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Corporate Information

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

POPE & Co.
Chartered Accountants,
141/7, Vauxhall Street,
Colombo 02.

Bank/s

People's Bank,
Head Quarters Branch,
Colombo 02

President's Message

I have great pleasure in presenting the Annual Report for the year 2014 of the Lady Lochore Loan Fund which was established by Lady Lochore Loan Fund (Board of Trustees) Act No.38 of 1951 (Revised in 1956) and domiciled in Sri Lanka. We are committed to achieve objectives of the fund reliving indebtedness of employees of Public Institutions, Corporations and Local Governments by providing short term loans expeditiously on concessionary interest rates under lenient conditions.

During the year under review, 5,122 employees of the Government and Semi-Government Institutions have become beneficiaries of this fund and beneficiaries have increased by 2.33in comparison to the previous year. It is noteworthy that more than 50% of the beneficiaries are employees of the security forces. Further, maximum limit of the loan amount granted by the fund was increased up to Rs.50, 000 effective from August 2014. Granting of Rs.230.5 million to 5,122 beneficiaries during this year is an achievement of the institution. The progress in recovery of loans indicates an increase of 5.38% compared to the year 2013.

Initiatives taken to make the recovery process of non-performing loan efficient by implementing the recommendations of the Committee on Public Enterprises, were successful.

The Board of Trustees has constantly focused on preserving the operations of the fund and the financial sustainability while granting loans and bonus to motivate the staff of the fund, upgrading the premises of the building, improving the environment of the office for the wellbeing of the institution. Similarly, maximum limit of the loan amount has been increased up to Rs.2,50,000 for the staff grade officers and 100,000 for other officers in order to strengthen the capacity of the fund in the year 2015.

I extend my sincere appreciation to the entire staff of the fund for the commitment made by them to achieve objectives and goals of the fund in 2014 and the mission for contribution to build up a satisfactory Public Service through freeing its employees from indebtedness will successfully be carried out by the Lady Locoer Loan Fund.



PRESIDENT
LADY LOCHORE LOAN FUND

Message of the Managing Trustee

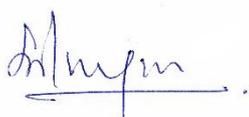
Lady Lochore Loan Fund operates under the Ministry of Finance and Planning granting short-term loans to staff and employees in distress in the Public service and Semi Government institutions.

I am pleased to present the Annual Report of Lady Lochore Loan Fund (LLLF) for the Financial Year 2014 during my tenure office which commenced in February 2015.

In 2014, the LLLF had been able to provide short-term loans amounting to Rs. 203 million for 5,122 beneficiaries. When compared to the performance in the year 2013, the performance in 2014 had been satisfactory. It is noted that the Board of Trustees had paid special attention in collecting non-performing loans during 2014 which had been in existence for the last several decades. 95 per cent of the set target had been successfully achieved. Through this process they had also been able to simplify the loan documentation procedure and also modernize the record room to introduce a better system to avoid recurrence_of non-performing loan accounts in future.

Furthermore, measures had been taken to expand the funding facilities to the public employees in remote areas of the island keeping in line with the Dayata Kirula Development Programme as a priority of the Government of the day.

I wish to extend my appreciation to all members of the former Board of Trustees who had been directly involved in the operation and management of the Fund. I also wish to sincerely thank all staff members as well for their dedication, commitment and support extended to me from the beginning of my tenure of office in February, 2015.



**Managing Trustee,
Lady Lochore Loan Fund**

Lady Lochore Loan Fund

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 – 2014

1.1 Beneficiaries in 2014

In 2014, 5,122 employees in the public sector have been benefited from the Fund, compared to 5,005 beneficiaries in 2013, it is a 2.3 per cent increase in 2014. The beneficiaries have been categorized as per the district they reside in table 1. Further, programmes implemented by the fund simultaneously to Deyata Kirula National Development Programme in 2014 have contributed for this improved performance. The information in table 02 has shown more than 50 percent of beneficiaries are from personnel of security forces.

Table -01 – District Wise Beneficiaries in 2013 & 2014

District	No of Beneficiaries			
	2014	(%)	2013	(%)
Colombo	763	14.90	711	14.20
Gampaha	680	13.28	677	13.52
Anuradhapura	341	6.66	322	6.43
Kandy	338	6.60	303	6.05
Vavuniya	22	0.43	25	0.50
Kaluthara	444	8.66	416	8.32
Rathnapura	186	3.63	172	3.43
Galle	268	5.23	287	5.73
Kurunegala	515	10.05	428	8.55
Puttalam	101	1.96	53	1.06
Jaffna	05	0.10	02	0.04
Polonnaruwa	131	2.56	271	5.42
Trincomalee	27	0.53	211	4.22
Mulathive	07	0.14	04	0.08
Mannar	10	0.20	08	0.16
Badulla	172	3.36	145	2.90
Matale	133	2.60	123	2.45
Hambanthota	138	2.69	90	1.80
Kegalle	335	6.54	191	3.82
Batticaloa	02	0.04	41	0.82
Ampara	97	1.89	228	4.55
Monaragala	174	3.40	122	2.44
Nuwaraeliya	79	1.54	66	1.33
Matara	154	3.01	109	2.18
Total	5,122	100	5,005	100

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

Designation	Number of Beneficiaries	
	2014	2013
Army Soldier	995	983
Police Constable	622	590
Sergeant	234	216
Ordinary Laborer	381	514
Office Assistant	249	330
Management Assistant	185	375
Corporal	1,632	1207
Driver	122	145
Police Inspector	59	46
Deputy Police Inspector	36	31
Chef	27	57
Police Security Assistant	35	11
Assistant Survey Officer	55	28
Jailor	59	46
Canteen Assistant	24	24
Development Assistant	44	38
Attendant	07	04
Watcher	26	18
Motor Mechanic	05	02
Civil Police Assistant	07	02
Technician	27	15
Carpenter	14	07
Health Administrator	20	05
Major	29	18
Human Resource Assistant	13	04
Firemen	17	02
Administrative Officer	06	11
Mason	10	09
Accountant	01	09
Lieutenant	45	60
Store Assistant	06	07
Technician	15	07
Messenger	04	02
Overseer	06	02
Post Master	20	13
Assistant Director	04	05
Receptionist	04	02
Book Binder	08	02
Grama Niladari	04	29
Programmer Assistant	13	31
Other	52	98
Total	5,122	5,005

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.

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

Table 03 - Procedure of Loan Disbursement in 2014

Month	No. of Applications Issued	No. of Qualified Beneficiaries	No. of Loan Issued	Loan Value (Rs.000)
January	750	416	412	16,275
February	760	425	428	16,890
March	1,043	460	437	17,110
April	578	412	410	16,005
May	1,216	437	438	17,135
June	924	459	452	17,735
July	915	496	493	19,260
August	700	490	483	18,770
September	817	437	422	16,525
October	729	407	319	12,545
November	704	361	375	14,745
December	876	428	453	20,510
Total	10,012	5,228	5,122	203,505

1.3 Loan limits and the value of disbursed loans

The maximum loan amount has increased up to Rs. 50,000 from the month of August in 2014 while the lowest loan amount is Rs.10, 000 which was useful to cater to the requirement of the employees in lower grades of the public service.

The progress of loan disbursement according to the loan categories is in table - 04. Accordingly, Rs. 203.5 mn has been provided for 5,122 beneficiaries at an interest of 11.5 during the year. It is an increase of 4.9 per cent when compare to 2013.

Table - 04 Progress as per Loan Categories

Loan Category/limit (Rs)	No. of Beneficiaries	Loan Disbursement Value (Rs. Mn.)
50,000	274	13,700
40,000	4,577	183,080
30,000	151	4,530
20,000	87	1,740
15,000	25	375
10,000	08	80
	5,122	203,505

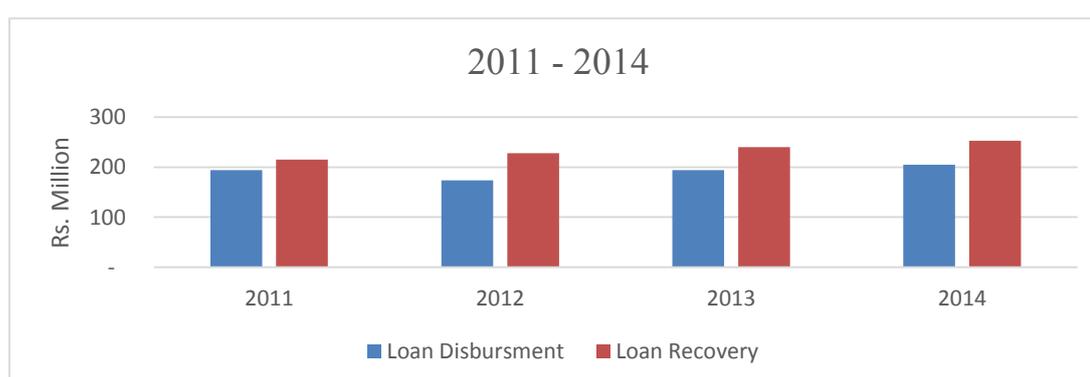
1.4 Progress of Loan Recovery

During the period from 2011 to 2014, the progress of loan disbursement and loan recoveries are shown in Table 05 and Chart 01. Compared to the progress of loan recoveries in 2013, 5.15 per cent increase is in 2014 as shown in table 5.

Table - 05- Loan disbursement and recoveries from 2011 to 2014

Year	No. of Loan Issued	Loan Disbursed (Rs. 000)	Loan Recovered (Rs. 000)
2011	4,791	193,645	215,221
2012	4,358	173,970	228,064
2013	5,005	194,040	240,604
2014	5,122	203,505	252,973

Chart - 1- Loan disbursed and recoverd



1.5 The Progress of Recovering Non-performing loans continued for several years

The progress of Lady Lochore Loan Fund and the current deficiencies and weakness had been reviewed by the Committee on Public enterprises (COPE) held on 29th April 2011. Similarly, the Financial and Audit reports of the Fund as at 31st December 2012 have also been reviewed by COPE on 6th March, 2013.

Accordingly, paying special attention on the recommendations of COPE, in 2014, actions have been taken for recovering all non-performing loans as far as possible and for writing off the loan amount that could not be recovered due to justifiable reasons. It also has taken actions for controlling the excess recoveries to the Fund.

1. The main observation made at the committee meetings, was the non-performing loan amount of Rs. 9.0 mn (Capital Loan Amount) that has been increased upto Rs. 59.2 mn including the accrued interest, of which Rs. 51.5 mn has been continued for more than 10 years. Further, it has been observed that these loan balances have been continued from 1984.
2. Adhering to the recommendations of the COPE the board of trustees initiated special activities and recruited several new officers specially for recovering the NPL and the progress was closely monitored by a special Committee appointed by the Board of Trustees. At the same time arrangements have been made to recover all the possible loans and get several actions to explore the possibilities of taking legal measures for the loans that are unable to recover. In implementing such strategies it was able to collect Rs 14 mn of non-performing loans during the period of 2011-14.

However, the special committee appointed for taking actions on 1,553 non-performing loan accounts has taken to actions audit each loan account in terms of granted laon amount, date, personal and service information, recovered amount, amount to be recovered and the date, efforts (no of letters sent, and the responses etc) made for recovering such loan balance, the present value of said amount and the present status of the beneficiary (age, service is continued or not, dead or alive, and d dependent at old age etc.). A report prepared on the above information was submitted to the 813th meeting of the Board of Trustees. At the moment, that the non-performing loan amount has increased upto Rs. 70.62 including Rs. 12.46 mn 0f principal loan amount and Rs. 58.2 mn accrued interest.

As per their understanding, the board was informed that all actions for recovering these loans, that can be applied for, have been taken and there were no any other possibility of taking legal actions in this regard. As per the provision of Financial Regulations, with the recommendations of Audit and Management Committee, a proposal was submitted to the Board of trustees for exploring the possibility of writing off these balances. Further, as per the details in Table 6, Rs. 14.64 mn is the total loan recovery against the granted total loan amount of Rs. 12.46 mn. During the period concerned. It is noted that the expected loan interest of Rs. 11.5 percent per annum has been covered in this total recoveries.

Accordingly, actions have been taken under 4 stages to remove the balance of non-performing Accounts that could not be recovers, as follows.

- I. 504 Non performing accounts during the period from 1984-2005 have been audited. All accounts have been recorded as non-performing due to settling the loan balance unevenly. Accordingly, following facts have been identified in 504 accounts which had been last during 1984-2005.

Total disbursed loan amount (Capital cost) Rs.	3,877,200.00
Total recovery (with Interest)	6,414,770.38
Total Recovery against the loan amount	2,537,570.38
Balance as at the date of Dormant (without interest)	1,546,085.27
The Balance to be recovered as t 31.12.2013(with interest)	16,226,259.43

Due to recovering of these funds irregularly, it has been continued these accounts. Accordingly, this committee has observed that the possibility of closing down these accounts. At the investigation and auditing process, it has been noted that the balance amount of Rs. 16,226,259 which is to be recovered has already been collected with 50 percent than the expected recoveries (principal amount+ interest). Considering these factors, the 817 board held on 27.12.2013 has decided to remove these amount from the accounts without affecting to the annual profit of the institutions – table 6.

- II. Following the above same procedures, it has been decided to remove the amount of 36 non performing accounts that cannot be recovered, through settling off the provisions for bad debt, as per the information in table 6.

Total - Capital	209,500.00
Total recovery – with Interest	436,489.36
Balance as at Dormant Date	176,160.73
Write off Balance as at 31.12.2014	2,090,040.80

- III. Due to continuation of the process of recovering the balance of non-performing accounts another 860 Non Preforming Loan accounts have been recognized and this decision of 818th board of Trustees on following accounts as shown in table 6.

Total - Capital	6,598,200.00
Total recovery – with Interest	5,763,308.17
Total minor Recovery against the capital	834,891.83
Balance as at Dormant Date	3,488,583.85
Write off Balance as at 30.07.2014	47,030,670.81

IV. Following the above procedure 153 non performing accounts have been audited and the approval of the 820th meeting of Board of Trustees has been obtained to remove the loan balances from the final accounts as in Table 6.

Total - Capital	1,775,542.15
Total recovery – with Interest	2,029,262.55
Total over Recovery against the capital	253,720.40
Balance as at Dormant Date	1,002,752.66
Write off Balance as at 31.12.2014	5,273,333.33

The method of reconciling these amounts through the provisions for bad debt is shown Table 7.

Table 6 - Summary of the Non performing accounts carried forward - 1984-2005

Period	Nos	Capital(Rs)	Recovery	Over/Minor Recovery	Balance - Dormant Date	Balance- with -Interest
1984-2005	504	3,877,200	6,414,770	2,537,570	1,546,085	16,226,259
1984-2008	36	209,500	436,489	226,989	176,161	2,090,041
1984-2008	860	6,598,200	5,763,308	(834,891)	3,488,584	47,030,671
1984-2005	153	1,775,542	2,029,263	253,720	1,002,752	5,273,333
Total	1,553	12,460,442	14,643,830	2,183,388	6,213,582	70,620,304

Note: When the COPE meeting was held on 06.03.2013, the balance of non-performing account was Rs. 59.2 mn and during the period of implementing the recommendations of COPE the balance of such accounts has been increased up to Rs. 70.6 mn.

Table 7 - The method of removing 1,553 non performing accounts from the Final Accounts

Period	No	Balances of non- performing A/c			Adjustment made to the Final Accounts		
		Date of Dormant	Accrued Interest	Balance with Accrued Interest	Provision for bad debt A/c	Suspense Interest A/c	Total
1984-2005	504	1,546,085	14,680,174	16,226,259	1,546,085	14,680,174	16,226,259
1984-2008	36	176,161	1,913,880	2,090,041	176,161	1,913,880	2,090,041
1984-2008	860	3,488,583	43,542,086	47,030,671	3,488,584	43,542,086	47,030,671
1984-2005	153	1,002,752	4,270,580	5,273,333	1,002,752	4,270,580	5,273,333
Total	1,553	6,213,582	64,406,722	70,620,304	6,213,582	64,406,722	70,620,304

Further, necessary actions have also been taken to fully recover the balance of Rs. 1,565,623.98 non-performing loans as at 31.12.2014 and to establish a mechanism for avoiding the accumulation of non-performing loans in future.

1.6 Over Recovery

Actions have been taken action to reduce over recoveries from 12.7 mn to Rs. 784,107 during the period of 2012-2014, through the process of reducing non-performing loan balances.

1.7 Office Complex of Lady Lochore Loan Fund

1.7.1 Rent Income

After using 5,500 square feet for the office of the Lochore Fund out of the available space of office complex, the balance space has been allocated among the following institutions, of which, Rs. 14.35 million has been collected through the rent in 2014.

Table - 8 Building Rent Income, 2014

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	5,074,500
03	Co-operative Employee's Commission	1 st Floor	2,415	1,833,600
04	Kahatagaha Graphite Lanka Ltd.	1 st Floor	2,750	2,213,600
05	Ceylon Electricity Board	2 nd Floor	4,700	3,860,472
06	Public Enterprises Reform Commission	2 nd Floor	840	960,000
07	A.J.S. Associates	No 100/20	380	408,000
	Total		27,375	14,350,172

1.7.2. Sustainability of the Fund

The Board of Trustees has given due emphasis on maintaining the operational and financial sustainability of the fund. As this institution does not depend on the Treasury grants, coverings all expenses of the institution, it has been able to manage the fund sustainably. After managing all the operational expenses, such as bad debt, administrative and other expenses, it has been able to invest the surplus, ensuring the sustainability of the Fund.

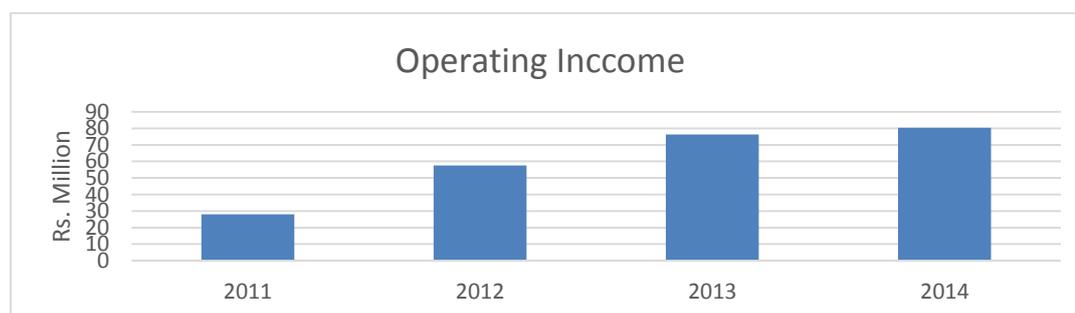
Table 09 - Investments in 2013 and 2014

Type of Investment	Bank	Balance as at 31.12.2014 (Rs)	Balance as at 31 12. 2013 (Rs)
Fixed Deposit	Peoples' Bank	85,429,103	71,842,646
Treasury Bill	"	13,317,348	12,416,639
Short-Term Investment (REPO)	"	38,507,836	15,360,453
Total		137,254,287	99,619,738

1.7.3 Operational Income

The total operational income in 2014 was Rs. 80.37 Million of which Rs. 34.04 mn. was the operational surplus. Compared to the achievement in 2013, it was an increase by 5.29 per cent.

Chart 02 - Operational Surplus 2011 - 2014



1.8 Functioning as a Facilitator

Up to 2014, the Fund has been facilitating in providing loans to the staff of Land Reform Commission and Coconut Development Authority utilizing their own funds. As there was no progress of this activity, the board of trustees made arrangements to terminate agreement between Coconut Development Authority and the Fund by recovering the loan balances from the deposit account functioned for that purpose.

Settling of Loan Balances of CDA

Description	Amount Rs.
Balance of the Deposit A/c as at 31.12.2014	1,665,466.36
Less:- Balance of the Loan Account as at 31.12.2014	(1,582,839.77)
Balance refund to the Coconut Development Authority	82,626.59

Loan granted to the officers of Land Reform Commission

Institution	No of Loan Issued	Amount(Rs)
Land Reform Commission	07	70,000

1.9 Deyata Kirula Programme - 2014

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 programme with a view to expanding the number of loan beneficiaries who live in remote areas. In line with this district level programme, Rs. 5.88 million has been provided for 148 beneficiaries in the Eastern Province in 2014.

Table 10 - Beneficiaries classified on their District, 2014

District	No Of Beneficiaries	Value (RS MN)
Kurunegala	51	2,000
Kegalle	94	3,760
Puttalam	03	120
Total	148	5,880

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, Reverend Father Nathanielsz 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.

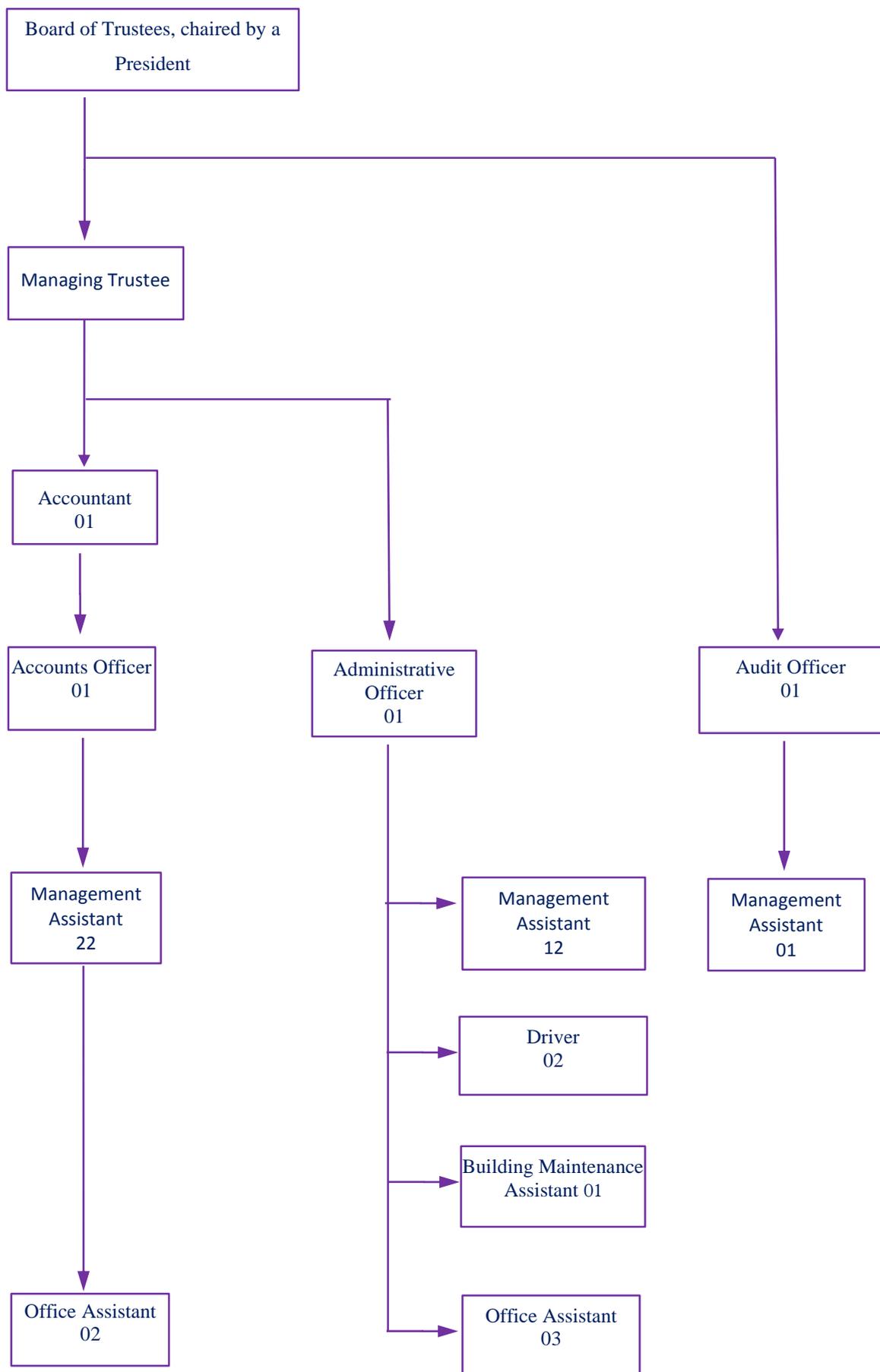
2.1 Board of Trustees

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, 2014

No.	Approved Post	No. of Approved Carder	Actual as at 31 st Dec. 2014
1	Accountant	01	01
2	Administrative Officer	01	01
3	Accounts Officer	01	01
4	Internal Audit Officer	01	01
5	Management Assistant	35	32
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 /Resignation

In 2014, 04 officers have been resign of the fund and 03 officers have been recruited for the vacancies of Management Assistant Grade 111

3.2 Staff Loans

- In 2014, On base of the 10 month salary and the Maximum limit of the Rs. 250,000 , loan facilities provided to 37 members of the staff.
- The festival advance Rs.10,000 , were made to provide all employees.
- Eight employees were granted Bicycle Loan amounting to Rs.6, 000 per person.
- According the MSD circular No 5/2014, All the employees were granted Rs. 15,000/- bonus in 2014.

3.3 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. 29,000, applying the government procurement procedure, on the recommendation and assessment of a committee. As far as the balance were donated to Gangarama Temple.

3.4 Renovation of Record Room

- Remove antiquated documents (1983- 2010) with the confirmation of a special audit and on approval of the Board of Trustees. And Sell 3,671 Kg. of papers at Rs, 14,684 to the Paper Corporation at Walachchenai following the procurement guidelines.

3.5. Renovation and Repairing of Office Premises

Action has been taken to Renovation and repairing of office building has been undertaken and Rs. 489,807/= has been spent for the purchase of office furniture.

3.6 Audit and Management Committee

Five Audit & Management Committee meetings were held during 2014 accordingly, as follows.

No	Dates of Meeting held
01	23.01.2014
02	25.03.2014
03	25.06.2014
04	12.08.2014
05	31.10.2014

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.
- 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.
- Strengthen the capacity of the ability to amend the Parliament Act no 38th of 1951.

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 2014 which comprise of Financial Position as at December 31st 2014, 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 2014, and the financial statements give a true and fair view of the Fund's state of affairs as at 31 December 2014 and its profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



POPE & COMPANY
CHARTERED ACCOUNTANTS
Colombo
Date : 6/19/2015



Lady Lochore Loan Fund
Statement of Comprehensive Income
For The Year Ended 31 December 2014

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Interest Income	1	43,258,157.31	42,387,305.55
Loan Loss Provision- (Add back)		14,059,200.68	
Other Income	2	23,058,500.76	33,947,187.18
		80,375,858.75	76,334,492.73
Operating Expenses			
Personal Cost	3	(21,628,756.05)	(21,023,444.48)
Premises, Equipment and establishment Expenses	4	(19,773,837.37)	(20,943,050.58)
Fees & Commissions	5	(630,826.09)	(958,778.26)
		38,342,439.24	42,925,273.32
Profit before Loan Provisions		38,342,439.24	33,409,219.41
Loan Losses and Provisions			(4,155,437.62)
Profits after Loan Provisions		38,342,439.24	29,253,781.79
Provisions for Taxation		(4,296,503.11)	(3,422,569.26)
Profit for the Year		34,045,936.13	25,831,212.53

Lady Lochore Loan Fund
Statement of Financial Position
As at 31st December 2014

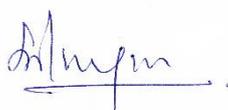
	<u>Note</u>	2014 (Rs.)	2013 (Rs.)
Assets			
Cash & Short Term Fund	6	11,102,618.92	20,164,393.69
Loan and Advances	7	203,193,762.54	190,879,679.20
Inventories		378,042.95	277,372.35
Other Assets	8	3,157,552.49	8,892,482.79
Investment	9	137,128,287.16	99,619,738.49
Property Plant & Equipment's	10	134,032,998.94	140,213,624.67
Total Assets		488,993,263.00	460,047,291.19
Funds / Liabilities			
Accumulated Funds			
Balance Brought Forward		290,022,901.45	262,272,379.14
Prior Year Adjustment		3,671,031.85	1,919,309.78
Prior Year Adjustment- Income Tax		(8,428,583.32)	
Net Surplus for the Year		34,045,936.13	25,831,212.53
Effect on Retranslation		319,311,286.11	290,022,901.45
Revaluation Reserve		146,649,586.00	146,649,586.00
		465,960,872.11	436,672,487.45
Liabilities			
Loan Term Loans	11	2,586,708.60	4,983,428.51
Other Liabilities	12	20,445,682.29	18,391,375.58
		23,032,390.89	23,374,804.09
Total Funds / Liabilities		488,993,263.00	460,047,291.54

For and on behalf of the board of directors, we state that Financial Statements,

1. Were tabled in the meeting of board of the directors held on 19.06.2015 and approved.
2. Have been prepared in accordance with Sri Lanka accounting standard and are in compliance with the requirements of the Companies Act No. 7 of 2007.
3. Should be read in conjunction with the accounting policies and the notes to the accounts.



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Accountant
19.06.2015



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Managing Trustee
19.06.2015



.....
President
19.06.2015

**Lady Lochore Loan Fund
Cash Flow Statement
For The Year Ended 31st December 2014**

	2014	2013
	(Rs.)	(Rs.)
Cash Flow from Operating Activities		
Net Profit of the year	38,342,439.24	29,253,781.79
Adjustments for		
Prior year Adjustments	204,365.19	1,919,309.78
Provision for Gratuity	800,360.00	974,490.00
Depreciation	10,703,440.25	8,212,176.87
Provisions for Doubtful Debtors		4,155,437.62
Finance Cost	143,125.70	173,571.62
Interest Income	(8,597,357.38)	(11,266,949.92)
Operating Surplus before changes in operating Assets	41,596,373.00	33,421,817.76
Increase/ (decrease) of Operating Activities		
Increase/ Decrease in Inventory	(100,670.60)	25,944.67
Increase/ Decrease in Loan & Advances	(12,314,083.34)	(1,540,664.99)
Increase/ Decrease in Other Assets	745,727.00	(3,076,469.37)
Increase/ Decrease in other Liabilities	(2,588,490.17)	(7,782,837.99)
Net Cash Flows from Operating Activities	27,338,855.89	21,047,790.08
Gratuity paid	(1,404,985.00)	(244,885.00)
Tax paid (WHT)	(4,558,903.49)	(8,027.38)
	21,374,967.40	20,794,877.70
Cash flow from Investing Activities		
Acquisitions of Property, Plant & Equipment	(1,056,147.52)	(1,619,421.24)
Increase/ Decrease in Investments	(37,508,548.67)	(25,232,318.27)
Interest Received	10,667,799.63	4,729,945.01
Net Cash Flows from Investing Activities	(27,896,896.56)	(22,121,794.50)
Cash Flow from Financial Activities		
Repayment of Long term Loan	(2,396,719.91)	(693,735.78)
Interest Paid	(143,125.70)	(173,571.62)
Net Cash Flows from Financing Activities	(2,539,845.61)	(867,307.40)
Net Increase/ Decrease in Cash and Cash Equivalents	(9,061,774.77)	(2,194,224.20)
Cash and Cash Equivalent at the Beginning of the year.	20,164,393.69	22,358,617.89
Cash and Cash Equivalent at the End of the year.	11,102,618.92	20,164,393.69
Account No - 204 100 1600 85 389	9,345,375.62	17,684,983.54
Account No - 204 100 1000 85 387	750,717.05	603,329.73
Account No - 204 100 1800 85 388	922,593.23	1,440,949.02
Account No - 204 100 2500 85 389	63,933.02	415,131.40
Cash in Hand	20,000.00	20,000.00
	11,102,618.92	20,164,393.69

Lady Lochore Loan Fund
Significant Accounting Policies
For the year ended 31st December 2014

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 Taxes

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
Office Computer	within 04 years
Motor Vehicles	within 04 years
Furniture & Fittings	within 10 years
Office Equipment	within 10 years
Electric Fixtures	within 10 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 Statement has been prepared by 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.

Lady Lochore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2014

	2014	2013
	(Rs.)	(Rs.)
01 Interest Income		
Loans for the Public Employees - Performing	43,063,111.98	42,271,120.14
Staff Loans	195,045.33	116,185.41
	43,258,157.31	42,387,305.55
02 Other Income		
Rent Income	14,350,172.00	14,416,238.00
Interest on Treasury Bills	559,960.97	1,166,593.05
Interest on Repo	1,437,535.89	5,925,496.50
Interest for the Fixed Deposit	6,599,860.52	4,174,860.37
Service Charges	49,386.38	97,954.28
Sundry income	61,585.00	330,431.09
Special Income		7,835,613.89
	23,058,500.76	33,947,187.18
03 Personnel Cost		
Salaries	9,054,307.07	9,624,335.97
Overtime	1,133,529.12	1,199,708.75
Cost of Living Allowance	6,286,457.70	4,883,782.95
Other Allowances	27,750.00	251,500.00
Board of Trustees	331,335.00	337,182.00
Allowance of Chairman	300,000.00	300,000.00
Allowance of Audit Committee	187,780.00	117,500.00
Special Non -Performing Committee		27,000.00
Staff Provident Fund	2,092,690.23	2,030,979.04
Employees Trust Fund	395,007.93	383,897.37
Employees Provident Fund	12,864.00	24,710.40
Bonus	615,335.00	488,978.00
Provision for Gratuity	800,360.00	974,490.00
Fuel Allowance	391,340.00	379,380.00
	21,628,756.05	21,023,444.48

Lady Lochhore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2014

	2014	2013
	(Rs.)	(Rs.)
07 - Premises Equipment & Establishment Expenses		
Printing & Stationery	717,539.20	716,263.96
Newspaper & Periodicals	82,344.00	70,110.00
Telephones	411,821.86	333,497.95
Staff Insurance	329,128.04	490,863.95
Building Insurance	156,988.88	70,398.60
Rates & Taxes	1,768,906.80	1,787,116.10
Postage & Telegrams	420,855.96	392,373.64
Depreciation	10,703,440.25	8,212,176.87
Maintenance - Building	324,330.79	2,529,802.21
- Computer	478,601.00	1,610,074.50
- Office equipment	300,649.52	251,072.06
- Lift	215,038.26	181,745.16
Security & Inspection	1,173,975.60	913,803.40
Staff Uniform	30,646.00	35,990.00
Staff Welfare		597,641.10
Stamp Duty	26,150.00	37,400.00
Electricity	1,452,602.36	1,353,883.81
Travelling	113,180.00	107,728.50
Fuel & Vehicle Maintenance	530,272.57	543,434.97
Deyata Kirula 2012 - Anuradhapura		138,017.00
Water	167,254.52	142,025.40
Sundry Expenses - Donations	152,900.00	20,000.00
Value Added Tax	217,211.76	391,831.40
Crown Land Tax		15,800.00
	19,773,837.37	20,943,050.58
05- Fees & Commission		
Audit fees	80,000.00	16,900.00
Nation Building Tax	283,340.39	296,997.64
Legal fees	124,360.00	471,309.00
Financial Charges	143,125.70	173,571.62
	630,826.09	958,778.26

Lady Lochore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2014

	2014	2013
	(Rs.)	(Rs.)
06 - Cash & Short Term Funds		
Account No -1600 85 389	9,345,375.62	17,684,983.54
Account No -1000 85 387	750,717.05	603,329.73
Account No -1800 85 388	922,593.23	1,440,949.02
Account No -2500 85 389	63,933.02	415,131.40
Cash in Hand	20,000.00	20,000.00
	11,102,618.92	20,164,393.69
07 - Loan & Advances		
Loans to employees of Government Institutions 7.1	197,799,164.01	186,538,809.64
Coconut Development Authority/ Land Reform Commission 7.2	169,704.15	1,904,461.88
Staff Loans & Advances 7.3	5,224,894.38	2,436,407.68
	203,193,762.54	190,879,679.20
07.1 Loans to employees of Government Institutions		
Government Corporations & Firms - Performing	197,799,164.01	201,191,443.72
- Non-Performing	1,565,623.93	53,891,621.93
	199,364,787.94	255,083,065.65
Interest in Suspense -Non-Performing Loans	(143,287.52)	(42,218,217.77)
Provisions for Loan Losses	(1,422,336.41)	(26,326,038.24)
	197,799,164.01	186,538,809.64
07.2 Loan Granted		
Coconut Development Authority		1,672,350.94
Land Reform Commission	169,704.15	232,110.94
	169,704.15	1,904,461.88
07.3 Staff Loans & Advances		
Staff Loans	5,096,271.89	2,315,398.80
Festival Advances	84,000.00	82,000.00
Cycles Loans	44,622.49	39,008.88
	5,224,894.38	2,436,407.68

Lady Lochhore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2014

		2014	2013
		(Rs.)	(Rs.)
08 - Other Assets			
Rent Receivable		1,462,465.72	1,928,692.72
Interest Receivable on Investment		1,695,086.77	3,765,529.03
Income Tax Refund	12.5		2,918,761.05
Sundry Debtors			279,500.00
		3,157,552.49	8,892,482.80
09 - Investments			
Fixed Deposits		85,303,103.28	71,842,646.09
Treasury Bills		13,317,347.76	12,416,639.16
Investments in Repo		38,507,836.12	15,360,453.24
		137,128,287.16	99,619,738.49
10 . Carried Forward			
11 - Long Term Loans			
Treasury Loan		2,250,000.00	3,000,000.00
Coconut Development Authority			1,653,752.72
Land Reclamation Commission		336,708.00	329,675.79
		2,586,708.60	4,983,428.51
12 - Other Liabilities			
Over Recoveries on Loans to Government Employees		784,107.33	3,730,766.88
Creditors	12.1	244,446.98	359,935.38
Retirement Benefit Obligation	12.2	7,320,730.00	7,925,355.00
Rent Deposits	12.3	5,968,550.00	5,744,550.00
Accrued Expenses	12.4	780,426.09	530,768.32
Other Deposits - Security		100,000.00	100,000.00
Income Tax Payable	12.5	5,247,421.89	
		20,445,682.29	18,391,375.58
12.1 - Creditors			
Suspense Creditors -S/L		244,446.98	244,446.98
Sundry Creditors			115,488.40
		244,446.98	359,935.38

Lady Lochore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2014

	2014	2013
	(Rs.)	(Rs.)
12.2 - Retirement Benefit Obligation		
Balance as at 01 st January	7,925,355.00	7,195,750.00
Provisions for the Year	800,360.00	974,490.00
Payments during the Year	(1,404,985.00)	(244,885.00)
Balance as at 31st December	7,320,730.00	7,925,355.00
12.3 - Rent Deposits		
Lake House Bookshop	2,531,750.00	2,531,750.00
Ceylon Electricity Board	1,930,000.00	1,930,000.00
Public Enterprises Reforms Commission of Sri Lanka	240,000.00	210,000.00
Kahatagaha Graphite Ltd	1,026,800.00	976,800.00
A.J.S. Associates	240,000.00	96,000.00
	5,968,550.00	5,744,550.00
12.4 -Accrued Expenses		
Value Added Tax	353,416.28	210,506.13
Security Charges Payable	106,181.60	90,681.60
Audit fees Payable	55,000.00	16,900.00
Stamp Duty		9,650.00
Nation Building Tax	86,870.72	67,754.36
Telephone charges	34,555.03	26,284.62
Water	31,413.92	15,321.60
Postage	40,000.00	1,600.00
Electricity	72,988.54	92,070.01
	780,426.09	530,768.32
12.5 -Income Tax		
Balance as at 01.01.2014	2,918,761.06	2,396,115.51
During the Year Provision	(4,296,503.11)	(617,011.59)
Additional adjustment for year of assessment - 2010/2011 To 2012/2013	(8,428,583.32)	
Tax Paid	3,391,835.16	
Withholding Tax	967,318.64	417,486.04
Notional Tax	199,749.69	722,171.10
	(5,247,421.88)	2,918,761.06

Lady Lochhore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2014

Note - 10
- Property Plant and Equipment

	Balance as at 01.01.2014	Additions During the Year	Disposals during the Year	Balance as at 31.12.2014
	(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	10,400,000.00			10,400,000.00
Computer Equipment	8,661,966.15	530,750.00	5,972,399.00	3,220,317.15
Furniture & Fittings	960,354.30	489,807.52	398,297.82	1,051,864.00
Motor Vehicles	4,600,000.00			4,600,000.00
Electric Equipment	3,498,629.00	11,790.00	244,330.00	3,266,089.00
Office Equipment	1,619,384.00	23,800.00	532,954.70	1,110,229.30
	169,340,333.45	1,056,147.52	7,147,981.52	163,248,499.45
Depreciation	Balance as at 01.01.2014	Charges for the Year	Disposals during the Year	Balance as at 31.12.2014
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Investment Property	3,466,666.67	3,466,666.66		6,933,332.99
Lease Hold Land	4,666,666.66	2,333,333.33		6,999,999.99
Buildings	1,733,333.34	4,333,333.00		6,066,666.34
Computer Equipment	6,865,842.50	236,680.00	5,972,399.00	1,130,123.50
Furniture & Fittings	620,717.61	66,109.50	398,297.82	288,529.29
Motor Vehicles	4,600,000.00			4,600,000.00
Electric Equipment	2,590,918.53	157,684.80	244,330.00	2,504,273.33
Office Equipment	1,115,896.81	109,632.96	532,954.70	692,575.07
	25,660,042.12	10,703,440.25	7,147,981.52	29,215,500.51
Written Down Value	143,680,291.33			134,032,998.94

