

NATIONAL WATER SUPPLY AND DRAINAGE BOARD

02 APR 2018

Auditor General's Secretariat
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- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF COMPREHENSIVE INCOME
- STATEMENT OF CHANGES IN EQUITY
- STATEMENT OF CASH FLOW
- NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017



National Water Supply And Drainage Board

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2017

		2017	2016
		<u>Rs</u>	<u>Rs</u>
Assets			
Non- Current Assets	Notes		(Restated)
Property ,Plant & Equipment	15	172,574,439,103	162,321,652,152
Intangible Assets	16	6,485,383	7,310,270
Capital Work in Progress	17	194,543,873,679	158,512,035,894
Financial assets	18	<u>8,230,469</u>	<u>11,023,063</u>
Total Non Current Assets		<u>367,133,028,633</u>	<u>320,852,021,379</u>
Current Assets			
Inventories	19	7,374,367,615	6,643,472,555
Trade & Other Receivables	20	8,588,182,099	6,512,154,920
Deposits & Advances	21	42,124,651,650	26,830,599,011
Investments	22	12,240,208,742	10,265,721,944
Cash & Cash Equivalents	23	<u>3,777,448,306</u>	<u>12,092,709,720</u>
Total Current Assets		<u>74,104,858,412</u>	<u>62,344,658,150</u>
Total Assets		<u>441,237,887,046</u>	<u>383,196,679,531</u>
Equity and Liabilities			
Equity			
Assets taken over from Government Dept.	24	185,480,387	185,480,387
Government Equity	25	77,512,499,566	69,470,969,610
Staff Welfare Fund	26	22,527,125	17,228,139
Retained Earnings		(8,053,512,615)	(9,785,684,856)
Government Grant	27	94,838,588,669	92,742,583,734
Capital Grants	28	<u>190,373,819,444</u>	<u>181,542,682,665</u>
Total Equity		<u>354,879,402,575</u>	<u>334,173,259,679</u>
Non-Current Liabilities			
Loan Payable	29	64,327,755,750	34,441,527,519
Other Deferred Liabilities	30	<u>4,110,746,151</u>	<u>4,125,023,486</u>
Total Non Current Liabilities		<u>68,438,501,901</u>	<u>38,566,551,005</u>
Current Liabilities			
Trade & Other Payables	31	13,925,103,379	9,831,046,543
Loan Capital Payable (Note 29)		2,833,921,592	625,822,304
Loan Interest Payable		<u>1,160,957,598</u>	<u>-</u>
Total Current Liabilities		<u>17,919,982,569</u>	<u>10,456,868,847</u>
Total Equity and Liabilities		<u>441,237,887,046</u>	<u>383,196,679,531</u>


D. Thotawatte

Addl.G.M.(Finance)

Additional General Manager
(Finance & Commercial)
National Water Supply & Drainage Board
Kottalena


D.U.Sumanasekara

General Manager

The Accounting policies on pages 08 to 15 and Notes on pages 16 to 30 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf


K. A. Ansar

Chairman

Colombo

on 28th February 2018

Eng. K.A. Ansar

Chairman


M.H.M. Salman

Vice chairman

2
National Water Supply & Drainage Board

884

National Water Supply And Drainage Board

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

		Budget 2017 Rs.	Actual 2017 Rs.	(Restated) 2016 Rs.
Revenue	7	29,523,486,200	23,859,760,119	23,584,727,487
Cost of Sales	8	<u>(15,807,092,652)</u>	<u>(14,196,350,460)</u>	<u>(13,485,727,343)</u>
Gross Profit		13,716,393,548	9,663,409,658	10,099,000,145
Other Operating Income and Gains	9	1,126,924,800	1,724,463,148	1,477,546,705
Administrative Expenses	10	(10,712,479,348)	(9,935,315,824)	(9,136,910,599)
Other Operating Expenses	11	<u>(550,000,000)</u>	<u>(714,465,635)</u>	<u>(680,664,041)</u>
Operating Profit / (Loss)		3,580,839,000	738,091,347	1,758,972,209
Finance Income	12	600,000,000	1,157,359,094	1,236,278,724
Finance Cost	13	<u>(8,198,000)</u>	<u>(12,994,621)</u>	<u>(3,281,535)</u>
Profit / (Loss) Before Tax		4,172,641,000	1,882,455,821	2,991,969,398
Provision for Income Taxation	14	<u>(100,000,000)</u>	<u>(65,683,426)</u>	<u>(63,287,387)</u>
Profit / (Loss) for the Year		<u>4,072,641,000</u>	<u>1,816,772,395</u>	<u>2,928,682,011</u>

Accounting Policies & Notes from pages 8 to 30 form an integral part of these Financial Statements.

386

National Water Supply And Drainage Board

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Budget 2017 Rs.	Actual 2017 Rs.	Restated 2016 Rs.
Profit / (Loss) for the Year	<u>(3,258,366,000)</u>	<u>1,816,772,395</u>	<u>2,928,682,011</u>
Other Comprehensive Income for the Year.			
Impairment Loss on Treasury Bond	<u>-</u>	<u>(79,301,168)</u>	<u>(541,135,514)</u>
	<u>4,072,641,000</u>	<u>1,737,471,227</u>	<u>(541,135,514)</u>
Total Comprehensive Income for the Year	<u>4,072,641,000</u>	<u>1,737,471,227</u>	<u>2,387,546,497</u>

Accounting Policies & Notes from pages 8 to 30 form an integral part of these Financial Statements.

National Water Supply And Drainage Board

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Government Departments	Govt Grants	Government Equity	Capital Grants	Staff Welfare Fund	Accumulated Profit/Loss
Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2016	185,480,387	91,517,718,832	63,736,423,921	164,846,710,175	16,506,484	(11,847,217,278)
<i>Prior Year Correction -</i>						
Assets recognised and derecognised	35.1.1	-	-	-	-	22,447,765
Depreciation adju. for assets recognised and derecognised	35.1.2	-	-	-	-	19,932,321
Recognized/Derecognized long deposits & advances	35.2	-	-	-	-	(18,150,388)
Rehabilitation & Construction works	35.2	-	-	-	-	(185,399,524)
Recognized/Derecognized inventories	35.2	-	-	-	-	(27,921,254)
Recognized/Derecognized trade & other receivables	35.2	-	-	-	-	(137,739,576)
Correction of bank balance	35.2	-	-	-	-	(1,532,647)
Correction of trade & other payables	35.2	-	-	-	-	3,378,627
Restated Balance as at 1 January 2016	185,480,387	91,517,718,832	63,736,423,921	164,846,710,175	16,506,484	(12,172,201,953)
Net profit for the year		-	-	-	-	2,387,546,497
Recognized/Derecognized inventories		-	-	-	-	(14,984,026)
Depreciation adju. for assets recognised and derecognised	35.1.2	-	-	-	-	(2,377,620)
Recognized/Derecognized trade & other receivables		-	-	-	-	(2,716,099)
Correction of trade & other payables		-	-	-	-	19,770,000
Receipts / Transfers during the year		2,216,825,457	-	-	-	-
Loan to Equity conversion (Including error correction)	35.2	-	5,734,545,689	15,962,447,745	-	-
Transfers to Staff welfare fund		-	-	-	721,655	(721,655)
Restated balance as at 31 December 2016	185,480,387	93,734,544,290	69,470,969,610	180,809,157,920	17,228,139	(9,785,684,856)
Net profit for the year		-	-	-	-	1,737,471,227
Receipts / Transfers during the year		2,170,114,199	-	-	-	-
Loans conversion to equity		-	8,041,529,956	8,498,591,705	-	-
Transfers to capital grants		(1,066,069,820)	-	1,066,069,820	-	-
Transfers to staff welfare fund		-	-	-	5,298,986	(5,298,986)
Balances as at 31 December 2017	185,480,387	94,838,588,669	77,512,499,566	190,373,819,444	22,527,125	(8,053,512,615)

Accounting Policies & Notes from pages 8 to 30 form an integral part of these Financial Statements.

National Water Supply And Drainage Board

STATEMENT OF CASH FLOW

Year ended 31 December 2017

For the year ended	Notes	2017 Rs.	2016 Rs.
Cash Flows from/(used) in Operating Activities			
Net Profit/(Loss) before Tax		1,882,455,821	2,989,591,779
<i>Adjustments for</i>			
Interest Income	12	(1,157,359,094)	(1,236,278,724)
Profit on disposal of Fixed Assets		4,495,307	(13,600,051)
Depreciation	10.2	3,339,845,190	2,724,963,394
Retiring gratuity provision	30.1	488,661,467	394,618,174
Interest Expense	13	<u>12,994,621</u>	<u>3,281,535</u>
Operating Profit before Working Capital Changes		4,571,093,311	4,862,576,106
(Increase)/Decrease in Inventories		(730,895,060)	(280,100,515)
(Increase)/Decrease in Debtors, Rece'bles & Deposits		(17,491,801,822)	(14,799,143,670)
Increase/(Decrease) in Creditors & Provisions		<u>4,094,056,836</u>	<u>423,509,912</u>
Cash Generated from Operations		(9,557,546,735)	(9,793,158,167)
Tax Paid		(65,683,426)	(63,287,387)
Gratuity Paid	11	<u>(488,661,467)</u>	<u>(394,618,174)</u>
Net Cash from Operating Activities		<u>(10,111,891,628)</u>	<u>(10,251,063,729)</u>
Cash Flows from/(used) in Investing Activities			
Investments in Fixed Assets & Work-In-Progress		(44,539,798,926)	(33,718,679,086)
Financial assets		2,792,594	5,464,174
Sale proceeds for disposal assets		2,001,798	27,083,204
Investment Income Received		1,157,359,094	1,236,278,724
(Investment) / Withdrawal of Investments		<u>(8,783,171,959)</u>	<u>2,037,971,571</u>
Net Cash Flows used in Investing Activities		<u>(52,160,817,399)</u>	<u>(30,411,881,414)</u>
Cash Flows from/(used in) Financing Activities			
Government Grant during the Period		2,096,004,935	2,123,327,889
Capital Grant during the period		10,019,103,285	17,040,060,639
New Loans & Loans Receipts for the Equity Conversion		40,795,834,610	31,391,418,876
Loan Repayments		(659,977,136)	(896,230)
Interest Paid		(5,130,346,746)	(1,670,213,515)
Sales proceeds of treasury bond		<u>6,836,828,662</u>	<u>-</u>
		53,957,447,610	48,883,697,659
Net Increase in Cash & Cash Equivalents		(8,315,261,416)	8,220,752,516
Cash & Cash Equivalents at the beginning of the year		<u>12,092,709,720</u>	<u>3,876,918,395</u>
Cash & Cash Equivalents at the end of the period		<u>3,777,448,306</u>	<u>12,092,709,720</u>

The accounting policies and notes on Pages 8 to 30 Form an integral part of the financial statements.

333

**NATIONAL WATER SUPPLY AND DRAINAGE BOARD
NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2017

352

CORPORATE INFORMATION

1.1 General

National Water Supply & Drainage Board is a statutory board enacted by the Parliament under the National Water Supply & Drainage Board Law No. 2 of 1974. The registered office of the board is located at Galle Road, Ratmalana, and the principal place of business is situated at the same location.

National Water Supply & Drainage Board (NWS&DB) is an institution under the purview of Ministry of City Planning and Water Supply.

1.2 Principal activities

The principal activity of the Board is to produce and sell treated drinking water to the community.

The objectives of the National Water Supply & Drainage Board are to develop treated drinking water throughout the country and it's accessibility among the people of Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including the year ended 31st December 2011, the NWS&DB prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS). From the financial year ending 31st December 2012 onward Financial Statements are being prepared in accordance with the new Sri Lanka Accounting Standards (SLFRS/LKAS).

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for financial instruments and other financial assets and liabilities held for trading that have been measured at fair value and liabilities for defined benefit obligation is recognized as at the present value of the defined benefit obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, NWS&DB recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, it's cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

35

3.1.1 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant Property and Equipment	Rate
Building & Structures	1.67% - 2%
Plant & equipment pumping treatment	5%
Service & Bulk water meter	10%
Transmission & Distribution: Equipments	1.67% 10%
Furniture & fittings	10%
Computers Peripherals & Mobile Phones	20% - 33.3%
Motor Vehicles	10% - 20%
Lease hold Vehicles	14.3%

3.1.2 Investment Property

When the use of a property changes from owner-occupied to another party is classified as Investment Property and the Investment Property is measured at cost less accumulated depreciation. As NWSDB is very remotely involving the activity in this nature owing to restricted context, such activity if any is disclosed as to comply the LKAS, whereas not to be adjusted in Financial Statements.

3.1.3 Capital Work In Progress

Capital expenses incurred during the year, which are not capitalized as at the reporting date are shown as capital work in progress, whilst the capital assets which have been capitalized during the year and put to use have been transferred to Property Plant & Equipment.

3.1.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

3.1.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. Acquisition of computer software are recognized as intangible assets and amortized over the period of 7 years.

3.1.6 Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when NWS&DB can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits

33/0

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

3.1.7 Impairment of Non-Financial Assets

The NWS&DB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NWS&DB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.2.1 Inventories

Inventories are valued at cost or net realizable value whichever is lower after making due allowance for obsolete and slow moving items which are valued at 'First In First Out' basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Measurement of inventories

3.2.2 Cost of Inventories

Raw Materials

Cost of purchases together with any incidental expenses.

Other Stocks

Cost is arrived at weighted average basis.

3.3. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank balances and short term investment, net of outstanding bank overdrafts if any

4. LIABILITIES, PROVISIONS AND EQUITY

4.1. Retirement Benefit Obligation

4.1.1 Retirement Benefit Obligations (LKAS 19)

a) Defined Benefit Plan – Gratuity

Provision has been made for retiring gratuity from the first year of service for all employees, in conformity with Sri Lanka Accounting Standard No. 19 (LKAS 19).

379

b) Retirement Benefit Cost

NWSDB operates a defined benefit pension plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognized immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less unrecognized past service costs and less the fair value of plan assets out of which the obligations are to be settled.

Retirement benefit obligation is measured through the service of an actuarial valuer in every three years interval and maintains such liability over the period of three years in line with the salary revision. Hence, the gratuity liability occurred for the next two consecutive years are treated as expense immediately after the actuarial liability is identified in the first year.

Defined Contribution Plans- EPF & ETF

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Board contributes 12% and 3% of gross emoluments of employees to EPF and ETF respectively.

4.2 Provisions

General

Provisions are recognized when NWS&DB has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When NWS&DB expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

4.3 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When NWS&DB receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

5. INCOME STATEMENT

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of NWS&DB performance.

5.1.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the NWS&DB and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Sale of Water

Revenue from sale of water is recognised according to the number of consumed unit within 30 days of time by the consumer, when the meters are read and when bills are processed within the system.

Other Income

Other income is recognised on an accrual basis.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Rechargeable Works

Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by the work done of the contract.

5.1.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

5.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

347

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The NWSDB is having massive deductible tax losses and other deductible expenses including interest against the tax liability. Hence, it is unlikely that arising of tax liability in foreseeable future period therefore, NWSDB does not adjust differed tax in Financial Statement by disclosing understand to the reader.

6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Asset

6.1.1 Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The financial assets of NWS&DB include cash and short term investment, trade and other receivables, staff loans and other receivables.

6.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows

6.1.2.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. NWS&DB did not have any financial assets at fair value through profit or loss during the years ended 31 December 2016 and 2017.

6.1.2.2 Loans and receivables

376

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement.

6.1.2.3 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to-maturity when the NWS&DB has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised as finance cost in the income statement in finance cost.

6.1.2.4 Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognized.

6.1.2.5 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

- i) The rights to receive cash flows from the asset have expired
- ii) NWS&DB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) NWS&DB has transferred substantially all the risks and rewards of the asset, or
 - (b) NWS&DB has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6.1.2.6 Impairment of financial assets

The NWS&DB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

6.1.2.7 Financial assets carried at amortized cost

For financial assets carried at amortized cost, the NWS&DB first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the NWS&DB determines that no objective evidence of impairment

312

exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The NWS&DB performed specific impairment for each debtor categories during the year 2017

6.2 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. NWS&DB determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. NWS&DB's financial liabilities include trade and other payables.

Subsequent Measurement

Subsequent measurement of financial liabilities is at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

3/11/17

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

	2017	2016
	Rs.	Rs.
7. REVENUE		
Metered Sales	21,348,160,939	20,991,185,049
Bulk Sales	258,804,307	238,030,488
Bowser Supply	85,469,891	88,515,542
Income from main operations	7.1 <u>2,167,324,981</u>	<u>2,266,996,408</u>
	<u>23,859,760,119</u>	<u>23,584,727,487</u>
7.1 Income from main operations		
Income related to New connection and other main operations	2,477,538,710	2,628,868,117
Capital Recovery Charges	650,943,128	766,302,051
Expense related to New connection	<u>(961,156,857)</u>	<u>(1,128,173,760)</u>
	<u>2,167,324,981</u>	<u>2,266,996,408</u>
8. COST OF SALES		
Personnel Cost	6,352,852,297	6,215,488,662
Pumping Cost	4,064,774,139	3,833,788,962
Chemicals	818,014,323	692,354,529
Repairs & Maintenance	1,358,047,056	1,270,587,139
Establishment Expenses	510,408,988	473,717,459
Rent, Rates, Taxes, Security & Other Expenses	991,127,078	908,910,549
Rebates	<u>101,126,579</u>	<u>90,880,043</u>
	<u>14,196,350,460</u>	<u>13,485,727,343</u>
9. OTHER OPERATING INCOME		
Other Income	9.1 1,709,234,921	1,428,167,676
Staff loan benefit	<u>15,228,227</u>	<u>49,379,029</u>
	<u>1,724,463,148</u>	<u>1,477,546,705</u>
9.1 Other Income		
Sewerage and ground water income	272,787,008	280,748,461
Surcharge, penalties etc.	<u>1,436,447,913</u>	<u>1,147,419,215</u>
	<u>1,709,234,921</u>	<u>1,428,167,676</u>

(333)

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

	2017	2016
	Rs	Rs.
10. ADMINISTRATIVE EXPENSES		
Repairs & Maintenance	221,799,539	218,910,020
Establishment Expenses	698,631,095	635,852,111
Rent,Rates,Taxes, Security & Other Expenses	449,593,829	359,067,735
Staff Cost	10.1 5,222,246,171	5,197,383,263
Depriciation	10.2 3,339,845,190	2,722,585,774
Audit Fee-AGDSL including continuous audit	3,200,000	3,111,696
	<u>9,935,315,824</u>	<u>9,136,910,599</u>
10.1 Staff cost		
Staff Cost on Loan Granted	15,228,227	49,379,029
Personnel Cost	<u>5,207,017,944</u>	<u>5,148,004,234</u>
	<u>5,222,246,171</u>	<u>5,197,383,263</u>
10.2 Depreciation		
Building and structure	1,079,834,033	948,013,836
Plant & Machinery	2,804,805,713	1,193,277,323
Equipments	322,100,055	1,333,925,122
Furniture and Fittings	47,597,987	39,508,591
Computers & Periparels	62,692,861	53,487,044
Motor Vehicles	<u>209,956,160</u>	<u>144,901,475</u>
Total Depreciation	4,526,986,809	3,713,113,391
Less: Depn. for Grant funded Assets	(1,195,058,205)	(999,478,284)
Less: Depn. for Rechargeable funded Assets	(8,326,397)	(7,292,317)
Add: Amortization of leased Assets (Restated)	15,949,142	15,949,142
Add: Amortization of Intangible Assets	<u>293,841</u>	<u>293,841</u>
Depreciation Cost	<u>3,339,845,190</u>	<u>2,722,585,774</u>
11. OTHER OPERATING EXPENSES		
Bad & Doubtful Debts	28,571,639	125,257,676
Provision for Irrecoverable Staff Loans	2,440,340	2,472,380
Provision for Obsolete Stock	63,131,636	22,459,422
Retiring Gratuity	488,661,467	394,618,174
Revenue grant	<u>131,660,553</u>	<u>135,856,389</u>
	<u>714,465,635</u>	<u>680,664,041</u>
12. FINANCE INCOME		
Investment Income	<u>1,157,359,094</u>	<u>1,236,278,724</u>
	<u>1,157,359,094</u>	<u>1,236,278,724</u>
13. FINANCE COST		
Interest On Loans	6,291,304,344	1,670,213,515
Less: Capitalised Interest on Construction Projects	<u>(6,278,309,723)</u>	<u>(1,666,931,980)</u>
	<u>12,994,621</u>	<u>3,281,535</u>
14. TAXATION		
Economic Service Charge	<u>65,683,426</u>	<u>63,287,387</u>
	<u>65,683,426</u>	<u>63,287,387</u>

372

National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT

15.1 Gross Carrying Amounts	Restated Balance As at 01.01.2017	Additions after Adjustments	Transfers	Disposals	Balance As at 31.12.2017
Cost	Rs.	Rs.	Rs.	Rs.	Rs.
Land Freehold	8,358,310,005	39,209,590	(35,444,775)		8,362,074,820
Land Leasehold	589,540,351	37,526,206	(736,566)		626,329,991
Infrastructure	5,713,979,507	163,218,526	(555,209)		5,876,642,824
Building - Freehold Structures	11,106,565,457	1,059,485,479	(47,971,473)		12,118,079,463
Plant & eq: pumping treatment	43,206,451,374	1,677,371,129	(203,202,552)	(6,657,415)	44,673,962,536
Service meter	28,246,961,522	2,931,966,223	99,884,626		31,278,812,371
Bulk water meter	19,439,577	-	-		19,439,577
Transmission & Distribution	519,178,126	17,939,284	2,158,318		539,275,728
Mobile Equipments	76,709,107,252	8,028,388,128	242,305,722		84,979,801,103
Survey Equipments	450,670,409	110,849,200	10,510,861		572,030,469
Laboratory Equipments	32,735,831	8,967,750	130,000		41,833,582
Other Equipment	585,697,600	51,794,443	7,007,579		644,499,621
Furniture & fittings-computer	2,060,775,152	122,090,504	(10,299,339)		2,172,566,317
Computers & Periparels	473,476,783	65,883,736	(6,380,747)		532,979,772
Motor vehicles cars	432,827,580	72,055,563	(11,307,114)		493,576,029
Van busses & jeeps	156,485,434	6,153,750	1,469,942	(500,000)	163,609,127
Lorries & trucks	541,966,481	24,903,939	(23,075,723)	(600,000)	543,194,697
Tractors & trailers	2,008,337,825	176,077,837	(61,126,909)	-	2,123,288,754
Water bowsers, Heavy veh:	89,076,211	1,679,000	(15,125,000)	-	75,630,211
Motor cycles	1,111,523,133	381,564,571	(134,533,632)	(1,050,000)	1,357,504,072
Three Weelers	23,992,152	1,256,980	(1,775,000)	-	23,474,132
Lease hold Vehicles	4,787,620	700,000	1,619,256	-	7,106,876
	28,975,000	-	(5,795,000)	-	23,180,000
Total Value of Depreciable Assets	182,470,860,382	14,979,081,838	(192,242,736)	(8,807,415)	197,248,892,069

371

National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

15.2 Depreciation	Restated Balance As at 01.01.2017 Rs.	Charge for the Period Rs.	Adjustments Rs.	Disposal Rs.	Balance As at 31.12.2017 Rs.
Depreciation					
Freehold Assets					
Land Freehold					-
Land Leasehold					-
Infrastructure	575,941,027	115,537,536	51,371		691,529,934
Building - Freehold	1,155,403,606	232,391,381	(41,066)		1,387,753,922
Structures	3,686,898,046	731,905,116	(42,732)	(1,028,404)	4,417,732,025
Plant & eq: pumping treatment	5,670,610,943	1,393,011,703	-		7,063,622,646
Service meter	14,309,417	1,924,518	-		16,233,935
Bulk water meter	143,038,676	52,105,545	-		195,144,221
Transmission & Dist:	6,053,191,059	1,357,763,947	(128,075)		7,410,826,931
Mobile Equipments	174,437,893	47,151,084	261,250		221,850,227
Survey Equipments	7,357,504	3,479,854	-		10,837,358
Laboratory Equipments	265,594,813	60,425,520	(71,850)		325,948,484
Other Equipment	684,675,572	211,043,597	-		895,719,169
Furniture & fittings-computer	221,613,246	47,597,987	132,939		269,344,172
Computers & Peripherals	334,753,554	62,692,861	-		397,446,415
Motor vehicles cars	140,950,003	11,659,952	(9,700)	(475,000)	152,125,255
Van busses & jeeps	342,013,023	30,851,817	570,000	(570,000)	372,864,840
Lorries & trucks	401,042,903	96,013,974	(148,042)		496,908,836
Tractors & trailers	57,894,593	7,550,304	-		65,444,897
Water bowsers, Heavy veh:	204,495,606	57,448,872	(0)	(236,906)	261,707,572
Motor cycles	9,150,388	2,233,174	(5,858)		11,377,704
Three Wheelers	784,833	589,834	-	-	1,374,667
Lease hold Vehicles	5,051,526	3,608,233	-	-	8,659,758
	<u>20,149,208,230</u>	<u>4,526,986,809</u>	<u>568,238</u>	<u>(2,310,310)</u>	<u>24,674,452,967</u>

340

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT (Contd...)

15.3 Net Book Values	2017	2016
	Rs.	Rs.
At Cost		
Land Freehold	8,362,074,820	8,358,310,005
Land Leasehold	626,329,991	589,540,351
Infrastructure	5,185,112,890	5,138,038,479
Building - Freehold	10,730,325,542	9,951,161,851
Structures	40,256,230,511	39,519,553,329
Plant & Eq: pumping treatment	24,215,189,724	22,576,350,580
Service meter	3,205,642	5,130,160
Bulk water meter	344,131,507	376,139,450
Transmission & Distribution	77,568,974,172	70,655,916,194
Mobile Equipments	350,180,242	276,232,515
Survey Equipments	30,996,224	25,378,327
Laboratory Equipments	318,551,138	320,102,787
Other Equipments	1,276,847,149	1,376,099,581
Furniture & fittings-computer	263,635,600	251,863,537
Computers & Periparels	96,129,613	98,074,025
Motor vehicles cars	11,483,872	15,535,432
Van busses & jeeps	170,329,857	199,953,458
Lorries & trucks	1,626,379,916	1,607,294,922
Tractors & trailers	10,185,314	31,181,618
Water bowsers, Heavy veh:	1,095,796,500	907,027,526
Motor cycles	12,096,428	14,841,764
Three Wheelers	5,732,209	4,002,787
Lease hold Vehicles	14,520,242	23,923,474
Total Carrying Amount of Property, Plant & Equipment	<u>172,574,439,103</u>	<u>162,321,652,152</u>

3691

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

15. PROPERTY, PLANT AND EQUIPMENT

15.4 Investment Property

The Building constructed by the Board at Sunil Mawatha, Battaramulla currently occupied by the Ministry of City Planning and Water Supply is recognized as Investment Property according to the LKAS 40 - Investment Property.

This Investment Property is included under the Property, Plant & Equipment

	Land	Building	Total
Cost			
Balance as at 31.12.2016	138,500,000	238,053,034	376,553,034
Depreciation			
Balance as at 01.01.2017	-	24,488,110	24,488,110
Charge for the Period	-	4,761,061	4,761,061
Balance as at 31.12.2017	-	29,249,171	29,249,171
Net Book Value	138,500,000	208,803,863	347,303,863

367

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

		2017	2016
		Rs.	Rs.
16. INTANGIBLE ASSETS			
Computer Software		<u>6,485,383</u>	<u>7,310,270</u>
		<u>6,485,383</u>	<u>7,310,270</u>
<p>Durring the year Rs 1,335,128 has been provided for amortization for above software.</p>			
17. CAPITAL WORK IN PROGRESS			
Construction Work	35.2	190,486,254,966	155,053,048,707
Rehabilitation	35.2	<u>4,057,618,713</u>	<u>3,458,987,188</u>
		<u>194,543,873,679</u>	<u>158,512,035,894</u>
18. FINANCIAL ASSETS			
HDFC Investment for Staff Housing Loans		6,968,542	9,810,535
Bank of Ceylon Saving - II		<u>1,261,927</u>	<u>1,212,528</u>
		<u>8,230,469</u>	<u>11,023,063</u>
19. INVENTORIES			
PVC Steel Pipe		3,596,506,695	3,793,823,910
Water Meter & Fitting & Brass Items	35.2	1,010,013,091	535,700,413
Chemical Material		132,869,718	122,602,755
Electricals	35.2	562,303,793	478,551,324
Building Material		34,335,045	31,037,997
Pump & Spare Parts		1,145,954,807	934,006,921
Vehicle Spare Parts		139,120,998	108,321,976
Stationary & Office Equipment		49,246,438	44,572,040
Other Items	35.2	786,994,194	496,747,679
Stock in Transit		352,151,303	443,569,646
Stock Adjustments		<u>2,505,677</u>	<u>2,555,749</u>
		7,812,001,758	6,991,490,409
Less- Major spares			
Property Plant and Equipment at Stores		(319,639,473)	(293,154,819)
Provision for Obsolete Stock		<u>(117,994,671)</u>	<u>(54,863,035)</u>
		<u>7,374,367,615</u>	<u>6,643,472,555</u>

National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

		2017 Rs.	2016 Rs.
20. TRADE AND OTHER RECEIVABLES			
Trade Debtors		4,816,900,998	4,607,789,723
Other Debtors	35.2	300,715,065	314,319,532
Less : Debtors Impairment		(1,197,444,350)	(1,322,209,166)
Debtors Collection Control		735,476,738	591,158,421
VAT Receivable		1,239,703,052	331,450,527
WHT Receivable		114,867,966	46,931,199
Advances to Staff	35.2	12,818,410	14,391,333
Loans To Employees	35.2	2,468,034,087	1,696,045,045
Receivable on Interest & Others	35.2	<u>97,110,133</u>	<u>232,278,306</u>
		<u>8,588,182,099</u>	<u>6,512,154,920</u>
Over estimation of debtors impairment amounting to Rs.153,336,455 has been identified during the year and transferred to statement of income on the basis of estimation as per LKAS 8.			
21. DEPOSITS AND ADVANCES			
Rechargeable Project Work		-	114,010
Pre Payments		585,500	4,539,500
Mobilization and Other Advances	35.2	41,900,934,928	26,604,485,106
Deposits	35.2	<u>223,131,222</u>	<u>221,460,394</u>
		<u>42,124,651,650</u>	<u>26,830,599,011</u>
22. INVESTMENTS			
Available for Sale-Treasury Bond		-	6,808,685,161
Held to Maturity (Including cash belongs to rechargeable work and other investments)		<u>12,240,208,742</u>	<u>3,457,036,783</u>
		<u>12,240,208,742</u>	<u>10,265,721,944</u>
23. CASH AND CASH EQUIVALENTS			
Cash In Bank	35.2	994,458,651	1,864,867,005
Cash Received for a Capital Project			6,529,848,750
Cash Imprest Head Office		1,337,464	2,363,785
Cash Imprests Regions	35.2	8,955,594	3,844,753
Cash In Transit		316,176,266	344,259,084
Call Deposits		2,379,251,307	3,108,519,601
Savings Account		<u>77,269,025</u>	<u>239,006,742</u>
		<u>3,777,448,306</u>	<u>12,092,709,720</u>
24. ASSETS TAKEN OVER FROM GOVERNMENT			
Assets taken over from Government Dept.		<u>185,480,387</u>	<u>185,480,387</u>
		<u>185,480,387</u>	<u>185,480,387</u>
25. Government Equity			
Equity loan conversion	35.2	63,612,515,640	55,570,985,685
Government contribution (bond)		<u>13,899,983,925</u>	<u>13,899,983,925</u>
		<u>77,512,499,566</u>	<u>69,470,969,610</u>

Policy decision has been taken by government of Sri Lanka to convert foreign funded loans to government equity.

366

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

		2017 Rs.	2016 Rs.
26. STAFF WELFARE FUND			
Opening Balance		17,228,139	16,506,484
Received during the year		<u>5,298,986</u>	<u>721,655</u>
		<u>22,527,125</u>	<u>17,228,139</u>
27. GOVERNMENT GRANT			
Tresuary Grant	35.2	<u>94,838,588,669</u>	<u>92,742,583,734</u>
		<u>94,838,588,669</u>	<u>92,742,583,734</u>
28. CAPITAL GRANTS			
Foreign Grants	35.2	189,307,749,625	180,564,263,033
Local Grants	35.2	<u>1,066,069,820</u>	<u>978,419,632</u>
		<u>190,373,819,444</u>	<u>181,542,682,665</u>
29. LOAN PAYABLE			
Foreign Loans	35.2	40,512,242,399	14,674,458,231
Local Loans		<u>23,815,513,351</u>	<u>19,767,069,288</u>
Long term portion of loan payable		<u>64,327,755,750</u>	<u>34,441,527,519</u>
Current portion loan payable		<u>2,833,921,592</u>	<u>625,822,304</u>
Loan Payable		<u>67,161,677,342</u>	<u>35,067,349,823</u>
Local Loans previously shown as amounting to Rs. 20,392,891,592 have been shown as net of current portion for the purpose of comparison.			
30. OTHER DEFERRED LIABILITIES			
Provision for defined benefit plan	30.1	4,076,428,515	4,076,428,515
Customer and Employee Security Deposits		<u>34,317,636</u>	<u>48,594,971</u>
		<u>4,110,746,151</u>	<u>4,125,023,486</u>
30.1 Movement of Retiring Gratuity Provision			
Balance at the Beginning of the Period		4,076,428,515	4,076,428,515
Add Provision for the Period		488,661,467	394,618,174
Less: Gratuity Payments during the Period		<u>(488,661,467)</u>	<u>(394,618,174)</u>
		<u>4,076,428,515</u>	<u>4,076,428,515</u>
31. TRADE AND OTHER PAYABLES			
Rechargeable Work - Customer Advances		6,634,430,544	4,039,297,939
Contractors Retention	35.2	5,042,274,861	3,669,249,055
Lease Hold Creditors		18,506,495	26,164,355
Less: Interest in Suspense		(2,214,055)	(4,382,302)
Creditors Control	35.2	833,652,597	1,221,394,974
Other Creditors		97,725,057	101,480,705
Accrued expenses		1,031,675,560	504,823,198
Deposits		74,663,873	72,954,077
VAT Payable		65,265	-
With Holding Tax		54,667	54,667
Salaries and Other Payables	35.2	191,068,515	182,844,259
Interest Payable on Lease		-	-
Audit fee AGDSL		<u>3,200,000</u>	<u>17,165,616</u>
		<u>13,925,103,379</u>	<u>9,831,046,543</u>

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

32. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings

	Balance Sheet		Income Statement	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Capital Allowances	4,493,724,551	10,232,612,468	3,339,845,190	2,103,018,287
Intangible assets	<u>293,841</u>	<u>453,497</u>	<u>(1,335,127)</u>	<u>(14,376,428)</u>
	4,494,018,392	10,233,065,965	3,338,510,063	2,088,641,859
Deferred Tax Assets				
Debtors Impairment	<u>(124,764,816)</u>	<u>298,860,427</u>	<u>(34,934,148)</u>	<u>19,948,692</u>
	(124,764,816)	298,860,427		
Deferred income tax charge/(reversal)			3,303,575,915	2,108,590,551
Net Deferred Tax Liability/ (Asset)	4,618,783,208	9,934,205,538		

The unused tax losses in the past years is a strong evidence that future taxable profit would not arise in the future. NWSDB has a cumulative tax loss of Rs 81,082,402,414 as at 31/12/2017. Therefore paying Income Tax by NWSDB is very unlikely. Therefore recognising a net deferred tax asset /liability does not arise.

365

36A

National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33. RELATED PARTY TRANSACTIONS

Transactions with State and State Controlled Entities

In the normal course of its operations, the Board enters into transactions with related parties. Related parties include the Government of Sri Lanka (State: as the ultimate owner of the Board), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by the Board with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant.

34. EVENTS AFTER THE BALANCE SHEET DATE

All the material events after the balance sheet date have been considered and appropriate adjustment and disclosures have been made in to the financial statement, where necessary.

3631

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

35. PRIOR YEAR ADJUSTMENTS

35.1 Board assets were revalued as at 31.12.2007 by obtaining the service of Department of Valuation. Revalued amount of assets were taken to the books during the year 2010 and those values are continuing as deemed cost of PPE at present. There were some duplications and omissions occurred in 2010 due to the immensity of the assets base and have been rectified as prior year adjustments with retrospective effect. Accordingly net effect of Rs. 22.4 million had been adjusted for carrying amount of PPE and Rs.19.9 million had been adjusted for depreciation as at 31.12.2016 as follows. In addition to this Rs 2.3 million depreciation have been adjusted in year 2016.

35.1.1 Gross Carrying Amounts

Cost	Balance As at 31.12.2016 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2016 Rs.
Freehold Assets			
Land Freehold	8,358,310,005	-	8,358,310,005
Land Leasehold	589,540,351		589,540,351
Infrastructure	5,713,979,507	-	5,713,979,507
Building - Freehold Structures	11,106,565,457 43,206,451,374	- -	11,106,565,457 43,206,451,374
Plant & eq: pumping treatment	28,246,961,522	-	28,246,961,522
Service meter	19,439,577	-	19,439,577
Bulk water meter	519,178,126	-	519,178,126
Transmission & Dist:	76,709,107,252	-	76,709,107,252
Mobile Eq:	450,670,409	-	450,670,409
Survey Eq:	32,735,831	-	32,735,831
Laboratory	585,697,600	-	585,697,600
Other Equipment	2,060,775,152	-	2,060,775,152
Furniture & fittings-computer	473,602,383	(125,600)	473,476,783
Computers & Peripherals	432,920,480	(92,900)	432,827,580
Motor vehicles cars	156,844,184	(358,750)	156,485,434
Van busses & jeeps	534,156,481	7,810,000	541,966,481
Lorries & trucks	1,979,047,810	29,290,015	2,008,337,825
Tractors & trailers	89,076,211	-	89,076,211
Water bowsers, Heavy veh:	1,126,163,133	(14,640,000)	1,111,523,133
Motor cycles	23,427,152	565,000	23,992,152
Three Wheelers	4,787,620	-	4,787,620
Lease hold Vehicles	28,975,000	-	28,975,000
Total Value of Depreciable Asset	<u>182,448,412,617</u>	<u>22,447,765</u>	<u>182,470,860,382</u>

367

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

35.1.2 Depreciation	Balance	Prior Year	Restated Balance
Freehold Assets	As at	Adjustments	As at
	31.12.2016		31.12.2016
	Rs.	Rs.	Rs.
Land Freehold	-		-
Land Leasehold	-		-
Infrastructure	575,941,027	-	575,941,027
Building - Freehold	1,155,403,606	-	1,155,403,606
Structures	3,686,898,046	-	3,686,898,046
Plant & eq: pumping treatment	5,670,610,943	-	5,670,610,943
Service meter	14,309,417	-	14,309,417
Bulk water meter	143,038,676	-	143,038,676
Transmission & Dist:	6,053,440,346	(249,287)	6,053,191,059
Mobile Eq:	174,437,893	-	174,437,893
Survey Eq:	7,357,504	-	7,357,504
Laboratory	265,594,813	-	265,594,813
Other Equipment	684,675,572	-	684,675,572
Furniture & fittings-computer	221,466,931	146,315	221,613,246
Computers & Peripherals	334,753,554		334,753,554
Motor vehicles cars	141,037,303	(87,300)	140,950,003
Van busses & jeeps	342,763,523	(750,500)	342,013,023
Lorries & trucks	402,690,607	(1,647,704)	401,042,903
Tractors & trailers	57,851,386	43,207	57,894,593
Water bowsers, Heavy veh:	221,781,839	(17,286,233)	204,495,606
Motor cycles	9,251,206	(100,819)	9,150,388
Three Wheelers	784,833	-	784,833
Lease hold Vehicles	5,051,526	-	5,051,526
Total Value of Depreciation	<u>20,169,140,551</u>	<u>(19,932,321)</u>	<u>20,149,208,230</u>

361

National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

35.2 In addition to the prior year adjustments for Property Plant & Equipments, the following items also have been adjusted retrospectively.

	Balance As at 31.12.2016 Rs.	Prior Year Adjustments Rs.	Adjustment For 2016 Rs.	Transfer Under TSAP Programme Rs.	Restated Balance As at 31.12.2016 Rs.
Capital Work In Progress (Note 17)					
Construction Work	155,229,972,659	(136,967,188)		(39,956,765)	155,053,048,707
Rehabilitation	3,666,192,550	(48,432,336)		(158,773,026)	3,458,987,188
Inventories (Note 19)					
Stock in transit					
Electricals	477,733,511	-	817,813		478,551,324
Water Meter & Fitting & Brass Items	568,961,667	(27,921,254)	(5,340,000)		535,700,413
Other Items	507,209,517	(10,461,839)			496,747,679
Trade and other receivable (Note 20)					
Loans To Employees	1,713,412,289	-		(17,367,244)	1,696,045,045
Receivable on Interest & Others	372,733,981	(137,739,576)	(2,716,099)		232,278,306
Other Debtors	302,907,898			11,411,634	314,319,532
Advances to Staff	15,624,539			(1,233,206)	14,391,333
Deposit and advance (Note 21)					
Mobilization and Other Advances	26,659,765,475	(18,150,388)		(37,129,981)	26,604,485,106
Deposits	234,531,755			(13,071,361)	221,460,394
Cash and Cash Equivalents (Note 23)					
Cash In Bank	1,869,822,259	(1,532,647)		(3,422,607)	1,864,867,005
Cash Imprests Regions	3,850,690			(5,937)	3,844,753
Capital grant (Note 27 & 28)					
Foreign Grants	180,809,157,920			(244,894,887)	180,564,263,033
Local Grants	983,667,752			(5,248,120)	978,419,632
Tresuary Grant	92,750,876,538			(8,292,804)	92,742,583,734
Trade and other payable (Note 31)					
Contractors Retention	3,666,057,746			3,191,309	3,669,249,055
Creditors Control	1,247,126,354	(3,378,627)	(19,770,000)	(2,582,753)	1,221,394,974
Salaries and Other Payables	184,565,497			(1,721,237)	182,844,259
Interest payable					
Loan Payable (Note 29)					
Foreign Loan	15,335,301,002		(660,842,771)		14,674,458,231
Government Equity (Note 25)	54,910,142,914		660,842,771		55,570,985,685

Transition of Streamclng the Accounting Process (TSAP) and Long Outstanding Balances (LOBs)

The "Long outstanding balance reconciliation programme" was extended during the year under the theme of TSAP and the Identified LOBs have been transferred to a separate account for further reconciliation in the future. Net effect of which was adjusted to other debtors to reflect fair presentation and comparatives were adjusted with respect to these balances as shown above.