Annual Report

2012

Lady Lochore Loan Fund

Ministry Of Finance & Planning

Content

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 Ms. Priyani Perera - Member (up to April) Ms. Shirmila Gonawala - Member (up to April)
Audit and Management Committee	Mr. T.N. Oshan - Chairman, (Director, Department of Public Finance) Mr. W.A.D.A.R. Gunawardhana – Member of Board of Trustees Mr. K.G.Somasundara - Member of Board of Trustees, (From May) Mr. K.J.B.Disanayaka – Member of Board of Trustees (from May) Ms. Priyani Perera - Member of Board of Trustees (Upto April) Ms. Shirmila Gonawala – Member of Board of Trustees (Upto April)
Auditor	Pope & Company, Charted Accountants, 141/7, Vauxhall Street, Colombo 02.
Bank/s	People's Bank, Head Office, Colombo 02

MESSAGE FROM PRESIDENT

The Lady Lochore Loan Fund, as a service providing public institution which operates under the Ministry of Finance and Planning, contributes towards establishing an efficient and effective public service. It envisages improving the quality of the life of public employees by providing speedy short term loans on concessionary interest rate to meet their needs of urgent distress situations. Since the establishment of this fund in 1951, it has been successfully operating as a financially viable revolving fund assisting the public employees for relieving from indebtedness.

In 2012, the fund has been able to provide short term loans amounting to Rs. 173.9 million for 4,358 beneficiaries. When compare to the performance of the year 2011 the performance in 2012 was satisfactory. The loan beneficiaries have been selected covering all most all the districts of the country and the most of these beneficiaries were belonging to the minor employment categories of the public service.

Adhering to the guidance given by the Committee on Public Enterprises (COPE) which has met on 29th April, 2011, the process of recovering non-performing loans has been further strengthened. Accordingly, with implementation of special measures to recover the non performing loans, it has been able to recover around Rs. 4 mn during the year 2012. While managing all operational expenses and loan processing costs of the fund from its income, it has been able to maintain a net surplus of Rs. 21.5 million in 2012.

In achieving these tasks, our staff and members of the Board of Trustees were always with us. Managing the fund efficiently and productively it has been able to support to the needs of government employees Through this effort them it was expected to increase the quality of the service that they render to the public. During this period, the proper instructions and guidance given by the Secretary and other heads of the Departments of the Ministry of Finance and Planning were more important. I take this opportunity to thank all of them and wish they would help us in delivering our service more successfully. Accordingly, the Lady Lochore Loan Fund will be further successful in delivering its service as a financial supporter for the public sector employees in future.

PRESIDENT
LADY LOCHORE LOAN FUND

A Review of Managing Trustee

The Lady Lochore Loan Fund has been established from a donation of Lady Jean Lochore, a Scottish with cordial support of Rev. Father Nathaniel who was then a Charity Commissioner, on 26th March 1927. Since the inspection of the Fund, this has been operated smoothly, expanding and strengthening with the support of government and other donors. Since the time of establishment, the fund was able to manage efficiently, providing loan facilities for the benefit of employees in the government sector and semi government sector.

During my office tenure, as a Managing Trustee of the fund, one of the main duties was to recover the non-performing loans lasting for several decades. The achievement of this activity was remarkable in 2012 and fund was able to collect Rs 4 of outstanding loans. This was mainly due to rearrangement of administrative functions of the institutions and allocating more number of employees for loan recovery section.

Action was also taken to expand the loan facilities for the employees in outside the western province through facilitating the Deyata Kirula development programme which is being implemented annually at district level for transferring the development benefits to the rural community under the concept of Mahinda Chinthana by H.E the President.

Further, I was able to introduce sound office management system while adopting productivity improvement programme similarly to 5S-system, introduced by Japan. The obsolete documents, which have been stored in the record room for several decades, were destroyed while adopting the government procurement procedures. Giving due recognition to the government language policy, action was taken to provide all relevant documents in three language and train the employees accordingly.

At the same time, I was been able to establish the good relationship between employer and employees during my office tenure and it is a great achievement that I have experienced. In achieving these tasks, I appreciate the guidance and support given by the Secretary of the Ministry of Finance & Planning, the Chairperson, the members of the Board of Trustees and my staff.

W. Nimal Abeysiri,
Managing Trustee

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
Indebtness

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

1. 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 a considerable 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 of this fund in 1957, a three storied building of its own was constructed with the donations received from the government and other donors.

2. Functions

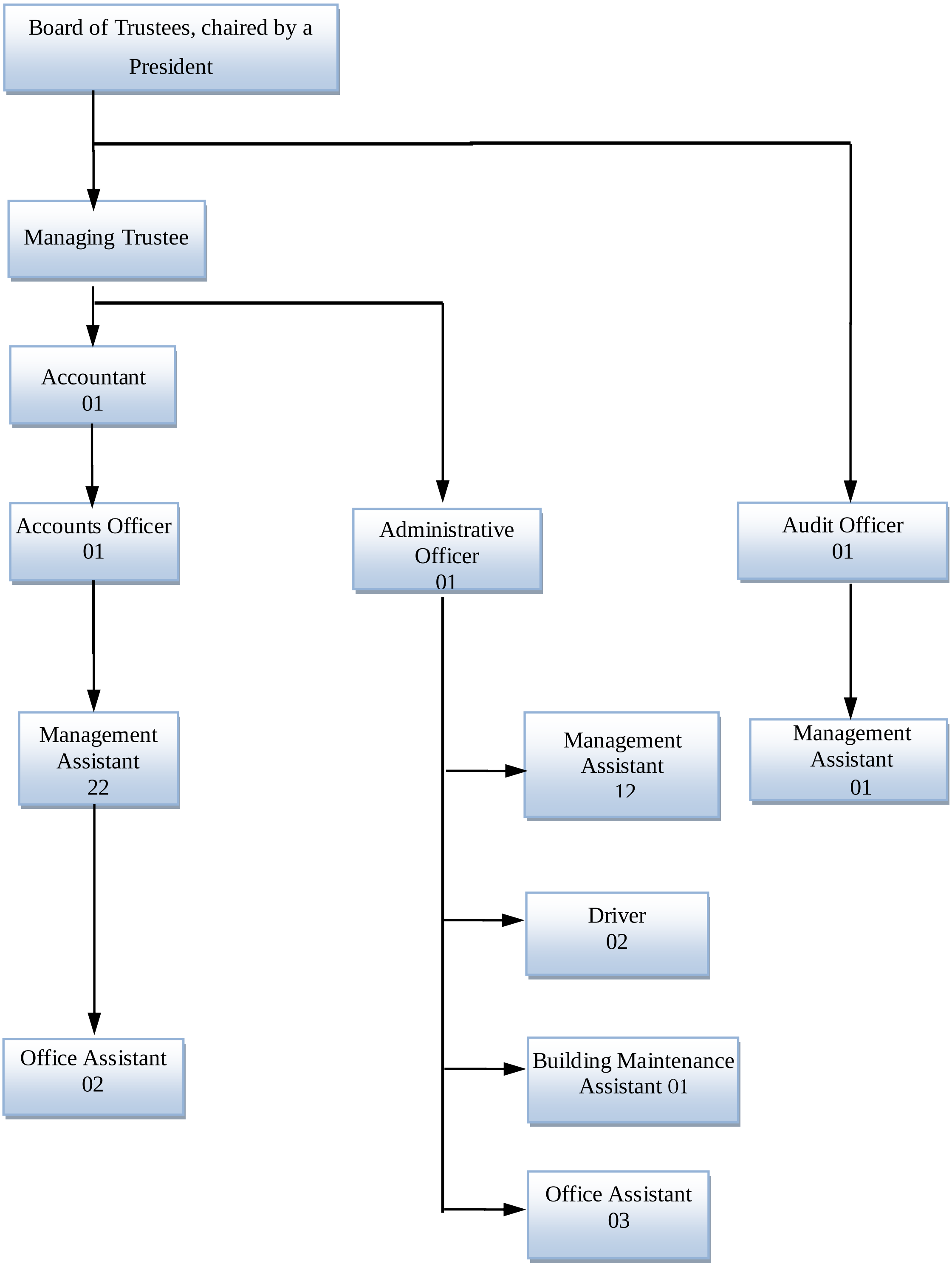
- Providing loans to beneficiaries by maintaining a loanable fund.
- Developing institutional capacity to support the beneficiaries of public sector.
- Lobbying appropriate policies and regulations that useful for financing the public sector beneficiaries.
- Developing best practices for loan management and operations of lending facilities.
- Facilitating other government institutions in providing loans utilizing their own funds.

3. Organizational Structure

3.1 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. The 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 had been given to the Treasury Representative.

3.2 Organizational Structure



Preparation and implementation of programmes and activities of the Fund are being organized by the units of Administration and Accounts.

3.3 Table 01 – Cadre of the Fund, 2012

No.	Approved Post	Approved Carder	Actual as at 31st Dec, 2012
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	04
8	Building Maintenance Assistant	01	01
	Total	**47**	**43**

3.4 List of Employees at 31st December 2012 is at Annex- 1

4. Performance, 2012

4.1 Eligibility for applying a loan from the fund

- Be a pensionable public employee who has 03 year service period or a non-pensionable permanent employee of a semi government institution- State Corporation and Statutory Board- with 05 year service period.
- Should have a reasonable service period for recovering the loan amount prior to the age of retirement.
- 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 percent limit of their monthly salary.

4.2 Beneficiaries

In 2012, the Fund has been able to provide loans to 4,358 beneficiaries in the public sector. Of which 74 percent of the beneficiaries are centered in the institutions located in and around the district of Colombo. However, it is a significant achievement that the fund has been able to provide loans at least covering the beneficiaries of other districts island wide (Table 02). At the same time, out of these beneficiaries a majority of them are belonging to the employees in minor categories of the public sector (Table -03).

Table 02- District wise Beneficiaries in 2011 and 2012

District	Number of Beneficiaries	
	2011	2012
Colombo	3,403	3,245
Gampaha	398	288
Anuradhapura	52	174
Kandy	94	143
Vavuniya	196	77
Kalutara	96	64
Ratnapura	46	59
Galle	60	55
Kurunegala	65	46
Puttalam	06	44
Jaffna	84	43
Polonnaruwa	49	24
Trincomalee	91	20
Mullative	14	15
Mannar	30	10
Badulla	01	10
Matale	04	9
Hambantota	06	7
Kegalle	41	06
Batticaloa	42	05
Amapara	02	05
Moneragala	06	04
Nuwara Eliya	02	03
Matara	03	02
Total	**4,791**	**4,358**

4.3 Beneficiaries under Deyata Kirula Programme - 2012

From implementing a special programme in line with the Deyata Kirula development programme at district level with a view to expanding the number of loan beneficiaries of the Fund from remote areas, in 2012, Rs. 5.23 million was provided for 108 beneficiaries in Anuradhapura District.

Table 03 – Beneficiaries classified on their Designation, 2011 – 2012

Designation	Number of Beneficiaries 2011	2012
Army Soldier	898	503
Police Constable	758	545
Ordinary Laborer	590	435
Office Assistant	449	324
Sergeant	427	294
Management Assistant	298	329
Corporal	203	916
Driver	201	168
Police Inspector	61	46
Deputy Police Inspector	59	53
Chef	56	41
Non-commissioned Officer	48	12
Police Security Assistant	43	16
Saroyan	42	95
Assistant Survey officer	39	65
Jailor	36	28
Survey Field Assistant	36	36
Canteen Assistant	31	19
Development Assistant	39	18
Attendant	24	20
Watcher	23	27
Motor Mechanic	23	10
Civil Police Assistant	23	13
Technical Officer	21	15
Technician	21	12
Carpenter	21	22
Health Administrator	21	08
Major	18	23
Human Resources Assistant	18	08
Cemetery Guard	15	04
Firemen	14	08
Administrative officer	01	05
Mason	13	12
Accountant	08	11
Lieutenant	13	33
Metal Designer	11	04
Pre-School Teacher	12	15
Postman	09	12
Librarian	08	03
Stores Assistant	06	06
Electricity Linesman	08	13
Library Assistant	07	05
Messenger	06	19
Overseers	10	08
Post Master	05	18
Assistant Director	05	11
Receptionist	05	02
Book Binder	05	13
Other	103	55
Total	**4,791**	**4,358**

4.4 Progress of Loan Disbursement

From mid of 2012, the maximum loan amount grant from this fund was Rs 40,000. The loan amount disbursed as per the loan categories, from January to December are in Table – 04. Accordingly at 11.5% interest rate Rs. 173.9 mn have been provided for 4,358 public sector employees during the year.

Table 04 – Loan Disbursement

Type of Loan Rs.	No of Loan Issued	Disbursement Value (Rs.)
50,000*	1,730	86,500
40,000	1,116	44,640
30,000	1,319	39,570
20,000	107	2,140
15,000	52	780
10,000	34	340
Total	**4,358**	**173,970**

*Issued only up to August, 2012

4.5 Progress of Loan Disbursements and Recoveries

The progress of loan disbursement and recoveries is shown in Table 05 and Chart 01. The progress of loan recoveries shows a 6 percent increase in 2012 compared to the progress of loan recoveries in 2011.

Table 05 – Loan Disbursements and Recoveries from 2009 – 2012

Year	No of Loan Issued	Disbursement of Loan (Rs.)	Recovery of Loans (Rs.)
2009	5364	156,190	188,438
2010	5943	170,065	211,855
2011	4791	193,645	215,221
2012	4358	173,970	228,064

Chart – 01: Loan Disbursements and Recoveries

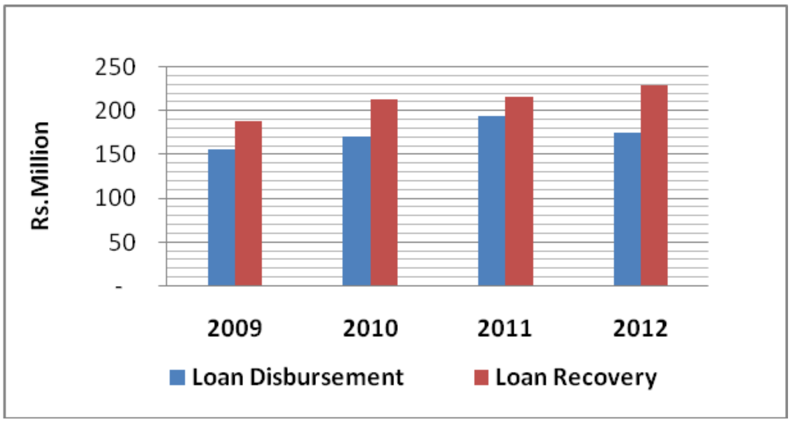


Table 06– Loan Disbursements, 2012

Month	Loan Application Issued	Applicants interviewed	Loan Issued	Value of Loans (Rs)
January	1200	297	312	13,205,000
February	937	327	278	11,670,000
March	1074	450	379	15,560,000
April	675	340	337	13,830,000
May	1136	338	362	14,805,000
June	1200	428	459	19,320,000
July	1190	316	441	17,080,000
August	1150	508	397	15,700,000
September	1046	549	416	15,270,000
October	733	298	283	10,875,000
November	575	376	351	13,360,000
December	543	301	243	13,295,000
T O T A L	**11460**	**4528**	**4358**	**173,970,000**

4.6 Managing the non-performing loan accounts

With the successful implementation of the loan recovery plan, Rs. 4 millions of non-performing loans has been recovered during the year 2012. Adhering to the recommendations given by the Committee on Public Enterprises in 2011, the Board of Trustees initiated special activities for recovering the non-performing loans last for several decades. Giving special attention to recovering the non-performing loans newly recruited 7 officers were attached to the loan recovery section and the progress was closely monitored by the Committee on Recovering Non-Performing Loans which was summoned once in 3 months. At the same time, arrangements were made to recover all the possible non-performing loans and to get the following actions to explore the possibilities of taking legal measures for that are unable to recover.

- To dispose the all obsolete documents which were long last for several decades in the record rooms, after conducting a special audit and computerizing the relevant documents.
- To close all the accounts according to ledger balance and the computer balances whichever is possible as per the report on Audit.
- To monitor the above process closely for ensuring the recoveries.
- To update the existing computer system, which could not be used for immediately identifying the non-performing Loans and reporting, enabling to get reports and actions.

Table 07 – Progress of recovering non-performing loans, 2012

Month	Recovered Amount (Rs.) 2011	Recovered Amount (Rs.) 2012
January	466,400	342,173
February	447,392	242,125
March	398,877	226,216
April	419,227	200,558
May	463,222	350,829
June	673,907	469,817
July	387,561	571,007
August	347,616	377,813
September	464,745	235,859
October	308,821	437,927
November	379,501	337,417
December	259,157	256,456
Total	**5,016,426**	**4,048,197**

Functioning as a Facilitator

The Fund has been facilitating in providing loans to the staff of several government institutions, utilizing their own funds. At present, Land Reform Commission and Coconut Development Authority have been given this assistance. The progress of this activity in 2012 is shown in the following table.

Table 08 – Progress of Functioning as a Facilitator

05.Office Complex of the Lady Lochore Loan Fund

5.1 Rent Income

The office of the Fund is located in a three-storied building, built by its own funds in around 1 rood of land which had been given by the government on 99 year lease period. The vacant space in this building has been rented to the following institutions and earned Rs. 13 million in 2012.

Institution	No. of . Loans Issued	Disbursement (Rs)
Land Reform Commission	16	160,000
Cocunut Development Authority	23	915,000
Total	**39**	**1,075,000**

Table 09 – Building Rent Income, 2012

No	Institution	Rented Floor	Square feet	Rent Income (Rs.)
01	Lake House Book shop	Ground Floor and Basement	10,791	5,400,000
02	Co-operative Employee's Commission	1st Floor	2,415	1,593,570
03	Kahatagaha Graphite Lanka Ltd	1st Floor	2,750	1,953,600
04	Ceylon Electricity Board	2nd Floor	4,700	3,356,928
05	Public Enterprises Reform Commission	2nd Floor	840	600,000
06	A. J. S. Associate Ltd.	No: 100/20	380	162,000
	Total		**21,876**	**13,066,098**

5.2 Renovation and Repairing of the Office Premises

A contractor has been selected in 2012 for undertaking renovation and rehabilitation activities of office building of the Fund which was due for several years. Accordingly, a maintenance plan was prepared and a toilet system in first floor was rehabilitated at a cost of Rs. 478,213.00.

6. Sustainability of the Fund

The Trustees of Fund mainly focus on maintaining the operational and financial sustainability of the fund. Since this institution does not depend on the Treasury grants and all expenses including salaries and other operational costs of the fund are being borne through its income earnings. After managing all the operational expenses, such as bad debt, administrative expenses and other expenses are being borne on recovering of loans, the balance has been invested as follows at Peoples' Bank, ensuring the sustainability of the Fund.

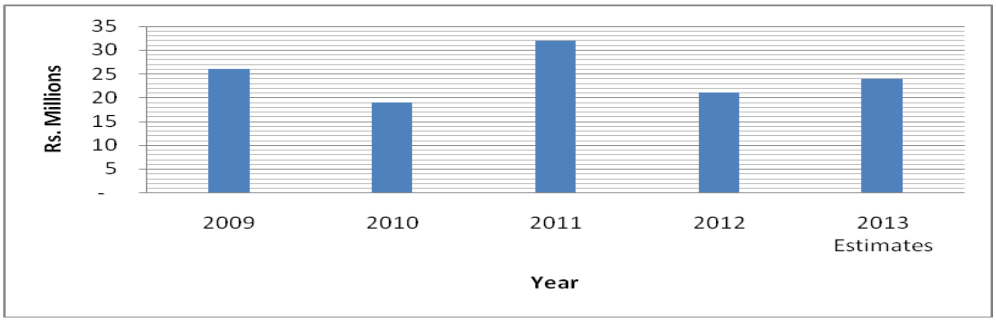
Table 10 – Investments in 2011 and 2012

Investment Category	Bank	2011 (Rs)	2012 (Rs)
Fixed Deposits	Peoples' Bank	694,107	751,871
Treasury Bills	""	6,601,960	7,200,900
Short-term investments	""	33,027,437	66,434,649
Total		**40,323,504**	**74,387,420**

6.1 Operational Income

The total operational income during the year 2012 was Rs. 57 million and the net operational surplus was Rs. 21.5 Million. Compared to the income of 2011, although it indicates a deficiency of Rs. 11 Million, this was not the result of operational loss but it was due to accounting the value of the building and land, revaluation based on audit recommendation and reduction of the annual depreciation accordingly. In 2012, total profit has reduced by Rs. 8,180,382 as a result of adjusting the value of building in the final account. The increase asset depreciation value was amount to Rs. 6,666,666.

Chart 02 – Operational Surplus 2009 – 2012



7.General Administration and Human Resources Development

7.1 New Recruitments/Promotions

Five officers have been recruited to fill the vacancies of management assistant grade III of approved cadre.

7.2 Disciplinary Actions

The disciplinary actions against interdicted Administrative Officer and Accountant were conducted by an independent officer and the inquiries were completed on 07.08.2012 and 12.11.2012 respectively.

7.3 Staff Training

A workshop has been conducted by a trainer, targeting on achieving the overall targets by improving the debt management and productivity of staff to obtain the staff's contribution for the future development of the Fund, on 04th August 2012 at the office premises of the Fund.

7.4 Staff Welfare / Welfare Trip – 2012

With the intention of motivating and improving the interpersonal relationship of the employees, a welfare trip has been organized from 7th – 9th of December, 2012 for the dedicated staff of the fund who are fully committed in achieving the targets of the fund. 44 members of the staff has participated in the trip.

7.5 Staff Loans

The following loan facilities were provided to the employees of the Fund during the year 2012.

i. A Distress Loan subject to the maximum amount of Rs. 100,000 for 40 employees.
ii. Festival advance of Rs. 5,000 all employees

Further, as per the instructions given by the Committee on Public Enterprises and under the approval of the Board of Trustees, action has been taken to write off the loan balance of Rs. 22,835 given to an employee of the fund which had not been settled for a number of years and shows as the status of debtors in the final account up to last year.

7.6 Upgrading the Software System of the Fund

Once the Software System manager of the Fund i.e Golden Key Ltd was closed their business, the fund has to face several issues in managing the computer system. At the request, the Ministry of Finance & Planning has appointed a committee for evaluating the projects of upgrading and managing the computer system of the fund. On their instructions, Specifications for a computer system is being undertaken by the University of Moratuwa for developing a software system in future.

7.7 Over Recoveries

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 payment in future by employees and to refund them to the beneficiary as far as possible. As per the suggestion made by the Committee on Public Enterprises, this accumulated amount of additional recoveries which was not taken by owners and shown in the accounts of the Fund for several years, were debited to the income account of the Fund as at 31st December 2012.

7.8 Settling of Mortgages

The loans had been provided under the mortgage of assets, especially the land. The related documents have been maintained from 1960s and kept in the record room for several decades. Although some of those liabilities were settled the related documents have not been released to the owners. Conducting a special audit on this matter, approval has been given to release 142 mortgage deeds out of 267 deeds to their lawful owners after confirming that all the loan balances due to the fund had been settled. Of which 4 deeds have already been given to their owners.

Mortgage deeds in the Record Rooms as at 31.12.2013

Total deeds	267
Authorized Deeds to be released	142
Deeds to be further kept safely	91
Mortgage not yet settled	30
Released as at 31st December 2012	4

7.9 Audit and Management Committee

Audit & Management Committee meets once in three months and four Audit & Management Committee meetings were held during 2012 accordingly, as follows.

No	Dates of Meeting held
01	22.03.2012
02	27.06.2012
03	10.08.2012
04	24.09.2012

8. Future Plans

- Recovering all non-performing loan balances as far as possible as per the guidance given by the Committee on Public Enterprises and taking actions to get legal measures against which are not further possible to recover.
- Upgrading the computer system which is being currently used and ensure the efficiency and productivity of loan management. This has already been commenced and will be completed by the end of year 2013.
- Investing on renovation and maintenance of office building of the Fund. A plan of maintenance is ready and it is expected to start the implementation of activities at the end of the year 2013.

9. Report of the Auditors to the Members of Lady Lochore Loan Fund

We have audited the accompanying financial statements of Lady Lochore Loan Fund , as at December 31st 2012, which comprise the balance sheet as at December 31st 2012, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

1. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accodance with the Sri Lanka Accounting Standards. This responsiblity 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.

2. 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.

03. Opinion

In our opinion, so far as appears from our examination, the Fund maintained proper accounting records for the year ended 31st December 2012, and the financial statements give a true and fair view of the Fund's state of affairs as at 31 December 2012 and it's profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Chartered Accountants
Colombo 02
17 June 2013

Lady Lochore Loan Fund Income Statement For The Year Ended 31 December 2012			
	Note	2012	2011
		(Rs)	(Rs)
Interest Income	1	38,039,123.07	47,728,148.23
Other Income	2	19,602,256.11	16,335,624.90
		57,641,379.18	**64,063,773.13**
Operating Expenditure			
Personal Cost	3	17,657,106.21	15,208,506.69
Premises, Equipment and establishment Expenses	4	16,927,558.02	12,042,590.17
Fees & Commissions	5	595,211.30	740,371.18
		35,179,875.53	**27,991,468.04**
Profit before Loan Provisions		22,461,503.65	36,072,305.09
Loan Losses and Provisions		(466,873.00)	(2,705,203.83)
Profits after Loan Provisions		**21,994,630.65**	**33,367,101.26**
Provisions for Taxation		(413,838.43)	(837,918.82)
Profit for the Year		**21,580,792.22**	**32,529,182.44**

Lady Lochore Loan Fund Balance Sheet For The Year Ended 31st December 2012			
	Note	**2012**	**2011**
		(Rs)	(Rs)
Assets			
Cash & Short Term Fund	6	22,358,617.89	15,134,960.43
Loan and Advances	7	189,339,014.21	198,020,343.66
Inventories		303,317.02	207,037.74
Other Assets	8	4,773,035.34	6,632,333.65
Investment	9	74,387,420.22	40,323,503.77
Property Plant & Equipments	10	146,806,380.65	7,629,593.39
Total Assets		**437,967,785.33**	**267,947,772.64**
Funds / Liabilities			
Liabilities			
Loan term Credits	11	5,677,164.29	6,428,827.22
Other Liabilities	12	26,174,213.57	24,636,941.20
		31,851,377.86	**31,065,768.42**
Accumulated Funds			
Balance Brought Forward		236,882,004.22	204,217,001.12
Prior Year Adjustment		1,004,025.02	135,820.66
Net Surplus for the Year		21,580,792.23	32,529,182.44
Effect on Retranslation		259,466,821.47	236,882,004.22
Revaluation Reserve		146,649,586.00	
Total Funds / Liabilities		**437,967,785.33**	**267,947,772.64**

We certify that the above Balance Sheet and the related Statement of Income and Expenditure to the best of our knowledge and belief contains true accounts of the Surplus and cash and cash equivalent of the organization.

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Approved and signed on behalf of the Board of Trustees.

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Chairperson
17 th June 2013

Lady Lochore Loan Fund
Cash Flow Statement
For The Year Ended 31st December 2012

	2012	2011
	(Rs)	**(Rs)**
Cash Flow from Operating Activities		
Net Profit of the year	**21,994,630.65**	**33,367,101.26**
Adjustments for		
Prior year Adjustments	1,004,025.02	135,820.66
Provision for Gratuity	936,375.03	706,002.87
Depreciation	8,180,382.08	1,912,357.18
Provisions for Doubtful Debtors	466,873.00	2,705,203.83
Finance Cost	152,513.00	227,499.76
Interest Income	(5,733,085.87)	(2,665,499.19)
Operating Surplus before changes in operating Assets	**27,001,712.91**	**36,388,486.37**
Increase/ (decrease) of Operating Activities		
Increase/ Decrease in Inventory	(96,279.28)	64,191.96
Increase/ Decrease in Loan & Advances	8,681,329.45	(21,382,040.52)
Increase/ Decrease in Other Assets	1,859,298.31	2,633,248.25
Increase/ Decrease in other Liabilities	1,537,272.37	813,722.22
Net Cash Flows from Operating Activities	**11,981,620.85**	**(17,870,878.79)**
Gratuity paid	**(711,740.00)**	(1,061,438.70)
Tax paid (WHT)	**5,022.99)**	(520,690.82)
	(716,762.99)	**(1,582,129.52)**
Cash flow from Investing Activities		
Acquisitions of Property Plant & Equipment	(712,709.22)	(444,491.82)
Increase/ Decrease in Investments	(34,063,916.45)	(13,346,140.48)
Interest Received	4,637,889.72	2,665,499.29
Net Cash Flows from Investing Activities	**(30,138,735.95)**	**(11,125,133.01)**
Cash Flow from Financial Activities		
Repayment of Long term Loan	(751,662.36)	(717,892.96)
Interest Paid	(152,513.00)	(227,499.86)
Net Cash Flows from Financing Activities	**(904,175.36)**	**(945,392.82)**
Net Increase/ Decrease in Cash and Cash Equivalents	7,223,659.46	4,864,952.23
Cash and Cash Equivalent at the Beginning of the year.	15,134,960.43	10,270,008.20
Cash and Cash Equivalent at the End of the year.	**22,358,619.89**	**15,134,960.43**
Analysis of the /Cash & Cash Equivalents shown in the Balance Sheet		
Account No - 00 85 389 464	18,866,991.63	13,999,527.78
Account No - 00 85 387 433	495,648.76	388,164.94
Account No - 00 85 388 457	2,975,977.50	727,267.71
Cash in Hand	20,000.00	20,000.00
	22,358,617.89	**15,134,960.43**

Lady Lochore Loan Fund
Notes to the Financial Statements
For the year ended 31st December 2012

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 No. 100 3/2, Sir Chiththampalam A. Gardner Mawatha, 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 Fiancial Statements of the Fund presented in Sri Lankan Reupees have been prepared on a historical cost basis.

1.4 Events occurring after the Balance Sheet date

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

1.5 Taxes

Current Tax

The 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-arranges, where necessary, to comform to the current years presentation.

02. Assets and Bases of their Valuation

2.1 Provision for Loan Losses

Provisions for bad and Doubtful Loan are made on the basis of review made by the Trustees 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 benifit 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 is stated at cost of purchase together with any incidental expenses thereon. The assets are stated at cost less accumulated depreciation ,which is provided for on the basis specified below.

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

From the year 2008/2009 the loan Fund has change it is accounting policy 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 the amounts they are estimated to realize.

2.5 Cash and Cash Equivalents

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

Cash flow has been prepared by the use of Indirect Method.

03. Liability 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 2012

		2012	2011
		Rs	**Rs**
1	**Interest Income**		
	Loans for the public employees – Performing	37,918,985.75	47,270,674.05
	Staff Loans	120,137.32	457,474.18
		38,039,123.07	**47,728,148.23**
2	**Other Income**		
	Rent Income	13,066,098.00	13,169,385.00
	Interest on Treasury Bills	699,052.31	467,898.49
	Interest on Repo	4,964,873.16	2,154,071.91
	Interest for the Fixed Deposit	69,160.40	43,528.79
	Insurance claim Income		33,989.12
	Service Charges	114,597.24	96,136.59
	Sundry income	688,475.00	370,615.00
		19,602,256.11	**16,335,624.90**
3	**Personnel Cost**		
	Salaries	8,457,143.03	7,873,005.79
	Overtime	369,507.51	338,649.97
	Allowances- Cost of Living	4,013,859.58	3,135,783.90
	- Other	333,114.65	208,561.00
	Board of Trustees	446,913.00	288,725.00
	Chairman 's Allowance	400,000.00	250,000.00
	Audit Committee	116,290.00	37,438.00
	Special Non –Performing Committee	123,660.00	6,220.00
	Staff Provident Fund	1,731,177.60	1,689,364.34
	Employees Trust Fund	332,122.81	318,555.82
	Employees Provident Fund	30,108.00	7,200.00
	Bonus	366,835.00	349,000.00
	With Holding Tax		10,000.00
	Provision for Gratuity	936,375.03	706,002.87
		17,657,106.21	**15,208,506.69**

Lady Lochhore Loan Fund

Notes to the Financial Statements

For the Year Ended 31st December 2012

		2012	2011
		Rs	**Rs**
4	**Premises Equipment & Establishment Expenses**		
	Printing & Stationery	678,222.40	1,042,451.76
	News paper & Periodicals	11,780.00	17,750.00
	Advertisements	-	56,000.00
	Telephones	236,311.59	465,027.31
	Staff Insurance	573.43	44,913.89
	Building Insurance	78,846.43	79,659.28
	Rates & Taxes	1,763,906.80	1,785,552.17
	Postage & Telegrams	322,210.00	483,200.00
	Depreciation	8,180,382.08	1,912,357.18
	Maintenance - Building	478,213.38	1,159,768.42
	- Computer	792,987.15	423,100.58
	- Office equipment	101,292.80	336,338.88
	- Lift	10,357.06	412,450.25
	Security & Inspection	865,424.85	813,636.81
	Ex Gratia payments	82,168.50	179,793.66
	Staff Uniform	36,575.00	29,807.50
	Staff welfare	528,580.00	86,572 .00
	Staff training	66,402.00	6,000.00
	Stamp duty	39,825.00	44,100.00
	Electricity	1,009,098.41	827,737.43
	Travelling	102,840.00	133,042.00
	Fuel & vehicle Maintenance	597,368.27	728,409.97
	Cleaning Expenses		116,623.00
	Deyata Kirula 2012 – Anuradhapura	33,278.00	
	Administrative Trustee's Official Quarter	-	37,019.00
	Water	101,169.40	106,259.00
	Sundry Expenses – Donations	41,000.00	17,466.00
	Value Added Tax	768,745.47	697,554.08
		16,927,558.02	**12,042,590.17**
5	**Fees & Commission**		
	Audit fees	44,634.00	**69,650.00**
	Nation Building Tax	303,274.30	**300,142.42**
	Legal fees	94,790.00	**135,579.00**
	Professional fees	-	**7,500.00**
	Financial Charges	152,513.00	**227,499.76**
		595,211.30	**740,371.18**

		Note	2012	2011
			Rs	Rs
6	**Cash & Short Term Funds**			
	Account No - 00 85 389 464		18,866,991.63	13,999,527.78
	Account No - 00 85 387 433		495,648.76	388,164.94
	Account No - 00 85 388 457		2,975,977.50	727,267.71
	Cash in Hand		20,000.00	20,000.00
			22,358,617.89	15,134,960.43
7	**Loan & Advances**			
	Loans to employees of Government Institutions	7.1	185,857,298.55	193,997,860.78
	Coconut Development Authority/ Land Reform Commission	7.2	1,857,924.35	1,788,614.18
	Staff Loans & Advances	7.3	1,623,791.31	2,233,868.70
			189,339,014.21	**198,020,343.66**
7.1	**Loans** to employees of Government Institutions			
	Government Corporations & Firms – Performing		200,553,492.34	208,502,443.30
	- Non-Performing Loans		59,237,841.02	48,294,967.27
			259,791,333.36	256,797,410.57
	Interest in Suspense -Non-Performing Loans		(50,194,419.59)	(39,526,807.57)
	Provisions for Loan Losses		(23,739,615.22)	(23,272,742.22)
			185,857,298.55	**193,997,860.78**
7.2	Coconut Development Authority		1,563,828.62	1,519,797.95
	Land Reform Commission		294,095.73	268,816.23
			1,857,924.35	**1,788,614.18**
7.3	**Staff Loans & Advances**			
	Staff Loans		1,520,780.51	2,204,768.70
	Festival Advances		64,000.00	27,900.00
	Bicycle Loans		39,010.80	1,200.00
			1,623,791.31	**2,233,868.70**

Lady Lochhore Loan Fund

Notes to the Financial Statements

For the Year Ended 31st December 2012

		Note	2012 Rs	2011 Rs
8	**Other Assets**			
	Rent Receivable		2,140,744.00	4,247,875.93
	Interest on Fixed Deposits & Treasury Bills		236,175.84	201,526.23
	Security Deposit Receivable			7,325.60
	Income Tax Refund	8.1	2,396,115.50	2,175,605.89
			4,773,035.34	**6,632,333.65**
8.1	**Income Tax Refund**			
	Balance as at 01/01/2012		2,175,605.89	2,492,833.30
	Provision for the year		(413,838.43)	(837,918.82)
	Income Tax			50,000.00
	Withholding Tax		5,022.99	208,494.37
	Notional Tax		629,325.05	262,197.04
			2,396,115.50	**2,175,605.89**
9	**Investments**			
	Fixed Deposits		751,871.07	694,106.73
	Treasury Bills		7,200,900.39	6,601,959.57
	Investments in Repo		66,434,648.76	33,027,437.47
			74,387,420.22	**40,323,503.77**
10	**Property Plant & Equipments**			
11	**Long Term Loans**			
	Treasury Loan		3,750,000.00	4,500,000.00
	Coconut Development Authority		1,606,600.54	1,556,523.46
	Land Reclamation Commission		320,563.75	310,177.76
	State Plantations Corporation			62,127.00
			5,677,164.29	**6,428,827.22**
12	**Other Liabilities**			
	Over Recoveries on Loans to Government Employees		12,672,947.73	10,860,978.61
	Creditors	12.1	1,486,779.96	1,699,133.96
	Retirement Benefit Obligation	12.2	7,195,750.00	6,971,114.97
	Rent Deposits	12.3	3,965,264.00	3,965,264.00
	Accrued Expenses	12.4	753,471.88	1,056,248.06
	Other Deposits – Security		100,000.00	84,201.60
			26,174,213.57	**24,636,941.20**

Note - 10 - Property Plant and Equipment

	Balance as at 01.01.2012	Additions During the Year	Disposals during the Year	Balance as at 31.12.2012
	(Rs)	(Rs)	(Rs)	(Rs)
Lease Hold Land		98,000,000.00		98,000,000.00
Buildings	7,100,851.00	44,899,149.00		52,000,000.00
Computer Equipments	6,729,059.00	461,350.00		7,190,409.00
Furniture & Fittings	780,566.00	119,358.22		899,924.22
Motor Vehicles	4,600,000.00			4,600,000.00
Electric Equipments	3,477,429.00	21,200.00		3,498,629.00
Office Equipment	1,426,275.00	105,675.00	-	1,531,950.00
	24,114,180.00	**143,606,732.22**	**-**	**167,720,912.23**

Depreciation

	Balance as at 01.01.2012	Charges for the Year	Disposals during the Year	Balance as at 31.12.2012
	(Rs)	(Rs)	(Rs)	(Rs)
Lease Hold Land		2,333,333.33		2,333,333.33
Building	3,750,437.00	4,333,333.33	(3,750,437.00)	4,333,333.33
Computer Equipment	6,285,418.00	275,922.00		6,561,340.00
Furniture & Fittings	519,713.00	47,360.70		567,073.70
Motor Vehicles	2,750,000.00	925,000.00		3,675,000.00
Electric Equipments	**2,277,527.00**	**156,689.23**		2,434,216.23
Office Equipment	901,493.00	108,741.98		1,010,234.98
	16,484,588.00	**8,180,380.57**	**(3,750,437.00)**	**20,914,531.58**
Written down Value	**7,629,592.00**			**146,806,380.65**

Lady Lochore Loan Fund
Notes to the Financial Statements
For the Year Ended 31st December 2012

		2012	**2011**
		Rs	**Rs**
12.1	**Creditors**		
	Suspense Creditors –S/L ledger	1,486,779.96	1,494,469.96
	Sundry Creditors		204,664.00
		1,486,779.96	**1,699,133.96**
12.2	**Retirement Benefit Obligation**		
	Balance as at 01st January	6,971,114.97	7,326,550.00
	Provisions for the Year	936,375.03	706,002.87
	Payments during the Year	(711,740.00)	(1,061,437.90)
	Balance as at 31st December	**7,195,750.00**	**6,971,114.97**
12.3	**Rent Deposits**		
	Lake House Bookshop	1,110,000.00	1,110,000.00
	Ceylon Electricity Board	1,678,464.00	1,678,464.00
	Public Enterprises Reforms Commission of Sri Lanka	150,000.00	150,000.00
	Kahatagaha Grafhite Ltd	976,800.00	976,800.00
	A.J.S. Associates	50,000.00	50,000.00
		3,965,264.00	**3,965,264.00**
12.4	**Accrued Expenses**		
	Value Added Tax	415,320.00	451,410.85
	Salary Payable		2,000.00
	Security Charges Payable	79,217.60	77,398.72
	Audit fees Payable	40,000.00	40,000.00
	Professional fees Payable		7,500.00
	Maintenance of building		242,786.28
	Stamp Duty	9,700.00	11,825.00
	Nation Building Tax	90,050.32	128,255.77
	Telephone charges	20,719.71	27,434.28
	Water	9,198.00	
	Committee Meetings	11,160.00	
	Maintenance of Motor Vehicles	6,500.00	
	Electricity	71,606.25	67,637.16
		753,471.88	**1,056,248.06**

LADY LOCHRE LOAN FUND
COMPUTATION OF INCOME TAX
YEAR OF ASSESSMENT 2012/2013

		Rs.	Rs.
Interest Income on Loans to Government			
As per the Inland Revenue (Amendment) Act No. 19 of 2009, the interest accruing to Lady Lochre 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		**37,918,986**	**EXEMPT**
Staff Loan			
Staff Loan -		120,136	120,136
Income Tax Liable Profit.			
Rent Income		13,066,098	
Less: Rent and Tax Paid		(1,763,907)	
		11,302,191	
Less: Maintenance		(2,825,548)	8,476,643
Interest Income on Treasury Bills		699,052	
Notional Tax		77,672	776,725
Interest Income on (REPO)		4,964,873	
Notional Tax		551,653	5,516,526
			14,890,031
Less : Expenses relating to other Income	**Note A**		(8,523,286)
Total Statutory Income			6,366,745
Less : Tax Loss Clamed for the Year			(2,228,361)
Taxable Profit for the Year			**4,138,384**
Income tax Thero	**4,138,384 X 10**		**413,838**
WHT			
Notional Tax Credits – 2012/2013			
Interest Income on Treasury Bills	(77, 672)		
Interest Income on - REPO	(551,653)	(629,325)	
Income Tax Refunds B /F From 2011 / 2012		(1,219,341)	(1,848,666)
Balance Income Tax Liability / (Refund)			(1,434,828)
			-
Tax Losses			
Tax Loss Balance B/F 2011/2012- Quarter			13,658,220
Tax Loss for the Year			(2,228,361)
Tax Loss Carried Forward to Y / A 2013/2014			11,429,859
Note - A			
Expenses relating to Other Income			
Total Expenditure		35,179,875.53	
Less :- Depreciation	8,180,382.08		
Provision for Gratuity	936,375.03	(9,116,757.11)	26,063,118.42
Total Income			57,641,379.18
Taxable Income			
Rent Income		13,066,098	
Interest Income on Treasury Bills		699,052	
Interest Income on Repo		4,964,873	
Staff Loan		120,137	18,850,161
Expenditure Attributable Cost			
Total Expenditure / **Total Income**	**X Taxable Income**		
26,063,118.42 / **57,641,379.18**	**X 18,850,161.00** =		8,523,286.00

Staff at the Lady Lochhore Loan Fund

Managing Trustee

Managing Trustee and the Staff Officers

Computer Division

Accounts Division

Providing The Service

A Day at Anuradhapura Deyata Kirula Exhibition -2012

Memory Of Welfare Trip

Annex - 01

List of Employees As At 31.12.2012

Serial No	Name	Designation
01	Mr. P.H.L.J.Silva	Interdicted from 17.10.2012
02	Ms. E.A. Sumana Samanthi	Accounts officer
03	Mrs. K.S.M.P. Haputhanthri	Reinstated from 17.10.2012
04	T.K.S.Perera	Internal Audit Officer – until October 2012
05	Mrs. H.M.Sheelakanthi	Management AssistantI
06	Mrs. D.S.Tecla	Management Assistant I
07	Mrs. U.R. Dhammika	Management Assistant I
08	Mrs. W.L.Chandralatha	Management Assistant I
09	Ms. H.P. Chandrani	Management Assistant I
10	Mrs. K.A.P. Jayanthi	Management Assistant II
11	Mrs. P.W.D.Nilmini	Management Assistant II
12	Mrs. T.M.I. Sarathchandra	Management Assistant II
13	Mrs. K.U. Senarathna	Management Assistant II
14	Mrs. J.M.S.C.Jayakodi	Management Assistant II
15	Mrs. H.A.C.P. Hangawatta	Management Assistant II
16	Mrs. W.A.Y. Wijayalath	Management Assistant II
17	Mrs. W.A.K. Kumari	Management Assistant II
18	Ms. W.P.S. Withana	Management Assistant ii
19	Mrs. S. C. Rohini	Management Assistant ii
20	Mrs.M.W. Priyanga Kumari	Management Assistant iii
21	Mrs. A.T.S. Amararathna	Management Assistant iii
22	Mrs. D.T.S. Rathnasekara	Management Assistant iii
23	Mr. H.K.A.S.Fernando	Management Assistantiii
24	Mrs. B.N.M.N. Weerasinha	Management Assistant iii
25	Ms. P.D.N.S.T. Gunasingha	Management Assistant iii
26	Ms.M.N.D.Chathurangi	Management Assistant iii
27	Ms. S.G.Shanika Mihirani	Management Assistant iii
28	Ms. M.A.P. Maheshika Weerasingha	Management Assistant iii
29	Mr. M. Sisira Kumara	Management Assistant iii
30	Mrs. E.A.N.H. Alexander	Management Assistant iii
31	Ms. N.P. Weerasingha	Management Assistant iii
32	Mr. M.R. Ishara Wirajith	Management Assistant iii from 15.08.2012
33	Ms. M.R.M.A. Bandara	Management Assistant iii from 15.08.2012
34	Ms. K.P.D.L.Somasundara	Management Assistant iii from 15.08.2012
35	Ms. D.R. Anjala Croning	Management Assistant iii from 15.08.2012
36	Mr. A. Nuwan Poruthota	Management Assistant iii from 15.08.2012
37	Mr. K. P. P. Gunasingha	Driver
38	Mr. A.D.S.K. Wijegunawardena	Driver
39	Mr. M. Harichandra	Staff Assistant ii
40	Mr. I.H.S.Perera	Staff Assistant ii
41	Mr. K.Sisisra Priyantha	Staff Assistant ii
42	Mr. Sampath Mayage	Staff Assistant ii
43	Mr. N.D.S.S. Abaysingha	Staff Assistant ii