respective businesses. The code targets specific areas of practice that include maintaining transparency and healthy competition, loan disbursement and recovery practices, developing a feedback mechanism, better information sharing and maintaining the quality of the staff of the institutions. In short, the Code reiterates the commitment on the part of the LMFPA members to adhere to and maintain certain standards of conduct that would assuage some of the major concerns raised by the public.

One of the key highlights and discussion points in the Code of Conduct will be on the guidelines offered to reduce over-indebtedness. The Code details how such situations can be minimized by taking into consideration the burden of outstanding loans prior to granting a new loan, the importance of considering the disposable income of the household and in ensuring that mainstream loan products have 06 months or more in tenure.

In a special statement at the Ceremony, Dr. Sarath Amunugama conveyed that the introduction of the code of conduct is a commendable and timely intervention. He further added, 'enabling better access to finance for the lower income households is of importance to the government. But, it is of equal importance that competition among the providers does not contribute towards high levels of indebtedness. Self-regulation and compliance by the industry will help protect the interests of both the clients and industry in the long run.'

Dr. Harsha De Silva in his keynote address too appreciated the efforts of the LMFFPA for promoting self regulation among its members in the midst of the crisis of over indebtedness in the country.

Commenting on the landmark initiative, Imran Nafeer, President of the LMFFPA, stressed the importance of sector-wide acceptance of the Code of Conduct. "As the representative body, the LMFFPA has a special role to play in setting standards for our members. Through the introduction and hopefully, adoption of this Code of Conduct, we believe the basic principles governing the business model of microfinance institutions can be protected from unethical practices. This will undoubtedly help our members grow in a sustainable manner and just as importantly, help safeguard the clients by not overburdening them with debt that they cannot subsequently repay. The Code of Conduct is our way of showing that as an industry, we need to be both sensitive to, and cognizant of the changes taking place within the sector. The importance of responding in a proactive manner cannot be stressed enough".



The LMPA Code of Conduct was established following the consultation of several stakeholder experts in the industry who got together in June 2018 to review the previous Code of Conduct introduced by LMFFPA back in 2014 and streamlined it into 08 main segments which are:

1. Avoid Over Indebtedness
2. Maintain transparency
3. Loan Disbursement and Recovery Practices
4. Maintaining healthy competition
5. Develop a Feedback mechanism
6. Information sharing
7. Quality of Staff
8. Addressing the breach in the Code of Conduct

As of 31st August 2018, the following members have consented to the Code of Conduct:

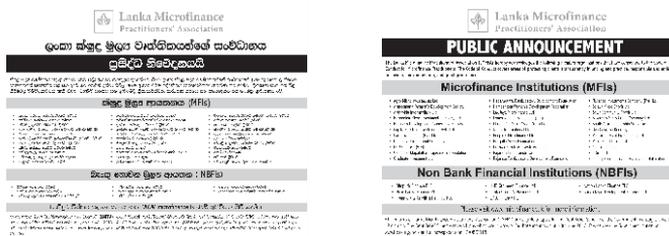
**Microfinance Institutions (MFIs)**

- Agro Micro Investments Ltd
- Akmeemana Women's Development Society
- Arthavida Intermediary Ltd
- Berendina Micro Investment Company Ltd
- Business Development Cooperative Society
- Capital Credit & Investments (Pvt) Ltd
- Care Investments (Pvt) Ltd
- Dumbara Micro Credit Company Ltd
- ECLOF Lanka (Gte) Ltd
- Gampola Udapalatha Prajashakthi Foundation
- Graduate Investment Ltd
- Habaraduwa Participatory Development Foundation
- Hambantota Women's Development Federation
- Lak Jaya Microfinance Ltd
- Loans & Land Investment (Pvt) Ltd
- Muslim Aid Micro Credit (Gte) Ltd
- Nomic International Ltd
- People's Microfinance Ltd
- Pragathi Sewa Foundation
- Purewin Credit & Investments Ltd
- Rajarata Praja Kendraya
- Rajarata Participatory Development Foundation
- Reliance Investments Company (Pvt) Ltd
- Sejaya Micro Credit Ltd
- Senkada Micro Credit Company Ltd
- Sewa Community Credit Ltd
- Silvereen Micro Credit Company Ltd
- South Asia Partnership Sri Lanka
- Uva Govijana Kendraya
- Ventura Crystal Investments Ltd
- VisionFund Lanka Ltd
- Yes Foundation
- Y Gro Ltd
- Young Men's Christian Association Batticaloa

**Non Bank Financial Institutions (NBFIs)**

- Bimputh Finance PLC
- Brac Lanka Finance PLC
- Commercial Credit & Finance PLC
- HNB Grameen Finance Ltd
- Lanka Credit & Business Finance Ltd
- LOLC Finance PLC
- Nation Lanka Finance PLC
- Sarvodaya Development Finance Ltd

On 26th of August 2018, LMFPA published a half page public announcement in the Sunday Lankadeepa, Sunday Times and Sunday Veerkesari respectively acknowledging all its members who gave consent to the Code of Conduct.



## Discussions on Government Debt Relief Programme



In June 2018, amidst the aftermath of many media reports on multiple borrowings in microfinance and over indebtedness, the government announced that it will write off loans of LKR 100,000 or less for women borrowers in 12 districts affected by drought. The news came as a shock to many microfinance institutions whose main income source was from micro credit. The LMFPFA immediately sprang into action by calling for meetings with the Central

Bank as well as the Ministry of Finance. Following a series of discussions with the authorities, LMFPFA was able to get favourable decisions for its member MFIs that qualified for the Debt Relief Programme. The government issued a circular that allowed registered finance companies and member organizations of LMFPFA to take part in the Debt Relief Programme. According to this scheme, the initial capital of loans amounting to Rs. 100,000 or less where such loans have been outstanding for at least 3 consecutive month period as at 30th June 2018 will be written off. If one borrower has multiple loans with the same institution or several MFIs where the initial capital of each loan is Rs. 100,000 or less, the loan with the highest outstanding capital will be written off.

This information was communicated to the membership by organizing a one day workshop on 7th of August in Colombo. As many as 60 member representatives participated in the workshop voicing their concerns over the government decision to write off loans and the harmful impact it had on the loan recovery procedures.



Following this workshop, LMFPFA facilitated for its members to submit data for the Debt Relief Programme and coordinated together with the Ministry of Finance to expedite the data provision process. The LMFPFA also took further steps to write to government officials in rural areas such as Batticaloa to minimize the damage caused by misleading information regarding the debt relief programme had caused.

During this time the LMFPFA also had the opportunity of appearing on a national television talk show programme called "Nugasevana" where both the President and Treasurer were able to accurately elucidate on the evolution of Sri Lankan microfinance, the causes for the problems on over indebtedness and the role of LMFPFA working with the government on its debt relief programme.

Furthermore LMFPFA initiated discussions with the Ministry of Finance for new regulations and policies for Micro Credit in the country.

## LMFPA Workshop for Companies applying for Microfinance license and proceedings thereafter

LMFPA in collaboration with the Central Bank's Department of Supervision of MFIs, organized a workshop for member organizations who are companies and who are applying for the microfinance license. The workshop was held on the 04th of September 2017 in Colombo. There were 10 companies who have the capacity to apply for the microfinance license.



The main objective of this workshop was to identify the concerns and obstacles that the companies are faced with when applying for the license.

By December 2017 a total of nine companies applied for license of the Central Bank. According to the Central Bank sources, out of these 09 companies, 06 companies are presently under the evaluation process. During this time the Central Bank too has undergone internal structural changes whereby the formally established Microfinance supervision department has now been integrated to the Department of Supervision of Non Bank Financial Institutions.



The licensing of NGO MFIs has already started with the NGO Secretariat issuing microfinance license to the following member NGOs:

- Arthavida Intermediary Ltd
- ECLOF Lanka
- Hambantota WDF
- Habaraduwa Participatory Development Foundation
- Gampola Udapalatha Prajashakthi Foundation
- Sareeram Sri Lanka National Foundation
- Uva Govijana Kendraya

Despite this, the licensing process for microfinance companies by the Central Bank has been moving at a very slow pace. LMFPA will continue its lobbying efforts with the Central Bank to expedite the licensing of microfinance companies.

## Linkages with Foreign Organizations

### Jeevan Bikas Samaj Exposure visit to Sri Lanka in April 2018

A group of 10 MFI representatives from the organization Jeevan Bikas Samaj of Nepal visited Sri Lanka in April 2018 to learn from the various local microfinance practices by different entities (i.e. Cooperative, NGO, NBF and Public Company) as well as visiting popular tourist destinations in the country. The team had the privilege of visiting MFIs in Colombo, Kandy, and Dambulla. LMFPA would like to express its appreciation to the following member organizations whose support was instrumental to the success of the exposure visit:

- Business Development Cooperative Society
- Bimpu Finance PLC
- ECLOF Lanka (Gte) Ltd
- HNB Grameen Finance Ltd
- Silvereen Micro Credit Company Ltd



## SAMN Regional Conference 2018



LMFPA hosted its first ever South Asian Micro-Entrepreneurs Network (SAMN) conference recently, with the participation of over 280 micro-finance practitioners and industry stakeholders from across the region. The conference saw key players discuss at length the importance of introducing regulation and impact investment opportunities, among others.

This year's SAMN conference was held on 6th and 7th March at the Cinnamon Lakeside with the stated goal of exploring the possibilities for accelerating

financial inclusion in the region, under the theme Deepening Financial Inclusion in South Asia.

During the conference, special attention was drawn to the matter of regulation. Among the points discussed was the importance of creating an environment conducive to micro-finance in any country. Participating countries, especially the South Asian nations, shared their experience in this regard. There was critical input from all speakers on this topic. There was a lesson to be learnt for the Sri Lankan microfinance sector on effective implementation of regulation, as it has up to now been a little slow in Sri Lanka.



The event was graced by ministers Hon. Dr. Sarath Amunugama and Hon Eran Wickramaratne. The valedictory address was delivered by the Central Bank Deputy Governor Mr. K. D. Ranasinghe. A special workshop was also held on the Poverty Probability Index by its founder Dr. Mark Schreiner. The sessions held during the conference were compiled into a publication and this comprehensive report is available on the LMFPA website for the benefit of all industry stakeholders.



LMFPA acknowledges the contribution made by LOLC as the Gold Sponsor for the conference, Bimpu Finance as the Finance Partner and HNB Grameen Finance as the Silver Sponsor. Furthermore we appreciate the support by Sarvodaya Development Finance and Hatton National Bank as session sponsors. LMFPA also acknowledges the following member organizations whose support contributed to the event's success: Prosperous Capital and Credit, IDEAs Consultancy, Muslim Aid Micro Credit, and Sanasa Development Bank.

## SAMN Conference Picture Gallery



## RMDC Nepal Exposure visit to Sri Lanka in September 2018

Continuing its strong relations with the LMFPFA, The Rural Microfinance Development Centre of Nepal conducted another exposure visit in Sri Lanka during the first week of September 2018. The team 11 representatives had the opportunity of visiting MFIs in Colombo, Nuwara Eliya, Kandy, and Chilaw. The team was also able to visit the Non Bank Financial Institutions Supervision department of the Central Bank to learn more about the Sri Lankan microfinance regulatory framework. LMFPFA would like to express its appreciation to the following member organizations whose support was instrumental to the success of the exposure visit:

- Berendina Micro Investments Ltd
- Lak Jaya Microfinance Ltd
- LOLC Finance PLC
- VisionFund Lanka Ltd



## Capacity Building

### LMFPA Exposure visit to the Philippines in September 2018

In collaboration with the Microfinance Council of the Philippines (MCPI) LMFPA organized an Exposure visit programme on Microfinance for its members in September 2018. Applications were called in July and 11 representatives from the following organizations took part in the programme.



- Future Life Investments Ltd
- Lanka Credit & Business Finance Ltd
- LOLC Finance PLC
- HNB Grameen Finance Ltd
- Ranbima Micro Credit (Pvt) Ltd
- Sewa Community Credit Ltd
- Sri Lanka Savings Bank



The programme spanned from 03rd to 7th September and participants were able to get exposure on different microfinance practices in Philippines, as well as to gain knowledge on MIS systems and Social Performance Management application in the Philippine MFI operations as well as the Microfinance Regulations by meeting officials of the Central Bank of Philippines.

## LMFPA Training Programmes

During 2017/2018, LMFPA conducted 03 training workshops.

1. Internal Audit and Compliance in Colombo – 05th August 2018
2. Managerial Skills Development in Kurunegala – 15th & 16th September 2017
3. Credit Evaluation for Micro, Small and Medium Enterprises in Colombo – 19th & 20th October 2017

The workshop series was aimed at building the capacities of member MFI staff on their Field level, Managerial level and Back Office level. In addition to imparting knowledge and theoretical skills, the workshops are aimed more at developing staff's interpersonal skills, changing of attitudes and perceptions in Microfinance and creating a motivated workforce towards safeguarding the essential principles of microfinance. The participation for the workshops were very satisfactory with more than 70 staff members attended the programmes collectively from the following organizations:

- Agro Micro Investments Ltd
- Alliance Finance Co. PLC
- Arthavida Intermediary Ltd
- Berendina Micro Investments Co. Ltd
- Development Facilitators
- Dumbara Micro Credit Ltd
- ECLOF Lanka (Gte) Ltd
- Hambantota WDF
- HNB Grameen Finance Ltd
- Lak Jaya Microfinance Ltd
- Nomic International Ltd
- People's Microfinance Ltd
- People's Rural Development Association
- Rajarata Praja Kendraya
- Sanasa Federation Ltd
- Sejaya Micro Credit Ltd
- Sri Lanka Savings Bank
- Ventura Crystal Investments Ltd
- VisionFund Lanka Ltd



## Information Dissemination

### Microfinance Review 2017



For the 7th consecutive year LMFPFA completed its annual review of microfinance and allied services in the country through its publication the Microfinance Review – Sri Lanka 2017; the only publication that comprehensively analyses the status of the microfinance sector in Sri Lanka and reflects on the evolution of microfinance, sustainability of services, emerging issues and challenges.

This review appraises the developments in Sri Lanka’s microfinance sector in 2017 and it is based on data in relation to financial and social performances, obtained from 37 MFIs in Sri Lanka for which reliable data (audited financial statements and credible operational data) was available. Some of the conclusions that were drawn on current performances of the microfinance sector were mainly based on data provided by the MFIs throughout the reporting period. Thus, the data of member MFIs has been derived from structured data forms (known as member profiles) of MFIs.

The review provides a detailed analysis of the financial and social performances of the sector at three levels: industry, peer group, and institution. The review also highlights the way forward for the sector with a focus on major challenges and opportunities.

### Quarterly Data on LMFPFA Website

The LMFPFA website [www.microfinance.lk](http://www.microfinance.lk) now carries a special segment on its statistics page which gives a snapshot of the Sri Lankan microfinance sector by providing the aggregated data of member MFIs for each quarter on:

- Number of loans disbursed during the quarter
- Value of loans disbursed during the quarter
- Loan Portfolio at the end of the quarter
- Number of borrowers at the end of the quarter

Key Microfinance Statistics	
As at 30 June 2018	
<b>Quarterly Data</b>	
Reporting Quarter	January - March
Value of loans during the quarter	LKR 24,973,529,872.00
Number of loans during the quarter	29649
Loan Portfolio at the end of the quarter	LKR 76,642,446,540.00
Number of Borrowers at the end of the quarter	142075
Number of MFIs who provided data	22
<b>Annual Data for year 2017/18</b>	
Number of Active borrowers:	209022 (Male - 459045 Female - 2439187)
Loan Portfolio	Rs. 94,415,928,798.00
Number of Depositors	241783
Value of Deposits	Rs. 33,249,899,624.00
Number of MFIs who provided data	37

## In remembrance of the late Mr. W G Mithrarathne

A humanist who was deeply concerned about the people whose welfare was entrusted to his care, Mr. W. G. Mithrarathne achieved during his lifetime, what went way beyond the call of duty.

Mr. Mithrarathne was born in colonial Sri Lanka in 1944. He is an entirely home-grown son of the soil educated at our only university at that time the University of Ceylon at Peradeniya. Having served in many parts of the Island in various important capacities, Mr. Mithrarathne was entrusted with the responsibility of administering the Hambantota district for over a decade beginning in 1985, during which time he invited 124 women to unite for action and registered as a NGO. It is this organization which 28 years later has blossomed into the Hambantota Women's Development Federation consisting of over 120,000 members. He has created a great opportunity for village women to become owners of the organization and lead the organization to serve more. Today, the NGO has offered helping hands to thousands of families and sustainable employment opportunities for its members.



Continuing his catalytic role in transforming socio economic norms of the country, he went on to pioneer the establishment of the Lanka Micro Finance Practitioners' Association (LMFPA) in 2006, with a view to establish a dynamic and sustainable Microfinance Network for an Inclusive Financial System in Sri Lanka. He was one of the leading persons in bringing Microfinance Act in Sri Lanka and providing opportunities for NGOs and CBOs to become formal regulated institutions. He stood and fought for rights of excluded people and wanted to make sure all of his efforts of looking after excluded communities will continue forever. One of the beauties of all of his endeavors is that he had placed a strong secondary leadership and guided the secondary leadership to do better.

In addition to his roles as the GA in Hambantota, the Founder & Chairman of Women's Development Federation, he has held many positions of high responsibility, including the Secretary to the Ministry of Science & Technology, Ministry of Youth Affairs and Director General of Samurdhi Authority. He has also published books on empowering the poor, from the knowledge harnessed about poverty alleviation through the MFI Janashakthi Bank.

To his last day, our dear colleague and friend, Mr. Mithrarathne continued to believe that the socialist ethos better serves the cause of the poor and the dispossessed than the profit-perusing capitalist approach to social organization. His demise in January 2018 will leave a void that is difficult to be filled, but the lessons he taught us through practice will always remain with us.

*Our sorrows are great at the loss of your presence  
The lives you have touched are greater than we could fathom...  
Your memories will always bring us joy and hope,  
And the courage to bear all the sadness we cope...*

## Draft Accounts as at 31st August 2018

<b>Income &amp; Expenses Statement as at 31<sup>st</sup> August 2018</b>		
Membership Fees	1,215,000	
Membership Registration	10,000	
Interest Income	86,012	
Other income of LMFPFA	5,809,493	
SAMN Income (Sponsorships)	7,970,070	
SAMN Income (Conference Registrations)	3,274,017	
<b>Total Income</b>		<b>18,364,592</b>
<i>Less Admin Expenses (LMFPFA)</i>	1,276,455	
<i>Less Admin Expenses (SAMN)</i>	1,096,830	
<i>Less Activity Related Expenses (LMFPFA)</i>	3,656,018	
<i>Less Activity Related Expenses (SAMN)</i>	10,206,051	
<b>Total Expenses</b>		<b>(16,235,354)</b>
<b>Net Income</b>		<b>2,129,238</b>

## Auditor's Report & Financial Statements



**BAKER TILLY**  
**Edirisinghe & Co.**  
Chartered Accountants

### INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LANKA MICROFINANCE PRACTITIONERS' ASSOCIATION

#### Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Microfinance Practitioners' Association., which comprise the Statement of Financial Position as at December 31, 2017 Statement of Profit or Loss and Accumulated Fund and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

The Members of Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

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

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

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

#### Opinion

In our opinion, so far as appears from our examination, the Association maintained proper accounting records for the year ended December 31, 2017 and the financial statements give a true and fair view of the Association's state of affairs as at December 31, 2017 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs).

#### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No 07 of 2007.

A handwritten signature in blue ink, appearing to be 'Edirisinghe'.

**Edirisinghe & Co.**  
Chartered Accountants  
Colombo  
5-Jun-18



## STATEMENT OF PROFIT OR LOSS AND ACCUMULATED FUND

For the year ended 31 December 2017

	Note	2017 Rs.	2016 Rs.
General income	04	1,553,750	1,559,425
Interest income	05	161,997	111,134
Other income	06	8,310,405	8,013,338
<b>Total income</b>		<b>10,026,152</b>	<b>9,683,897</b>
Activity related expenses	07	(6,966,782)	(6,188,319)
<b>Net income</b>		<b>3,059,370</b>	<b>3,495,578</b>
Administrative expenses	08	(2,512,204)	(2,222,319)
<b>Surplus before taxation</b>	09	547,166	1,273,259
Income tax expense	10	-	-
<b>Surplus for the year</b>		547,166	1,273,259
Accumulated fund B/F		2,011,904	738,645
<b>Accumulated fund C/F</b>		<b>2,559,070</b>	<b>2,011,904</b>



Figures in brackets indicate deductions.

The accounting policies and notes to the accounts form an integral part of these financial statements.

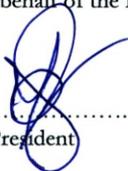
## STATEMENT OF FINANCIAL POSITION

As at 31 December 2017	Note	2017 Rs.	2016 Rs.
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	11	243,402	199,533
Investment in fixed deposits	12	1,186,842	601,503
		1,430,244	801,036
<b>Current assets</b>			
Receivables	13	180,000	131,250
Deposits and prepayments	14	420,000	420,000
Income tax receivable	15	52,541	39,581
Cash and cash equivalents	16	740,069	1,264,045
		1,392,610	1,854,876
<b>Total assets</b>		<b>2,822,854</b>	<b>2,655,912</b>
<b>Funds and liabilities</b>			
<b>Funds</b>			
Accumulated fund		2,559,070	2,011,904
		2,559,070	2,011,904
<b>Non current liabilities</b>			
Retirement benefit obligation	17	234,850	183,000
		234,850	183,000
<b>Current liabilities</b>			
Accounts payable	18	28,934	368,000
Bank overdraft	19	-	93,008
		28,934	461,008
<b>Total funds and liabilities</b>		<b>2,822,854</b>	<b>2,655,912</b>



The committee is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board of Management.

  
.....  
President

  
.....  
Treasurer

The accounting policies and notes to the accounts form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017	2017 Rs.	2016 Rs.
Surplus before taxation	547,166	1,273,259
Adjustment for :		
Depreciation	84,077	75,973
Interest income	(161,997)	(111,134)
Gratuity provision for the year	51,850	48,000
Operating profit before working capital changes	521,096	1,286,098
Increase in receivables, deposits and prepayments	(48,750)	(296,543)
Decrease in accounts payable	(339,066)	(503,014)
<b>Cash generated from operations</b>	<b>133,280</b>	<b>486,541</b>
WHT paid	(12,960)	(9,283)
<b>Cash generated from operating activities</b>	<b>120,320</b>	<b>477,258</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant & equipment	(127,946)	(111,425)
Interest income	161,997	111,134
Investment in fixed deposits	(585,339)	(40,498)
<b>Net cash used in investing activities</b>	<b>(551,288)</b>	<b>(40,789)</b>
Net (decrease) / increase in cash and cash equivalents	(430,968)	436,469
Cash & cash equivalents at the beginning of the year	1,171,037	734,568
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>(Note A)</b> <b>740,069</b>	<b>1,171,037</b>

**Note A - Cash and cash equivalents**

Cash and cash equivalents	740,069	1,264,045
Bank overdraft	-	(93,008)
	<b>740,069</b>	<b>1,171,037</b>



Figures in brackets indicate deductions.

The accounting policies and notes to the accounts form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

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**1 - Corporate information**

**1.1 General**

Lanka Microfinance Practitioners' Association (previously known as Lanka Microfinance Network) is a Non-Governmental Organization.

Lanka Microfinance Practitioners' Association has been registered under the Companies Act, No. 7 of 2007 on 13 October 2008 as a Company limited by guarantee and incorporated in and domiciled in Sri Lanka. The registered office is located at 371, Colombo Road, Pepiliyana, Sri Lanka.

**1.2 Principal activities and nature of operations**

The principal activities of the organization during the period were to promote membership among Micro Finance Institutions (MFIs) locally, advocate for a policy Environment for collective action by MFIs, promote the adoption and installation of internationally accepted performance standard for the MFIs, develop and strengthen system for information collection, promote the expansion of the formal financial market as Micro Finance Service, protect and strengthen the capacity of the MFIs, develop an operational an independent performance monitoring system for MFIs and mobilize resources and network with Government, donors, funding agencies, investors and commercial loan providers.

**2 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Even though the organization has adopted Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) as the basis of preparation in the previous years, Statement of Recommended Practice for Not-for-Profit organizations including Non-Governmental Organizations was disclosed as basis of preparation. This has been rectified during the current financial year.

**2.1 - Basis of preparation**

These financial statements have been prepared in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) issued by the Institute of Chartered Accountants of Sri Lanka. These Financial Statements are presented in Sri Lankan Rupees (Rs.) and all financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee.

**2.2 - Statement of compliance**

The statement of financial position, statement of comprehensive income and statement of cash flows together with summary of significant accounting policies and notes to the financial statements of the Lanka Microfinance Practitioners' Association., as at 31st December 2017 and for the year then ended comply with the SLFRS for SMEs laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the Companies Act No. 07 of 2007.

These financial statements were authorised for issue by the Board of Management on 05 June 2018.



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2017****2.3 - Going concern**

The Board of Management has made an assessment of the Organization's ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

**2.4 - Comparative information**

The accounting policies have been consistently applied by the organisation and are consistent with those of the previous year. The previous year's figures and phases have been rearranged wherever necessary to conform current year's presentation.

**2.5 - Assets and bases of their valuation****2.5.1 - Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Depreciation of assets begin when it is available for use and the principle annual rates used are as follows.

<b>Assets Category</b>	<b>Rate</b>
Furniture & Fittings	10%
Office Equipment	20%
Computer Equipment	20%
Office Partition	20%

**2.5.2 - Impairment of assets**

At each reporting date, property, plant and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**2.5.3 - Financial assets**

Financial assets that are investments in fixed deposit and carried at amortised cost. These investments are normally held as long-term since the entity does not expect to dispose them in the near future.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

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**2.5.4 - Receivables**

Receivables are measured at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is an objective evidence that the amounts are not recoverable. If so an impairment loss is recognized immediately in the statement of comprehensive income.

**2.5.5 - Cash and cash equivalents**

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

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

**2.6 - Liabilities and provisions**

**2.6.1 - Liabilities**

Liabilities stated under current liabilities in the balance sheet are those expected to fall due within one year from the balance sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the date of the financial position.

**2.6.2 - Provisions**

Provisions are recognized when the Organisation has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. The expenses relating to any provision is presented in profit or loss. Provisions are not recognised for future operating losses. If the effect of the time value of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.6.3 - Retirement benefit obligation**

**a) - Defined benefit plan - Gratuity**

Provision has been made for retirement gratuities in conformity with Gratuity Act No. 12 of 1983 in accordance with the Sec 28 of SLFRS for SMES . The liability is not externally funded nor it is actuarially funded.

Gratuity provision has been valued in conformity with sec 28 of the Sri Lanka accounting standard for small and medium size entities, by multiplying half months salary by the number of years of service .



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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### 2.6.3 - Retirement benefit obligation (Continued..)

#### b) - Defined contribution plans - EPF & ETF

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

### 2.6.4 - Taxation

#### a) - Current taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue.

As per the Inland Revenue Act No. 10 of 2006 and amendments thereon, all Non-Governmental Organizations are liable to 3% of all the funds received during the year are taxable at 28% subject to certain specified exemptions.

### 2.7 - Funds

#### 2.7.1 - Unrestricted funds

Unrestricted funds are those that are available for use by the Organisation at the discretion of the Board, in furtherance of the general objectives of the Organisation and which are not designated for any specific purpose.

#### 2.7.2 - Restricted funds

Restricted funds are the funds where grants are received for use in an identified project or activity, such funds are held in a fund account and transferred to the statement of comprehensive income to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund accounts and included under accumulated fund in the statement of financial position until such time as they are required. Funds collected through a fund raising activity for any specific or defined purpose are also included under this category. The activities for which these restricted funds may be and are being used are identified in the notes to the financial statements.

#### 2.7.2 - Designated funds

Unrestricted funds are designated by the board to a specific purpose identified as designated funds. The activities for which these funds may be used are identified based on the life of the assets.

### 2.8- Grants and subsidies

Grants and subsidies related to assets are generally deferred in the statement of financial position and credited to the statement of comprehensive income over the useful life of the assets.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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### 2.9 - Income statement

#### 2.9.1 - Revenue recognition

##### Income

Income realised from restricted funds is recognised in the statement of comprehensive income only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the statement of comprehensive income. Unutilised funds are carried forward as such in the statement of financial position. All other income is recognised when the Organisation is legally entitled to use of such funds and the amount can be quantified. This would include income receivable through fund raising activities.

##### Others

Other income is recognized on the accrual basis.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

#### 2.9.2 - Expenditure recognition

Expenses in carrying out the projects and other activities of the Organisation are recognised in the statement of comprehensive income during the period in which they are incurred. Other expenses incurred in the administration and running the Organisation and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of comprehensive income.

For the purpose of presentation of the income statement the Board of Management is of the opinion that function of expenses method presents fairly the elements of the Organisation's performance and hence such presentation method is adopted.

### 3 - Events after the reporting period

#### 3.1 - Events occurring after the reporting period

All material events occurring after the reporting date have been considered and where necessary adjustments to or disclosures have been made in the respective notes to the accounts.

#### 3.2 - Contingencies and unrecognized contractual commitments

Contingencies are possible assets or obligations that arise from past event and would be confirmed only the occurrence or non occurrence of uncertain future events, which are beyond the Organisation's control.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	2017 Rs.	2016 Rs.
<b>04. General income</b>		
Membership fees	1,533,750	1,449,425
Membership registration	20,000	110,000
	<u>1,553,750</u>	<u>1,559,425</u>
<b>05. Interest income</b>		
Interest on fixed deposits and money market a/c	161,997	111,134
	<u>161,997</u>	<u>111,134</u>
<b>06. Other income</b>		
Book sales	17,500	24,000
Training income	1,344,000	-
Website advertising	7,000	14,000
AGM income	-	200,000
Miscellaneous income	240,440	75,350
Miscellaneous income (SAMN)	688,450	-
Sponsorship income	1,135,000	-
Exposure programme income	4,878,015	7,699,988
	<u>8,310,405</u>	<u>8,013,338</u>
<b>07. Activity related expenses</b>		
AGM expenses	144,273	157,395
Exposure programme expenses	4,074,550	5,761,105
Workshop expenses	1,225,117	82,241
10th Anniversary expenses	1,125,050	-
Miscellaneous expenses	144,972	187,578
Conference expenses (SAMN)	252,820	-
	<u>6,966,782</u>	<u>6,188,319</u>
<b>08. Administrative expenses</b>		
Salaries	804,700	732,000
Salaries and allowances (SAMN - Coordinator)	246,750	-
Employees Provident Fund	96,624	87,840
Employees Trust Fund	24,156	21,960
Gratuity	51,850	48,000
Travelling and others	120,210	98,780
Auditors' remuneration	28,750	23,000
Secretarial fee	49,154	85,250
Rent	430,500	394,890
Office maintenance	23,365	34,900
Postage and courier	21,040	25,700
Printing and stationery	34,115	137,843
Depreciation	84,077	75,973
Internet charges	41,284	31,807
Sundry expenses	92,810	64,752
Computer maintenance	17,550	37,300
Welfare society membership fees	-	4,500
Website maintenance	11,750	21,050
Balance c/f	<u>2,178,685</u>	<u>1,925,545</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2017  
Rs.2016  
Rs.**Administrative expenses (Continued.)**

Balance b/f	2,178,685	1,925,545
Mobile allowance	18,000	18,000
Membership fee	154,800	97,528
Electricity	2,269	7,429
Telephone	26,730	20,790
Water	-	4,280
Bank charge	9,470	6,540
Membership fee receivable - written off	86,250	101,250
Membership subscription receivable	-	40,957
Travelling allowances	36,000	-
	<u>2,512,204</u>	<u>2,222,319</u>

**9. Surplus before taxation**

Surplus before taxation is stated after charging all the expenses including the following:

Salaries	804,700	732,000
Employees Provident Fund	96,624	87,840
Employees Trust Fund	24,156	21,960
Gratuity	51,850	48,000
Auditors' remuneration	28,750	23,000
Depreciation	<u>84,077</u>	<u>75,973</u>

**10. Income Tax Expense**

Total income received	10,026,152	9,683,897
Income not liable for tax	<u>(10,026,152)</u>	<u>(9,683,897)</u>
Net funds liable for tax	-	-
3% of the liable funds	-	-
<b>Tax at 28%</b>	<u>-</u>	<u>-</u>

As per the Inland Revenue Act No. 10 of 2006 and amendments thereon, all Non-Governmental Organizations are liable to 3% of all the funds received during the year are taxable at 28% subject to certain specified exemptions.



## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

## 11. Property, plant and equipment

	Computer equipment Rs.	Office equipment Rs.	Furniture and fittings Rs.	Office partition Rs.	Total Rs.
<b>Cost</b>					
Balance at the beginning of the year	480,561	569,981	162,528	107,425	1,320,495
Additions during the year	118,650	-	9,296	-	127,946
Balance at the end of the year	599,211	569,981	171,824	107,425	1,448,441
<b>Accumulated depreciation</b>					
Balance at the beginning of the year	415,616	557,358	144,407	3,581	1,120,962
Depreciation during the year	35,675	9,890	17,027	21,485	84,077
Balance at the end of the year	451,291	567,248	161,434	25,066	1,205,039
<b>Written down value</b>					
Balance at the end of the year	147,920	2,733	10,390	82,359	243,402
Balance at the beginning of the year	64,945	12,623	18,121	103,844	199,533

As at 31 December 2017

	2017 Rs.	2016 Rs.
<b>12. Investment in fixed deposits</b>		
Deposits with Banks	1,186,842	601,503
	1,186,842	601,503
<b>13. Receivables</b>		
Membership subscription	180,000	131,250
	180,000	131,250
<b>14. Deposits and prepayments</b>		
Rent deposits	420,000	420,000
	420,000	420,000
<b>15. Income tax receivable</b>		
Balance at the beginning of the year	39,581	30,298
WHT receivable for the previous year	-	392
Tax paid for previous year	-	-
	39,581	30,690
WHT receivable for the current year	12,960	8,891
Tax provision for the year	-	-
Balance at the end of the year	52,541	39,581



## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017	2017 Rs.	2016 Rs.	
<b>16. Cash and cash equivalents</b>			
Commercial Bank - money market a/c	657,740	1,259,074	
Commercial Bank - current a/c	1,338	-	
Sampath Bank - current a/c (SAMN)	69,480	-	
Cash in hand	11,511	4,971	
	<u>740,069</u>	<u>1,264,045</u>	
<b>17. Retirement benefit obligation</b>			
Balance as at the beginning of the year	183,000	135,000	
Provision for the year	51,850	48,000	
Balance as at the end of the year	<u>234,850</u>	<u>183,000</u>	
<b>18. Accounts payable</b>			
Audit fee	28,750	23,000	
PAYE tax payable	184	-	
Prepaid membership fees	-	345,000	
	<u>28,934</u>	<u>368,000</u>	
<b>19. Bank overdraft</b>			
Commercial Bank - current a/c	-	93,008	
	<u>-</u>	<u>93,008</u>	
<b>20. Commitments and contingencies</b>			
There were no commitments and contingencies existing as at the reporting date.			
<b>21. Events after the reporting date</b>			
No circumstances have arisen, since the balance sheet date, which would require adjustments to, or disclosure, in the financial statements.			
<b>22. Members interest in contracts</b>			
None of the members are either directly or indirectly interested in any existing or proposed contracts with the Organization.			
<b>23. Related party transactions</b>			
There have been no related party transactions to be disclosed to the financial statements.			
<b>24. Assets pledged</b>			
<b>Bank</b>	<b>Nature of facility</b>	<b>Nature of asset pledged</b>	<b>Outstanding 31.12.2017</b>
Commercial Bank	Overdraft facility of Rs. 450,000	-Lien over fixed deposits for Rs. 661,749.45 -Letter of authority and set-off	-



# Capital Credit and Investments



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