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Name and the address of the institute

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

Registration

- Lady Lahore Loan Fund has been established under the Act No. 38 of 1951 and amended in 1956, and it is being operated under the purview of the Ministry of Finance and Planning.

Board of Trustees

- Ms. Geetha Kumari Wimalaweera - President,
(Director, Department of National Budget)
- Mr. Nimal Abeysiri - Managing Trustee
- Mr. W.A.D.A.R. Gunawardhana - Member
- Mr. K.G.Somasundara - Member
- Mr. K.J.B.Dissanayaka - Member

Audit and Management Committee

- Mr. T.N. Oshan - Chairman,
(Director, Department of Public Finance)
- Mr. W.A.D.A.R. Gunawardhana - Member
- Mr. K.G.Somasundara - Member
- Mr. K.J.B.Disanayaka - Member

Auditor

Gunasekara Rathnayake & Company,
Chartered Accountants,
65/3, Sri Chittampalam a Gardiner Mawatha,
Colombo 02.

Bank/s

People's Bank,
Head Quarters Branch,
Colombo 02

President's Message

I am pleased to present the Annual Report of Lady Lochore Loan Fund (LLLF) for the financial year 2013. Our performance during the year has confirmed our status as a viable institution which successfully operates and provides the service to the beneficiaries. In 2013, the LLLF has been able to provide short term loans amounting to Rs. 194.0 million for 5,005 beneficiaries. When compare to the performance of the year 2012 the performance in 2013 was satisfactory.

During the period from 2011 -2013 the main emphasis of the fund management was to implement special activities for recovering the non-performing loans, which lies from several decades. The achievement was very successful and was able to meet the recommendations of the Committee on Public Enterprises (COPE).

In order to strengthen the capacity of the fund in terms of human resources, financial sustainability and beneficiary confidence of the Fund, several measures were taken by the Board of Trustees. The available funds, after provisioning the loans to the beneficiaries, have been deposited in fixed deposits, the employees have been provided with loan facilities, training and other welfare facilities while the environment of the office have been improved by uplifting the quality of building.

As we conclude another excellent year, I extend my application to the Board of Trustees for their strategic direction and guidance. I sincerely thank the staff members for their dedication and commitment and hard work at all times. I am grateful to our beneficiaries/customers for assisting to maintain a sustainable fund.



PRESIDENT
LADY LOCHORE LOAN FUND

A Review of Managing Trustee

The Lady Lochore Loan Fund, from the establishment on 26th March 1927, has completed its age over 80 years and has been providing successful and efficient services to its beneficiaries in the government and semi government sectors. Presently, it is being operated and monitored by the Ministry of Finance & Planning.

Since I have been appointed in 2012, I have been able to establish a mechanism for loan management and to ensure the loan recoveries without any loan is adding to the status of non-performing. I have also been able to make arrangements to strengthen the administration capacity of the fund.

Achieving the target of providing loans to more beneficiaries covering all districts is a success in 2013. For this achievement, the annual Deyata Kirula development program, implemented under the concept of Mahinda Chinthana by H.E the President, has been a reason. This has resulted from activities of the fund that have been expanded, enabling to cover public sector employees in very remote area for providing the loan facilities of this fund. In this context, in 2013 the number of beneficiaries in Colombo district was 14% compared to 75% in 2012. It appears that the beneficiaries in other districts have significantly been increased (table 01).

The special activity which had been done in 2013 is the strengthening of management by disposing of obsolete documents which have been stored several decades and renovating the record room and the building. It was not only that favorable environment is established but also to contribute to the financial progress of the fund. Further in strengthening the cooperation between employers and employees it has been able to achieve the targets of the institute. All the documents have been produced in three languages benefitting to the employees as well as to the beneficiaries of the fund.

I very much appreciate the guidance and support given by the Secretary to the Treasury and the other officers of the Ministry of Finance & Planning in achieving these tasks. I am also grateful to the Chairperson, the members of the Board of Trustees and my staff for encouraging and assisting me to fulfill the tasks.



W. NIMAL ABEYSIRI,
MANAGING TRUSTEE

Vision

To be leading financial supporter for the
Public Sector Employees

Mission

To contribute to build up a satisfactory Public Service
Through freeing its' Employees from
Indebtedness.

Objective

To relieve Indebtedness of Employees of the Public Sector,
Corporations and Local Governments, by providing short term loans
expeditiously on concessionary interest
rates under lenient conditions.

Functions

- Providing loans to beneficiaries by maintaining the fund sustainably.
- Developing institutional capacity.
- Policy formulation and implementation for raising funds and maintaining the Fund.
- Developing best practices for loan management and operations of lending facilities.
- Implementing loan schemes, facilitating the other government institutions, to provide loans to their staff utilizing their own funds.

1. PERFORMANCE – 2013

1.1 Beneficiaries in 2013

In 2013, 5,005 employees in the public sector have been benefited from the Fund, compared to 4,358 beneficiaries in 2012. When compared to the progress of the beneficiary distribution in the country, in 2013 the loans have been distributed among the employees covering all the districts compared to 2012. 75 percent of the beneficiaries in 2012 were centered in the institutions located in and around the district of Colombo. It has been distributed among the employees of other districts in 2013. Deyata Kirula National Development Program has contributed for this important performance. The information in table 02 has shown the beneficiaries of the fund as per their service categories.

Table -01 – District Wise Beneficiaries in 2012 & 2013

District	No of Beneficiaries			
	2012	(%)	2013	(%)
Colombo	3,245	74.45	711	14.20
Gampaha	288	6.60	677	13.52
Anuradhapura	174	4.00	322	6.43
Kandy	143	3.28	303	6.05
Vavuniya	77	1.75	25	0.50
Kaluthara	64	1.45	416	8.32
Rathnapura	59	1.35	172	3.43
Galle	55	1.25	287	5.73
Kurunegala	46	1.05	428	8.55
Puttalam	44	1.05	53	1.06
Jaffna	43	1.05	02	0.04
Polonnaruwa	24	0.55	271	5.42
Trincomalee	20	0.46	211	4.22
Mulathive	15	0.34	04	0.08
Mannar	10	0.23	08	0.16
Badulla	10	0.23	145	2.90
Matale	09	0.20	123	2.45
Hambanthota	07	0.15	90	1.80
Kegalle	06	0.14	191	3.82
Batticaloa	05	0.11	41	0.82
Ampara	05	0.11	228	4.55
Monaragala	04	0.10	122	2.44
Nuwaraeliya	03	0.06	66	1.33
Matara	02	0.04	109	2.18
Total	4,358		5,005	

Table - 02 - Progress of Loan Disbursement According to the Service Categories

Designation	Number of Beneficiaries	
	2012	2013
Army Soldier	503	983
Police Constable	545	590
Ordinary Laborer	459	514
Office Assistant	324	330
Sergeant	389	216
Management Assistant	329	375
Corporal	916	1207
Driver	168	145
Police Inspector	46	46
Deputy Police Inspector	53	31
Chef	41	57
Police Security Assistant	16	11
Assistant Survey Officer	101	28
Jailor	28	46
Canteen Assistant	19	24
Development Assistant	18	38
Attendant	20	04
Watcher	27	18
Motor Mechanic	10	02
Civil Police Assistant	13	02
Technician	12	15
Carpenter	22	07
Health Administrator	08	05
Major	23	18
Human Resource Assistant	08	04
Firemen	08	02
Administrative Officer	05	11
Mason	12	09
Accountant	11	09
Lieutenant	33	60
Store Assistant	06	07
Technician	13	07
Messenger	19	02
Overseer	08	02
Post Master	30	13
Assistant Director	11	05
Receptionist	02	02
Book Binder	13	02
Grama Niladari	08	29
Programmer Assistant	16	31
Other	65	98
Total	4,358	5005

1.2 Loan Disbursement Procedure and the Progress

Qualifications to obtain loan facility

- A pensionable employee of government agency who has 03 year service period or a non-pensionable permanent employee of a semi government institution - state corporation or statutory board- who has 05 year service period.
- A reasonable service period for recovering the loan amount prior to the retirement of the beneficiary.
- Two guarantees with above qualifications.
- For an employee of a semi government institute, one of the two guarantees should be an employee in the public service who is pensionable and has minimum 03 year service period.
- Ability to recover the loan amount from both parties i.e. from the government and semi government employee, within the 40 per cent limit of their monthly salary.

The progress of processing the loan applications submitted by the qualified applicants as per above criterion and the loan disbursement are as follows.

Table 02 - Procedure of Loan Disbursement in 2013

Month	No. of Applications Issued	No. of Qualified Beneficiaries	No. of Loan Issued	Loan Value (Rs.000)
January	605	293	354	13,680
February	700	318	305	11,845
March	670	418	396	15,230
April	580	286	310	11,730
May	847	371	370	14,245
June	816	392	527	20,555
July	1,020	510	502	19,565
August	840	497	536	20,650
September	822	486	440	17,060
October	874	512	490	19,235
November	872	514	406	15,805
December	782	488	369	14,440
Total	9,428	5,085	5,005	194,040

1.3 Loan limits and the value of disbursed loans

During the year 2013 from January to December, the loan disbursements according to the loan categories, are shown in Table - 03. Accordingly, during the year Rs. 194 mn have been provided for 5,005 beneficiaries at an interest of 11.5%. Rs 40,000 was the maximum loan amount that the Fund had been able to grant to the beneficiaries during the year concerned. The lowest loan amount of Rs.10,000 has also been continued by the fund, enabling the beneficiaries from minor grade employees to entertain when they face urgent situations.

Table - 03 Progress as per loan categories

Loan Category/limit (Rs)	No. of Beneficiaries	Loan Disbursement Value (Rs. Mn.)
40,000	4,622	184.88
30,000	198	5.94
20,000	119	2.38
15,000	36	0.54
10,000	30	0.30
	5,005	194.04

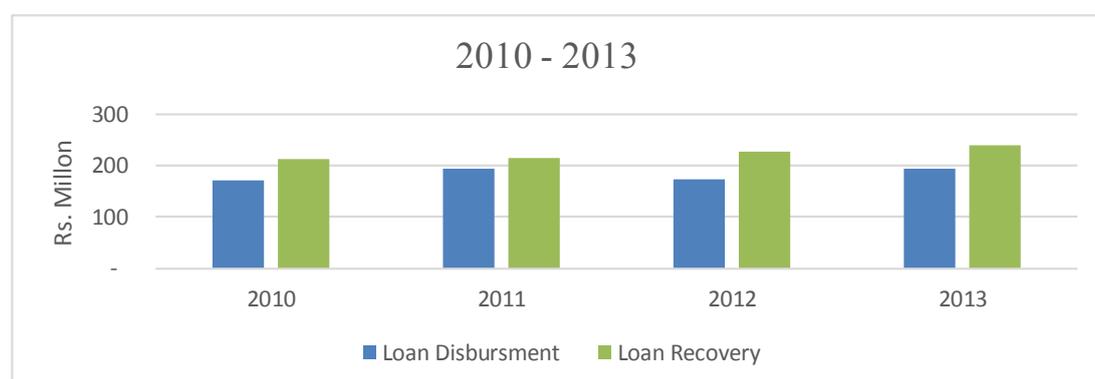
1.4 Progress of loan recovery

During the period from 2010 to 2013, the progress of loan disbursement and loan recoveries are shown in Table 05 and Chart 01. Compared to the progress of loan recoveries in 2012, a 5.5% increase is shown in 2013.

Table - 04 – Loan disbursement and recoveries from 2010 to 2013

Year	No. of Loan Issued	Loan Disbursed (Rs. 000)	Loan Recovered (Rs. 000)
2010	5,943	170,065	211,855
2011	4,791	193,645	215,221
2012	4,358	173,970	228,064
2013	5,005	194,040	240,604

Chart - 1- Loan disbursed and recoverd



1.5 Managing the non-performing loan

Adhering to the recommendations given by the Committee on Public Enterprises in 2011 and 2013 the Board of Trustees has initiated special activities for recovering the non-performing loans accumulated during several decades. Giving special attention to recovering these non-performing loans, the board of trustees appointed a special committee on this matter and the progress of that committee was closely monitored. At the same time, arrangements were made to recover all the possible non-performing loans and to explore the possibilities of taking legal measures for those are not being able to recover. With the successful intervention through this loan recovery measures, Rs. 8 mn. of non-performing loans had been recovered in 2012 and 2013.

Table 05 - Progress of recovering non-performing loans, 2012 & 2013

Month	2012	2013
January	342,173	282,129
February	242,125	340,048
March	226,216	254,035
April	200,558	277,117
May	350,829	397,218
June	469,817	368,201
July	571,007	300,223
August	377,813	415,693
September	235,859	298,129
October	437,927	230,941
November	337,417	314,079
December	256,456	375,300
Total (Rs)	4,048,197	3,853,113

1.5.1 Non recoverable 'Non-performing Loans' up to 2005

Having observed the non-performing loan accounts of 1,227, which were on the dormant stage and still had been included to the balance sheet in 2013, the Special Committee on Recovering the Non-performing Loans had taken the following measures.

- As there was no proper mechanism for recovering the non-performing loans and due to calculating the interest on such loans annually, the loan balances included in the computer system were very much higher than the amount disbursed.
- Among those accounts, in 504 accounts the balance of the loan non performing date was Rs.1, 546,087.27. Although this amount had been recovered time to time in adhoc manner, reaching a profit to the institution by covering their interest amount over 50%, Rs. 16,226,259.43 had been included in the computer system as non-performing loans yet to be recovered. Therefore, action has been taken to remove these balances from the system, after a confirmation of special audit.

- The Lady Lochore Loan Fund had been received installments from the relevant beneficiary institutions sometime with small amount of additional money and this amount was accumulated in the accounts of the Fund. The fund has taken actions to control this over payments to the fund in future and attempt to refund them to the relevant beneficiaries as far as possible. As per the recommendation of the Committee on Public Enterprises which was held in 2011 and 2013, this accumulated over recoveries of Rs. 7,835,613, which had not been taken by the owners and shown in the accounts for several years were credited to the income account of the Fund.
- **Suspense account** - The fund has been maintained a suspense account for a long period. The action had been taken to debit its balance of Rs. 1,240,113.23, maintained up to year 2005, to the income account of the fund. At the same time, a decision has been taken to carry forward its balance from year 2006 to up to date.

1.5.2 Liabilities of the Fund

i. Loans on Mortgages (land deeds)

At the outset of the fund, there had been a system for providing loans on mortgage of assets, especially the lands. From 1960s, 267 deeds have been a responsibility of this institute. This system has not now been continued a decision has been taken to hand over such documents to the owners after certifying a special audit committee. Accordingly, approval has been granted to release 142 deeds to the owners of which 4 deeds have been taken by their owners as at 31.12.2013.

Table - 6 Mortgaged deeds in the Record Rooms

Description	No of Deeds
Total no of deeds	267
Approval granted to release	142
Deeds further to be secured(not reconciled with ledger and the records)	91
Mortgage yet to be settled (non performing)	30
No of released as at 31 st December 2013	4

ii. Loans on Mortgages - Life insurance

During the period from 1949 to 1987 the Fund had provided under the mortgage of life insurance. It has been able to find related documents in the record room at the implementation of cleaning project for disposing the obsolete documents. Accordingly 319 deeds submitted to the Sri Lanka insurance Corporation for releasing funds. However, it was not successful due to expiry date completed insurance agreements of the corporation have been destroyed. Therefore, still these following no of documents are in the record rooms.

- 216 insurance deeds of Sri Lanka Insurance Corporation
- 103 insurance deeds of other Insurance Companies

1.6 Office Complex of Lady Lochore Loan Fund

1.6.1 Rent Income

Using 5,500 square feet of the office complex of the Fund and allocating the balance space to the following institutions, the fund has been able to earn Rs. 14.4 million in 2013.

Table - 7 Building Rent Income, 2013

No	Institution	Rented Floor	Square Feet	Income (Rs.)
01	Lady Lochore Loan Fund	3 rd Floor	5,500	-
02	Lake House Book Shop	Basement & Ground Floor	10,790	5,875,000
03	Co-operative Employee's Commission	1 st Floor	2,415	1,753,590
04	Kahatagaha Graphite Lanka Ltd.	1 st Floor	2,750	1,986,600
05	Ceylon Electricity Board	2 nd Floor	4,700	3,776,548
06	Public Enterprises Reform Commission	2 nd Floor	840	840,000
07	A.J.S. Associates	No 100/20	380	184,500
	Total		27,375	14,416,238

1.6.2. Sustainability of the Fund

Emphasis of the Board of Trustees has been paid on maintaining the operational and financial sustainability of the fund. This institution does not depend on the Treasury grants and covers all expenses, including salaries and other operational costs of the fund through its earnings. After managing all the operational expenses, such as bad debt, administrative and other expenses, the surplus has been invested at People's Bank as follows, ensuring the sustainability of the Fund.

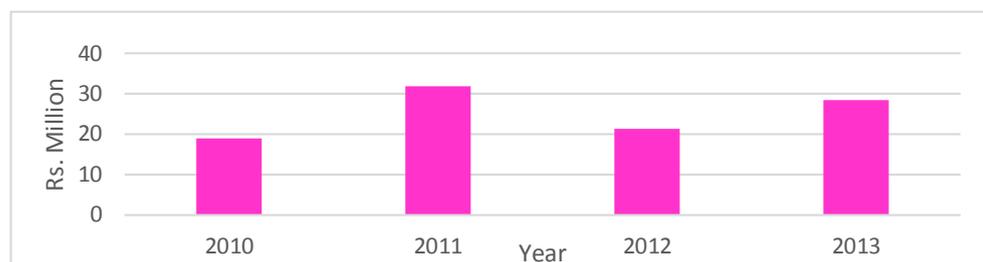
Table 08 - Investments in 2012 and 2013

Type of Investment	Bank	Balance as at 31.12.2012 (Rs)	Balance as at 31 12. 2013 (Rs)
Fixed Deposit	Peoples' Bank	751,871	71,842,646
Treasury Bill	"	7,200,900	12,416,639
Short-Term Investment (REPO)	"	66,434,649	15,360,453
Total		74,387,420	99,619,738

1.6.3 Operational Income

The total operational income in 2013 was Rs. 76.3 Million of which Rs. 28.6 mn is the operational surplus. Compared to the achievement in 2012, it was an increase by 7.1 per cent.

Chart 02 - Operational Surplus 2010 - 2013



1.7 Functioning as a Facilitator

The Fund has been facilitating in providing loans to the staff of Land Reform Commission and Coconut Development Authority utilizing their own funds. The progress of this service in 2013 is shown in the following table.

Table 09 - Progress of functioning as a Facilitator

Institution	No of Loan Issued	Amount (Rs.)
Land Reform Commission	09	90,000
Coconut Development Authority	25	1,230,000
Total	34	1,320,000

1.8 Deyata Kirula Programme - 2013

In line with government policies, the fund has contributed to the development of the country. Accordingly, at the annual event of Deyata Kirula, which held for making public awareness on the progress of development, the fund has implemented a special program with a view to expanding the number of loan beneficiaries who live in remote areas. In line with this district level program, Rs. 17.27 million has been provided for 438 beneficiaries in the Eastern Province in 2013.

Table 10 - Beneficiaries classified on their District, 2013

District	No Of Beneficiaries	Value (RS MN)
Polonnaruwa	94	3,71
Trincomalee	167	6,61
Batticaloa	120	4,69
Ampara	57	2,26
	438	17,27

2. BACKGROUND

The initial capital of 300 pounds for the establishment of the Lady Lochore Loan Fund had been donated by Lady Jean Lochore, who was a Scott nationality and lived in Sri Lanka for long period. Then the Commissioner of Charity, Reverent Father Nathaniel had taken initiatives to establish this fund on 26th March 1927. Thereafter, this Fund has been operating as a revolving fund by granting loans and recovering loans thereon. Since then, as the existed banking system was the only mechanism for providing short-term financial requirements for the employees in the public and private sectors, 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 these sectors suffered from indebtedness immensely. The establishment of this Loan Fund has brought a great relief to all these employees concerned. Along with the establishment as a statutory body in 1957, the scope of the fund has been extended. The assets of fund were built, and a three storied building was constructed with the donations received from the government and other donors.

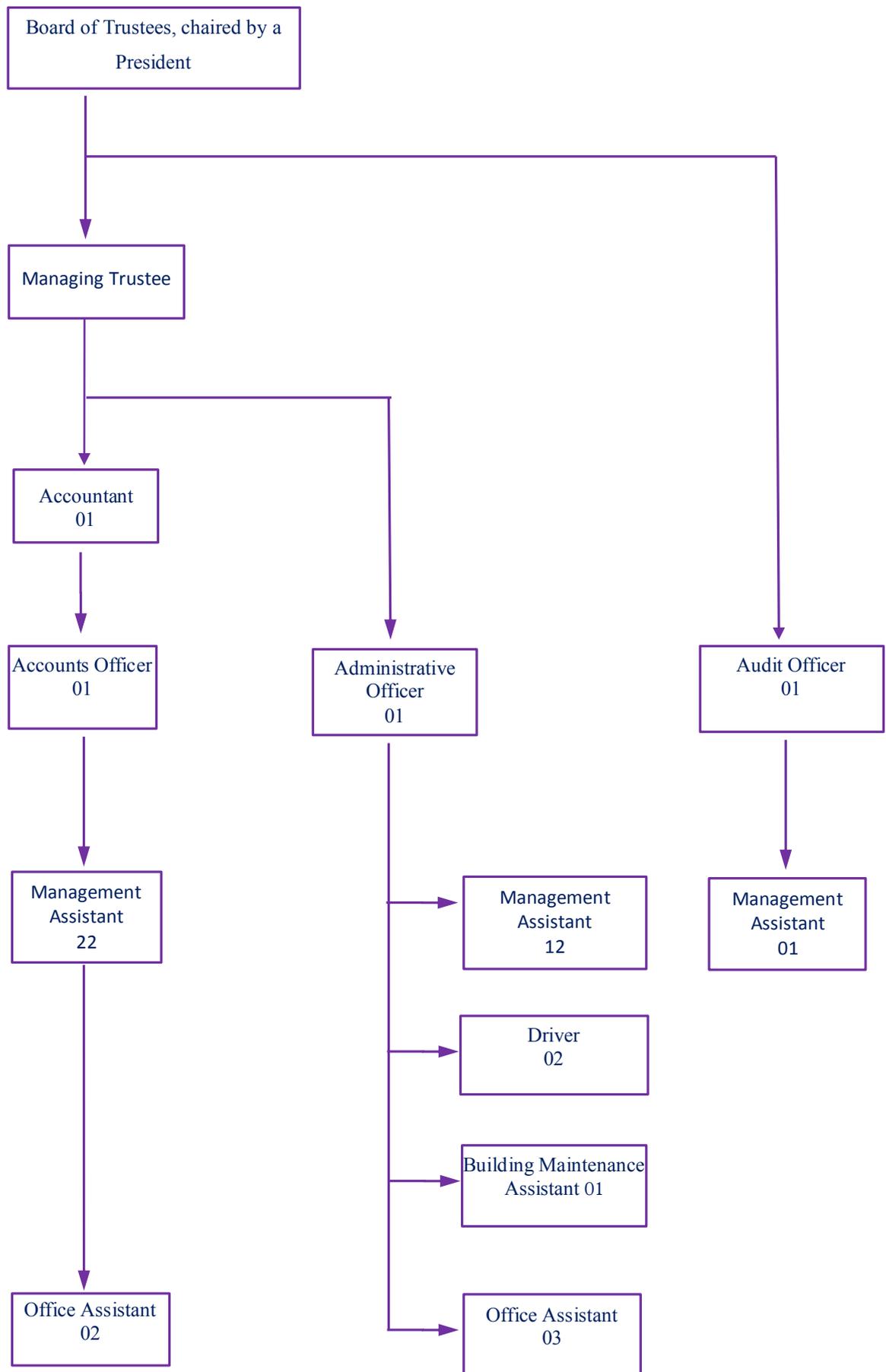
2.1 Board of Trustees

Board of Trustees consists of representatives from the public and private sectors. The patron of this institution is the Minister of Finance and he or she appoints the members of the Board of Trustees. Among them a Managing Trustee is appointed as per the section 10 and 11 of the Fund for administration and implementation of the directions issued by the Board of Trustees. As per the section 3.2 of the Act no. 38 of 1951, the post of the President of the Fund is being held by the Treasury Representative:-

2.2 Table 11 - Cadre of the Fund, 2013

No.	Approved Post	No. of Approved Carder	Actual as at 31 st Dec. 2013
1	Accountant	01	01
2	Administrative Officer	01	01
3	Accounts Officer	01	01
4	Internal Audit Officer	01	-
5	Management Assistant	35	33
6	Driver	02	02
7	Office Assistant	05	05
8	Building Maintenance Assistant	01	01
	Total	47	44

2.3 Organizational Structure



3. GENERAL ADMINISTRATION AND HUMAN RESOURCE DEVELOPMENT

3.1 New Recruitments

Six officers have been recruited to fill the following vacancies,

- 4 Management Assistants to Grade - III
- 1 Driver
- 1 Office Assistant

3.2 Promotions

Five officers to the Grade I of Management Assistant post and one officer to the Grade I of Junior Manager Post have been promoted.

3.3 Staff Welfare

With the intention of motivating and improving the interpersonal relationship of the employees, a welfare trip has been organized from 14th – 16th of December 2013 to visit Temple at Dambulla, Sacred city of Polonnaruwa, Pasikuda and Koneshwaram in Trincomalee.

3.4 Staff Loans

- 12 employees, who were not able to obtain the distress loan of 100,000 from its inception in 2011, have been granted in 2013. Further possibilities were explored to see whether this loan amount can be increased from Rs. 100,000 to Rs. 250,000 on base of the 10 month salary.
- The value of festival advance has been increased from Rs. 5,000 to Rs.10,000 and arrangements were made to provide it for all employees.
- A gift voucher amounting to Rs.5,000 were provided to all employees for Sinhala & Hindu New Year festival ,2013.
- Six employees were granted Bicycle Loan amounting to Rs.6, 000 per person.

3.5 Upgrading of computer system of the Fund

A project for upgrading and managing the computer system of the fund was implemented in 2013. Action has been taken to develop specifications for establishment of most suitable computer system to the fund through the University of Moratuwa. This has been recommended by a Committee appointed by the Ministry of Finance & Planning which consisted of 4 members. After following the several steps the university has completed drafting the specifications.

3.6 Disposal of unusable items

As per the decision of the Board of Survey, the unusable items (computers, filling cupboards, table, fans, chairs etc.) were auctioned at Rs. 60,800, applying the government procurement procedure, on the recommendation and assessment of a committee.

3.7 Renovation of record room

Taking following actions, the record room had to be modified since there were number of obsolete documents accumulated for several decades.

- Remove antiquated documents with the confirmation of a special audit and on approval of the Board of Trustees.
- Sell 7.7 tons of papers at Rs, 30,796 to the Paper Corporation at Walachchenai following the procurement guidelines.
- Modify the record room.
- Store the documents which have to be further secured (non performing accounts, mortgage and insurance files)
- Apply a new numbering system to filling the documents enabling the staff to handle them easily.

3.8. Renovation and repairing of office premises

Selecting a contractor essential renovation of the sewage system of office building has been undertaken and Rs. 2.3 mn has been spent for that purpose.

3.9 Audit and Management Committee

Audit & Management Committee meets once in four months and three Audit & Management Committee meetings were held during 2013 accordingly, as follows. The report of the audit quires had been updated and due to submit for approval of the board.

No	Dates of Meeting held
01	28.01.2013
02	28.05.2013
03	11.10.2013

4. FUTURE PLANS

- Guaranteeing the loans will not reach the status of non-performed from the 31st of December 2014, the management system of the fund to be strengthened.
- Complete the upgrading of current computer system, which has already commenced, by at end of 2014. This will ensure the efficiency and productivity of loan management.
- Invest in renovation and maintenance of office building of the Fund. For this purpose, a maintenance plan has been prepared and the implementation of the activities of this plan will commence by end of 2014.
- Strengthen the capacity of the fund and explore the possibility of increasing the existing maximum loan limit in future.



**GUNASEKERA RATHNAYAKE & CO.
CHARTERD ACCOUNTANTS**

65/3,
Sir Chittampalam A gardinar Mawatha
Colombo 02

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Fax : 011-2473833
E - mail : komseky@gmail.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LADY LOCHORE LOAN FUND

We have audited the accompanying financial statements of Lady Lochore Loan Fund , as at 31st December 2013, which comprise of Financial Position as at December 31st 2013, and the statement of Comprehensive income and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Sri Lanka Accounting Standards. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Fund maintained proper accounting records for the year ended 31st December 2013, and the financial statements give a true and fair view of the Fund's state of affairs as at 31 December 2013 and its profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



CHARTERED ACCOUNTANTS
Colombo
Date : 5/13/2014



Lady Lochore Loan Fund
Statement of Comprehensive Income
For The Year Ended 31 December 2013

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Interest Income	4	42,387,305.55	38,039,123.07
Other Income	5	33,947,187.18	19,602,256.11
		76,334,492.73	57,641,379.18
Operating Expenses			
Personal Cost	6	(21,023,444.48)	(17,657,106.21)
Premises, Equipment and establishment Expenses	7	(20,943,050.58)	(16,927,558.02)
Fees & Commissions	8	(958,778.26)	(595,211.30)
Profit before Loan Provisions		33,409,219.41	22,461,503.65
Loan Losses and Provisions		(4,155,437.62)	(466,873.00)
Profits after Loan Provisions		29,253,781.79	21,994,630.65
Provisions for Taxation		(617,011.59)	(413,838.43)
Profit for the Year		28,636,770.20	21,580,792.22

Lady Lochore Loan Fund
Statement of Financial Position
As at 31st December 2013

	<u>Note</u>	2013 (Rs.)	2012 (Rs.)
Assets			
Property Plant & Equipment's	9	140,213,625.01	146,806,380.64
Cash & Short Term Fund	10	20,164,393.69	22,358,617.89
Loan and Advances	11	190,879,679.20	189,339,014.21
Inventories		277,372.35	303,317.02
Other Assets	12	8,892,482.80	4,773,035.34
Investment	13	99,619,738.49	74,387,420.22
Total Assets		460,047,291.54	437,967,785.32
Funds /Liabilities			
Liabilities			
Loan Term Loans	14	4,983,428.51	5,677,164.29
Other Liabilities	15	18,391,375.58	26,174,213.57
		23,374,804.09	31,851,377.86
Accumulated Funds			
Balance Brought Forward		259,466,821.47	236,882,004.22
Prior Year Adjustment		1,919,309.78	1,004,025.02
Net Surplus for the Year		28,636,770.20	21,580,792.22
Effect on Retranslation		290,022,901.45	259,466,821.46
			-
Revaluation Reserve		146,649,586.00	146,649,586.00
Total Funds / Liabilities		460,047,291.54	437,967,785.32

We certify that the above Statement of Financial Position and the related statement of Comprehensive Income & Expenditure to the best of our knowledge and belief contains the surplus and Cash & Cash Equivalent of the organization.



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Chairperson

Lady Lochore Loan Fund
Cash Flow Statement
For The Year Ended 31st December 2013

	2013	2012
	(Rs.)	(Rs.)
Cash Flow from Operating Activities		
Net Profit of the year	29,253,781.79	21,994,630.65
Adjustments for		
Prior year Adjustments	1,919,309.78	1,004,025.02
Provision for Gratuity	974,490.00	936,375.03
Depreciation	8,212,176.87	8,180,382.08
Provisions for Doubtful Debtors	4,155,437.62	466,873.00
Finance Cost	173,571.62	152,513.00
Interest Income	(11,266,949.92)	(5,733,085.87)
Operating Surplus before changes in operating Assets	33,421,817.76	27,001,712.91
Increase/ (decrease) of Operating Activities		
Increase/ Decrease in Inventory	25,944.67	(96,279.28)
Increase/ Decrease in Loan & Advances	(1,540,664.99)	8,681,329.45
Increase/ Decrease in Other Assets	(3,076,469.37)	1,859,298.31
Increase/ Decrease in other Liabilities	(7,782,837.99)	1,537,272.37
Net Cash Flows from Operating Activities	(12,374,027.68)	11,981,620.85
Gratuity paid	(244,885.00)	(711,740.00)
Tax paid (WHT)	(8,027.38)	(5,022.99)
	(252,912.38)	(716,762.99)
Cash flow from Investing Activities		
Acquisitions of Property, Plant & Equipment	(1,619,421.24)	(712,709.22)
Increase/ Decrease in Investments	(25,232,318.27)	(34,063,916.45)
Interest Received	4,729,945.01	4,637,889.72
Net Cash Flows from Investing Activities	(22,121,794.50)	(30,138,735.95)
Cash Flow from Financial Activities		
Repayment of Long term Loan	(693,735.78)	(751,662.93)
Interest Paid	(173,571.62)	(152,513.00)
Net Cash Flows from Financing Activities	(867,307.40)	(904,175.93)
Net Increase/ Decrease in Cash and Cash Equivalents	(2,194,224.20)	7,223,658.89
Cash and Cash Equivalent at the Beginning of the year.	22,358,617.89	15,134,959.00
Cash and Cash Equivalent at the End of the year.	20,164,393.69	22,358,617.89
Analysis of the /Cash & Cash Equivalents shown in Statement of Financial Position		
Account No - 204 100 1600 85 389	17,684,983.54	18,866,991.63
Account No - 204 100 1000 85 387	603,329.73	495,648.76
Account No - 204 100 1800 85 388	1,440,949.02	2,975,977.50
Account No - 204 100 2500 85 389	415,131.40	-
Cash in Hand	20,000.00	20,000.00
	20,164,393.69	22,358,617.89

Lady Lochore Loan Fund
Significant Accounting Policies
For the year ended 31st December 2013

01. General

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

1.1 Statement of Compliance

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards. (SLAS)

1.2 Responsibility of Financial Statements

The Board of Trustees is responsible for the preparation and presentation of the Financial Statement.

1.3 Basis of Preparation

The Financial Statements of the Fund presented in Sri Lankan 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 or disclosures have been made in the respective Notes to the Financial Statements.

1.5 Tax

The Provisions 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 Act, No. 10 of 2006 and its amendments thereto.

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 years figures and phrases have re-arranged, where necessary, to conform to the current year presentation.

1.7 Staff Insurance

During the year under review the Loan Fund had contracted with Ceylinco Insurance Company Ltd. To provide a comprehensive medical insurance cover for its staff at an annual fee of Rs. 300,000 with the sanction of the Board of Trustees.

02. Assets and Bases of their Valuation

2.1 Provision for Loan Losses

Provisions for advance and Doubtful Loan are made on the basis of 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 Treasury Bills

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

2.3 Property Plant and Equipments

Property, Plant and Equipment are 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.

Lease Hold Land	within 42 years
Free Hold Building	within 25 years
Furniture & Fittings	within 10 years
Office Equipment	within 10 years
Electric Fixtures	within 10 years
Office Computer	within 04 years
Motor Vehicles	within 04 years

From the year 2008/2009, the loan Fund has changed its accounting policies to provide depreciation from the month of purchase to the month of disposal.

Up to the year 2007/2008, depreciation was not provided on the assets purchased and used during the year and 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 and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand and demand deposits and short term liquid investments readily convertible to identified amounts of cash and subject to insignificant risk of change in value.

The Cash flow has been prepared by the using 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 Provisions 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 gratuity the formula adopted by the board of trustees.

<u>Lady Lochore Loan Fund</u>		
<u>Notes to the Financial Statements</u>		
<u>For the Year Ended 31st December 2013</u>		
	2013	2012
	(Rs.)	(Rs.)
04 Interest Income		
Loans for the Public Employees - Performing	42,271,120.14	37,918,985.75
Staff Loans	116,185.41	120,137.32
	42,387,305.55	38,039,123.07
05 Other Income		
Rent Income	14,416,238.00	13,066,098.00
Interest on Treasury Bills	1,166,593.05	699,052.31
Interest on Repo	5,925,496.50	4,964,873.16
Interest for the Fixed Deposit	4,174,860.37	69,160.40
Service Charges	97,954.28	114,597.24
Sundry income	330,431.09	688,475.00
Special Income	7,835,613.89	-
	33,947,187.18	19,602,256.11
06 Personnel Cost		
Salaries	9,624,335.97	8,457,143.03
Overtime	1,199,708.75	369,507.51
Cost of Living Allowance	4,883,782.95	4,013,859.58
Other Allowances	251,500.00	333,114.65
Board of Trustees	337,182.00	446,913.00
Allowance of Chairman	300,000.00	300,000.00
Allowance of Audit Committee	117,500.00	116,290.00
Special Non -Performing Committee	27,000.00	123,660.00
Staff Provident Fund	2,030,979.04	1,731,177.60
Employees Trust Fund	383,897.37	332,122.81
Employees Provident Fund	24,710.40	30,108.00
Bonus	488,978.00	366,835.00
Provision for Gratuity	974,490.00	936,375.03
Fuel Allowance	379,380.00	100,000.00
	21,023,444.48	17,657,106.21

Lady Lochhore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2013

	2013	2012
	(Rs.)	(Rs.)
07 - Premises Equipment & Establishment Expenses		
Printing & Stationery	716,263.96	678,222.40
Newspaper & Periodicals	70,110.00	11,780.00
Telephones	333,497.95	236,311.59
Staff Insurance	490,863.95	573.43
Building Insurance	70,398.60	78,846.43
Rates & Taxes	1,787,116.10	1,763,906.80
Postage & Telegrams	392,373.64	322,210.00
Depreciation	8,212,176.87	8,180,382.08
Maintenance - Building	2,529,802.21	478,213.38
- Computer	1,610,074.50	792,987.15
- Office equipment	251,072.06	101,292.80
- Lift	181,745.16	10,357.06
Security & Inspection	913,803.40	865,424.85
Ex Gratia Payments	-	82,168.50
Staff Uniform	35,990.00	36,575.00
Staff Welfare	597,641.10	528,580.00
Staff Training	-	66,402.00
Stamp Duty	37,400.00	39,825.00
Electricity	1,353,883.81	1,009,098.41
Travelling	107,728.50	102,840.00
Fuel & Vehicle Maintenance	543,434.97	597,368.27
Deyata Kirula 2012 - Anuradhapura	138,017.00	33,278.00
Water	142,025.40	101,169.40
Sundry Expenses - Donations	20,000.00	41,000.00
Value Added Tax	391,831.40	768,745.47
Crown Land Tax	15,800.00	-
	20,943,050.58	16,927,558.02
08- Fees & Commission		
Audit fees	16,900.00	44,634.00
Nation Building Tax	296,997.64	303,274.30
Legal fees	471,309.00	94,790.00
Professional fees	173,571.62	152,513.00
	958,778.26	595,211.30

Lady Lochhore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2013

Note - 09 - Property Plant and Equipment

	Balance as at 01.01.2013	Additions During the Year	Disposals during the Year	Balance as at 31.12.2013
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Investment Property	-	41,600,000.00	-	41,600,000.00
Lease Hold Land	98,000,000.00	-	-	98,000,000.00
Buildings	52,000,000.00	-	(41,600,000.00)	10,400,000.00
Computer Equipment	7,190,409.00	1,471,557.15	-	8,661,966.15
Furniture & Fittings	899,924.21	60,430.09	-	960,354.30
Motor Vehicles	4,600,000.00	-	-	4,600,000.00
Electric Equipment	3,498,629.00	-	-	3,498,629.00
Office Equipment	1,531,950.00	87,434.00	-	1,619,384.00
	167,720,912.21	43,219,421.24	(41,600,000.00)	169,340,333.45
Depreciation	Balance as at 01.01.2013	Charges for the Year	Disposals during the Year	Balance as at 31.12.2013
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Investment Property		3,466,666.33	3,466,666.33	6,933,332.99
Lease Hold Land	2,333,333.33	2,333,333.33	-	4,666,666.66
Buildings	4,333,333.33	866,666.67	(3,466,666.66)	1,733,333.34
Computer Equipment	6,561,340.00	304,502.50	-	6,865,842.50
Furniture & Fittings	567,073.70	53,643.91	-	620,717.61
Motor Vehicles	3,675,000.00	925,000.00	-	4,600,000.00
Electric Equipment	2,434,216.23	156,702.30	-	2,590,918.53
Office Equipment	1,010,234.98	105,661.83	-	1,115,896.81
	20,914,531.57	8,212,176.87		29,126,708.44
Written Down Value	146,806,380.64			140,213,625.01

Lady Lochore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2013

	2013	2012
	(Rs.)	(Rs.)
10 - Cash & Short Term Funds		
Account No -1600 85 389	17,684,983.54	18,866,991.63
Account No -1000 85 387	603,329.73	495,648.76
Account No -1800 85 388	1,440,949.02	2,975,977.50
Account No -2500 85 389	415,131.40	-
Cash in Hand	20,000.00	20,000.00
	20,164,393.69	22,358,617.89
11 - Loan & Advances		
Loans to employees of Government Institutions 11.1	186,538,809.64	185,857,298.55
Coconut Development Authority / Land Reform Commission 11.2	1,904,461.88	1,857,924.35
Staff Loans & Advances 11.3	2,436,407.68	1,623,791.31
	190,879,679.20	189,339,014.21
11.1 Loans to employees of Government Institutions		
Government Corporations & Firms - Performing	201,191,443.72	200,553,492.34
- Non-Performing	53,891,621.93	59,237,841.02
	255,083,065.65	259,791,333.36
Interest in Suspense -Non-Performing Loans	42,218,217.77	50,194,419.59
Provisions for Loan Losses	26,326,038.24	23,739,615.22
	186,538,809.64	185,857,298.55
11.2 Loan Granted		
Coconut Development Authority	1,672,350.94	1,563,828.62
Land Reform Commission	232,110.94	294,095.73
	1,904,461.88	1,857,924.35
11.3 Staff Loans & Advances		
Staff Loans	2,315,398.80	1,520,780.51
Festival Advances	82,000.00	64,000.00
Cycles Loans	39,008.88	39,010.80
	2,436,407.68	1,623,791.31

Lady Lochhore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2013

		2013	2012
		(Rs.)	(Rs.)
12 - Other Assets			
Rent Receivable		1,928,692.72	2,140,744.00
Interest Receivable on Investment		3,765,529.03	236,175.84
Income Tax Refund	12.1	2,918,761.05	2,396,115.50
Sundry Debtors		274,500.00	-
Cheque Return/Represented		5,000.00	-
		8,892,482.80	4,773,035.34
12.1 Income Tax Refund			
Balance as at 01/01/2013		2,396,115.51	2,175,605.89
Provision for the year		(617,011.60)	(413,838.43)
Withholding Tax		417,486.04	5,022.99
Notional Tax		722,171.10	629,325.05
		2,918,761.05	2,396,115.50
13 - Investments			
Fixed Deposits		71,842,646.09	751,871.07
Treasury Bills		12,416,639.16	7,200,900.39
Investments in Repo		15,360,453.24	66,434,648.76
		99,619,738.49	74,387,420.22
14 - Long Term Loans			
Treasury Loan		3,000,000.00	3,750,000.00
Coconut Development Authority		1,653,752.72	1,606,600.54
Land Reclamation Commission		329,675.79	320,563.75
		4,983,428.51	5,677,164.29
15 - Other Liabilities			
Over Recoveries on Loans to Government Employees		3,730,766.88	12,672,947.73
Creditors	15.1	359,935.38	1,486,779.96
Retirement Benefit Obligation	15.2	7,925,355.00	7,195,750.00
Rent Deposits	15.3	5,744,550.00	3,965,264.00
Accrued Expenses	15.4	530,768.32	753,471.88
Other Deposits - Security		100,000.00	100,000.00
		18,391,375.58	26,174,213.57

Lady Lochore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2013

	2013	2012
	(Rs.)	(Rs.)
15.1 - Creditors		
Suspense Creditors -S/L	244,446.98	1,486,779.96
Sundry Creditors	115,488.40	-
	359,935.38	1,486,779.96
15.2 - Retirement Benefit Obligation		
Balance as at 01 st January	7,195,750.00	6,971,114.97
Provisions for the Year	974,490.00	936,375.03
Payments during the Year	(244,885.00)	(711,740.00)
Balance as at 31st December	7,925,355.00	7,195,750.00
15.3 - Rent Deposits		
Lake House Bookshop	2,531,750.00	1,110,000.00
Ceylon Electricity Board	1,930,000.00	1,678,464.00
Public Enterprises Reforms Commission of Sri Lanka	210,000.00	150,000.00
Kahatagaha Graphite Ltd	976,800.00	976,800.00
A.J.S. Associates	96,000.00	50,000.00
	5,744,550.00	3,965,264.00
15.4 -Accrued Expenses		
Value Added Tax	210,506.13	415,320.00
Security Charges Payable	90,681.60	79,217.60
Audit fees Payable	16,900.00	40,000.00
Stamp Duty	9,650.00	9,700.00
Nation Building Tax	67,754.36	90,050.32
Telephone charges	26,284.62	20,719.71
Water	15,321.60	9,198.00
Committee Meetings	1,600.00	11,160.00
Maintenance of Motor Vehicles	-	6,500.00
Electricity	92,070.01	71,606.25
	530,768.32	753,471.88

Lady Lochore Loan Fund
Computation of Income Tax
Year of Assessment 2013/2014

Interest Income on Loans to Government Employees

	Rs.	Rs.
	42,271,120.14	Exempt
As Per Inland Revenue (Amendment) Act NO.19 of 2009, the interest accruing to Lady Lochore Loan Fund on any loan granted by such fund to any employee, of any Government Institution as defined in section 132.of Inland Revenue Act no. 10 of 2006 is exempt from income tax.		
Liabile Income		116,185.41
Interest on Staff Loans		
Rental Income	14,416,238.00	
Less: Rates & axes Paid	(1,787,116.10)	
	12,629,121.90	
Less: Maintenance	(3,157,280.48)	9,471,841.43
Interest Income		
Treasury Bills	1,166,593.05	
Add: Notional Tax Credit	129,621.45	1,296,214.50
Reops	5,332,946.85	
Add: Notional Tax Credit	592,549.65	5,925,496.50
Interest on Fixed Deposit	3,757,374.333	
Add: WHT @ 10%	417,486.04	4,174,860.37
Total Income		20,984,598.21
Less: Expenses relating to other Income	Note - 1	(11,492,112.14)
Total Statutory Income		9,492,486.07
Less: Tax loss claimed for the year		(3,322,370.12)
Taxable Profit For the Year		6,170,115.94
Income Tax thereon	6,170,115.94 * 10%	617.011.59
Notional Tax Credits		
Interest on Investments	722,171.10	
WHT on Fixed Deposit	417,486.04	1,139,657.14
Balance Refund Due		522,645.54
Total Refund Due		
Refund Due for 2012/2013	2,396,115.50	
Refund Due for 2013/2014	522,645.54	
Total Refund Due	2,918,761.04	
Tax Losses B/ F 2012/2013		11,429,859.00
Tax Losses claimed for the year		3,322.370.12
Tax Losses C/ F 2014/2015		8.107,488.88
Note 1 Expenses relating to other Income		42,925,273.32
Less : Depreciation +Gratuity		(9,186,666.87)
		33,738,606.45
Total Income		76,334,492.73
Taxable Income		25,799,373.33
Expenditure Attributable to Taxable Income		11,492,112.14