Local Loans and Development Fund

LOCAL LOANS & DEVELOPMENT FUND

ANNUAL REPORT AND ACCOUNTS

2024

Ministry of Public Administration, Provincial Councils and Local Government

TO JOIN US

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No.24 A, Ward Place,

Colombo 07.

Profit After Tax **99.9 Million**

Number of Commissioners **14**

Approved staff **46**

Covered by Ordinance

Number of Municipal Councils	24
Number of Urban Councils	41
Number of Pradeshiya Sabas	276

The amount of loan installment charged during the year from the loans given from the revolving fund of the Local Loans and Development Fund was Rs. 345.3 m.

The total value of loans issued to local authorities during the year was Rs. 350.1 m.

The amount of loan premium charged during the year from loans given by other institutions and projects is Rs. 107.2 m.

FUNDS:-

Funds were provided by the Treasury in the form of a long term loan at a concessionary rate of interest until year 2009. With the commencement of loans recovered under ADB Loan (No.1632 SRI (SF) and ADB Loan (No.2201 SRI (SF)), revolving facilities of funds are available for the purpose of granting of loans.

The amount of loan interest charged during the year from loans given by other institutions and projects is Rs. 75.5 m.

The amount of loan interest charged during the year from the loans given from the revolving fund of the Local Loans and Development Fund was Rs. 140.8 m.

External Audit : Department of Auditor General

Internal Audit :
From the year 2023, an Internal Audit Division has been established and an Internal Audit Officer has been appointed.

The total amount of loan installments paid to the Treasury during the year was Rs.251.8 million.
The interest is Rs.97.4 million.

BANKERS: Bank of Ceylon

Vision of Local Loans and Development Fund

To be the leading financing institution for local level infrastructure financing and services by offering relevant and sustainable loan products and support services

Mission of Local Loans and Development Fund

To serve as an autonomous and sustainable Financing Institution

providing long term financing and services support for basic infrastructure services to Local Authorities,

and thereby contribute to the

social and economic development of Sri Lanka.

Core Values of Local Loans and Development Fund and Goals

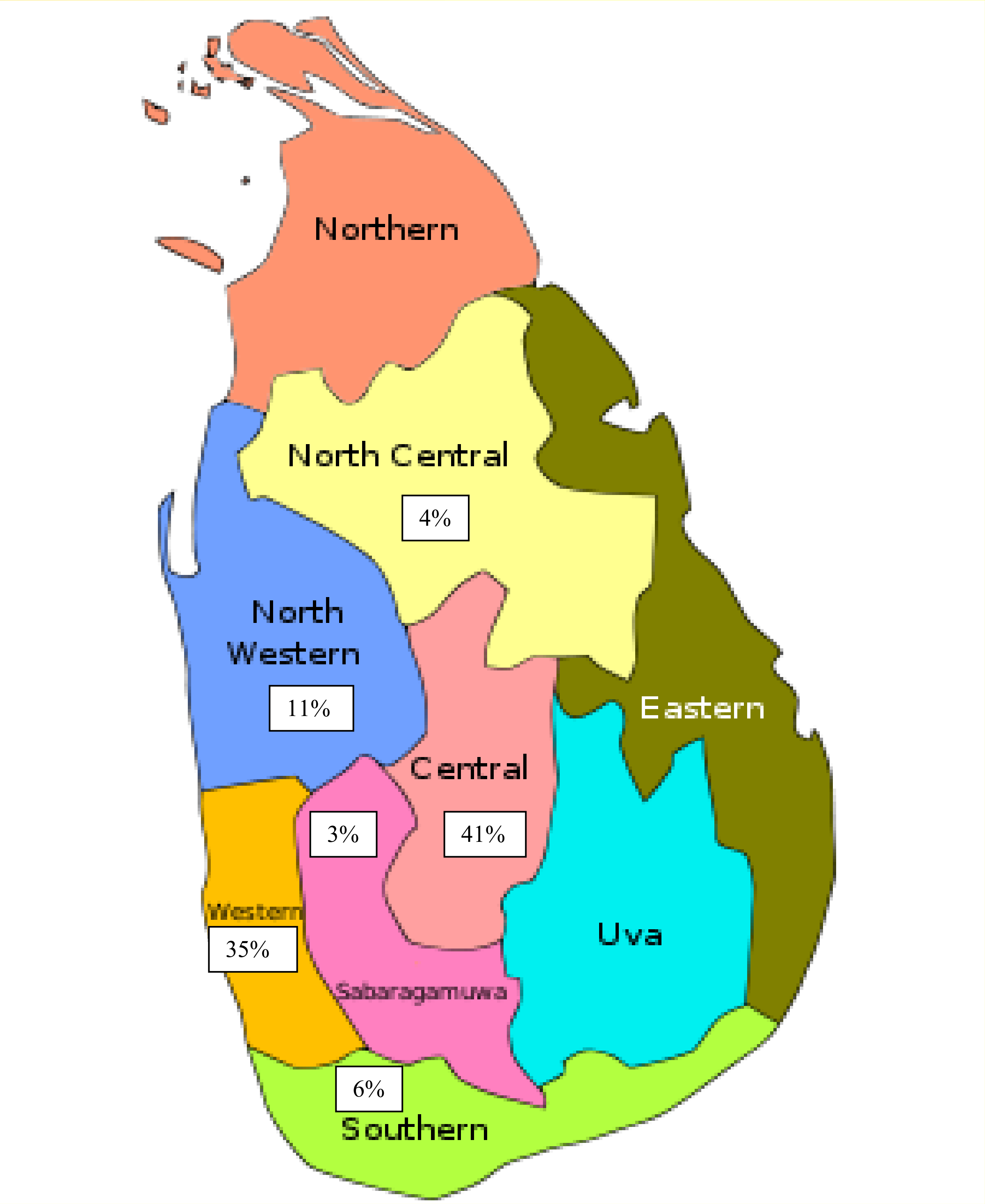
Core Values

- Improvement of financing and service facilities
- Increasing the number of local governments providing financing and service facilities
- Publishing Local Loans and Development Fund
- Achieving Sustainable Development Goals
- Expansion of lending areas to green, social and profit generating projects
- Improving lending support services and internal processes

Objectives

- Increase in arrears collection by 10% per annum.
- Increasing the number of local authorities providing loans by 50% per year.
- By the year 2028, provide financial relief of Rs. 5 billion for the development of local government institutions.
- Disbursement of loans to more than 200 local authorities in the next five years.
- Encouraging Local authorities to provide loans to environmentally friendly, social welfare and profitable businesses.
- Strengthening internal process through automation.

LOCAL LOANS AND DEVELOPMENT FUND
LOAN DISBURSEMENTS - PROVINCE WISE
2024



Annual Report Compilation

Management process

Input ⇨ Management process ⇨ Output ⇨

*Statements of Comprehensive Income
* Statements of Financial Position
* Statements of Changes in Equity
* Statements of Cash flows
* Notes
Pa.no.264-296

7Ms

*Money
*Man
*Materials
*Machines
*Methods
*Time
*Information Technology

1. Planning

2. Organization

3. Leading

4. Control

⇨ Goals and objectives (According to the Act) pa.no.200,203-205

Efficiency

Effectiveness

Planning	Organization	Leading	Control
*Budget Estimate * Business Plan 2024-28 * SWOT analysis * Implementation and Evaluation of results * Action Plan * Human Resource Plan * Procurement Plan	Allocation of resources Division of power Division of work ↓ * Create different sections * Identifying Duties of departments, Delegation of authority and responsibility *Organization structure	Leadership Communication Motivation	Audit Internal Audit Financial control *Vote ledger * bank reconciliations * Stock control * Supervision * Progress review meetings

RISK MANAGEMENT

Introduction of Institution

Introduction

Local Loans and Development Fund (LLDF) is a statutory body established by the Local loans and development ordinance No.22 of 1916. This Ordinance has been amended so far by the following Ordinances and Acts.

- Ordinance No. 06 of 1930
- Ordinance No. 25 of 1931
- Ordinance No. 43 of 1938
- Ordinance No. 21 of 1942
- Act No. 29 of 1946
- Act No. 09 of 1974
- Act No. 24 of 1993

This institute was functioning under the ministry incharge of local government from in inception the Functions of the LLDF were assigned to the Ministry of Finance during the year 2020 and since year 2022 onward this institute was functioning under the Ministry of Public Administration Home Affairs Provincial Councils and Local Government.

Funds were taken from the Treasury in the form of a loan-term loan at a concessionary rate of interest until year 2009. After the year 2009, no money has been taken from the Treasury for granting of loans to Local authorities or for the requirement of expensed to make salaries and office administration of the LLDF.

A journey from the past

Local Loans and Development Fund (LLDF) is a statutory body established under the Local Loans and Development Ordinance No.22 of 1916, and certain amendments were made to the original ordinance thereafter and the last amendment was by Act No 24 of 1993.

In its early stages, LLDF provided loan facilities for any purpose of public utility to Local Authorities and cooperative societies. The Local Loans and Development Amendment Act No. 09 of 1974 has limited the purpose of granting credit to local authorities only.

Until 1984, the LLDF was managed by the Department of Local Government and during this period it has not fully utilized the treasury allocations for purpose of granting loans to Local Authorities.

In 1985, this institute was assigned to the Urban Program Unit funded by the World Bank. During this period LLDF was recognized by Local Authorities as a prime funding source.

When the Urban Program Unit was closed down in 1995 after project period is over the LLDF continued to function as a separate Statutory Body. Accordingly a permanent Staff has been recruited.

In the year 2000 the fund has refused for recurrent expenditure allocated by the Treasury as the margin on interest income has been sufficient to meet its recurrent expenditure. However the funds for the purpose of granting of loans to Local Authorities have been received from the Treasury in the form of a loan repayable at a concessionary rate of interest.

Further the Asian Development Bank has identified the LLDF as the most appropriate Organization to channel funds for infrastructure development of Local Government Sector.

According to the agreement, the responsibility of collecting the loans given to the local governments under foreign aid projects such as the Asian Development Bank has been assigned to the Local Loans and Development Fund.

Those projects are shown below;

1. ADB Loan No.899 : PCDP: Perennial Crop Development Project - Total Rs.77m.
2. ADB Loan No.1632 : UDLIHP: Urban Development Low Income Housing Project – Over Rs.2,270m.
3. ADB Loan No.2201 : LGIIP: Local Government Infrastructure Improvement Project – Over Rs.5,000m.

Accordingly in the year 1998 LLDF has been appointed as the recovery agent for Loans Granted under Asian Development Bank. 2.5% of the interest income charged under these loan recovery agreements is given as income to the Local Loans and Development Fund.

2270 million rupees from Urban Development Low Income Housing Project (UDLIHP) and 4500 million rupees from Local Government Infrastructure Improvement Project (LGIIP) have been undertaken to recover by the LLDF from the Asian Development Bank.

The present situation

Objectives of the Ordinance

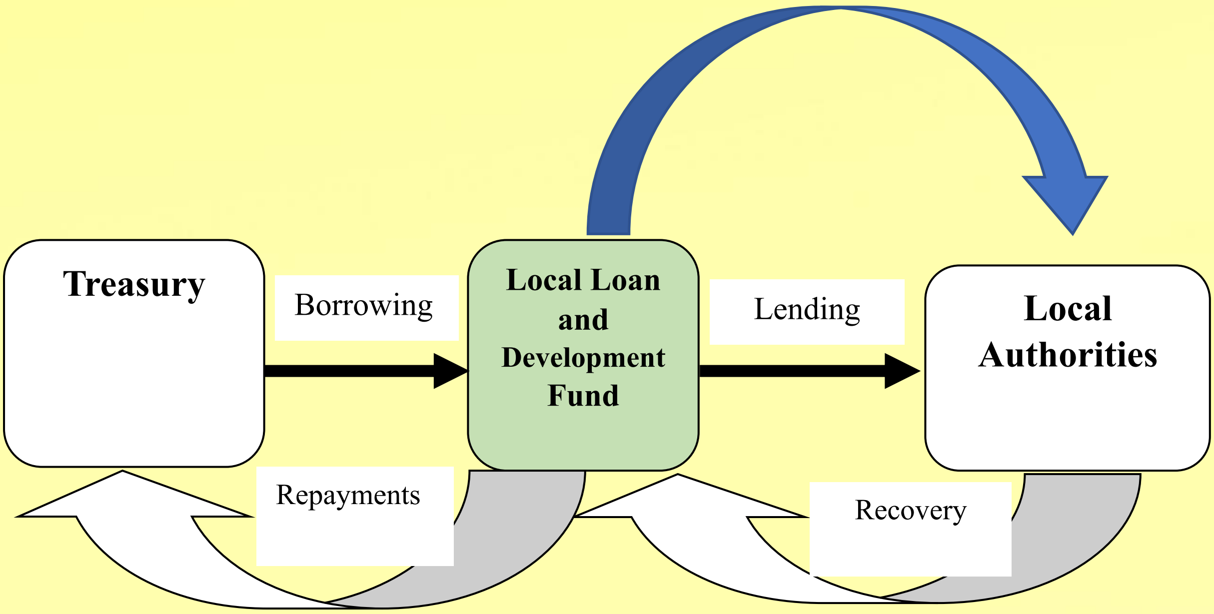
Pursuant to the Ordinance establishing the Local Loans and Development Fund or any amendment thereto, the primary role is to provide long-term financial facilities on a concessional interest basis for capital investment to 340 out of 341 local government bodies (excluding the Colombo Municipality) established as 24 Municipalities, 41 Urban Councils and 276 Pradeshiya Saba in Sri Lanka.

Collection of loan premiums and interest on loans given by other institutions and projects is also performed as an additional task. The Local Loans Development Fund also earns revenue by performing this function (based on debt collection).

In order to do the above work, the Local Loans Development Fund has established various departments and assigned tasks to each department. That is

- Administrative Division
- Accounts Division
- Operations Division
- Operations and Administrative Division

Financial & Operational process at the time of establishment of Local Loans and Development Fund



Functions of each Division

Administrative Division

- Mail (Receipts / Dispatches)
- Service and maintenance
- Procurement of goods and services
- Conducting Board of Commissioners meetings and other related activities
- Organization and reporting of trainings, workshops and staff meetings
- Salary Processing, Salary Increment, Overtime Processing, Employees' Provident Funds and Employees' Trust Funds etc. arrangement and payment
- Maintain personal correspondence files, recruitment, promotions and related records and files
- Dealing with local and foreign holidays
- Work related to staff loans and advances
- welfare affairs
- Inventory books and verification

Accounts Division

- Cheque Enrollment and Cheque Banking
- Cash book writing
- Writing Loan information to credit ledgers
- Entry in General Ledger
- Voucher writing, payment and cheque printing
- Financial Investment and Management
- Petty cash, fuel and other advances
- Internal and external audit activities
- Budgeting and future planning
- Preparation of final accounts and preparation of annual reports

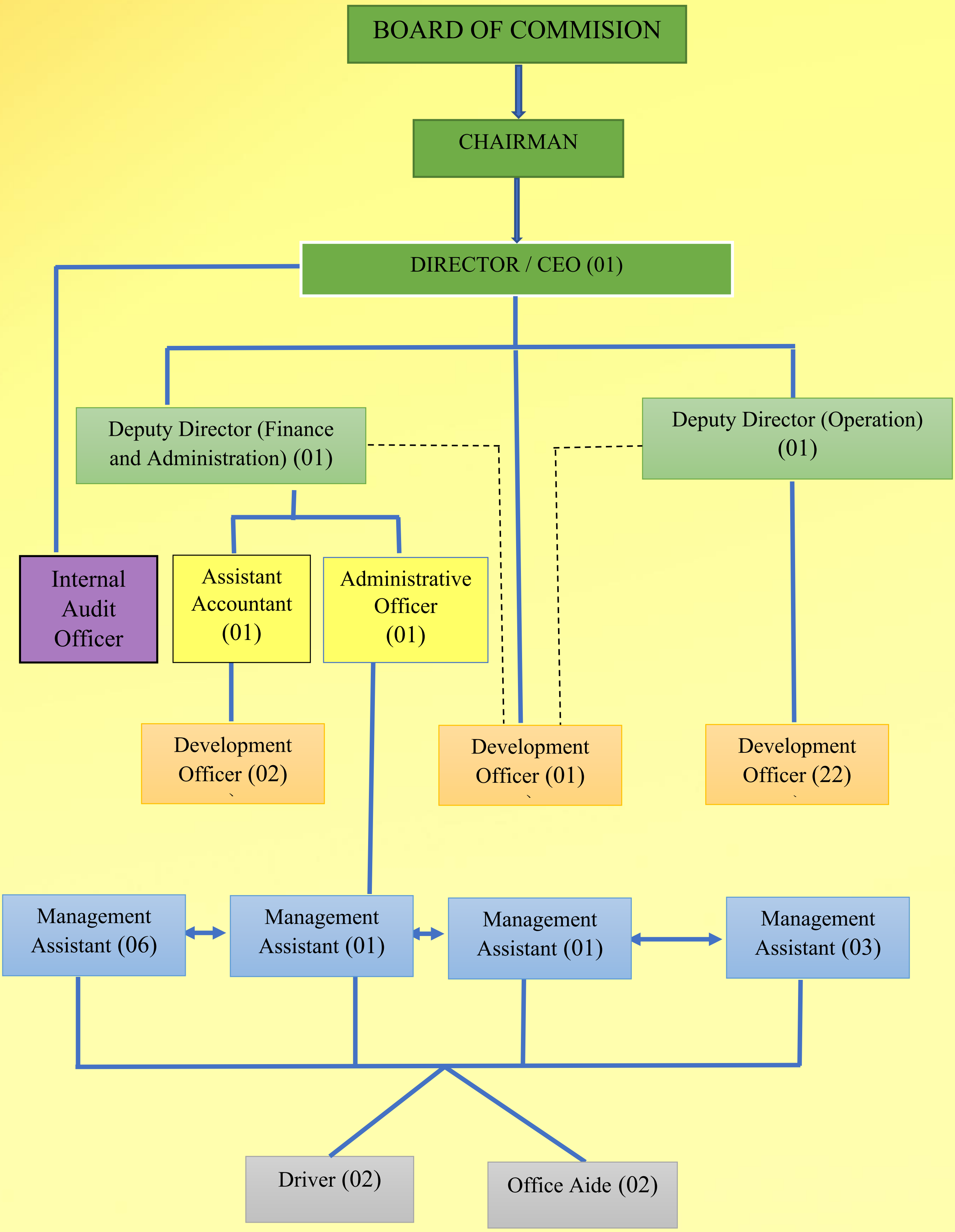
Operations and Administrative Division

- Monitoring, administration and updating of software including computer programs, internet
- Liaising with domestic and foreign loan providers and providing necessary services and supplies

Operations Division

- Calculation of installment and interest
- Writing receipts
- Setting up credit information system (outstanding loans and interest receivable)
- Documenting loan applications
- Documented credit Analyzing the applications and preparing the updated documents and submitting them to the Credit Committee for approval
- Sending loan approval letters, signing contracts and obtaining necessary recommendations and approvals for disbursement of loans as per our terms and conditions
- Checking and monitoring the projects undertaken with the loan money issued and maintaining the information through the results statistics
- Provide solutions or answers to problems and inquiries that may arise from time to time regarding loans
- Supervise field development officers and carry out necessary operations

Organization Structure



Operational and Financial Performance

The operational performance

The operational performance for the year 2024 is discussed under each subject as follows.

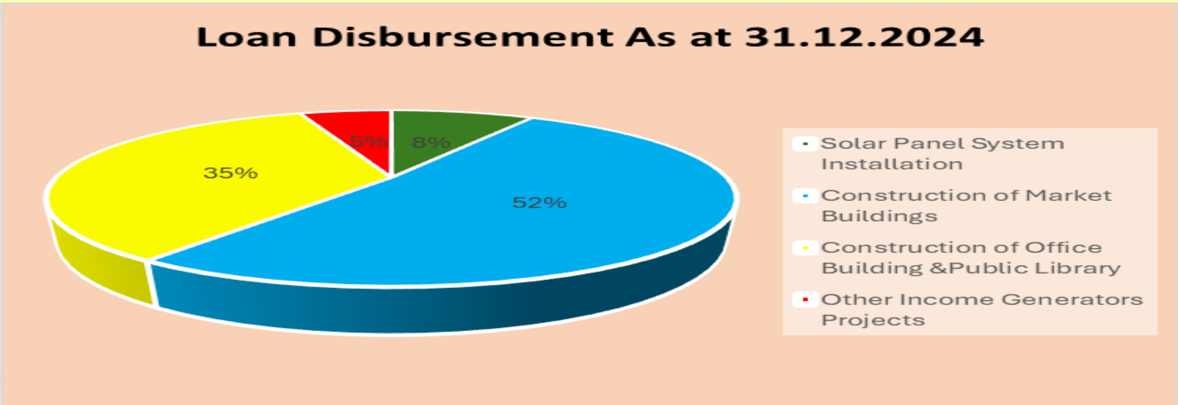
- Issuance of loans
- Debt recovery
- Repayment of loan to Treasury

Rs.700 million was allocated in the institutional Budget in 2024 for the purpose of granting loans to the Local Authorities. During the year total Loans granted to 15 Local Authorities were Rs.350.1 million. These Loans are repayable during a period of 05-10 years at concessionary rates of interest. The 50% of approved Loans have been granted during the year.A loan facilities are provided to the Local Authorities, based on the Financial viability of the projects, Loan repayment methord and Risk Management, Therefore, 78% of the loans have been granted for revenue generating projects and 22% as social and infrastructure development projects.

Loans granted summary as follows;

LOANS DISBURSEMENTS SUMMARY - YEAR - 2024 : Table 1.1

	Category	Interest Rate	Amount (Rs.)	No of Projects
01	Installation of Solar Pannel System	10.0%	29,437,768	04
02	Construction of Market Buildings	12.0%	180,605,990	09
03	Construction of Office Building &Public Library	7.0%	121,200,000	02
04	Other Income Generators Projects	12.0%	18,898,612	02
	Total		**350,142,370**	**17**



(chart 1.1) *Source : LLDF Cash Book* 2024

LOCAL LOANS AND DEVELOPMENT FUND :Table 1.2
LOAN RELEASED AS AT 31.12.2024

	Councils	Province	Amount (Rs.)	Installation of Solar Pannel System	Construction of Market Buildings	Construction of Office Building and Public Library	Other Income Generators Projects
01	Puttlam U.C	NWP	3,430,000	-	3,430,000	-	-
02	Hakkmana P.S	SP	6,360,000	6,360,000	-	-	-
03	Nuwara Eliya M.C	CP	117,910,000	-	117,910,000	-	-
04	Bentota P.S	SP	8,130,300	-	8,130,300	-	-
05	Panadura P.S	WP	2,855,300	-	2,855,300	-	-
06	Balangoda P.S	SAB	3,437,000	-	3,437,000	-	-
07	Wennappuwa P.S.	NWP	17,557,768	17,557,768	-	-	-
08	Kegall P.S	SAB	1,043,390	-	1,043,390	-	-
09	Kuliyapitiya P.S	NWP	14,300,000	-	14,300,000	-	-
10	Negambo M.C	WP	118,500,000	-	-	118,500,000	-
11	Kotapola P.S	SP	5,500,000	-	5,500,000	-	
12	Anuradhapura M.C	NCP	13,898,612	-	-	-	13,898,612
13	Peliyagoda P.S	WP	2,400,000	2,400,000	-	-	
14	Blangoda P.S	SAB	5,000,000	-	-	-	5,000,000
15	Gagaihala Korale P.S	CP	24,000,000	-	24,000,000	-	
16	Ebilipitiya P.S	SAB	2,700,000	-	-	2,700,000	
17	Narammala P.S	NWP	3,120,000	3,120,000	-	-	-
	Total		**350,142,370**	**29,437,768**	**180,605,990**	**121,200,000**	**18,898,612**

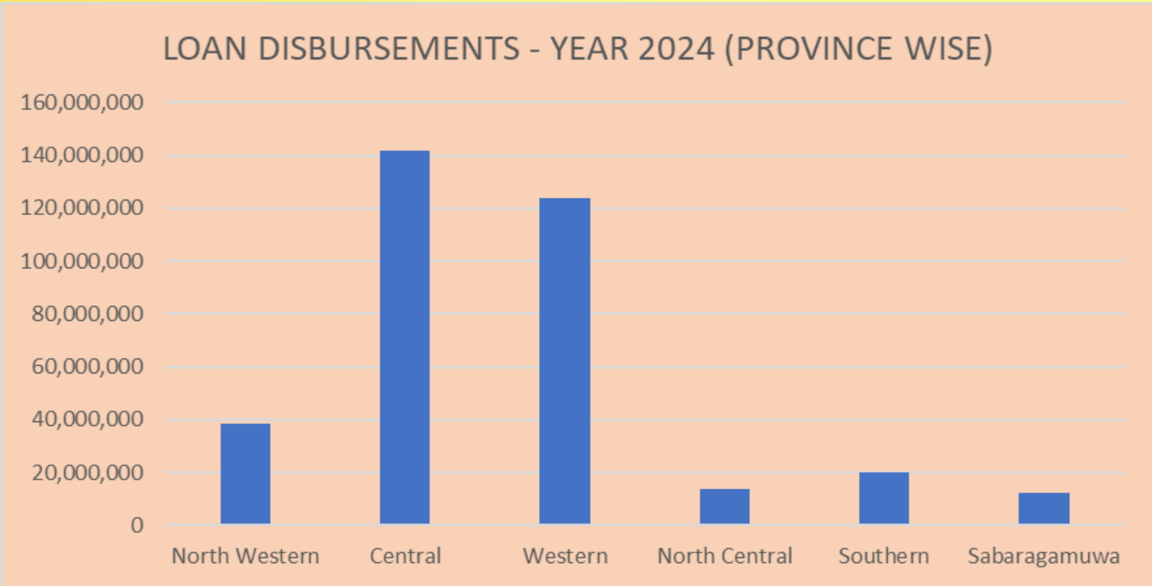
Source : LLDF Cash Book 2024

LOAN DISBURSEMENTS - PROVINCE WISE :Table 1.3 - YEAR -2024

Province	Amount (Rs.)	Percentage(%)
North Western	38,407,768	11
Central	141,910,000	41
Western	123,755,300	35
North Central	13,898,612	04
Southern	19,990,301	06
Sabaragamuwa	12,180,390	03
Total	**350,142,371**	**100**

Source : LLDF Cash Book 2024

Chart 1.2 : Province Wise Loan Disbursement Summary - *Source : LLDF Cash Book 2024*



LOAN DISBURSEMENTS – YEAR 2024 - COUNCIL WISE :Table 1.4

Council	Amount (Rs.)	Percentage (%)of the Total
Municipal Councils	250,308,612	72
Urban Councils	10,830,000	03
Pradeshiya Sabas	89,003,759	25
Total	**350,142,371**	**100**

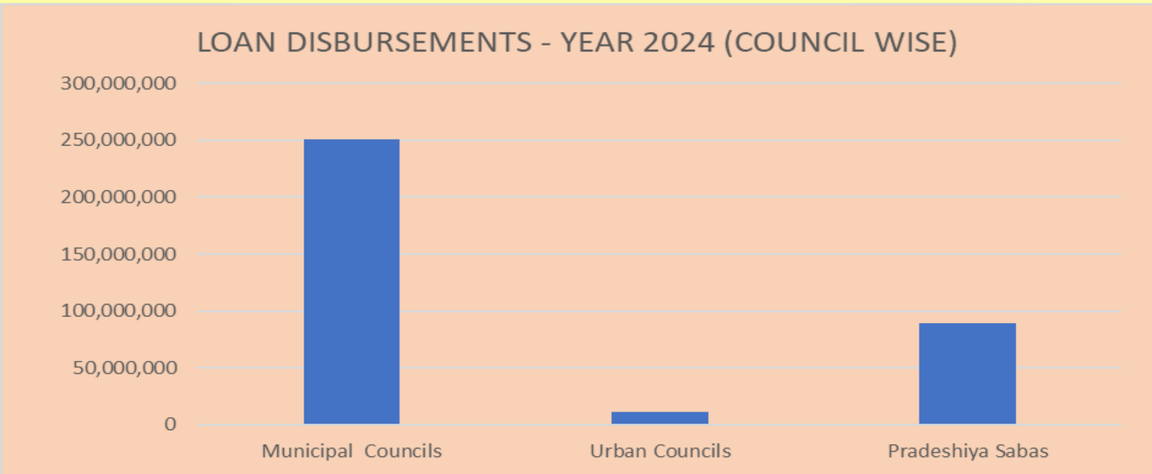


Chart 1.3 :Council Wise Loan Disbursement Summary *Source : LLDF Cash Book 2024*

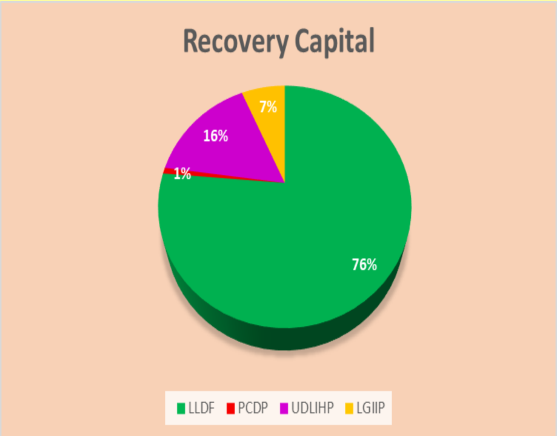
LOAN RECOVERIES

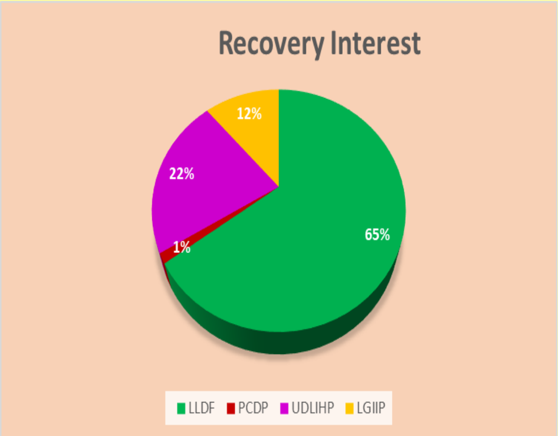
During the year 2024 Rs.345.3 million and Rs.140.8 million was recovered being capital and interest due from loans granted by LLDF Revoling Fund. Further Rs.73.2 million and Rs.47.7 million recovered, being capital and interest on ADB Loan No.1632. SRI (SF). Rs.3.7 million and Rs.2.9 million was recovered under PCDP as capital and interest during the year. Further Rs.30.3 million and Rs.24.9 million recovered, being capital and interest on ADB Loan No.2201 Local Government Infrastructure Improvement Project.

Loan Recovery Progress –2024 :Table 1.5

PROJECT	RECOVERY CAPITAL (Rs.Million)	RECOVERY INTEREST(Rs.Million)	TOTAL (Rs.Million)
LLDF	345.3	140.8	**486.1**
PCDP	3.7	2.9	**6.6**
UDLIHP	73.2	47.7	**120.9**
LGIIP	30.3	24.9	**55.2**
TOTAL	**452.5**	**216.3**	**668.8**

Source : LLDF Cash Book 2024





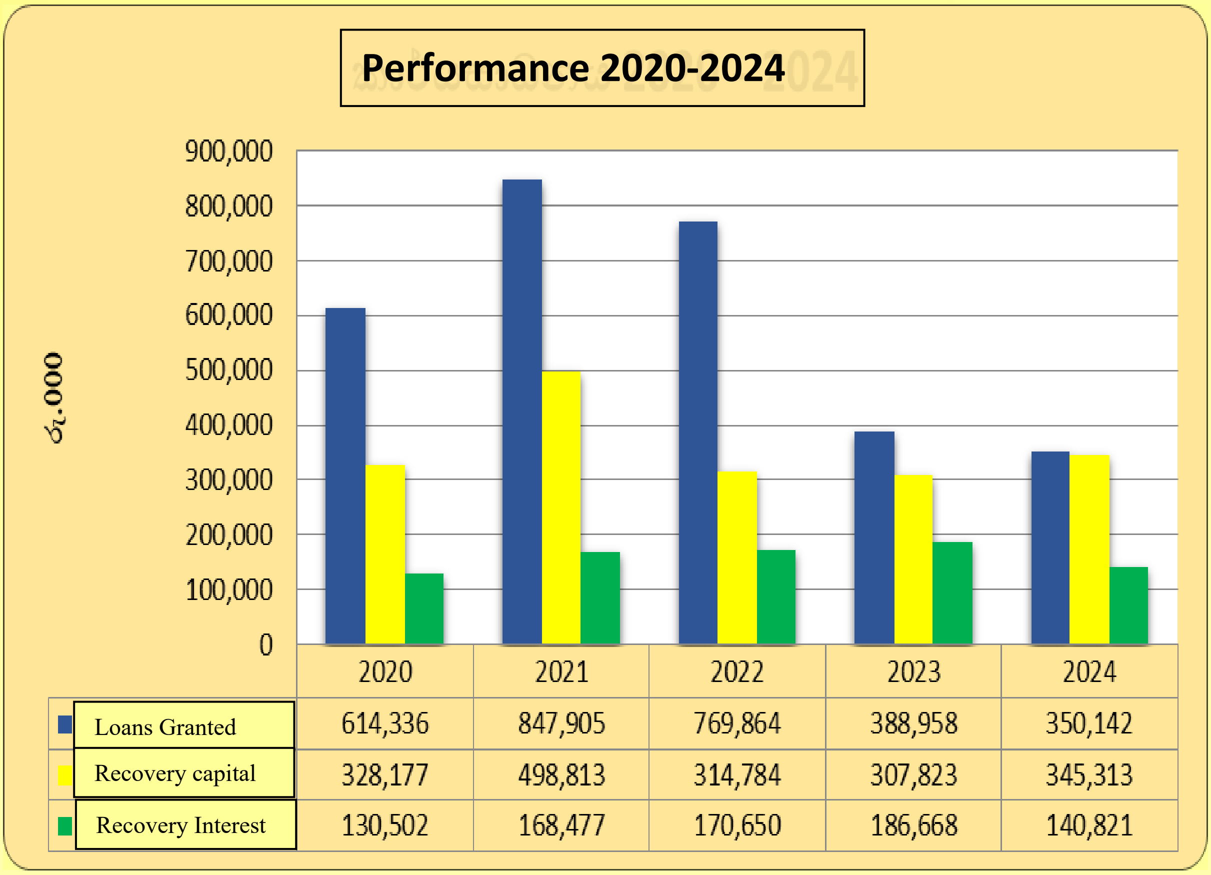
Source : LLDF Cash Book 2024

Chart 1.4 :Loan Recovery Progress

LLDF	Local Loans and Development Fund
PCDP	Perenial Crop Development Project
UDLIHP	Urban Development &Low Income Housing Project
LGIIP	Local Government Infrastructure Improvement Project

Local Loans and Development Fund Performance 2020–2024 :Table 1.6
(Except ADB Funded Projects) (Rs.000)

Year	Loans Granted	Recovery capital	Recovery Interest
2020	614,336	328,177	130,502
2021	847,905	498,813	168,477
2022	769,864	314,784	170,650
2023	388,958	307,823	186,668
2024	350,142	345,313	140,821
TOTAL	2,971,205	1,794,910	797,118



Performance 2020-2024 : Chart 1.5

Source : LLDF Cash Book 2024

Financial Performance

INCOME – YEAR 2024

The fund has earned a Gross Income of Rs.171.3 million on operations (Including ADB funded projects during the year). Net surplus before tax of Rs.135.8 million has been earned after making administration expenses and grant given under local government infrastructure improment project operational expenses. Further the imparement for loans and receivales for the year 2024 is Rs.64.7 million.

Summary of Financial Performance for last 05 Years - (Rs.000) :Table 1.7

	2020	2021	2022	2023	2024
Revenue					
Interest Income	274,899	275,545	289,204	307,142	274,546
Interest Expencess	(131,744)	(126,304)	(113,769)	(109,444)	(103,239)
Net Interest Income	**143,154**	**149,240**	**175,435**	**197,698**	**171,307**
Other Income	86,101	63,434	165,600	139,346	85,560
Total Operating Income	**229,255**	**212,674**	**341,035**	**337,045**	**256,868**
Impairment Charges	7,646	9,956	(340,829)	(167,561)	(64,720)
Net Operating Income	**221,610**	**202,718**	**681,864**	**169,483**	**192,147**
Administrative Expenses	(38,151)	(40,505)	(44,506)	(73,052)	(56,350)
Net Grant amortization	(115,998)	(74,910)	(29,997)	-	-
Operating Profit Before Tax	**67,460**	**87,303**	**607,361**	**96,430**	**135,796**
Tax Expenses	(2,495)	(16,237)	(36,418)	(36,688)	(35,862)
Profit After Tax	**69,955**	**71,066**	**570,943**	**59,742**	**99,934**
Total Comprehensive Income	**69,122**	**67,821**	**573,679**	**57,579**	**98,403**
Retained Earnings At the End of the year	**(105,196)**	**(37,315)**	**(220,179)**	**(342,864)**	**(241,253)**

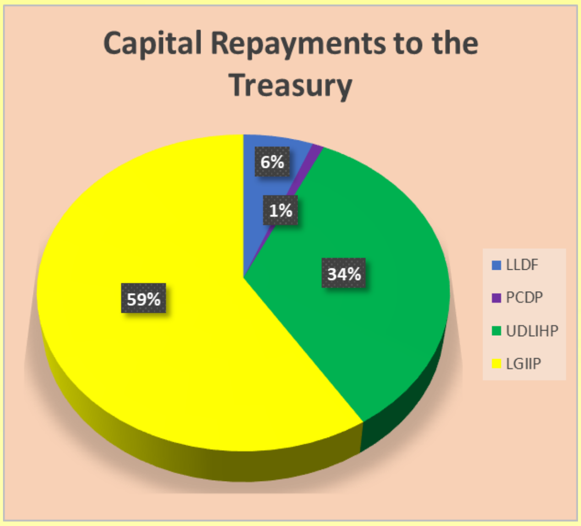
Source : LLDF Cash Book 2024

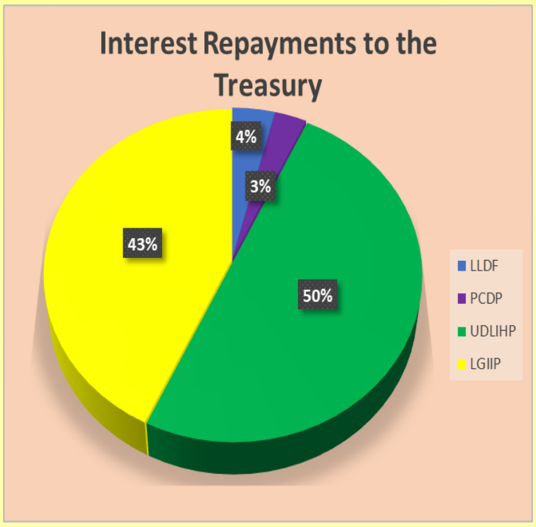
REPAYMENT OF LOANS TO THE TREASURY – YEAR 2024

During the year Capital repayment to the Treasury was Rs.14.5 million. and the interest payment to the Treasury was Rs.3.6 million for loans obtained under LLDF and Rs.85.5 million has been paid to the Treasury as capital and Rs.48.8 million as interest under UDLIHP. The Rs.147.9 million has been paid to the Treasury as capital and Rs.42.1 has been paid to the Treasury as interest under LGIIP Loans. Further under ADB Loan No.899 SRI (SF) Rs.3.6 million has been paid to the Treasury as capital and Rs.2.9 million has been paid as interest.

Progress of Loan Repayments – year 2024 - (Rs.Million) **:Table 1.8**

PROJECT	CAPITAL REPAYMENT	INTEREST PAYMENTS	TOTAL
LLDF	14.5	3.6	18.1
PCDP	3.6	2.9	6.5
UDLIHP	85.5	48.8	134.3
LGIIP	147.9	42.1	190.9
Total	**251.5**	**97.4**	**348.9**





Loan Recovery Progress :Chart 1.6 *Source : LLDF Cash Book 2024*

LLDF	Local Loans and Development Fund
PCDP	Perenial Crop Development Project
UDLIHP	Urban Development &Low Income Housing Project
LGIIP	Local Government Infrastructure Improvement Project

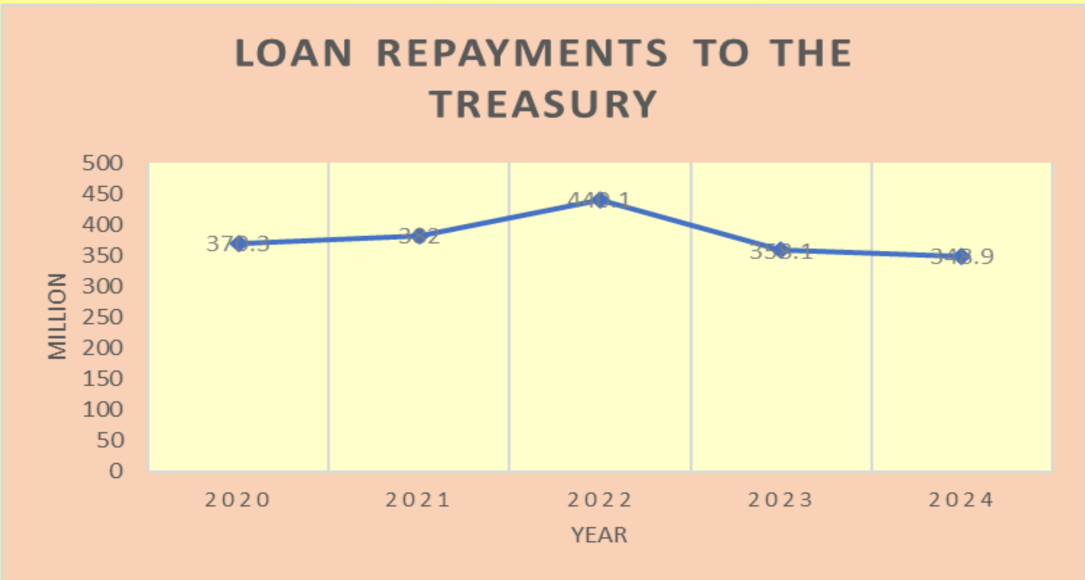
LOAN REPAYMENT TO THE TREASURY – 2020-2024

Table 1.9

Rs. Million

Year	Capital				Interest				Total
	LLDF	PCDP	UDLIHP	LGIIP	LLDF	PCDP	UDLIHP	LGIIP	
2020	20.6	2.5	87.7	121.0	8.8	4.0	78.3	47.4	**370.3**
2021	18.3	2.8	88.6	146.2	7.2	3.8	66.6	48.5	**382.0**
2022	17.1	3.1	126.8	147.9	5.9	3.5	89.3	46.5	440.1
2023	16.0	3.1	85.4	147.9	4.7	3.4	53.3	44.3	**358.1**
2024	14.5	3.6	85.5	147.9	3.6	2.9	48.8	42.1	**348.9**
Total	**86.5**	**15.1**	**474.0**	**710.9**	**30.2**	**17.6**	**336.3**	**228.8**	**1899.4**

Source : LLDF Cash Book 2024



LLDF Local Loan and Development Funds

PCDP Prennial Crop Development Project

UDLIHP Urban Development and Low Income Housing Project

LGIIP Local Government Infrastructure Improvement Project

LOAN REPAYMENTS TO THE TREASURY 2020 – 2024 :Table 1.10

Local Loan and Development Funds (LLDF)		Rs. Million
Year	Capital	Interest
2020	20.6	8.8
2021	18.3	7.2
2022	17.1	5.9
2023	16.0	4.7
2024	14.5	3.6
TOTAL	**86.5**	**30.2**

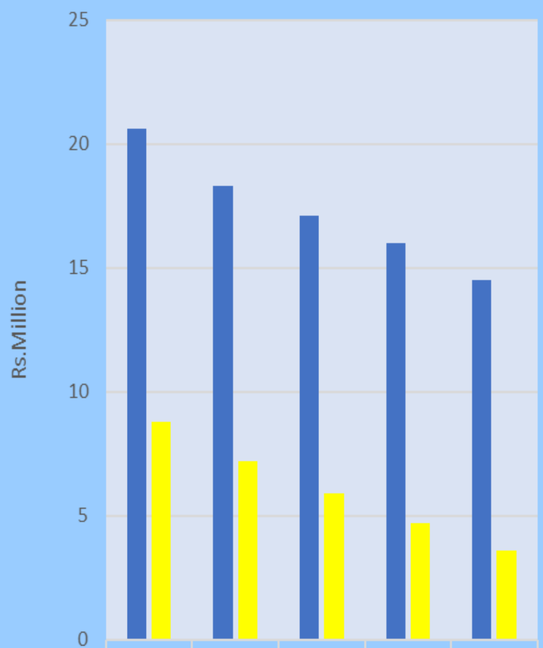
Prennial Crop Development Project (PCDP)		Rs. Million
Year	Capital	Interest
2020	2.5	4.0
2021	2.8	3.8
2022	3.1	3.5
2023	3.1	3.4
2024	3.6	2.9
TOTAL	**15.1**	**17.6**

Urban Development and Low Income Housing Project (UDLIHP)		Rs. Million
Year	Capital	Interest
2020	87.7	78.3
2021	88.6	66.6
2022	126.8	89.3
2023	85.4	53.3
2024	85.5	48.8
TOTAL	**474.0**	**336.3**

Local Government Infrastructure Improvement Project (LGIIP)		Rs. Million
Year	Capital	Interest
2020	121.0	47.4
2021	146.2	48.5
2022	147.9	46.8
2023	147.9	44.3
2024	147.9	42.1
TOTAL	**710.9**	**229.1**

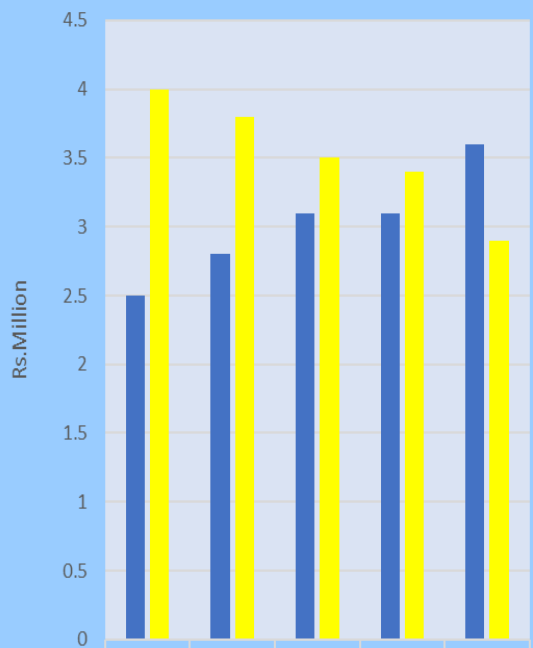
Source : LLDF Cash Book 2024

LOAN REPAYMENT TO THE TREASURY (LLDF LOANS)



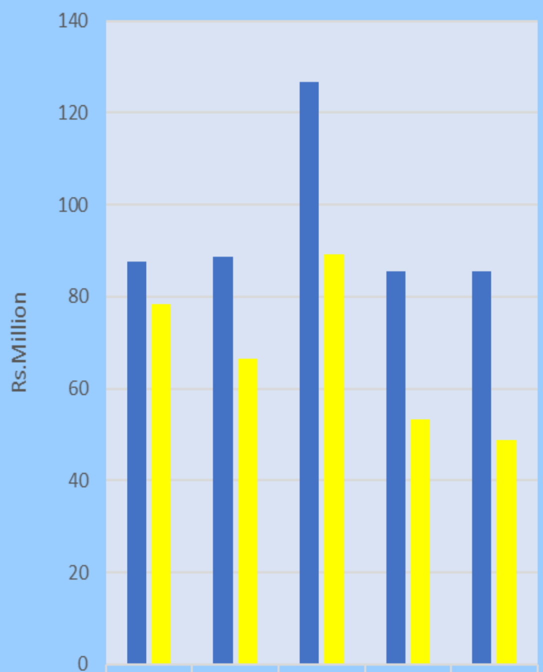
	2020	2021	2022	2023	2024
Capital	20.6	18.3	17.1	16	14.5
Interest	8.8	7.2	5.9	4.7	3.6

PERENNIAL CROP DEVELOPMENT PROJECT



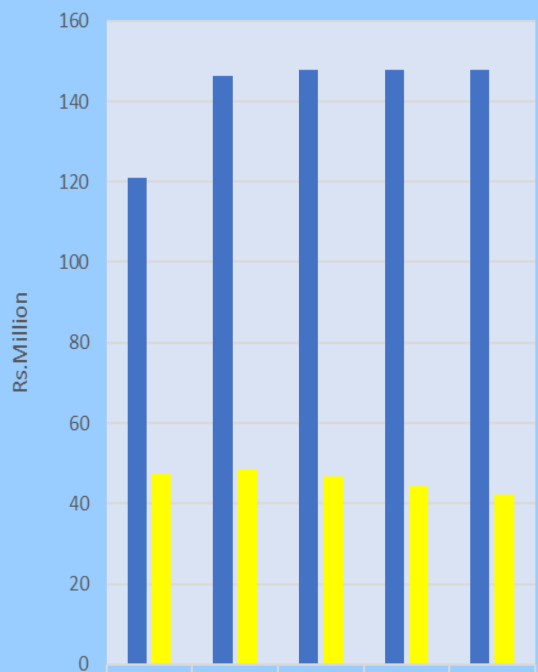
	2020	2021	2022	2023	2024
Capital	2.5	2.8	3.1	3.1	3.6
Interest	4	3.8	3.5	3.4	2.9

URBAN DEVELOPMENT AND LOW INCOME HOUSING PROJECT (UDLIHP)



	2020	2021	2022	2023	2024
Capital	87.7	88.6	126.8	85.4	85.5
Interest	78.3	66.6	89.3	53.3	48.8

LOCAL GOVERNMENT INFRASTRUCTURE IMPROVEMENT PROJECT (LGIIP)



	2020	2021	2022	2023	2024
Capital	121	146.2	147.9	147.9	147.9
Interest	47.4	48.5	46.8	44.3	42.1

Chart 1.7 :Loan Repayment to the Treasury *Source : LLDF Cash Book 2024*

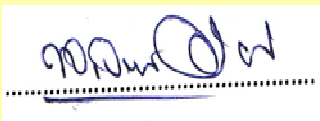
Message from Chairman / Chief Accounting Officer

I am very happy to give a message to the Annual Report of the year 2024 of the Local Loans and Development Fund, which is currently governed under the Ministry of Public Administration, Provincial Councils and Local Government.

Local Loans and development Fund is the institution that was established under the Local Loans and Development Fund Ordinance No. 22 of 1916 to provide financial facilities to the Local Authorities that were held by the rules at that time such as Gamsabha boards of Sanitary, Town Councils, Urban Councils and Municipal Councils as well as the Local Authorities and cooperative societies. At that time, as the financial institutions such as banks were not widely operating in our country, this institution provided financial facilities to Local Authorities and cooperatives in a concessional manner. Later, since many institutions were formed to provide loan facilities for the cooperative business, the Local Loans and Development Fund has been implemented to provide financial facilities only to the Local Authorities.

As the Secretary of the Ministry of Public Administration, Provincial Councils and Local Government now, I have been appointed as the Chairman of this institution from 03-10-2024. It is with great pleasure that I mention here that the administrative finance and development work of this institution has improved more during this period. I am proud to note that there has been great progress in areas such as renewable energy projects that are important to the national economy and increasing the amount of loans given and the loans given to be able to recover loans that have been inactive from many years. The support received from the Hon. Minister of Public Administration, Provincial Councils and Local Government as the Minister in charge for the development of this institution, the support received from all members of the Board of Commissioners and the support received from the Chief Secretaries and Commissioners of the Local Government of all provinces, the support received from the Heads of the Local Authorities and the support received from the staff including Mr. K.D. Chithrapala, the current Director/ Chief Executive Officer of the Local Loans and Development Fund are highly appreciated at this moment and I express my gratitude for them.

I sincerely wish that the future activities of the Local Loans and Development Fund will be successful in all respects and become the leading organization that provides financial facilities to the Local Authorities.



Chairman

S. Alokabandara

Message from the Director/ Chief Executive Officer

I am proud to give a message to the 2024 Annual Report on the operations and performance of the Local Loans and Development Fund, which is the institution established for the developing the projects of improving infrastructure by the Local Authorities of Sri Lanka and improving public utility services to improve revenue generation and providing financial facilities for projects launched for welfare of the people in those jurisdictions at concessional interest rates and under flexible conditions and currently governed by the ministry of Public Administration, Provincial Councils and Local Government.

24 Municipal Councils, 42 Urban Councils and 276 Pradeshiya Sabhas in Sri Lanka are committed to public service to develop the physical, mental and spiritual facilities necessary for the well-being of the people in human activities from the birth place to the burial ground. That Local Authorities have established the Local loans and Development Fund under the Parliamentary Ordinance No. 22 of the year 1916 to provide financial facilities for the projects implemented for the welfare of the people. Accordingly, this fund has provided a great service from 109 years to support the performance of public services by Local Authorities. Accordingly, concessional loan facilities have been provided by now for road projects, water projects, weekly fair projects, public market projects, shop construction projects, crematorium construction projects, library construction projects, project for the construction of office buildings, projects for providing vehicles and related machinery for garbage collection and garbage projects to provide health services sanitations for the public, stadium development projects and renewable energy generator projects in the Local Authorities.

Currently, as the electricity bill of the offices, weekly fair, playgrounds and other places of Local Authorities is a huge amount and as there is a nationally problematic situation of electricity supply and prices in the country, concessional loan schemes at low interest have been introduced for renewable energy generation projects for power generation and the Board of Commissioners of our institution has now taken the policy decision to give priority to those projects and provided financial facilities for a large number of those projects in the Local Authorities and it has been done as get an income to the Local Authorities by making as zero the electricity bill of those institutions and by adding an additional units to the national electricity system.

The Local Loans and Development Fund has taken many further steps in the year 2023. That is, steps have been taken to prepare and implement a business plan for the local Loans and Development Fund for the five years of 2024-2028 and also, the Code of Credit Procedures for granting loans and a Code of Procedures for Financial and Accounts for the financial and administrative affairs of the institution have been drafted, submitted and implemented from 2024 . The money was not spent from the Local Loans and Development Fund for this purpose and as the Asian Foundation has provided financial and technical support to us, I hope to express my thanks to the Asian Foundation at this time.

Furthermore, the recruitment procedures for determining the number of employees have been prepared and approved by the Department of Management Services and the internal audit work has not been done in this institution yet now and there was no position or officer for that and it is with great pleasure to mention that an Internal Audit Officer position has been created and officer has been appointed to act in that position and an Audit and Management Committee has been formed at the institution level. Also, I consider it is a success that we have been able to prepare a number of new loan schemed such as Surya Balashakthi, City Link, Nisala Arana, Denuma etc. and introduce them to the Local Authorities the year 2024. Although the approved staff consists with 46 persons, all these works are done by about 30 of the existing staff and it is very important for the Local Authority sector of the country to be able to govern this institution independently without giving any burden to the General Treasury by earning all the administrative expenses including giving loans to the Local Authorities or paying salaries to the officers of the institution and being able to lead such an institution can be introduced as an achievement we have achieved. I was able to speed up and streamline the decision-making process by holding monthly meetings of the Board of Commissioners, which is the only board in the decision-making process of our institution from the time I joined to this institution on 27 July 2023 in addition to the above mentioned tasks.

The amount of loans provided was reduced in the year 2023 due to various administrative reasons; I consider it as a success that we were able to provide loans to 50 projects implemented by 45 institutions of the Local Authorities with a value of Rs. 1230 million in the year 2024. We have observed and highlighted that most of the loan money i.e. 30 projects are renewable energy projects and 07 projects are crematorium projects.

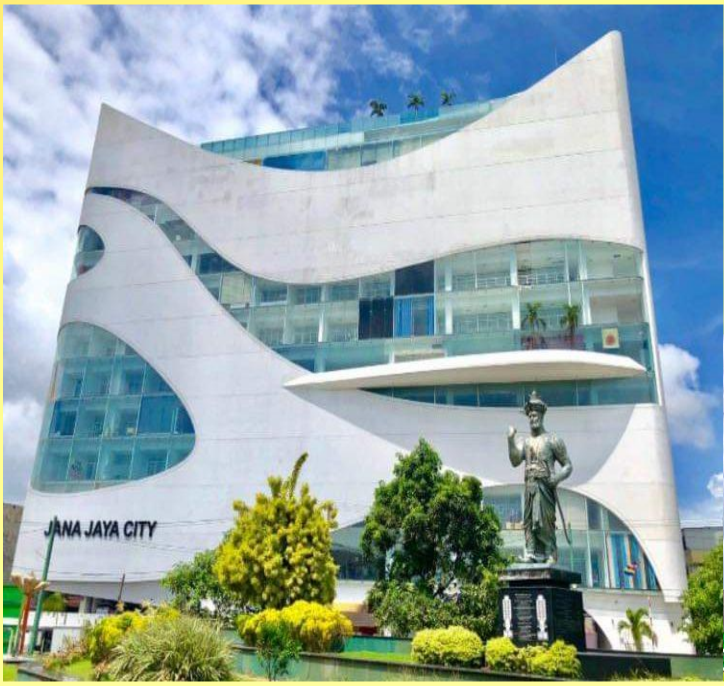
I believe that we have been able to lay a foundation for the administrative finance and development activities of our institution in the year 2024 through all these tasks. I consider it my duty to note at this time that the support received from Mr. Alokabandara and former Mr. Pradeep Yasarathna, the Chairman of the Local Loans and Development Fund and the Secretary of the Ministry of Public Administration, Provincial Councils and Local Government, the previous Chairman and the Chief Secretaries of the Provincial Councils representing the Board of Commissioners, Commissioners of the Local Authorities and other members of the Board of Commissioners to conduct these tasks which cannot be done alone is commendable. Also, although this institution is a small one, I express my gratitude to the Hon. Minister for encouraging us for the follow-up action by periodically inquiring about the progress of this institution. I express my gratitude to all the officers of the Local Loans and Development Fund, the Commissioners and Secretaries of the institutions of the Local Authorities, the Asian Foundation and their officers and the officers of the Department of Management Services who worked with us to make this work a success. I hope that the Local Loans and Development Fund will have the ability and strength to provide more financial facilities for the public utility services provided by the Local Authorities.

K.D.Chithrapala
Director/ Chief Executive Officer

Achievements and Highlights

Success Projects

Shopping Complex
Sri Jayawardhanapura Kotte Municipal Council



Total Project Cost
Rs. 1,275 million
Granted Loan Amount
Rs. 500 million
Time Period
(2014 – 2020)

Development of Conference Hall
Pasbage Korale Pradeshiya Sabawa

Total Project Cost
Rs. 4.1 million
Granted Loan Amount
Rs. 3.2 million
Time Period
(2022)

Solar Power Projects
Maharagama Urban Council

Total Project Cost
Rs. 11 million
Granted Loan Amount
Rs. 8.8 million
Time Period
(2022)

Rest House
Kesbewa Urban Council

Total Project Cost
Rs. 61 million
Granted Loan Amount
Rs. 30 million
Time Period
(2019 - 2020)

Community Water Supply Project
Karuwalagaswewa Pradeshiya Sabawa

Total Project Cost
Rs. 28.4 million
Granted Loan Amount
Rs. 17 million
Time Period
(2020 - 2021)

Shopping Complex
Kandy Municipal Council

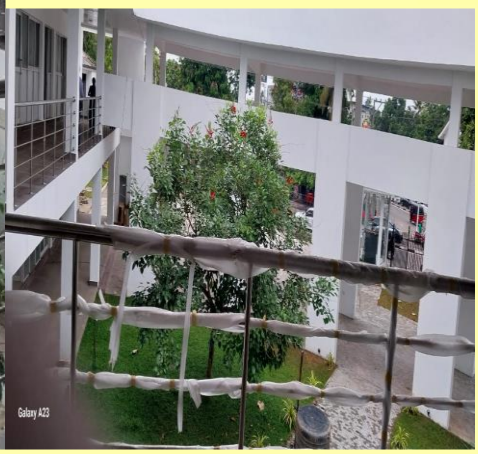
Total Project Cost
Rs. 1500 million
Granted Loan Amount
Rs. 1000 million
Time Period
(2018 - 2021)

Crematorium
Homagama Pradeshiya Sabawa

Total Project Cost
Rs. 12 million
Granted Loan Amount
Rs. 8.5 million
Time Period
(2008 - 2010)

Library Building
Negambo Municipal Council

Total Project Cost
Rs. 368 million
Granted Loan Amount
Rs. 286 million
Time Period
(2016 - 2024)



Highlights

Project identification program in the areas of public development with the heads of local government authorities

A meeting to review the progress of Hon. Prime Minister with the Board of Commissioners

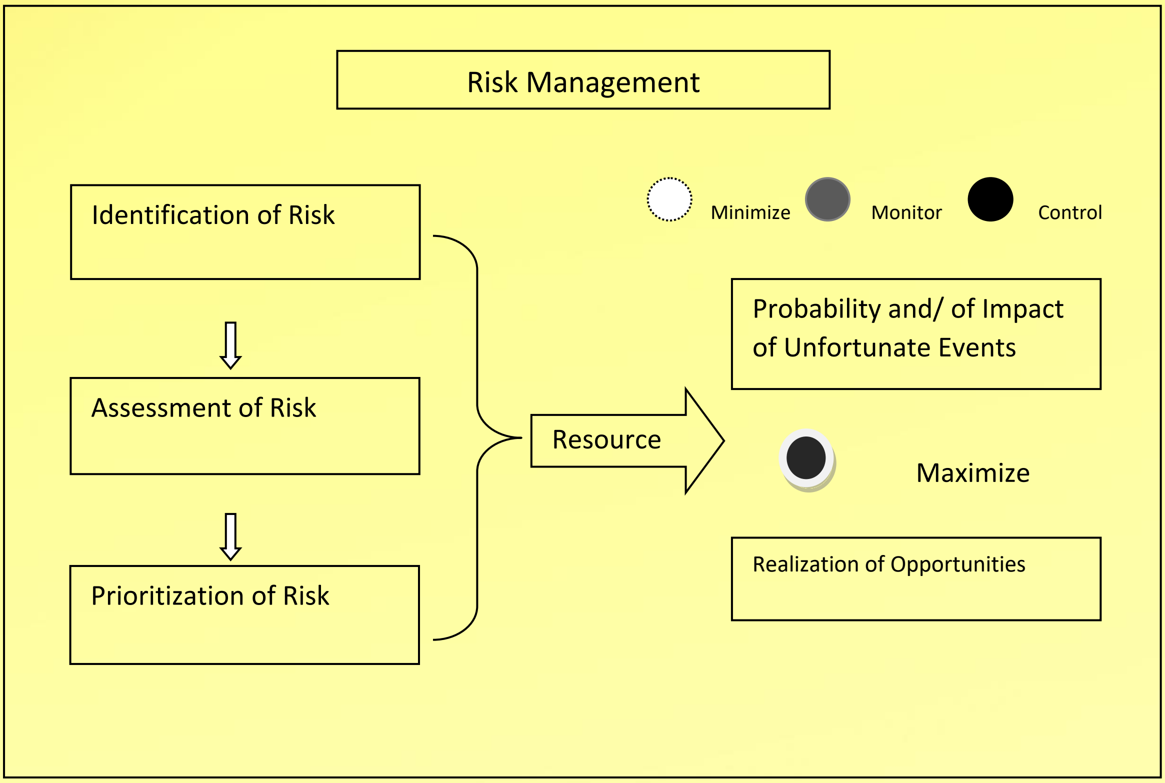
Workshop conducted with stakeholders to prepare business plan for 2024-28

Management Discussions and Risk Management

Risk Management

The question here is how a risk management process can support organizations in creating and protecting value and, as a result, achieve organizational goals.

Identifying, evaluating and prioritizing risks or maximizing opportunity realizations followed by coordinating and economically deploying resources to minimize, monitor and control the likelihood or effects of unfortunate events.



Steps of Risk Management

- Planning of risk Management and Identification of Risk
- Analyzing of Risk
- Evaluation of Risk
- Planning of Risk Treatments
- Communication and Consultation
- Recording and Reporting
- Monitoring and Reviewing

Planning of risk Management and Identification of Risk

Risk identification is a systematic and formal process. It is best carried out in a team environment. This process involves the broad participation of many people. That is, officers of higher departments and ministries and commissioners of the local loans and development fund, executive officers including the chairman, officials and employees will be participated.

The methods of identify risks

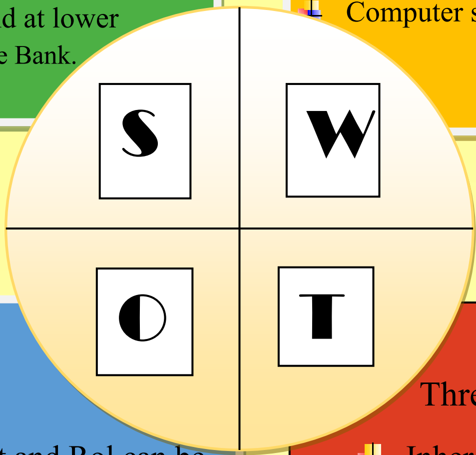
- Identify various risks in the committee meeting.
- Risk identification through complaints.
- Identify risks using the SWOT assessment method.

Strengths

- Existence of a large fund for provision of loans.
- The fund is managed by a board consisting of Chief Secretaries and local government commissioners.
- Protection of Local Loans and Development Fund from Act and Government Regulations.
- Being able to provide loans at subsidized interest rates.
- Designating a specific group of customers to provide loans and services.
- Projects can supervised successfully by Local government commissioners and field staff.
- Ex-officio Chairman Ministerial Secretary of the Fund.
- Being a fund is able to lend at lower interest rates than rates of the Bank.

Weaknesses

- The approved staff is 46 out of which 15 are vacant as on 31.12.2024 and lack of sufficient professional staff.
- Paying huge rent for head office.
- Restricting the provision of loans to local governments authoritie only
- Restrictions on free Capital market activity.
- Existence of significant credit risk ratio.
- Inadequate staff training and development.
- There isn't office property owned by the fund.
- Computer system of the fund's is Weak.



Opportunities

- To amend the Act and Rol can be expanded.
- Funding can be provided at low interest rate from the Treasury.
- There has been a new trend of local governments taking loans for revenue-generating projects.
- Reduced competition due to the reduction in the number of institutions that can obtain loans at subsidized interest rates for local governments.
- Expansion of credit areas.

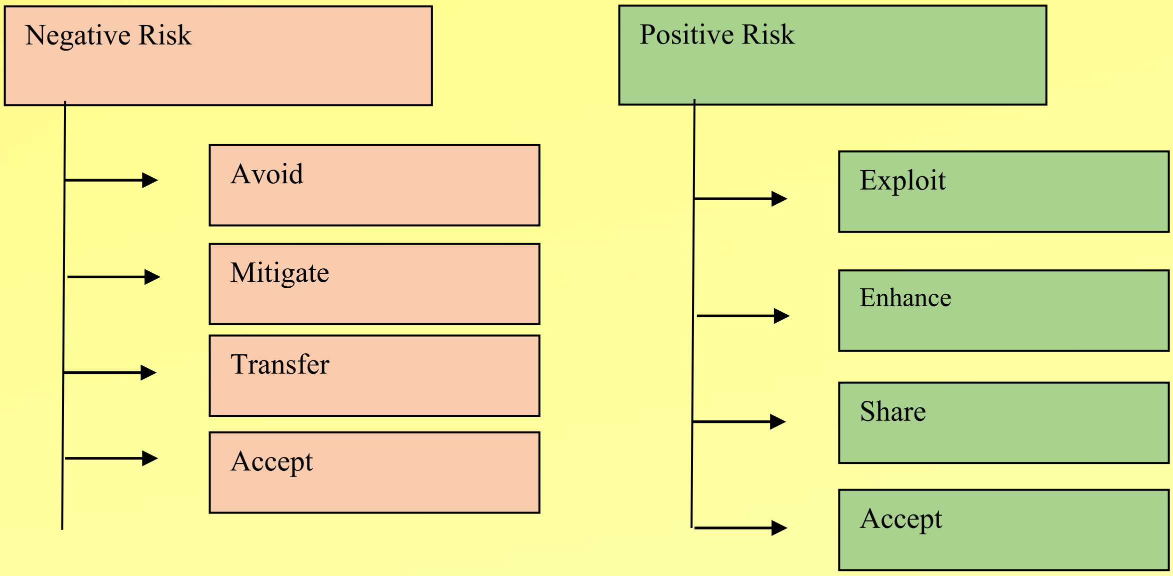
Threats

- Inherent limitations of internal controls.
- Depreciation of currency due to economic recession.
- Existence of outdated legal and regulatory requirements.
- Free distribution of funds to local authorities by the government and donors
- Lack of awareness about local loans and development fund.

Planning of Risk Treatments

Proper risk management requires rational and informed decisions about risk remediation. Such remedies generally include avoiding risk-taking activities, sharing risks, managing risks by applying controls, accepting risks and not taking future actions or taking risks to gain opportunities.

Risk Treatments



Local Loans and Development Fund

Risk Management

Introduction

The fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the fund's exposure to each of the above risks, the fund's objectives, policies and processes for measuring and managing risk.

Credit Risk

Credit risk is the risk of financial loss to the fund if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from fund's receivables in terms of loan receivable and deposits with banks & financial institutions.

Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

The fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables in terms of loans and receivables. The fund policy on impairment consists of allowance for a collective impairment established for similar receivables in term of their credit risk on project basis where the loss event has occurred but not yet identified. The collective impairment is determined based on the historical data of payments statistics for similar financial assets.

Fair value of collateral and credit enhancements held (Chart no 4.1)

As at 31 December	2024		2023	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	276,427,361	276,427,361	96,667,455	96,667,455
Balances with banks and financial institutions	452,000,000	452,000,000	685,058,333	685,058,333
Loan and receivables	2,705,542,057	2,705,542,057	2,865,193,520	2,865,193,520
Other financial assets	18,709,830	18,709,830	103,535,383	103,535,383
TOTAL	3,452,679,247	3,452,679,247	3,750,454,691	3,750,454,691

Source : LLDF Annual Report 2024

Credit quality by class of financial assets (Chart no. 4.2)

		Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
a)	**As at 31 December 2024**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Assets				
	Cash and cash equivalents	276,427,361			276,427,361
	Balances with banks	452,000,000			452,000,000
	Loan and receivables	2,705,542,057	324,422,153	1,354,421,566	4,384,385,776
	Other assets	18,709,830			18,709,830
	Total financial assets	**3,452,679,247**	**324,422,153**	**1,354,421,566**	**5,131,522,966**
		Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
b)	**As at 31 December 2023**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Assets				
	Cash and cash equivalents	96,667,455			96,667,455
	Balances with banks	685,058,333			685,058,333
	Loan and receivables	2,865,193,520	559,172,766	1,054,949,957	4,479,316,243
	Other assets	103,535,383			103,535,383
	Total financial assets	**3,750,454,691**	**559,172,766**	**1,054,949,957**	**5,364,577,414**

Source : LLDF Annual Report 2024

Liquidity Risk

Liquidity risk is the risk that the fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund uses the maturity analysis all the financial instruments to manage the liquidity risk.

(a) Exposure to Liquidity Risk

The fund relies on borrowing as its primary source of funding. Fund actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

(b) Management of Liquidity Rick

The fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking financial position of the fund while maintaining regulatory requirements and debt covenants agreed with the fund providers.

The maturity analysis of financial liabilities based on undiscounted gross outflow is reflected below **(Chart no 4.3)**

a)	As at 31 December 2024	Carrying amounts	Gross nominal outflow	On demand	Up to 3 months	3 to 12 months	More than 1 year
	Interest bearing Borrowings & Treasury Payables	3,769,188,444	3,873,927,442	-	-	346,720,080	3,527,207,361
	Other liability	12,094,420	12,094,420	-	338,566	489,398	11,266,455
	TOTAL	**3,781,282,864**	**3,886,021,861**	**-**	**338,566**	**347,209,478**	**3,538,473,817**

b)	As at 31 December 2023	Carrying amounts	Gross nominal outflow	On demand	Up to 3 months	3 to 12 months	More than 1 year
	Interest bearing Borrowings & Treasury Payables	4,015,006,605	4,119,745,603	-	-	346,720,080	3,773,025,522
	Other liability	48,345,271	48,345,271	-	451,759	406,410	47,487,102
	TOTAL	**4,063,351,876**	**4,168,090,874**	**-**	**451,759**	**347,126,490**	**3,820,512,625**

Source : LLDF Annual Report 2024

Market Risk (Chart 4.4)

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk of the fund mainly comprises of interest rate risk and currency risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The table below analyses the fund's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

(Chart 4.4)

a)	As at 31 December 2024	On Demand	Less than 3 Months	4 to 12 Months	1 to 5 Years	Total as at 31 December 2024
	Interest earning assets					
	Cash and cash equivalents	276,427,361	-	-	-	276,427,361
	Balances with banks	-	452,000,000	-	-	452,000,000
	Loan and receivables	-	81,166,262	243,498,785	2,380,877,010	2,705,542,057
	Other assets	-	-	18,709,830	-	18,709,830
	Total interest earning assets	**276,427,361**	**533,166,262**	**262,208,615**	**2,380,877,010**	**3,452,679,247**
	Interest bearing liabilities					
	Interest bearing borrowings & Treasury payables	-	-	241,981,083	3,527,207,361	3,769,188,444
	Other liabilities	-	338,566	489,398	11,266,455	12,094,420
	Total interest bearing liabilities	**-**	**338,566**	**242,470,481**	**3,538,473,817**	**3,781,282,864**
	Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	**276,427,361**	**532,827,695**	**19,738,134**	**(1,157,596,807)**	**(328,603,617)**

b)	As at 31 December 2023	On Demand	Less than 3 Months	4 to 12 Months	More Than 01 Year	Total as at 31 December 2023
	Interest earning assets					
	Cash and cash equivalents	96,667,455	-	-	-	96,667,455
	Balances with banks	-	685,058,333	-	-	685,058,333
	Loan and receivables	-	85,955,806	257,867,417	2,521,370,298	2,865,193,521
	Other assets	-	-	103,535,383	-	103,535,383
	Total interest earning assets	**96,667,455**	**771,014,139**	**361,402,800**	**2,521,370,298**	**3,750,454,692**
	Interest bearing liabilities					
	Interest bearing borrowings & Treasury payables	-	-	241,981,083	3,773,025,522	4,015,006,605
	Other liabilities	-	451,759	406,410	47,487,102	48,345,271
	Total interest bearing liabilities	**-**	**451,759**	**242,387,493**	**3,820,512,624**	**4,063,351,876**
	Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	**96,667,455**	**770,562,380**	**119,015,307**	**(1,299,142,326)**	**(312,897,184)**

Source : LLDF Annual Report 2024

Interest Rate Sensitivity (Chart 4.5)

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Statement of Comprehensive Income.

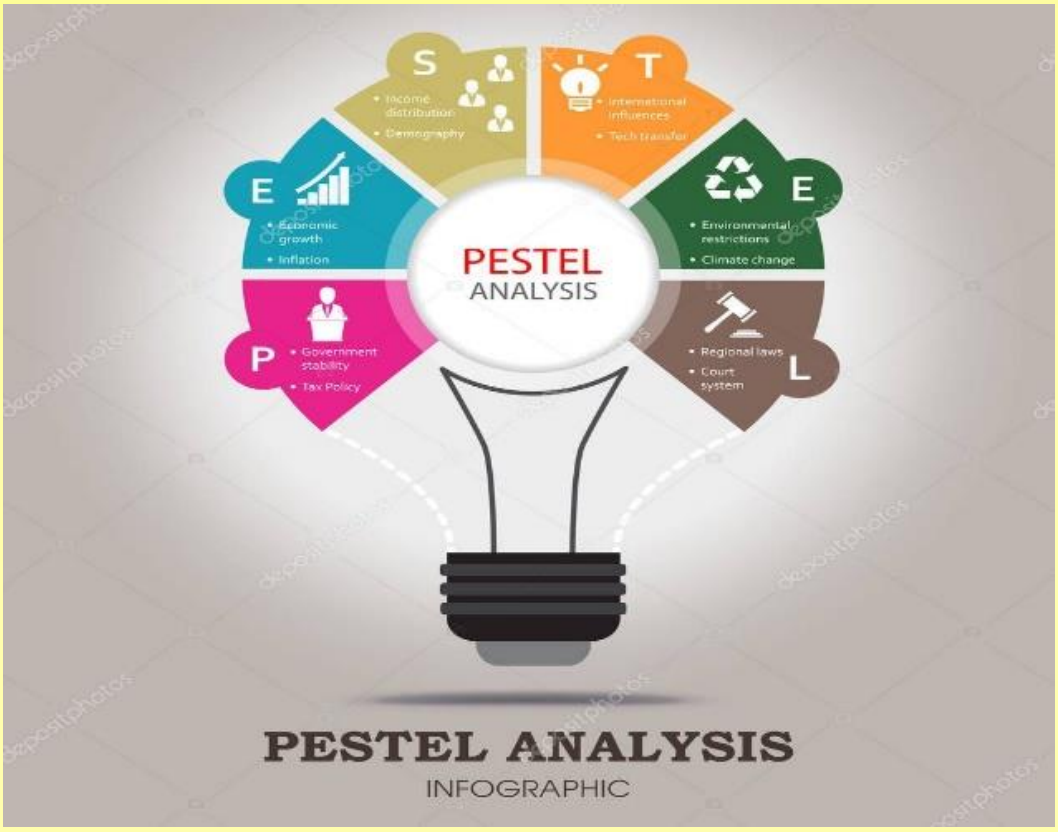
	2024		2023	
	Increase/ Decrease in Interest Rate	**Effect on profit before tax**	**Increase/ Decrease in Interest Rate**	**Effect on Profit Before Tax**
		Rs.		**Rs.**
Interest Rate	1%	13,579,627	1%	9,643,084
Interest Rate	-1%	(13,579,627)	-1%	(9,643,084)

Dynamic Organizational Environment

Interduction

Using PESTEL analysis, the factors affecting the operating cycle of the Local Loans and Development Fund have been identified. The main factors affecting here are

- POLITICAL
- ECONOMIC
- SOCIAL
- TECHNOLOGICAL
- ENVIRONMENTAL
- LEGAL ENVIRONMENT



Analysis of the political environment

This is related to how a country's government contributes to any economic or non-economic activity or institution and how it exerts political influence .

- Government policies - Central Bank Loan Interest Rate and The areas of lending have to be changed.
- Political stability - Change of chairman and commissioners affects the process of LLDF.

Analysis of the economic environment

This is related to how the change in economic policies implemented in a country affects the organization.

- Inflation rate and increase in price level due to insufficient amount of allocation (expenditure) allocated from the budget estimate and having to limit the expenditure.
- Decrease in estimated income due to decrease in interest income on invested fixed deposits. Therefore, expenses had to be restricted and expenses strictly managed.

Analysis of the social environment

This is also known as a social and cultural environmental factor. Expanding the scope of lending to local authorities in an environment-friendly and social welfare manner.

Analysis of the technical environment

This relates to various technical methods and changes in techniques. Various technical methods are used to facilitate the administrative and accounting work of the organization.

- Using ALL SHRING to share information.
- Purchase of software related to preparation of final accounts.
- Internal process automation.
- Purchase of new software for process of loan.

Analysis of Environmental environment

Corporate activities, social responsibility and sustainability based on environmental pollution targets are included under this. Expanding the scope of lending to local authorities in an environment-friendly and social welfare manner.

Analysis of the legal environment

Rules applicable to local loans and development fund are covered here. Thus, the following rules are mainly (directly) applicable to local authorities.

- Constitution of the Democratic Socialist republic of Sri Lanka
- Following Amended Acts to LLDF ordinance No. 22 in 1916
- Ordinance No. 06 of 1930
- Ordinance No. 25 of 1931
- Ordinance No. 43 of 1938
- Ordinance No. 21 of 1942
- Act No. 29 of 1946
- Act No. 09 of 1974
- Act No. 24 of 1993

- Orders of Local Loans and Development Fund
  - The orders have been published on Wednesday, 10th January 1996 through Special Gazette No. 905/8.
  - The orders have been published on Friday, 10th May 1996 through Special Gazette No. 922/15.
  - The orders have been published on Thursday, 16th August 2012 through Special Gazette No. 1771/22.
  - Internal office orders issued by the Director/CEO

Management composition and process

CHAIRMAN

Mr.S. Alokabandara
Secretary
Ministry of Public Administration, Provincial
Councils and Local Government

DIRECTOR / CEO

Mr.K.D.Chithrapala

Deputy Director
(Finance and Administration)
Mrs.K.A.D.D.Kahandawala
(until 2024.03.31)

Deputy Director
(Operation - Acting)
Mr.K.B.Wijayarathna

Assistant Accountant

Mr.K.B.Wijayarathna

Administrative Officer

Mrs.K.G.D.T.Nandasena

Secretary to the Board of Commissioners

Mrs.M.L.Shammika

Management process

As per the Sec. 2 of the Local Loans and Development (Amendment) Act No. 24 of 1993, The Board of Commissioners shall consist of at least thirteen (14) members appointed by the Hon. Minister.

(a) Chairman – (ex-officio) - Secretary to the Ministry in charge of the LLDF
(b) One member - Nominated by the Minister of Finance
(c) Nine members nominated by the Governor of each Province
(d) Three members nominated by the Hon. Minister of the Ministry in charge of Local Government

CORPORATE GOVERNANCE

Corporate Governance is the process by which the business operation of the LLDF is directed to control by the Board of Commissioners. Good Governance is an essential ingredient in corporate success and sustainable economic growth. The Board of Commissioners of Local Loans & Development Fund is committed in maintaining high standards of integrity, accountability, transparency and business ethics in the governance of the company.

THE BOARD OF COMMISSIONERS

a) Composition and Balance

As per Act, the Board of Commissioners comprises fourteen Commissioners including the Chairman, who posses valuable knowledge and experience in the areas of the institutions operations. None of the commissioners have any dealings with the institution which does not affect their independence in discharging their duties.

b) Decision Making

The Commissioners meet each month to review routine activities, to decide on policies & matters of significance. The Commissioners review performance & decide strategies to reach the goals of the LLDF.

The Responsibilities

The Board of Commissioners are responsible for

1. Formulation of business strategies taking into consideration the LLDF strength competencies and risks.
2. Implementing and monitoring such strategies.

3. Reviewing and ratifying systems in operation relating to risk management, internal control, code of conduct & compliance with the laws, statues & regulations.
4. Reviewing monitoring & ratifying all capital expenditure.
5. Monitoring senior management performance.
6. Ensuring the effective information and audit systems are in the institute.

INDEPENDENT JUDGEMENT

Each commissioner exercises independent judgement in all matters conducted by the board and acts from any undue influence & bias from other parties. Matters considered include making decisions on issues relating to strategy, implementation of such strategies, performance review, resource allocation & standard conduct of business ethics.

CHAIRMAN

The role of the Chairman is distinct & separate which ensures a balance of power within the LLDF so that no individual has unfettered powers of decision making.

CHAIRMAN'S ROLE

The Chairman provides leadership and strategic direction to the Board of Commissioners & ensures that all meetings are conducted in a professional manner.

APPOINTMENT TO THE BOARD OF COMMISSIONERS

There is a clear & transparent procedure for the appointment of Commissioners to the Board. The respective ordinance & acts defines the appointment.

Presentation and publication of financial statements

Auditor General, State Audit Office, Polduwa Road, Battaramulla for audit of the set of financial statements for the year 2024 on 28.02.2025. Delivered to the office.

Paper No. BP/OTH/22/2025 for the set of financial statements for the year 2024 has been submitted to the Board of Commissioners held on 24.02.2025 and approved.

දුරකථනය / தொலைபேசி / Telephone: 011-2687513/4, 011-2685752/3

ෆැක්ස් / பெக்ஸ் / Fax: 011-2691261

ඔබේ අංකය / உமது இல. / Your No.

මගේ අංකය / எனது இல / My No: LLDF/FS/2024

27

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பொது நிருவாக, மாகாண சபைகள் மற்றும் உள்ளூராட்சி அமைச்சு
Ministry of Public Administration, Provincial Councils and Local Government

දේශීය ණය සහ සංවර්ධන අරමුදල
உள்ளூர் கடன் மற்றும் மேம்பாட்டு நிதி
Local Loans & Development Fund

24 ඒ, වෝඩ් පෙදෙස, කොළඹ 07 24ஏ, வோர்ட் ப்ளேஸ், கொழும்பு – 07 24A, Ward Place, Colombo 07

28.02.2025

Auditor General
National Audit Office
Polduwa Road
Battaramulla

රජයේ විගණන අංශය
28 FEB 2025

Dear Sir,

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2024

We forward herewith Financial Statements for the year ended 31st December 2024 of Local Loans and Development Fund for the Audit purpose.

The set of financial statements were approved by the meeting of the Board of Commissioners of Local Loans and Development Fund held on 24th February 2025. The signed meeting minutes of the Board of Commissioners will be forwarded you at our earliest.

Thank You,

Yours faithfully,

2025/2/28

K.D. Chithrapala
Director / Chief Executive Officer
Local Loans and Development Fund

K.D.Chithrapala
Director/ Chief Executive Officer
Local Loans & Development Fund.

c.c.- 1. Director General, Department of Public Enterprises, Ministry of Finance
2. Director General, Department of Public Finance, Ministry of Finance
3. Director General, Corporate Affairs Division, Ministry of Finance
4. Superintend of Audit, Government Audit Branch, Provincial Councils and Local Government Unit

Human Resource Profile

The human resources of the Local Loans and Development Fund are 02 parts.

- Board of Commissioners
- Approved staff

Board of Commissioners of Local Loans and Development Fund as on 31.12.2024

CHAIRMAN

01. Mr.Alokabandara

Secretary, Ministry of Public Administration, Provincial Councils and Local Government

TREASURY REPRESENTATIVE

02. Ms.D.N.S.Welikala

Director, Department of Audit and Management

MEMBERS

03. Mr.G.H.M.A.Premasinghe
Chief Secretary (Central Province)

04. Mr.U.S.Arunaweera
Deputy Chief Secretary – Finance (North Central Province)

05. Mrs.Damayanthi Paranagama
Chief Secretary (Uva Province)

06. Mr.Mahinda S Weerasooriya
Chief Secretary (Sabaragamuwa Province)

07. Mr.R.M.P.S.Ratnayake
Chief Secretary (Eastern Province)

08. Mrs.H.M.Sanjeewani herath
Commissioner of Local Government (NWP)

09. Mrs. Dammika K. Wijayasingha
Chief Secretary (Western Province)

10. Mr.L.Illangovan
Chief Secretary (Northern Province)

11. Mrs.Erandi Umanga Mendis
Commissioner of Local Government
(SP)

12. Mr.K.P.L.A.Kariyawasam
Hon Minister's Nominee
(until 2024.09.04)
Former President of Seethaka pradesiya

13. Mr.TennakoonRusirupala
Hon Minister's Nominee
(until 2024.09.04)
Former Chairman of the Bank of Ceylon

14. Mr.A.B.Herath
Hon Minister's Nominee
(until 2024.09.04)
Former officer of Sri Lanka
Administrative Service

Staff was employed by the Fund, as at 31st December 2024.

Designation	No of Employed, as at 31st December 2024	Approved Cardre	Vacancies
Director	01	01	-
Deputy Director (Finance and Administration)	-	01	01
Deputy Director (Operation)	01	01	-
Assistant Accountant	01	01	-
Internal Audit Officer	-	01	01
Administrative Officer	01	01	-
Development Officer's	16	25	09
Management Assistant	07	11	04
Driver	02	02	-
Office Aide	02	02	-
Total	**31**	**46**	**15**

SKILLS DEVELOPMENT

Training is very helpful in improving the efficiency and productivity of human resources in performing the tasks related to the Local Loans and Development Fund. Therefore, the human resources of this institute are linked to the training programs of Skill Development Fund (SDFL), which is a higher training institute in Sri Lanka.

Training programs attended by officers in the year 2024

- Annual verification and asset utilization
- Internal audit and internal control systems

Control reports

Board of Commissioners meetings

According to the second sub-section of the second section of the Amended Local Loans and Development Fund Act No. 24 of 1993, the Board of Commissioners meetings must be held at least once every three months.

Composition

- Board of Commissioners
- Staff officers

Matters that must be considered in a Board of Commissioners' meeting

- Adoption of the previous report
- Discussing matters arising from the report of the last meeting
- Current progress regarding the matters included in the previous meeting report
- Monthly account statements and financial status statements
- Consideration of loan applications
- Discussing administrative matters
- Discussion of other matters
- To determine the date of the next Board of Commissioners meeting

Dates of Board of Commissioners Meetings in 2024

22nd January 2024 at 11.30 AM

06th February 2024 at 3.00 PM

27th February 2024 at 2.30 PM

25th March 2024 at 3.00 PM

26th April 2024 at 3.00 PM

07th June 2024 at 3:30 PM

28th June 2024 at 3:00 PM

26th July 2024 at 3.00 PM

04th September 2024 at 3:00 PM

24th December 2024 at 2:00 PM

Audit and Management Committee Report - 2024

As per the section 41 of the National Audit Act No 19 of 2018, establishment of the Audit & Management Committee is the responsibility of the Chief Accounting Officer. The Audit & Management Committee of the Local Loans and Development Fund is appointed by the Board of Commissioners as per Public Enterprises Circular No PED/55 of 14.12.2010. The Audit & Management Committee consists of Two Non-Executive Directors and Ministry Internal Auditor. The Committee chaired by the Treasury Representative to the Board of Commissioners and Superintendent of Audit represent the Auditor General, as an observer. Although the Audit Committee meetings for the year 2024 are supposed to be held in 4 committee meetings, one per quarter, only two have been held. The reason for this is that the new government was unable to appoint members of the Board of Commissioners and establish the Board of Commissioners quickly, as the presidential and general elections were held that year.

(01) Financial Statements for the year 2023

Financial Statements for 2023 was tabled and reviewed.

(02) Reviewed Detailed Audit Report for the year 2023

Reviewed the detailed Auditor General's Report for the year 2023 and instructions given to the management to take actions to rectify the issues and deficiencies pointed out in the report.

(a) Payment of salaries and travelling allowances to the Former Acting Director/ Chief Executive Officer inconsistent to the laws, rules and regulations.

Mr. S.A.N.R. Subasinghe, an officer of the Accounting Service and a former Acting Director of this institution, took steps to recover the salary and transportation allowance received in the years 2015-2016 in violation of the rules and regulations. The investigation report has been forwarded to the Public Service Commission, which is the disciplinary authority for that purpose.

(b) Preparation of the Loan Management Procedure Code and Finance Management Procedure Code

In accordance with the Local Loans and Development Fund Restructuring Program, the Local Loans and Development Fund prepared Loan Management Procedure Code and Finance Management Procedure Code with the financial and technical support of the Asia Foundation and the assistance of an Indian consulting firm.It is being recommended to obtain the opinions and suggestions of the Commissioners in this regard, approved and implemented by the Board of Commissioners in 2025.

(c) Installation of a new computer system for the Local Loans and Development Fund

The procurement process for the installation of a new computer system for the Local Loans and Development Fund has been completed expeditiously and the approval of the Ministry Procurement Committee has been obtained. Accordingly, the report of the Technology Evaluation Committee has been submitted to the Ministry Procurement Committee on 2025.06.02, with the necessary instructions to complete the work ahead as soon as possible.

(03) Annual Report - Year 2023

The 2023 Annual Report was submitted to Parliament on 30.05.2025 after providing the necessary guidance and instructions for its presentation to Parliament.

(04) Monitored compliance with the statute, regulations, rules and circulars

Instructions were given for the preparation of the integrated plan and it was advised that the approval of the Board of Commissioners should be obtained regarding the transfer of financial powers under Section 135 of the Act for the year 2025.

Furthermore, a business plan for the period 2024-2025, including a procurement plan, budget, human resource plan and training plan for the relevant year, has been prepared, approved and is being implemented.

(05) Effectiveness of systems and controls

Management was advised that the budgets in operation to be further developed in order to operate as a control system. The Chief Executive Officer was also instructed to monitor the debt recovery process and take relevant steps, and the recovery of debts that had not been collected for many years has begun.

(06) Filling of Vacancies

There was no internal audit position and there was no internal audit process. Accordingly, instructions were given to create the post of Internal Audit Officer and to promptly recruit to the approved vacant posts, including that post, and recruitment has been made accordingly.

(07) Recovery of Non-Performing Loans

Actions has been taken to summon the heads of Local Authorities and Heads of the Provincial Level to discuss the overdue Loans and Committee recommendation was to reschedule the loans. Further Committee recommended to the Board to take legal action against the default parties. Accordingly, the recovery of existing loans has commenced.

(08) Reviewed external Audit Query – 2024

After discussing the issues raised by the audit inquiries and providing the necessary instructions to make the relevant corrections, the inquiries have been answered.

(09) Sustainable Development Goals

The Sustainable Development Act has identified 17 key objectives. It is pointed out that in order to identify the objectives that are most beneficial to the organization, Key Performance Indicators (KPIs) should be prepared for the entire number of employees in the organization, and the relevant evaluation methodology should be developed.

Committee Members - Year 2024

Mrs.W.G.K.L.Chandrasekara	Treasury Representative	Chairman
Mrs.Dammika K. Wijesingha	Chief Secretary (Western Province)	Member
Mr.A.B.Herath	Hon.Minister's Nominee	Member
Mrs.M.D.E.S.Vass	National Audit Office	Observer
Mrs.Hiroshima Nawarathne	Chief Internal Auditor, Ministry of Public Administration, Provincial Councils and Local Government (Provincial Councils and Local Government Unit)	Observer
Mr.K.N.K.R.Kahatapitiya	Internal Audit Officer (coverup duties) Local Loans and Development Fund	Convener coverup duties I.A.O

Loan / Credit Committee of Local Loans and Development Fund

The Credit Committee shall consist of five members out of which three Board members representing the provinces and two independent non-executive members, nominated by the Hon. Minister in charge of line ministry.

If the Board of Commissioners does not appoint a permanent chairman, the chairman of the credit committee may be appointed from among the members of the current committee. The quorum for meetings of the credit committee shall be three members present, at least one of whom shall be a non-executive member.

The Credit Committee has been, established by a resolution of the Board, to which the Board has delegated responsibility for overseeing certain aspects of Local Loans and Development Fund's credit functions.

The Director of Local Loans and Development Fund who are not members of the Credit Committee may attend the meetings of the Committee whenever necessary. The credit committee shall meet at least 12 times in a year, before the scheduled board meeting.

Objectives and areas of Responsibilities

- Prepare necessary amendments to lending guidelines and main credit policies and approve them for implementation.
- Expanding lending facilities to provide wider coverage of Sri Lanka's local governments authorities.
- Facilitating credit processing procedures and thereby improving the efficiency of credit disbursement.
- Obtain and review reports on credit quality, risk management and adherence to qualification procedures.

Duties of Credit / Loan Committee

- Maintain credit risk, subject to such restrictions as the Board of Commissioners may from time to time impose on the Credit Committee.
- Consideration and approval of loan applications related to each project.
- Ensuring that it has received all relevant documents related to the loan application.
- Review and recommend credit risk management policies.
- Review and monitor the effectiveness of the application of credit risk management principles, relevant standards, procedures and control environment in relation to credit decisions.

- To ensure that the systems established by the Board of Commissioners for the identification, assessment, management and monitoring of loans are designed and operated effectively.
- Reviewing and evaluating of loan applications and all supporting documents and give the Credit Committee's recommendations.
- To investigate defaulting customers.
- Assisting the Local Loans and Development Fund in debt recovery processes.

Loans/ Credit Committee Reporting Procedure

The Secretary of the Credit Committee will be the Board Secretary of the Local Loans and Development Fund.

- Notices for calling meetings.
- To record of the attendance of members.
- The Confirmed minutes of all meetings of the Credit Committee.
- All copies submitted in writing to the Board of Commissioners by the Credit Committee.

The Secretary of the Committee will maintain the following records.

- A record of the current members of the Credit Committee and any changes to the composition of the Credit Committee.
- All credit committee papers submitted for approval and recommendation of the credit committee.

Composition of Loan / Credit Committee - 2024

Chairman Mr. Thennakon Rusirupala (appointed by the Hon'ble Minister)

Members

- Mrs. W.G.K.L. Chandrasekhara (Deputy Director, Department of External Resource, Ministry of Finance, Economic Stabilization and National Policy)
- Mrs. Erandi Umanga Mendis (Commissioner of Local Government - Southern Province)
- Mrs. Dammika K. Wijayasingha (Chief Secretary- Western Province)
- Mr. Mahinda S. Weerasuriya (Chief Secretary - Sabaragamuwa Province)

Monetary and financial control strategies

- Preparation and adoption of the annual budget estimate.
- Preparation of monthly bank reconciliations.
- Maintenance of Vote ledger (expense records).
- Preparation of monthly reports.

Objectives of financial statements

The purpose of the financial audits prepared in accordance with the Sri Lanka Financial Reporting Accounting Standards is to provide financial information for the year ended 31.12.2024 about the reporting entity called the Local Loans and Development Fund in a manner that is useful to the examiners of the financial statements.

Introduction to Financial Statements

The set of financial statements for the financial year commencing on 01.01.2024 and ending on 31.12.2024 includes the following.

01. Statements of Comprehensive Income

02. Statements of Financial Position

03. Statements of Changes in Equity

04. Statements of Cash flows

05. Summaries of significant accounting policies and other detailed information

Audit Report

PAF/D/LLDF/01/24/03 11 June 2025

Chairman,

Local Loans and Development Fund

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Local Loans and Development Fund for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act No. 19 of 2018.

The above report is enclosed herewith.

G.H.D. Dharmapala

Auditor General (Acting)

Copy - 1. Secretary, Ministry of Finance, Economic Stabilization and National Policies

2. Secretary, Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government

PAF/D/LLDF/01/24/03 11 June 2025

Chairman,

Local Loans and Development Fund

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Local Loans and Development Fund for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Local Loans and Development Fund ("Fund") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Sector Accounting Standards.

1.2 Basis for the Qualified Opinion

(a) Although the balance of loans and contingent interest indicated in the financial statements as receivable was Rs. 1,899,658,029, there was a difference of Rs. 29,733,741 between the financial statements information and the schedules information due to that value was Rs. 1,869,924,288 as per the schedules.

(b) The balance of the loan balance confirmations submitted by 05 Local Authorities were not reconciles with the balances mentioned in the ledger and that value was Rs. 10,856,674.

(c) Although the value of cash and cash equivalents in the Statement of Financial Position is Rs. 276,427,361, the value of cash and cash equivalents according to the cash flow statement was stated as a negative value of Rs. 66,299,898. The fixed asset of Rs. 233,058,330, which was converted into cash during the year under review, and the value of Rs. 1,567,273, which was mentioned as received from the sale of property, plant and equipment were indicated as cash outflows and the prior year adjustments of Rs. 4,200,572 had not been adjusted to cash flow.

(d) Although payments were made on 10 January 2025 for employee life insurance premiums of Rs. 2,041,561 covering the period from 01 October 2024 to 30 September 2025, the insurance expense of Rs. 510,390 relating to the year under review had not been accounted as accrued expenses.

(e) Due to the Weligama Urban Council not correctly calculating the interest on loan instalments, the loan interest of Rs. 11,665,308 to be charged to the institute since the year 2010 had not been correctly accounted.

(f) Although the criteria used to determine whether an impairment loss has occurred should be disclosed in the financial statements in accordance with Sri Lanka Financial Reporting Standards 07, the criteria used for the impairment of the individual loan balance of Rs. 1,354,421,556 had not been disclosed.

(g) Although the impairment loss for the year under review was stated as Rs. 64,720,996 as per the comprehensive income statement, due to that Rs. 66,391,129 was stated as the impairment loss in the tax calculation, the income tax for the year under review was under-calculated by Rs. 501,040.

(h) The income tax payable in the year under review was understated by Rs. 27,728,946 due to that Rs. 120,953,238 was stated as adjusted profit for tax in the tax calculation instead of Rs. 28,523,417 of the tax loss calculated in previous years that could be allowed in the tax calculation. Although the deferred tax asset of Rs. 27,728,946 had been calculated in that for a forwarded tax loss of Rs. 92,429,821, a deferred tax asset cannot be identified as there is not a tax loss for the year under review of 2024.

(i) The tax liability was overstated by Rs. 670,247 in calculating deferred tax due to the under value of Rs. 3,692,574 as the tax base for the property, plant and equipment.

(j) Although the tax expense for the year under review was stated as Rs. 25,118,889 in the schedules submitted with the financial statements, the tax expense in the statement of comprehensive income was stated as Rs. 35,862,193. Also, although the tax liability for the current year in the statement of financial position was Rs. 40,692,797, the relevant schedules had mentioned Rs. 61,670,684 as tax liability.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the 2024 Annual Report of the Fund

The other information comprises the information included in the 2024 Annual Report of the Local Loans and Development Fund, but does not include the financial statements and my auditor's report thereon. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the 2024 Annual Report of the fund, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine 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 fund'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 intend to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the fund.

As per sub section 16(1) of the National Audit Act No. 19 of 2018, the fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.5 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 The specific provisions were included about the following requirements in the National Audit Act, No. 19 of 2018.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the fund as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit observations of (b), (f) and ((j) described in the basis for opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained was limited to matters that are material, nothing has come to my attention.

2.2.1 Whether that any member of the governing body of the fund has any direct or indirect interest in any contract entered into by the fund which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 Whether that the fund has not complied with any applicable written law, general and special directions issued by the governing body of the corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 That the powers, duties and functions of the fund have not been acted upon as per the requirement mentioned in section 12(g) of the National Audit Act No. 19 of 2018.

2.2.4 That the resources of the fund have not been procured and used in accordance with the relevant rules in timely manner, efficiently and effectively as required by section 12(h) of the National Audit Act No. 19 of 2018.

2.3 Other Matters

(a) Rs. 4,363,534, which had been collected in excess in the collection of loans and advances in relation to the period from the year 2018 - 2024, had not been settled until 31 December 2024.

(b) The value of the vehicle currently in use, which the institution had received from the Ministry of Public Administration, Provincial Councils and Local Government in the year 2023, had not been assessed and disclosed in the financial statements.

(c) Out of the outstanding loan amount of Rs. 176 million and loan interest of Rs. 143 million as at 31 December 2023, the amount recovered during the year under review was Rs. 82 million and Rs. 57 million respectively and out of the loan amount of Rs. 860 million and loan interest of Rs. 290 million, Rs. 367 million and Rs. 154 million respectively were recovered during the year under review. Accordingly, the progress in recovering loan and interest was slow, ranging from 40 to 53 percent.

(d) The mobile application, which was developed at an expenditure of Rs. 2,437,420 in the previous year with the aim of efficient the operational activities of the fund, remained non-functional even during the year under review.

(e) The Financial Management, Credit Management and General Modules System, which was established in the year 2020 at Rs. 2,938,000, was unusable for the relevant purposes by the year under review.

G.H.D. Dharmapala

Auditor General (Acting)

Statements of Comprehensive Income

The statement of comprehensive income has been prepared in accordance with the Sri Lankan accounting standards prepared by the Institute of Chartered Accountants of Sri Lanka.

An excess deficiency and other comprehensives for the year ending 31.12.2024 Information about income is mentioned in the comprehensive income statement. The actual information related to the period of 2023 has been revealed.

LOCAL LOANS AND DEVELOPMENT FUND			
STATEMENTS OF COMPREHENSIVE INCOME			
For The Year ended 31 December 2024			
		2024	**2023**
	Notes	**(Rs.)**	**(Rs.)**
Interest Income	4	274,546,660	307,142,464
Interest Expense	5	103,239,078	109,444,196
Net Interest Income		**171,307,582**	**197,698,267**
Other Operating Income	6	85,560,505	139,346,837
Total Operating Income		**256,868,086**	**337,045,105**
Impairment Charges	12.2	(64,720,996)	(167,561,679)
Net Operating Income		**192,147,091**	**169,483,426**
Personnel expenses	7	32,543,214	29,386,782
Depreciation PPE	13	3,743,836	7,153,640
Other Operating Expenses	8	20,063,771	36,512,166
Operating Profit Before Tax		**135,796,269**	**96,430,838**
Tax Expense	9	35,862,193	36,688,054
Profit For The Year		**99,934,076**	**59,742,784**
Other Comprehensive Income			
Actual loss on Define benefit plan	17	1,530,485	2,188,332
Deferred Tax Expense/(Income)	9	-	(25,496)
Total Comprehensive Income		**98,403,591**	**57,579,949**

Statements of Financial Position

The statement of financial position has been prepared in accordance with the Sri Lankan accounting standards prepared by the Institute of Chartered Accountants of Sri Lanka. The financial position statement for the assets, liabilities and equities of the Local Loans and Development Fund as on 31.12.2024 has been prepared and presented divided into categories as assets, liabilities and equities. The actual information related to the period of 2023 has been revealed.

LOCAL LOANS AND DEVELOPMENT FUND			
STATEMENTS OF FINANCIAL POSITION			
Year ended 31 December 2024			
		2024	2023
	Notes	(Rs.)	(Rs.)
ASSETS			
Cash and Cash Equivalents	10	276,427,361	96,667,455
Balances with Banks	11	452,000,000	685,058,333
Loan and Receivables	12	2,705,542,057	2,865,193,520
Property Plant and Equipments	13	7,502,594	7,088,731
Deffered Tax Asset	16.1	7,881,952	7,881,953
Loan Interest Receivable	14.1	123,619,072	76,852,323
Other Assets	14	18,709,830	26,683,060
TOTAL ASSETS		**3,591,682,866**	**3,765,425,374**
EQUITY AND LIABILITIES			
LIABILITIES			
Interest bearing Borrowings & Treasury Payables	15	3,769,188,444	4,015,006,605
Current Tax liability	16	40,692,797	36,688,054
Deffered Tax liability	16.1	-	-
Post employment benefit obligation	17	10,960,207	8,249,612
Other liability	18	12,094.420	48,345,271
TOTAL LIABILITIES		**3,832,935,868**	**4,108,289,542**
EQUITY			
Retain Earnings		(241,253,002)	(342,864,168)
TOTAL LIABILITIES AND EQUITY		**3,591,682,865**	**3,765,425,374**

These Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards and certify that the above financial statements give a true and fair view of the state of affairs of Local Loans & Development Fund as at 31st December 2023 and its surplus for the period then ended.

K.D.Chithrapala

Chief Executive Officer

K.B.Wijayarathna

Deputy Director (Finance & Administration)

The Board of Commissioners is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by;

27/02/2025

S.Alokabandara

Chairman

D.N.S.Welikala

Treasury Representative

28th February 2025

Colombo

Statements of Cash Flows

The statement of cash flows has been prepared in accordance with the Sri Lankan accounting standards prepared by the Institute of Chartered Accountants of Sri Lanka. Cash Flows Statements presented for the year ending 31.12.2024 has been presented by the Local Loans and Development Fund cash flow in a classification according to operating activities, investment activities and financing activities.

LOCAL LOANS AND DEVELOPMENT FUND			
STATEMENTS OF CASH FLOWS			
Year ended 31 December 2024			
		2024	2023
	Notes	Rs.	Rs.
Cash flows from operating activities			
Profit Before Tax		**135,796,269**	**96,430,838**
Adjustments for;			
Depreciation & Amortization		3,743,836	7,153,640
Impairment Charges		64,720,996	167,561,679
Grant Amortization Income		(982,447)	(7,346,384)
Other Income		-	-
Gratuity & Accrued Expense		1,647,809	1,330,950
Interest Expense		103,239,078	109,444,196
Investment Income		(83,729,631)	(122,293,513)
Operating profit before working capital changes		**224,435,910**	**252,281,407**
(Increase)/Decrease other assets		(123,619,072)	(23,703,324)
Increase/(Decrease) other liability		(123,244)	1,854,462
Cash generated from operations		**100,693,594**	**230,432,545**
Net proceeds of loan debtors		312,264,350	(164,726,278)
Tax paid		(31,857,450)	(43,393,781)
Gratuity paid		(467,700)	-
Net cash generated /(used in) from operating activities		**380,632,794**	**22,312,485**
Cash flows from investing activities	10		
Purchase PPE		(153,000)	(11,531,325)
Proceeds from sale of PPE		(1,567,273)	-
Net Investments		(233,058,333)	87,058,333
Investment Income received		76,609,795	103,285,392

Net cash generated /(used in) from investing activities		**(158,168,812)**	**178,812,400**
Cash flows from financing activities			
Borrowing Capital & Interest paid		(349,057,240)	(261,994,327)
Net cash generated /(used in) from financing activities		(349,057,240)	(261,994,327)
Net increase /(Decrease) in Cash & Cash Equivalent		**(126,593,257)**	**34,411,070**
Cash & Cash Equivalent at the beginning of the year		60,293,360	121,162,801
Cash & Cash Equivalent at the end of the year		**(66,299,898)**	**60,293,360**
Cash & Cash Equivalent	11	276,427,361	96,667,455
Overdraft balance with bank	19	-	(36,374,095)
		276,427,361	**60,293,360**

Statement of Changes In Equity

The statement of changes in equity as per the Sri Lanka Accounting Standards prepared by the Institute of Chartered Accountants of Sri Lanka is as follows.

LOCAL LOANS AND DEVELOPMENT FUND		
STATEMENT OF CHANGES IN EQUITY		
Year ended 31 December 2024		
	Retained Earnings	**Total Equity**
	Rs.	**Rs.**
As at 01st Jan 2024	(339,852,467)	(339,852,467)
Adjustment to Retain Earnings 2024	195,874	195,874
Profit for the year	99,934,076	99,934,076
Other comprehensive income (net of tax)	(1,530,485)	(1,530,485)
Balance as at 31 December 2024	**(241,253,002)**	**(241,253,002)**

Accounting Policies and Notes to the Financial Statements

Accounting Policies

1. REPORTING ENTITY

1.1. General information

Local Loans and Development Fund (LLDF) is a statutory body established by the Local loan and development ordinance No.22 of 1916. The registered office is located at No.24A, Ward Place, Colombo 07, Sri Lanka.

1.2. Principal activities and nature of operation

The principal activity of the fund is providing loan facilities for local authorities for purpose of public utility. Aim of LLDF is to become a leading financial institution for local level infrastructure financing.

2. BASIS OF PREPARATION

2.1. Basis for Consolidation

Sub activities of LLDF own operation, Urban Development Low Income Housing Project (UDLIHP) Perennial Crop Development Project (PCDP) and Local Government Infrastructure Improvement Project (LGIIP) are identified as segments where direct income and expenditure are processed separately and consolidated at the year end. Assets and liabilities are also consolidated in the Balance sheet.

2.2. Restatement

The fund has restated its previously reported consolidated financial statements as at and for the year ended December 31, 2021 and 2022 and all related notes. The restatement of the fund's consolidated financial statements followed an internal review of the fund's consolidated financial statements and accounting records including the correction of all errors previously identified by management. The errors have been corrected by restating each of the affected financial statement line items for the prior periods.

2.3. Functional and Presentation Currency

The consolidated financials are presented in Sri Lankan rupees and all values are rounded to a nearest rupee, except when otherwise indicated.

2.4. Statement of Compliance

The Financial Statements of the Fund comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka.

2.5. Responsibility for Financial Statements

The Board of Commissioners are responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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.

2.6. Approval of Financial Statements by the Board of Commissioners

The Financial Statements of the fund as at for the year ended 31st December 2024 were authorized by the Board of Commissioners on 24th February 2025.

2.7. Basis of Measurement

The Financial Statements of the Fund have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

Items	Basis of Measurement
Defined benefit obligations	Recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

2.8. Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Fund in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Some of the amounts reported for the previous period have been restated to correct an error. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Fund are as follows.

2.8.1. Going Concern Basis of Accounting

The Board of Commissioners have made an assessment of the Fund’s ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board of Commissioners is not aware of any material uncertainties that may cast significant doubt upon the Fund’s ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Fund. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8.2. Taxation

The Fund is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

2.8.3. Post-employment benefit obligations

The Post employment benefit obligation and the related charge for the year are determined using projected unit credit method. The method valuations involve making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting period.

2.8.4. Useful –lives of property plant & equipment

The fund reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.9. Significant Accounting Policies

2.9.1. Taxation

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the Statement of Comprehensive Income, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income.

a) Current taxes

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified in Note 9.2 to the Financial Statements.

b) Deferred taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense, in the Statement of Comprehensive Income.

2.9.2. Cash and Cash Equivalents

Cash and cash equivalents are 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 flows statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Financial instruments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.9.3. Property, Plant and Equipment Cost

Property, plant and equipment are stated at cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its condition for its intended use. All other repair and maintenance costs are recognized in the profit or loss as incurred.

Depreciation

Depreciation is charged to Statement of Comprehensive Income so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method and not provided depreciation in the year of purchased. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the

effect of any change in estimate accounted for on a prospective basis. The estimated useful lives of property, plant and equipment are as follows;

The class of tangible assets	Useful life
Furniture & Fittings	10 Years
Office Equipment	5 Years
Computers & Software	4 Years
Motor Vehicle	5 Years

De-recognition

Items of property, plant and equipment are de-recognized upon disposal or when no future economic benefits are expected from its use. Gain or loss arising on de-recognition of an item of property, plant and equipment is determined as the difference between the sales proceed and the carrying amount of the asset and is recognized in the Statement of Comprehensive Income.

Recognition of the asset for Vehicle WP PC 2297

The cab vehicle bearing registration number WP PC 2297 was transferred without payment by the **Ministry of public Administration, Provincial Councils, and Local Government to the Local Loans and Development Fund (LLDF)** in 2023 for office use. This vehicle will be accounted in the final statement after valuation process is completed and obtain report form the professional valuer.

2.9.4. Amortization of Debit and Credit grants

Credit grants represents the GOSL fund received from the LGIIP Project together with the ADB loan which are to be utilized for disbursements to Local Authorities(LAs.) under component B of the project. Debit grant represent the grant disbursed to LAs. with the loan component. Debit grant treated as an expenditure is deferred and amortized in systematic way to the income statement throughout the years of interest received from the activity. Credit grant is also amortized in the same system.

In this arrangement, the amalgamated before tax profit of LLDF should not be fallen to less than 5% of the before tax and net amortization profit.

2.9.5. Inventory

Inventory represents items value below Rs.5000 per each and cannot categorized under property, plant & equipment also consider life time of assets to categorize as inventory. If asset is not owning considerable life time, then cost taken as expense to Statement of Comprehensive Income.

2.9.6. Post-employment benefit obligations

a) Defined benefit plan – Gratuity

Gratuity is a Defined Benefit Plan. The Fund annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method by using expert knowledge of Actuarial Valuer.

Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in other comprehensive income.

The gratuity liability is not internally or externally funded.

b) Defined contribution plans - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.

2.9.7. Provisions

Provisions are recognized when the fund has a present obligation (legal or 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 a reliable estimate can be made of the amount of the obligation.

2.9.8. Other non-financial assets

All other non-financial assets are valued net of specific provision, where necessary, so as to reduce the carrying value of such assets to their estimated realizable value.

2.9.9. Other non-financial liabilities

Other Non-Financial Liabilities are recognized at their nominal amount.

2.9.10. Impairment of non-financial assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash

inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.9.11. Financial instruments – Initial recognition and subsequent measurement

The Fund's financial instruments consist of loans and receivables and other financial liabilities, of which accounting policies on subsequent measurement, impairment and re-recognition are set out below;

i) Financial assets

Financial assets within the scope of LKAS 09 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income. Loans and receivables are presented in the Statement of Financial Position.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

i. The rights to receive cash flows from the asset have expired

ii. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Fund has transferred substantially all the risks and rewards of the asset, or

(b) The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

Impairment charges as per SLFRS 9

The LLDF recognizes loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

-Cash and cash equivalents;

-Placements with banks;

-Loans and advances to other customers;

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Impairment charges on loans and advances to customers

For loans and advances above a predefined threshold, the LLDF individually assesses for significant increase in credit risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the LLDF determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

The LLDF computes ECL using three main components; a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information.

-PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligations either over the next 12-months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation.

PD estimates are estimates at a certain date and days past due (DPD) is the primary input into the determination of the term structure of PD for exposures. DPD are determined by counting the number of days since the due date. The LLDF employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

-LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The LLDF estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

-EAD – The exposure at default represents the expected exposure in the event of a default. The LLDF estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the LLDF assesses the possible default events within 12-months. For all other loans, the EAD is considered for default events over the lifetime of the financial instrument.

ii) Financial liabilities

Financial liabilities within the scope of LKAS 39 are classified as interest bearing loans and borrowings, trade and other payables as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

The Fund recognizes financial liabilities in the Statement of Financial Position when the Fund becomes a party to the contractual provision of the liability and classifies financial liabilities as other financial liabilities in accordance with the substance of the contractual arrangements at the definitions of financial liabilities.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange of modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the Statement of Comprehensive Income.

2.9.12. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the fund and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. The following specific criteria are used for the purpose of recognition of revenue.

a) Interest income and expenses

Interest income and expense are recognized in Statement of Comprehensive Income using accrued basis and the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset and liability. When calculating the effective interest rate, the fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

b) Other Income

Other Income accounted for on accrual basis. Other income included penalty and liquidated damages income, capital grant amortization and any other non-operational income.

2.9.13. Expenses recognition

Expenditure is recognized in the Statement of Comprehensive Income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a rate of efficiency has been charged to income in arriving at the profit for the year.

For the purpose of presentation of the Statement of Comprehensive Income the commissioners are of the opinion that the nature of expense method presents fairly the elements of the Fund’s performance, and hence such presentation method is adopted. Repairs and renewals are charged to the Statement of Comprehensive Income in the year in which the expenditure is incurred.

2.9.14. Statement of Cash Flows

The cash flows statement has been prepared using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS - 7 'Statement of Cash Flows'.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

2.9.15. Related party disclosures

Transactions with related parties are conducted in the normal course of business.

2.9.16. Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

Year Ended 31 December 2024

Notes to the Financial Statements

4. NOTE- INTEREST INCOME

	2024	2023
INTEREST INCOME	Rs.	Rs.
Interest from loans and advances	274,546,660	307,142,464
Total	**274,546,660**	**307,142,464**

5. NOTE - INTEREST EXPENSE

	2024	2023
INTEREST EXPENSE	Rs.	Rs.
Interest expense for treasury borrowings	**103,239,078**	**109,444,196**

6. NOTE - OTHER OPERATING INCOME

	2024	2023
OTHER OPERATING INCOME	Rs.	Rs.
Interest Income from Investments	83,729,631	122,293,513
Staff loan Interest	848,427	862,541
Penalty Income (Liquidated damages) & Other	982,447	7,346,384
UNDP Grant	-	8,844,400
Total	**85,560,505**	**139,346,837**

7. NOTE - PERSONNEL EXPENSES

	2024	2023
PERSONNEL EXPENSES	Rs.	Rs.
Salaries & Other benefits	27,789,863	25,391,519
EPF & ETF	3,105,543	2,664,312
Gratuity expense	1,647,809	1,330,950
Total	**32,543,214**	**29,386,782**

8. NOTE - OTHER OPERATING EXPENSES

	2024	2023
OTHER OPERATING EXPENSES	Rs.	Rs.
Office administration & establishment expenses	18,665,201	15,623,739
Professional & legal expenses	898,571	285,045
Auditor's remuneration	500,000	494,820
UNDP expenses	-	20,108,562
Total	**20,063,771**	**36,512,166**

9. NOTE - TAX EXPENSES

	2024	2023
TAX EXPENSES	**Rs.**	**Rs.**
Current tax provision	35,862,193	36,688,054
Under Provision / (Over Provision) of Current Taxes	4,830,604	-
Deferred Tax Expense/(Income)	-	-
Total	**40,692,797**	**36,688,054**

9.1. NOTE – TAXABLE INCOME

	2024 (Rs.)	2023 (Rs.)
Accounting profit /(loss) before tax	135,796,269	96,430,838
Aggregated disallowed items	82,564,041	122,184,885
Aggregated allowable items	(2,896,175)	(3,513,074)
Adjusted profit from Business	215,464,135	215,102,649
Interest income	**(83,576,020)**	**(122,293,513)**
Total statutory income	131,888,115	92,809,136
Less -Allowable losses	(120,953,238)	(92,809,136)
Taxable income	10,934,877	-

9.2. NOTE - Statutory Tax Rate

	2024	2023
Statutory Tax Rate	Rs.	Rs.
Current income tax expenses	**25,072,806**	**36,688,054**
(Tax Liability for the period @ rate - 30%)		

Income tax is calculated the rates mentioned as above of the assessable profit for the year.

10. NOTE - CASH AND CASH EQUIVALENTS

	2024	2023
	Rs.	Rs.
CASH AND CASH EQUIVALENTS		
Savings account with banks	313,223,962	89,399,331
Current account with banks	(36,796,602)	5,268,124
Reverse Repurchase	-	2,000.000
Total	**276,427,361**	**96,667,455**

11. NOTE - BALANCES WITH BANKS

	2024	2023
	Rs.	**Rs.**
BALANCES WITH BANKS		
Fixed deposits with banks	452,000,000	685,058,333
Total	**452,000,000**	**685,058,333**

12. NOTE - LOANS AND RECEIVABLES

	2024	2023
LOANS AND RECEIVABLES		
Loan receivables (Note 12.1)	4,384,385,776	4,479,316,243
Less : Allowance for Impairment (Note 12.2)	1,678,843,719	1,614,122,723
Total	**2,705,542,057**	**2,865,193,520**

12.1. NOTE - Analysis - (By Projects)

Analysis - (By Projects)	2024	2023
	Rs.	Rs.
LLDF	2,855,197,317	2,826,890,344
LGIIP	278,679,530	313,299,869
PCDP	59,586,547	63,270,510
UDLIHP	1,177,669,228	1,258,407,512
Staff Loans	13,253,154	17,448,009
Total	**4,384,385,776**	**4,479,316,243**

12.2. NOTE - Movement in impairment charge during the year

	2024	2023
	Rs.	Rs.
As at 1 January	1,614,122,723	1,446,561,045
SLFRS Provision 2021 - Additional		
Written off during the year		
Charge for the year	64,720,996	167,561,679
As at 31 December	**1,678,843,719**	**1,614,122,723**

Individual Impairment	2024	2023
Stage 1		
Stage 2	4,831,262	102,670,731
Stage 3	1,349,590,304	952,279,226
Total Individual Impairment	**1,354,421,566**	**1,054,949,957**
Collective Impairment		
Stage 1	31,283,697	34,544,994
Stage 2	827,062	91,863,715
Stage 3	292,311,394	432,764,058
Total Collective Impairment	**324,422,153**	**559,172,766**

13. NOTE – PROPERTY PLANT AND EQUIPMENTS COST

Description	Cost as at 01.01.2024	Additions	Disposals/ Transfer	Cost as at 31.12.2024
Office Equipment	2,605,903	153,000	-	2,758,903
Furniture and Fittings	1,748,813	-	-	1,748,813
Computer Software	2,437,425	-	-	2,437,425
Computer Hardware	21,620,423	-	2,437,425	19,182,998
Motor Vehicle	7,995,000	-	-	7,995,000
Total	**36,407,564**	**153,000**	**2,437,425**	**34,123,139**
Accumulated Depreciation				
Description	**Balance as at 01.01.2024**	**Depreciation for the year**	**Disposals/ Transfer**	**Balance as at 31.12.2024**
Office Equipment	1,800,049	291,784	8,039	2,083,794
Furniture and Fittings	1,345,130	100,921	-	1,446,051
Computer Software	13,777,746	2,741,775	2,417,156	14,102,365
Computer Hardware	1,963,481	609,356	1,579,503	993,335
Motor Vehicle	7,995,000	-	-	7,995,000
Total	**26,881,406**	**3,743,836**	**4,004,698**	**26,620,544**
Written Down Value	**9,526,157**			**7,502,594**

14. NOTE - OTHER ASSETS

	2024	2023
OTHER ASSETS	Rs.	Rs.
Liquidated Damage Receivable	1,480,731	1,480,731
LGIIP Grant to Local Authorities	-	-
Inventory	167,103	163,603
Interest Receivable on Investment	7,119,836	19,008,121
Tax Receivable	8,742,159	4,830,604
Other Receivables	1,200,000	1,200,000
Total	**18,709,830**	**26,683,059**

14.1 NOTE – INTEREST RECEIVABLE ON LOAN

	2024	2023
	Rs.	Rs.
Interest Receivable on Loan	123,619,072	76,852,323
Total	**123,619,072**	**76,852,323**

15. NOTE - INTEREST BEARING BORROWINGS & TREASURY PAYABLES

	2024	2023
INTEREST BEARING BORROWINGS & TREASURY PAYABLES	Rs.	Rs.
LLDF	42,591,909	57,072,446
LGIIP	2,695,440,112	2,843,420,563
PCDP	35,785,404	39,445,367
UDLIHP	995,371,019	1,075,068,229
Total	**3,769,188,444**	**4,015,006,605**

16. NOTE - CURRENT TAX LIABILITY

CURRENT TAX LIABILITY	2024	2023
	Rs.	Rs.
Balance as at the beginning of the Year	-	-
Add: Provision for the Current Year/Adjustment under provision	61,670,684	36,688,054
Less: Payment made during the Year	-	-
Withholding Tax	-	-
Total	**61,670,684**	**36,688,054**

16.1. NOTE - Deferred tax Assets / (Liability)

Deferred tax Assets / (Liability)	2024	2023
	Rs.	Rs.
Deferred Tax Assets	8,956,310	8,956,310
Deferred Tax Liabilities	(1,074,357)	(1,074,357)
Total	**7,881,953**	**7,881,953**

17. NOTE - POST EMPLOYEMENT BENEFIT OBLIGATION

POST EMPLOYEMENT BENEFIT OBLIGATION	2024	2023
	Rs.	Rs.
As at 1st January	8,249,612	4,853,001
Amount recognize in income statement	1,647,810	1,330,950
Amount recognize in other comprehensive income	1,530,485	2,188,332
Payments made/payable during the year	(467,700)	(122,670)
As at 31st December	**10,960,207**	**8,249,612**

17.1. NOTE - Amount recognize in income statement

	2024	2023
Amount recognize in income statement	Rs.	Rs.
Current & Past service cost	1,072,450	873,540
Interest cost	575,360	457,410
Total	**1,647,810**	**1,330,950**

17.2 NOTE - The principal assumptions used for compute the gratuity liability are as follows:

Rate of interest	13.00%	13.00%
Salary increment rate	Fixed increment per annum	Fixed increment per annum
Staff turnover	3.00%	3.00%
Retirement age	60 years	60 years

17.3. NOTE - Sensitivity of Assumptions Employed in Computation

A quantitative sensitivity analysis for significant assumption as at 31 December 2024 is as shown below:

Assumptions	Discount rate	
Sensitivity Level	1% increase	1% decrease
Impact on defined defined benefit liability	5,526,951	5,526,951

18. NOTE - OTHER LIABILITIES

OTHER LIABILITIES	2024	2023
Current account with banks	Rs.	Rs.
GOSL Grant	-	-
UNDP-Capital Grant	6,687,871	6,687,871
Deferred tax payable	-	-
Pre-paid Debtors & Advances	4,363,535	4,210,086
Cash balance with Bank	-	36,374,095
Other payable	1,043,014	1,073,219
Total	**12,094,420**	**48,345,271**

19.NOTE - EXPENSE BREAK-UP

EXPENSE BREAK-UP	2024	2023
	Rs.	Rs.
PERSONNEL EXPENSES		
Staff Salaries	16,570,326	16,900,305
Adjustment Allowance	-	-
C.O.L Allowance - LLDF	5,872,549	2,878,318
Staff bonus	1,450,000	-
Allowance for Chairman	448,750	588,016
Allowance for Board of Commissioners	1,685,595	1,210,079
Overtime & Holly day Pay	346,027	293,021
Development Ass. Traveling	1,249,624	1,077,183
Allowance for DO	50,930	52,800
Travelling Expenses-Office staff	116,062	96,057
E.P.F.	2,484,434	2,131,450
E.T.F.	621,109	532,862
Staff Health Insurance	-	2,295,740
Gratuity expenses	1,647,809	1,330,950
Total	**32,543,214**	**29,386,782**

	2024	2023
OTHER OPERATING EXPENSES	Rs.	Rs.
Staff Welfare	471,224	618,155
Meeting Expenses	360,255	77,836
Audit Expenses	500,000	494,820
Postage, Telephone & Internet	606,481	550,181
Stationery / Printing	658,180	916,542
Vehicle Maintenance	1,430,805	1,523,630
Fuel	787,820	605,835
Vehicle Insurance	72,822	74,271
Electricity	1,201,893	1,260,318
Security Charges	1,478,764	1,432,021
Water Supply	53,477	49,902
Cleaning service Charges	524,720	505,995
Maintenance & Equipments	389,486	495,114
Maintenance & Building	231,180	137,005
Staff Training & Developments	279,655	257,890
Computer Maintenance	217,950	435,500
Tax & Rates	-	-
Office rent	6,969,600	6,485,600
Awareness programs	2,163,041	-
Professional charges	837,167	97,245
Press Notification	498,216	-
Legal Expenses	61,404	187,800
Stamp Duty	75	250
Bank Charges	5,600	2,538
Other Expenses	263,957	195,157
Total	**20,063,771**	**16,403,604**

21. NOTE - COMMITMENT AND CONTINGENCIES

To the best of knowledge and information available to the Board, the Fund does not have any significant commitments and contingencies as at the reporting date.

22. NOTE - EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen and no material event have occurred during the period between the balance sheet date and the date in which the account has been signed and no event is required to disclosure or adjust to the Financial Statements.

23. NOTE - RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows;

23.1. NOTE - Transactions with Key Management Personnel (KMP)

As per the Sri Lanka Accounting Standard (LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Commissioners of the Fund have been classified as KMPs of the Company.

23.2 NOTE - Key management personnel compensation

Key management personnel compensation	2024	2023
	Rs.	Rs.
Short Term Employee Benefits	2,134,345	1,798,095
Director/Chief Executive Officer (HM 1-2016)	2,476,950	1,179,488
Deputy Director (Finance & Administration) MM 1-2016	252,675	930,450
Deputy Director (Operation) MM 1-2016	145,345	713,575

- Deputy Director Finance & Admin post was vacant from 1st of April to 31st December 2024.
- Deputy Director (Operation) post was vacant and Assistant Accountant acted in additional to the Accountant Post.
- Further, the company has not provided any non cash benefits to Key Management Personnel in terms of employment contracts with them.
- Fund has not entered into any transactions, arrangements and agreements involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and their related entities.

24. NOTE - LLDF Segmental Comprehensive Income

	2024				
	LLDF	LGIIP	PCDP	UDLIHP	Consolidation-LLDF
Interest Income	234,579,614	75,399,043	2,920,181	46,225,880	359,124,718
Interest Expense	3,583,272	42,096,382	2,917,661	54,641,764	103,239,078
Net Interest Income	**230,996,343**	**33,302,661**	**2,520**	**(8,415,884)**	**255,885,640**
Other Operating Income	981,378	-	-	1,068	982,447
Total Operating Income	**231,977,721**	**33,302,661**	**2,520**	**(8,414,815)**	**256,868,086**
Impairment Charges	-	-	(882,266)	(17,437,111)	(64,720,996)
Net Operating Income	**231,997,721**	**33,302,661**	**(879,746)**	**(25,851,926)**	**192,147,091**
Personnel expenses	29,389,796	4,219,191	**319**	(1,066,093)	32,543,214
Depreciation PPE	3,381,060	485,384	37	(122,645)	3,743,836
Grant Amortization	-	-	-	-	-
Other Operating Expenses	18,119,603	2,601,245	**197**	(657,275)	20,063,771
Operating Profit Before Tax	**181,087,260**	**25,996,840**	**(880,299)**	**(24,005,914)**	**135,796,269**

	2023				
	LLDF	LGIIP	PCDP	UDLIHP	Consolidation-LLDF
Interest Income	256,478,553	125,411,611	3,235,626	45,172,727	430,298,518
Interest Expense	4,695,256	44,316,089	3,231,546	57,201,305	109,444,196
Net Interest Income	**251,783,297**	**81,095,523**	**4,080**	**(12,028,578)**	**320,854,321**
Other Operating Income	16,190,784	-	-	-	16,190,784
Total Operating Income	**267,974,080**	**81,095,523**	**4,080**	**(12,028,578)**	**337,045,105**
Impairment Charges	(106,161,470)	(11,765,711)	(2,376,070)	(47,258,427)	(167,561,679)
Net Operating Income	**161,812,610**	**69,329,812**	**(2,371,991)**	**(59,287,005)**	**169,483,426**
Personnel expenses	23,364,516	7,070,675	**356**	(1,048,765)	29,386,782
Depreciation PPE	5.687.636	1,721,218	87	(255,301)	7,153,640
Grant Amortization	-	-	-	-	-
Other Operating Expenses	29.029.687	8,785,094	**442**	(1,303,058)	36,512,166
Operating Profit Before Tax	**103.730.770**	**51,752,824**	**(2,372,875)**	**(56,679,880)**	**96,430,838**

* Impairment charges shared based on Outstanding capital as at financial year end.

** Operational Cost Sharing based on Total Operating Income of each segment.

25. NOTE - FAIR VALUES

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation

Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Set out below is a comparison, by class, of the caring amount and fair values of the fund's financial instruments that are not carried at fair value in the financial statements.

	Fair value hierarchy	Carrying Value		Fair Value	
As at 31 December		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and Cash Equivalents		276,427,361	96,667,455	276,427,361	96,667,455
Balances with Banks		452,000,000	685,058,333	452,000,000	685,058,333
Loan and Receivables	Level 2	2,705,542,057	2,865,193,520	1,043,103,584	1,104,656,135
Other Assets		18,709,830	103,535,383	18,709,830	103,535,383
Total		**3,452,679,247**	**3,750,454,691**	**1,790,240,774**	**1,989,917,305**
Financial liabilities					
Interest bearing Borrowings & Treasury Payables	Level 2	3,769,188,444	4,015,006,605	1,113,051,795	1,185,642,579
Other liability		12,094,420	48,345,271	12,094,420	48,345,271
Total		**3,781,282,864**	**4,063,351,876**	**1,125,146,214**	**1,233,987,850**

(a) For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to cash in hand, balances with banks , other financial assets, bank overdraft and other financial liabilities without a specific maturity.

(b) Loan receivables with fixed interest rates were fair valued using average lending rate for average loan tenure. Conversely, interest bearing borrowings and treasury payables discounted using weighted average cost of funds.

26. NOTE - MATURITY OF ASSETS AND LIABILITIES

	2024			2023		
	Less than One year	More than one year	Total carrying value	Less than One year	More than one year	Total carrying value
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalents	276,427,361	-	276,427,361	96,667,455	-	96,667,455
Balances with Banks	452,000,000	-	452,000,000	685,058,333	-	685,058,333
Loan and Receivables	324,665,047	2,380,877,010	2,705,542,057	343,823,222	2,521,370,298	2,865,193,520
Property Plant and Equipment	-	7,502,594	7,502,594	-	7,088,731	7,088,731
Deferred Tax Ass.	-	7,881,952	7,881,952	-	7,881,953	7,881,953
Other Assets	18,709,830	-	18,709,830	103,535,383	-	103,535,383
Total assets	1,071,802,237	2,396,261,557	3,468,063,794	1,229,084,393	2,536,340,982	3,765,425,374
Liabilities						
Interest bearing Borrowings & Treasury Payables	241,981,083	3,527,207,361	3,769,188,444	241,981,083	3,773,025,522	4,015,006,605
Current Tax liability	-	40,692,797	40,692,797	-	36,688,054	36,688,054
Deferred Tax liab.	-	-	-	-	-	-
Post employment benefit obligation	-	10,960,207	10,960,207	-	8,249,612	8,249,612
Other liability	5,406,549	6,687,871	12,094,420	41,657,400	6,687,871	48,345,271
Total	247,387,632	3,585,548,236	3,832,935,868	283,638,483	3,824,651,059	4,108,289,542

Disclosures

ACCOUNTABILITY AND AUDIT

Assessing the Organizational Situation and Future

As per the recommendations of the National Salaries and Cadre Commission, with the vision of making this Organization a Government "C" class Organization, the staff cadre was restructured whilst approval was received from the Department of Management Services. Therefore, arrangements were made to recruit two Deputy Directors to the LLDF.

MAINTAINING A SOUND SYSTEM OF INTERNAL CONTROL & RISK MANAGEMENT

The Board of Commissioners has implemented a sound system of internal control & risk management to safeguard the investments & the LLDF assets. The Board is fully aware that internal controls have inherent limitations and do not provide assurance against errors and fraud.

PERIODICAL REVIEW OF THE ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROL

The adequacy & effectiveness of the Internal Controls are periodically reviewed by the Board and the senior management of the LLDF and the observations are reported to the Board of commissioners for appropriate action.

FINANCIAL REPORTING

The Board of Commissioners confirm that the financial statements of the institution have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS). The institution has duly complied with all the reporting requirements of the relevant laws and regulatory authorities. The financial statements of the institution were audited by the Auditor Generals.

GOING CONCERN

Local Loans & Development Fund is continuing its business with a sufficient liquidity position.

STATUTORY OBLIGATIONS

The Commissioners to the best of their knowledge and belief are satisfied that all financial obligations due to the government and to the employees have been duly paid or adequately provided in the financial statements.

RELATIONSHIP WITH OTHER STAKE HOLDERS

a) Employees

The Board ensures that the vision, goals and objectives formulated by the Board are clearly communicated and understood by all employees. The LLDF ensures that no persons below the minimum age are offered employment. LLDF affords opportunities to potential employees regardless of gender race and once recruited would continue in their career path without discrimination.

b) Regulatory Bodies

The Board ensures that a meaningful relationship is maintained with institutions such as the Treasury, relevant line Ministry and the Department of Inland Revenue. LLDF operation and activities strictly adhere to the rules, regulations set out by the relevant regulatory and advisory bodies and the Laws of the country.

c) Environment

The Board is highly committed to the sustainability of the environment & therefore ensures that the LLDF & persons adhere to the recommended standards so as to protect and promote the eco system.

d) Sustainable Development Goals

A Business plan, Action plan and Program have been prepared to identify the Millennium Development Goals, which are legislated by the Sustainable Development Act No.19 of 2017, and to achieve those goals.

ASIAN DEVELOPMENT BANK PROJECTS

ADB LOAN No.1632 SRI (SF)

URBAN DEVELOPMENT & LOW INCOME HOUSING PROJECT (UDLIHP)

LLDF is the recovery agent of Loan component of the above project implemented by the Ministry of Urban Development since year 1998 to 2002. A total of Rs.2,270 m has to be recovered from 27 Local Authorities. While 90 % of the loans are being recovered and the rest is in dispute. Because most of the Market Centers implemented under this project are failures and the others are in dispute.

Recovery Progress (UDLIHP) – Last 05 Years: Table 6.1 (Rs.Million)

Year	Recovery Capital	Recovery Interest
2020	100.9	62.0
2021	107.8	58.0
2022	112.6	52.8
2023	97.4	44.0
2024	73.2	47.7

Source : UDLIHP Cash Book-2024

ADB LOAN No.2201 SRI (SF)

LOCAL GOVERNMENT INFRASTRUCTURE IMPROVEMENT PROJECT (LGIIP)

As per the Asian Development Bank Loan No.2201 SRI (SF) (Local Government Infrastructure Improvement Project), LLDF has entered into a Project Agreement in January 2006 with the ADB, to provide loan and grant component to LAA for improvement of Infrastructure and Service Delivery under following five categories.

1. Community Water Supply
2. Local Authority Roads
3. Solid Waste Management
4. Storm Water Drainage
5. Local Authority Institutional Infrastructure.

Ministry of Local Government & Provincial Councils is the executing agency under this project and LLDF is implementing agency for Loan disbursement and recovery. US$ 42.5 m. will be released under component B. This is 100% Loan from the Treasury to Local Loans & Development Fund, repayable in 32 years including a grace period of 8 years, at an interest rate of 1% p.a. during the grace period and 1.5% thereafter.

A very attractive grant varying from 40%-60% is available to LAA. While the rest is a loan (33% - 53%) at the rate of 9% p.a. A heavy risk is given to LL&DF as the grant has to be manage out of the loan interest of 9%.

As subprojects feasibility based on future income generation of the LAs, FLIP and capacity building is an essential element to safeguard LL&DF loan recovery and to mitigate loan default risks involved. At the same time financial status of the LAs has to be improved to make them sustainable in order for timely repayment of loans. In addition LAs has to be viable organizations to obtain future loans from LL&DF. These are some of the prime objectives of the LGIIP.

The total value of Loan and grants issued to Local Authorities under this project is Rs. 4,654 Million.

Distribution of Loan and Grants under the Local Government Infrastructure Improvement Project. :Table 6.2

Type of Local Authorities	Loan Amount	%	Grant Component	%	Total	%
Municipal Councils	254	53	192	40	433	93
Urban Councils	263	43	306	50	543	93
Pradeshiya Sabhas	1,291	33	2,348	60	3,678	93
Total	**1,808**		**2,846**		**4,654**	

Recovery Progress (LGIIP) – Last 05 Years : Table 6.3

(Rs.Million)

Year	Recovery Capital	Recovery Interest
2020	186.2	62.5
2021	176.6	46.3
2022	134.3	33.6
2023	60.6	26.6
2024	30.2	24.6
Total	587.9	193.6
		Source : LGIIP Cash Book - 2024