



# Lanka Microfinance Practitioners' Association



ANNUAL REPORT  
2019/2020

## **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



I am very pleased to present the 14th Annual Report of the LMFPA to the members and all the stakeholders of the microfinance industry.

The year 2019/2020 by far could be viewed as yet another challenging period not only for the Sri Lankan microfinance industry but the whole economy at large. As in the case of most of the sectors of the Sri Lankan economy, the COVID 19 pandemic struck a severe blow on the microfinance industry as well. The clients of MFIs are mostly self employed and their livelihoods were seriously affected due to lock down of the country for 1 and half months. While some sectors such as Agriculture and fisheries were not much affected as it was allowed for people to engage in those activities, the marketing of products was not that easy due to restrictions on movements. Micro Finance Institutions (MFIs) closed their operations in second half of March, April and May 2020 due to curfew. As a result of the restrictions imposed on the movability of the people, MFIs were unable to collect the loan installments from their customers. The government's decision to provide loan moratorium to customers were technically applicable only to regulated financial institutions according to the Central Bank circulars. However, in the microfinance industry there are many MFIs that do not fall under a regulatory framework and several of such MFIs are members of LMFPA.

Upon our request, our member organizations have voluntarily provided moratoriums to their clients ranging from 3 to 6 months period since March 2020. The loan moratorium provision was to help such people until they restart economic activities and become able to fulfill their loan obligations. This was done by our members as socially responsible organizations to help the afflicted poor during their time of need. LMFPA appreciate this great commitment to fulfil the need of the time of the nation. Further LMFPA appreciate members' activities initiated to help the clients by providing livelihood support, dry food rations and face masks and many more different type of assistance.

During this period, LMFPA was heavily involved in seeking funding opportunities for its members to revive the small and micro enterprises in the grassroots level at a lower cost. Several discussions took place with the Presidential Task Force, Secretary to the President, some of the leading state banks and International bodies such as ADB, IFC, JICA and UNDP. Our expectation is that these discussions will reap positive results in the near future.

Besides seeking funding support for members, the association also conducted a survey to study the impact of COVID 19 to the membership. As a philanthropic activity LMFPA also distributed face masks to the Sri Lanka Grama Nialadari Association. We are confident that our members will be revived within a short period and they will make a increased and significant contribution to the socio economic development of the country in time to come.

LMFPA's work on lobbying for better microfinance regulation for the country in order to have a control over many antisocial and unethical lending practices were on the agenda for LMFPA during this year too. We are pleased to see that the Microfinance and Credit Regulatory Act draft has gone up to the legal draftsman according to reliable information sources. The need of this Act as a solution to some unethical credit practices during COVID 19 crisis by some organizations was emphasized by the Governor of the Central Bank in the media, although those criticisms were for the lenders who are not microcredit providers. LMFPA can be happy that we were in the forefront in initiating the lobbying for such a legislation well in advance.

Prior to the COVID 19 crisis, LMFPA was heavily involved in bringing the long established positive social impact of microfinance back to the society which was seriously damaged by loan sharks masquerading as MFIs during the last year. The media programme covering TV, Radio, Press and social media are some among them. I like to extend my sincere gratitude to members who contributed to this Public Relations campaign under the difficult circumstances prevailed at that time. We were also able to undertake all usual activities such as E Magazine and the release of the LMFPA member profiles publication.

One of the biggest concerns for the association is the abrupt suspension of income generating activities such as training workshops and exposure visits that helped build LMFPA financial reserves over the years. With only the members' subscription to rely on for the remainder of 2020 crucial decisions were made to maintain financial sustainability of the association. Our members' active participation in LMFPA initiatives and efforts to uplift the microfinance industry is the backbone of our success. Therefore I would like to thank our members who have shown great commitment and support during troubled times in the industry. I also take this opportunity to request members who are not making adequate contribution for efforts of the association to avoid such lapses in the year ahead and future as such neglecting by one member could reduce the impact of the association and the industry at large. I appreciate the support extended by the Key officials, the board of Directors, and the staff of LMFPA during the year under review. I also wish to extend our gratitude and appreciation all the stakeholders in the industry including Central Bank of Sri Lanka and the Ministry of Finance.

**Anura Atapattu**  
**Hony President – 2019/2020**

## Corporate Information

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

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

**Fax:** +94 11 2099511

**Email:** info@lankamicrofinance.com

**Web:** 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:** Hembra Waduge Thilanka Priyadarshana Sampath

**Bankers:** Commercial Bank of Ceylon PLC

## Overview of the Microfinance Industry for 2019/2020

(Based on information received from 29 members)

Total loan portfolio – LKR 56.96 billion

Total number of active borrowers – 973,344

## The Board of Directors



**Mr. Anura Atapattu**  
Hony. President

Mr. Anura Atapattu is the Managing Director of Berendina Micro Investment Company (BMIC). He is also the Chairman of two other organizations in the Berendina group namely Berendina Development Services (Gte) Limited (BDS) and Berendina Employment Centre (Gte) Ltd (BEC). He was also served as the Chief Executive Officer – Sarvodaya Rural Enterprises Development Services (REDS) and the Deputy Managing Director of Sarvodaya Economic Enterprises Development Services (Guarantee) Ltd (SEEDS). He had been in a Board member of SEEDS, BDS, BEC, BMIC, and LMFPFA for many years. He has been the founding Chairman of Development Facilitators Limited a consulting, training and research provider for Microfinance, MSME and other development spheres in Sri Lanka and abroad. He is a consultant in profession and has undertaken many assignments nationally and internationally and has represented Sri Lanka development sector in many local international conferences, seminars and events. He hold a B. Sc. (Agric), Post-graduate Diploma in Economic Development and a Masters in Business Administration (MBA) - University of Lincoln – UK. His local and international professional experience, exposure and networking is of great value to LMFPFA.



**Mr. Gnanasiri  
Abewardhana**  
Hony. Secretary

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. Abewardhana holds a Bsc Management Degree from University of Jayewardene-pura. 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 Jayewardenepura.

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



**Mr. Imran Nafeer**  
Hony. Treasurer

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 LMFPFA. 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. Imran has served as LMFPFA Secretary from 2011 to 2013 and from 2015 to 2016. He has also served as LMFPFA president during 2017/2018.



**Mr. Priyantha Dematagoda**  
Hony. Vice President

Mr. Priyantha 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 was a Faculty member of the Institute of Bankers of Sri Lanka (IBSL), Center for Banking Studies CBSL, and also serves as Trainer in various disciplines in banking at many Private and Government Commercial Banks in Sri Lanka. He is also a Certified Trainer in Microfinance 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 Jayawardenapura. Mr. Dematagoda has previously served as LMFPFA Treasurer during 2017/2018.



**Mr. Jeewantha Weerakoon**  
Hony. Asst. Secretary  
(from Jun to Aug 2020)

Mr. Jeewantha Weerakoon is the Chief Executive Officer (Acting) of Arthavida Intermediary Limited since June 2020. He commenced his duties at Arthavida Ltd in February 2020 as the Finance Manager and subsequently promoted to the position of Chief Executive Officer by filling-up the vacant post of the former CEO.

Mr. Weerakoon is presently reading for Masters in Business Administration in Finance at the University of Colombo and has completed his first degree as a Bachelor of Commerce (Special) Degree holder at the University of Sri Jayewardenepura in 2011 while earning the Advanced Diploma in Management Accounting, CIMA (UK) in 2014.

Besides, bearing Accounting & Finance, Operation & Administration titles in distinctive capacities in several commercial industries such as Construction, Project Management, Apparel and Trading, Mr. Weerakoon possesses 12+ years combined experience in different work fields.





**Mr. Felician Jayakody**  
Director

Mr Felician Jayakody joined Sarvodaya Development Finance Ltd from January 2018. He counts over 27 years of banking experience having served International and Local banks.

He has experience in Branch Banking, Trade Finance, Corporate / SME Banking, Leasing, Project financing, Relationship Banking, Syndications, Risk Management, Treasury, Process Development & Re- Engineering , Audit , Credit Administration, Recoveries , Islamic Banking , Compliance and FCBU.

He started his career at Hatton National Bank where he served for 11 years and moved to Nations Trust Bank as Customer Relationship Manager.

Prior to joining Emirates NBD Bank in the United Arab Emirates, he was the Regional Manager at Pan Asia Banking Corporation.

Having returned to Sri Lanka from the United Arab Emirates in June 2012, Mr. Felician has functioned as a Head of Corporate Banking / FCBU (WR) in Amana Bank Plc prior to joining SDF.

He has completed the Credit Management Diploma (IBSL), Diploma in International Factoring – UAE, Diploma in Computer Studies. He has a BSc in Business Administration from University of Sri Jayawardenapura, MBA (USA). as well as AIB (inter) SL Felician is a Fellow in Certified Managers at Cambridge Association of Managers (UK) and a Fellow of the Certified Professional Managers (Sri Lanka).



**Dr. Wimal Dissanayake**  
Director

Dr. Wimal Dissanayake has a PhD and MSc in Social Science. He obtained his first degree from the University of Kelaniya in 1974. He entered the government service in 1974 itself as a Rural Development Officer attached to the Galle District and in 1978 he commenced his work as a Training & Research Officer attached to Institute for Rural Development and Research of the Department of Rural Development & Research of the Ministry of Public Administration and Home affairs.

He had been serving for over the past three decades as the Senior Training and Research Officer at the “Action for Research & Training for the Rural Development” program conducted under the funding by the Konrad Adenauer Foundation of West Germany and the auspices of the UNDP and the government of Sri Lanka.

He had assisted the government in the commencement of courses at the University of Ruhuna and also at the University of Sri Jayawardenapura on Rural development and he is also a Senior Visiting Lecturer for these courses at the respective Universities.

He had formed three “Women’s Community Based Organizations” in Habaraduwa, Akmeemana and Welipitiya with funding from Government and Foreign Sources on behalf of the community there and had transferred their management and the running to them.

With a wide experience maturity on Training and Research Dr. Wimal Dissanayake had already published over 20 Training programs. While serving in Government Service he had been the team leader for Galle team in the Community Water Supply and Sanitation Improvement program conducted by the World Bank and also in the “Gami Diriya” program of the World Bank. Further he had been an Assistant Project Director of CARE International. He had been the President of the Galle District “Organization of Civil Societies” and also he is a consultant in Training and Research for the “Grama Shakthi People’s Movement”.



**Mr. M. M. Attanayake**  
Director

Mr. Attanayake, Director/CEO of Lak Jaya Microfinance, has experience of 36 years in the Central Bank of Sri Lanka during which he held the position of Director in several departments. Representing the Central Bank he has served as Executive Chairman of Nuwara Eliya Regional Development Bank, (1988-1988) Director/Trustee – National Development Trust Fund (2002 – 2005); and Adviser to the SME Bank. He has also served in Microfinance project implemented by UNDP in Papua New Guinea (1993-1995) as Chief Technical Officer. His expertise runs across many fields including Economics, Regional Development, Rural Credit, Micro, Small and Medium Enterprise Financing. He holds Master of Economic Degree from Monash University, Australia, Post Graduate Diploma from Vidyodaya University and B.A (Hons.) from University of Sri Lanka and served as visiting lecturer in several universities in Sri Lanka. He is an expert trainer in Microfinance who can bring insights to developing the capacities of member organizations.



**Mr. Priyantha Gunawardhana**  
Director

Mr. Priyantha Gunawardhana is the Managing Director of Pragathi Sewa Foundation in the Anuradhapura district. He holds a Bachelor of Arts Degree from the University of Sri Jayawardenapura and a Diploma in Education from the National Institute of Education. He has also undergone training on Institutional Development and Organizational Management, Financial Management, Financial Analysis, Delinquency Management and Participatory Rural Appraisal. He also has international exposure on microfinance and has undergone training in Bangladesh, Italy and India. He is a very experienced trainer and microfinance practitioner.



**Ms. Tharanga Ileperuma**  
Director

Ms. Tharanga Ileperuma is the General Manager and Executive Director of Agro Micro Investments Limited and holds the Directorship of Agro Micro Foundation (Guarantee) Limited. She started her career in 2004 joining to the Micro Finance industry. During her career over 14 years she has experience in Accounting, Auditing, Finance Management, Human resource Management and Administration.

She holds the membership of the Institute of Chartered Accountants in Sri Lanka as the Certified Business Accountant, and the membership of the Institute of AAT –SL. She completed the Post-graduate Diploma from Cardiff Metropolitan University-UK and holds a Masters in Business Administration (MBA) from the University of Sunderland – UK. She also has undergone trainings on Micro Finance in IBSL.



**Mr. Ruwan Fernando**  
Director  
(from Mar – Aug 2020)

Mr. Ruwan Fernando is currently working as the Deputy General Manager – Human Resources & Administration / CHRO at HNB Finance Limited, one of the leading finance company operated under the umbrella of HNB group. He is having 20 years of experience in the corporate circle. He commenced his career in the MF industry in the year 2000 at Grameen Micro Credit Company Limited which introduced the Grameen concept to Sri Lanka in the same year. He has served in many positions such as Assistant Manager, Senior Branch Manager & Assistant General Manager etc. in the finance sector. Subsequent to acquisition by HNB Group he was assigned to the present position.

Mr. Ruwan Fernando holds a BSc. Business Administration (Special Degree) from the University of Sri Jayewardenepura. He also has international exposure on microfinance and Human Resources industry / fields.



**Mr. Victor Rathnayake**  
Director

Mr. Victor Rathnayake is the Director of the MFI Nomic International Ltd. He is also the founder CEO of Grameen Micro Credit Co Ltd that introduced the Grameen concept to Sri Lanka back in 2000. He received comprehensive training in microfinance under Prof. Mohamed Yunus, Nobel prize winner for introducing Grameen concept to the world. Mr. Rathnayake was able to extend the microfinance business throughout Sri Lanka with 78 strong branch network with 2,498 staff and 364,000 borrowers during the period 2000-2008. He was also able to build up to 8,400 clientele with over Rs. 9 billion deposit base in 2008.

He later joined Bimputh Finance PLC in 2012 and commenced microfinance operations there. Under his leadership, the microfinance portfolio increased from zero to 1.5 billion. The customer base exceeded 67,000 with a net profit of Rs. 252 million within a short period of 22 months.

Having over 30 years of experience in the field of marketing and working with leading multinational organizations locally and internationally, he has trained over 8,000 youth in the field of microfinance.

Mr. Rathnayake is Bsc Graduate from the University of Peradeniya and a Post Graduate Diploma holder of Marketing Management at Sri Jayawardenapura University. He is also a fellow member the Chartered Institute of Marketing UK and certificate holder of Retail merchandising in Toronto Canada and Singapore.



**Mr. Vishwa  
Gunawardena**  
Director  
(from Jun - Aug 2020)

Mr. Vishwanath Gunawardena is a professional banker who served as a member of the Senior Management crew of Hatton National Bank, specialized in Micro Finance, SME Finance and Development Banking with over 30 years of experience. He is currently working as the General Manager of Lanka Financial Services for Underserved Settlements (LFSUS).

He is well versed in Management and administration functions, Agriculture and Rural Development activities, Project Management, Project consultation, Financial inclusion, Extension work and Credit evaluation activities. He has directly involved in implementation and management of various Donor Funded Special Projects in collaboration with the World Bank, Asian Development Bank, International Fund for Agriculture Development, United States Agency for International Development, Japan Bank for International Cooperation, German Savings Bank Foundation for International Cooperation and more. He has gained international exposure from more than 10 countries and has represented the banking sector of Sri Lanka in various local and international conferences and events.



**Mr. Francis Rizanth**  
Director

Mr. Francis Rizanth is the Chief Operating Officer of Vision Fund Lanka Limited, which is an international Microfinance Organization a subsidiary company of World Vision Lanka established in order to carry out Microfinance activities in the country.

He has two years of experience on relief, development sector, commenced his career in the MF industry in year 2007 as a Branch Manager for Hatton Branch, and served in many position such as Risk and Compliance and Business Development etc.

Mr. Rizanth holds a Bsc Degree in Business Administration from University of Jayewardenepura and obtained a Master Degree in Business Studies from University of Colombo.

## Former Board members of 2019/2020



**Mr. Thilak Abeysinghe**  
Hony. Asst. Secretary  
(until Jun 2020)

Mr. Thilak Abeysinghe is the Chief Executive Officer of Arthavida Intermediary Ltd, a pioneer microfinance company established in 1992. He is a Professional Banker with 33 years of commercial banking experience.

He commenced his banking career at Bank of Credit & Commerce (BCCI) in 1983 and moved to Sampath Bank in 1987 as a Junior Executive. During his career spanning to 29 years at Sampath Bank, he held many senior positions including Branch Manager, Relationship Manager, Manager-Human Resources, Senior Manager-Administration, and finally as the Head of Deposits for the Bank. After his retirement from Sampath Bank, he worked at Pan Oceanic Bank operating in Solomon Islands as the Manager-Operations before taking up the present position.

He holds the Associate Membership (AIB) from Institute of Bankers-Sri Lanka, Post Graduate Diploma in Business Administration from University of Wales (UK). He also holds a Diploma in Management from Central Bank of Sri Lanka. He has also undergone Professional Training at National University of Singapore (NUS), National Institute of Banking Management-PUNE (INDIA) He also served as the Treasurer, Vice President of Association of Professional Bankers (APB), Sri Lanka. He is a honorary Life Member of the APB – Sri Lanka.



**Mr. Ramesh Fonseka**  
Director  
(until Feb 2020)

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 HNB 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. Gamini  
Swarnapala**  
Director  
(until Jun 2020)

Mr: Gamini Swarnapala serves as the General Manager of Lanka Financial Services for Underserved Settlements (LUSUS) since July 2014.

He counts over 40 years of experience in Banking, Financing, Recoveries and Management. His experience in the corporate sector includes 19 years at 'Hatton National Bank PLC', 10 years at 'Asian Finance Ltd' as an Asst: General Manager, 2 ½ years at 'Deshodaya Development Finance Company Ltd' presently known as "Sarvodaya Development Finance" as the 'Deputy General Manager- Credit, Recoveries & Marketing' and a short stint of service at the 'Ceylon Tobacco Company Ltd' where he commenced his career. He was also on contract to the PAMP ii project which was implemented by 'Central Bank of Sri Lanka' as its 'Regional Project Manager'.

Mr. Swarnapala's specialized area of expertise lies in Rural and Agricultural Financing, Micro Financing, Financing of Small & Medium Enterprises, Real Estate, Leasing, Hire-Purchase and Entrepreneurship Development. He is also exposed to foreign training in over 12 countries on the aforementioned fields.

Mr. Swarnapala holds an MBA in General Management, National Diploma in Agricultural Engineering and also the Intermediate Banking Diploma from the Institute of Banker's, Sri Lanka (IBSL). He is a fellow member of the Institution of Incorporated Engineers of Sri Lanka (FIIE-SL) and a Fellow member of the Business Management Association (FBMA-UK).

Mr: Gamini Swarnapala, who is a prominent social worker, has membership in various national & international organizations and an All Island Justice of the Peace. In recognition of his service to the community, Mr: Swarnapala was conferred the "VishvaKeerthi" award by the Sri Lanka Human Rights Organization of Justice of Peace. He was also named a "Paul Harris Fellow" by Rotary International.

#### **Sub Committees:**

- Membership Committee – Mr. Gnanasiri Abeywardhana, Mr. Rizanth Francis & Mr. Ramesh Fonseka (succeeded by Mr. Ruwan Fernando)
- Public Relations Committee – Mr. Victor Rathnayake, Mr. Gamini Swarnapala & Mr. Thilak Abeysinghe
- Training Committee – Mr. Priyantha Dematagoda, Mr. Thilak Abeysinghe & Mr. M. M. Attanayake

## Meeting Attendance

Board Member	Meetings Attended	Online meetings attended	Total
Mr. Anura Atapattu	6	7	13
Mr. Priyantha Dematagoda	6	7	13
Mr. Gnanasiri Abeywardhana	6	5	11
Mr. Imran Nafeer	2	7	9
Mr. M. M. Attanayake	5	4	9
Mr. Priyantha Gunawardena	1	1	2
Dr. Wimal Dissanayake	2	-	2
Mr. Felician Jayakody	2	3	5
Mr. Victor Ratnayake	6	7	13
Ms. Tharanga Ileperuma	3	1	4
Mr. Francis Rizanth	3	2	5
Mr. Ruwan Fernando	1	5	6
Mr. Vishwa Gunawardena	2	-	2
Mr. Jeewantha Weerakoon	2	-	2
<b>Former members</b>			
Mr. Ramesh Fonseka	3	-	3
Mr. Thilak Abeysinghe	5	7	12
Mr. Gamini Swarnapala	5	6	11
Mr. S. W. Kiriarachchi	-	5	5

## Our Members

01	Agro Micro Investments Ltd	39	Normic International Ltd
02	Almeemana Women Development Society	34	People's Micro-commerce Ltd
03	Alliance Finance Co. PLC	35	People's Capital Investment & Credit (Pvt) Ltd
04	Arthanada Intermediary Ltd	36	Pragathi Sewa Foundation
05	Berendina Micro Investment Company Ltd	37	Purewin Credit & Investments Ltd
06	Bimputh Finance PLC	38	Puttalam District Isuru Development Company
07	Business Development Co-operative Society	39	Rajaratna Praja Kendraya
08	Candia Credit Ltd	40	Rajeeva Holdings (Pvt) Ltd
09	Capital Credit & Investments (Pvt) Ltd	41	Reliance Investments Co (Pvt) Ltd
10	Care Investments (Pvt) Ltd	42	S. N. Micro Credit (Pvt) Ltd
11	Commercial Credit & Finance PLC	43	SANASA Development Bank PLC
12	DCS Credit & Investment (Pvt) Ltd	44	SANASA Federation Ltd
13	Development Facilitators (Pvt) Ltd	45	Sarvodaya Development Finance Ltd
14	Dumbura Micro Credit Company	46	Savva Development Foundation
15	ECDF Lanka (Gte) Ltd	47	SEEDS (Gte) Ltd
16	Gampola Udapalatha Prajeshakti Foundation	48	Sejaya Micro Credit Ltd
17	Graduate Investment Ltd	49	Sewa Community Credit Ltd
18	Habaraduwa Participatory Development Foundation	50	Shreeen Micro Credit Company Ltd
19	Hambantota WDF	51	SYB Association of Sri Lanka
20	HNB Green Finance Ltd	52	South Asia Partnership Sri Lanka
21	IDEAs Consultancy (Pvt) Ltd	53	Sri Lanka Business Development Centre
22	Janatha Microfinance (Pvt) Ltd	54	Sri Lanka Savings Bank
23	Janarukula (Gte) Company	55	Stromme Micro Finance Asia (Gte) Ltd
24	KhelFund (Gte) Ltd	56	SAPCO
25	Lak Jaya Microfinance Ltd	57	The Institute for Development of Community Strengths (INDECOS)
26	Lanka Credit & Business Finance Ltd	58	Uva Govijana Kendraya
27	Lanka Financial Services for Underserved Settlements	59	Ventura Crystal Investments Ltd
28	LOLC Development Finance PLC	60	VisionFund Lanka Ltd
29	LOLC Finance PLC	61	Y B R D Ltd
30	Muslim Aid Micro Credit (Gte) Ltd	62	Yen Foundation
31	Nation Lanka Finance PLC	63	YMCA Batticaloa
32	Negombo Community Development Company		



## Review of Activities in 2019/2020

As a representative body of microfinance practitioners, the LMFPFA's main objectives are advocacy and lobbying, creating a conducive environment for microfinance, capacity building, information sharing and international relations. The year 2019/2020 was a very turbulent year for the industry and LMFPFA with the COVID 19 pandemic, yet thanks to the strength and support of its members, the association was able to continue to build its reputation as a recognizable force in the industry.

## LMFPFA Activities during COVID 19

### **Guidelines to members to provide loan moratoriums to their clients**

The Covid-19 pandemic struck a severe blow on the microfinance industry as well as other industries. MFIs closed their operations in second half of March, and April due to curfew. As a result of the restrictions imposed on the movability of the people, MFIs were unable to collect the loan installments from their customers. The government's decision to provide loan moratorium to customers were technically applicable only to regulated financial institutions according to the Central Bank circulars. However in the microfinance industry there are many MFIs including those in the LMFPFA membership that do not fall under any regulatory framework.

Upon our request, our member organizations have voluntarily provided moratoriums to their clients ranging from 3 to 6 months since March 2020. A majority of clients of our members did not have income to repay their loans and the moratorium provision was to help such people until they restart economic activities and become able to fulfill their loan obligations. This was done by our members as socially responsible organizations to help the afflicted poor and low income clients during their time of need.

### **Health guidelines for field operations of MFIs after island wide curfew**

Following the island wide curfew that ensued since mid-March 2020, MFIs started operations again in May 2020. General health guidelines issued by the Ministry of Health were related to maintaining and running of offices. However, there arose a challenge when it came to field operations. Since MFI operations are considered as a door to door service, a customized set of guidelines was prepared by LMFPFA and circulated it among all its member organizations. These guidelines ensured the health safety of the field staff as well as the customers keeping parallel with all the guidelines issued by the Ministry of Health. LMFPFA also shared these guidelines with the respective department of the health ministry to get their consent prior to making them public.

## Survey on the impact of COVID 19 to member organizations

During the month of May and June 2020, LMFPFA conducted a survey within its membership on the impact of COVID 19 for MFIs. 29 members responded to this survey and the results are as follows:

Loan Portfolio before COVID 19 – LKR 56.96 billion

Number of borrowers – 973,344

Number of borrowers that received moratorium – 400,103

Loan portfolio that received moratorium – LKR 21.265 billion

The impact on MFI staff is as follows:

Total number of staff – 6,579

Staff without salary – 43 (period of 02 months)

Staff with reduced salaries/allowances – 1,599 (period ranged between 01 to 04 months)

During this period MFIs were involved in several philanthropic activities such as distribution of dry rations (12), Face masks (09), Disinfection support (08) and Livelihood support (07). Some member organizations were also featured in making significant financial contributions towards to COVID 19 fund.



## Distribution of Face Masks to the Grama Niladari Association



On 26th May 2020, LMFPFA in association with Manusath Derana Programme donated 4,000 face masks to the Sri Lanka Grama Niladari Association. President of LMFPFA Mr. Anura Atapattu, Former President and Director Mr. M. M. Attanayake and Director Mr. Gamini Swarnapala were present representing LMFPFA during that day.

## Discussions with Presidential taskforce for Economic Revival and Poverty Eradication



On 2nd of June 2020, Directors of LMFPFA had the opportunity to meet with Mr. Basil Rajapakse, Chairman of the Presidential Task force for Economic Revival and Poverty Eradication at Temple Trees Colombo. The recognition of the microfinance industry as an area in the COVID 19 response strategic plan was one of the important decisions in this discussion. The LMFPFA is now working closely with the committees of the task force in the strategic plans to revive the economy.

## **Discussions with Secretary to HE the President**

On 30th July 2020, LMFPA had another opportunity for a discussion with Dr. P. B. Jayasundara, Secretary to the President at the Presidential Secretariat. This meeting was held to discuss how government banks can help revive the livelihoods of small and micro enterprises through low interest rate loans financed by bulk lending facilities to MFIs that work in the grassroots level. Following this meeting, LMFPA organized a joint discussion on 11th of August 2020 with leading state banks (Bank of Ceylon, People's Bank, Regional Development Bank, State Mortgage & Investment Bank, Sri Lanka Savings Bank and National Savings Bank) with the objective of agreeing on a collaboration of providing low cost funding to MFIs for on lending to clients.



## **Lobbying with other international stakeholders for financial strategies for MFIs**

Some of the strategies that ensued after LMFPA's meeting with the Presidential Task Force were to approach international organizations for funding opportunities to the Microfinance Industry. Thus LMFPA reached out to several international organizations in this regard such as IFC, JICA, UNDP and ADB with mixed results. Further discussions are expected in the near future with the involvement of government agencies such as the Central Bank and Ministry of Finance.

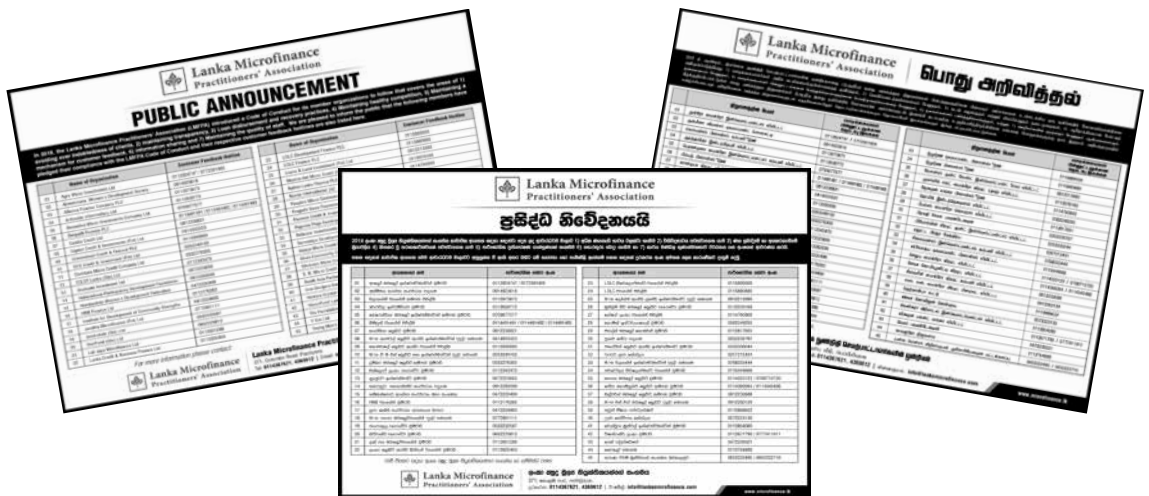
## **Discussions with Sanasa Development Bank & Sri Lanka Savings Bank for bulk loan Facilities for MFIs**

In parallel to the discussions with the Presidential Task force and the Secretary to the President, the LMFPA also held discussions with Sanasa Development Bank and Sri Lanka Savings Bank for the provision of bulk loans to member MFIs. While discussions with Sri Lanka Savings Bank remained at the preliminary stage, Sanasa Development Bank agreed to extend a bulk loan facility to member organizations and 13 of our members applied for same.

## Creating a Conducive Environment

### Compliance of LMFPA Code of Conduct

Following the launch of the LMFPA Code of Conduct in June 2018, it was important to evaluate how effectively the members have complied with the Code of Conduct that the LMFPA introduced. Therefore survey was compiled to that effect and was shared with the membership. 45 members responded to this survey in 2019 and LMFPA published a Public Announcement stating the member organization names that complied with the Code of Conduct and their contact information in all 3 languages on print media in December 2019.



### LMFPA Public Relations Campaign 2020

The microfinance industry has gone through a lot of turmoil since the recent past where there had been many media reports highlighting the microfinance industry in a very negative light. However, as the representative body, the LMFPA intended to counter the negative perceptions through a Public Relations Campaign and educate the public on the positive side of microfinance that had benefitted many households for several decades as well as promote financial literacy through print, electronic and social media.

LMFPA published several newspaper articles in the print media from February to March 2020 and later in May to June 2020. Furthermore the association also telecasted 11 Television spots and 40 radio spots during the month of February 2020 spreading the word on responsible financing to the public. The feedback we received was very positive as there were many inquiries on various loan requirements from the public and not a single complaint on any malpractice in the industry.

It was unfortunate that the LMFPA was compelled to suspend the further continuation of the campaign due to the impending island wide curfew due to the COVID 19 pandemic. Nevertheless we would like to thank our members for their financial contribution that helped run a good Public Relations campaign.



## **Facilitation of debt write off reimbursements by Ministry of Finance**

LMFPA made regular follow ups with the Ministry of Finance requesting the release of installments due to our members who signed MoUs with the Ministry for the Government Debt Relief Programme in 2018. As a result of these follow ups, on 21st May 2020, the Ministry of Finance contacted LMFPA stating that the 3rd installment of the debt relief funds were available and requested to have them collected by one person with authorization letters from the respective MFIs. Due to the urgent need of funds for members during COVID 19, the LMFPA Manager with the advice of the president Mr. Atapattu prepared a mechanism to collect the cheques on behalf of 20 members and the communication to members in this regard took place swiftly. LMFPA was able to collect the respective funds on behalf of the members and deposit them to their respective accounts. The initiative by LMFPA was highly praised by the members who were in dire need of funds at that time.

## **Media Interventions**

Parallel to its public relations campaign, LMFPA also engaged itself on instances whenever there had been negative reports about microfinance in the media from time to time. LMFPA was quick to address and rebut any false claims made on microfinance that is considered detrimental to the reputation of the industry. LMFPA also had discussions with independent lobby groups such as Nelumyaya Foundation that is infamous for highlighting only negative impact of microfinance.

## **Discussion with Institute of Chartered Accountants on Financial Reporting Standards for loan moratoriums**

Upon LMFPA's request, most of our member organizations voluntarily provided moratoriums to their clients ranging from 3 to 6 months since March 2020 due to COVID 19. This was done by our members as a socially responsible gesture to help the afflicted poor during their time of need. It was important that the stance we took as an industry is acceptable by the Sri Lanka Financial Reporting Standards (SLFRS) for the unregulated MFIs that have provided loan moratoriums and have made provisions in their financial records to that effect. Therefore LMFPA approached the Institute of Chartered Accountants seeking clarification in this regard. The Institute of Chartered Accountants assured that the provisioning for voluntary loan moratoriums of 3 to 6 months due to COVID 19 will not violate SLFRS principles.

## Capacity Building

### Webinar on Challenges and Strategies for MFIs during COVID 19

On 1st of May 2020, LMFPFA organized a webinar on the “Challenges and Strategies for MFIs during COVID 19” for its members as well as other stakeholders in the industry. Business Continuity planning, Loan Restructuring & Incentive Proposals as well as Employment Relations were key areas that were discussed during the webinar and it was facilitated by Vice President Mr. Priyantha Dematagoda, Treasurer Mr. Imran Nafeer and Ms. Shahara Varia from F. J. & G. de Saram. The webinar was a good success with over 70 participants taking part in it.

### International Conference in Bangalore, India

LMFPFA members had the opportunity to participate in an international conference from 30th October to 2nd November 2019 which was organized by the Shri Kshethra Dharmasthala Rural Development Project that has worked on the Self-help group (SHG) movement for more than 3 decades and has developed core competence in promotion, handholding and linking the SHGs to banks for financial services. 10 LMFPFA member representatives from the following organizations received scholarships to participate in this conference, which also included field visits that gave the participants an experience to learn from the SHG model.

- Berendina Micro Investments Company Ltd
- Lanka Financial Services for Underserved Settlements
- Dumbara Micro Credit Ltd
- Eclof Lanka (Gte) Ltd
- Arthavida Intermediary Ltd
- Sewa Community Credit Ltd
- South Asia Partnership Sri Lanka
- Sejaya Micro Credit Ltd
- Bimpu Finance PLC
- Muslim Aid Micro Credit (Gte) Ltd



## Information Dissemination

### Microfinance Review 2018



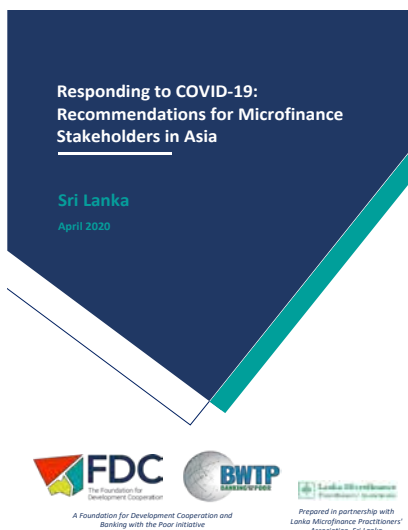
For the 10th consecutive year LMFPFA completed its annual review of microfinance and allied services in the country through its publication the Microfinance Review – Sri Lanka 2018; the only publication that comprehensively analyses the status of the microfinance sector in Sri Lanka and reflects on the evolution of microfinance, sustainability of services, emerging issues and challenges.

This review appraises the developments in Sri Lanka's microfinance sector in 2018 and it is based on data in relation to financial and social performances, obtained from 39 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.



## Contribution for international COVID impact report by BWTP



LMFPA had the opportunity to collaborate with the Banking with the Poor Network (BWTP) in preparing a COVID 19 response report in April 2020. The report identifies the opportunities for immediate and short term mitigation of COVID 19 impacts on microfinance clients and providers. The report identifies priority policy and budgetary recommendations for stakeholders to support poor and vulnerable communities and sustain the essential role of microfinance intermediaries in response to COVID 19.

## LMFPA E Magazine



The 12th edition of the LMFP E Magazine "Sri Lanka Microfinance Forum" was published in January 2020. The latest edition carried quarterly statistics of 2019, several articles on award ceremonies of members, CSR projects and case studies.

## Auditor's Report & Financial Statements



**Edirisinghe & Co.  
Chartered Accountants**

45, Braybrooke Street  
Colombo 02  
Sri Lanka

T: +94 11 2433933  
F: +94 11 2445683  
E: info@bakertilly.lk  
W: www.bakertilly.lk

### INDEPENDENT AUDITOR'S REPORT

#### TO THE SHAREHOLDERS OF LANKA MICROFINANCE PRACTITIONERS' ASSOCIATION

##### Report on the Audit of the Financial Statements

##### Opinion

We have audited the accompanying financial statements of Lanka Microfinance Practitioners' Association (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and accumulated fund, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2019 and the financial statements give a true and fair view of the Company's state of affairs as at December 31, 2019 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Smaller Entities (SLFRS for Smaller Entities).

##### Basis for Opinion

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

##### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with SLFRS for Smaller Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

##### 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 misstatements, 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 SLAuSs 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.



Partners: P.P. Edirisinghe FCA ACIM MBA Ms. M.K.K. Karunaratne FCA ACMA P.K.A.M. Alahakoon ACA MAAT  
S.A. Harischandra ACA ACMA CGMA MBA Bcom (Sp.)

Consultants: A.T.P. Edirisinghe FCA FCMA (UK) A.D. Jayasena FCA

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**EDIRISINGHE & CO.**  
Chartered Accountants

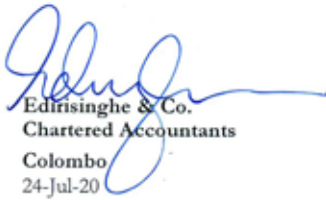
**INDEPENDENT AUDITOR'S REPORT (CONTINUED.)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued.)**

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

**Report on Other Legal and Regulatory Requirements**

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

  
Edirisinghe & Co.  
Chartered Accountants  
Colombo  
24-Jul-20



## STATEMENT OF PROFIT OR LOSS AND ACCUMULATED FUND

For the year ended 31 December 2019

	Note	2019 Rs.	2018 Rs.
General income	04	2,023,750	1,615,000
Interest income	05	336,867	291,679
Other income	06	9,289,354	20,840,695
<b>Total income</b>		<b>11,649,971</b>	<b>22,747,374</b>
Activity related expenses	07	(7,031,098)	(16,994,739)
<b>Net income</b>		<b>4,618,873</b>	<b>5,752,635</b>
Administrative expenses	08	(3,229,790)	(4,011,162)
<b>Surplus before taxation</b>	09	<b>1,389,083</b>	<b>1,741,473</b>
Income tax expense	10	(215,074)	(77,826)
<b>Surplus for the year</b>		<b>1,174,009</b>	<b>1,663,647</b>
Accumulated fund B/F		4,222,717	2,559,070
<b>Accumulated fund C/F</b>		<b>5,396,726</b>	<b>4,222,717</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 2019	Note	2019 Rs.	2018 Rs.
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	11	43,739	88,953
Investment in fixed deposits	12	1,425,040	1,301,716
		1,468,779	1,390,669
<b>Current assets</b>			
Receivables	13	406,900	322,500
Deposits and prepayments	14	550,000	420,000
Income tax receivable	15	52,541	52,541
Cash and cash equivalents	16	4,875,187	2,416,315
		5,884,628	3,211,356
<b>Total assets</b>		<b>7,353,407</b>	<b>4,602,025</b>
<b>Funds and liabilities</b>			
<b>Funds</b>			
Accumulated fund		5,396,726	4,222,717
		5,396,726	4,222,717
<b>Non current liabilities</b>			
Retirement benefit obligation	17	337,500	268,400
		337,500	268,400
<b>Current liabilities</b>			
Income tax payable	15	198,230	61,283
Accounts payable	18	477,610	49,625
Bank overdraft	19	943,341	-
		1,619,181	110,908
<b>Total funds and liabilities</b>		<b>7,353,407</b>	<b>4,602,025</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 2019	2019 Rs.	2018 Rs.
Surplus before taxation	1,389,083	1,741,473
Adjustment for :		
Depreciation	45,215	269,031
Interest income	(336,867)	(291,679)
Gratuity provision for the year	69,100	33,550
Operating profit before working capital changes	1,166,531	1,752,375
Increase in receivables, deposits and prepayments	(214,400)	(142,500)
Increase in accounts payable	427,984	20,692
<b>Cash generated from operations</b>	<b>1,380,115</b>	<b>1,630,567</b>
Income tax paid	(61,283)	(16,543)
<b>Cash generated from operating activities</b>	<b>1,318,832</b>	<b>1,614,024</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant & equipment	-	(114,583)
Interest income	320,023	291,679
Investment in fixed deposits	(123,324)	(114,874)
<b>Net cash generated from / (used in) investing activities</b>	<b>196,699</b>	<b>62,222</b>
Net increase / (decrease) in cash and cash equivalents	1,515,531	1,676,246
Cash & cash equivalents at the beginning of the year	2,416,315	740,069
<b>Cash &amp; cash equivalents at the end of the year (Note A)</b>	<b>3,931,846</b>	<b>2,416,315</b>
<b>Note A - Cash and cash equivalents</b>		
Cash and cash equivalents	3,931,846	2,416,315
	<b>3,931,846</b>	<b>2,416,315</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 2019

### 1 - Corporate information

#### 1.1 General

Lanka Microfinance Practitioners' Association (previously known as Lanka Microfinance Network) is a Non Profit 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.

#### 2.1 - Basis of preparation

The annual financial statements have been prepared in accordance with Sri Lanka Accounting Standard for Smaller Entities (SLFRS for Smaller Entities) with effect from 1 December 2017. These are the Company's first set of financial statements prepared in accordance with SLFRS for Smaller Entities as laid down 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.

The transition to SLFRS for Smaller Entities has not affected the reported financial position and financial performance of the Company.

#### 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 2018 and for the year then ended comply with the SLFRS for Smaller Entities 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 24 July 2020.



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2019****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.

<u>Assets Category</u>	<u>Rate</u>
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 2019

### 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 2019

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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

### 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.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

### 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 2019

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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 2019

	2019 Rs.	2018 Rs.
<b>04. General income</b>		
Membership fees	1,913,750	1,605,000
Membership registration	110,000	10,000
	<u>2,023,750</u>	<u>1,615,000</u>
<b>05. Interest income</b>		
Interest on fixed deposits and money market a/c	336,867	291,679
	<u>336,867</u>	<u>291,679</u>
<b>06. Other income</b>		
Book sales	26,424	22,500
Training income	3,907,175	-
Website advertising	9,500	15,000
Membership fees (SAMN)	1,134,092	469,642
Administration fee reimbursement (SAMN)	221,100	-
Miscellaneous income	41,300	1,642,298
SAMN conference income	1,875,249	11,537,107
Sponsorship income	635,000	260,000
Exposure programme income	1,439,514	6,894,148
	<u>9,289,354</u>	<u>20,840,695</u>
<b>07. Activity related expenses</b>		
AGM expenses	137,500	141,613
Exposure programme expenses	1,135,875	5,655,157
Workshop expenses	2,111,706	84,000
Miscellaneous expenses	132,908	945,418
Conference expenses (SAMN)	3,083,749	10,168,551
Public relation expenses	429,360	-
	<u>7,031,098</u>	<u>16,994,739</u>
<b>08. Administrative expenses</b>		
Secretary fees for conference (SAMN)	416,000	197,750
Salaries and allowances - conference (SAMN)	-	945,000
Salaries	1,097,100	805,200
SAMN expenses	-	293,020
Employees Provident Fund	123,600	96,624
Employees Trust Fund	30,900	24,156
Gratuity	69,100	33,550
Travelling and others	91,580	105,340
Auditors' remuneration	30,250	31,625
Auditors' remuneration (SAMN)	4,600	-
Secretarial fee	74,322	17,950
Rent	546,150	473,550
Office maintenance	20,000	26,250
Postage and courier	27,050	23,430
Printing and stationery	23,853	106,111
Depreciation	45,215	269,031
Internet charges	28,364	31,330
Sundry expenses	54,173	85,273
Computer maintenance	34,700	10,600
Website maintenance	13,250	64,250
Balance c/f	<u>2,730,207</u>	<u>3,640,040</u>





## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

	2019 Rs.	2018 Rs.
<b>Administrative expenses (Continued.)</b>		
Balance b/f	2,730,207	3,640,040
Mobile allowance	20,000	18,000
Membership fee	87,500	80,500
Electricity	2,542	2,239
Telephone	27,591	29,123
Bank charge - conference (SAMN)	3,500	39,930
Bank charge	8,000	7,830
Membership fee receivable - written off	271,850	157,500
Travelling allowances	44,000	36,000
Water	1,500	-
Legal fee	33,000	-
Penalties	100	-
	<b>3,229,790</b>	<b>4,011,162</b>

## 9. Surplus before taxation

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

Salaries	1,097,100	805,200
Employees Provident Fund	123,600	96,624
Employees Trust Fund	30,900	24,156
Gratuity	69,100	33,550
Auditors' remuneration	30,250	31,625
Depreciation	45,215	269,031

## 10. Income tax expense

Current income tax provision	215,074	77,826
	<b>215,074</b>	<b>77,826</b>

## Reconciliation of accounting profits with tax profits

Profit before tax	1,389,083	1,741,473
Disallowable expenses	(135,279)	(1,132,966)
Tax deductible expenses	(54,438)	(363,775)
Taxable income	1,199,366	244,732
Interest income	336,867	291,679
	<b>1,536,233</b>	<b>536,411</b>

Business income - tax at 28%	-	5,457
Business income - tax at 14%	215,074	72,369
	<b>215,074</b>	<b>77,826</b>



## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

## 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	599,211	684,563	171,824	107,425	1,563,023
Additions during the year	-	-	-	-	-
Balance at the end of the year	599,211	684,563	171,824	107,425	1,563,023
<b>Accumulated depreciation</b>					
Balance at the beginning of the year	571,132	684,563	171,824	46,551	1,474,070
Depreciation during the year	23,729	-	-	21,485	45,215
Balance at the end of the year	594,861	684,563	171,824	68,036	1,519,284
<b>Written down value</b>					
Balance at the end of the year	4,350	-	-	39,389	43,739
Balance at the beginning of the year	28,079	-	-	60,874	88,953

As at 31 December 2019

	2019 Rs.	2018 Rs.
<b>12. Investment in fixed deposits</b>		
Deposits with Banks	1,425,040	1,301,716
	1,425,040	1,301,716
<b>13. Receivables</b>		
Membership subscription	341,900	322,500
Fund receivable	65,000	-
	406,900	322,500
<b>14. Deposits and prepayments</b>		
Rent deposits	550,000	420,000
	550,000	420,000
<b>15. Income tax refund / (liability)</b>		
Balance at the beginning of the year	52,541	52,541
	52,541	52,541
Balance at the beginning of the year	61,283	-
Tax paid for previous year	(61,283)	-
WHT receivable for the current year	(16,844)	(16,543)
Tax provision for the year	215,074	77,826
Balance at the end of the year	198,230	61,283



## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

	2019 Rs.	2018 Rs.
<b>16. Cash and cash equivalents</b>		
Commercial Bank - money market a/c	4,686,039	1,717,730
Commercial Bank - current a/c	-	9,417
Sampath Bank - current a/c (SAMN)	188,989	687,498
Cash in hand	159	1,670
	<b>4,875,187</b>	<b>2,416,315</b>
<b>17. Retirement benefit obligation</b>		
Balance as at the beginning of the year	268,400	268,400
Provision for the year	69,100	-
Balance as at the end of the year	<b>337,500</b>	<b>268,400</b>
<b>18. Accounts payable</b>		
Audit fee payable	30,250	31,625
Website maintenance payable	-	18,000
Accrued expenses	447,360	-
	<b>477,610</b>	<b>49,625</b>
<b>19. Bank overdraft</b>		
Commercial Bank	943,341	-
	<b>943,341</b>	<b>-</b>
<b>20. Commitments and contingencies</b>		
There were no commitments and contingencies existing as at the reporting date.		
<b>20. 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>21. 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>22. Related party transactions</b>		
There have been no related party transactions to be disclosed to the financial statements.		
<b>Assets pledged</b>		
<b>23. Bank</b>	<b>Nature of facility</b>	<b>Nature of asset pledged</b>
Commercial Bank	Overdraft facility of -Lien over fixed deposits for Rs. 450,000	661,749.45 -Letter of authority and set-off









**Lanka Microfinance  
Practitioners' Association**

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)