

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>st</sup> DECEMBER 2017**

**NATIONAL LIVESTOCK DEVELOPMENT BOARD  
AND ITS SUBSIDIARY**

Unaudited Financial Statements

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# Unaudited Financial Statements

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 <sup>st</sup> December	Notes	Group		NLDB	
		2017 (Unaudited) Rs.	2016 (Restated) Rs.	2017 (Unaudited) Rs.	2016 (Restated) Rs.
Revenue	1	2,873,233,682	2,902,160,242	2,797,588,708	2,841,823,456
Change in Fair Value of Biological Assets	2	160,141,793	(306,842,364)	160,141,793	(306,842,364)
<b>Total Revenue</b>		<b>3,033,375,475</b>	2,595,317,878	<b>2,957,730,501</b>	2,534,981,092
Cost of Sales	3	(2,258,254,130)	(2,078,523,211)	(2,200,111,466)	(2,038,179,661)
<b>Gross Profit</b>		<b>775,121,345</b>	516,794,667	<b>757,619,035</b>	496,801,431
Other Income	4	50,681,871	54,069,301	44,233,831	49,329,658
Government Grants	5	-	24,729,601	-	24,729,601
Distribution Expenses	6.1	(6,790,596)	(5,223,729)	(6,412,826)	(4,981,161)
Administrative Expenses	6.2	(935,767,119)	(892,365,816)	(898,157,590)	(849,955,655)
Other Expenses	6.3	(11,721,077)	(6,898,522)	(11,721,077)	(6,898,522)
<b>Profit/(Loss) from Operations</b>		<b>(128,475,576)</b>	(308,894,498)	<b>(114,438,627)</b>	(290,974,648)
Finance Cost	7	(179,613,563)	(122,425,560)	(178,366,130)	(122,396,709)
<b>Profit/(Loss) before Taxation</b>		<b>(308,089,139)</b>	(431,320,058)	<b>(292,804,757)</b>	(413,371,357)
Tax Expense	8	(1,159,390)	(962,486)	(243,000)	(200,000)
<b>Profit/(Loss) for the Year</b>		<b>(309,248,529)</b>	(432,282,544)	<b>(293,047,757)</b>	(413,571,357)
<b>Other Comprehensive Income/(Expense)</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of Retirement Benefit Obligation		11,525,951	10,998,759	11,525,951	10,998,759
Deferred Tax on Remeasurement of Retirement Benefit Obligation		-	-	-	-
<b>Other Comprehensive Income/(Expense) for the Year, Net of Tax</b>		<b>11,525,951</b>	10,998,759	<b>11,525,951</b>	10,998,759
<b>Total Comprehensive Income/(Expense) for the Year</b>		<b>(297,722,578)</b>	(421,283,785)	<b>(281,521,806)</b>	(402,572,598)

*The notes annexed form an integral part of these financial statements.*  
 Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at 31 <sup>st</sup> December	Notes	Group		NLDB	
		2017 (Unaudited) Rs.	2016 (Restated) Rs.	2017 (Unaudited) Rs.	2016 (Restated) Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	9	3,084,491,051	3,214,703,758	2,999,249,355	3,126,601,659
Work-In-Progress	9	46,151,677	24,150,397	46,151,677	24,150,397
Leasehold Property	10	6,540,400	6,628,784	-	-
Investments in Subsidiaries	12.1	-	-	149,123,327	149,123,327
Investments in Associates	12.2	600,000	-	600,000	-
Biological Assets - Plantations	11.1	803,185,390	735,498,425	801,363,098	734,086,827
Biological Assets - Livestock Capital	11.2	1,782,199,128	1,675,410,554	1,780,871,628	1,674,451,054
		<u>5,723,167,646</u>	<u>5,656,391,918</u>	<u>5,777,359,085</u>	<u>5,708,413,264</u>
<b>Current Assets</b>					
Inventories	13	244,425,253	311,480,005	232,911,741	302,365,928
Biological Assets - Livestock Trading	11.3	20,154,765	32,033,818	20,154,765	32,033,818
Trade and Other Receivables	14	250,387,644	197,005,608	248,243,306	194,730,534
Advances, Deposits and Prepayments	15	7,831,435	13,327,818	6,307,685	11,792,818
Other Current Assets	16	85,539,435	137,961,349	78,801,967	131,223,880
Short Term Investment	17	114,696,859	108,098,984	61,643,845	59,607,421
Cash and Cash Equivalents	18.1	31,923,930	37,912,107	31,085,508	37,157,906
		<u>754,959,321</u>	<u>837,819,689</u>	<u>679,148,817</u>	<u>768,912,305</u>
<b>Total Assets</b>		<u><b>6,478,126,967</b></u>	<u>6,494,211,607</u>	<u><b>6,456,507,902</b></u>	<u>6,477,325,569</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital		576,587,649	576,587,649	576,587,649	576,587,649
Retained Earnings		(517,868,726)	(220,146,148)	(639,435,001)	(357,913,195)
Capital Reserve		137,872,649	130,696,928	137,872,649	130,696,928
Revenue Reserve		44,529,422	44,529,422	44,529,422	44,529,422
Revaluation Reserve		110,731,360	110,731,360	110,731,360	110,731,360
Revolving Fund		37,500,000	37,500,000	37,500,000	37,500,000
		<u>389,352,354</u>	<u>679,899,211</u>	<u>267,786,079</u>	<u>542,132,164</u>
Non-controlling Interests		-	-	-	-
		<u>389,352,354</u>	<u>679,899,211</u>	<u>267,786,079</u>	<u>542,132,164</u>
<b>Non - Current Liabilities</b>					
Long Term Borrowings	19.1	2,873,609,258	3,538,324,720	2,854,219,896	3,538,324,720
Interest Free Loans		50,000,000	50,000,000	50,000,000	50,000,000
Retirement Benefit Liability	20	185,939,188	191,671,331	184,448,341	190,245,814
Deferred Revenue on Leased Assets	21	31,458,341	32,370,460	31,458,341	32,370,461
		<u>3,141,006,787</u>	<u>3,812,366,511</u>	<u>3,120,126,578</u>	<u>3,810,940,995</u>
<b>Current Liabilities</b>					
Trade and Other Payables	22	941,850,779	792,325,499	1,079,317,680	916,320,119
Income Tax Payable	23	1,994,440	1,584,878	-	-
Short Term Borrowings	19.2	57,868,479	816,280	57,868,479	816,280
Payable on Loans within 12 months	19.3	1,931,409,086	1,207,116,011	1,931,409,086	1,207,116,011
Bank Overdraft	18.2	14,645,042	103,217	-	-
		<u>2,947,767,826</u>	<u>2,001,945,885</u>	<u>3,068,595,245</u>	<u>2,124,252,410</u>
<b>Total Equity and Liabilities</b>		<u><b>6,478,126,967</b></u>	<u>6,494,211,607</u>	<u><b>6,456,507,902</b></u>	<u>6,477,325,569</u>

The notes annexed form an integral part of these financial statements.

Figures in brackets indicate deductions.

I hereby certify that the financial statements have been prepared in compliance with the requirements of the Finance Act No.38 of 1971  
The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by;

.....  
Manager-Finance

.....  
Chairman  
**National Livestock Development Board**  
**Financial Statements 2017**

.....  
Deputy Chairman

## STATEMENT OF CHANGES IN EQUITY - GROUP

	Attributable to Equity Holders of the Parent						Non - Controlling Interest Rs.	TOTAL Rs.
	Stated Capital Rs.	Retained Earnings Rs.	Capital Reserve Rs.	Revenue Reserve Rs.	Revaluation Reserve Rs.	Revolving Fund Rs.		
Balance as at 01 <sup>st</sup> January 2016 (Restated)	576,587,649	201,137,637	130,696,928	44,529,422	110,731,360	37,500,000	-	1,101,182,996
Profit for the Year (Restated)	-	(432,282,544)	-	-	-	-	-	(432,282,544)
Other Comprehensive Income (Restated)	-	10,998,759	-	-	-	-	-	10,998,759
Dividends (Restated)	-	-	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> December 2016 (Restated)</b>	<b>576,587,649</b>	<b>(220,146,148)</b>	<b>130,696,928</b>	<b>44,529,422</b>	<b>110,731,360</b>	<b>37,500,000</b>	<b>-</b>	<b>679,899,211</b>
Balance as at 01 <sup>st</sup> January 2017 (Restated)	<b>576,587,649</b>	<b>(220,146,148)</b>	<b>130,696,928</b>	<b>44,529,422</b>	<b>110,731,360</b>	<b>37,500,000</b>	-	<b>679,899,211</b>
Profit for the Year (Unaudited)	-	<b>(309,248,529)</b>	-	-	-	-	-	<b>(309,248,529)</b>
Other Comprehensive Income (Unaudited)	-	<b>11,525,951</b>	-	-	-	-	-	<b>11,525,951</b>
Capital Reserve (Unaudited)	-	-	<b>7,175,721</b>	-	-	-	-	<b>7,175,721</b>
Dividends (Unaudited)	-	-	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> December 2017 (Unaudited)</b>	<b>576,587,649</b>	<b>(517,868,726)</b>	<b>137,872,649</b>	<b>44,529,422</b>	<b>110,731,360</b>	<b>37,500,000</b>	<b>-</b>	<b>389,352,354</b>

The notes annexed form an integral part of these financial statements.  
Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY - NLDB

Stated	Retained	Capital	Revenue	Revaluation	Revolving	Total
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## NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY

	<u>Capital Rs.</u>	<u>Earnings Rs.</u>	<u>Reserve Rs.</u>	<u>Reserve Rs.</u>	<u>Reserve Rs.</u>	<u>Fund Rs.</u>	<u>Rs.</u>
Balance as at 01 <sup>st</sup> January 2016 (Restated)	576,587,649	44,659,403	130,696,928	44,529,422	110,731,360	37,500,000	944,704,762
Profit for the Year (Restated)	-	(413,571,357)	-	-	-	-	(413,571,357)
Other Comprehensive Income (Restated)	-	10,998,759	-	-	-	-	10,998,759
Dividends (Restated)	-	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> December 2016 (Restated)</b>	<u>576,587,649</u>	<u>(357,913,195)</u>	<u>130,696,928</u>	<u>44,529,422</u>	<u>110,731,360</u>	<u>37,500,000</u>	<u>542,132,164</u>
Balance as at 01 <sup>st</sup> January 2017 (Restated)	<b>576,587,649</b>	<b>(357,913,195)</b>	<b>130,696,928</b>	<b>44,529,422</b>	<b>110,731,360</b>	<b>37,500,000</b>	<b>542,132,164</b>
Profit for the Year (Unaudited)	-	<b>(293,047,757)</b>	-	-	-	-	<b>(293,047,757)</b>
Other Comprehensive Income (Unaudited)	-	<b>11,525,951</b>	-	-	-	-	<b>11,525,951</b>
Capital Reserve (Unaudited)	-	-	<b>7,175,721</b>	-	-	-	<b>7,175,721</b>
Dividends (Unaudited)	-	-	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> December 2017 (Unaudited)</b>	<u><b>576,587,649</b></u>	<u><b>(639,435,001)</b></u>	<u><b>137,872,649</b></u>	<u><b>44,529,422</b></u>	<u><b>110,731,360</b></u>	<u><b>37,500,000</b></u>	<u><b>267,786,079</b></u>

*The notes annexed form an integral part of these financial statements.*

Figures in brackets indicate deductions.

## STATEMENT OF CASH FLOWS

Year Ended 31 <sup>st</sup> December	Group		NLDB	
	2017	2016	2017	2016
	(Unaudited)	(Restated)	(Unaudited)	(Restated)
	Rs.	Rs.	Rs.	Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	(308,089,139)	(431,320,058)	(292,804,757)	(413,371,357)
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	225,990,882	215,678,309	220,780,775	206,436,865
Amortization of Leasehold Property	88,384	88,384	-	-
(Appreciation)/Depreciation On Livestock	(160,141,793)	(135,664,227)	(160,141,793)	(135,664,227)
Disposal (Profit) / Loss or adjustment on property, plant and equipment	135,323	(28,772)	135,323	(28,772)
Provision for gratuity	11,683,058	12,677,382	11,523,543	12,028,995
Deferred Lease Income	(912,122)	(912,121)	(912,122)	(912,121)
Interest Expense	179,574,014	122,425,561	178,326,582	122,396,709
Interest on Deposits	(6,168,672)	(4,569,284)	(6,168,672)	(4,569,284)
Provision for bad and doubtful debts	1,773,500	887,524	1,773,500	887,524
Expenditure for Plantation	11,584,366	9,188,306	11,584,366	9,188,306
Provision of bonus	-	9,182,539	-	9,182,539
<b>Changes working Capital</b>				
(Increase)/Decrease in Inventories	67,054,753	(103,962,618)	69,454,188	(99,293,554)
(Increase)/Decrease in Livestock Trading	11,879,053	24,873,027	11,879,053	24,873,027
(Increase)/Decrease in Trade and Other Receivables	(52,358,118)	(9,441,086)	(52,500,103)	(8,762,940)
(Increase)/Decrease in Advance, Deposit and Pre-Payment	923,682	(3,704,029)	5,485,133	(5,212,466)
(Increase)/Decrease in Other Current Assets	51,821,913	(57,509,904)	51,821,913	(57,509,904)
(Increase)/Decrease in Short Term Investment	(2,036,424)	(1,323,733)	(2,036,424)	(1,323,733)
Increase/(Decrease) in Trade and Other Payables	21,389,853	161,727,208	34,862,129	152,532,742
Increase/(Decrease) in Short term Borrowings	57,052,199	(40,818,259)	57,052,199	(40,818,259)
Increase/(Decrease) Payables on Loans within 12 months	724,293,074	443,057,842	724,293,074	443,057,842
<b>Cash generated from operations</b>	<b>835,537,786</b>	<b>210,531,991</b>	<b>864,407,907</b>	<b>213,117,932</b>
Tax Paid	(749,828)	(875,166)	(243,000)	(464,318)
Gratuity Paid	(27,767,519)	(22,623,427)	(27,673,334)	(22,451,157)
Interest Paid	(29,560,310)	(13,838,998)	(28,312,877)	(13,810,147)
<b>Net cash flow from operating activities</b>	<b>777,460,129</b>	<b>173,194,400</b>	<b>808,178,696</b>	<b>176,392,310</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>				
Purchase of Non-Current assets	(120,113,193)	(174,347,654)	(117,763,488)	(166,608,172)
Proceeds from Sale of Property, Plant and Equipment	2,198,425	-	2,198,426	-
Investment in Plantation	(79,271,331)	(90,810,638)	(78,860,637)	(90,746,138)
Changes in Livestock Capital	53,353,222	443,881,760	53,721,222	444,841,260
Interest on FD	3,382,487	3,884,612	3,382,487	3,884,612
Capital Grant Received	7,175,721	-	7,175,721	-
<b>Net cash flow from / (used in) investing activities</b>	<b>(133,274,669)</b>	<b>182,608,080</b>	<b>(130,146,269)</b>	<b>191,371,562</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>				
Bank Loan Obtained	19,389,362	-	-	-
Settlement of Loan and Lease	(684,104,824)	(351,136,624)	(684,104,824)	(351,136,624)
<b>Net cash flow from / (used in) financing activities</b>	<b>(664,715,462)</b>	<b>(351,136,624)</b>	<b>(684,104,824)</b>	<b>(351,136,624)</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalent</b>	<b>(20,530,002)</b>	<b>4,665,856</b>	<b>(6,072,398)</b>	<b>16,627,248</b>
<b>Cash And Cash Equivalents At The Beginning</b>	<b>37,808,890</b>	<b>33,143,034</b>	<b>37,157,906</b>	<b>20,530,658</b>
<b>Cash And Cash Equivalents At The End</b>	<b>17,278,888</b>	<b>37,808,890</b>	<b>31,085,508</b>	<b>37,157,906</b>

Figures in brackets indicate deductions



# **NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

## **CONSOLIDATION OF FINANCIAL STATEMENTS**

### **1. Corporate Information**

#### **1.1 Reporting Entity**

The National Livestock Development Board (“NLDB”) was established in 1973 under the State Agricultural Corporation Act. No.11 of 1972 and field operations were commenced in 1974. NLDB comes under the purview of the State Ministry of Livestock, Farm Promotion and Dairy and Egg Related Industries. NLDB presently manages 30 livestock and crop intergraded farms with a training centre. The registered office of the Board is located at No.40, Nawala Road, Narahenpita, Colombo 5.

The Consolidated Financial Statements of the National Livestock Development Board as at and for the year ended 31<sup>st</sup> December 2017 comprise the financial information of NLDB and its subsidiary (together referred to as the “Group” and individually as “Group entities”).

#### **1.2 Principal Activities and Nature of Operations**

The principal activity of NLDB (parent) is the maintenance of Livestock Breeding Farms with a Livestock/Crop integrated farming system with the objective of contributing to the Livestock Development activities in the Country.

The principle activities of the Sri Lanka Poultry Development Company (Pvt) Ltd (subsidiary) are agriculture and livestock.

### **2. Basis of Preparation**

#### **2.1 Statement of Compliance**

The Consolidated Financial Statements of the Group and Separate Financial Statements of NLDB, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (‘CA Sri Lanka’).

These Financial Statements include the following components:

- Statement of Profit or Loss and Other Comprehensive Income providing information on the Financial Performance of NLDB and the Group for the year.
- Statement of Financial Position providing the information on the Financial Position of NLDB and the Group as at the year end.
- Statement of Changes in Equity depicting all changes in shareholders’ funds during the year, the Group and NLDB
- Statement of Cash Flows providing the information to the users, on the ability of NLDB and the Group to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

#### **2.2 Approval of Financial Statements**

The Consolidated Financial Statements of the NLDB for the year ended 31<sup>st</sup> December 2017 were approved and authorized for issue by the Board on 25<sup>th</sup> July 2020.

## **NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

### **CONSOLIDATION OF FINANCIAL STATEMENTS**

#### **2.3 Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis except where appropriate disclosures are made with regards to fair value under relevant notes.

No adjustments have been made for inflationary factors affecting the Financial Statements.

#### **2.4 Functional and Presentation Currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The Financial Statements are presented in Sri Lankan Rupees, which is the entities' functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### **2.5 Use of Judgments and Estimations**

In preparing these Consolidated and Separate Financial Statements, the management has made judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

#### **Going Concern**

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

#### **2.6 Current Versus Non-Current Classification**

The Group presents assets and liabilities in the Statement of Financial Position based on Current / Non-Current classification. An asset is Current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realized within twelve months after the reporting period or is Cash or Cash Equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as Non-Current Assets.

A liability is Current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. All other liabilities are classified as Non-Current Liabilities.

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### 2.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Group.

### 3. Significant Accounting Policies

NLDB and the Group have consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements unless otherwise indicated.

#### 3.1 Basis of Consolidation

##### 3.1.1 Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non – controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

##### 3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

In the entity’s Financial Statements, investments in subsidiaries are carried at cost less impairment if any, in net recoverable value.

##### 3.1.3 Non-Controlling Interests

Non-Controlling Interests (‘NCI’) are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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#### **3.1.4 Loss of Control**

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Subsequently, any retained interest is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

#### **3.1.5 Associates**

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating activities. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Acquisitions of additional stakes of equity accounted investees, until the control is established, are accounted as goodwill within the equity accounted investment if consideration paid is more than the net asset acquired or taken into to profit or loss as gain on bargain purchase if the net asset acquired is more than the consideration paid.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### **3.1.6 Reporting Date**

The parent and the subsidiary have the same financial year end which ends on 31<sup>st</sup> December other than the associate whose financial year ends on 31<sup>st</sup> March.

The difference among the reporting dates of the above companies and that of the parent does not exceed three months.

#### **3.1.7 Transactions eliminated on Consolidation**

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

#### **3.2 Foreign Currency Transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

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**3.3 Statement of Financial Position**

**3.3.1 Property, Plant and Equipment**

**a. Recognition**

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period. Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured.

**b. Measurement**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. This also includes costs of dismantling and removing the items and restoring the site on which they are located. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

**c. Subsequent Cost**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in the profit or loss.

**d. De-recognition**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

**e. Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in profit or loss. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Leased assets are depreciated over the shorter of the lease term or the useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The depreciate rates of the property, plant and equipment for current and comparative periods are as follows.

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<b>Class of Assets</b>	<b>Rate of depreciation</b>
Building including poultry sheds	5%-10%
Plant and Machinery	10%-15%
Estate Equipment	5%
Tools and Equipment	20%-25%
Furniture, Fittings and Fixtures	10%
Office Equipment	10%-20%
Structures including livestock sheds	5%
Motor vehicles	10%-25%

**f. Restoration Costs**

Expenditure incurred on repairs or maintenance of property, plant and equipment (mainly in the agricultural sector) in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as an expense when incurred.

**g. Capital Work-In-Progress**

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery, awaiting capitalization.

Some of the freehold land's title changes are still in the process. Since these transactions are considered to be major investments this has been disclosed under Property Plant and Equipment. And 35 acres of the NLDB Siringapatha farm was handed over to MILCO on a Cabinet directive, but the value of the land or any financial benefits that would derive not been finalized. Therefore, no accounting entries have been recorded in the financial statements during the accounting period under review.

**3.3.2 Inventories**

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

The cost of inventories is based on the weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Due to a concern associated with the accounting software package, the inventory items under the milk project have discrepancies. With this regard, during the year 2017 an amount of Rs. 1,841,169.04 has been transferred to unreconciled stock account. As at 31<sup>st</sup> December 2017, the balance of unreconciled stock related to milk project is Rs. 21,329,925.86.

**3.3.3 Biological Assets**

Biological assets are measured at the end of the year at their fair values less costs to sell. Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the profit or loss for the period in which the gain or loss arises.

The Group's biological assets are stated at a valuation. This is based on a method and formula developed by the Group with the assistance of the expert in the field of biology which is expected to result in the near-market fair value for biological assets and the summary of the reconciliation statement of carrying amounts of dairy livestock is also given in Note 11.

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**a. Coconut Projects**

The expenses incurred for new planting and under planting of the coconut projects were capitalized considering the time lag of seven years between the planting and commercial harvesting. The write off is carried out over 35 years after the commercial harvesting is commenced. As a policy decision NLDB continued to provide 3% deduction for spoilage of coconut from the closing stock which is reflected in the accounts.

**b. Pasture Development**

Pasture development expenses if capitalized considering the time lag of five months between the time of planting and harvesting is being amortized over period of four years.

**c. Mature Plantations**

Cost of establishing plantation and expenditure incurred up to the maturity stage being capitalized from the current financial period less cost of amortization for the period.

**Measurement of Biological Assets**

Group's biological assets are measured on the following criteria.

**a. Animals other than poultry**

Animals other than poultry is valued at a standard rate circulated by the Board based on the following factors.

1. Live weight
2. Lactation No.
3. Milk Production
4. Pregnancy
5. Genetic value

Sheep, Goats, Pigs and Rabbits are valued at standards rates based on the Live Weight, Genetic Value and Pregnancy. All culled animals are valued at standard rates based on weights. The cattle stock of SLPDC is valued at market price of live weight less an adjustment for dress weight.

**b. Breeder and Commercial Layer Poultry**

Breeder and commercial layer batches of NLDB which have commenced the laying are valued at cost incurred up to the laying point less cost of amortization for the period and the layer batches that are growing are valued at actual cost incurred up to date. SLPDC values the commercial layer at cost less depreciation. This cost includes initial cost of day of old birds, feed vaccines and the drug costs for the first six months (26 weeks).

**c. Breeder eggs (Hatching eggs)**

Breeder eggs are valued at cost using the following formula by NLDB.

The total cost divided by number of hatch able eggs produced during the year. This total cost includes the cost of feeds, direct wages and production overheads including depreciation charges.

**d. Commercial Layer Eggs**

Commercial layer eggs are valued at realized price.

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- e. Broiler and Layer Immature Stocks** – Measured at cost
- f. Broiler in Cold Room** – Measured at realized price
- g. Coconut and Agriculture products** - Measured at realized price
- h. Charcoal** – At 50% of the realized price

**i. Other Stock**

All other stocks are valued at the lower cost or net realizable value whichever is less

As a Board policy decision, 10 % provision is made on the biological value of cattle, buffalo, goats, pigs and sheep annually.

**3.3.4 Impairment of Non-Financial Assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss.

**3.3.5 Financial Instruments**

**3.3.5.1 Non-derivative Financial Assets**

The Group recognizes a financial asset in its Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. The Group initially recognizes loans and receivables and deposits issued on the date when they are originated.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over transferred asset.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non derivative financial assets: Loans and receivables and Held to Maturity investments

**a. Loans and Receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, amounts due from related companies and cash and cash equivalents.



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However, NLDB continues to record and present employee loans at contracted amounts, until a consensus is reached with all stakeholders of the public sector for accounting such items at fair value.

As NLDB's Policy, bad debt provisions are made as follows:

Over 05 years	100%
3-5 Years	50%
1-3 years	20%
During the Year	2%

#### **b. Held-to-maturity Financial Assets**

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs if the transaction costs are significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Investments in fixed deposits have been classified under as held-to-maturity investments.

#### **3.3.5.2 Impairment of Financial Assets**

NLDB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the assets carrying amount and the present value off estimated future cash flows.

#### **3.3.6 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at banks and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

#### **3.3.7 Grants**

##### **3.3.7.1 Accounting for Grants**

Grants that compensate the Group for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in the statement of comprehensive income on a systematic basis over the useful life of the related assets.

#### **3.3.8 Liabilities and Provisions**

Liabilities classified as current liabilities in the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

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Although negotiations are underway by NLDB with the Treasury and the Ministry representatives to convert the WELLARD loan as an equity investment by the Treasury, until such time, the loan interest provision has been made in the NLDB books of accounts. Further, although this loan was obtained in USD currency by the Treasury from the foreign lending agency, we have not made any provision for currency fluctuation adjustment, which will result in a further financial liability.

NLDB is liable for Value Added Tax (VAT) and complied with the provision of VAT Act. VAT payable and or recoverable amounts are reflected in the statement of Financial Position.

**3.3.9 Employee Benefits**

**a. Provision for retiring gratuity**

The Group has adopted the benefit plan as required under the Payment of Gratuity Act No.12 of 1983 for all eligible employees. The benefits plan is unfunded. Provision for gratuity is computed by the Group taking into account the guidance of Sri Lanka Accounting Standard LKAS 19 Employee Benefits.

Defined benefits plans estimate the amount of benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

All computations have been carried out on the formula method prescribed in LKAS 19 using the following key assumptions:

Continuity	:	NLDB is a going concern
Rate of Interest	:	11.5%
Rate of salary Increase	:	5.5%
Retirement Age	:	55 years
Staff Turnover Ratio	:	1.0%

The summary of the calculation of NLDB is given below:

**Gratuity Calculation Summary - 31.12.2016**

No	Opening Balance	Charge for the Year	Interest	Payments	Gain/loss	Closing Balance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	22,685,800	1,298,935	2,608,867	(2,629,682)	(1,144,046)	22,819,874
2	16,128,535	1,023,575	1,854,781	(1,341,442)	(635,252)	17,030,197
3	16,507,931	998,886	1,898,412	(3,473,237)	(1,570,080)	14,361,912
4	19,061,650	1,241,821	2,192,090	(2,221,422)	(352,015)	19,922,124
5	13,020,570	802,128	1,497,365	(751,800)	(2,327,822)	12,240,441
6	12,703,917	814,018	,460,950	(2,074,259)	(881,584)	12,023,041
7	15,636,985	908,915	1,798,253	(1,744,161)	(1,416,714)	15,183,276
8	18,996,955	1,198,557	2,184,650	(2,372,105)	(150,376)	19,857,681
9	19,534,107	1,302,234	2,246,422	(1,978,959)	(252,335)	20,851,469
10	11,959,511	987,809	1,375,344	(290,430)	(435,136)	13,597,098
11	23,599,677	1,452,117	2,713,963	(3,573,660)	(1,833,399)	22,358,698
	<b>189,835,638</b>	<b>12,028,995</b>	<b>21,831,097</b>	<b>(22,451,157)</b>	<b>(10,998,759)</b>	<b>190,245,814</b>

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Gratuity Calculation Summary - 31.12.2017

No	Opening Balance	Charge for the Year	Interest	Payments	Gain/loss	Closing Balance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	22,819,874	1,417,954	2,624,286	(2,334,822)	1,450,144	25,977,435
2	17,030,197	1,083,934	1,958,473	(1,592,288)	(124,266)	18,356,051
3	14,361,912	811,709	1,651,620	(1,502,793)	(2,513,719)	12,808,729
4	19,922,124	1,219,312	2,291,044	(3,545,735)	130,361	20,017,106
5	12,240,443	594,199	1,407,651	(3,548,623)	(2,097,384)	8,596,286
6	12,023,041	803,584	1,382,650	(1,398,360)	(1,483,128)	11,327,787
7	15,183,276	832,884	1,746,077	(3,548,764)	(664,739)	13,548,734
8	19,857,682	1,121,916	2,283,633	(3,988,008)	(1,681,245)	17,593,978
9	20,851,469	1,194,648	2,397,919	(3,332,173)	(689,324)	20,422,539
10	13,597,098	1,049,803	1,563,666	(886,494)	(1,687,821)	13,636,253
11	22,358,698	1,393,600	2,571,250	(1,995,275)	(2,164,830)	22,163,443
	<b>190,245,814</b>	<b>11,523,543</b>	<b>21,878,269</b>	<b>(27,673,334)</b>	<b>(11,525,951)</b>	<b>184,448,341</b>

**b. Defined Contribution Plans**

A defined contribution plan is a post – employment plan under which an entity pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as an expense in the statement of comprehensive income as and when they are due.

**c. Employees’ Provident Fund**

The Group entities and employees contribute 12% and 10% respectively on the basic salary and cost of living allowance of each employee to the Employee Provident Fund.

**d. Employees’ Trust Fund**

The Group entities contributes 3% on the basic salary and cost of living allowance of each employee to the Employee’s Trust Fund.

There is an arrears of approximately Rs. 80.2mn for EPF, ETF and ESPS liability, out of which Rs.12.70mn has been paid during the financial year of 2017.

**3.3.10 Lease and Investment Properties**

**3.3.10.1 Leasehold Property**

The cost of improvements to or on leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter. NLDB has acquired movable assets on a financial lease from the Bank of Ceylon and all such movable assets are leased over a period of five years. NLDB has also leased out some of its immovable property to third parties on 30 and 99 years lease periods for the following;

1. Brandix Imitate Co Ltd. - (31 per. lease for 30 years)
2. Rajawella Land - (517 acr. lease for 99 years)

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NLDB received in advance a lease rental for which land was given on a 99 year lease to the subsidiary company (SLPDC). This balance was shown under differed lease revenue and the outstanding amount was transferred to the investment of subsidiary account as this payment was taken into consideration when shares were valued.

**3.3.10.2 Investment Properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

After the initial recognition, the Group measures all of their investment properties in accordance with the requirements of LKAS 16 on property, plant and equipment other than those that meet the criteria to be classified as held for sale.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from the use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognized in the income statement in the year of disposal.

**3.3.11 Equity**

NLDB has continued to build up the Capital Reserve and Revenue reserve mainly to strengthen its equity provision and to maintain a healthy ratio so that financial borrowings could be obtained from lending institutions.

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**3.4 Statement of Profit and Loss and Other Comprehensive Income**

**3.4.1 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that it can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sale taxes.

The following specific criteria are used for the purpose of recognition of revenue.

**3.4.1.1 Sale of Goods**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue is recognized at the invoice value net of brokerage, sale expenses and other levies related to revenue.

**Sale of Farm Products**

Sales are recognized when the risks and rewards of ownership have been transferred to the buyer.

**3.4.1.2 Dividend Income**

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

**3.4.1.3 Rent Income**

Rental Income is recognized in profit and loss as it accrues.

**3.4.1.4 Interest Income**

Interest income is recognized as it accrues in the profit or loss using the effective interest method.

**3.4.2 Other Operating Income**

Gains and losses on the disposal of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amount. These are included in profit and loss.

**3.4.3 Changes in the Fair Value of Biological Assets**

The gain or loss arising from changes in fair value of biological assets is dealt in the Statement of Profit or Loss.

**3.4.4 Government Grants**

Government grants related to development activities which can be treated in the nature of revenue and deferred revenue are accounted under the income approach, due to the fact that NLDB is compelled to issue livestock and breeding materials to the local farmers at the concessionary rates as the main objective of the entity.

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**3.4.5 Borrowing Cost**

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalized as part of that asset.

Borrowing costs that are not capitalized are recognized as expenses in the period which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with the in LKAS 23 – ‘Borrowing Costs’.

**3.4.6 Finance Expense**

Finance cost comprises interest expenses on borrowings and interest on overdraft.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

**3.4.7 Income Tax Expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity, or in Other Comprehensive Income.

**a. Current Tax Expense**

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments made thereto.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or subsequently enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

No provision for income tax has been provided during the financial year as the taxable income as per the tax computation is nil for NLDB.

ESC is set off against the mainstream income tax liability. As NLDB is not liable to any income tax liability, ESC has to be treated as revenue expenditure. ESC paid to the extent of Rs. 17,494,747 up to the year 2011 had been written as expense in the financial year 2015.

**b. Deferred Tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

## **NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY CONSOLIDATION OF FINANCIAL STATEMENTS**

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

As at the balance sheet date there is no differed tax liability recognized. This is due to accumulated tax losses, NLDB does not recognize deferred tax assets.

### **3.5 Subsequent Events**

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

No circumstances have arisen since the reporting date which requires material adjustment or disclosure in the financial statements.

### **3.6 Segment Reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments.

NLDB Financial Statements are prepared with a decentralized accounting system where each farm is considered as an operating segment. As such each and every operating segment is taken into account when preparing the Statement of Profit and Loss and Other Comprehensive Income and Statement of Financial Position.

### **3.7 Related Party Transactions**

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

None of the Directors of NLDB had interests in contracts and or proposed contracts with the Board as at the reporting date.

The Chairman who is also the Chairman of the fully owned subsidiary company of NLDB and the Deputy Chairman are paid a monthly allowance as per the Treasury circular and no other payment is made to them in any of the related companies of NLDB.

The following members are paid board fees, audit and management fees together with a transport allowance for the days participated:

- 1) Mr. A. G. Nishantha
- 2) Mr. A. Punchihewa
- 3) Mr. Sumith Weerasuriya
- 4) Mr. K. K. Vanasje

### **3.8 Comparative Information**

The Group's accounting policies have been consistently applied and are consistent with those of the previous year's figures and phrases which have been re-arranged wherever necessary to conform to the current presentation.

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**3.9 Statement of Cash Flows**

The Statement of Cash Flows has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Interest paid is classified as operating cash flow and interest received is classified as investing cash flow.

**3.10 Exemption Applied**

SLFRS 1 First Time Adoption of Sri Lanka Financial Reporting standards and statement of Recommended Practices allows for certain exemptions from the retrospective application of certain SLFRS.

**3.10.14.1 NLDB has applied the following exemptions**

**Fair Value or Revaluation as Deemed Cost**

As per the COPE directive, motor vehicles of NLDB have been revalued and the fair value is presented in accounts. The valuation was carried out by the government valuer who is considered to be a professional valuer.

Freehold property, plant, and equipment are carried in the statement of financial position prepared in accordance with the LKASs, using the cost model. NLDB has elected to use the fair value as deemed cost.

**3.11 Capital Commitment and Contingent Liability**

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitments and contingent liabilities of the Group are disclosed in the respective notes to the financial statements. Although court cases against NLDB have been filed due to various reasons, no provisions could be made or liabilities identified as the cases are still at the initial stage.

There are no material contingent liabilities as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

The Attorney General who is appearing on behalf of the NLDB is of the opinion that the outcome of or the potential liability of any of the cases cannot be assessed at this stage. Therefore, no provision is required in the accounts.

However for two legal cases, NLDB was received judgments after the balance sheet date to pay Rs. 3.1mn to the other party.



**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY  
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**4. Restatement of Financial Statements**

Notes 4.1 and 4.2 shows the details of the adjustments made to arrive at the restated values as at 31.12.2015 and 31.12.2016 in the Statement of Financial position as at 31.12.2017.

Notes 4.3 and 4.4 show the details of adjustments made to arrive at the restated amounts as at 31.12.2015 and 31.12.2016 in the Statement of Profit and Loss and Other Comprehensive Income for the year ended 31.12.2017.

**4.1 Restated values in Statement of Financial Position**

**As at 31.12.2015**

	<b>Rs.</b>
Livestock Capital as per Audited Financial Statements	2,076,697,227
Livestock Valuation Adjustment	(154,511,506)
<b>Livestock Capital Balance as per Financial Statement (Restated)</b>	<b>1,922,185,721</b>
Property, Plant and Equipment as per Audited Financial Statements	3,102,557,187
Over Depreciation	20,005
<b>Property, Plant and Equipment as per Financial Statements (Restated)</b>	<b>3,102,577,192</b>
Trading, Other Receivables and Advances as per Audited Financial Statements	203,674,871
ESC write-off	(17,494,747)
Semi Luxury Tax for the Year	(274,000)
<b>Trading, Other Receivables and Advances as per Financial Statements (Restated)</b>	<b>185,906,124</b>
Cash and Cash Equivalents as per Audited Financial Statements	20,530,577
Dayagama Expenditure Correction	80
<b>Cash and Cash Equivalents as per Financial Statements (Restated)</b>	<b>20,530,657</b>

**4.2 Restated Values in Statement of Financial Position**

**As at 31.12.2016**

	<b>Rs.</b>
Livestock Capital as per Audited Financial Statements	2,252,283,752
Livestock Valuation Adjustment 2015	(154,511,506)
Livestock Valuation Adjustment 2016	(423,320,709)
Livestock Valuation Classification error	(563)
Dayagama Expenditure Correction	80
<b>Livestock Capital Balance as per Financial Statements (Restated)</b>	<b>1,674,451,054</b>
Property, Plant and Equipment as per Audited Financial Statements	3,150,269,830
Over Depreciation 2015	20,005
Over Depreciation 2016	462,221
<b>Property, Plant and Equipment as per Financial Statements (Restated)</b>	<b>3,150,752,056</b>

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Trading , Other Receivables and Advances as per Audited Financial Statements	212,699,281
ESC write-off	(17,494,747)
Semi Luxury Tax for the Year 2015	(274,000)
Semi Luxury Tax for the Year 2016	(200,000)
<b>Trading , Other Receivables and Advances as per Financial Statements (Restated)</b>	<b>194,730,534</b>

**4.3 Restated Values in Statement of Profit and Loss and Other  
Comprehensive income**

**Y/E 31.12.2015**

	<b>Rs.</b>
Net Profit as per Audited Financial Statements	34,840,105
Livestock Valuation Adjustment	(154,511,506)
Dayagama Expenditure Correction	80
Depreciation Over Provision	20,005
ESC write-off	(17,494,747)
Semi Luxury Tax for the Year	(274,000)
<b>Net Profit as per Financial Statements (Restated)</b>	<b>(137,420,063)</b>

**4.4 Restated Values in Statement of Profit and Loss and Other  
Comprehensive income**

**Y/E 31.12.2016**

	<b>Rs.</b>
Net Profit as per Audited Financial Statements	9,487,129
Livestock Valuation Adjustment	(423,320,707)
Depreciation Over Provision	462,221
Semi Luxury Tax for the Year	(200,000)
<b>Net Profit as per Financial Statements (Restated)</b>	<b>(413,571,357)</b>

**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY  
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**5. New Standards Issued But Not Effective as at Reporting Date**

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these financial Statements and the Company plans to apply these standards on the respective effective dates.

**SLFRS 9 – “Financial Instruments” – effective for annual periods beginning on or after 01<sup>st</sup> January 2018**  
SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – “Financial Instruments: Recognition and Measurement” is effective for annual reporting periods beginning on or after 01 January 2018.

The final version of SLFRS 9 – Financial Instruments that replaces LKAS 39 – Financial Instruments: Recognition and Measurement and all previous version of SLFRS 9. SLFRS 9 brings together all three aspects of accounting for the financial instrument i.e. Classification and Measurement, Impairment and Hedge Accounting.

The Group and NLDB are in the process of identifying the impact of these standards on its Financial Statements. The impact of the implementation of the standard is not yet finalized.

**SLFRS 15 - ‘Revenue from Contracts with Customers’ – effective for annual periods beginning on or after 01<sup>st</sup> January 2018.**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Entities will apply a five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled.

SLFRS 15 replaces existing revenue recognition guidance, including LKAS 18 on ‘Revenue’ and LKAS 11 on ‘Construction Contracts’ and IFRIC 13 on “Customer Loyalty Programs”, IFRIC 15 “ Agreements for the Construction of Real Estate”, IFRIC 18 on “Transfers of Assets from Customers” and SIC 31 “Revenue- Barter Transactions involving Advertising Services”

The Group and NLDB are in the process of identifying the impact of these standards on its Financial Statements. The impact of the implementation of the standard is not yet finalized.

**SLFRS 16 - ‘Leases’- effective for annual periods beginning on or after 01<sup>st</sup> January 2019.**

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

The Group and NLDB are in the process of identifying the impact of these standards on its Financial Statements. The impact of the implementation of the standard is not yet finalized.

# NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>1 REVENUE</b>				
Sales - Major Project	2,607,723,141	2,626,975,349	2,538,535,024	2,574,231,205
Sales - Miscellaneous Project				
-Milk Project	186,020,817	196,591,940	186,020,817	196,591,940
-Franchise	3,002,961	4,066,722	3,002,961	4,066,722
-Delite	-	1,086,555	-	1,086,555
-Sales Centre	76,486,763	73,439,676	70,029,906	65,847,034
	<u>2,873,233,682</u>	<u>2,902,160,242</u>	<u>2,797,588,708</u>	<u>2,841,823,456</u>
<b>2 FAIR VALUE OF BIOLOGICAL ASSETS</b>				
Gains arising from changes in fair value less costs to sell of dairy livestock	160,141,793	(306,842,364)	160,141,793	(306,842,364)
	<u>160,141,793</u>	<u>(306,842,364)</u>	<u>160,141,793</u>	<u>(306,842,364)</u>
<b>3 COST OF SALES</b>				
Cost of Sales - Major Project	(2,054,226,034)	(1,871,814,166)	(2,000,512,005)	(1,831,470,616)
Cost of Sales - Miscellaneous Project				
-Milk Project	(136,436,919)	(145,019,597)	(136,436,919)	(145,019,597)
-Franchise	(2,265,489)	(3,019,078)	(2,265,489)	(3,019,078)
-Delite	-	(714,627)	-	(714,627)
-Sales Centre	(65,325,688)	(57,955,743)	(60,897,053)	(57,955,743)
	<u>(2,258,254,130)</u>	<u>(2,078,523,211)</u>	<u>(2,200,111,466)</u>	<u>(2,038,179,661)</u>
<b>4 OTHER INCOME</b>				
Income on Investment Property	963,821	1,363,821	963,821	1,363,821
Interest on staff Loans	1,997,774	2,157,049	1,997,774	2,157,049
Interest on Deposits	11,270,121	8,758,762	6,168,672	4,569,284
Income on Mini Projects	8,964,861	10,439,721	8,964,861	10,439,721
Disposal Profit	1,128,418	-	-	-
Other Income	26,356,876	31,349,948	26,138,703	30,799,783
	<u>50,681,871</u>	<u>54,069,301</u>	<u>44,233,831</u>	<u>49,329,658</u>
<b>5 GOVERNMENT GRANTS</b>				
Swine Project	-	1,324,279	-	1,324,279
Mobile and National Food Program	-	3,587,641	-	3,587,641
Ridiyagama Project	-	17,998,972	-	17,998,972
Bio Gas Unit	-	1,818,709	-	1,818,709
	-	<u>24,729,601</u>	-	<u>24,729,601</u>
<b>6 OPERATING EXPENSES</b>				
<b>6.1 Distribution Expenses</b>				
Advertisement expense	(56,695)	-	-	-
Brokerage Expenses	(3,080,642)	(3,077,710)	(3,080,642)	(3,077,710)
Bad Debtors	(1,773,500)	(887,524)	(1,773,500)	(887,524)
Milk Project	(1,261,246)	(761,197)	(1,261,246)	(761,197)
Franchise Project	(18,816)	-	(18,816)	-
Sales Centre	(278,622)	(254,730)	(278,622)	(254,730)
Other distribution expense	(321,075)	(242,568)	-	-
	<u>(6,790,596)</u>	<u>(5,223,729)</u>	<u>(6,412,826)</u>	<u>(4,981,161)</u>

**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>6.2 Administration Expenses</b>				
Administration and General of Farms	(740,222,958)	(686,489,582)	(702,613,429)	(644,079,421)
Head Office	(138,320,048)	(134,700,229)	(138,320,048)	(134,700,229)
Milk Project	(51,300,040)	(55,308,668)	(51,300,040)	(55,308,668)
Franchise Project	(626,896)	(1,038,241)	(626,896)	(1,038,241)
Sales Centres	(5,297,177)	(5,549,929)	(5,297,177)	(5,549,929)
Annual Bonus	-	(9,182,539)	-	(9,182,539)
Delite Project	-	(96,628)	-	(96,628)
	<b>(935,767,119)</b>	<b>(892,365,816)</b>	<b>(898,157,590)</b>	<b>(849,955,655)</b>
<b>6.3 Other Expenses</b>				
Expenditure on Mini Projects of Farm	(4,024,158)	(3,431,755)	(4,024,158)	(3,431,755)
Other Expenses of farms	(7,696,919)	(3,466,767)	(7,696,919)	(3,466,767)
	<b>(11,721,077)</b>	<b>(6,898,522)</b>	<b>(11,721,077)</b>	<b>(6,898,522)</b>
<b>7 FINANCE COST</b>				
Interest on Overdraft	(301,520)	(645,870)	(149,759)	(645,870)
Leasing Interest	(4,188,148)	(4,040,649)	(4,188,148)	(4,040,649)
Interest on Bank Loans	(24,811,548)	(8,904,531)	(23,778,221)	(8,904,531)
Interest on Welard Loan	(128,135,435)	(86,755,464)	(128,135,435)	(86,755,464)
Interest on Gratuity	(21,878,269)	(21,831,098)	(21,878,269)	(21,831,098)
Finance Charges	(298,643)	(247,948)	(236,298)	(219,097)
	<b>(179,613,563)</b>	<b>(122,425,560)</b>	<b>(178,366,130)</b>	<b>(122,396,709)</b>
<b>8 TAX EXPENSES</b>				
<b>The major components of tax expenses:</b>				
<b>8.1 Current Income Tax</b>				
Current Income Tax charge	916,390	762,486	-	-
<b>8.2 Semi Luxury Tax</b>				
Semi Luxury Tax charge	243,000	200,000	243,000	200,000
<b>8.3 Deferred Tax</b>				
Deferred Taxation Charge/(Reversal)	-	-	-	-
Tax Expense Reported in the Statement of Profit or Loss	<b>1,159,390</b>	962,486	<b>243,000</b>	200,000

**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

**9 PROPERTY, PLANT AND EQUIPMENT**

**9.1 PROPERTY, PLANT AND EQUIPMENT - Group (Unaudited)**

	Freehold							Leasehold	Capital Work in Progress	Total	
	Land	Buildings	Plant and Machinery	Estate Equipment	Office Equipment	Other Equipment	Furniture and Fittings	Motor Vehicles			Motor Vehicles
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>At Cost or Valuation</b>											
Balance as at 01 <sup>st</sup> January 2017	375,483,228	1,691,953,843	657,394,714	926,824,706	41,622,216	3,894,725	24,247,665	281,744,866	84,147,746	24,150,397	<b>4,111,464,106</b>
Additions	-	73,626,327	13,951,003	5,658,158	1,058,344	69,875	527,446	3,220,760	-	22,001,280	<b>120,113,193</b>
Disposals	-	(3,382,688)	(45,424)	(579,024)	-	-	(164)	(2,464,172)	-	-	<b>(6,471,472)</b>
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>375,483,228</b>	<b>1,762,197,482</b>	<b>671,300,293</b>	<b>931,903,840</b>	<b>42,680,560</b>	<b>3,964,600</b>	<b>24,774,947</b>	<b>282,501,454</b>	<b>84,147,746</b>	<b>46,151,677</b>	<b>4,225,105,827</b>
<b>Accumulated Depreciation</b>											
Balance as at 01 <sup>st</sup> January 2017	-	(443,188,592)	(142,812,848)	(104,221,955)	(32,855,145)	(2,970,531)	(15,755,712)	(116,272,944)	(14,532,224)	-	<b>(872,609,951)</b>
Depreciation	-	(78,268,452)	(61,742,711)	(45,103,469)	(2,898,781)	(212,239)	(1,895,979)	(27,559,977)	(8,309,275)	-	<b>(225,990,883)</b>
Disposals	-	1,761,629	45,424	579,024	-	-	-	1,751,658	-	-	<b>4,137,735</b>
Adjustments	-	-	-	-	-	-	-	(210,999)	210,999	-	-
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>-</b>	<b>(519,695,415)</b>	<b>(204,510,135)</b>	<b>(148,746,400)</b>	<b>(35,753,926)</b>	<b>(3,182,770)</b>	<b>(17,651,691)</b>	<b>(142,292,262)</b>	<b>(22,630,500)</b>	<b>-</b>	<b>(1,094,463,099)</b>
As at 01 <sup>st</sup> January 2017	375,483,228	1,248,765,251	514,581,866	822,602,751	8,767,071	924,194	8,491,953	165,471,922	69,615,522	24,150,397	3,238,854,155
<b>As at 31<sup>st</sup> December 2017</b>	<b>375,483,228</b>	<b>1,242,502,067</b>	<b>466,790,158</b>	<b>783,157,440</b>	<b>6,926,634</b>	<b>781,830</b>	<b>7,123,256</b>	<b>140,209,192</b>	<b>61,517,246</b>	<b>46,151,677</b>	<b>3,130,642,728</b>

**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

**9 PROPERTY, PLANT AND EQUIPMENT (CONT)**

**9.2 PROPERTY, PLANT AND EQUIPMENT - NLDB (Unaudited)**

	Freehold							Leasehold	Capital Work in Progress	Total	
	Land	Buildings	Plant and Machinery	Estate Equipment	Office Equipment	Furniture and Fittings	Structures	Motor Vehicles			Motor Vehicles
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>At Cost or Valuation</b>											
Balance as at 01 <sup>st</sup> January 2017	338,483,228	246,935,358	628,980,281	926,824,706	36,781,629	17,703,893	1,378,713,559	260,711,476	84,147,746	24,150,397	<b>3,943,432,273</b>
Additions	-	19,920,126	13,521,790	5,658,158	1,058,344	495,828	53,706,202	1,401,760	-	22,001,280	<b>117,763,488</b>
Disposals	-	(3,242,241)	(45,424)	(579,024)	-	(164)	(140,447)	(1,214,172)	-	-	<b>(5,221,472)</b>
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>338,483,228</b>	<b>263,613,243</b>	<b>642,456,647</b>	<b>931,903,840</b>	<b>37,839,973</b>	<b>18,199,557</b>	<b>1,432,279,314</b>	<b>260,899,064</b>	<b>84,147,746</b>	<b>46,151,677</b>	<b>4,055,974,289</b>
<b>Accumulated Depreciation</b>											
Balance as at 01 <sup>st</sup> January 2017	-	(95,977,365)	(117,673,881)	(104,221,955)	(28,271,470)	(9,676,077)	(324,550,495)	(97,776,750)	(14,532,224)	-	(792,680,217)
Depreciation	-	(12,246,076)	(61,111,035)	(45,103,469)	(2,660,269)	(1,469,517)	(64,812,813)	(25,068,321)	(8,309,275)	-	(220,780,775)
Disposals	-	1,621,182	45,424	579,024	-	-	140,447	501,658	-	-	2,887,735
Adjustments	-	-	-	-	-	-	-	(210,999)	210,999	-	-
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>-</b>	<b>(106,602,259)</b>	<b>(178,739,492)</b>	<b>(148,746,400)</b>	<b>(30,931,739)</b>	<b>(11,145,594)</b>	<b>(389,222,861)</b>	<b>(122,554,412)</b>	<b>(22,630,500)</b>	<b>-</b>	<b>(1,010,573,257)</b>
As at 01 <sup>st</sup> January 2017	338,483,228	150,957,993	511,306,400	822,602,751	8,510,159	8,027,816	1,054,163,064	162,934,726	69,615,522	24,150,397	3,150,752,056
As at 31 <sup>st</sup> December 2017	<b>338,483,228</b>	<b>157,010,984</b>	<b>463,717,155</b>	<b>783,157,440</b>	<b>6,908,234</b>	<b>7,053,963</b>	<b>1,043,056,453</b>	<b>138,344,652</b>	<b>61,517,246</b>	<b>46,151,677</b>	<b>3,045,401,032</b>

**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>10 LEASEHOLD PROPERTY</b>				
Balance as at 1 <sup>st</sup> January	6,628,784	6,717,168	-	-
Amortization for the year	(88,384)	(88,384)	-	-
<b>Balance as at 31<sup>st</sup> December</b>	<b>6,540,400</b>	<b>6,628,784</b>	<b>-</b>	<b>-</b>

The Sri Lanka Poultry Development Company (Private) Limited obtained the freehold right to a land situated in Bandirippuwa, Lunuwila for 99 years from National Livestock Development Board by the agreement dated 01<sup>st</sup> October 1982.

**11 BIOLOGICAL ASSETS**

**11.1 Plantations**

Group	Balance as at 01.01.2017	Expenditure incurred during the year	Amount charged to PL	Balance as at 31.12.2017
Coconut under planting new planting	683,214,052	57,961,190	(4,276,185)	736,899,057
Pasture establishment expenditure	29,147,027	16,209,781	(7,286,757)	38,070,051
Cashew planting expenditure	1,356,806	-	(21,424)	1,335,382
Rubber planting expenditure	20,409,766	4,519,543	-	24,929,309
Other planting expenditure	1,370,774	580,817	-	1,951,591
	735,498,425	79,271,331	(11,584,366)	803,185,390
<b>NLDB</b>	<b>Balance as at 01.01.2017</b>	<b>Expenditure incurred during the year</b>	<b>Amount charged to PL</b>	<b>Balance as at 31.12.2017</b>
Coconut under planting new planting	681,802,453	57,763,260	(4,276,185)	735,289,528
Pasture establishment expenditure	29,147,027	16,209,781	(7,286,757)	38,070,051
Cashew planting expenditure	1,356,807	-	(21,424)	1,335,383
Rubber planting expenditure	20,409,766	4,519,543	-	24,929,309
Other planting expenditure	1,370,774	368,053	-	1,738,827
	734,086,827	78,860,637	(11,584,366)	801,363,098



**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>11 BIOLOGICAL ASSETS</b>				
<b>11.2 Livestock Capital</b>				
Cattle/Buffalo	450,499,806	363,646,982	450,499,806	363,646,982
Goats	10,378,384	10,120,082	10,378,384	10,120,082
Pigs	36,529,486	26,055,435	36,529,486	26,055,435
Sheep	77,505,760	64,274,841	76,178,260	63,315,341
Rabbits	320,050	271,013	320,050	271,013
Ducks	-	35,700	-	35,700
Layers	9,824,720	20,353,301	9,824,720	20,353,301
Broiler	41,043,131	16,450,195	41,043,131	16,450,195
Others	275,615	220,000	275,615	220,000
Imported Cattle	1,348,014,194	1,337,722,191	1,348,014,194	1,337,722,191
10% Deduction	(192,192,018)	(163,739,186)	(192,192,018)	(163,739,186)
	<b>1,782,199,128</b>	<b>1,675,410,554</b>	<b>1,780,871,628</b>	<b>1,674,451,054</b>
<b>11.3 Livestock Trading</b>				
Cattle/Buffalo	3,392,382	2,693,680	3,392,382	2,693,680
Pigs	12,677,730	6,225,285	12,677,730	6,225,285
Quails	1,076,223	574,971	1,076,223	574,971
Ducks	88,501	1,185	88,501	1,185
Layers	4,526,940	4,114,314	4,526,940	4,114,314
Broiler	-	19,316,280	-	19,316,280
10% Deduction	(1,607,011)	(891,897)	(1,607,011)	(891,897)
	<b>20,154,765</b>	<b>32,033,818</b>	<b>20,154,765</b>	<b>32,033,818</b>
<b>11.2.1 Movement of Biological Asset Livestock</b>				
Balance as at 01 <sup>st</sup> January	1,890,269,261	2,145,672,248	1,889,309,761	2,145,672,248
Additions	710,189,346	520,746,998	709,821,346	519,787,498
Disposal	(604,305,685)	(776,149,985)	(604,305,685)	(776,149,985)
Unrealized Profit	(193,799,029)	(182,824,889)	(193,799,029)	(182,824,889)
Balance as at 31 <sup>st</sup> December	<b>1,802,353,893</b>	<b>1,707,444,372</b>	<b>1,801,026,393</b>	<b>1,706,484,872</b>

# NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

### 12 INVESTMENTS IN SUBSIDIARY AND ASSOCIATE

As at 31 <sup>st</sup> December		NLDB	
		2017 (Unaudited) Rs.	2016 (Restated) Rs.
<b>12.1 INVESTMENT IN SUBSIDIARIES</b>	<b>Shareholding %</b>		
Sri Lanka Poultry Development Company (Pvt) Ltd	100%	<b>149,123,327</b>	149,123,327
		<b>149,123,327</b>	149,123,327

The Board has invested Rs.15,995,171 in Sri Lanka Libya Agricultural and Livestock Development Co Ltd (a non-quoted investment) which was a 51% equity stake. The equity stake of 49% of Libyan Foreign Investments Company of Libya has been transferred to the National Livestock Development Board (NLDB) on 07<sup>th</sup> May 2014 for a consideration of Rs.140mn. Thereafter, NLDB's holding in the Company is 100%. The name of the Company has also been changed to Sri Lanka Poultry Development Company with effect from 03<sup>rd</sup> July 2014. This investment is recorded at cost from 2014 onwards.

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited) Rs.	2016 (Restated) Rs.	2017 (Unaudited) Rs.	2016 (Restated) Rs.
<b>12.2 INVESTMENT IN ASSOCIATES</b>				
Mahaweli Livestock Enterprises Limited	<b>600,000</b>	-	<b>600,000</b>	-
	<b>600,000</b>	-	<b>600,000</b>	-

## Unaudited Financial Statements

NLDB invested a sum of Rs. 600,000 for 600,000 shares in Mahaweli Livestock Enterprises Limited on 12<sup>th</sup> August 2016 with the intention of acquiring equity shares. This investment falls between 20% - 50% (27% of interest) and therefore treated as an investment in associate. However, the issue of the share certificate took place only on the 22<sup>nd</sup> December 2017. Until then, this investment appeared as an advance payment of an investment under other receivables.

This investment is initially recognized at cost. The shares were held in the said associate company only for 10 days and the financial year end of it is 31<sup>st</sup> March every year. Therefore, this investment has been treated under the cost method of accounting as at 31<sup>st</sup> December 2017.

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited) Rs.	2016 (Restated) Rs.	2017 (Unaudited) Rs.	2016 (Restated) Rs.
<b>13 INVENTORIES</b>				
Coconut Copra	<b>91,363,035</b>	168,125,794	<b>91,363,035</b>	168,125,794
Sundry Produce Stock	<b>14,608,609</b>	10,755,993	<b>14,608,609</b>	10,755,993
Grower Expenditure - Breeder	<b>7,220,722</b>	5,576,784	-	-
Grower Expenditure - Layer	<b>2,285,685</b>	1,010,005	-	-
Feed stock	<b>1,337,990</b>	1,237,641	-	-
Other General Stocks At Farms and Head Office	<b>127,609,212</b>	124,773,788	<b>126,940,097</b>	123,484,141
	<b>244,425,253</b>	311,480,005	<b>232,911,741</b>	302,365,928

# NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>14 TRADE AND OTHER RECEIVABLES</b>				
Trade and Other Debtors	220,828,116	185,004,640	220,678,272	184,854,796
Less: Provision For Bad and Doubtful Debtors	(49,318,143)	(47,544,642)	(49,318,143)	(47,544,642)
Staff Debtors	34,774,919	30,023,834	34,774,920	30,023,833
Economic Service Charges	28,094,736	15,905,835	28,094,736	15,905,835
Inland Revenue Dept.	2,655,338	1,708,078	2,655,338	1,708,078
VAT Receivable	13,352,678	11,907,863	11,358,183	9,782,634
	<u>250,387,644</u>	<u>197,005,608</u>	<u>248,243,306</u>	<u>194,730,534</u>
<b>15 ADVANCES, DEPOSITS AND PREPAYMENTS</b>				
Refundable Deposit	900,000	900,000	-	-
Deposit	2,112,498	1,589,791	1,488,748	954,791
Pre-Payments	4,818,937	10,838,027	4,818,937	10,838,027
	<u>7,831,435</u>	<u>13,327,818</u>	<u>6,307,685</u>	<u>11,792,818</u>
<b>16 OTHER CURRENT ASSETS</b>				
Receivables from SLPDC	2,044,818	2,044,818	2,044,818	2,044,818
Receivables from NLDB	5,071,910	5,071,910	-	-
Mahaweli Receivables	5,063,111	5,663,112	4,184,415	4,784,415
Other Receivable	73,359,596	125,181,509	72,572,734	124,394,647
	<u>85,539,435</u>	<u>137,961,349</u>	<u>78,801,967</u>	<u>131,223,880</u>
<b>17 SHORT TERM INVESTMENT</b>				
Fixed Deposits at Peoples Bank	85,278,123	81,115,710	61,196,562	59,203,462
Fixed Deposits at Bank Of Ceylon	29,418,736	26,983,274	447,283	403,959
	<u>114,696,859</u>	<u>108,098,984</u>	<u>61,643,845</u>	<u>59,607,421</u>
<b>18 CASH AND CASH EQUIVALENT</b>				
<b>18.1 Favourable Balances</b>				
Bank Balances	24,573,079	32,432,328	23,848,841	32,078,116
Savings Account	9,399	293,421	6,397	6,397
Cash In Hand	6,508,325	5,171,854	6,397,143	5,058,889
Stamp In Hand	38,922	81,745	38,922	81,745
Cash-in-Transit	794,205	(67,241)	794,205	(67,241)
	<u>31,923,930</u>	<u>37,912,107</u>	<u>31,085,508</u>	<u>37,157,906</u>
<b>18.2 Unfavourable Balances</b>				
Bank Overdraft	14,645,042	103,217	-	-
	<u>14,645,042</u>	<u>103,217</u>	<u>-</u>	<u>-</u>

# NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>19 INTEREST BEARING LOANS AND BORROWINGS</b>				
<b>19.1 Long Term Borrowings</b>				
Farmers Trust Fund	79,212,700	84,012,700	79,212,700	84,012,700
Peoples bank	157,679,425	120,333,333	156,333,333	120,333,333
Bank of Ceylon	18,043,270	-	-	-
Dairy cattle loan -Phase I	569,551,840	762,444,041	569,551,840	762,444,041
Dairy cattle loan - Phase II	2,031,102,490	2,539,202,366	2,031,102,490	2,539,202,366
Leasing	18,019,533	32,332,280	18,019,533	32,332,280
	<b>2,873,609,258</b>	<b>3,538,324,720</b>	<b>2,854,219,896</b>	<b>3,538,324,720</b>
<b>19.2 Short Term Borrowings</b>				
People`s Bank	51,348,320	-	51,348,320	-
Farms Current Accounts	6,520,159	816,280	6,520,159	816,280
	<b>57,868,479</b>	<b>816,280</b>	<b>57,868,479</b>	<b>816,280</b>
<b>19.3 Payables on Loans within next 12 months</b>				
Dairy cattle loan -Phase I	1,085,580,761	892,688,560	1,085,580,761	892,688,560
Dairy cattle loan - Phase II	776,017,565	267,917,688	776,017,565	267,917,688
People`s Bank loan 100Mn	20,000,000	20,000,000	20,000,000	20,000,000
People`s Bank New loan 100Mn	20,000,000	-	20,000,000	-
People`s Bank loan 70Mn	14,000,000	14,000,000	14,000,000	14,000,000
Leasing payable	15,810,760	12,509,763	15,810,760	12,509,763
	<b>1,931,409,086</b>	<b>1,207,116,011</b>	<b>1,931,409,086</b>	<b>1,207,116,011</b>
<b>20 RETIREMENT BENEFIT OBLIGATION</b>				
Balance as at 01 <sup>st</sup> January	191,671,331	190,785,038	190,245,814	189,835,638
Provision during the year	11,683,058	12,677,382	11,523,543	12,028,995
Interest on opening balance	21,878,269	21,831,097	21,878,269	21,831,097
Actuarial (Gain) Loss	(11,525,951)	(10,998,759)	(11,525,951)	(10,998,759)
Payments during the year	(27,767,519)	(22,623,427)	(27,673,334)	(22,451,157)
Balance as at 31 <sup>st</sup> December	<b>185,939,188</b>	<b>191,671,331</b>	<b>184,448,341</b>	<b>190,245,814</b>
<b>21 DEFERRED REVENUE ON LEASED ASSEET</b>				
Lease From Brandix Co.Ltd.	12,473,745	13,140,410	12,473,745	13,140,411
Lease From Rajawella Holding	18,984,596	19,230,050	18,984,596	19,230,050
	<b>31,458,341</b>	<b>32,370,460</b>	<b>31,458,341</b>	<b>32,370,461</b>

**NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 <sup>st</sup> December	Group		NLDB	
	2017 (Unaudited)	2016 (Restated)	2017 (Unaudited)	2016 (Restated)
	Rs.	Rs.	Rs.	Rs.
<b>22 TRADE AND OTHER PAYABLES</b>				
Trade and Other Creditors	<b>438,075,172</b>	505,143,703	<b>438,075,172</b>	492,390,761
Staff Creditors	<b>21,369,585</b>	19,670,583	<b>21,369,592</b>	19,670,586
Accrued Charges	<b>20,118,436</b>	30,728,503	<b>17,585,330</b>	27,476,062
Provisions	<b>414,954,719</b>	199,258,563	<b>414,954,719</b>	199,258,563
Deposits	<b>24,767,220</b>	14,939,533	<b>24,767,220</b>	14,939,533
E.P.F Payable	<b>7,842,825</b>	7,813,267	<b>7,842,825</b>	7,813,267
E.T.F Payable	<b>1,215,220</b>	1,174,508	<b>1,215,220</b>	1,174,508
Vat Payable	<b>8,873,510</b>	8,241,323	<b>8,873,510</b>	8,241,323
Insurance Claim Payable	<b>432,759</b>	1,154,183	<b>432,759</b>	1,154,183
Payable to LFICO	<b>4,201,333</b>	4,201,333	<b>4,201,333</b>	4,201,333
Advance of SLPDC	-	-	<b>140,000,000</b>	140,000,000
	<b>941,850,779</b>	792,325,499	<b>1,079,317,680</b>	916,320,119
<b>23 INCOME TAX RECEIVABLE / PAYABLE</b>				
Balance as at 01 <sup>st</sup> January	<b>1,584,878</b>	1,233,241	-	-
Income Tax for the period	<b>916,390</b>	762,485	-	-
Payments made during the year	-	-	-	-
Withholding Tax	<b>(506,828)</b>	(410,848)	-	-
Balance as at 31 <sup>st</sup> December	<b>1,994,440</b>	1,584,878	-	-

## NATIONAL LIVESTOCK DEVELOPMENT BOARD AND ITS SUBSIDIARY

### DISCLOSURES OF TRANSACTIONS WITH SUBSIDIARY (2014-2017)

No	Nature of Transaction	Name of the Entity Recorded	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
1	Investment in subsidiary	NLDB	149,123,327	149,123,327	149,123,327	149,123,327

The Board has invested Rs.15,995,171 in Sri Lanka Libya Agricultural and Livestock Development Co Ltd (a non-quoted investment) which was a 51% equity stake. The equity stake of 49% of Libyan Foreign Investments Company of Libya has been transferred to the National Livestock Development Board (NLDB) on 07<sup>th</sup> May 2014 for a consideration of Rs.140mn. Thereafter, NLDB's holding in the Company is 100%. The name of the Company has also been changed to Sri Lanka Poultry Development Company with effect from 03<sup>rd</sup> July 2014. This investment is recorded at cost from 2014 onwards.

No	Nature of Transaction	Name of the Entity Recorded	2017 Rs	2016 Rs	2015 Rs	2014 Rs
2	Advance paid to NLDB	SLPDC	140,000,000	140,000,000	140,000,000	140,000,000

This represents the advance paid to NLDB by SLPDC. This amount could be set off against future profits generated by SLPDC. Subsequent adjustment to set off the advance received will be made in the books of accounts of NLDB based on dividends.

No	Nature of Transaction	Name of the Entity Recorded	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
3	<b>Receivable and Payable Balances</b>					
	Receivable from NLDB	SLPDC	5,071,910	5,071,910	5,071,910	-
	Receivable from SLPDC	NLDB	2,044,818	2,044,818	2,044,818	2,044,818

There are differences in the identified intercompany receivable and payable balances for which elimination is not possible