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நாளுக்கு நாள் முன்னேத்தை நோக்கி பயனிக்கின்றோம்

**WE CONTINUE TO GROW EACH DAY**



**NLDB<sup>®</sup>**

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தேசிய கால்நடை வள அபிவிருத்தி சபை  
National Livestock Development Board

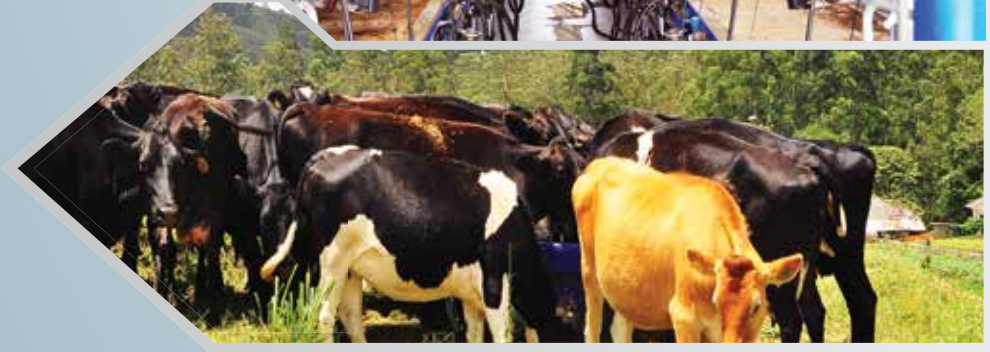
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வருடாந்த அறிக்கை  
**Annual Report**

**2014**





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வருடாந்த அறிக்கை  
Annual Report  
2014



## WE CONTINUE TO GROW EACH DAY

**It is with great esteem that we approach our 42nd year as the leading producer and manufacturer of livestock in Sri Lanka. NLDB manages 30 livestock and crop integrated farms having built a reputation for revamping and preserving the livestock industry with coconut plantations.**

**A training centre was established to impart knowledge and educate farmers on the theoretical and practical aspects of farming. At NLDB we take growth seriously and continue to incorporate the finest business ethics and maintain stringent standards as an industry leader.**

**Therefore it with great ambition, unshakable focus and unparalleled positivity, that we continue to grow each day.**



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# WE CONTINUE TO





# GROW EACH DAY



## **Vision**

To be the best self sustaining organization in Sri Lanka to produce quality breeding material, livestock and agricultural products to enhance the Socio-Economic standards of our people.



## **Mission**

To run a self sustaining chain of Livestock and Crop integrated Farms in differnt Agro-Ecological Zones with a satisfied workforce.

To develop Livestock activities within a reasonable time period to issue the requirement of breeding animals continuously to farmers with the objective of making the country self-sufficient in Livestock and Dairy products.

To develop Livestock and Agricultural Products with new technology to increase the output and profitability of the organization.

To cultivate Cash Crops in Selected farms to support the Cash Crop Production programme in the country.

To achieve optimum productivity levels in the livestock and agricultural sectors.

To obtain maximum productivity from livestock and crop integrated farming systems and follow Eco-Friendly cultivation practices.





## Common Goals

To maintain all farm activities at optimum level, infusing surplus funds from coconut - based industries for sustenance.

To introduce new technology, expertise, capital with better management practices to reduce costs and improve productivity to successfully complete in the market.

To explore possibilities to break into new markets with better marketing strategies in order to convert these farming units into profitable business entities with the participation of the private sector.

## Main Activities

Breeding and multiplication of livestock.

Issue of quality breeding materials to the farmers at a reasonable price.

Maintain coconut plantations at optimum level to generate maximum profit.

Practise livestock/crop integrated farming system wherever feasible.

Provide training and demonstration facilities to farmers, school children, officials involved in agriculture & livestock small holders.

Establish and maintain sales outlets to supply quality farm products at reasonable prices.

Produce value added products using raw materials produced in farms to get a high profit margin.

Sales of fresh cow milk and popularize consumption among the public.



## **MINISTER'S MESSAGE**



## MINISTER'S MESSAGE

I am very happy of the responsibility place on me by His Excellency the President and the Hon. Prime Minister through appointing me as the Subject Minister of the Ministry of Social Services, Welfare and Livestock Development established by incorporating the livestock development sector to the subject stream of the Ministry of Social Services.

Accordingly, It value the praiseworthy tasks being accomplished by the new Chairman, Board of Directors and other staff of the National Livestock Development Board that came under my purview from the month of January 2015 to uplift it from the tragic situation it was sunk in and I am bound to give my unstinted cooperation in those endeavours.

Being able to appoint new Veterinary Officers to fill the vacancies that existed in the veterinary field and provide them with the necessary training is also an invaluable help in uplifting the livestock resources sector.

I have also taken steps to increase the price of a Liter of liquid milk to Rs. 70 to increase liquid milk production by encouraging milk farmers and it is worth mentioning here that the basic preparations are being made to introduce an insurance scheme for them in the near future.

Steps have been taken to make the production process more convenient by utilizing modern technology for various steps in milk production and another victory achieved in the short period of about four months after I assumed duties as the Subject Minister is winning the attention and the enthusiasm of many foreigners from various countries for aiding in the promotion of the livestock development sphere.

I wholeheartedly appreciate the unstinted cooperation of the Sri Lanka Livestock Development Board dedicating itself to 'Good Governance' under the leadership of H.E. the President and the Hon. Prime Minister for making the country self-sufficient in all animal products necessary - specially uplifting the country's milk production-, an essential part of that.

P.Harrison

Minister of Social Services, Welfare and Livestock Development



## **DEPUTY MINISTER'S MESSAGE**



## DEPUTY MINISTER'S MESSAGE

Bestowal of Best Wishes!

It is very clearly seen that Sri Lanka has achieved a foremost position in the agro- and food manufacturing technological process in South Asia at present. I am very happy of the progress the National Livestock Development Board has achieved, as the foremost institution carrying out the National Mission of developing the livestock development sphere, a task included in the long-term plans of our Government.

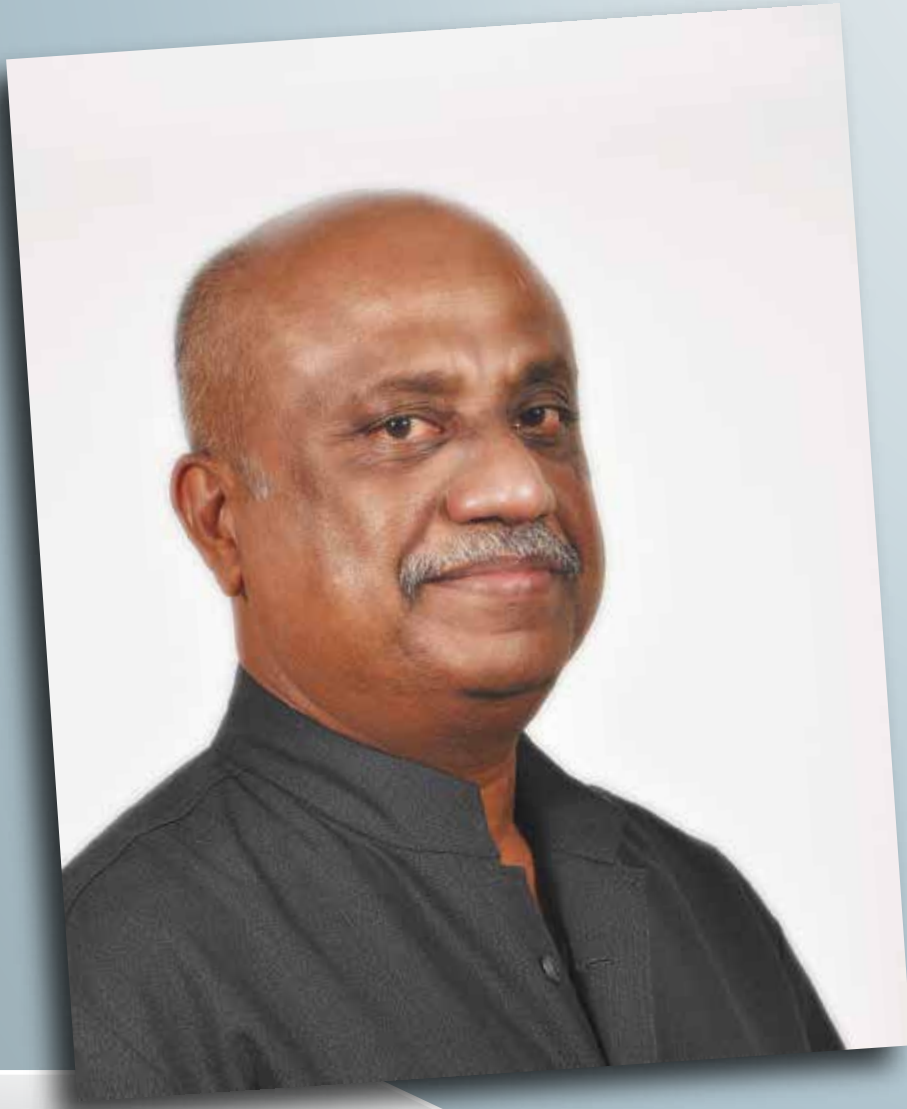
According to the 'Good Governance Forward Vision' ideas are afoot even at the present to take some most progressive steps in the future. Especially when taken in the context of a country, as a national requirement, I like to strive tirelessly to produce essentialities such as milk production 100% locally in the future. Achieving the ability of presenting all products in the national livestock resources sphere competitively and with a modern flavour making all local manufacturers and consumers happy at present is another specialty.

Here, a fact that has to be specifically stated is the motivation and the efforts contributed by our staff. I take this opportunity to thank all members of the staff for the progress achieved by the institution. It can be expressed, without any doubt that the National Livestock Development Board will become an efficient institution actively contributing to the upliftment of the livestock resource sphere and providing efficient service achieving the successful conclusion of all projects that have been launched. I hereby bestow my heartfelt best wishes to the Board of Directors and all members of the staff of the National Livestock Development Board, providing a foremost contribution to that achievement. May you all achieve victory in all your endeavours!

Yours faithfully,

Ranjan Ramanayake

Deputy Minister of Social Services, Welfare and Livestock Development



## **CHAIRMAN'S MESSAGE**



## CHAIRMAN'S MESSAGE

It is with enthusiasm that we present the Annual Report for 2014. It is noteworthy to mention that since the inception of the organization with able support which was extended by our staff and workforce we uplifted our performance as a State Institution.

The National Livestock Development Board which is committed in developing the dairy sector and achieving of national goals extended fullest cooperation by implementing the Sri Lanka Dairy Development Program with importation of 2,000 dairy cattle from Australia a major investment project between the two Governments. Having successfully completed the first phase we are proceeding successfully towards the second phase of importing and housing of 2500 animals at Ridiyagama Farm. The infrastructure work has been completed during the current year in anticipation of the arrival of animals early next year, and it is noteworthy to mention that this would be the first environment controlled modern state of Art Dairy Farm in Sri Lanka.

Under the guidance of the Ministry the NLDB also absorbed 114 casual employees into the permanent category who served the Board with loyalty for long duration during the year 2014.

The team effort of the Management and the staff at all levels made significant contribution towards these achievements which needs to be acknowledged and appreciated. They remain our greatest assets and would continue to be so in the future to come. We have also made importance contributions towards the welfare of our staff and labor and extended many facilities, such as Insurance Schemes, In-door and our-door medical reimbursements, etc.

We were also been successful in purchasing the total shares and assets of the Sri Lanka Libya Agricultural Company during the year under reference on a Cabinet directive. The Company has now been re-named as Sri Lanka Poultry Development Company and is progressing satisfactorily as an independent entity under a New Board of Directors.

We would not have been able to achieve these milestones and significant goals if not for the able support of our Ministry.

Once again wish to place on record my appreciation on the commitment and dedication of our Staff and workforce on their commitment and dedication. I am optimistic of their continuous support in the collective manner in the Years to come.

Prof. H. W. Cyril  
Chairman, National Livestock Development Board



**DEPUTY CHAIRMAN'S  
MESSAGE**



## DEPUTY CHAIRMAN'S MESSAGE

It is with a great sense of pride that this Annual report for the year 2014 is presented.

NLDB was able to achieve significant development as an Organization in reaching various milestones and goals in the government's efforts towards self-sufficiency in milk production by implementing the Sri Lanka Dairy Development Program which is collaboration between the Government of Sri Lanka and Australia. The importation of 2000 animals under the phase one of the project, and implementing same with success has led to launching the Phase two at Ridiyagama farm, Ambalamtota to house 2500 animals under controlled environmental housing system for the first time in Sri Lanka.

N. L.D. B. has become a profitable institution by contributing significantly in all aspects in the Development of the Livestock Industry by providing quality breeding material from our Farms, Day old Broiler and layer chicks from our hatcheries. NLDB has also imported Breeder Parents Pigs from Canada for the Swine Breeder Farms in order to enhance the genetic potential of our stock with assistance of the treasury.

NLDB also been successful in purchasing the total assets and shares of the Sri Lanka Libya Agriculture Company which was a previous collaboration ventures with a prominent Libiyan Company LAFICO.

The efforts and achievements of NLDB were mainly due to the loyalty of the Management, Staff together with the contributions extended by the workforce, which is much appreciated.

All these achievements would not have been possible if not for the proper guidance of the Ministry and the continuous support extended by the Board of Directors, to which my sincere appreciation is extended.

I am confident the N. L. D. B. would head from strength to strength by improving their performance and productivity in the years to come under the guidance of our Chairman Prof H. W. Cyril.

Channa Prabodha Palansuriya  
Deputy Chairman, National Livestock Development Board

# Directors

*Prof. H. W. Cyril (Chairman)*



*Mr. Channa Prabodha Palansuriya  
(Deputy Chairman)*



*Mr. E. M. N. Sarath De Seram  
(Board Director)*







*Dr. Anoma Senaratne  
( Board Director)*



*Mr. A. G. Nishantha  
( Board Director)*



*Mr. K. D. T. Siriwardana  
( Board Director)*



*Mr. Sumith Weerasuriya  
( Board Director)*

# Management Team

*Mr. A. C. H. Munaweera  
(General Manager)*



*Mr. D. Upali Jayawardana  
(Deputy General Manager)*



*Mr. D. Medagedara DGM  
(Corporate Operations)*



*Mr. K. K. R. Kannangara  
[AGM (Human Resources & Admin)]*







*Mr. A. M. P. A. Adikari*  
*[AGM ( Marandawila Farm)]*



*Mr. N. P. C. Ekanayake*  
*[AGM ( Finance)]*



*Mrs. S. A. S. Thewarapperuma*  
*(Administrative Manageress)*

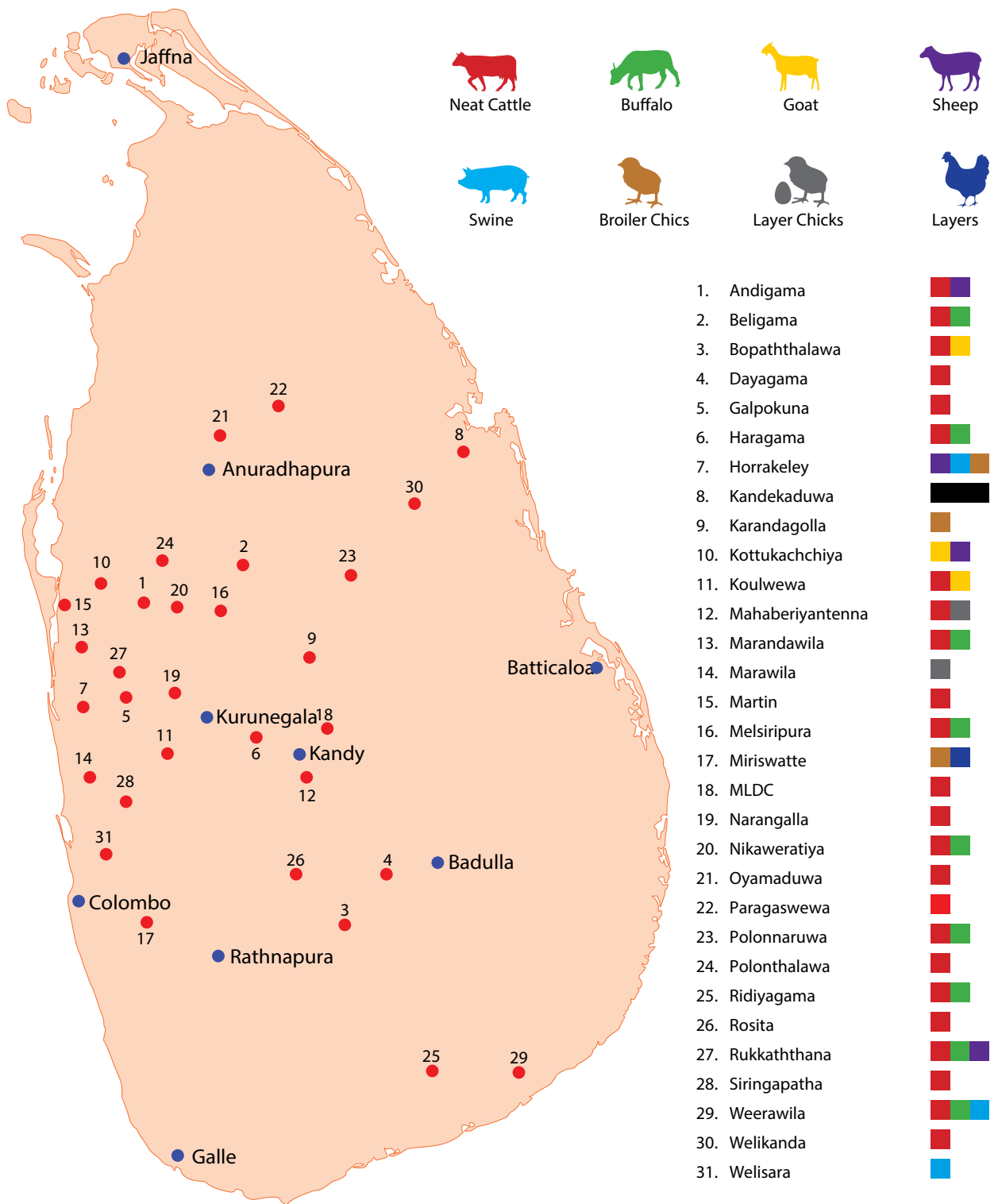


*Mr. M. Rajakaruna*  
*[ Manager (Finance)]*



*Mr. M. D. Karunathilaka*  
*[ Manager (M & E)]*

# Location Of The Farms





## **Major Development Activities Carried Out in 2014**



# Major Development Activities Carried Out in 2014

## 1. Swine Development

### 1.1 Importation of Swine Semen

The production and reproduction performance of the existing swine breeding stock at Welisara and Horakelly farms are not up to the standards due to not introduction of new germoplasma to the herd for long period.

To overcome the above situation the Board has imported 300 doses of swine semen of the breeds of Duroc, Large White & Land Race from USA in 2014 and spent \$ 16, 250 for this importation.

All imported semen are used for inseminating the breeding stocks at Horakelly and Welisara farms at present. There is a huge demand from the local pig breeders for the AI born piglings at present due to high performance.

### 1.2 Importation of Swine Breeding Stock

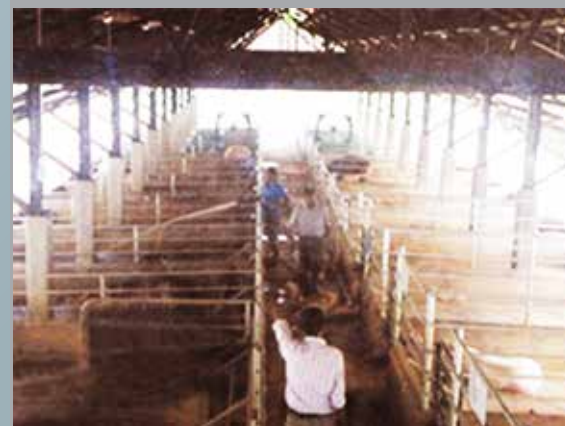
Ministry of Livestock and Rural Community Development allocated Rs. 8.5 Mn under the Treasury funds in 2014 to NLDB for the importation of breedable piglings in the breeds of Large White, Land Race and Duroc, Infrastructure developments at Horakelly farm and establish of modal piggery at Martin farm.

Under the swine Development Plan a new pig shed was constructed at Horakelly farm with introduction of Control-Environment system and other animal comforts required for rearing a nucleus herd. Further a new model piggery also was constructed at Martin farm at Bangadeniya to keep multiplier stock. Horakelly farm would be maintained as nucleus farm and both Welisara and Martin farms would be maintained as multiplier farm in the future.

Imported Large White Gilts



Up graded pig shed at Horakelly farm



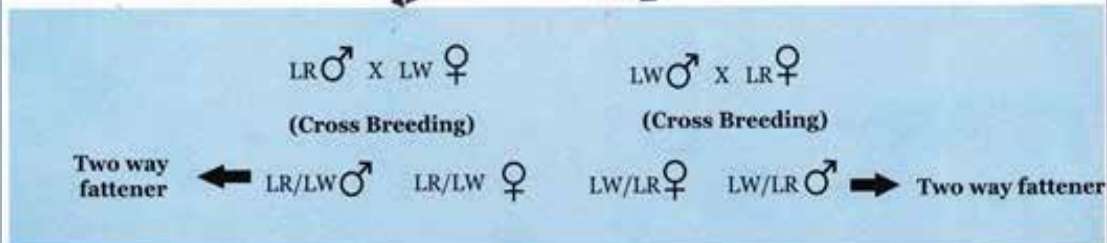
## Annexure IV

### Production of two way and three way Crossbred Pigs Under 3-tier System

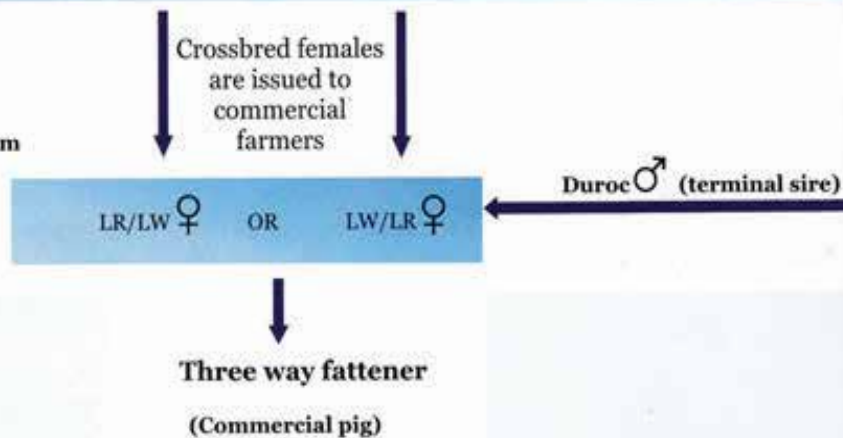
#### Nucleus Farm



#### Multiplier Farm



#### Commercial Farm



Individual commercial farms can also maintain pure breeds and produce two way and three way crosses by themselves.



## Major Development Activities Carried Out in 2014

### 2. Sri Lanka Dairy Development Project Phase II – Implemented at Ridiyagama farm

Land Clearing at Ridiyagama farm



With the approval of Treasury the Board has decided to implement the phase II of the Sri Lanka Dairy Development Project at Ridiyagama farm in 2014. Under phase II of the project 2500 high yielding heifers will be imported for Ridiyagama farm in 2015. Except pasture and fodder development activities all other constructions, Importation of machineries, importation of animals and other development actives will be done by the Wellard company according to the contract agreement.

The NLDB has to develop the 1700 Ac of land by cultivation of imported pasture and fodder varieties which required to fulfill the total dry matter requirement of the animals. Land clearing was started in July 2014 and below mentioned pasture and fodder varieties were cultivated by end of 2014. The balance land extent would be developed in 2015.



# Major Development Activities Carried Out in 2014

Annual Report 2014

The all animals would be in early pregnant stage at the importation and their calvings would be expected from September 2015 onwards. The Board has targeted 40,000 ltrs of milk production per day from the imported cows maintaining the average milk yield per milking cow per day at 18-20 ltrs. At present the daily average milk production in the up country farms is around 25,000 ltrs. and the Board expects a net increase of 75,000 ltrs. of Neat cattle milk per day after the implementation of both up country and Ridiyagama projects. The total milk production was only 8,000 ltrs. per day in all NLDB farms before starting the project .

Variety	Extent cultivated (Ac)
Forage Sorghum	377
Maize	87
CO3	5
<b>Total</b>	<b>469</b>





## Major Development Activities Carried Out in 2014

The Board has planned to issue 1,000 Nos. of highly genetic breedable heifers to the local farmers annually targeting to make high contribution to the National milk requirement while up lifting their socio-economic condition of the local dairy farmers in the future .

By end of 2017 the overall contribution of the Board on milk to the National requirement would be 7-8%. The Board has to spend approximately \$ 22 Mn for the project at Ridiyagama farm.

Pasture & Fodder Developments at Ridiyagama farm



Construction of New Cattle Sheds



Importation of New Field Machineries





# Major Development Activities Carried Out in 2014

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• Livestock & Crop Performance from the Year 2010- 2014						
Activity	Norm	Qty	Qty	Qty	Qty	Qty
Neat Cattle		2010	2011	2012	2013	2014
Total Herd	No.	8,329	8068	7755	7295	7406
Heifers over 2 years	No.	1,550	1318	965	1070	831
Heifers 0 – 2 years	No.	2,084	1987	1432	1910	1547
Number of bull calves < 1 year	No.	957	1102	746	439	445
Total Births	No.	2,613	2380	2646	3410	3078
Total Issues for Breeding	No.	944	1328	1997	2682	2002
Total Culls	No.	932	349	860	738	337
Total Deaths	No.	631	980	1047	743	707
Total No. of Cows	No.	3,430	3443	3406	3787	4196
Total No. Of Milking Cows	No.	1,519	1404	1339	2124	2410
% Cows in Milk	%	57	53	51	59	58
Avg.Prod./ M. Cow/day	Ltrs.	5.8	5.6	7	11.2	11.4
Avg.Lactation Length	days	265	274	263	257	257
Milk Production	Ltrs (m).	3.2	2.8	3.4	8.6	10.0
Avg. Age at 1st Calving	Months	34	41	38	47	39
Avg. Calving Interval	Days	363	425	420	431	427
No.of animals Inseminated	No.	3,471	3064	2759	6260	6844
<b>Buffalo</b>						
Total Herd	No.	2,409	2534	2403	2080	2368
Heifers over 2 years	No.	611	527	527	468	482
Heifers 0 – 2 years	No.	481	489	465	464	516

## Major Development Activities Carried Out in 2014

Activity	Norm	Qty	Qty	Qty	Qty	Qty
		2010	2011	2012	2013	2014
Number of bull calves	No.	202	422	443	190	253
Total Births	No.	642	576	627	601	743
Total Issues for Breeding	No.	211	185	124	285	301
Total Culls	No.	219	9	119	125	110
Total Deaths	No.	207	380	299	304	279
Total No. of Cows	No.	925	939	959	943	982
Total No. of Milking Cows	No.	442	394	427	432	492
% Cows in Milk	%	45	49	43	48	49
Avg.Prod./ M. Cow/day	Ltrs.	6.0	4	4	3.9	3.8
Lactation Length	days	254	281	314	251	266
Milk Production	Ltrs (m).	0.68	0.63	0.68	0.70	0.70
Avg. Age at 1st Calving	Months	52	58	48	50	52
Avg. Calving Interval	Days	511	432	434	503	416
No.of animals Inseminated	No.	45	51		0	0
<b>Poultry</b>						
<b>Broiler Parent Stock</b>						
Total Flock	No.	33,838	32878	20610	19585	23422
Importation/Purchase of Parent stock	No.					
Males	No.	7,609	1889	2380	2487	2613
Females	No.	19,116	12810	15223	16540	18402
Total Egg Production	No.	2,496,626	3574459	2530031	2537320	2532014
Total Hatchable Eggs	No.	2,332,740	4284521	2738691	2281182	2340452
Hatchability %	%	76	78	81	74	80

# Major Development Activities Carried Out in 2014

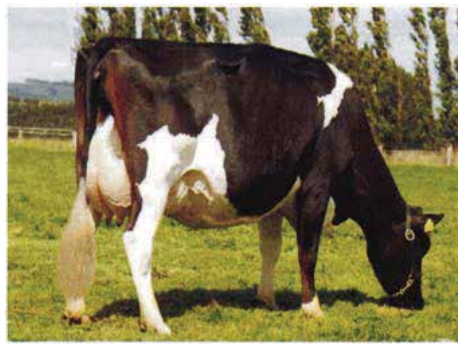
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Activity	Norm	Qty	Qty	Qty	Qty	Qty
		2010	2011	2012	2013	2014
<b>Layer Parent Stock</b>						
Total Flock	No.	9,870	7260	2743	6165	5627
<b>Importation of Birds</b>						
Males	No.	1,380	1798	375	750	375
Females	No.	11,492	14103	3120	6240	3120
Total Egg Production	No.	1,575,334	1,915,251	1,052,873	823,829	1,281,707
Total Hatchable Eggs	No.	1,417,274	1,755,556	924,012	667,149	926,682
Hatchability %	%	75	75	70	74	60
Total Chick Production	No.	956,338	1,141,007	330,850	460,486	569,154
<b>Commercial Broiler Production</b>						
Total Flock	No.	1,958	5400	0	0	0
Broiler Production	Birds	7,114	37161	0	0	1812
<b>Commercial Egg Production</b>						
Total Flock	No.	4,298	7541	10016	7535	5096
Total No. of Hens	No.	6,466	7944	6499	6230	5012
Egg Production	Mn	1,042,385	2,095,328	2,530,031	1,241,936	1,261,226
<b>Performance of Pigs (Breeding Stock)</b>						
Total Herd	No.	975	1439	1716	764	727
Piglings Born	No.	3,228	3571	3466	2776	3075
Avg. Litter Size - On Sows	No.	9	8	8.5	9	8
Avg. Litter Size - On Gilts	No.	8	8	9	10	8
No. of Piglings Died	No.	294	313	423	245	170



## Major Development Activities Carried Out in 2014

Activity	Norm	Qty	Qty	Qty	Qty	Qty
		2010	2011	2012	2013	2014
<b>Performance of Goats</b>						
Total Herd	No.	1,454	945	759	776	762
No. of Kids Born	No.	642	374	292	408	401
Kidding Rate	No.	0.78	0.61	0.64	0.64	0.74
No. of Deaths (adults & kids)	No.	191	355	190	235	131
Issues for Breeding	No.	218	503	245	21	138
<b>Performance of Sheep</b>						
Total Herd	No.	3,043	3411	615	4358	4890
No. of Kids Born	No.	1,434	1294	1327	1887	1827
Lambing Rate	No.	0.75	0.76	0.86	1.2	0.8
No. of Deaths (adults & kids)	No.	188	323	133	195	434
Issues for Breeding	No.	123	181	563	652	351
<b>Performance of Farmer Training Programmes</b>						
No. of Courses	No.	108	110	70	73	75
No. of Participants	No.	3,597	3945	2619	1806	2212
<b>Coconut Production</b>						
Nut Production	No.	20,602,480	19,941,373	21,386,572	14,179,220	18,437,956
Copra Production	M/Tons	247.85	227.18	220.92	170.78	190.10



## Report on Financial Statements as at 31<sup>st</sup> December 2014









## **Introduction to Financial Statements as at 31 December 2014**

### **Executive Summary**

Sri Lanka adopted International Financial Reporting Standards (IFRS) with effect from January 01, 2012 when the institute of Chartered Accountants of Sri Lanka issues Sri Lanka Financial Reporting Standards (SLFRS/LKAS). NLDB being a specified enterprise for complying (SLFRS/LKAS) has adopted same for the year ended 31 st December 2013

### **Introduction**

The National Livestock Development Board (NLDB) was established in 1973 Under the state Agriculture Corporation Act No 11 of 1972 and commenced commercial operations in 1974.

It comes under the preview of the Ministry of Livestock and Rural Community Development. Vision of the NLDB is identified “to be the best self-sustaining organization in Sri Lanka to produce to enhance the socio-economic standards of our people”

NLDB has farms and property scattered all over the island.

Its main activities include

1. Breeding and multiplication of livestock
2. Issue of quality breeding materials to the farmers at a reasonable price
3. Maintain Coconut Plantations at optimum level to generate maximum profit
4. Practice livestock/crop integrated farming system wherever feasible
5. Provide training and demonstration facilities to farmenrs,schoolchildren,officials involved in agriculture and livestock small holders
6. Establish and maintain sales outfits to supply qualify farm products at reasonable prices
7. Produce value added products using new materials produced in farms to get a high profit margin
8. Sales of fresh cow milk and popularize consumption among the public.

### **1.1 Responsibility to Present Financial Statements**

Section 13 (1) of the Financial Act No 3 of 1971 and Section 25 of the State Agricultural Act No 11 of 1972 require the Board of Directors of NLDB to present Financial Statements annually. Section 6 (1) Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 requires the Board to prepare Financial Statements in compliance with the Sri Lanka Financial Reporting Standards (SLFRS).SLFRS are issued under section 5 of the same Act by the Institute of Chartered Accountants of Sri Lanka. Schedule to the same Act under Section 5 includes “Public Corporation engaged in the sale of goods or provision of services “as a specified business enterprise. Therefore, it has become mandatory to NLDB to prepare Financial Statements in accordance with SLFRS with effect from January 01, 2012.





## **Annual Report 2014**

The objectives of the reforming to IFRS were to:

- Create a high-performance and liquid financial market
- Facilitate the evaluation of companies through greater financial Transparency

Adopting IFRS globally was regarded as essential to ensuring transparency and comparability of financial statements and thereby ensuring an efficient capital market by providing much more detailed information to users, with emphasis on content and not form. IFRS continues to gain momentum worldwide. Since the EU began requiring certain companies in 2005, additional countries have begun to adopt the standards as well. For example, Australia, New Zealand, and Israel have already adopted IFRS. Beginning in 2011, Canada and Japan will also begin enforcement. Additional countries continue to create strategic plans for adoption of the standards.

### **1.2 Objectives of this Report**

This report outlines activities carried out by NLDB in conversion of their Financial Statement to SLFRS. First the available SLFRS and LKAS are listed. Then it discusses the applicability of each SLFRS and LKAS. Standards which are not applicable to NLDB are listed separately. Next it examines the changes to accounting policies and the financial impact created by the same.

The Financial Statements of NLDB under SLFRS as at December 31, 2013 is prepared by the management of NLDB according to the matter highlighted or discussed in this report.

### **1.3 Application of SLFRS in the future**

NLDB will continue to prepare and present financial statements applying SLFRS/LKAS. There is no need to assess the impact of transactions under previous SLAS or GAAP.

Worldwide trend is to prepare accounts using fair values, even though there is no consensus on the measurement of fair values of many items.

For actuarial valuation of gratuity and related payments, NLDB may continue to use the formula method.

## **2. SIGNIFICANT FEATURES OF SLFRS CONVERSION**

### **2.1 Biological Assets**

#### **What are Biological Assets?**

Biological assets are defined under LKAS 41 as living animals or plants. In an agricultural environment, biological assets are produced, sold or transformed into additional biological assets from controlled processes that manage their growth and maturation. In sharp contrast to conventional fixed assets like real estate and machinery, biological assets constantly change through time as dictated by their own growth cycle that include growth, degeneration, production and procreation. These changes can be varied and difficult to trace as the actual growth cycle of the biological assets may be affected by factors such as weather, natural effect of growth, livability disease, management of the assets, environmental conditions, etc.

#### **How are Biological Assets valued?**

Under LKAS 41, it is presumed that the fair value for most biological assets can be determined reliably in normal circumstance. For certain types of biological assets ( i.e. animals and fishes), market exists for similar, though not identical , biological assets and prices in these markets can often provide a basis for determining the fair values of these biological assets. In the absence of market prices, other accepted valuation methodologies exist for estimating fair values of biological assets such as sector benchmarks and net present value of expected cash flows. There are instances in which fair value cannot be determined reliably. In such cases, LKAS 41 suggests historical cost should continue to be employed.

#### **Market Approach**

If an active market exists for a biological asset, the most reliable measure of the value of the biological asset is the market price as determined in the location in which the asset is intended to be sold or used. Given there are different specie and varieties of a biological asset, it is important to identify the species and varieties of the subject biological asset. The market price can vary between different varieties under the same species of asset. Valuations for the same biological asset or agricultural produce will vary between different market location due to disparate market environments and conditions, which may result, from regulatory, transportation, or seasonal differences. Besides projecting prices for the biological assets, the value also has to determine its quantity as of the valuation date. It is important that the owner of the biological asset has proper records of the subject assets and reasonable control and maintenance procedures in place. Inspections, verification procedures and various sampling analyses are then carried out to ensure the integrity and reliability of those records before the data is used to form the basis for the quantity of the biological assets.



## **Annual Report 2014**

### **Income Approach**

In the absence of an existing market for the biological asset, income approach may be an alternative approach in valuing the biological asset. By adopting the income approach in valuing a biological asset, value depend on the present worth of future economic benefits to be derived from the subject biological asset. This approach warrants a thorough understanding of their special physical and biological attributes in order to arrive at a credible and reasonable result. Since these attributes and external factors are likely to have a major bearing on the expected future economic benefits, assistance and advice from expert consultants on the biological attributes of the asset under review can serve as valuable input when performing the valuation. As an example, below depicts one of the valuation methodologies, referred to as business residual method, to derive the market value of the biological assets.

### **Conclusion**

While new accounting standards have been introduced to ensure adequate reflection of fair value of a company's biological and other intangible assets, we all must be mindful of the unique issues and challenges in valuing these assets. Experience, expertise and independence are key ingredients needed to ensure reliable results and credible opinions of value.





## 2.2 Fair value Measurement of Biological Assets

Fair values of NLDB's biological assets are measured on the following criteria.

### (i) Animals other than poultry

E.g. Cattle, Buffaloes etc.

The Cattle for breeding is valued at a standard board circular rate based on the following factors.

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

Other Animals

Sheep, Goats, Pigs and Rabbits are valued at standards rates based o the Live Weight, Genetic Value and pregnancy.

All culled animals are valued at standard rate based on weights.

### (ii) Breeder and commercial Layer Poultry

#### (a) Laying Batches (after commencement of the laying)

Breeder and commercial layer batched which have commenced the laying are valued at cost incurred up to the laying point less cost of amortization for the period.

#### (b) The Breeder and commercial Layer growing batches (before commencement of laying)

These batches are valued at actual cost incurred up to date.

### (iii) Breeder eggs (Hatching eggs)

Breeder eggs are valued at cost using the following formula

The total cost divided by number of catchable eggs produced during the month of December.

The total cost in this connection refers to the cost of feed, direct wages and production overheads including depreciation charges.



## Annual Report 2014

### (iv) Commercial Layer Eggs

Commercial layer eggs are valued at since realized price, at the NLDB farm shop.

- (v) Broiler and Later Immature Stocks –At Cost
- (vi) Broiler in Cold Room- At since realized price
- (vii) Coconut and Agriculture products- At since realized price
- (viii) Charcoal- At 50% of the since realized price
- (ix) Other Stock

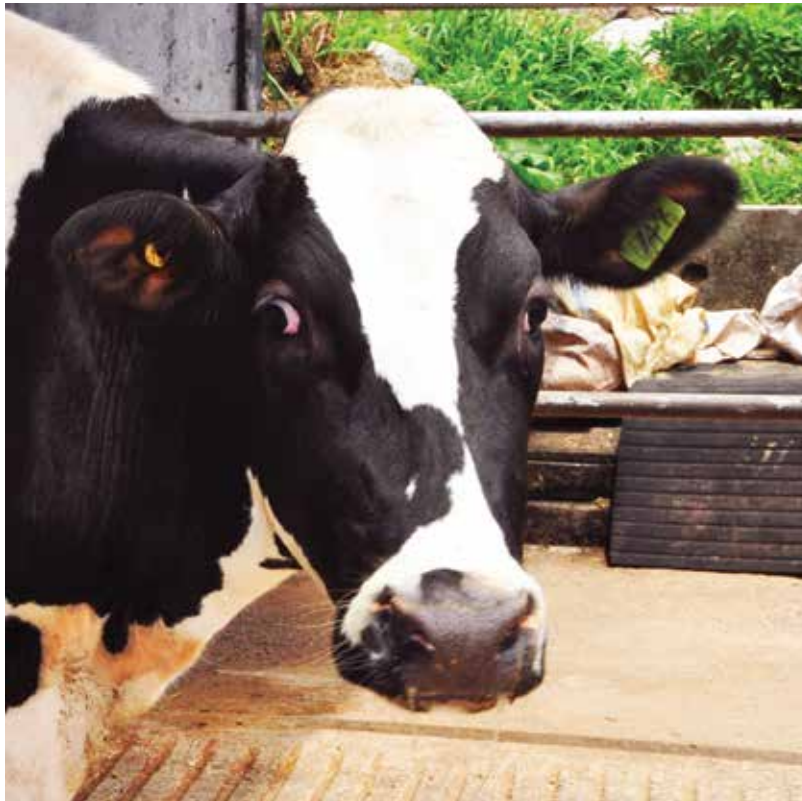
All other stocks are valued at the lower cost or net realizable value whichever is less.

### 2.3 Change of Accounting Policy- Depreciation

NLDB's accounting policy for depreciation must GAAP approach was nit to make any depreciation provision during the year of acquisition and make full year's depreciation in the year of disposal.

This policy is incompatible with the SLFRS/LKAS. Therefore, NLDB decided to change the accounting policy for depreciation to commence depreciation from the date on which the asset is used.

The Sri Lanka Dairy Development projects which is considered as a major investment which total assets around rupees 1.6 billion, and income generating only in the later part of the year, the Board has depreciated assets from the date the assets were taken for use in the respective farms.



## 2.4 Employee Benefits-Actuarial Valuation

### Employee benefits

#### a) Defined contribution plans- provident/ Trust fund

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions to a separate entity and will have no further legal or construction obligation to pay further amounts. Obligations for contributions to provident and trust Funds covering all employees are recognized as an expense in the income statement when incurred. The NLDB contributes 15% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

#### b) Defined benefit plans

A defined benefit plan is a post-employment benefits plan other than a defined contribution plan. The defined benefit is calculated using a gratuity formula method as allowed by Sri Lanka Accounting Standard LKAS 16 – Employee Benefits.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 16 on employee benefits. However, under the payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded nor actuarially valued.

Gratuity calculations for NLDB was carried out using formula method in excel worksheets. Ten worksheets were used with the following key

Assumptions

<b>Continuity</b>	<b>: NLDB is a going concern</b>
<b>Rate of interest</b>	<b>: 11.5%</b>
<b>Rate of Salary Increase</b>	<b>: 5.5%</b>
<b>Retirement Age</b>	<b>: 55 years</b>
<b>Staff Turnover Rate</b>	<b>: 1.0%</b>

The summary of the calculation is given in the below.





**GRATUITY CALCULATION SUMMERY -2013**

	Opening Provision	Charge for the year	Interest	Payments made	Gain/loss	Closing Provision
1	13,560,852.29	842,837.89	1,559,498.01	(196,000.00)	190,077.45	15,957,265.64
2	10,618,814.83	797,428.39	1,221,163.71	(884,571.28)	(41,219.92)	11,711,615.72
3	11,844,135.84	917,587.96	1,362,075.62	(895,132.39)	808,073.66	14,036,740.69
4	12,598,779.69	950,288.31	1,448,859.66	(1,991,034.92)	3,787,480.63	16,794,373.37
5	11,708,049.99	888,276.26	1,346,425.75	(1,878,682.25)	1,901,205.66	13,965,275.41
6	8,250,043.80	800,961.78	948,755.04	(462,744.80)	218,283.60	9,755,299.42
7	11,677,277.94	965,626.88	1,342,886.96	(515,390.75)	2,455,916.68	15,926,317.71
8	12,221,680.36	796,995.24	1,405,493.24	(1,863,447.62)	381,751.97	12,942,473.19
9	17,335,518.51	1,056,328.98	1,993,584.63	(1,756,316.47)	(288,522.54)	18,340,593.10
10	24,017,237.84	1,245,702.09	2,761,982.35	(5,357,873.42)	380,609.11	23,047,657.97
11	529,281.96	207,562.51	60,867.43	(122,220.00)	1,097,895.61	1,773,387.51
	134,361,673.05	9,469,596.29	15,451,592.40	(15,923,413.90)	10,891,551.90	154,250,999.74

Financial statement -31st December 2014

**GRATUITY CALCULATION SUMMERY -2013**

	Opening Provision	charge for the year	Interest	Payments made	Gain/loss	Closing Provision
1	15,957,265.64	846,340.56	1,835,085.55	(426,100.34)	(306,868.75)	17,905,722.66
2	11,711,615.72	847,893.67	1,346,835.81	(2,731,149.60)	1,297,368.03	12,472,563.63
3	14,036,740.69	1,003,667.39	1,614,225.18	(1,165,337.60)	(641,913.93)	14,847,381.73
4	16,794,373.37	996,001.03	1,931,352.94	(1,560,944.64)	(1,235,613.18)	16,925,169.52
5	13,965,275.41	942,787.46	1,606,006.67	(2,954,437.78)	684,279.83	14,243,911.58
6	9,755,299.42	824,690.63	1,121,859.43	(2,049,822.00)	388,020.08	10,040,047.56
7	15,926,317.71	931,114.92	1,831,526.54	(1,152,250.96)	(3,215,173.81)	14,321,534.39
8	12,942,473.19	955,542.77	1,488,384.42	(1,542,604.15)	2,819,249.35	16,663,045.58
9	18,340,593.10	1,027,031.09	2,109,168.21	(3,000,843.88)	(2,234,196.57)	16,241,751.95
10	23,047,657.97	1,406,405.29	2,650,480.67	(2,689,948.14)	925,448.87	25,340,044.65
11	1,773,387.52	470,312.01	203,939.56	(1,400,047.55)	3,864,769.82	4,912,361.35
	154,250,999.74	10,251,786.81	17,738,864.97	(20,673,486.64)	2,345,369.74	163,913,534.60

Financial statement -31st December 2014



**COMPREHENSIVE INCOME STATEMENT  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2014**

	2014 Rs.	2013 Rs.
Revenue	1,676,722,880.57	1,284,795,684
Gains arising from changes in fair value less costs to sell of dairy livestock		28,568,727
Total Revenue	1,676,722,880.57	1,313,364,412
Cost of Sales	1,031,330,106.84	872,532,237
Gross Profit	645,392,773.73	440,832,175
Other Income	57,098,866.62	81,736,192.74
Add- Govt. Grant	702,491,640.35	522,568,367
Distribution Cost	58,003,530.00	28,293,165
Administrative Expenses	(2,901,062.61)	(3,790,967.41)
Other Expenses	(620,689,599.54)	(582,089,346.97)
Finance Cost	(20,727,635.51)	(8,876,522.29)
Profit Before Tax	116,176,872.69	(43,895,304)
Less - Tax Expenses	(55,619,957.10)	(42,189,258.90)
	60,556,915.59	(86,084,563)
	(247,385.98)	-
Net Profit For the Year	60,309,529.61	(86,084,563)
Other Comprehensive Income	-	-
Gains On Revaluation Of Property, Plant & Equipment	135,207,441.51	-
Exchange Differences On Translating Foreign Operations	-	-
Profit On Conversion To Fair Value Of Financial Assets Held For Resale	-	-
Actuarial Gains (Losses) On Defined Benefit Pension Plans	(2,345,369.76)	1,156,094.00
Total Comprehensive Income	193,171,601.36	(84,928,469)



**STATEMENT OF FINANCIAL POSITION OF THE  
REPORTING 31<sup>ST</sup> DECEMBER 2014**

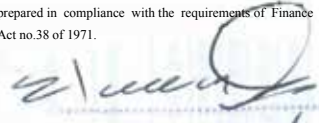
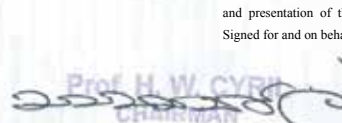

	Notes	2014		2013	
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non- Current Assets</b>					
- Property, Plant & Equipments	04	1,688,745,546		1,478,099,992	
- Investment in subsidiary Co's	05	155,995,171	1,844,740,717	15,995,171	1,494,095,163
<b>Biological Assets</b>					
- Plantations	02	571,468,166		504,614,371	
- Livestock Capital	03	891,238,885		990,227,456	
- Livestock Cattle/Goats Bank			1,462,707,051		1,494,841,827
<b>Intangible Assets</b>					
<b>Current Assets</b>					
- Trading & Other Stocks	06	180,987,477		137,485,396	
- Livestock Trading	03	3,355,309		3,476,057	
- Trading , Other Receivables & Advances	07	234,056,884		239,261,942	
- Deposits & Pre-Payments	08	9,961,468		9,216,627	
- Other Current Assets	09	75,886,743		34,299,700	
- Term & Call Deposits	10	57,031,766		28,892,589	
- Cash & Cash Equivalents	11	14,132,942		735,960	
			575,412,590		453,368,272
<b>TOTAL ASSETS</b>			<b>3,882,860,358</b>		<b>3,442,305,262</b>
<b>EQUITY &amp; LIABILITIES</b>					
<b>- paid - up - Capital</b>					
- Other Components of Equity		576,587,649		576,587,649	
- Capital Reserve		130,696,928		130,696,928	
- Revenue Reserve		44,529,422		44,529,422	
- Revolving Fund		37,500,000		37,500,000	
- Retained earnings		400,956,919		207,785,318	
			1,190,270,918		997,099,317
<b>Non- Current Liabilities</b>					
- Interest payable Term Loans	12	1,748,214,486		1,740,508,319	
- Interest Free Loans	13	50,000,000		50,000,000	
- Gratuity on Retirement	14	163,913,535		154,251,001	
-Differed Revenue on Leased Assets	15	41,014,989		42,015,493	
			2,003,143,009		1,986,774,812
<b>Current Liabilities</b>					
- Trade and other Payables	16	546,470,694		359,067,489	
- Short -term Borrowings	17	65,879,756		91,012,806	
- Payables on Loans within 12 months	18	77,095,980		8,350,838	
			689,446,430		458,431,132
<b>TOTAL EQUITY &amp; LIABILITIES</b>			<b>3,882,860,358</b>		<b>3,442,305,262</b>

I hereby certify that the Financial Statements have been prepared in compliance with the requirements of Finance Act no.38 of 1971.

A.G.M.(FINANCE)

Financial Statement -31 St December 2014

The Directors are responsible for the preparation and presentation of these Financial Statements Signed for and on behalf of the Board.




  
 East. General Manager (Finance)  
 National Livestock Development Board  
 CHAIRMAN  
 National Livestock Development Board  
 DEPUTY CHAIRMAN  
 National Livestock Development Board

# Annual Report 2014

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2014

	CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	REVOLVING FUND	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.
BALANCE AS AT 01ST JANUARY 2013	576,587,648.95	143,696,928	40,723,129.00	37,500,000		265,460,001.26	1,063,967,707.21
GRANT RECEIVED						6,250,000.00	6,250,000.00
OVERSTATED FD INTEREST						(231,640.56)	(231,640.56)
ADJUSTMENR FOR DEPN						16,481,658.88	16,481,658.88
REVALUATION RESERVE			679,452.00				679,452.00
Adjustment For taxation			3,126,841.00				3,126,841.00
Prior Period Adjustment		(13,000,000)				4,753,766.91	(8,246,233.09)
COMPREHENSIVE INCOME						(86,084,562.88)	(86,084,562.88)
ACTUARIAL GRAINS (LOSSES)						1,156,094.00	1,156,094.00
BALANCE AS AT 31ST DECEMBER 2013	576,587,648.95	130,696,928	44,529,422.00	37,500,000	-	207,785,317.61	997,099,316.56
BALANCE AS AT 01ST JANUARY 2014	576,587,648.95	130,696,928	44,529,422.00	37,500,000		207,785,317.61	997,099,316.56
COMPREHENSIVE INCOME						60,309,529.61	60,309,529.61
ACTUARIAL GAINS (LOSSES)						(2,345,369.76)	(2,345,369.76)
REVALUATION GAINS					135,207,441.51		135,207,441.51
BALANCE AS AT 31ST DECEMBER 2014	576,587,648.95	130,696,928.00	44,529,422.00	37,500,000.00	135,207,441.51	265,749,477.46	1,190,270,917.92

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2014

	2014 Rs.	2013 Rs.
Net Profit/(Loss) for the year	60,606,698	(86,084,563)
Adjustment for :	60,606,698	(86,084,563)
Profit/(Loss) on sale of Property, Plant & Equipment	-	-
Depreciation Adjustment	-	(3,650)
<b>Depreciation</b>	98,128,761	57,660,198
Provision For Gratuity	10,251,787	9,469,596
Provision For Bad Debts	-	21,154,245
Deferred Lease Income	(1,000,504)	(1,000,504)
<b>Interest</b>	55,322,788	36,047,895
Tax	247,386	-
Insurance claim	(10,744,429)	-
Expenditure for Plantation	19,533,114	-
Provision For Bonus	12,934,719	8,000,000
Cash Generated from operations before working capital chang	245,280,320	45,243,218
(Increase)/Decrease Trading & Other Stock	(43,502,082)	(5,777,326)
(Increase)/Decrease in Livestock Trading	120,748	4,022,074
(Increase)/Decrease in Trade and Other Receivables	15,949,487	(16,674,863)
(Increase)/Decrease in Deposit & Pre-Payment	(744,841)	(87,828,920)
(Increase)/Decrease in Other Current Assets	(41,587,043)	-
(Increase)/Decrease in Term & Call Deposit	(28,139,177)	-
Increase/(Decrease) in Trade & Other Payables	149,057,861	37,343,423
Increase/(Decrease) in Short term Borrowings	(25,133,049)	749,353,204
Increase/(Decrease) Payables on Loans within 12 months	68,745,143	(1,704,438)
Tax Paid	(247,386)	-
Gratuity Paid	(20,673,487)	(15,923,414)
	-	-
Net Cash Generated from operating Activities	319,126,494	708,052,957
Net Cash From Investing Activities		
Purchase of Non-Current assets	(173,566,875)	(259,906,378)
Proceeds from Sale of Property, Plant & Equipment	-	-
Investment In Subsidiary Company	(140,000,000)	-
Investment in Plantation	(86,386,909)	-
Investment in Livestock Capital	98,988,571	(464,814,005)
	(300,965,213)	(724,720,383)
Net Cash From Financing Activities		
Leasing Paid Equity Statement	-	(1,613,729)
<b>Interest Paid</b>	(12,470,467)	(22,457,722)
Government Grant Received	-	28,293,165
Loans & Lease Taken or (Settled)	7,706,167	-
Trust Fund Interest Equity Statement	-	718,585
	(4,764,300)	4,940,299
Net Cash Increase/(Decrease) During the year	13,396,981	(11,727,127)
Cash and Cash Equivalents at the Beginning of the Year	735,960	12,463,087
Cash and Cash Equivalents at the end of the Year	14,132,942	735,960

Financial Statements Conversion to SLFRS-31 st December 2014





# Annual Report 2014

## SCHEDULE TO THE COMPREHENSIVE INCOME STATEMENT 2014

	YEAR ENDED 31.12.2014	YEAR ENDED 31.12.2013
<b>ANNEXURE 1</b>		
<b>REVENUE</b>		
sales	1,800,235,287.59	1,421,888,338.09
Less Inter-Farm Sales	(123,512,407.02)	(137,092,653.78)
Revenue	1,676,722,880.57	1,284,795,684.31
<b>ANNEXURE 2</b>		
<b>OTHER INCOME</b>		
Income on Investment Property	1,720,763.33	-
Interest on staff Loans	2,522,631.44	2,343,421.92
Interest on Deposits	3,805,938.20	3,279,384.85
(Loss) Profit on Mini Projects	4,592,525.55	-
Fresh Milk Distribution Unit	10,914,795.43	9,349,242.82
Delite	5,448,453.66	1,977,475.35
Other Income	26,614,733.39	64,129,972.95
Sales Center HO	1,479,025.62	(643,305.15)
Land Compansation -Kandakaduwa	-	1,300,000.00
	57,098,866.62	81,736,192.74
<b>ANNEXURE 3</b>		
<b>GOVERNMENT GRANT</b>		
Swine Project	7,540,999.50	-
Galpokuna	500,000.00	-
Ridiyagama Phase 2	49,962,530.50	-
Pasture Development	-	28,293,165.34
	58,003,530.00	28,293,165.34
<b>ANNEXURE 4</b>		
<b>DISTRIBUTION COST</b>		
Brokerage Expenses	2,901,062.61	2,720,532.57
Bad Debtors wrtte-off	-	1,070,434.84
	2,901,063	3,790,967
<b>ANNEXURE 5</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Administration & General of Farms	459,104,508.48	433,062,840.06
Annual Bonus	12,934,718.74	8,000,000.00
Head Office	148,650,372.32	141,026,506.91
	620,689,600	582,089,347
<b>ANNEXURE 6</b>		
<b>OTHER EXPENSES</b>		
Ridiyagama Project	19,442,150.50	5,820,864.00
Dayata Kirula	1,285,485.01	3,055,658.29
	20,727,635.51	8,876,522.29
<b>ANNEXURE 7</b>		
<b>FINANCE COST</b>		
Interest on Overdraft	318,233.11	6,366,261.60
Leasing Interest	5,278,945.95	3,898,684.40
Interest on Bank Loans	6,873,287.69	2,181,506.84
Interest on Gratuity Balance	17,738,864.95	15,451,592.40
Intrest on Welard Loan	25,410,625.40	14,291,213.66
	55,619,957	42,189,259
<b>ANNEXURE 8</b>		
<b>COMPUTATION OF 2013 PROFIT RE-STATE</b>		
Profit After Tax		2,096,836.00
Add - Understated FD Interest		209,104.22
Overstated Farmust Trust Fund Interest		10,011,269.00
Less - Welard Loan Interest		(14,291,213.66)
UnderStated Purchase of Farmshop		(3,506,304.42)
Welard project Expenditure		(80,604,253.68)
		(86,084,562.54)

Financial Statement -31st December 2014

PROPERTY PLANT & EQUIPMENT 2014

NOTE NO-04  
PROPERTY PLANT & EQUIPMENT 2014

COST	As at 1st January 2014	Additions 2014	Disposal	Land transfer	Adjustment	Working Progress	As at 31st December 2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	338,483,228	-	-	-	-	-	338,483,228
Buildings	183,144,294	38,486,428	-	-	-	200,000	221,830,722
Plant & Machinery	109,678,659	10,404,824	-	-	-	-	120,083,483
Estate equipment	128,187,192	22,810,347	-	-	-	-	150,997,539
Office equipment	26,144,670	3,619,646	-	-	-	-	29,764,316
Furniture & Fittings	15,206,502	756,541	-	-	-	-	15,963,043
Structures	870,071,252	73,987,179	-	-	-	128,601	944,187,032
Motor vehicle	142,498,037	48,861,329	-	-	-	89,991,045	281,350,411
Working Progress	25,098,734	-	-	-	-	(589,286)	41,746,428
Lease Assets- Motor Vehicle	42,335,714	-	-	-	-	-	-
As at 31st December 2014	1,880,848,282	198,926,294	-	-	-	(24,770,133)	2,144,406,201
Depreciation							
Land	-	-	-	-	-	-	-
Buildings	64,011,153	9,546,510	-	-	-	-	73,557,663
Plant & Machinery	39,399,094	11,101,774	-	-	-	-	50,500,868
Estate equipment	46,874,133	5,612,105	-	-	-	-	52,486,238
Office equipment	17,877,374	3,435,073	-	-	-	-	21,312,447
Furniture & Fittings	5,648,061	1,390,843	-	-	-	-	7,038,903
Structures	160,434,394	39,317,902	-	-	-	-	199,752,296
Motor vehicle	68,504,082	27,724,555	-	-	-	(45,216,397)	51,012,240
As at 31st December 2014	402,748,291	98,128,761	-	-	-	(45,216,397)	455,660,655
Net Bow value	1,478,099,991	100,797,532	-	-	-	134,618,156	1,688,745,546
						(24,770,133)	

Financial statement -31st December 2014



# Annual Report 2014

## SCHEDULES TO THE STATEMENT OF FINANCIAL POSITION 2014

Note - 02	COCONUT UNDERPLANTING NEWPLANTING	PASTURE ESTABLISHMENT EXPENDITURE	CASHEW PLANTING EXPENDITURE	RUBBER PLANTING EXPENDITURE	TOTAL
	RS.	RS.	RS.	RS.	
BALANCE BROUGHT FORWARD 01.01.2014	471,305,735.46	21,080,911.80	1,335,381.97	10,892,341.97	504,614,371.20
EXPENDITURE INCURRED DURING 2014	70,352,754.42	12,441,767.08	-	3,592,387.19	86,386,908.69
	541,658,489.88	33,522,678.88	1,335,381.97	14,484,729.16	591,001,279.89
LESS: AMOUNT CHARGED TO PROFIT & LOSS (3,388,856.54)	(3,388,856.54)	(16,144,257.56)	-	-	(19,533,114.10)
BALANCE AS AT 31.12.2014	538,269,633.34	17,378,421.32	1,335,381.97	14,484,729.16	571,468,165.79
	538,269,633	17,378,421	1,335,382	14,484,729	571,468,166

NOTE-03 LIVESTOCK VALUATION 31/12/2014	2014 CAPITAL	2014 TRADING	2014 Total	2013 Total
-Cattle/Bufalo	310,377,638	2,818,216	313,195,854	532,417,623
-Goats	6,568,390	-	6,568,390	5,099,855
-Pigs	6,430,958	1,502,707	7,933,665	7,011,488
-Sheep	41,001,540	-	41,001,540	27,062,845
-Rabbits	-	-	-	-
-Poultry	11,159,134	-	11,159,134	33,799,455
-fish	-	-	-	-
-Quills	-	-	-	-
-Ducks	1,125	732	1,857	1,950
-Turkey	47,982	-	47,982	66,593
-Layers	8,449,929	113,885	8,563,814	-
-Broiler	13,861,561	-	13,861,561	-
-Others -	229,488	-	229,488	294,525
-Imported Cattle	611,677,752	-	611,677,752	460,250,932
	1,009,805,498	4,435,540	1,014,241,038	1,066,005,266
25% Deduction	118,566,613	1,080,231	(119,646,844)	(72,301,753)
Net Valuation	891,238,885	3,355,309	894,594,194	993,703,513

Note - 05	2014 Rs.	2013 Rs.
- Investments in Subsidiary Co's	155,995,171	15,995,171
<p>The Board has invested Rs. 15,995,170.61 in non - quoted investments in Sri Lanka Libya Agricultural &amp; Livestock Development Co Ltdin 1995 &amp; Rs. 140,000,000 in 2014. The company holding in subsidiary is 51% . This investment has been accounted for under the cost method of accounting.</p> <p>No consolidated financial statement can be prepared, due to the following reasons.</p> <ol style="list-style-type: none"> <li>Business activities of the subsidiary companies is dissimilar for the Business activities of the parent company</li> <li>Accounting period of the subsidiary is different from accounting period of the parent Company.</li> </ol>		

Note - 06	2014	2013
TRADING & OTHER STOCK 31.12.2014	(RS.)	(RS.)
COCONUT COPRA	93,855,026.61	61,738,970.33
SUNDRY PRODUCE STOCK	9,168,426.82	2,267,268.31
OTHER GENERAL STOCKS AT FARMS & HO	67,724,634.54	63,239,768.25
UNRECONCILED STOCK	10,239,389.47	10,239,389.47
	180,987,477.44	137,485,396.36

Note - 07	2014 (RS.)	2013 (RS.)
- Trading , Other Receivables & Advances		
STAFF DEBTORS	36,470,023	34,787,594
TRADE & OTHER DEBTORS	175,449,285	203,027,311
	211,919,307	237,814,905
LESS: PROVISION FOR BAD & DOUBTFUL DEBTORS	(15,077,932)	(21,154,245)
	196,841,375	216,660,660
ECONOMIC SERVICE CHARGES	24,605,227	17,494,747
INLAND REVENUE DEPT.	1,786,902.20	2,079,371
VAT CLAIMABLE	10,823,379.77	3,027,164
	234,056,884	239,261,942

### Financial Statement -31<sup>st</sup> December 2014



## SCHEDULES TO THE COMPEREHENSIVE INCOME STATEMENT

Note - 08	2014 (RS.)	2013 (RS.)
<b>DEPOSIT &amp; PRE-PAYMENTS</b>		
DEPOSIT	1,649,278	1,170,423
PRE-PAYMENTS	8,312,191	8,046,204
	<b>9,961,468</b>	<b>9,216,627</b>

Note - 09	2014 (RS.)	2013 (RS.)
<b>OTHER CURRENT ASSETS</b>		
THE EXPENDITURE INCURRED ON INCOMPLETE ACTIVITIES IN FARMS SUCH AS NURSERIES,PADDY CULTIVATION,	75,886,743	34,299,700

Note - 10	2014 (RS.)	2013 (RS.)
<b>TERM &amp; CALL DEPOSITS</b>		
CALL DEPOSITS AT PEOPLES BANK NARAHENPITA	56,677,027	28,568,780
FIXED DEPOSITS AT BANK OF CEYLON	354,739	323,809
	<b>57,031,766</b>	<b>28,892,589</b>

Note - 11	2014 (RS.)	2013 (RS.)
<b>CASH &amp; CASH EQUIVALENTS</b>		
BANK BALANCES	14,385,012	9,454,773
SAVINGS ACCOUNT	6,397	6,397
CASH IN HAND	1,865,767	3,732,196
STAMP IN HAND	73,037	117,775
CASH-IN-TRANSIT	(2,197,271)	(12,575,181)
	<b>14,132,942</b>	<b>735,960</b>

Note - 12	2014 (RS.)	2013 (RS.)
<b>INTEREST PAYABLE TERM LOANS</b>		
Farmers Trust Fund	93,612,700	98,412,700
Peoples bank loan	12,500,000.24	45,833,333
Dairy cattle loan	1,600,799,758	1,577,844,216
<b>Leasing Facility</b>		
5 Nos cabs New	33,223,940	-
Milk Bouser	2,230,195	-
Freezer Truck	3,078,895	-
Honda Motor Bikes	598,800	-
5 Nos cabs	2,697,975	12,595,448
5 Nos Tractors	4,539,633	10,492,546
2 Nos Cars	2,422,680	8,139,409
<b>Interest Suspense</b>		
5 Nos cabs	(68,090)	(1,389,501)
5 Nos Tractors	(553,589)	(2,805,200)
2 Nos Cars	(110,354)	(263,794)
5 Nos cabs New	(5,630,260)	-
Milk Bouser	(455,181)	-
Freezer Truck	(628,402)	-
Honda Motor Bikes	(44,213)	-
Intrest Insuspense within 12 months	-	(8,350,838)
	<b>1,748,214,486</b>	<b>1,740,508,319</b>
<b>BALANCE AS AT END OF THE YEAR</b>	<b>1,748,214,486</b>	<b>1,740,508,319</b>

Note - 13	2014 (RS.)	2013 (RS.)
<b>INTEREST FREE LOANS</b>		
TREASURY LOAN	50,000,000	50,000,000
	<b>50,000,000</b>	<b>50,000,000</b>

NOTE-14	2014 Rs.	2013 Rs.
<b>Gratuity on Retirement</b>		
Balance as at 1. Jan.	154,251,000	134,361,674
Add- Provision during the year	10,251,787	9,049,958
Interest on Opening Balance	17,738,865	15,451,592
Acturial (Gain) Loss	2,345,370	11,311,190
	184,587,021	170,174,415
Less-Payments during the year	(20,673,487)	(15,923,413)
Balance as at 31st Dec.	<b>163,913,535</b>	<b>154,251,001</b>



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Note - 15	2014 (RS.)	2013 (RS.)
<b>Deferred Revenue on Leased Assets</b>		
BALANCE B/F	42,015,493	43,015,998
TRANSFER TO REVENUE - LEASE FROM LAN-LIB CO.LTD.	(88,384)	(88,384)
TRANSFER TO REVENUE - LEASE FROM GRANDIX CO.LTD.	(666,666)	(666,666)
TRANSFER TO REVENUE - LEASE FROM RAJAWELLA HOLDING	(245,455)	(245,455)
	<b>41,014,989</b>	<b>42,015,493</b>

Note - 16	2014 (RS.)	2013 (RS.)
<b>PAYABLES &amp; PROVISIONS</b>		
STAFF CREDITORS	16,067,875	20,459,493
TRADE & OTHER CREDITORS	269,098,458	273,194,664
ACCRUED CHARGES	21,325,991	19,086,485
PROVISIONS	66,451,873	16,511,489
DEPOSITS	14,368,288	14,901,653
E.P.F PAYABLE	6,065,715	4,928,375
E.T.F PAYABLE	775,972	993,556
	394,154,172	350,075,715
VAT PAYABLE	12,316,522	8,991,774
Short term Borrowings	-	-
Advance of SLPD	140,000,000	-
	<b>546,470,694</b>	<b>359,067,489</b>

Note - 17	2014 (RS.)	2013 (RS.)
<b>SHORT TERM BORROWINGS</b>		
People's Bank - 100153693183	40,956,423	37,744,755
People's Bank 100153694880	-	799,276
Peoples Bank 873	-	2,905,419
People's Bank-228	-	-
Farm Shop 1001 6369 4865	-	34,288
Maize project	1	-
Farms Current Accounts	24,923,332	49,529,068
	<b>65,879,756</b>	<b>91,012,806</b>

Note - 18	2014 (RS.)	2013 (RS.)
<b>PAYABLES ON LOANS WITHIN NEXT 12 MONTHS</b>		
Peoples bank loan	16,666,667	-
Tresury loan payable	42,341,819	-
Leasing payable Cars	2,907,216	2,907,216
Leasing payable Cabs -Old	6,475,140	6,475,140
Leasing payable Tractors	2,867,136	2,867,136
Leasing payable Freezer Truck	901,140	-
Leasing payable Motor Bike	479,040	-
Leasing payable Cabs -New	9,724,080	-
Leasing payable Milk Bouser	652,740	-
Interest suspense Motor Bike	(89,325)	-
Interest suspense New Cabs	(3,376,367)	-
Interest suspense Freezer truck	(370,671)	-
Interest suspense Milk Bouser	(268,496)	-
Interest suspense Cars	(378,666)	(834,464)
Interest suspense Tractors	(834,623)	(1,398,340)
Interest suspense Cabs	(600,850)	(1,665,850)
	<b>77,095,980</b>	<b>8,350,838</b>

## Financial Statement -31<sup>st</sup> December 2014

## Applicability of Available SLFRS and LKAS

### Currently enforced SLFRS/LKAS standards (Effective 2012).

SLFRS/ LKAS No.	Description	
SLFRS 1	First time adoption of International Financial Reporting Standards	
SLFRS 2	Share-based Payment	N/A
SLFRS 3	Business Combinations	
SLFRS 4	Insurance Contracts	N/A
SLFRS 5	Non-current Assets Held for Sale and Discontinued Operations	N/A
SLFRS 6	Exploration for and Evaluation of Mineral Resources	N/A
SLFRS 7	Financial Instruments: Disclosures	
SLFRS 8	Operating Segments	N/A
LKAS 1	Presentation of Financial Statements	
LKAS 2	Inventories	
LKAS 7	Cash Flows Statements	
LKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
LKAS 10	Events After the Balance Sheet Date	
LKAS 11	Construction Contracts	N/A
LKAS 12	Income Taxes	
LKAS 16	Property, Plant and Equipment	
LKAS 17	Leases	
LKAS 18	Revenue	
LKAS 19	Employee Benefits	
LKAS 20	Accounting for Government Grants and Disclosure of Government Assistance	
LKAS 21	The Effects of Changes in Foreign Exchange Rates	
LKAS 23	Borrowing Costs	N/A
LKAS 24	Related Party Disclosures	N/A
LKAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A
LKAS 27	Consolidated and Separate Financial Statements	
LKAS 28	Investments in Associates	N/A
LKAS 29	Financial Reporting in Hyperinflationary Economies	N/A
LKAS 31	Interests in Joint Ventures	
LKAS 32	Financial Instruments: Presentation	
LKAS 33	Earnings per Share	N/A
LKAS 34	Interim Financial Reporting	N/A
LKAS 36	Impairment of Assets	
LKAS 37	Provisions, Contingent Liabilities and Contingent Assets	
LKAS 38	Intangible Assets	
LKAS 39	Financial Instruments: Recognition and Measurement	
LKAS 40	Investment Property	
LKAS 41	Agriculture	





## Annual Report 2014

### STANDARDS APPLICABLE TO NLDB

#### SLFRS 1- FIRST TIME ADOPTION OF SLFRS

The objective of SLFRS 1 is to set out the procedures that an entity must follow when it first adopts SLFRS in the preparation of financial statements.

The objective of this SLFRS is to ensure that an entity's first SLFRS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

Is transparent for users and comparable over all periods presented;

Provides a suitable starting point for accounting under International Financial Reporting Standards (SLFRS);  
and

Can be generated at a cost that does not exceed the benefits to users.

An entity is required to explain how the transition from the previous standards (ex: GAAP) to SLFRS affected its financial position, financial performance and cash flows by using reconciliations of the opening balances.

#### SLFRS 3 BUSINESS COMBINATIONS

The objective of this SLFRS is to improve the relevance, reliability, and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. To accomplish that, this SLFRS establishes principles and requirements for how the acquirer:

Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire;

Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase;  
and

Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

**Key Definition: Business Combination:** A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.

**SLFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES**

The SLFRS requires disclosure of:

- a) The significance of financial instruments for an entity's financial position and performance
- b) Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
- c) An entity must group its financial instruments into classes of similar instruments and, when disclosures are required, make disclosures by class. The class are following:
  - a) Financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with LKAS 39
  - b) Held-to-maturity investments
  - c) Loans and receivables
  - d) Available-for-sale financial assets
  - e) Financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with LKAS 39 and
  - f) Financial liabilities measured at amortized cost.





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### LKAS 1 PRESENTATION OF FINANCIAL STATEMENTS

The objective of LKAS 1 is to outline the basis for presentation of financial statements. It sets out the overall framework and responsibilities for the presentation of financial statements, the guidelines for their structure, and the minimum requirements for the content of the financial statements.

LKAS 1 prescribes the minimum level of detail required on the face of the balance sheet and the income statement, and also defines the overall considerations for financial statements, such as fair presentation, accrual basis of accounting, consistency of presentation, materiality and aggregation, and comparative information.

LKAS 1 defines four basic financial statement elements and prescribes the minimum structure and content for each:

- A statement of financial position as at the end of the period (separated in current/noncurrent)
- A statement of comprehensive income for the period
- A statement of changes in equity for the period
- A statement of cash flows for the period (LKAS 7)

For statement of comprehensive income an entity shall present all items of income and expense recognized in a period:

- (a) In a single statement of comprehensive income, or
- (b) In two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

Comprehensive income for a period includes profit or loss for that period plus other income recognized in that period. The components of other comprehensive income include:

- Changes in revaluation surplus (LKAS 16 and LKAS 38).
- Actuarial gains and losses on defined benefit plans recognized in accordance with paragraph 93A of LKAS 19.
- Gains and losses arising from translating the financial statements of a foreign operation (LKAS 21).
- Gains and losses on re-measuring available-for-sale financial assets (LKAS 39).
- The effective portion of gains and losses on hedging instruments in a cash flow hedge (LKAS 39).

## **LKAS 2 INVENTORIES**

The objective of LKAS 2 is to prescribe the accounting treatment for inventories under the historical cost system. It provides guidance on how to determine the cost of inventories and subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Inventories include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials).

However, LKAS 2 excludes certain inventories from its scope:

- Work in progress arising under construction contracts (see LKAS 11, Construction Contracts)
- Financial instruments (see LKAS 39, Financial Instruments)
- Producers' inventories of agricultural assets, such as livestock, forest products, and mineral ores to the extent that they are measured at net realizable value (whether above or below cost) in accordance with established industry practices

Fundamental Principle of LKAS 2 Inventories is measured at the lower of cost and net realizable value (NRV). Net realizable value is the selling price less the cost to complete the inventory and sell it. Cost includes all costs to bring the inventories to their present condition and location. If specific cost is not determinable, the benchmark treatment is to use either the first in, first out (FIFO) or weighted average cost formulas.

The cost of inventory is recognized as an expense in the period in which the related revenue is recognized. If inventory is written down to net realizable value, the write-down is charged to expense. Any reversal of such a write-down in a later period is credited to income by reducing that periods cost of goods sold.

Required disclosures include:

- Accounting policy
- Carrying amount of inventories by category
- Carrying amount of inventory carried at net realizable value
- Amount of any reversal of a write-down
- Carrying amount of inventory pledged as security for liabilities
- Cost of inventory charged to expense for the period







## **Annual Report 2014**

### **LKAS 7 CASH FLOWS STATEMENT**

LKAS 7 prescribes how to present information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement. A cash flow statement classifies cash flows during the period according to operating, investing, and financing activities.

The cash flow statement explains changes in cash and cash equivalents during a period. The cash flow statement should classify changes in cash and cash equivalents as operating, investing, and financial activities.

- Cash equivalents are short-term, highly liquid investments subject to insignificant risk of changes in value
- Operating activities: May be presented using either the direct or indirect method. Direct method shows receipts from customers and payments to suppliers, employees, government (taxes), and so on. Indirect method begins with accrual basis net profit or loss and adjusts for non cash items.
- Investing activities: Separately disclose cash receipts and payments that arise from acquisition or sale of property, plant, and equipment; acquisition or sale of equity or debt instruments of other enterprises (including acquisition or sale of subsidiaries); and advances and loans made to, or repayments from, third parties.
- Financing activities: Separately disclose cash receipts and payments that arise from an issue of share or other equity securities; payments made to redeem such securities; proceeds arising from issuing debentures, loans, notes; and repayments of such securities. Cash flows from taxes should be disclosed separately within operating activities, unless they can be specifically identified with one of the other two headings. Investing and financing activities that do not give rise to cash flows (a non-monetary transaction such as acquisition of property by issuing debt) should be excluded from the cash flow statement but disclosed separately.

### **LKAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS**

LKAS 8 specifies how profit or loss from ordinary activities and extraordinary items must be presented in the income statement. LKAS 8 also specifies how errors and changes in accounting policy and changes in estimates must be accounted for.

Errors are defined as newly discovered omissions or misstatements of prior period financial statements, based on information that was available when the prior financial statements were prepared.

All material errors will be accounted for retrospectively by restating all the prior periods presented and adjusting the opening balance of retained earnings of the earliest prior period presented. Cumulative effect recognition in income will be prohibited

### **LKAS 10 CONSTRUCTION CONTRACTS**

This is primarily a matter of disclosing the economic effects of events occurring after the balance sheet date.

## **LKAS 12 INCOME TAX**

The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of:

The future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in an entity's balance sheet; and

Transactions and other events of the current period that are recognized in an entity's financial statements.

**Key Definition:** Current tax: The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

**Deferred tax liabilities:** The amount of income taxes payable in future periods in respect of taxable temporary differences.

**Deferred tax assets:** The amounts of income taxes recoverable in future periods in respect of:

- (a) Deductible temporary differences;
- (b) The carry forward of unused tax losses; and
- (c) The carry forward of unused tax credits.

## **LKAS 16 PROPERTY, PLANT AND EQUIPMENT**

LKAS 16 prescribes the treatment of initial recognition and subsequent measurement of property, plant, and equipment. Property, plant, and equipment should be recognized when (a) it is probable that future benefits will flow from it, and (b) its cost can be measured reliably. Initial measurement should be at cost. Subsequently, the benchmark treatment is to use depreciated (amortized) cost but the allowed alternative is to use the revaluation model (similar to fair market value).

### **Main principles**

#### **Depreciation:**

- Long-lived assets other than land are depreciated on a systematic basis over their useful lives
- Depreciation base is cost less the estimated residual value • The depreciation method should reflect the pattern in which the asset's economic benefits are consumed by the enterprise
- If assets are revalued, depreciation is based on the revalued amount
- The useful life, residual value and amortization method should be reviewed on an annual basis and any change should be reflected prospectively
- Significant costs to be incurred at the end of an asset's useful life should either be reflected by reducing the estimated residual value or by charging the amount as an expense over the life of the asset.
- Very old NLDB vehicles which had been fully depreciated is now under revaluation by the Government Valuer as per Board Decision This will be adjusted in the Books of accounts once all Valuation reports are received.



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- If the cost model is used, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately (—component approach).

### Revaluations (allowed alternative)

- Revaluations should be made with sufficient regularity so that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date
  - If an item of property, plant, and equipment has been revalued, the entire class to which the asset belongs must be revalued (selective revaluations are not allowed)
  - Positive revaluations should be credited to equity (revaluation surplus) unless it is a reversal of previous charge to income
  - Decreases in valuation should be charged to income unless reversing a previous credit to equity (revaluation surplus)
  - If the revalued asset is sold or otherwise disposed of, any remaining revaluation surplus that is transferred directly to retained earnings (not through the income statement)
  - If the revaluation model is used the revaluation surplus included in equity shall be controlled on an item by item basis.
- The following Depreciation Rates had been applied in respect of fixed assets as per last year.

Category of assets	Rate of depreciation
Buildings	5%
Plant & Machinery	10%
Estate Equipment	5%
Office Equipment	20%
Furniture & Fittings	10%
Structures	5%
Motor Vehicles	10%

If an asset's recoverable amount falls below its carrying amount, the decline should be recognized and charged to income (unless it reverses a previous credit to equity). Gains or losses on retirement or disposal of an asset should be calculated by reference to the carrying amount. Required disclosures include

### Reconciliation of movements

- Capital commitments
- Items pledged as security
- If assets are revalued, disclose historical cost amounts
- Change in revaluation surplus

## **LKAS 17 LEASES**

Two classes of leases are considered:

- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership
- All other leases are classified as operating leases

For operating leases, the lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern for the user's benefit.

### **Financial Leases**

#### **Accounting for the lessee:**

- The lessee should capitalize a finance lease at the lower end of the fair value and the present value of the minimum lease payments
- Rental payments should be split into (i) a reduction of liability, and (ii) a finance charge designed to reduce in line with the liability
- The lessee should calculate depreciation on leased assets using useful life, unless there is no reasonable certainty of eventual ownership. In the latter case, the shorter of the useful life and the lease term should be used
- The lessee must include disclosure of rental expenses, sublease rentals, and a description of the leasing arrangements
- The lessee should expense the operating lease payments

#### **Accounting for the lessor:**

- For lessors, finance leases should be recorded as receivables and the lease income should be recognized on the basis of a constant periodic rate of return
- Lessors must disclose information about future minimum rentals and amounts of contingent rentals included in net profit or loss
- Lessors should use the net investment method to allocate finance income, the net cash investment method is no longer permitted

## **LKAS 18 REVENUE**

The objective of LKAS 18 is to prescribe the accounting treatment for revenue arising from certain types of transactions and events, such as sales of goods, rendering of services, interests, royalties, and dividends.

**Key Definition:** Revenue: The gross inflow of economic benefits (cash, receivables, and other assets) arising from the ordinary operating activities of an enterprise (such as sales of goods, sales of services, interest, royalties, and dividends).

### **Measurement of Revenue**

Revenue should be measured at the fair value of the consideration received. An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue. However, exchanges for dissimilar items are regarded as generating revenue.







## **Annual Report 2014**

### **SLFRS / LKAS APPLICABLE TO NLDB**

If the inflow of cash or cash equivalents is deferred, the fair value of the consideration receivable is less than the nominal amount of cash and cash equivalents to be received, and discounting is appropriate. This would occur, for instance, if the seller is providing interest-free credit to the buyer or is charging a below-market rate of interest. Interest must be imputed based on market rates.

### **LKAS 18 prescribes the following disclosures:**

- The accounting policy for recognizing revenue
- The amount of each of the following types of revenue:
  - sale of goods
  - rendering of services
  - interest
  - royalties
  - dividends
- Within each of the above categories, the amount of revenue from exchanges of goods or services

It is important for LKAS 18 compliance that the criteria for revenue recognition for each category of revenue be met.

### **LKAS 19 EMPLOYEE BENEFITS**

The objective of LKAS 19 is to prescribe the accounting for and disclosure of employee benefits (all forms of compensation given by an organization in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the standard is that the cost of providing employee benefits should be recognized in the period in which the employee earns the benefit, rather than when it is paid or payable.

### **LKAS 20 ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE**

LKAS 20 prescribes the accounting and disclosure of government grants and other forms of government assistance.

Government grants of NLDB has been accounted under LKAS 41- Agriculture

### **LKAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

LKAS 27 defines the concept of a subsidiary as: —a company controlled by another enterprise (the parent)l. If a parent has one or more subsidiaries, consolidated financial statements are required.

LKAS 27 has the following criteria for the consolidated financial statement: • All subsidiaries must be included.  
• All subsidiaries must be included. There is a limited exception available to some non-public entities.

**SLFRS / LKAS APPLICABLE TO NLDB**

- The difference between reporting dates of consolidated subsidiaries should be no more than three months from the parent company's reporting date, having any significant transactions or adjustment occurred between these dates recorded
- Uniform accounting policies should be followed for the parent and its subsidiaries.
- In the parent's separate financial statements subsidiaries may be shown at cost or at fair value in accordance with IAS 39.

**Required disclosures include:**

- Name, country, ownership, and voting percentages for each significant subsidiary
- Reasons for not consolidating a subsidiary
- The nature of relationship if parent company does not own more than 50 percent of the voting power of a consolidated subsidiary
- The nature of relationship if the parent company does own more than 50 percent of the voting power of a subsidiary excluded from consolidation
- The effect of acquisitions and disposals of subsidiaries during the period
- LANLIB 49% share holders (I.e. LAFICO) had filed a case in Commercial High courts (Case No. HC(Civil)13/2012Co) seeking a winding up of the Company. As such no adjustments had been taken in to the NLDB Books of accounts in respect of LANLIB operations during the financial year.

In the parent company's separate financial statements the method used to account or subsidiaries must be described.

**LKAS 32 FINANCIAL INSTRUMENTS: PRESENTATION**

The objective of LKAS 32 is to enhance users' understanding of the significance of on- balance sheet and off-balance sheet financial instruments to an enterprise's financial position, performance, and cash flows.

**SLFRS / LKAS APPLICABLE TO NLDB**

**LKAS 33 EARNINGS PER SHARE**

LKAS 33 describes the measurement and disclosure of earnings per share and is not supported by any specific enterprise resource planning (ERP) solution.





## Annual Report 2014

### LKAS 36 IMPAIRMENT OF ASSETS

LKAS 36 mainly addresses accounting for impairment of goodwill, intangible assets, and property, plant, and equipment. The standard includes requirements for identifying an impaired asset, measuring its recoverable amount, recognizing or reversing any resulting impairment loss, and disclosing information on impairment losses or reversals of impairment losses.

LKAS 36 prescribes how an enterprise should ensure that its assets are not overstated in the financial statements, how an enterprise should assess the amount to be recovered from an asset (the "recoverable amount"), and when an enterprise should account for an impairment loss identified by this assessment.

Main requirement of LKAS 36: An impairment loss should be recognized whenever the recoverable amount of an asset is less than its carrying amount (sometimes called "book value").

#### Other requirements of LKAS 36 are:

- The recoverable amount of an asset is the higher of its fair value, less cost to sell and its value in use (based on discounted cash flows)
- Fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the costs of disposal
- The value in use is the amount obtainable from the use of an asset until the end of its useful life and from its subsequent disposal. Value in use is calculated as the present value of estimated future cash flows. The discount rate should be a pretax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### Recording impairment:

- An impairment loss should be recognized as an expense in the income statement for assets carried at cost and treated as a revaluation decrease for assets carried at revalued amount.
- An impairment loss should be reversed (and income recognized) when there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized, except for goodwill for which impairment reversal is not allowed.
- A reversal of an impairment loss should be recognized as income in the income statement for assets carried at cost and treated as a revaluation increase for assets carried at the revalued amount when impairment losses are recognized or reversed, an enterprise should disclose certain information by class of assets and by reportable operating segments. Further disclosure is required if impairment losses that are recognized or reversed are material to the financial statements of the reporting enterprise as a whole.

The recoverable amount of an asset should be estimated whenever there is an indication that the asset may be impaired. LKAS 36 includes a list of indicators of impairment to be considered at each balance sheet date.

### **SLFRS / LKAS APPLICABLE TO NLDB**

Single Asset or Cash-generating Unit if an asset does not generate cash inflows that are largely independent of the cash inflows from other assets, an enterprise should determine the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Principles for recognizing and reversing impairment losses for a cash-generating unit are the same as those for an individual asset. The concept of cash-generating units will often be used in testing assets for impairment because, in many cases, assets work together rather than on an individual basis.

### **LKAS 37 - PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS**

LKAS 37 primarily deals with provisions, the focus being on the recognition of obligations, defined as liabilities as a result of past events. These provisions, for example, refund provisions, asset retirement obligations, contingent liabilities, and so on, cannot be done automatically. Therefore, the accounting systems can only offer indirect support for LKAS 37.

### **LKAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT**

LKAS 39 will have a significant impact on listed companies, because it requires these companies to recognize and measure almost all financial instruments at fair value (market price). In most cases, a formal treasury management system is needed. LKAS 39 requires all hedges to be documented and continually evaluated for effectiveness. Under LKAS 39, all financial assets and financial liabilities must be recognized on the balance sheet, including all derivatives instruments. They are initially measured at cost, which is the fair value of consideration paid or received to acquire the financial asset or liability. An enterprise should recognize normal purchases and sales of financial assets in the marketplace either at trade date or settlement date. Certain value changes between trade and settlement dates are recognized for purchases if settlement date accounting is used. Financial assets are classified as follows:

- **Loans and receivables:** These are loans and receivables originated by an enterprise and not held for trading. The enterprise does not need to demonstrate intent to hold originated loans and receivables to maturity. These assets are carried at amortized cost, this is principal plus accrued interest at effective rate.
- **Held-to-maturity investments:** Fixed maturity investments, for example, debt securities and mandatorily redeemable preferred shares that an enterprise intends and is able to hold to maturity. The classification depends on management intent and capability. These financial assets are carried at amortized cost.
- **Fair value through profit or loss:** Financial assets acquired for the purpose of generating a profit from short-term fluctuations in price (trading purpose). Derivative assets are always deemed held for trading unless used as hedging instruments. There is a subcategory within this one which basically allows companies to designate financial instruments to be marked to it fair value if this methodology corrects an accounting mismatch or the company manage its financial assets based on their fair values rather than its historical cost. All these financial assets are recorded at fair value with the change recognized in income.
- **Available-for-sale financial assets:** All financial assets not in one of the above listed categories.







## **Annual Report 2014**

### **SLFRS / LKAS APPLICABLE TO NLDB**

These financial assets are recorded at fair value with the change recorded in a separate component of equity. Under LKAS 39, if an enterprise actually sells a held-to-maturity investment other than in a circumstance that could not be anticipated or in insignificant amounts, all of its other held-to-maturity investments must be reclassified as available-for-sale for the next and the following two financial reporting years. Reclassification of financial assets is not allowed, except for certain circumstances. Key Definition: Hedging: To designate a derivative or a non-derivative financial instrument (only for hedges of net investments) as an offset in net profit or loss, in whole or in part, to the change in fair value or cash flows of a hedged item. Hedge accounting is permitted under LKAS 39 in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and effective at inception and on an ongoing basis.

Hedge accounting is permitted only if an enterprise designates a specific hedging instrument as a hedge of a fair value or cash flow of a specific hedged item, rather than as a hedge of an overall net balance sheet position or macro hedges. However, the approximate income statement effect of hedge accounting for an overall net position can be achieved, in some cases, by designating part of one of the underlying items as the hedged position. For hedges of forecasted transactions the gain or loss on the hedging instrument will adjust the basis (carrying amount) of the acquired asset or liability.

### **LKAS 40 INVESTMENT PROPERTY**

LKAS 40 covers investment property held by all enterprises and is not limited to enterprises whose main activities involve property investment. Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. Under LKAS 40, an enterprise must choose either: • Fair value model: the investment property should be measured at fair value and changes in fair value should be recognized in the income statement • Cost model (the same as the benchmark treatment in LKAS 16: Property, Plant, and Equipment): the investment property should be measured at depreciated cost (less any accumulated impairment losses). An enterprise that chooses the cost model should disclose the fair value of its investment property an enterprise should apply the model that it chooses to all its investment property.

### **LKAS 41 AGRICULTURE**

LKAS 41 describes how accounting for biological assets should be done. Biological assets are livestock, crops, and so on that is transformed into agricultural products.

Details of application of the standards explained above is given under notes to the accounts.

Annual Report  
2014

# Auditor General's Report





**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல.  
My No.

} එළවි/ඩි/එන්එල්ඩබ්/1/14/1

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

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ජාතික පශු සම්පත් සංවර්ධන මණ්ඩලය

ජාතික පශු සම්පත් සංවර්ධන මණ්ඩලයේ 2014 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2) (ඕ) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව.

මාගේ සමාක හා 2016 අප්‍රේල් 22 දිනැති ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි සහ දෙමළ අනුවාද මේ සමඟ එවා ඇත.



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අතිරේක විගණකාධිපති

විගණකාධිපති වෙනුවට

- පිටපත් :-
1. ලේකම් - ග්‍රාමීය ආර්ථිකය පිළිබඳ අමාත්‍යාංශය
  2. ලේකම් - මුදල් අමාත්‍යාංශය



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



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Your No. }

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திகதி }  
Date }

22 April 2016

The Chairman  
National Livestock Development Board

**Report of the Auditor General on the Financial Statements of the National Livestock Development Board for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971**

The audit of financial statements of the National Livestock Development Board for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of the State Agricultural Corporations Act, No. 11 of 1972. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 30 October 2015.

1.2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.





### 1.3 Auditor's Responsibility

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My responsibility is to express an opinion on these financial statements based on audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810).

### 1.4 Basis for Disclaimer of Opinion

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As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might had been found necessary in respect of recorded or unrecorded item, and the elements making up the statement of financial position, statement of comprehensive income, the statement of changes in equity and cash flow statement.

## 2. Financial statements

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### 2.1 Disclaimer Opinion

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Because of the significance of the matters described in paragraph 2.2 of this report, I had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### 2.2 Comments on Financial Statements

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#### 2.2.1 Consolidated Financial Statements

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In the presentation of the financial statements of the Board, the consolidated financial statements prepared by consolidating the financial statements of the subsidiary of which the total equity is owned by the Board should be presented to audit. Nevertheless, the financial statements prepared only for the Board had been presented to audit.



## 2.2.2 Sri Lanka Accounting Standards

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The following observations are made.

### (a) Sri Lanka Accounting Standard 01

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The following observations are made.

- (i) Reasons for the maintenance of capital reserves amounting to Rs.130,696,928 and revenue reserves amounting to Rs.44,529,422 included in the financial statements of the Board and their nature had not been disclosed.
- (ii) Instead of showing the income of Rs.265,368,361 under the sub projects such as the Milk Project, Delite Project, authorized sales outlets, main stall, hostels, circuit bungalows and training centres operated by the Board and the expenditure of Rs.114,226,085 thereof separately, only the net result had been shown as income.

### (b) Sri Lanka Accounting Standard 07

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Cash flows generated from operations, financial and investment activities had not been properly classified and shown in the cash flow statement.

### (c) Sri Lanka Accounting Standard 08

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Even though the errors occurred in 03 prior years identified in the year under review should be adjusted retrospectively in the financial statements and taken to the opening balance of the year under review, debit balances of Rs. 13,231,640 and credit balances of Rs. 31,291,718 had been adjusted by the statement of changes in equity.



(d) Sri Lanka Accounting Standard 12

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Action had not been taken by the Board to identify whether deferred income tax assets or liabilities exist and to account them.

(e) Sri Lanka Accounting Standard 16

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The following observations are made.

- (i) Even though an asset should be depreciated from the time of its useful life and throughout its useful life on a methodical basis, contrary to it, assets acquired in the years 2012 and 2013 valued at Rs.635,064,057 and Rs.80,468,192 respectively had been depreciated for the whole year. As such, depreciation and accumulated depreciation for the year had been overstated.
- (ii) In the revaluation of a certain group of assets, all assets of that group should be revalued. Nevertheless, in the revaluation of motor vehicles by the Board, 226 vehicles costing Rs. 60,960,579 had been left out and as such, the effects to the financial statements resulting from that, could not be revealed in audit.

(f) Sri Lanka Accounting Standard 17

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Matters such as the extent of acres and value of land and period of lease had not been disclosed in the financial statements in respect of an income of Rs.720,259 received in the year under review in granting lands on operating lease basis to external parties.



(g) Sri Lanka Accounting Standard 40

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A sum of Rs.1,720,763 had been shown as lease income under other income in the financial statements. As it had been an income received on the lease of 520 acres of lands and buildings on lease basis, it should have been brought to account under investment property and disclosed by notes. However, it had not been so done.

(h) Sri Lanka Accounting Standard 41

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Physical and financial information such as depreciations, Government grants received, additions and disposals of assets relevant to the period which should be disclosed in respect of biological assets had not been disclosed in the financial statements. Even though cattle purchased in the years 2012 and 2013 as imported biological assets valued at Rs. 207,898,980 and Rs. 434,235,312 respectively should be revalued and adjusted at the fair value in the accounts at the end of the year, action had not been taken to make adjustments in respect of depreciation even up to the year under review accordingly.

2.2.3 Accounting Deficiencies

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The following observations are made.

- (a) Six motor vehicles received from external parties in the preceding years and not brought to account had been revalued for a sum of Rs.3,750,000 in the year under review. Instead of accounting this asset as a grant, it had been shown in the comprehensive income statement as a revaluation profit.
- (b) The value of a motor cycle purchased for a sum of Rs.171,900 in the year 2012 had been brought to account as a revenue expenditure and it had been revalued in the year under review for Rs. 80,000 and that total value had been brought to account as a revaluation profit.





- (c) The value of 05 motor cycles purchased for a sum of Rs.641,900 in the year 2011 had been brought to account under advances instead of accounting as an asset. Those motor vehicles had been revalued at Rs.470,000 in the year under review and that value had been erroneously shown as a profit in the comprehensive income statement.
- (d) An expenditure of R\$.1,644,023 incurred for the Minister and the Line Ministry had been shown as expenditure of the Board instead of showing as receivables in the accounts.
- (e) Action had not been taken to settle the advances of Rs.435,680 received from sale of calves of the Dayagama Farm in the year 2009 and advances of Rs.3,113,782 received from sale of chicks of the Marawila Farm at the time of sale.
- (f) Even though the balance of the stock of coconuts of the farm as at 31 December of the year under review amounted to Rs.6,012,680 according to the physical stock verification report, the trading and other stock balances had been overstated by Rs.465,390 as a result of showing it in the balance sheet as Rs.6,478,070.
- (g) According to the Register of Fixed Assets, action had not been taken to examine whether 1,077 items of estate equipment, 1,156 items of office equipment and 1,170 forms valued at Rs.131,673,719, depreciated fully but not eliminated from the register could be used and to revalue and account those assets.

#### 2.2.4 Unreconciled Control Accounts

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Current Accounts, the Money Exchange Account and the Control Accounts included in the accounting system followed for the posting of transactions between the Head Office of the Board, farms and projects belonging to it, had not been reconciled with each other and adjusted. As such, the difference of Rs. 23,991,530 between the total of Rs. 369 debit balances amounting to Rs. 1,206,961,029 and the total of Rs.247 credit balances amounting to Rs. 1,230,952,559 at the end of the year had been shown under short term debtors. The following matters were further observed in the examination carried out in that connection.



- (a) Even though the current account balances of the Head Office and the inter-farms accounts of each farm should be zero after posting the transactions of inter-farms, a debit balance of Rs.370,676,659 and a credit balance of Rs.24,622,189 existed in the inter-farms current accounts at the Head Office and a debit balance of Rs.2,584,523 and a credit balance of Rs.342,654,632 existed in the current accounts of inter-farms' books as at the end of the year under review.
- (b) Even though the transactions between the Head Office and farms should be reconciled as at the end of the year, a debit balance of Rs.715,770,651 in the current accounts of the Head Office and a credit balance of Rs.716,534,893 in the current accounts of the farm had existed as at 31 December of the year under review.
- (c) A debit balance of Rs.11,199,993 and a credit balance of Rs.1,530 had existed in the Money Transaction Accounts as at 31 December of the year under review due to failure in correct posting of money transaction between projects and reconciliation of these accounts.
- (d) Transaction of money between the Head Office and the projects is carried out thorough Money Transaction Accounts and the balances of those accounts should be reconciled as at 31 December. Nevertheless, the following unreconciled balances were revealed at audit test check.

	Money Transaction Account in the name of the relevant Projects in the Books of the Head Office	Money Transaction Account in the name of the Head Office in the Books of the relevant Project
	Rs.	Rs.
Sales Outlet	652,659(Debit)	581,508 (Credit)
Franchise Project	2,707,775 (Credit)	7,172,875 (Debit)
Maize, Delite, Milk Projects	27,313,344 (Credit)	No balance



(e) Control Accounts are maintained for posting non cash transactions between projects. Even though the net balance relating to the 7 projects had been Rs.8,727,668 (credit) according to the books of the Head Office, it was 4 credit balances totalling Rs.17,666,134 according to the Project Accounts. Four debit balances of Rs.29,019,192 and 7 credit balances of Rs.13,085,534 had further existed between inter project accounts due to failure in taking action to set off transactions entered into between projects against each other.

2.2.5 Lack of Evidence for Audit

The evidence indicated against the following items of accounts was not made available to audit and as such, they could not be satisfactorily vouched or accepted in audit.

<u>Item of Account</u>	<u>Value</u> Rs.	<u>Evidence not made available</u>
(a) Purchase and repairs of fixed assets	20,565,165	Relevant files
(b) Debtors		
(i) Mahaweli Livestock Development Company	2,750,000	Written evidence relating to payments and confirmation of balances
(ii) From Line Ministry - Flood relief	1,135,000	-do-
(iii) Payments for Plantation Housing Trust Fund	2,957,521	-do-
(iv) From Line Ministry - Providing chicks	5,303,391	-do-
(v) Balance receivable from the Bank of Ceylon Kanthale Branch – Balance existing from the year 2009	2,092,750	Agreements entered into with the Bank.



- (c) Ledger, books and source documents whatsoever relating to 32 farms stated by consolidating with the accounts of the Board were not made available to audit.
- (d) A sum of Rs.80,604,253 brought to account as capital expenditure under the Menik Palama Farm by spending in the year 2013 by the Wellard Milk Cow Project implemented on foreign bank loans, had been written off in the year under review against the accumulated income as a revenue expenditure. No reasons for writing off this expenditure as revenue expenditure and evidence whatsoever for the confirmation of that expenditure were not made available to audit.

### 2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) The Board had failed to recover a sum of Rs.9,450,181 older than 05 years due from the Mahaweli Livestock Development Company for providing chicks, a sum of Rs.5,303,391 older than 04 years due from the Line Ministry and insurance claim relating to 69 imported and deceased milk cows in the year 2013 amounting to Rs.18,704,920 due from the insurance company .
- (b) Even though a loan balance amounting to Rs.3,237,187 recoverable from an institution and a project functioning under the Line Ministry had lapsed for over a period of 4 years, the Board had failed to recover that balance.
- (c) A proper methodology had not been implemented to recover a balance of Rs.1,037,889 older than 04 years included in the staff debtors balances and action had not been taken to identify and settle the balances of unclaimed salaries and commission amounting to Rs.260,782 and Rs.182,472 respectively older than 01 year existed in the creditors balances.
- (d) Action had not been taken to reveal the reasons for the existence of the unsettled Employees' Provident Fund Surcharges amounting to Rs.103,833 older than 5 years in 2 farms and to settle it.





- (e) Despite having a loan balance of Rs.364,554 older than 2 years due to the Rosetta Farm from the Ceylon Workers' Congress, the farm products valued at Rs.413,929 had been provided on credit basis in the year under review.
- (f) An interest free loan amounting to Rs.50,000,000 obtained from the General Treasury in the year 1992 had not been settled up to 31 August 2015 and no future arrangement had been made to settle that loan.
- (g) Even though an interest totalling Rs.52,956,140 for the years 2012, 2013 and 2014 had been shown in the financial statements as payable to the General Treasury for the loan of Rs.1,600,799,758, only a sum of Rs.12,000,000 had been repaid in the year under review. The Department of External Resources had informed that the repayment of the loan should commence on or before 08 March 2013. However, action had not been taken accordingly and the Board had failed to prepare even a future loan repayment plan.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.  Financial Regulations 102(1) and 103	Action had not been taken in terms of Financial Regulation referred in respect of shortages of stock amounting to Rs.10,239,389 identified in the year 2012 relating to the Milk Project.



- (b) Section 47 of the Employees' Provident Fund Act, No.15 of 1958  
 Contribution had been under remitted by Rs.633,571 due to applying only the basic salary instead of total earnings of the employees in computing contributions to the Employees' Provident Fund of 23 permanent employees in the Horakele Farm.
- (c) Paragraphs (i) and (iv) of Public Administration Circular No.9/2007(1) D of 24 August 2007.  
 An allowance of Rs.106,450 had been paid at the rate Rs.53,225 per month by recruiting a person exceeding the age of 60 years as a consultant on contract basis in the year under review without an approval of the Cabinet of Ministers.
- (d) Public Enterprises Circular No. PED/58(2) of 15 September 2011.  
 Housing rent allowance totalling Rs.390,000 at the rate of Rs.30,000 per month had been paid from December 2013 to December 2014 to the Chairman without the approval of the Treasury.

3. Financial Review  
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 3.1 Financial Result  
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According to the financial statements presented, the operating results of the Board for the year under review had been a surplus of Rs.60,309,530 as against the deficit of Rs.86,084,563 for the preceding year thus indicating an improvement of Rs.146,394,093 in the financial result as compared with the preceding year. Even though administrative expenditure, financial expenditure and other expenditure had increased by of Rs.38,600,213, Rs.13,430,699 and Rs.11,851,114 respectively and other income had decreased by Rs.24,637,326, the increase of gross income and Government grants by Rs.204,560,599 and Rs.29,710,365 respectively had mainly attributed to the improvement of the financial result.

Further, a sum of Rs.80,604,253 brought to account as capital expenditure of the preceding year had been adjusted to the surplus of Rs.2,096,836 presented by



accounts of the preceding year as a revenue expenditure in the year under review and the profit of the preceding year had been revised. As such, the deficit had been comparatively shown as a sum of Rs.86,084,563.

### 3.2 Legal Action instituted against or by the Board

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The following observations are made.

- (a) The Board had filed two cases in Courts in the years 2011 and 2012 against three institutions claiming compensation amounting to Rs.14,360,075 for defaulting payments in terms of sales agreements. Ten employees of the Board had filed 10 cases against the Board during the period from 2001 to 2014 against the suspension of service.
- (b) Even though legal action had been taken to recover a sum of Rs.11,194,220 recoverable due to failure in paying money for maize provided to a private firm for sale, that amount could not be recovered even by 30 August 2015.

## 4. Operating Review

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### 4.1 Performance

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The following observations are made.

- (a) Performance reports had not been prepared by the Board for 4 projects existing in the Head Office and the Board.
- (b) Seventeen out of 32 farms maintained by the Board had sustained a net loss amounting to Rs.152,387,111 in the year under review and 07 farms of them had been incurring losses since the year 2008. Nevertheless, the Board had failed to convert the farms to profit making status.



- (c) Out of 69 sales outlets which were maintained by the Head Office for sale of milk under the Milk project, 15 sales outlets which sustained a loss totalling Rs.635,475 and one sale outlet which had earned a profit of Rs.12,600 during the year had been closed in the year under review. Moreover, 10 out of 53 sales outlets which were in operation as at 31 December of the year under review had sustained a loss of Rs.1,196,478 and 43 outlets had earned a profit of Rs.17,043,541 as well. Further, out of the total of 111 authorized sales outlets belonging to the Board, only 15 sales outlets were in operation and a loss of Rs.399,287 had been sustained from those 15 sales outlets in the year under review.

#### 4.2 \*Management Inefficiencies

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The following observations are made.

- (a) Even though the total loan balance recoverable from brokers for sale of coconuts amounted to Rs. 12,893,012, legal action had been taken only to recover a sum of Rs. 5,821,542 and adequate action had not been taken to recover debtors balance of Rs.4,555,949 elapsed for over a period of 05 years.
- (b) A sum of Rs.251,450 had been paid as surcharges in the year under review by the Board due to delay in the payment of gratuity.
- (c) No rent whatsoever had been recovered from the employees residing in the houses of the farm and it was revealed in audit test checks that as there is no specific methodology to recover charges for consumption of electricity and water, charges were recovered from some residents and not recovered from some other residents.
- (d) Lands with an extent of 187 acres and 24 perches in 04 farms had been encroached by external parties out of which 151 acres alone had been encroached in the years 2013 and 2014. Necessary steps had not been taken by the Management to reacquire those lands to the Board even up to 30 November 2015.





- (e) Even though 04 motor vehicles revalued at Rs.3,500,000 had been used from 10 years, those motor vehicles had been eliminated only from the final accounts of the year under review without taking action to transfer their ownership even up to the year under review.
- (f) The Board had not taken action to evict the encroachers of 70 houses located in the farms belonging to the Board.
- (g) Even though it had been decided to vest all resources, assets and the management of shares of the Mahaweli Livestock Enterprises Ltd. in the Board in accordance with the Decision No. අමප/15/0940/631/018-1 of 16 June 2015 of the Cabinet of Ministers, disclosures had not been made in the financial statements thereon.
- (h) Action had not been taken to vest the legal ownership of lands with an extent of 10, 542.64 hectares, the control right of which belongs to the Board.

#### 4.3 Transactions of Contentious Nature

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A sum of Rs.37.55 million had been granted to the Board on 28 June 2007 under the re-awakening of the East programme to create a Revolving Fund for a Maize Project, on a land in Kanthale with an extent of 1,000 acres where sugarcane was cultivated. The balance of Rs.17,549,342 remained in the Revolving Fund which existed under the Maize Project at the time of vesting the land in the Sugar Company on 11 September 2011 due to the failure of the Project, should be refunded to the General Treasury in terms of comments of Central Bank and the Decision of the Cabinet of Ministers on 20 June 2007. Without doing so, only a sum of Rs. 13,295,637 of that had been deposited in fixed deposits as at December 31 of the year under review.



#### 4.4 Idle and Underutilized Assets

The following observations are made.

- (a) Five hundred and fifty performance reports costing Rs. 401,500 relating to the year 2012 and printed in the year 2013 had remained in the stores of the Welisara Farm.
- (b) A generator of Perkins brand with a capacity of 50- 60 Hz belonging to the Sri Lanka Poultry Development Company (Pvt.) Ltd., had been brought to the Welisara Farm by spending a transport expense of Rs. 25,000 and it had not been made use of even up to 23 April 2015, the date of audit. The reason for transporting this generator to the farm had not been revealed in audit.
- (c) It was observed in audit that there were 145 houses suitable for occupancy but no one has occupied during a period between 6 months to 15 years and 110 houses not suitable for occupancy.
- (d) A lorry revalued at Rs. 800,000 in the year 2014 belonging to the Horakele Farm since the year 2005 had remained idle from February 2013 to 30 August 2015.

#### 4.5 Identified Losses

A loan amounting to Rs.102,662,750 had been obtained from the Framers' Trust Fund in the year 2003 by the Board and the total amount payable as at the end of the year under review including the total interest of Rs.87,757,178 amounted to Rs.181,369,878 due to failure in taking action to settle it for a period of 11 years.

#### 4.6 Staff Administration

The following observations are made.

- (a) Twenty two Management Posts of the Board had been vacant as at 31 December of the year under review out of which 13 posts, had been Farm Managers. Further, an excess of 80 Management Assistants and unskilled employees had existed.



- (b) Despite two officers in the posts of Assistant Manager (Finance) were in service according to the approved Scheme of Recruitment, an Accountant had been recruited on 17 November 2014 for a period of 03 months on contract basis on the approval of the Chairman and the approval of the Board of Directors and the Department of Management Services had not been obtained thereon. An allowance of Rs.35,000 had been paid per month to this officer.
- (c) Approval had been granted at the 458<sup>th</sup> meeting of the Board of Directors for the recruitment of an officer for a post of cashier in terms of Public Administration Circular No.25/2014 of 12 November 2014. Nevertheless, such a post had not been included in the approved cadre.
- (d) An officer had been recruited on 01 April 2014 on contract basis for a post of circuit bungalow consultant which was not included in the Scheme of Recruitment and allowances totalling Rs.200,000 had been paid for 05 months at Rs.40,000 per month.

5. Accountability and Good Governance

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5.1 Presentation of Financial Statements

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Even though the financial statements should have been presented to the Auditor General within 60 days from the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements for the year under review had been presented to the Auditor General only on 04 November 2015.

5.2 Corporate Plan

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The Corporate Plan prepared in terms of Sections 5.1.1 and 5.1.3 of the Public Enterprises Circular No. PED 12 of 02 June 2003 and Paragraph 5 of the Public Finance Circular No.01/2014 of 11 February 2014 should be presented to the Department of Public Enterprises with the approval of the Board of Directors and the Secretary to the Ministry concerned with a copy to the Auditor General 15 days before the commencement of the financial year. Nevertheless, it had not been so done.



### 5.3 Action Plan

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The following observations are made.

(a) Even though an Action Plan should have been prepared including the commercial activities expected to be performed in the ensuing financial year based on the Corporate Plan in terms of paragraph 5(2) of the Public Finance Circular No.01/2014 of 11 February 2014, the Action Plan for the year under review had been presented by the Board only in respect of 32 farms. Nevertheless, an overall Action Plan including the Projects and the Human Resource Development Plan of the Board had not been prepared.

(b) The physical progress of 61 activities relating to 06 projects of 27 farms shown in the annual Action Plan, was at a zero level, whereas the physical progress of 40 activities relating to 19 farms indicated a value less than 50 per cent. Targets relating to 15 activities in connection with 12 farms had been included in the Performance Report by understating them to those of the Action Plan and even those targets had not been completed. Further, as the progress of 293 activities relating to 31 farms had not been included in the Annual Performance Report, it was not possible to verify whether those activities had been performed in the year under review.

### 5.4 Budgetary Control

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The percentage of variance between the budgeted data and the actual data had ranged between 8 per cent and 725 per cent. Expenditure amounting to Rs.36,850,094 had been incurred by the Head Office and Project for 24 Objects for which provision had not been made in the budget. As such, it was observed in audit that the budget had not been made use of as an effective instrument of management control.





## 5.5 Unresolved Audit Paragraphs

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The following observations are made.

- (a) One hundred and fifty acres of the Ridiyagama Farm had been encroached for unauthorized cultivations by 98 persons in the year 2001 while the Board had failed to evacuate those persons from the farm.
- (b) Even though a sum of Rs.53,363 had been shown as a shortage of cash under the debtors of the Milk Project, the reasons thereof had not been revealed.
- (c) Even though a sum of Rs.1,135,000 granted as flood relief had been shown in Ledger Accounts as a debtor balance recoverable from the Rosetta Farm, that amount should be recovered from the Ministry of Livestock and Rural Community Development. Nevertheless, action had not been taken to recover the said amount even during the year 2014.

## 6. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Control of Fixed Assets
- (b) Operating Management
- (c) Financial Management
- (d) Budgetary Control
- (e) Personnel Administration

H.M. Gamini Wijesinghe

Auditor General

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2014

# Human Resource Activities for the Year 2014



## **Activities and Training programs of National Livestock Development Board -2014**

In the year 2014, following recruitment were carried out. Deputy Farm Manager, Assistant Manager, (Milk), Vet surgeon, Assistant Manager (Internal Audit), Management Assistant, Field / Livestock Assistant, Drivers, Tractor Operator, Office Aid, Cashier, Incubator operator and sales Assistant.

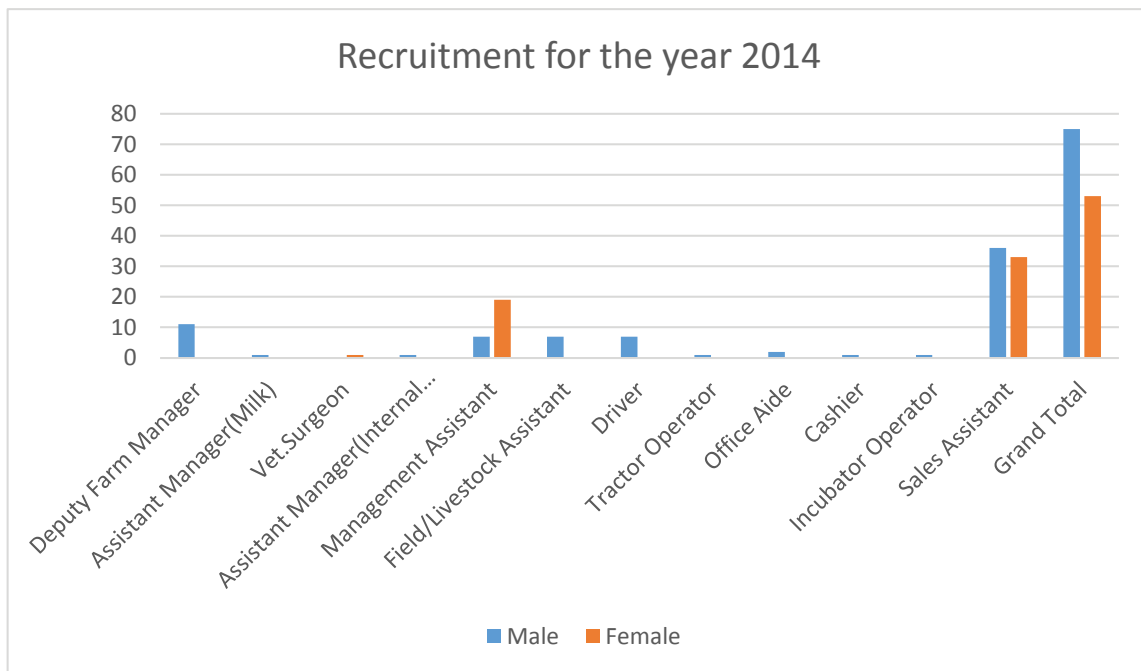
Granting permanent appointments to 114 employees who were in casual basis. These employees who served for a long time to the Board was distributed appointments to the employees under auspicious of the Hon. Minister at Hatton.

## **Training Programs Conducted at NLDB- 2014**

There were more than 20 training programs conducted by NLDB for the various levels of Audiences, Such as office administration, book keeping, Skills development programs and etc.. This is very important to the board since it will help to work effectively and give a great exposure to our employees to manage work tactfully.

# RECRUITMENT SUMMERY - 2014

Category	Male	Female	Total
Deputy Farm Manager	11		11
Assistant Manager(Milk)	1		1
Vet.Surgeon		1	1
Assistant Manager(Internal Aud	1		1
Management Assistant	7	19	26
Field/Livestock Assistant	7		7
Driver	7		7
Tractor Operator	1		1
Office Aide	2		2
Cashier	1		1
Incubator Operator	1		1
Sales Assistant	36	33	69
<b>Grand Total</b>	<b>75</b>	<b>53</b>	<b>128</b>





# 2014 Training

Annual Report 2014

	Training/workshop	Date	Presenter
1	Conducting A Workshop On Personality And Career Development	13-jan-2014	Farm Managers, Head Of Division
2	Training Programme For The Farm Managers (Cultivating Fruit & Vegetables)	21-Feb-2014	Farm Managers
3	Vehicle Maintenance and Driving	22-Feb-2014	06
4	Direct the Students for Projects	19-May-2014	The Students of Sri Lanka Animal Husbandry School
5	Training Programme "Construction Operation & Maintenance Of Biogas Digesters"	24-may-2014	01
6	Transport Management Workshop	26-jun-2014	01
7	Participation For The National Hr Conference 2014	18-jun-2014	02
8	Two Day Workshop On "Practical Aspects Of Bid Evaluation"	20-jun-2014	01
9	To Update the Knowledge of the New Technologies in Cattle Farming for Field Officers	27-Jun-2014 11-Jul-2014	Field Officers
10	Financial Reporting In Compliance With Accounting Standards	26-jun-2014	01
11	Skills Development Programme For Office Aides	28-jun-2014	02
12	Social Success Make Over	21-jul-2014	02
13	Two Day Workshop On "Business Letter Writing"	22-jul-2014	02
14	Calling Quotations For Purchasing A Wheel Chair Stickers For Visually Disabled Persons	23-jul-2014	01
15	Two Day Workshop On "Duties And Responsibility Of Leave Clerk"	14-aug-2014	01
16	Two Day Workshop On "Effective Managerial Skills For Administrative Officer's AOs" Of The Public & Private Sectors"	18-aug-2014	01
17	Vehicle Fleet Management	7-aug-2014	01
18	Two Day Workshop On "Labour Law & Industrial Relations"	4-sep-2014	01

19	Workshop on Practical Aspect of Bid Evaluation.	3-Oct-2014	04
20	Workshop on Inspection of 104 Financial Regulation	26-Sep-2014	03
21	Executive Diploma for Leadership in Agri - Business	18-Oct-2014	03
22	Workshop on Enterprise Resources Planning (EPR) Solutions Related to Accounting	30-Oct-14	06
23	HRM & Productivity Enhancement (CHRMPE)	25-Oct-14	02
24	Workshop on Task and Responsibilities of Accounts Clearks	29-Oct-14	02
25	Training Programme on Bovine Tuberculosis	13-Nov-14	03
26	Training Seminar on "Safety in Chemical and Microbiological Laboratories"	29th – 30th October 2014.	01

## **Awarding New Appointments**

Awards Ceremony held at hotel 'PRINCE' for the new appointments.

## **Conduction Dharma Sermon**

Dharma Sermon was conducted for all the head office staff in each month prior to the Poya day.

## **Blood Donation Campaign**

This was held on 3rd February 2014 at the Head office premises.

## **5 S System and Office Administration**

Inaugural program for the office administration and "5S" system conducted in the head office Auditorium on February 07th 2014 to ensure the efficiency and effectiveness standards of work.

## **Dengue Eradication Program**

All the Head office staff initiate this program of cleaning the head office premises once in an every 3 months to eradicate dengue menace

## **Dharma Sermon Vesak**

On Account of Vesak Dharma Sermon and Dansala was organized on 13th and 14th May 2014.









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தேசிய கால்நடை வள அபிவிருத்தி சபை  
National Livestock Development Board

No. 40, Nawala Road, Narahenpita, Colombo 05.

