

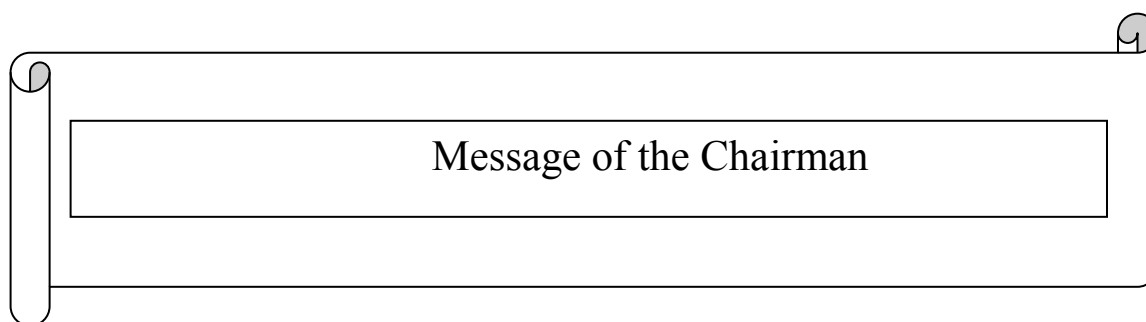
**Ministry of Indigenous Medicine**

**Sri Lanka Ayurvedic  
Drugs Corporation**

**Annual Report - 2014**

# **Annual Report - 2014**

## **Contents**



(1) Report of the Board of Directors	01	-	13
(2) Auditor General's Report	14	-	26
(3) Accounting Policies	27	-	31
(4) Statement of Financial Position	32		
(5) Statement of Comprehensive Income	33	-	34
(6) Cash Flow Statement	35		
(7) Statement Of Changes In Equity	36		
(8) Notes To the Accounts	37	-	38

**Message of the Chairman,**

It is with great pleasure that I convey this message on the progress of the Sri Lanka Ayurvedic Drugs Corporation in year 2014.

The Sri Lanka Ayurvedic Drugs Corporation which has been incorporated in 1969 has a long history of 45 years now. When his Excellency the President appointed me as the Chairman in 2007, Sri Lanka Ayurvedic Drugs Corporation was a loss making entity. Due to hard work and dedication of myself and my staff it was uplifted to a profitable entity from year 2008 to date.

Following the Mahinda Chintana forward vision of his Excellency the President and with the guidance of the Hon. Minister of Indigenous Medicine Salinda Dissanayake, we have commenced the production of ayurvedic drugs in mass scale by this year, in order to distribute through all government ayurvedic hospitals and provincial councils.

We had to undergo many difficulties in procuring raw material in required quality. Further, we were able to solve the problem we faced for many years in storage of finished drugs by renovating the building in Ceyesta land that has been purchased in 2012,

In relation to local purchase of raw materials, the supply process has been strengthened by registration of suppliers to ensure regular and efficient supply process.

Quantitatively, supply of our products is not adequate to meet the market demand. This is mainly due to the inadequate capacity of machinery and equipment in use. In response to our request, the General Treasury has granted us RS 50 million to purchase machinery and equipment. The process of procuring new machinery and equipment is in progress.

I consider that we are fortunate to be able to continue as a profit making entity and improve employee welfare while developing a healthy nation through providing high quality products to meet the demand by utilizing new machinery and equipment and also by importing the scarce raw materials required for production.



D.D.Somaweera Chandrasiri

Chairman,  
Sri Lanka Ayurvedic Drugs Corporation

## **Report of the Board of Directors of Sri Lanka Ayurvedic Drugs Corporation - Year 2014**

On behalf of the Board of Directors, I am privileged to present the Hon. Minister of Indigenous Medicine the report of the Board of Directors pertaining the activities of the Sri Lanka Ayurvedic Drugs Corporation for the year ended 31.12.2014, in terms of Section 142 of the Finance Act No.38 of 1971.

### **(01) Introduction**

Sri Lanka Ayurvedic Drugs Corporation was established by the then Hon. Minister of Industries and Fisheries, by Notification No. 14853/3 published in Gazette extraordinary of the Government of Sri Lanka dated 11<sup>th</sup> May 1969, under the State Industrial Corporation Act, No.49 of 1957.

### **(02) Vision**

To be the pioneering service based institution which provides national and international Ayurvedic medicinal needs in developing a healthy society, while preserving the identity of indigenous medicine.

### **(03) Mission**

To work towards a healthy society by ensuring well being of the employees and social welfare, while satisfying the requirements of the society through importation, distribution, research, supply of services and preservation of Ayurvedic medicinal products.



**(04) Main Objectives**

1. Carrying on the business of manufacture, sale and distribution of ayurvedic drugs and pharmaceuticals and Ayurvedic medicinal preparation;
2. Import of Ayurveda, Siddha and Unani ( both raw and manufactured drugs) and the sale and distribution of such drugs;
3. Purchase of locally produced raw ayurvedic drugs and the processing of such drugs;
4. pharmacological and pharmaceutical research in ayurvedic drugs and the standardization of such drugs;
5. maintaining ayurvedic herbaria and the production of indigenous varieties of ayurvedic herbs required for the manufacture of drugs;
6. Establishment and maintenance of dairies for the purpose of obtaining pure cow milk and the production of pure cow ghee necessary for the manufacture of ayurvedic drugs;
7. Undertaking bee farming and the production of bee honey required for the preparation of ayurvedic drugs and the development of bee farming as a cottage industry.

## **(05) Business Locations**

**5.1 Head Office and main factory** is situated at No. 94, Nawinna Road, Maharagama.

### **5.2 Sales Outlets**

Wijerama (with Medical Clinic)	: No. 22, Sri Soratha Mawatha, Gangodawila, Nugegoda.
Kandy (with Medical Clinic)	: No. 70, Yatinuwara Street, Kandy
Diyatalawa	: Sanani Mandiraya, Diyatalawa.
Anuradhapura (with Medical Clinic)	: No. 561/86, Public Fair Road, New Bus Stand, Anuradhapura.
Badulla	: B 35/36, 1 <sup>st</sup> floor, Central Bus Stand, Badulla.
Floating Market	: 178/80, Bestian Mawatha, Floating Market Complex, Colombo 02.
Nawinna	: No. 94, Old Kottawa Road, Nawinna, Maharagama.
Ratnapura	: No. 32, Bus Stand, Ratnapura
Tangalle	: No.23, Beach Road, Tangalle
Battaramulla	: Department of Examinations, Pelawatta, Battaramulla.
Jaffna	: No.61A, New Public Market Complex, Jaffna.
Galle	: No. 38, Olcott Mawatha, (Dangedara Widiya) Galle.
Sethsiripaya	: Sethsiripaya, Battaramulla.
Monaragala	: No. 267, Wellawaya Road, Monaragala.

**(06) Board of Directors**

01. Mr. D.D.Somaweera Chandrasiri	- Chairman
02. Dr. C.T.B.Senaratne	- Managing Director
03. Dr. B.A.Ratnapala	- Member, Board of Directors
04. Mr. D.G.Kumarathunga	- Member, Board of Directors
05. Mr. Jagath M. Yapa	- Member, Board of Directors
06. Mr. J.W.K.Pemaratne	- Member, Board of Directors
07. Dr. E.M.P.B.Ekanayake	- Member, Board of Directors
08. Mr. A.K.Seneviratne	- Treasury Representative

**(07) Executive Officers**

1. Chairman	- Mr. D.D.Somaweera Chandrasiri
2. Managing Director	- Dr. C.T.B.Senaratne
3. General Manager (2013.03.25 – 2014.03.28)	- Mr. L.H. Thilakarathna
4. Factory Manager	- Mr. K.D.M.Arjuna Chandrasekera
5. Marketing Manager	- Mr. Bernard Kariyawasam
6. Supply Manager	- Mrs. Deepani Wanniarachchi
7. Human Resource Manager	- Ms. Lanka Warakagoda
8. Finance Manager	- Mr. Kelum Pathirawasam
9. Accountant	- Mrs. A.D.S.D. Tennekoon
10. Medical Officer (Covering up Duties)	- Dr. Perakum Ekanayake
11. Manager Planning (Covering up Duties)	- Dr. (Mrs). Soma Namasinghe
12. Assistant Manager - Quality Control	- Mr. Hemantha Kasthuriarachchi
13. Assistant Accountant - Expenditure	- Mr. Weerawijaya Gunasekera
14. Staff Assistant	- Mr. Lal Ranasinghe
15. Computer Data Officer	- Mr. Sanjeew Kumar
16. Assistant Pharmacist	- Dr. (Mrs). Nilmini Gunasekera
17. Assistant Pharmacist	- Dr. (Mrs). Damayanthi Kodikara
18. Chief Store Keeper	- Mr. Sunil Walpola
19. Chief Security Officer	- Mr. Ranjith Senaratne
20. Senior Technical Officer	- Mr. Anura Tillekeratne
21. Chief Promotion Officer	- Mrs. Krishantha Liyanage

**Internal Audit Section**

1. Internal Auditor	- Mr. U.Jayaratne
---------------------	-------------------

**(08) Staff Composition**

Staff Composition In Year 2014

Designation	Office	Production	Wijerama S.C	Navinna S.C	Kandy S.C	Diyatalawa S.C	Badulla S.C	Anuradhapura S.C	Fort S.C	Tangalle S.C	Ratnapura S.C	Monaragala S.C	Galle S.C	Sethsiripaya S.C	Isurupaya S.C	Jaffna S.C	Nikaweratiya Herbal Garden	Werahera S.C	Total
Senior Managers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Managers	04	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	05
Juinior Managers	06	08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14
Management Assistants' Service Technical Officers	02	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15
Management Assistants' Service Non Technical Officers	32	20	01	01	01	01	01	-	01	01	01	01	-	-	-	01	-	01	63
Primary segment semi skilled officers	-	08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	08
Primary segment skilled officers	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Primary segment non skilled officers	11	117	03	03	01	01	01	02	01	01	01	01	02	02	02	01	01	-	151
Officers recruited on contract basis	01	04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	05
Casual Labourer/Temporary Labourer	-	02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	01	03
Casual Trained Labourer (Other)	01	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17
Total	57	199	04	04	02	02	02	02	02	02	02	02	02	02	02	02	01	02	291

**(09) Motivation and Welfare of Employees**

**Employee Motivation**

Incentive on attendance, production incentive and productivity allowance are paid in addition to annual bonus and encashment of unutilized medical leave in order to get a more effective and efficient service.

**Employee Welfare**

Uniforms have been provided to all employees directly engaged in the production process and to the employees attached to the sales centers. Corporation has hosted a three-day annual trip organized for all employees and their family members. Transport and other necessary facilities have been provided to attend employee related funerals. A gift voucher of RS 5000/- was given to all employees for Sinhala new year in April.

**(10) Medicine Manufacturing is given below in units of production.**

	Medicinal Name	Unit	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
1	Arishta/Wine	750 ml	149,196	130,960	145,552	140,351	144,356
2	Asava	750 ml	105,860	142,933	112,948	124,483	134,150
3	Decoctions	750 ml	80,247	60,393	45,945	65,506	66,606
4	Syrup	750 ml	18,573	17,769	20,140	21,812	27,861
5	Ointments	750 ml	171,392	163,484	139,847	147,702	135,248
6	Powders	kg.	24,942	29,225	45,945	26,092	30,318
7	Paste/Leha/Ointment	kg.	18,360	22,173	19,945	18,360	22,311
8	Flavours	kg.	2,505	3,122	1,417	1,618	1,702
9	Vatika/Gugul	kg.	10,166	15,233	9,651	14,422	10,212
<b>10</b>	<b>New Productions 01</b>						
	(1) Ranahansa Tonic	kg.	-	139	412	202	160
	(2) Thripala Tablets	kg.	988	710	500	1,057	506
	(3) Medaharani Tablets	kg.	808	457	191	256	159
	(4) Madhuru Fragrance	kg.	-				
	(5) Supeshi	kg.	21	11	27	57	29
	(6) Madhumeha Harani Tablets	kg.	-				3
<b>11</b>	<b>New Productions</b>						
	(1) Thambun Hodi	05g.	226	151,893	103,680	95,000	83,600
	Thambun Hodi	250g.	-		1		
	(2) Peyawa	05g.	219,784	245,785	147,313	194,000	178,600
	Peyawa	250g.	10		1		
	(3) Paspanguwa	50g.	70,556	44,671	67,924	44,560	10,880
	(4) Aloe Vera Shampoo	95ml	11,802	723	8,626	6,263	5,294
	(5) Iramusu Powder	kg.	-		338	33	-
	(6) Tender Woodapple ( Beli ) Powder	kg.	-		560	-	-
	<b>Other Types of Production</b>					-	-
	(1) ANTI DIABETIC HERBLE TEA 25 BAGS	box	-		32	-	-
	(2) HERBLE CURRY SOUP 5g (EEPORT)	5g	-		500	-	-
	(3) MIXE HERBLE TEA 1.5g /06 BAGS (EXPOR	Nos	3,200		4,320	-	-
	(4) SPICY HERBLE TEA 5g (EXPORT)	5g	-		500	-	-
	(5) PANTA KASAYA 60g	kg.	-		141	-	-

**(11) Value of the Drugs sold to the State Sector and private market is as follows**

(In Rs. Millions)

	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010	year 2009
State Sector	340.45	336.49	315.98	294.76	263.9	250.71
<u>Sales Centre</u>						
Wijerama Wedagedera	13.30	10.59	6.54	6.36	6.52	6.1
Mobile Sales	0.97	0.33	0.12	0.27		0.32
Sales Centre - Kandy	7.96	6.22	6.53	5.37	4.86	4.93
Sales Centre- Diyatalawa	5.12	3.05	3.33	1.94	3.44	2.42
Sales Centre - Anuradhapura	3.81	2.00	1.85	0.98	1.15	1.42
Sales Centre - Badulla	3.27	2.94	2.65	1.77	1.63	1.49
Sales Centre -Pettah	-	2.22	4.15	3.66	2.89	2.39
SalesCentre -Nawinna	13.82	12.86	9.78	9.28	8.14	7.81
Store no. 008	17.34	19.86	23.54	20.38	16.48	13.66
Sales Centre - Ratnapura	18.01	12.46	9.39	4.74	3.11	1.88
SalesCentre - Tangalle	2.84	2.09	1.25	2.17	1.10	1.07
Sales Centre- Department of Examination	-	0.98	1.02	1.01	0.75	0.60
Sales Centre - Jaffna	4.17	4.53	2.89	2.07	1.01	0.31
Sales Centre - Galle	7.93	5.58	4.65	3.68	1.04	
Sales Centre- Sethsiripaya	1.71	1.67	1.20	0.21		
Janakala Kendraya	0.002	0.31	0.60	0.03		
Sales Centre - Monaragala	1.42	1.27	0.74			
Sales Centre - Baththaramulla	1.17					
Sales Centre - Werahera	1.04					
Sales Centre - Floating Market	0.61					
<b>Grand Total</b>	<b>444.94</b>	<b>425.45</b>	<b>396.21</b>	<b>358.68</b>	<b>316.02</b>	<b>295.11</b>

**(12) Distribution of Income As a Percentage**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sales</b>	100.00	100.00	100.00	100.00	100.00	100.00
<b>Less :- Cost of Sales</b>	<u>68.52</u>	<u>62.46</u>	<u>61.81</u>	<u>56.13</u>	<u>72.30</u>	<u>71.69</u>
Gross Profit	31.48	37.54	38.19	43.87	27.70	28.31
Add - Other Income	<u>2.34</u>	<u>2.08</u>	<u>4.68</u>	<u>4.28</u>	<u>1.79</u>	<u>1.84</u>
	33.82	39.62	42.87	48.15	29.49	30.15
<b>Less :-</b>						
Establishment and Administrative Expenses	18.5	18.29	19.56	21.81	19.95	20.14
Sales and Distribution Expenses	10.91	11.65	9.03	8.60	6.77	5.78
Financial Expenses	1.98	0.64	0.01	0.10	1.28	0.26
Other Expenses	<u>-</u>	<u>-</u>	<u>0.62</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	31.39	30.58	29.22	30.51	28.00	26.18
<b>Operational profit/(loss)</b>	2.43	9.04	13.65	17.64	1.49	3.97
Add - Interests Income and non- Operational Income	1.23	1.31	3.75	0.55	0.43	0.01
Profit Before Tax	3.66	10.35	17.40	18.19	1.92	3.98
<b><u>Less</u></b>						
Nikaweratiya Herbal Garden Loss	0.4	0.43	0.45	0.37	0.02	-
<b><u>Less</u></b>						
Provision for Taxation	<u>1.46</u>	<u>2.65</u>	<u>4.74</u>	<u>5.16</u>	<u>0.38</u>	<u>0.80</u>
<b>Net Profit</b>	<u><b>1.80</b></u>	<u><b>7.27</b></u>	<u><b>12.21</b></u>	<u><b>12.66</b></u>	<u><b>1.52</b></u>	<u><b>3.18</b></u>



**(13) Profitability (In Rs. Millions)**

	2014	2013	2012	2011	2010	2009
Sales	444.94	425.45	396.22	358.68	316.02	295.12
Less:- Cost of Sales	<u>304.89</u>	<u>265.72</u>	<u>244.90</u>	<u>201.33</u>	<u>228.48</u>	<u>211.58</u>
Gross Profit	140.05	159.73	151.32	157.35	87.54	83.54
Add - Other Income	<u>9.39</u>	<u>8.85</u>	<u>18.55</u>	<u>15.34</u>	<u>5.64</u>	<u>5.43</u>
Total income	149.44	168.58	169.87	172.69	93.18	88.97
<b>Less :-</b>						
Establishment and Administrative Expenses	82.3	77.82	77.55	78.23	63.04	59.43
Selling and Distribution Expenses	48.55	49.56	35.80	30.86	21.39	17.07
Financial Expenses	8.81	9.48	0.07	0.37	4.03	0.76
Other Expenses	<u>-</u>	<u>-</u>	<u>2.49</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditure</b>	139.66	136.86	115.91	109.46	88.46	77.26
<b>Operational Gain</b>	9.78	31.72	53.96	63.23	4.72	11.71
Add - Interest Income	5.46	6.78	1.45	0.83	0.57	0.02
Non Operational Income	1.01	5.59	13.44	1.15	0.72	11.73
Nikaweratiya Herbal Garden (Loss)	(1.78)	(1.83)	(1.79)	(1.33)	0.00	0.00
Provision for Taxation	<u>(6.51)</u>	<u>(11.28)</u>	<u>(18.78)</u>	<u>(18.52)</u>	<u>1.20</u>	<u>2.34</u>
<b>Net Gain/(loss)</b>	<u><b>7.96</b></u>	<u><b>30.98</b></u>	<u><b>48.30</b></u>	<u><b>45.36</b></u>	<u><b>4.81</b></u>	<u><b>9.38</b></u>

**(14) Issues in Procuring Raw Material for Production of Drugs**

Most of raw materials required for manufacture of drugs have been procured from local suppliers and they collect the materials mostly from natural forests. Due to forest conservation regulations, supply of raw material has been extremely difficult and the Corporation is compelled to pay high prices. Discussions were on going with the Sri Lanka Police and the Department of Forest Conservation lax somewhat the rules and regulations in relation to Corporation supplies.

**(15) Expansion of the Manufactory and Storage Facilities of the Corporation**

Manufacturing methods of 40 years back are not sufficient to supply products of high quality and quantity to cater the increase in demand. Procurement procedure is in progress for purchasing machinery compatible with new technology to meet the requirement of the modern world. Our objective in increasing capacity is to supply finished drugs for local as well as the export market. Further, we will also be able to successfully meet the competition from the private sector companies in the industry. Finished drugs have been stored in Ceyesta land we purchased in 2012 utilizing General Treasury funds and a bank loan, and arrangements have been made to install the new machinery purchased in the same location.

**(16) Setting up Audit and Management Committees**

Sri Lanka Ayurvedic Drugs Corporation has held 06 Meetings of the Audit and Management Committee in year 2014 wherein the Audit Queries forwarded by the Auditor General and the Internal Audit Section are discussed and directions issued for necessary rectifications. In addition, Audit and Management Committee Meetings are held on quarterly basis presided by the Secretary to the Ministry of Indigenous Medicine whereat the progress in implementing decisions taken pursuant to Audit Queries is reviewed.

Particulars of the Board of Members of the Audit and Management Committee for year 2014 are as follows:

Mr. A.K.Senevirathna	-	Treasury Representative	- Chairman
Mr. D.G.Kumarathunga	-	Member of Directors	- Member of the Committee
Mr. Jagath M. Yapa	-	Member of Directors	- Member of the Committee
Mr. J.W.K.Premarathna	-	Member of Directors	- Member of the Committee
Mrs. W.A.C.S. Priyadarshani		-For Ministry of Indigenous Medicine	- Member of the Committee
Mrs. S.A.D.N. Perera	-	For Audit Superintendent	- Member of the Committee
Mr. U.Jayaratne	-	Internal Auditor	- Convener/Secretary to the Committee

**(17) Financial Management and Audit Queries**

Auditor General, from time to time, points out various shortcomings and deficiencies in the Accounting System of the Corporation. In addition, the same shortcomings were referred to at the Parliamentary General Committee and it is informed that action has already been taken to rectify such defects and shortcomings based on instructions and guidelines issued by the Audit and Management Committee and the directives of the Board of Directors.

Thank you.

On behalf of the Board of Directors I wish to thank

- ❖ Hon. Salinda Dissanayake, the Minister of Indigenous Medicine and Secretary, Mrs. V.B.P.K. Weerasinghe and staff,
- ❖ The General Treasury which assisted in promoting revenue and capital in the Corporation,
- ❖ The incumbent Commissioner of Ayurveda of the Department of Ayurveda and its staff and Director and staff of the Ayurveda Research Institute who extended their cooperation and assistance,
- ❖ Provincial Councils, Local Authorities, Pradeshiya Sabha and Sales Representatives who assisted in purchasing our products,
- ❖ Auditor General and his staff who guided us by rectifying system deficiencies and errors,
- ❖ The Management and the staff of the Corporation who extended a commendable co operation in taking forward activities in the Corporation during the year under review.

(D.D.Somaweera Chandrasiri)

Chairman

Sri Lanka Ayurvedic Drugs Corporation



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



මගේ අංකය  
எனது இல.  
My No. }

HSM/C/ADC/1/14/32

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

18 June 2016

The Chairman,  
Sri Lanka Ayurvedic Drugs Corporation.

Report of the Auditor General on the Financial Statements of the Sri Lanka Ayurvedic Drugs Corporation for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act 1971

-----

The audit of financial statements of the Sri Lanka Ayurvedic Drugs Corporation 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 29 of State Industrial Corporations Act, No.49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation 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 Corporation on 29 January 2016.

**1.2 Management's Responsibility for the Financial Statements**

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**

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

### **1.4 Basis for Disclaimer of Opinion**

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

## **2. Financial Statements**

### **2.1 Disclaimer of Opinion**

Because of the significance of the matters described in paragraph 2.2 of this report, I have 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**

#### **2.2.1 Sri Lanka Accounting Standards**

The following observations are made.

##### **(a) Sri Lanka Accounting Standard 16**

Even though Property, Plant and Equipment costing Rs.97,128,534 fully depreciated as at 31 December of the year under review had been further utilized for activities of the Corporation, action had not been taken to revalue the assets and adjust the fair value in the financial statements.

(b) Sri Lanka Accounting Standard 20

Amortization adjustments had not been made by identifying the assets purchased out of Government grants amounting to Rs.129,038,210 received from the Treasury as at 31 December 2011.

**2.2.2 Accounting Deficiencies**

The following observations are made.

- (a) A sum of Rs.269,372 had been over- provided for Gratuity due to the erroneous calculation of the Employees Gratuity.
- (b) Cost of Stocks amounting to Rs.15,715,396 in 14 Sales Centres had not been brought to account as at the last date of the year under review.
- (c) Depreciation of buildings not related to the production process amounting to Rs.934,971 had been brought to account as a production overhead. As such, the production expenditure of the year had been overstated by that amount.
- (d) Retention money amounting to Rs.236,861 related to 2 drugs grinding machines imported by the Corporation had not been brought to account.

### 2.2.3 Unexplained Differences

The following observations are made.

Name of the Account	Balance as per Ledger Accounts	Balance as per Schedules/ Letters of confirmation of balances	Difference
<u>Employee Loans</u>	Rs.	Rs.	Rs.
Balance as at 01/01/2014	17,959,786	16,994,098	965,688
Payment of loans during the year	12,437,834	12,621,963	184,129
Loans recovered in the year	13,009,338	12,245,510	763,828
Bank of Ceylon Call Deposits	12,176,712	12,086,301	90,411
Bank of Ceylon Fixed Deposits	1,630,151	1,708,914	78,763

### 2.2.4 Accounts Receivable

A sum of Rs.750,797 brought to account as income receivable in the year 2010 could not be recovered even by 31 December of the year under review.



### **2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following non- compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non - compliances
(a) Treasury Circular No.842 of 19 December 1978	A Register of Fixed Assets had not been prepared in respect of property, plant and equipment totalling Rs. 166,665,142.
(b) Section 3.3 of Department of Management Services Circular No.05/2014 of 21 November 2014	Even though annual accounts should be presented to the Auditor General on or before the due date for the payment of bonus contrary to that, a sum of Rs.3,423,640 had been paid as bonus on 23 December 2014, despite accounts of the year under review had been presented on 20 November 2015.

### 3. Financial Review

### 3.1 Financial Results

According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a surplus of Rs.14,474,024 as compared with the corresponding surplus of Rs.42,255,668 for the preceding year, thus indicating a deterioration of Rs.27,781,644 in the surplus for the year under review. Decrease in the other income by Rs.3,989,587 as compared with the preceding year, understating the closing finished goods of the year by Rs.15,715,396 and the increase of the financial expenditure by Rs.645,336 had been the main reasons for this deterioration.

#### **4. Operating Review**

##### **4.1 Performance**

The following observations are made.

- (a) Even though the value of drugs in the revised annual production plan in the year under review amounted to Rs.423,866,006, the expected annual production had dropped by Rs.154,878,854 or 36.5 per cent, as the value of actual annual production being Rs.268,987,152. Non-preparation of plans that can be realized, not taking action to improve the production process by identifying a proper and sufficient procedure for the supply of necessary raw and dried drugs had attributed to this decrease.
- (b) Public Sector Income of the year under review and the preceding year could not be reached by 27 per cent and 15 per cent respectively in comparing the planned market value of drugs, with the actual market value of drugs. However, even though the private sector income had increased by 12 per cent of the planned sales income in the preceding year, the income that could not be reached in the year under review had been 33 per cent.

##### **4.2 Management Inefficiencies.**

The following observations are made.

- (a) An advance amounting to Rs.3,000,000 had been issued on 15 October 2012 to the Ministry of Foreign Affairs for the acquisition and renovation of an office for indigenous medicine purposes in the World Health Organization Office in New Delhi and for the purchase of office equipment. However, relevant function had not been achieved despite 2 years had lapsed after the issue of advances and attention had not been paid to fulfill the relevant function by taking follow- up action on the acquisition, renovation and the purchase of office equipment by the Corporation.

- (b) According to the Bank Reconciliation Statement as at 31 December 2014 relating to a current account maintained in a State Bank, there were unsettled deposits amounting to Rs.337,010, which had not been settled for over 20 years. Of these deposits a sum of Rs.22,450 had been identified as deposited but not realized, a sum of Rs.16,633 as unbanked money within the period from 1988 to 1992 and a sum of Rs.297,927 as differences brought forward from prior period. As such, it appeared that there had been financial discrepancies but it appeared that action had not been taken against the relevant officers.
- (c) Two machines had not been utilized even by 31 December of the year under review as a suitable platform had not been set up for the installation of 2 grinding machines valued at Rs.2,917,801 and received by the Corporation on 25 January 2014. Even though these two machines had been utilized from March 2015, the Certificate of Warranty which had been granted for 2 years was expired by 13 months as at that date.
- (d) 163,300 kg of Desadun Kalka, costing Rs.92,430 manufactured without testing the suitability of the grinding machines had been removed from sale due to mixing of several small pieces of metal to the mixture of drugs.
- (e) A safety fence had been built on a land possessed by the Corporation by spending a sum of Rs.1,808,795 in the year 2009 and action had not been taken to acquire the legal ownership of this land in which it was proposed to build a factory, even as at 31 December of the year under review.
- (f) The credit balance amounting to Rs.38,613,358 which had remained unidentified since 2009 had been continuously disclosed as a reserve without identifying, in the financial statements.

### 4.3 **Operating Inefficiencies**

The following observations are made.

- (a) The total loss incurred from 2 Sales Centres located at Colombo Fort Railway Station and Sethsiripaya respectively, had been Rs.623,093.
- (b) 2,000 kg of Coconut Oil had been purchased for a sum of Rs.476,000 despite it had been refused by the Quality Control Manager due to the acid value of the Coconut Oil not being complied with the prescribed amount.
- (c) A trade stall from the Colombo Fort Floating Market Complex had been taken on rent by paying a sum of Rs.475,000 which was a half of the amount of the initial payment of Rs.950,000 without entering into a formal agreement and the stall was opened on 28 August 2014. Despite a profit of Rs.42,481 had been earned as at 31 December of the year under review, the stall had been closed in February 2015, considering that the stall had incurred losses by the Chairman of the Corporation without the approval of the Board of Directors.
- (d) A loss of Rs.277,132 had been incurred within 8 months of the year from the Sales Centre of the Corporation that had been opened in April 2013 within the premises of the Ministry of Education, without the approval of the Board of Directors. Reasons in respect of the closure of this sales centre without taking sufficient action to increase the sales income when it had earned profit amounting to Rs.270,221 in the year under review had not been made available to audit.
- (e) Action had not been taken to take the surplus stocks valued at Rs.9,782,418 into books identified by the Annual Stocks Verification of each year, carried out from the year 2007 to 2014 and to take further action in accordance with Financial Regulations 103 in respect of stock shortages valued at Rs.6,616,750.



- (f) Ten types of drugs planned to be manufactured during the year under review had not been manufactured and information with regard to reasons for not manufacturing those drugs and the loss of income incurred to the Corporation due to this reason was not made available to audit.
- (g) The loss of income due to not being able to provide supplies for the orders received for 12 types of drugs such as Suravidura Vati, Jeewananda Vati, Buddharaja Kalka, Wellawengayam Lehaya, Ranahansa Sayanaya, Makaviduranga, Khadirarishtaya, Mahasanka Vati, Sarpagandha Vati, Bhinguwashtaka Choornaya, Wasaka Syrup and Somanatha Rasa amounted to Rs.137,154,983.

#### **4.4 Idle and Underutilized Assets**

The following observations are made.

The following matters were observed in the physical verification conducted in respect of goods placed in the Ceyesta Stores Complex.

- (a) Waste materials, bottle parts and fixing materials discarded from Sales Centres, 02 grinding machines and 4 tanks valued at Rs.156,000 had been stored in the finished Drugs Store.
- (b) A motor bicycle, the value of which could not be identified had been stored in the Stores Complex without utilizing.

#### **4.5 Uneconomic Transactions**

Even though an order had been issued by the Committee on Public Enterprises held on 09 November 2007 that the approval of the Treasury should be obtained in the payment of incentives, that approval had not been obtained even by 31 December 2014. However incentives totalling Rs.167,552,388 had been paid in the year under review and the preceding three years.

#### **4.6 Identified Losses**

The following observations are made.

- (a) A loss of Rs.780,558 had been incurred by the occurrence of a motor vehicle accident in the year under review and a sum of Rs.405,287 had not been covered by the insurance as the motor vehicle had not been insured at its total estimated value. Action had not been taken in respect of this accident in accordance with Financial Regulations 102 and 104.
- (b) 218.322 kg of Cannabis had been handed over by the Police in the year 2012 and 15.472 kg out of that Cannabis had been misplaced while being transported to the Corporation under a Supervisory Officer. Even though almost three years had elapsed after the occurrence of this discrepancy, only the preliminary inquiry had been conducted and action had not been taken in accordance with Financial Regulations 104.
- (c) Drugs valued at Rs.141,895 had been destroyed in the Sales Centre in Galle due to the collapse of a shelf.
- (d) Six hundred liters of manufactured Madhuka Syrup valued at Rs.169,080 and 2,230 kg of currents valued at Rs.1,513,456 and several varieties of drugs valued at Rs.111,785 had been destroyed due to employees inefficiency, non- fumigation and moulding respectively and not being able to utilize for any purpose.

### **5. Accountability and Good Governance**

#### **5.1 Presentation of Financial Statements.**

In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and the Treasury Circular No.01/2004 dated 24 February 2004, the annual financial statements of Statutory Boards should be furnished to the Auditor General within 60 days

from the close of the year of accounts. Nevertheless, the financial statements of the Corporation for the year 2014 had been presented only on 20 November 2015, after a delay of 08 months and 20 days.

## 5.2 Action Plan

The following observations are made.

- (a) Even though the Annual Action Plan, for the year under review had been prepared in a manner enabling to achieve long- term objectives as identified in the new Corporate Plan prepared for the period from the year 2013 to the year 2017, 07 out of 09 Capital projects had not been fulfilled which had been planned to be fulfilled in the year under review.
- (b) According to the Action Plan of the year 2014 the expected cost of production amounted to Rs.423,866,006 and the actual cost of production amounted to Rs.268,911,820. However, 10 new types of products had not been achieved by 96 per cent and 07 other types of products had not been achieved ranging from 52 per cent to 72 per cent. Reasons for non- achievement of targets were not made available to audit.

## 5.3 Tabling of Annual Reports in Parliament

The Annual Report of the Corporation of the year 2013 had not been tabled in Parliament even by 31 January 2016.

#### 5.4 Unresolved Audit Paragraphs

Deficiencies pointed out in the previous Audit Report on which adequate attention had not been paid up to date for rectifying them are given below.

- (a) 24,002 wine bottles valued at Rs.989,603 and 28,000 corks valued at Rs.623,000 had remained in the Stores as at 31 December 2013 out of the wine bottles and corks purchased without identifying the requirement, in the year 2011.
- (b) 4,000 kg of Honey valued at Rs.1,980,000 had been purchased from a private institution in June 2012, despite it had been rejected by the Laboratory Report and the Medical Committee Report. Vouchers, receipts and the files relating to these purchases were not made available to audit.
- (c) A loss of Rs.1,206,846 of loss was incurred due to importing 200 kg of Abhraka Bhashma and Naga Bhashma by spending a sum of Rs.7,137,130 which could have been manufactured in the Corporation by spending a sum of Rs.5,930,284.
- (d) A sum totalling Rs.15,064,122 had been paid from the year 2009 to the year 2013 for unavailed Medical Leave in the first year of the Officers and Employees despite they are not entitled to Medical Leave in the first year of appointment in terms of Section 8.2 of the Leave Procedure of the Corporation.
- (e) Madhuka Syrup valued at Rs.233,400 manufactured under the Job Card No.01283115 was destroyed due to the negligence of the Employees.



## 6. Systems and Controls

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

- (a) Stocks Control
- (b) Sales Control
- (c) Procurement Process

H.M. Gamini Wijesinghe

**Auditor General**

## **BASIS OF PREPARATION AND ACCOUNTING POLICIES - 2014**

### **1. Statement of Compliance**

The financial statements which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (“financial statements”) have been prepared in accordance with new Sri Lanka Accounting Standards (SLFRS / LKAS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Financial Regulations formulated by Sri Lankan Government.

The Financial statements were authorised for issue by the Board of Directors on 09<sup>th</sup> November 2015.

### **2. Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

(a) Defined benefit obligations are measured at its present value, based on the Projected Unit Credit method prescribed in LKAS 19.

(b) Non Derivative financial instruments measured at fair value.

No adjustments have been made for inflationary factors in the financial statements.

### **3. Going Concern**

Board of Directors have made an assessment of the SLADC’s ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of Corporation’s activities.

### **4. Comparative Information**

The presentation and classification of the financial statements of the previous years have been amended where relevant for better presentation and to be comparable with those of the current year.

## **5. Use of Estimates and Judgments**

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities income and expenses.

Judgments and estimates are based on historical experience, trends and other factors including expectations that are believed to be reasonable under the circumstances. Accordingly, the actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis to ensure the validity of the same. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are in respect of following items.

Measurement of defined benefit obligations

Deferred tax assets / liabilities

## **6. Foreign Currency Transaction**

### **(a) Functional and Presentation Currency**

Items included in these financial statements of the corporations are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lanka Rupees (LKR), which is the Corporation's functional and presentation currency.

### **(b) Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

## **7. Assets and the Basis of their Valuation**

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash during the normal operating cycle of the Corporation's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Corporation intends to hold beyond a period of one year from the reporting date.

## 7.1 Property, Plant and Equipment

Property, Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. The Corporation elected to apply the optional exemption of SLFRS 01 First Time Adoption of SLFRS to use the fair value as deemed cost at the date of transition for items of property, Plant & equipment.

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Gains and losses on disposal of an item of property, plant and equipment are determined as different between the proceeds from disposal and the carrying amount of property, plant and equipment, and are recognized under other income in the statement of comprehensive income.

## 7.2. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and rates of depreciation for the current and comparative periods are as follows:

Assets Category	Useful Life ( Years )	Depreciation Rate ( % )
Building	20 Years	5%
Machinery	06 Years 08 Months	15%
Water Supply Equipments	06 Years 08 Months	15%
Laboratory Equipments	06 Years 08 Months	15%
Office Equipments	10Years	10%
Motor Vehicles	05 Years	20%
Tools & Equipments	03 Years	33.33%

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

### **7.3.Capital Work in Progress**

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

## **8. Financial Assets**

The Corporation classifies its financial assets in the following categories; at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the reporting period and as at the reporting date the Corporation did not have financial asset classified as fair value through profit or loss, available for sale and held to maturity. All financial assets are initially recognised at fair value plus transaction cost.

## **9. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion cost and other costs incurred in bringing them to their existing location and condition.

## **10. Trade Receivables**

The Corporation recognizes trade receivables as financial assets in its statement of financial position when, and only when, the Corporation has a contractual right to receive cash or another financial asset.

## **11. Cash & Cash Equivalents**

Cash & Cash Equivalent are defined as cash in hand, demand deposits and short term highly liquid investments. For the purpose of Cash Flow Statement, Cash & Cash Equivalent consist of Cash in hand, deposits in banks & net of outstanding bank overdrafts.

## **12. Liabilities and Provisions**

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from reporting date. Non-current liabilities are those balances that fall due for payment after one year from reporting date. All known liabilities have been accounted for in preparing these Financial Statements.

A provision is recognized if, as a result of a past event the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

### **13. Contributions Received from General Treasury**

The accumulated fund includes the total of all amounts received from Government in respect of the financing of Fixed Assets.

### **14. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost.

### **15. Employee Benefits**

#### **Defined Benefit Plan**

The Corporation has adopted a defined benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 19; Employee Benefits.

### **16. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is being made.

### **17. Revenue Expenditure Recognition**

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and the maintaining the capital assets in the state of efficiency, has been charged to revenue in arriving at the profit or loss for the year.

### **18. Tax Expense**

Income Tax expense comprises current and deferred tax.

**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31<sup>st</sup> December 2014**

	31.12.2014	31.12.2013
	Rs. Cts.	Rs. Cts.
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, Plant and Equipment	166,665,141.88	155,081,533.27
Work in Progress	87,101,726.50	71,492,032.38
Other Financial Assets		
Staff Loans	10,027,082.56	7,555,483.69
Deferred Taxation	6,334,189.19	9,876,643.19
	<u>270,128,140.13</u>	<u>244,005,692.53</u>
<b>Current Assets</b>		
Inventories	130,583,741.83	144,256,841.12
Stocks in Transit	-	2,869,330.42
Other Financial Assets		
Staff Loans	7,361,199.87	10,404,303.21
Gold Stocks	3,912,464.55	5,561,695.00
Margin Account	2,500,000.00	3,874,335.00
Non-Resident Foreign Currency A/C	738,617.09	715,192.62
Miscellaneous Deposits	1,131,002.00	3,397,502.00
Short Term Investments in Fixed Deposits	75,168,240.02	71,577,603.50
Trade Debtors	47,639,250.95	86,767,038.00
Pre-payments & Advances	9,737,553.43	11,976,280.28
Cash & Cash Equivalents	178,148,339.93	38,443,990.32
	<u>456,920,409.67</u>	<u>379,844,111.47</u>
<b>Total Assets</b>	<u>727,048,549.80</u>	<u>623,849,804.00</u>
<b>FUNDS &amp; LIABILITIES</b>		
<b>Contributions</b>		
Subscribed Capital	5,000,000.00	5,000,000.00
	<u>5,000,000.00</u>	<u>5,000,000.00</u>
<b>External Contributory</b>		
General Treasury	338,038,210.00	238,038,210.00
W.H.O.	3,994,341.00	3,994,341.00
Ayurvedic Experimental Institute	761,274.00	761,274.00
	<u>342,793,825.00</u>	<u>242,793,825.00</u>
<b>Reserves</b>		
Capital Reserve	1,923,741.00	1,923,741.00
Revaluation Reserves	3,873,559.55	5,522,790.00
Foreign Exchange Reconciliation Reserves	19,523.00	19,523.00
Previous Year Adjustment-(According to the Package)	38,613,358.30	38,613,358.47
Other Comprehensive Income Reserves	-	2,751,742.08
Retained Earnings	193,492,205.00	191,546,841.94
	<u>237,922,386.85</u>	<u>240,377,996.49</u>
	<u>585,716,211.85</u>	<u>488,171,821.49</u>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Allocation for Provisions	5,120,601.00	4,193,014.00
Bank Loan	52,000,000.08	56,000,000.00
Retirement Benefit Obligations	35,018,906.40	25,300,199.27
	<u>92,139,507.48</u>	<u>85,493,213.27</u>
<b>Current Liabilities</b>		
Trade Creditors	13,953,955.51	12,069,275.00
Receipt of Advance	441,000.00	417,585.00
Accrued Expenses	12,602,193.45	11,736,530.24
Tender Security Deposit	5,970,978.52	2,929,197.00
Payable Deposits	220,216.69	185,361.00
Payable Employee Security Deposits	222,813.30	212,813.00
Income Tax Provisions (Previous Year)	15,781,673.00	22,634,008.00
	<u>49,192,830.47</u>	<u>50,184,769.24</u>
<b>Total Funds &amp; Liabilities</b>	<u>727,048,549.80</u>	<u>623,849,804.00</u>

**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF COST OF PRODUCTION**  
**For the year ended 31<sup>st</sup> December 2014**

	<b>2014</b>	<b>2013</b>
	Rs. Cts.	Rs. Cts.
<b>Consumption of Raw Materials</b>		
Opening Stock	51,129,741.00	68,058,659.00
Add: Local Purchases	159,964,933.47	136,605,366.00
Import Purchases	147,195.03	384,546.00
	<u>211,241,869.50</u>	<u>205,048,571.00</u>
Less: Stock Damages	-	-
	<u>211,241,869.50</u>	<u>205,048,571.00</u>
Less: Closing Stock	44,883,359.41	51,129,741.00
<b>Cost of Consumption of Raw Materials</b>	<u><u>166,358,510.09</u></u>	<u><u>153,918,830.00</u></u>
<b>Consumption of Packing Materials</b>		
Opening Stock	10,684,760.00	11,357,499.00
Add: Purchases	23,118,100.75	22,242,376.00
	<u>33,802,860.75</u>	<u>33,599,875.00</u>
Less: Closing Stock	7,845,074.58	10,684,760.00
<b>Cost of Consumption of Packing Materials</b>	<u><u>25,957,786.17</u></u>	<u><u>22,915,115.00</u></u>
Direct Labour Expenditure	53,290,111.68	49,705,875.01
Opening Burnt Oil Stock	252,000.00	762,190.00
Purchase of Burnt Oil	15,233,764.92	13,571,920.00
Less: Closing Burnt Oil Stock	969,076.00	252,000.00
	<u>67,806,800.60</u>	<u>63,787,985.01</u>
<b>Prime Cost</b>	<u><u>260,123,096.86</u></u>	<u><u>240,621,930.01</u></u>
<b>Factory Overhead Cost</b>		
Add: Opening Unfinished	9,071,213.00	6,251,170.26
Indirect Expenses	39,171,394.44	40,843,311.63
Less: Closing Unfinished	12,646,762.39	9,071,213.00
	<u>35,595,845.05</u>	<u>38,023,268.89</u>
Total Manufacturing Cost of the year carried forward to the Statement of Comprehensive Income	<u><u>295,718,941.91</u></u>	<u><u>278,645,198.90</u></u>



**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31<sup>st</sup> December 2013**

	2014	2,013.00
	Rs. Cts.	Rs. Cts.
Sales	444,941,698.49	425,450,179.00
Less: Cost of Sales	<u>304,892,030.07</u>	<u>265,720,560.15</u>
<b>Gross Profit</b>	140,049,668.42	159,729,618.85
Other Income	<u>8,621,577.31</u>	<u>12,611,164.82</u>
	148,671,245.73	172,340,783.67
Less: Administration & Establishment Expenses	82,300,046.44	77,822,750.63
Sales & Distribution Expenses	<u>48,547,895.94</u>	<u>49,558,421.16</u>
	130,847,942.38	127,381,171.79
<b>Surplus from Activities</b>	17,823,303.35	44,959,611.88
Net Financial Income / (Expenses)	<u>(3,349,279.74)</u>	<u>(2,703,943.46)</u>
<b>Net Surplus before Tax</b>	14,474,023.61	42,255,668.42
Less: Income Tax Expenses	6,505,596.00	13,000,187.92
<b>Net Surplus after Tax</b>	<u>7,968,427.61</u>	<u>29,255,480.50</u>
<b>Other Comprehensive Income</b>		
Defined Benefit Plan Actuarial Gains/ (Losses)	(6,139,731.80)	(343,088.80)
<b>Total Other Comprehensive Income for the year</b>	<u>(6,139,731.80)</u>	<u>(343,088.80)</u>
<b>Total Comprehensive Income for the year</b>	<u><u>1,828,695.81</u></u>	<u><u>28,912,391.70</u></u>

**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF CASH FLOWS**

**For the year ended 31<sup>st</sup> December 2014**

	2014 Rs. Cts.	2013 Rs. Cts.
<b>Cash Flow from Operating Activities</b>		
Net Profit Before Taxation	14,474,023.61	42,255,668.42
<b>Adjustments for</b>		
Allocations for Provisions	927,587.00	701,700.00
Depreciation	10,010,368.65	11,765,787.23
Disposal Loss on Building	-	-
Net of Non Operating Incomes	-	(3,762,925.00)
Employee Benefit Adjustments	4,116,710.33	3,301,569.39
Prior Year Adjustments	49,448.17	
Revaluation of Gold Stock	-	-
	<u>29,578,137.76</u>	<u>54,261,800.04</u>
<b>Profit before changing the working capital</b>		
(Increase) / Decrease Inventories	13,673,099.29	(2,991,042.89)
(Increase) / Decrease Inventories in Transit	2,869,330.42	(1,815,777.75)
(Increase) / Decrease Staff Loans	571,504.47	(1,430,773.24)
(Increase) / Decrease Pre-payments & Advances	2,238,726.85	9,391,998.39
(Increase) / Decrease Miscellaneous Deposits	2,266,500.00	136,500.00
(Increase) / Decrease Trade Debtors	39,127,787.05	(19,040,844.00)
Increase / (Decrease) Trade Creditors	1,884,680.51	9,486,357.00
Increase / (Decrease) Accounting Package Suspense	(0.17)	1,078,072.87
Increase / (Decrease) Fixed Registration Fees	23,415.00	253,585.00
Increase / (Decrease) Tender Security Deposit	3,041,781.52	(104,365.00)
Increase / (Decrease) Payable Deposits	34,855.69	(17,800.00)
Increase / (Decrease) Payable Employee Security Deposits	10,000.30	6,000.00
Increase / (Decrease) Accrued Expenses	865,663.21	259,852.26
	<u>96,185,481.90</u>	<u>49,473,562.68</u>
Less: Gratuity Paid	(537,735.00)	(1,069,500.00)
Tax Paid	(12,500,000.00)	(2,000,000.00)
<b>Net Cash flows from Operating Activities</b>	<u><u>83,147,746.90</u></u>	<u><u>46,404,062.68</u></u>
<b>Cash flows from Investment Activities</b>		
Acquisition of PPE	(21,593,977.26)	(5,939,779.07)
Investment in Work in Progress	(15,609,694.12)	(41,794,268.47)
Investment in Fixed Deposits	(3,590,636.52)	(4,876,579.15)
Investment in Margin Account	1,374,335.00	(2,642,088.00)
Investment in Non-Resident Foreign Currency Account	(23,424.47)	(36,436.03)
<b>Net cash flow from Investment Activities</b>	<u><u>(39,443,397.37)</u></u>	<u><u>(55,289,150.72)</u></u>
<b>Cash flow from Financial activities</b>		
Cash Received from Treasury	100,000,000.00	3,000,000.00
Grant / ( Repayments ) Bank Loan	(3,999,999.92)	(4,000,000.00)
<b>Net cash flow from Financial Activities</b>	<u><u>96,000,000.08</u></u>	<u><u>(1,000,000.00)</u></u>
Net Increase / (Decrease) in Cash & Cash Equivalents	<u><u>139,704,349.61</u></u>	<u><u>(9,885,088.04)</u></u>
Cash & Cash Equivalent at beginning of year	<u>38,443,990.32</u>	<u>48,329,078.36</u>
Cash & Cash Equivalent at end of year	<u><u>178,148,339.93</u></u>	<u><u>38,443,990.32</u></u>
	2014	2013
	Rs. Cts.	Rs. Cts.
Peoples' Bank- Gangodawila- A/C No. 97100-182315453	41,423,221.77	15,116,387.58
Peoples' Bank- Gangodawila- A/C No. 97100-272315453	23,012,460.76	5,519,183.66
Bank of Ceylon- Institution's Branch- A/C No.00001209	112,992,657.40	17,448,419.08
Saving A/C	720,000.00	360,000.00
	<u><u>178,148,339.93</u></u>	<u><u>38,443,990.32</u></u>

## STATEMENT OF CHANGES IN EQUITY FOR 2014

Description	Contributory Capital (Rs.)	General Treasury (Rs.)	World Health Organization (Rs.)	Ministries and State Institutions (Rs.)	Capital Reserves (Rs.)	Revaluation Reserves (Rs.)	Reserve on Computer Package (Rs.)	Reserve of Equalizing Foreign Exchange (Rs.)	Profit and Loss Account (Rs.)	Other Comprehensive Profits (Rs.)	Total (Rs.)
Balance as at 31.12.2014	5,000,000	238,038,210	3,994,341	761,274	1,923,741	5,522,790	38,613,358	19,523	191,546,842	2,751,742	488,171,821
Adjustments during the year		100,000,000	-	-	-	(1,649,230)	-		1,945,363	(2,751,742)	97,544,391
Balance as at 31.12.2014	5,000,000	338,038,210	3,994,341	761,274	1,923,741	3,873,560	38,613,358	19,523	193,492,205	-	585,716,212

## **Notes to Accounts**

### 1. Trading & other Stock of the Corporation as at 31.12.2014.

1. Raw material Stock (cost)	Rs.44,883,359.41
2. Finished medicine Stock (cost)	Rs.62,379,108.93
3. Packing Stock (cost)	Rs.7,845,074.58
4. Unfinished Stock (cost)	Rs. 12,646,762.39
5. Stationery Stock (cost)	Rs. 1,462,368.27
6. Burnt Oil Stock (cost)	Rs. 969,076.00
7. Machinery Spare Parts Stock	Rs. 271,230.00
8. Welfare Material	Rs. 126,762.25

### 2. Provisions of Rs. 550,000.00 have been Allocated as Audit fees for the year ended on 31.12.2014.

### 3. The Corporation in terms of the Inland Revenue Act No 10 of 2006 as amendment Act No 22 of 2011, profits & income from ordinary course of business is liable at the rate of 28% as per the first schedule to this Act. Other profits are liable at normal rates.

	2014 (Rs.)
On the Current years profit	2,963,142.00
Deferred Taxation	<u>3,542,454.00</u>
	<u><u>6,505,596.00</u></u>

### 4. The outcome of following Litigation cases are pending as at the reporting date.

Party	Post	Case No	Court	Nature of charge
Mr. M.K.Somadasa	Store Keeper	W/P/HCCRMT/78/07 F	Supreme Court	Retirement on Age 55
Mr. H.B.Jayawardena	Store Keeper	MH/33/1191/2015	Labour Court - Pannipitiya	Retirement on Age 59
Mr. R.M.Lankathilake	Security Officer	HC3755/07	High Court - Colombo	Cash fraud on Mobile Sales
Matchma Komran (Pvt.) Ltd.	Supplier	ARB/229/2013 & ARB/162/2013	Commercial High Court	Payable for Steam Boiler

5. The Sri Lanka Ayurvedic Drugs Corporation has made agreements through letters of credit with Gangodawila Branch of the People's Bank for importation of raw material and spare parts.
6. The Gold Stock owned by the Corporation has been valued at Rs. 3,912,464.55 on 31.12.2014 by the Valuer in the International Branch of the Central Bank of Sri Lanka based on the rates prevailed at that time. The stated profit therein has been indicated as the profit calculated based on accounting policies.
7. Sales Income is shown at net sales after deducting discounts.
8. Following items with archeological value, essential for a Ayurvedic drugs manufacturing organization, are stored in stores No: 01/02 and 11. Value of these items was not adjusted in the Accounts and the units are given below.

Pearl Shells (Kgs.)	86.35
Deer horns (Kgs.)	52.10
Kasthuri pills	23.00
Pure marble (Kgs.)	4.46
Sepia bark (Kgs.)	3.00
Silver Zinc (Kgs.)	18.50
White lead (Kgs.)	16.80
Brass plates (Kgs.)	2.50

9. Several herbal farms belonging to the Ministry of Indigenous Medicine and to the Department of Ayurveda have been temporarily handed over to the Corporation. Their assets have been temporarily undertaken by the Corporation and the corporation at present expends on the herbal farm projects. Their productions have been utilized for production of medicine in the Corporation.
10. Since the determination of the case filed by Mr. S.L.Kekirideniya, Manager - Supplies was issued against the Corporation, an amount of Rs. 1,587,000.00 was paid to that officer and the balance of Rs. 793,500.00 has been refunded to the Corporation.
11. The raw materials donated from courts as grants for manufacturing medicines in the Corporation were accounted as raw material purchases and miscellaneous income at the lowest tender price during the year.
12. The Lorry no. LC 9184 belonging to the Ministry of Indigenous Medicine has been used in distribution of medicine in the Corporation.