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ஆண்டறிக்கை
ANNUAL REPORT

2020

ලෝචෝර් ආර්යා ණය අරමුදල – මුදල් අමාත්‍යාංශය
லோஹோரா் சீமாட்டி கடன் நிதியம் - நிதி அமைச்சு
Lady Lochore Loan Fund - Ministry of Finance

Content

Lady Lochore Loan Fund

Vision

To be a leading financial supporter for the employees of Government, Public Corporations, Statutory Institutions and Members of the three Forces.

Mission

To contribute in creating a contented Public Service by releasing Employees of Government, Public Corporations, Statutory Institutions and Members of the three Forces from indebtedness.

Objective

To relieve Indebtedness of Employees of the Government, Public Corporations, Statutory Institutions and Members of the three Forces, by providing short term loans without delay on concessionary interest rates under easy terms.

Functions

- Providing Loans to clients by maintaining the Fund sustainably.
- Improving institutional promotion and comparative capacity.
- Formulation and implementation of procedures for raising funds and maintaining the Fund.
- Developing best practices for loan management, efficiently lending and improving lending facilities.
- Acting as a facilitator of implementation of loan schemes for the employees of the other Government Institutions.
- Dealing with a proper financial control system in lending and maintaining loan affairs.

Corporate Information

Name and the Address of the Institution:

- Lady Lochore Loan Fund
- 100/ 3/2, Sir Chiththampalam A Gardiner Mawatha, Colombo 02

Establishment:

- Lady Lochore Loan Fund has been established under the Act No. 38 of 1951 (amended in 1953) and it is being operated under the purview of the Ministry of Finance.

Board of Trustees :

Mr. A.P. Kurumbalapitiya	- President (Director - Department of State Accounts), Ministry of Finance.
Miss. Kamala Ranathunga	- Managing Trustee – Lady Lochore Loan Fund
Mr. Thushara Senevirathne	- Trustee (Since 2020.02.05)
Mr. Pradeep N. Weerasinghe	- Trustee (Since 2020.10.29)
Mr. A.S.P.S.P. Sanjeewa	- Trustee (Since 2020.10.29)

Audit Committee:

Mrs. K.M.B.P.Weerasinghe	- Chief Accountant, (Ministry of Finance)
Mr. Thushara Senevirathne	- Member (Trustee,Lady Lochore Loan Fund)
Mr. A.S.P.S.P. Sanjeewa	- Member (Trustee,Lady Lochore Loan Fund)

Auditor:

Ranwatta and Company,
Chartered Accountants,
141/3, Vauxhall Street,
Colomob 02.

Official Banker:

People's Bank,
Head Quarters,
Colomob 02.

PRESIDENT'S MESSAGE

The Lady Lochore Loan Fund was established on 26th March 1927, with an initial donation received from Scottish Lady Jean Lochore.

Accordingly, the Fund in a period of almost 9 decades, with the mission of acting as the key institution which provides financial facilities to public sector employees, has rendered a great service to the officials at various levels of the public sector in order to meet their financial requirements.

Looking back over the past 9 decades, it's performance has been confirmed as the key financial facility provider implementing under the purview of the public sector, which can meet the emergency financial requirements of public officials, in securing the dignity of public officials, especially from the strict financial conditions of the formal commercial banking practice and the unreasonable credit conditions of the informal private sector.

In examining the performance of the Fund, the fund has gradually achieved its financial progress since the year of establishment, and particularly in comparison with other loss-making public sector enterprises, the Fund has developed up-to-date on self-effort by providing a large amount of revenue to the Consolidated Fund without burdening the General Treasury. By the financial year 2020/21, the Fund has a fixed assets valued Rs. 360 million rupees approximately and current assets valued 366 million approximately to maintain the liquidity of the institution.

Especially, in the years 2019/2020/2021, despite the great impact on the operation of the institution during the Covid epidemic situation, Fund was able to continuously develop its financial performance. The contribution of the staff of the Fund in the midst of various difficulties, mainly contributed to said performance, and I convey my gratitude towards them in that regard.

In particular, the performance of the institution is mainly determined by the Board of Governors who makes the policy and operational decisions of the Fund and the commitment of the staff who implement those decisions. Accordingly, the contribution made by the members of all the Boards of Governors and Board of Trustees towards me while acting as the Chairperson of this Fund since 2015, for the achievement of the objectives of the Fund, is immense. Without their professional contribution and dedication, the Fund could not achieve its current progress. Therefore, I express my gratitude on behalf of all those companions.

Finally, I am glad that could be able to provide the necessary leadership and contribution in order to improve the performance and financial condition of the Fund compared to 2019/20, to develop the efficiency and effectiveness of the operational activities of the Fund in principle, and to confirm the sustainability of the institution, under the adverse health conditions and economic recession that have occurred in the country in the last few years.

A. P. Kurumbalapitiya
President
Lady Lochore Loan Fund

MESSAGE OF MANAGING TRUSTEE

The Lady Lochore Loan Fund which was established by Scottish Lady Jean Lochore, the founder of the Fund, with a personal donation of 300 pounds, has enjoyed its initial purpose of providing relief to those who are burdened with debt and enjoy monthly benefits from year 1927 to the present, and has also assisted in the year 2020 to maintain an efficient public service while preserving the honour and dignity of government employees.

In the year 2020, the Fund has been able to provide a loan facility of 217.8 million rupees to 1735 government employees of various levels, and accordingly, the initial objectives of the Founder have been further achieved. A differential value of 429.9 million rupees has been collected through the issuance of loans in this year and it is observed that these figures and value have suffered a setback compared to the year 2019. In the year 2020, operations should have been carried out for a period of 246 days, however, due to the Covid epidemic situation, the office had to be closed for 44 days and even after that, it has not been possible to show development in the year 2020 due to the operation of the office with a minimum number of employees.

Even in such a context, the Fund has managed to earn a total income of 114.4 million rupees during the year, and the Fund has earned a net profit before tax of 65.9 million rupees after incurring an operating cost of 48.4 million rupees, and the Fund has earned a net profit of 52.7 million rupees after paying a tax amount of 13.1 million rupees to the government in this year. It is a special achievement of our institution that it could be able to develop the net profit after tax in this year with an increase of 25.2% compared to last year.

The Ministry of Finance, Economic Stabilization and National Policies that guides entire tasks towards the success, the Board of Trustees that guides the performance strategies, and the entire staff of the Fund, who are committed and perform their tasks without deterioration, can be called the pilots of this success. We are aiming to turn this service into a more efficient and people-friendly institution that accomplish the loan requirements of various sectors nationally, in the future.

I wish that the Board of Trustees and the staff get strength, courage and fortunate to make Lady Lochore Loan Fund a leading financial institution in Sri Lanka and to accomplish its objectives through acting in accordance with the vision and mission of the Fund.

Kamala Ranathunga
Managing Trustee
Lady Lochore Loan Fund

BACKGROUND OF THE FUND

An initial capital of 300 Sterling Pounds for the establishment of the Loan Fund had been donated by Lady Jean Lochore, who was a Scott national and lived in Sri Lanka for a long period. Then the Commissioner of Charity, Reverend Father C. E. V. Nathanielz had taken initiatives to establish the Fund on 26th March 1927 and it was named as Lady Lochore Loan Fund. The Fund was transformed into a Statutory Body by the Lady Lochore Loan Fund Act No. 38 of 1951.

Since then by granting loans and recovering loans, the Fund has functioning as a revolving fund, as the existing banking system was not supportive of fulfilling short-term financial requirements of the employees of the Public and Private Sector Institutions, they were compelled to obtain loans at very high interest rates from outside lending organizations or from individuals. Due to this reason, the employees of the public sector as well as private sector were suffering from indebtedness immensely. The establishment of the Lady Lochore Loan Fund had brought a great relief to all these employees concerned. After the establishment of this Fund as a Statutory Body in 1951, a three storied building owned by this institution was constructed with the donations received from the government and other donors.

Lady Jean Lochore

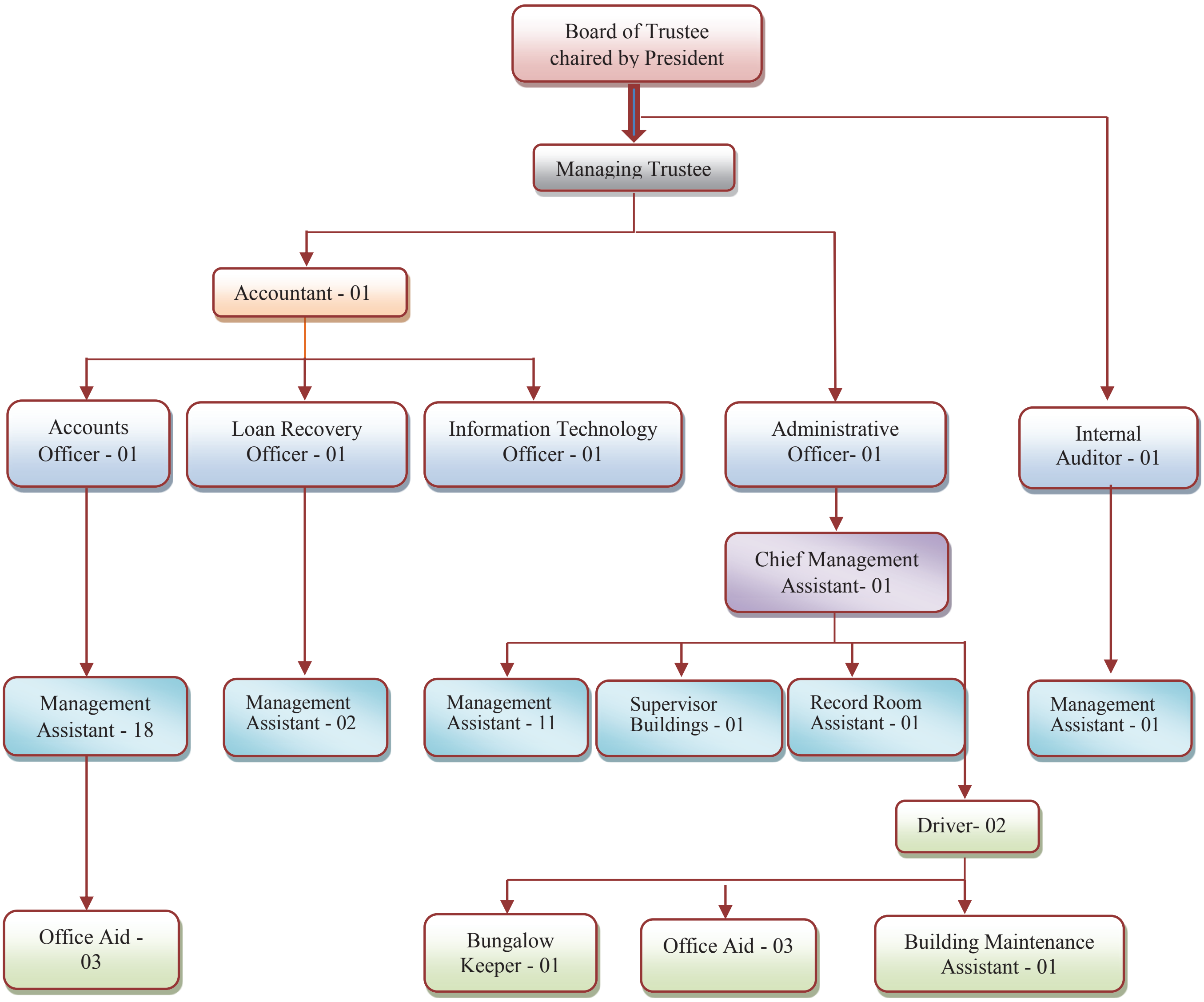
1.1. Board of Trustees

Board of Trustees consists of qualified representatives from the public and private sectors appointed by Hon. Minister of Finance. The patron of this institution is held by the Minister of Finance. The Managing Trustee for administration purposes of the Fund is appointed from the members appointed to the Board of Trustees, as per the section 10 and 11 of the Act of the Lady Lochore Loan Fund. As per the clause 5 of the said Act, the post of the President of the Fund is held by the Treasury Representative.

Table 01 - Cadre of the Fund in Year 2020

Approved Position	Approved Number	Existing Number
Accountant	01	01
Administrative Officer	01	01
Accounts Officer	01	01
Internal Audit Officer	01	01
Loan Recovery Officer	01	01
Information Technology Officer	01	-
Management Assistant (Non - Technical Grade) (Including Record Room Assistant)	34 } 35	32
Building Supervisor (MA - Technical Grade)	01	-
Office Aid (Primary Non - Technical) (Including Bungalow Keeper)	07	06
Building Maintenance Assistant (Primary Semi Skilled)	01	01
Driver (Primary Skilled)	02	02
Total	**51**	**46**

1.2 Organizational Structure



02

PERFORMANCE OF THE FUND IN 2020

2.1 Beneficiaries in 2020

1,735 employees of the government and semi government sectors had benefited from this Fund in the year 2020. District wise categorization of the beneficiaries shown in Table - 02 and 55% reduction in loan amount has been indicated in the year 2020 compared to the previous year, due to the shutdown of the country and the imposition of various restrictions due to the global pandemic situation, and the decreasing of the bank interest rate by the Government. Following table indicates that the high number of beneficiaries represent Personnel from Defence Sector and percentage wise it is around 70% of beneficiaries.

Table 02 - District wise Beneficiaries of Government and Semi Government Sector who have obtained Loans in the Year 2019/2020

No. of Beneficiaries				
District	2020	(%)	2019	(%)
Colombo	321	18.50	617	15.94
Gampaha	243	14.01	603	15.58
Anuradhapura	88	5.07	182	4.70
Kandy	98	5.65	236	6.10
Vavuniya	3	0.17	6	0.16
Kalutara	168	9.68	349	9.02
Rathnapura	67	3.86	153	3.95
Galle	90	5.19	239	6.18
Kurunegala	189	10.89	410	10.59
Puttalam	24	1.38	53	1.37
Jaffna	0	-	0	-
Polonnaruwa	32	1.84	87	2.25
Trincomalee	9	0.52	13	0.34
Mullaitivu	0	-	0	-
Badulla	53	3.05	134	3.46
Matale	42	2.42	98	2.53
Hambantota	38	2.19	85	2.20
Kegalle	93	5.36	239	6.18
Baticaloa	1	0.06	0	-
Ampara	42	2.42	77	1.99
Monaragala	46	2.65	98	2.53
Nuwara Eliya	33	1.90	57	1.47
Mannar	0	-	0	-
Matara	55	3.17	134	3.46
Total	**1735**	**100**	**3870**	**100**

Chart 01 - District Wise Government and Semi Government Sector Beneficiaries who have obtained Loans in the Year 2019/2020

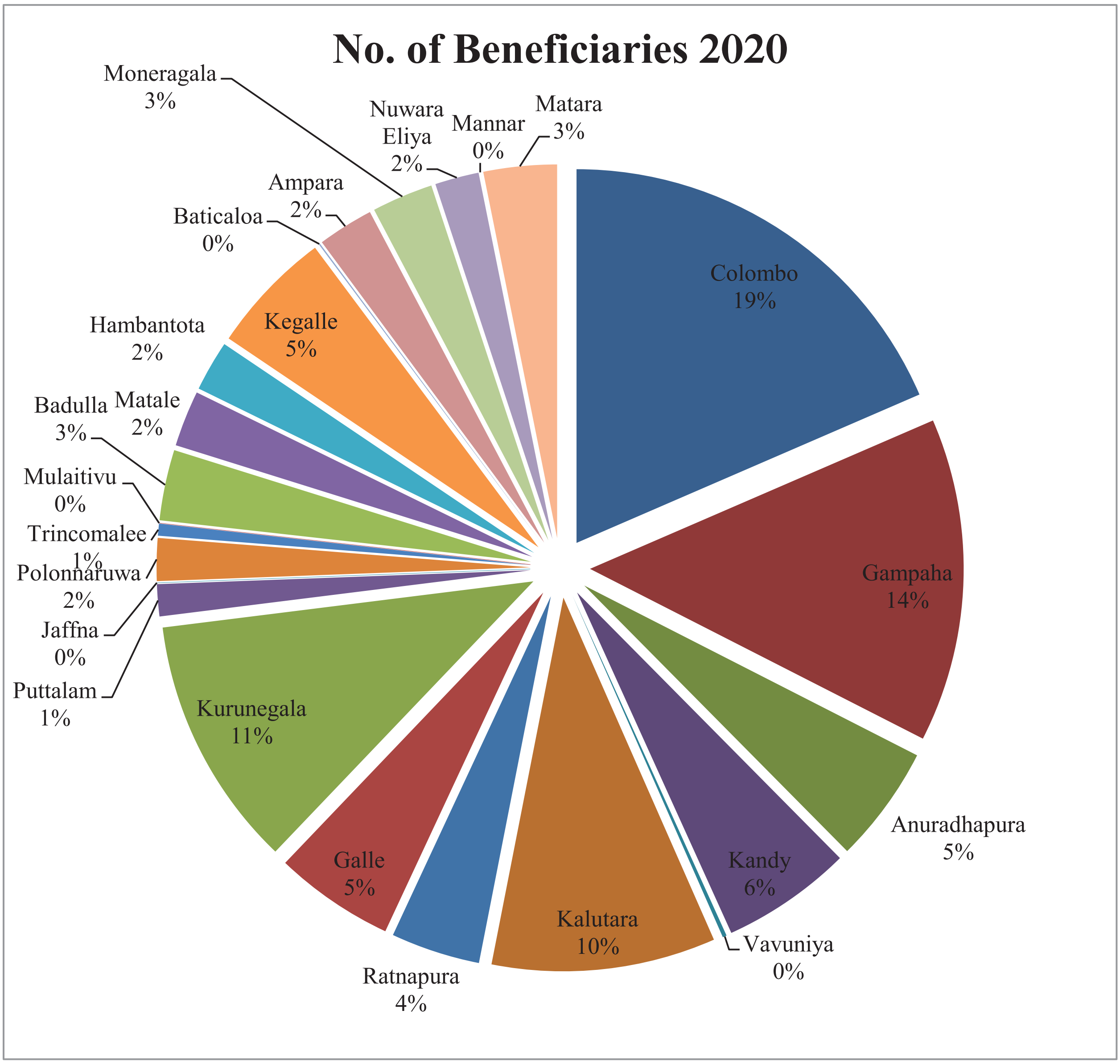


Table 03 - Progress of Public Sector Beneficiaries according to the Service Categories in Year 2019 ad 2020

Designation	2020	2019
Corporal	428	1016
Army Soldier	142	328
Army Sergeant	63	146
Major	21	48
Lieutenant	11	31
Brigadier	1	2
Chef	7	20
Waiter	2	18
Police Constable	314	826
Police Sergeant	181	283
Police Inspector	15	46
Chief Police Inspector	16	9
Sub Police Inspector	28	60
Police Security Assistant	0	2
Civil Police Assistant	0	6
Firemen	3	10
Driver	38	86
Driver Assistant	0	5
Prison Guard	11	25
Assistant Survey Officer	6	14
Health Administrator	0	-
Attendant	0	4
Ordinary Laborer	108	206
Office Assistant	121	187
Management Assistant	76	184
Development Assistant	12	56
Ayurvedic Medical Assistant	0	1
Pharmacist	0	4
Watcher	3	6
Security Officer	0	3
Motor Mechanic	2	6
Technician	2	1
Carpenter	2	2
Human Resource Assistant	0	1
Administrative Officer	1	1
Mason	0	2
Accountant	6	6
Store Assistant	0	1
Electrician	0	3

Overseer	2	3
Assistant Director	4	10
Assistant Secretary	0	2
Rehabilitation Officer	0	1
Summoner	1	1
Wildlife Conservation Officer	3	1
Meteorological Officer	0	1
Book Binder	1	4
Grama Niladhari	0	3
Programme Assistant	0	3
Non-commissioned Officer	21	46
Accounting Officer	0	2
Survey Field Assistant	0	3
Laboratory Assistant	0	2
Industry Administrator	0	1
Nurse	0	3
Captain	30	52
Horse Driver	3	8
Helper	1	1
Agriculture Instructor	0	2
Painter	0	2
Technical Officer	1	4
Postman	1	5
Postal Officer	4	1
Registrar	0	2
Colonel	3	1
Pre-school Teacher	0	5
Commissioner	2	3
Librarian	0	1
Library Assistant	2	1
Machine Operator	3	-
Electrical Lamp Lightener	4	-
Other	29	41
Total	**1735**	**3870**

2.2 Loan Procedure and the Progress 2020

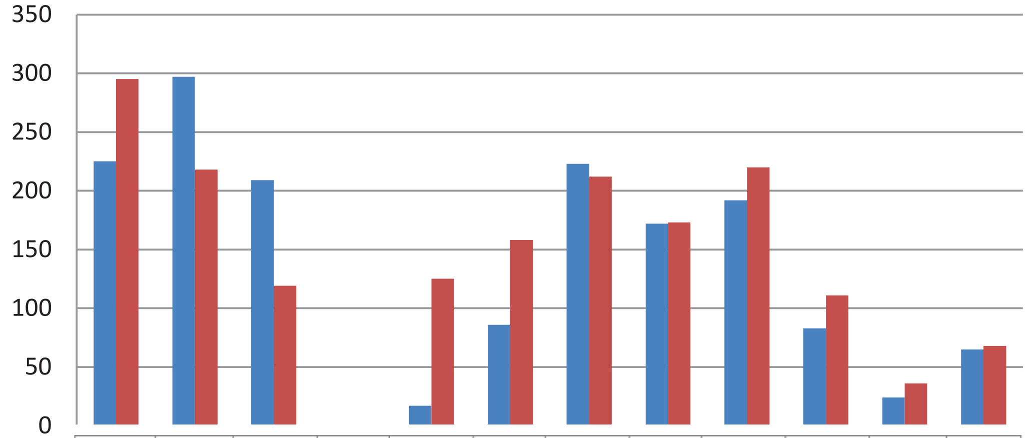
Employees in Government or Semi Government Sector, who have the following qualifications, could apply for loans from this Fund.

- Be a pensionable public officer who has completed minimum of 3 years permanent service in government sector.
- A semi government employee should complete minimum of 5 years of permanent service.
- Should have sufficient service period for recovering the loan amount prior to the retirement. (The age is considered as 59 years)
- Two guarantors for the applicant with qualifications maintained above.
- For an employee of a semi government sector, one of the two guarantors should be a public officer who has completed minimum of 03 years of permanent service in government sector.
- Ability to recover the loan installment within the 40% limit of loan applicant's monthly salary.

Table 04 - The progress of processing the loan applications submitted by the qualified loan applicants and issuing of loans in the year 2020 are as follows.

Month	No. of Loan Applicants	No. of Loan Issued	Loan Value (Rs. 000)
January	225	295	37,100,000.00
February	297	218	26,415,000.00
March	209	119	15,050,000.00
April	0	0	0
May	17	125	15,940,000.00
June	86	158	19,315,000.00
July	223	212	26,670,000.00
August	172	173	22,305,000.00
September	192	220	29,240,000.00
October	83	111	13,050,000.00
November	24	36	4,500,000.00
December	65	68	8,295,000.00
Total	**1593**	**1735**	**217,880,000.00**

Chart 02 - Loan Disbursement – 2020



	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
No. of Loan Applicants	225	297	209	0	17	86	223	172	192	83	24	65
No. of Loans Issued	295	218	119	0	125	158	212	173	220	111	36	68

In the year 2020, 1735 loans had been issued against 1593 loan applications. The reason for this change could be receipt of applications in the year 2020 which guarantees did not come to sign the applications in the last months of October, November and December of 2019, and receipt of the CL permits in the year 2020 which required in the loan issuance for the army loan applications received in the last months of 2019.

2.3 Loan Categories Issued and Monitory Value of Loans

In 2020, no changes were made to the loan system due to this pandemic situation.

Table 05 - Progress according to the Limit of Loans

Maximum Credit Limit (Rs.)	Number of Loans Issued	Loan Amount (Rs.)
300,000	57	17,100,000.00
250,000	76	19,000,000.00
175,000	410	71,750,000.00
100,000	1012	101,200,000.00
50,000	168	8,400,000.00
40,000	7	280,000.00
30,000	5	150,000.00
20,000	0	0
10,000	0	0
Total	**1735**	**217,880,000.00**

2.4 Progress of Loan Recovery

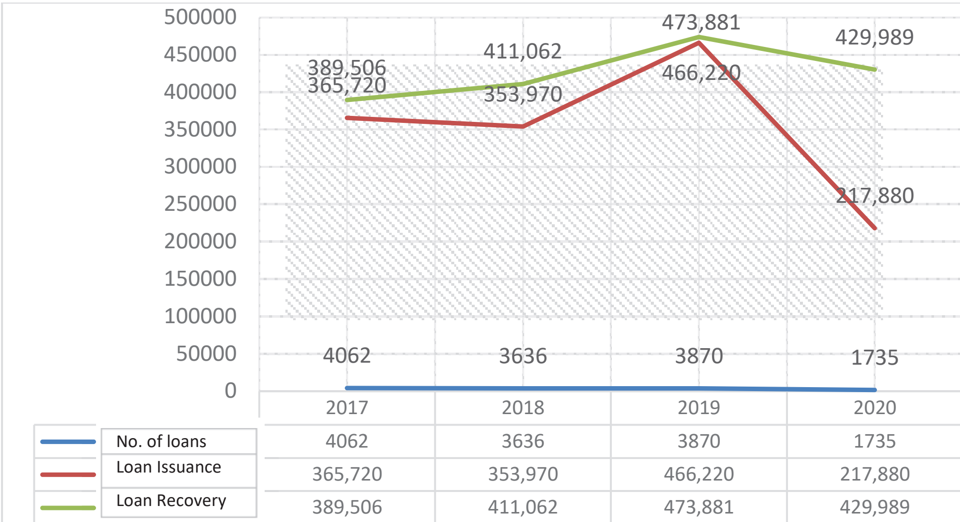
During the period from year 2017 to 2020, the progress of issuing loans and loan recoveries are shown in Table 06 and Chart 03.

- Issuing of Loan - Decrease - 53.26%
- Loan Recovery - Decrease - 9.26%

Table 06 - Issuing of Loans and Recovery of Loans from Year 2017 to 2020

Year	No. of Loan Issued	Loan Disbursed (Rs. 000)	Loan Recovered (Rs. 000)
2017	4062	365,720	389,506
2018	3636	353,970	411,062
2019	3870	466,220	473,881
2020	**1735**	**217,880**	**429,989**

Chart 03 - Progress of Loan Disbursement and Loan Recovery



2.5 Office Complex of Lady Lochore Loan Fund

2.5.1 Rent Income

While using 5,500 square feet of the Lady Lochore Loan fund building as the office premises of the Fund, the additional space had allocated to the following institutions on the basis of lease rent and thereby the Fund had earned Rs.17.05 million as the rent income in the year 2020.

Table 07 - Building Rent Income in Year 2020.

Serial No	Institution	Rented Floor	Square Feet	Income (Rs.)
01	Lady Lochore Loan Fund	3rd Floor	5500	-
02	Vehicle Park	Basement	5290	-
03	National Savings Bank	Ground Floor	5500	7,080,000
04	Co-operative Employees' Commission	1st Floor	2415	2,365,727
05	Ceylon Electricity Board	1st and 2nd Floor	4700	4,800,000
06	Ceylon Electricity Board – Information Division	2nd Floor	2750	2,805,132
07	Available on rental basis	2nd Floor	840	-
08	Available on rental basis	No: 100/20	380	-
			27375	**17,050,859**

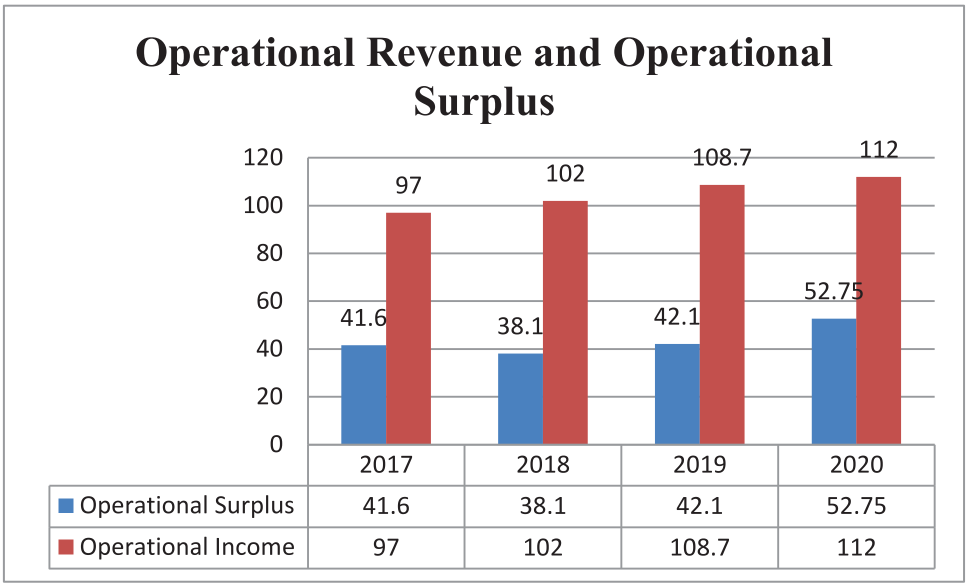
2.5.2 Sustainability of the Fund

Special attention of the Board of Trustees had drawn on maintaining the operational and the financial sustainability of the Fund. This institution is not an institution depending on the grants of the Treasury or budgetary provisions, and all the expenses including salaries of the cadre and other operational costs are borne by the interest income of the Fund and the rental of the building. After covering all the operational expenses such as bad debts, administrative and other expenses for recovery of loans by this income, the surplus had invested at National Savings Bank and People's Bank ensuring the sustainability of the Fund.

Type of Investments	Bank	31.12.2020 (Rs.)	31.12.2020 (Rs.)
Fixed Deposit	People's Bank	233,139,593	51,349,255
Fixed Deposit	National Savings Bank	23,684,759	21,711,444
Total		**256,824,352**	**73,060,699**

2.5.3 Operational Income

During the year 2020 the total operational income was Rs. 112 million while the net operational surplus was Rs. 52.7 million. Operational income and the net operational surplus of the year 2019 were 108.7 million and 42.1 million respectively. As a result of growth in the interest income on fixed deposits, increasement of other incomes and the amount indicated after made the payment and transferring of 2 Motor vehicles received from the Ministry of Finance in the year 2015 as donations of the Finance Ministry in the final accounts which should be accrued to the profit from the year 2016 to 2020 thus from the total value the portion which belongs to the year 2018 and 2019 when added to the annual income, caused a growth in operational income in the year 2020 by 25%, when compared to year 2019.



03

GENERAL ADMINISTRATION AND HUMAN RESOURCE DEVELOPMENT

3.1 Staff Training - 2020

In order to control the epidemic situation caused by the spread of Corona virus in Sri Lanka in the first half of 2020 and to maintain continuously the public lives and public services, it had to follow Health guidelines, travelling restrictions, police curfews, and employees were forced to continue work from home (WFH) instead of calling them to work stations. The employees were reported on duty on a roster basis and they have provided opportunities to continue work from home without being called to the workstation, due to the measures taken in the face of the epidemic situation, and due to the facts that the fragmentation of the government machinery that was normally maintained, the decrease in the attendance of employees, pay more attention towards health care, limit the expenses and bear more expenses for personal health care and institutional health care, and therefore, the provision allocated for staff training was suspended.

3.2 Recruitment and Promotions of the Fund

Promotions and New Recruitments

3.2.1 In 2020, two promotions have been granted to the staff of the Fund. On 03.05.2020, two officers holding the posts of Management Assistant Grade 111 have been promoted to the Management Assistant Grade 11. The same promotion is effective from 03.05.2020.

3.2.2 New Recruitments

- Since the Junior Manager - Information Technology Officer, who was initially appointed on 14.09.2018 subject to conditions, did not complete the qualifications in accordance with the Scheme of Recruitment, and therefore the appointment of the said officer was canceled on 31.08.2020.

- The new Information Technology Officer, who was recruited on 25.08.2020 to replace that junior officer, was resigned in the latter half of 2020 i.e. on 11.11.2020 due to the Corona epidemic situation.

- Three (03) Management Assistant Grade 111 officers also resigned from the service of the Fund in 2020 due to various reasons.

- By the end of the year 2020, applications were called by publishing in the official website of the Fund and through newspaper advertisements, and transparently selected suitable applicants and conducted formal interviews, and accordingly, 06 new officers for the position of Management Assistant Grade 111 were recruited to the Fund, in order to fill the vacancies of the staff.

Accordingly, at the end of 2020, there were 05 vacancies in the newly approved cadre of the Fund as 01 Junior Manager - Information Technology, 01 Management Assistant (Technical) and 01 Office Assistant.

3.3 Setting up the Premises of the Fund to suit with the Condition of Corona Epidemic

Action has been taken to prepare the office and the premises of the Fund in accordance with the health guideline, in order to continue the government mechanism in the midst of the rapidly spreading corona epidemic situation, to provide an optimal level of service to the clients of the Fund in a healthy and efficient manner, and to maintain the functioning of the Fund in a proper order. Accordingly, safety measures such as installation of water sinks with taps for hand washing near the main entrance of the Fund premises, application of footbaths with disinfectant liquid in front of entrances to clean feet, providing of disinfectants, hand sanitizers and soaps, disinfection of the premises from time to time, setting up of protective covers with wax screens near the office counters, interview section, loan application window and cashier, have been taken. Accordingly, continuity of service towards clients in a healthy manner was efficiently ensured.

3.4 Streamlining Staff Administration and Office Procedures

- Training of staff was suspended as per the instructions of Board of Trustees.
- Due to the travelling restrictions and curfews imposed from time to time in the country, it was not able to evaluate and grant marks to the employees as per the performance appraisal system introduced in year 2018, and therefore the performance evaluation system was not implemented in the year 2020.
- Efficiency Bar Examinations and Language Proficiency Examinations were also not conducted.
- Due to the epidemic situation in 2020, the T-shirt issued annually for the staff was not issued during the year 2020, on the reasons of reduction of attendance at the workstation, continuation of work from home, disruption of garment factory operations etc.

3.5 Staff Loan

No change was made in the system of corporate staff loans and was implemented throughout the year as previously.

3.6 Land Deeds and Bonds

At the time of initiations of the Fund; granting of loans on the surety of deeds of land was conducted. Since 1960, the Fund is responsible for 267 surety bonds taken in under this method. As this method of granting loans is no longer in operation, the Audit Committee has recommended to release the surety bonds according to the relevant office of District Land Registrar and complete the release by registering the cancellation of surety under the names mentioned in the bonds. Meeting of 831st Board of Trustees has approved to release the said bonds accordingly. Thus 191 bonds had been released in that regard, however no bonds were released during the period from 01.01.2020 to 31.12.2020.

3.7 Meetings

Due to the global epidemic situation, 01 Board of Trustees Meeting and 01 Staff Meeting were held in 2020.
08 special meetings were held as a part of the follow-up process, in order to establish and properly maintain the plans by discussing the measures to be taken to ensure the functioning and existence of the Fund, managing the expenses, in terms of the provisions made to maintain the government machinery without being inactive in the event where the epidemic situation caused by the Covid 19, new corona virus spread in the country.

3.8 Audit and Management Committee

Audit and Management Committee meetings were not held during the year 2020 due to the global pandemic situation.

04

Future Plans

- Amend the terms of Lady Lochore Loan Fund Act in order to generate fund with the purpose of providing financial facilities to the private sector employees in future which is currently limited only to public sector employees.

- Convert the Fund to a service level lending institution and change its scope and activities in order to support the beneficiaries.

Ranwatta & Co.
CHARTERED ACCOUNTANTS
SUMITH RANWATTA MBA, FCA, FCMA, FMAAT, FCPM

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LADY LOCHORE LOAN FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lady Lochore Loan Fund, which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard (SLPAS).

Basis for Opinion

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

Responsibilities of Management 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 intends 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 Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Chartered Accountants
Date: 20/01/2022
Colombo 02.

LADY LOCHORE LOAN FUND
STATEMENT OF COMPREHENSIVE INCOME DECEMBER 31, 2020

	Note	31/12/2020 Rs.	31/12/2019 Rs.
Revenue	5	112,043,737	108,730,354
Other Income	6	2,388,896	2,950,113
Operating Expenses			
Personnel Cost	7	(34,128,246)	(31,550,905)
Premises, Equipment and Establishment Expenses	8	(13,556,832)	(20,648,233)
Fees and Commission	9	(797,044)	(1,394,005)
		(48,482,122)	(53,593,143)
Surplus Before Taxation		65,950,511	58,087,324
Tax Expense	10	(13,197,841)	(15,940,799)
Surplus for the Year		52,752,670	42,146,525

LADY LOCHORE LOAN FUND
STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

	Note	31/12/2020	31/12/2019
Assets		රු.	රු.
Current Assets			
Cash & Short Term Assets	11	16,057,239	28,335,925
Loan and Advances	12	342,144,275	454,619,719
Inventory		293,726	252,330
Other Assets	13	2,226,925	1,818,761
		360,722,165	485,026,735
Non Current Assets			
Investment in Fixed Deposit	14	256,824,352	73,060,699
Property Plant & Equipment	15	83,146,654	85,183,310
Investment Property	16	26,247,617	27,238,094
		366,218,623	185,482,103
Total Assets		726,940,788	670,508,838
Funds, Reserves and Liabilities			
Current Liabilities			
Other Liabilities	17	15,131,193	11,660,192
Income Tax	18	6,157,888	7,284,797
		21,289,081	18,944,989
Non Current Liabilities			
Grant from Ministry of Finance	19	-	2,093,230
Retirement Benefit Obligation	20	20,846,540	17,295,208
		20,846,540	19,388,438
Total Liabilities		42,135,621	38,333,427
Net Assets		684,805,167	632,175,411
Funds and Reserves			
Accumulated Fund		538,155,581	485,525,825
Revaluation Reserves		146,649,586	146,649,586
Total Funds and Reserves		684,805,167	632,175,411

These Financial Statements are in compliance with the requirements of the relevant regulatory provisions.

……………………
Accountant

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board by

………………………………………………… ………………………………

President **Managing Trustee**

Date : 20.01.2022 **Date : 20.01.2022**

LADY LOCHORE LOAN FUND

STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Revaluation Reserves	Accumulated Surpluses Rs.	Total Net Asset Rs.
Balance as at 31.12.2018	146,649,586	443,365,189	**590,014,775**
Prior Year Adjustments	-	14,111	**14,111**
Surplus for the Year	-	42,146,525	**42,146,525**
Balance as at 31.12.2019	**146,649,586**	**485,525,825**	**632,175,411**
Balance as at 01.01.2020	146,649,586	485,525,825	**632,175,411**
Prior Year Adjustments	-	(122,914)	(122,914)
Surplus for the Year	-	52,752,670	52,752,670
Balance as at 31.12.2020	**146,649,586**	**538,115,581**	**684,805,167**

LADY LOCHORE LOAN FUND
STATEMENT OF CASH FLOW AS AT DECEMBER 31, 2020

	2020 Rs.	2019 Rs.
Cash Flow from Operating Activities		
Net Surplus for the Year	65,950,511	58,087,324
Adjustments		
Depreciations	4,241,204	8,200,315
Gratuity	3,551,332	2,625,451
Prior Year Adjustments	(122,914)	14,111
Government Grant	(2,093,230)	(2,093,227)
Interest Income on Fix Deposits	(8,763,653)	(7,721,536)
Operating Surplus Before Changes in Operating Assets	**62,763,250**	**59,112,438**
Cash Flow in Operating Activities		
Increase in Inventory	(41,396)	(15,534)
Decrease/(Increase) in Loan & Advances	112,475,443	(88,753,820)
Decrease/(Increase) in Other Assets	(408,164)	2,021,313
Increase /(Decrease) in Other Liabilities	3,471,001	(254,392)
	115,496,884	**(87,002,433)**
Net Cash Flow from Operating Activities	178,260,134	(27,889,995)
Tax Paid	(14,324,749)	(13,868,537)
	(14,324,749)	**(13,868,537)**
Net Cash Flow Generated / (Used in) Operating Activities	**163,935,385**	**(41,758,532)**
Cash Flow from Investing Activities		
Acquisition of Property, Plant & Equipment	(1,214,071)	(1,087,663)
(Investments) /Withdrawal in Fixed Deposit	(183,763,653)	41,563,206
Interest received	8,763,653	7,721,536
Net Cash Flow Generated from /(Used in) Investing Activities	**(176,214,071)**	**48,197,079**
Cash Flow from Financing Activities	-	-
Net Increase in Cash & Cash Equivalents	(12,278,686)	6,438,547
Cash & Cash Equivalents at the Beginning of the Year	28,335,925	21,897,378
Cash & Cash Equivalents at the End of the Year	**16,057,239**	**28,335,925**
Analysis of the Cash and Cash Equivalents shown in Balance Sheet		
Cash at Bank	16,037,239	28,315,925
Cash in Hand	20,000	20,000
	16,057,239	**28,335,925**

Principal Accounting Policies

01. General Information

The Lady Lochore Loan Fund is established by Lady Lochore Loan Fund (Board of Trustees) Act No 38 of 1951 (Revised 1956) and the fund is domiciled in Sri Lanka. The registered office of the Fund is located at 100, 3/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

1.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS).

1.2 Responsibility of Financial Statements

The board of Trustees is responsible for the preparation and presentation of the Financial Statements.

1.3 Basis of Preparation

The Financial Statement of the Fund presented in Sri Lanka Rupees, have been prepared on a historical cost basis.

1.4 Events occurring after the Balance Sheet Date

All material post Balance Sheet events have been considered and where appropriate adjustments to or disclosures have been made in the respective Notes to the Financial Statements.

1.5 Taxes

Current tax

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

1.6 Comparative Information

The accounting policies applied by the Loan Fund are unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged where necessary, to confirm to the current year's presentation.

02. ASSETS AND BASES OF THEIR VALUATION

2.1 Provision for Loan Losses

Provision for Bad and Doubtful Loans are made on the basis of a review made by the Trustee s loans from customers are stated at the outstanding carried forward balances less provision made as at the end of the Reporting period.

2.2 Fixed Deposits

Fixed deposits and other interest bearing securities held for resale in the near future to benefit from short term market movement are accounted for at cost plus the relevant proportion of the discount or premium.

2.3 Property, Plant & Equipment

Property Plant & Equipment is stated at cost of purchase together with any incidental expenses thereon. The assets are stated at cost less accumulated depreciation, which is provided for on the basis specified below.

Building	4%
Furniture and Fittings	10%
Computer Equipment	25%
Office Equipment	10%
Electrical Fixtures and Fittings	10%
Motor Vehicle	25%

From the year 2008/09, the Loan Fund has changed its accounting policy to provide depreciation from the month of purchase to the month of disposal.

Up to the year 2007/08, depreciation was not provided on the assets purchased and used during the year also no depreciation was provided in the year of disposal.

2.4 Other Receivables

Other receivables are stated at the amounts they are estimated to realize.

2.5 Cash & Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand and demand deposit and short term liquid investment readily convertible to identified amounts of cash and subject to insignificant risks of changes in value. The cash Flow Statement has been prepared using the indirect Method.

03. LIABILITIES AND PROVISIONS

All known liabilities have been provided in preparing the financial Statements.

3.1 Capital Commitments

Capital commitments of the Loan Fund are disclosed in the respective notes to the Financial Statements.

3.2 Pensions and Retirement Benefits

A provision has been made for Retiring Gratuity Payable under the payment of Gratuity Act No.12 of 1983. This provision has been computed in accordance with the gratuity formula adopted by the board of Trustees.

3.3 Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

All employees are eligible for Lady Lochore staff provident Fund contributions and Employees' Trust Fund contributions in line with respective statues and regulations. The loan Fund contributes 16% of gross emoluments or employees to Lady Lochore staff provident Fund and 3% of gross emoluments of employees to the Employees' Trust Fund which are externally funded.

04. INCOME STATEMENT

4.1 Revenue Recognition

4.1.1 Interest Income

Interest Income recognized on an accrual basis. The Fund considers Loans granted to Government employees from whom recoveries have ceased for 03 months as “Non Performing Loans”. Thereafter the interest is recognized on such loans on cash basis.

4.1.2 Rental Income

Rent income is recognized on an accrual basis.

4.1.3 Expenditure Recognition

All expenditure incurred in the running of the Loan Fund and in maintaining the capital assets in a state of efficiency have been charge to revenue in arriving at the profit for the year.

All expenditure incurred in the acquisition, extension or improvement of assets of a permanent nature in order to carry on or increase the earning capacity of the Loan Fund has been treated as capital expenditure.

LADY LOCHORE LOAN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

		31/12/2020 Rs.	31/12/2019 Rs.
5	**Revenue**		
	Interest on Loan	85,584,502	83,768,339
	Rent Income	17,050,859	16,518,177
	Interest Income on Fixed Deposit	8,763,653	7,721,536
	Interest Income - 11.50% (250,000 Staff Loan)	355,744	393,861
	Interest on New Staff Loan – 4.5%	235,701	245,857
	Interest Income – 11.5% (100,000 Staff Loan)	49,769	77,443
	Interest on Special Advance	3,171	4,110
	Interest on Cycle Loan	338	1,031
		112,043,737	108,730,354
6	**Other Income**		
	Grant from Ministry of Finance	2,093,230	2,093,227
	Received from Application	193,350	446,700
	Sundry Income	95,566	299,866
	Special Income	6,750	110,320
		2,388,896	2,950,113
7	**Personnel Cost**		
	Salaries	18,622,368	16,816,527
	Allowances for Staff	4,038,794	4,529,180
	Staff Provident Fund Board Share	3,602,716	3,338,666
	Gratuity	3,551,332	2,625,451
	Allowances - Managing Trustee	1,705,958	1,160,221
	Annual Bonus	675,625	680,625
	Employee Trust Fund Board Share	675,232	625,381
	Chairman Allowance	426,220	374,356
	Special Allowance	409,453	404,129
	Fuel Allowances - Managing Trustee	231,353	250,580
	Overtime	140,660	220,353
	Board Members	33,000	385,898
	Salary Arrears	15,535	5,618
	Audit Committee	-	101,920
	Uniforms	-	32,000
		34,128,246	31,550,905

LADY LOCHORE LOAN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

		31/12/2020 Rs.	31/12/2019 Rs.
8	**Premises, Equipment and Establishment Expenses**		
	Depreciation	4,174,351	8,200,313
	Municipal Rates	1,844,600	1,897,728
	Security	1,727,710	1,798,841
	Print, Stat. & Office Requires	1,689,902	2,147,338
	Lift Maintenance	959,882	248,639
	Electricity	845,476	1,043,803
	Office Computers Maintenance	653,338	538,110
	Fuel & Motor Vehicle Charges	505,163	519,536
	Telephone	366,259	357,409
	Office Equipment Maintenance	232,955	338,227
	Postage & Telegrams	206,180	281,043
	Water	95,749	186,819
	Building Insurance	74,618	74,618
	Advertisement	69,768	60,760
	Stamp Duty	65,700	74,950
	News Paper & Periodicals	21,074	21,044
	Bungalow Expenses	7,392	-
	Crown Land Tax	5,000	5,000
	Traveling	2,200	2,400
	Building Maintenance	9,515	2,167,483
	Vehicle Insurance	-	238,708
	Donation	-	18,000
	Staff Training	-	427,464
		13,556,832	20,648,233
9	**Fees, Commission & Others**		
	Legal Fees	364,800	252,768
	Provision for loan losses	296,794	151,794
	Audit Fees	75,000	75,000
	Bank Charges	49,510	124,626
	Investigation Charge	5,940	-
	Professional Fees	5,000	468,350
	Nation Building Tax	-	301,946
	Financial Expense	-	19,521
		797,044	1,394,005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

			31/12/2020	31/12/2019
10	**Tax Expenses**		රු.	රු.
	Adjusted Profit from Business Income on Finance Service			
	Surplus before Tax		**65,950,511**	58,087,324
	Other Income		**-**	(6,158,438)
	Aggregate Expenses disallowed for Tax		**8,022,477**	15,161,743
	Aggregate Deductible Expenses for Tax		**(651,652)**	(670,635)
	Adjusted Profit from Business Income on Finance Service		**73,321,336**	66,419,994
	Total Taxable Income		**73,321,336**	66,419,994
	Income Tax Expense @ 18 %		**13,197,841**	15,940,799
			13,197,841	15,940,799
11.	**Cash & Short Term Funds**			
	Peoples Bank A/c No - 204100 1600 85389		**12,942,777**	26,458,932
	Peoples Bank A/c No - 204100 1800 85388		**2,072,770**	1,385,767
	Peoples Bank A/c No - 204100 2500 85389		**1,021,692**	471,226
	Cash in Hand		**20,000**	20,000
			16,057,239	28,335,925
12	**Loan & Advances**			
	Loans to Employees of Government Institutions	**12.1**	**332,481,497**	445,058,258
	Staff Loans and Advances	**12.2**	**9,662,778**	9,561,461
			342,144,275	454,619,719
12.1	**Loans to Employees of Government Institutions**			
	Government Corporations & Firms		**322,992,299**	437,498,482
	Performing Loans		**11,117,299**	8,077,402
	Non Performing Loans		**334,109,59**	445,575,884
	Interest in Suspense - Non Performing Interest		**(1,208,510)**	(394,829)
	Provision of Loan Loss		**(419,591)**	(122,797)
			332,481,497	445,058,258
12.2	**Staff Loans and Advances**			
	Staff Loans – New Scheme - 10 Month		**5,895,608**	5,561,449
	Staff Loans - 11.5%		**3,756,109**	3,974,949
	Cycles Loans		**3,061**	17,063
	Festival Advance		**8,000**	8,000
			9,662,778	9,561,461
13	**Other Assets**			
	Rent Receivable		**1,836,925**	**1,818,761**
	Rent Deposit Receivable		**390,000**	**-**
			2,226,925	**1,818,761**
14.	**Investment in Fixed Deposit**			
	Fixed Deposit		**253,659,297**	**70,996,597**
	Interest on Fixed Deposit		**3,165,055**	**2,064,102**
			256,824,352	**73,060,699**

15	Property,Plant & Equipment Cost / Valuation	Balance as at 01.01.2020 Rs.	Adjustments during the Year Rs.	Discarded during the Year Rs.	Balance as at 31.12.2020 Rs.
	Free Hold				
	Land - Leased Hold	98,000,000	-	-	98,000,000
	Building	10,400,000	-	-	10,400,000
	Motor Vehicles	16,008,750	-	-	16,008,750
	Electrical Fixture & Fittings	3,682,639	3,790	-	3,686,429
	Computer Equipment	5,208,800	1,103,510	(423,500)	5,888,810
	Furniture & Fittings	1,390,342	46,926	-	1,437,268
	Office Equipment	1,987,767	59,845	-	2,047,612
		136,678,298	**1,214,071**	**(423,500)**	**137,468,869**

	Accumulated Depreciation	Balance as at 01.01.2020 Rs.	Charges for the Year Rs.	Removals during the Year Rs.	Balance as at 31.12.2020 Rs.
	Free Hold				
	Land	18,666,667	2,333,334	-	21,000,000
	Building	7,923,808	247,618	-	8,171,426
	Motor Vehicles	15,930,969	17,187	-	15,948,156
	Electrical Fixture & Fittings	3,371,138	68,933	-	3,440,071
	Computer Equipment	3,727,433	290,080	(423,500)	3,594,013
	Furniture & Fittings	773,704	109,322	-	883,026
	Office Equipment	1,101,269	184,254	-	1,285,523
		51,494,988	**3,250,727**	**(423,500)**	**54,322,215**
	Written Down Value	85,183,310			**83,146,654**

16	**Investment Property** Cost / Valuation	Balance as at 01.01.2020 Rs.	Adjustments during the Year Rs.	Balance as at 31.12.2020 Rs.
	Investment Property	41,600,000	-	**41,600,000**
		41,600,000	-	**41,600,000**

	Accumulated Depreciation	Balance as at 01.01.2020 Rs.	Charges for the Year Rs.	Balance as at 31.12.2020 Rs.
	Investment Property	14,361,906	990,477	**15,352,383**
		14,361,906	990,477	**15,352,383**
	Written Down Value	**27,238,094**		**26,247,617**

		31/12/2020 Rs.	31/12/2019 Rs.
17	**Other Liabilities**		
	Rent Deposit	**8,573,895**	8,183,895
	Over Recoveries on Loans to Government Employees	**4,705,705**	1,707,891
	Accrued Expenses	**1,436,265**	1,295,252
	Suspense Creditors S/L	**315,328**	373,154
	Other Deposit – Security	**100,000**	100,000
		15,131,193	11,660,192
17.1	**Rent Deposit**		
	National Savings Bank	**3,540,000**	3,150,000
	Ceylon Electricity Board	**2,400,000**	2,400,000
	Ceylon Electricity Board – IT Division	**1,402,500**	1,402,500
	Co-operative Employees Commission	**1,231,395**	1,231,395
		8,573,895	8,183,895
17.2	**Accrued Expenses**		
	Legal Fee	**354,050**	-
	Building Maintenance	**347,906**	614,341
	Security Charges	**152,180**	145,880
	Printing & Stationary	**125,357**	46,592
	Annual Bonus Allowances	**77,188**	37,813
	Audit Fees	**75,000**	75,000
	Building Insurance	**74,618**	74,618
	Electricity	**73,269**	88,624
	Computer Maintenance	**62,560**	-
	Telephone	**33,835**	26,574
	Overtime	**18,501**	-
	Stamp Duty	**17,875**	17,975
	Allowances - Managing Trustee	**10,054**	-
	Water	**7,872**	7,913
	Special Allowances	**6,000**	8,297
	Professional Fee	**-**	99,513
	Value Added Tax	**-**	51,405
	Salary	**-**	707
		1,436,265	**1,295,252**
18	**Income Tax Payable**		
	Balance at the Beginning of the Year	**7,284,797**	**5,212,534**
	During the Year provision	**13,197,841**	**15,940,799**
	Tax paid	**(14,324,749)**	**(11,872,791)**
	Withholding Tax	**-**	**(1,995,746)**
	Balance at the End of the Year	**6,157,888**	**7,284,797**
19	**Grant from Ministry of Finance**		
	Balance at the Beginning of the Year	**2,093,230**	**4,186,455**
	Transactions during the Year	**(2,093,229)**	**(2,093,229)**
	Balance as at End of the Year	**-**	**2,093,230**
20	**Retirement Benefit Obligation**		
	Balance at the Beginning of the Year	**17,295,208**	**14,669,757**
	Provisions during the Year	**3,551,332**	**2,625,451**
	Payments during the Year	**-**	**-**
	Balance at the End of the Year	**20,846,540**	**17,295,208**

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