Annual Report - 2015

Sri Lanka Ayurvedic Drugs Corporation

Ministry of Health, Nutrition and Indigenous Medicine

Annual Report - 2015

Contents

Chairman’s Message

We, Sri Lanka Ayurvedic Drugs Corporation boasting of long history of 46 years. Even the economy of Sri Lanka to be balanced in view of changes brought about in world economy. For that purpose, we have to invade in to the competitive market too.

By now, private companies have taken up a great part of competitive market. As such, as a state entity, we have to face said challenge. In meeting out this competitiveness, we have to produce new herbal based products targeting at private market.

We started a herbal factory in the year 2015 as a solution to the said challenge. We are already in the competitive market and we could appoint Cargills Private company as our main local business partner. We are gradually taking steps to allure market by not only improving quality of our products but by their packagings.

In addition, it is planned to commission and declare open new sales branches throughout the island in the years to come. It is also envisaged to set up regional offices at provincial level with intention of reaching products at door step level. We appreciate intervention of Minister of Health, Nutrition and Indigenous Medicine for integrating ayurvedic field which was away from the ministerial purview.

Lal Samarasinghe
Chairman
Sri Lanka Ayurvedic Drugs Corporation

Sri Lanka Ayurvedic Drugs Corporation - Director Board Report - Year 2015

The Director Board Report on activities of Sri Lanka Ayurvedic Drugs Corporation for the year ended by 31.12.2015 is submitted to Hon. Minister of Indigenous Medicine with great respect going by Section 142 of Finance Act No. 38 of 1971.

(01) Introduction

Sri Lanka Ayurvedic Drugs Corporation has been established by then Hon. Minister of Industries and Fisheries by extra ordinary gazette No. 14853/3 dated 11.05.1969 of Ceylon government under Government Technical Corporation Act No. 49 of 1957.

(02) Vision

A pioneer institute based on national and international drug necessities for healthy society safeguarding identity of indigenous medicinal area.

(03) Mission

Attending needs of people whilst producing, importing, distribution, researching, service provision and conservation of high quality ayurvedic drugs also creating a healthy nation by looking into welfare of employees and their future.

(04) Key Targets

01. Running industry of producing, sale and distribution of Ayurvedic drugs and manufactured drug varieties.

02. Importing, sale and distribution of essential Ayurvedic, Siddha and Yunani (both raw and finished drugs)

03. Purchasing and preparing of local raw Ayurvedic drugs.

04. Researching in to Ayurvedic drugs and mixed drugs and standardization of such drug varieties.

05. Running Ayurvedic dispensaries and producing local drugs required for drug requirement.

06. Running herds of cattle for producing pure ghee needed for Ayurvedic drug manufacturing.

07. Producing bee honey needed for drug manufacturing and raring bees as a home level industry.

(05) <u>Business Locations</u>

5.1 Head Office & Manufactory

Located at No. 94, Nawinna Road, Maharagama.

5.2 Sales Outlets

Wijerama (together with clinic)	: No. 22, Sri Soratha Mawatha, Gangodawila, Nugegoda.
Kandy (together with clinic)	: No. 70, Yatinuwara Street, Kandy
Diyathalawa	: Sanani Mandir, Diyathalawa
Anuradhapura	: No. 414/2, Sirimewan Mawatha, 2^{nd} lane, Anuradhapura.
Badulla	: B 35/36, First Floor, Bus stand, Badulla
Fort	: Fort Railway Station, 2^{nd} plat form, Fort
Nawinna	: No. 94, Old Kottawa Road, Nawinna, Maharagama.
Rathnapura	: No. 32, Bus Stand Road, Ratnapura.
Tangalle	: No. 23, Muhudu Mawatha, Tangalle
Jaffna	: No. 61A , New Market Complex, Jaffna
Galle	: No. 38 , Olcott Mawatha, (Dangedara street), Galle.
Sethsiripaya	: Sethsiripaya, Battaramulla
Monaragala	: No. 267, Wellawaya Road, Monaragala.
Pension Department	: Pension Department

(06) Board of Directors

1.	Mr. Keerthi Lal Samarasigne -	Chairman
2.	Mr. Sadaruwan Lankeshwara -	Managing Director
3.	Mr. F.M.N.R. Abeywardana -	Board Member
4.	Mr. Dr. W.K. Dayananda -	Board Member
5.	Mr. H.Y. Perera -	Board Member
6.	Mrs. S.K. Kulathungamudali -	Board Member
7.	Mr. R. Rushandan -	Board Member

(07) Executive Staff

1.	Chairman -	Mr. Keerthi Lal Samarasinghe
2.	Managing Director	- Mr. Sadaruwan Lankeshwara
3.	General Manager	- Mr. M.J. Marasinghe
4.	Assistant General Manager (Finance)	- Miss. Gayathri Herath
5.	Factory Manager	- Mr. K.D.M. Arajuna Chandrasekara
6.	Marketing Manager	- Mr. D.S. Bernard Kariyawasam
7.	Manager, Human Resources -	Miss. Lanka Warakagoda
8.	Manager, Finance	- Mr. Kelum Pathirawasam
9.	Manager, Quality Control	- Miss. M.A.D.D.C. Manthrirathna
10.	Chief Medical Officer (acting)	- Mrs. Soma Namasinghe
11.	Medical Officer	- Mrs. Oshadi Pathirana
12.	Medical Officer	- Mrs. Nilmini Gunasekara
13.	Medical Officer	- Mrs. Damayanthi Kodikara
14.	Procurement & Supervisor	- Mr. S.L. Kekiradeniya
15.	Accountant	- Mrs. A.D.S. Premasinghe

(08) Staff composition

Staff composition for year 2015

Designation	Office	Factory	Vijayarama S.O.	Nawinna S.O.	Kandy S.O.	Diyathalawa S.O.	Badulla S.O.	Anuradhapura S.O.	Pettah S.O.	Tangalle S.O.	Ratnapura S.O.	Monaragala S.O.	Galle S.O.	SethsiripayaS.O.	Pension Deot, S.O.	Jaffna S.O.	Nikaweratiya Herbal Park	Werahera S.O.	Total
Senior Managers	2		-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	2
Managers	4	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	9
Junior Managers	12	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	14
Management Assistant Services Technological Officers	1	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	14
Management Assistant Services non Technological Officers	50	10	1	1	1	1	1	-	1	1	1	1	1	1	-	1	-	-	72
Primary level Semi skilled Officers		12																	12
Primary level skilled Officers		12																	12
Primary level non skilled Officers	23	101	3	2	1	1	1	2	1		1	1	2	-	1	1	1	2	145
Officers recruited on contract basis	25	32	-	-	-	-													57
Casual / Temporary Labourers		6																	6
Total	117	193	4	3	2	2	2	2	2	1	2	2	3	1	1	2	1	2	343

(09) Employee Bonus and welfare

Employee Incentives

For better productive and efficient service, Attendance bonus, Production incentive on productivity, Productivity allowance is given to whole staff members in addition to Annual bonus and Payment for unclaimed Medical leave entitlement.

Employee welfare

For employee welfare of our corporation, uniforms for employees who directly involved in production process and those serving at marketing centres and breakfast (short eats) with tea is served for all employees. The Corporation has sponsored for annual three day outage. At funeral occasions, transport facilities and other facilities have been provided. Gift voucher valued Rs. 5,500/- has given to all employees for New Year festival that falls in the month of April.

(10) Drug production is given below in units

	Drug name	Unit	Year 2015	Year 2014	Year 2013	Year 2012	Year 2011
1	Arishta/wine	750 ml	152,594	149,196	130,960	145,552	140,351
2	Asawa	750 ml	121,840	105,860	142,933	112,948	124,483
3	Kwatha	750 ml	51,795	80,247	60,393	45,945	65,506
4	Syrup	750 ml	17,580	18,573	17,769	20,140	21,812
5	Oils	750 ml	170,067	171,392	163,484	139,847	147,702
6	Choorna	Kg.	28,756	24,942	29,225	45,945	26,092
7	Kalka/Leha/Lepa	Kg.	20,491	18,360	22,173	19,945	18,360
8	Rasa	Kg.	2,942	2,505	3,122	1,417	1,618
9	Watika /Gugul	Kg.	11,696	10,166	15,233	9,651	14,422
10	**New prodcuts 01**						
	(1) Ranahansa Rasayanaya	Kg.	-	-	139	412	202
	(2) Tripala tablets	Kg.	937	988	710	500	1,057
	(3) Medaharani tablets	Kg.	840	808	457	191	256
	(4) Mosquito repellent	Kg.	-	-			
	(5) Supeshi balm	Kg.	21	21	11	27	57
	(6) Jeewalaepa balm	Kg.	513	-			
	(6) Madumeharani tablets	Kg.	-	-	-		
11	**New products**						
	(1) Thambum Hodi	05 g	158,560	226	151,893	103,680	95,000
	Thambum Hodi	250 g	-	-		1	
	(2) Peyawa	05 g	274,328	219,784	245,785	147,313	194,000
	Peyawa	250 g	-	10		1	
	(3) Pas panguwa	50 g	36,742	70,556	44,671	67,924	44,560
	(4) Komarika Shampoo	95 ml	21,344	11,802	723	8,626	6,263
	(5) Iramusu powder	Kg.	-	-	-	338	33
	(6) Beli Geta Mada powder	Kg.	-	-	-	560	
	(7) WENIWEL BODY WASH	300 ml	10,336				
	WENIWEL BODY WASH	60 ml	16,977				
	(1) ANTI DIABETIC HERBLE TEA 25 BAGS	catoon	-		-	32	
	(2) HERBLE CURRY SOUP 5g (EEPORT)	5g	-		-	500	
	(3) MIXE HERBLE TEA 1.5g /06 BAGS (EXPORT)	Nos	13,990	3,200		4,320	
	(4) SPICY HERBLE TEA 5g (EXPORT)	5g	-		-	500	
	(5) PANTA KASAYA 60g	Kg.	-		-	141	
	(6) OUSHADHA MANJUSA (FINISH GOOD)	cartoon	17				

(11) Value of drugs sold to public sector and privatee market are given below.

(in Rs. millions)

	Year 2015	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
Public sector	414.35	340.45	336.49	315.98	294.76	296.9
Sales centres						
Wijerama Weda Gedara	12.27	13.3	10.59	6.36	6.36	6.52
Mobile sales	4.42	0.97	0.33	0.12	0.27	
Kandy Sales Centre	7.52	7.96	6.22	6.53	5.37	4.86
Diyathalawa Sales Centre	4.44	5.12	3.05	3.33	1.94	3.44
Anuradhapua Sales Centre	3.77	3.81	2.00	1.85	0.98	1.15
Badulla Sales Centre	3.41	3.27	2.94	2.65	1.77	1.63
Pettah Sales Centre	2.22	-	2.22	4.15	3.66	2.89
Nawinna Sales Centre	14.79	13.82	12.86	9.78	9.28	8.14
Store No. 008	10.07	17.34	19.86	23.54	20.38	16.48
Rathnapura Sales Centre	19.53	18.01	12.46	9.39	4.74	3.11
Tangalle Sales Centre	3.91	2.84	2.09	1.25	2.17	1.1
Examiniation Department Sales Centre	-	-	0.98	1.02	1.01	0.75
Jaffna Sales Centre	4.3	4.17	4.53	2.89	2.07	1.01
Galle Sales Centre	8.02	7.93	5.58	4.65	3.68	1.04
Sethsiripaya Sales Centre	1.94	1.71	1.67	1.20	0.21	
Janakala Kendraya	-	0.002	0.31	0.60	0.03	
Monaragala Sales Centre	1.24	1.42	1.27	0.74		
Battaramulla Sales Centre	0.70	1.17				
Werahera Sales Centre	1.61	1.04				
Floating market Sales Centre	0.23	0.61				
Pension Department Sales Centre	1.15					
Grand total	**519.89**	**444.94**	**425.45**	**396.21**	**358.68**	**316.02**

(12) Income expansion (as a per centage)

	2015	2014	2013	2012	2011	2010
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Less :- Sales cost	54.76	68.52	62.46	61.81	56.13	72.30
Net profit	45.24	31.48	37.54	38.19	43.87	27.70
Added - other income	1.15	2.34	2.08	4.68	4.28	1.79
Total	46.39	33.82	39.62	42.87	48.15	29.49
Less						
Institutional and admin. Expenses	21.65	18.50	18.29	19.56	21.81	19.95
Sales & Distributino expenses	11.98	10.91	11.65	9.03	8.60	6.77
Financial expenses	1.62	1.98	0.64	0.01	0.10	1.28
Other expenses	-	-	-	-	0.62	-
Total expenditure	35.25	31.39	30.58	29.22	30.51	28.00
Operationla Profit	11.14	2.43	9.04	13.65	17.64	1.49
Added - Interest income and non operational income	0.82	1.23	1.31	3.75	0.55	0.43
Profit before tax reduction	11.96	3.66	10.35	17.40	18.19	1.92
Less						
Nikaweratiya Herbal park loss	1.03	0.4	0.43	0.45	0.37	0.02
Less						
Allocation for tax provision	4.06	1.46	2.65	4.74	5.16	0.38
Nett profit	**6.87**	**1.80**	**7.27**	**12.21**	**12.66**	**1.52**

(13) Proft constibution **(in Rs. Mn.)**

	2015	2014	2013	2012	2011	2010
Sales	519.89	444.94	425.45	396.22	358.68	316.02
Less :- Sales cost	284.69	304.89	265.72	244.90	201.33	228.48
Net profit	235.2	140.05	159.73	151.32	157.35	87.54
Added - Other income	11.08	9.39	8.85	18.55	15.34	5.64
Revenue	246.28	149.44	168.58	169.87	172.69	93.18
Less						
Establishment & Administration expenses	112.57	82.30	77.82	77.55	78.23	63.04
Sales & distribution expenses	62.31	48.55	49.56	35.80	30.86	21.39
Financial expenses	8.44	8.81	9.48	0.07	0.37	4.03
Other expenses	-	-	-	2.49	-	-
Total expenditure	183.32	139.66	136.86	115.91	109.46	88.46
Operational profit	62.96	9.78	31.72	53.96	63.23	4.72
Added - Interest income &	4.28	5.46	6.78	1.45	0.83	0.57
Non operational income	0.25	1.01	5.59	13.44	1.15	0.72
Less - Nikaweratiya Herbal Park (loss)	(5.36)	(1.78)	(1.83)	(1.79)	(1.33)	-
Less -Allocation for tax provision	(21.10)	(6.51)	(11.28)	(18.78)	(18.52)	(1.20)
Net profit	**41.03**	**7.96**	**30.98**	**48.28**	**45.36**	**4.81**

(14) Problems faced by getting raw materials for production

Most of the raw materials for our production have been supplied by our local suppliers. They too are very seriously faced with problem of getting drugs from forests due to current laws thereto. Though some relief for this issue is found by cultivating drugs in Nikaweratiya, Randenigama drug parks resolving this forever has been very difficult. As such it is expected to set up dry drug collection centres in areas like Anuradhapura to resolve this to a certain extent.

(15) Factory of Corporation and expanding storing facilities

As number of ultra modern machineries for indigenous medicine production have been introduced to new market, it is expected to make a study on such machineries and to procure machineries suiting with Corporation's needs. Such machineries to be set up in Pathiragoda new factory intending to get anticipated best production capacity.

Store complex of Pathiragoda new factory is used to store products and issue of storing to be resolved by completion of construction of four storied store complex. In addition, all arrangements are made to meet production requirements for North Central, North and East etc. through a regional ware house in Anuradhapura.

(16) Establishing Audit and Management Committees

Sri Lanka Ayurvedic Drugs Corporation had held 04 meetings of Audit and Management Committees in the year 2015. At such meetings, audit queries given by the Auditor General and Internal Audit Section have been dealt with and directions are given for suitable amendments and corrections.

In addition, 03 Audit and Management Committee meetings at ministerial level under the auspices of Secretary to Ministry of Health, Nutrition and Indigenous Medicine have held and where progress of implementing decisions taken with regard to audit queries were considered.

Details of Audit and Management Committee of Corporation in the year 2015 are given below.

Mr. R. Rushandan	-	Treasury Representative	-	Committee Chairman
Mr. S.M.N.R. Abeywardana	-	Board member	-	Committee Member
Mr. Dr. W.K. Dayananda	-	Board member	-	Committee Member
Mrs. M.R.B. Fernando	-	Representative of Ministry of Health, Indigenous Medicine	-	Committee Member
Mrs. S.A.D.N. Perera	-	Govt. Audit Superintendant	-	Committee Observer
Mr. U. Jayarathna	-	Internal Auditor	-	Convener/Committee Secretary

(17) Views on Financial Management and Audit Queries

Various deficiencies and system failures of Corporation is constantly pointed out by the Auditor General. In addition to that, these deficiencies are highlighted at Committee on Public Enterprises and following corrective measures have been taken in the year 2015 taking into consideration of said lackings and deficiencies going by directions and guidance of Audit and Management Committee.

Thanks should go to

- Hon. Rajitha Senarathna, Minister of Health, Nutrition and Indigenous Medicine and staff including Mr. D.M.R.B. Dissanayaka, Secretary whose correct direction,
- General Treasury for assistance offered for improving capital and recurrent of Corporation,
- Ayurvedic Commissioner and Director, Ayurvedic Research Institute with their staffs who rendered relentless help,
- Provincial Councils, local bodies and Pradeshiya Sabha as well as sales representative who extended support to procure finished drugs,
- Auditor General and his staff for direction given to iron out system administration deficiencies and mishaps,
- Management, staff and Board of Director of Corporation for splendid support given to carry forward undertakings of Corporation even during the year under review.

(Lal Samarasinghe)
Chairman
Sri Lanka Ayurvedic Drugs Corporation

මගේ අංකය / எனது இல. / My No. HSM/C/ADC/1/15/32 මබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 05 January 2018

The Chairman

Sri Lanka Ayurvedic Drugs Corporation

Report of the Auditor General on the Financial Statements of Sri Lanka Ayurvedic Drugs Corporation for the year ended 31 December 2015 in terms of Section 14 (2) (C) of the Finance Act No. 38 of 1971

The audit of financial statements of the Sri Lanka Ayurvedic Drugs Corporation for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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. The Auditor General's Report on transactions of the Corporation was tabled in the Parliament on 08 August 2017 due to the delay in submission of the financial statements for the year then ended 31 December 2015 . In addition to that 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.

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
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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 01

It had not been disclosed that the nature and the objectives of the capital reserve amounted to Rs. 1,923,741 and the foreign exchange reconciliation reserve amounted to Rs. 19,523 as at 31 December 2015 in terms of the 79 (b) of the Standard.

(b) Sri Lanka Accounting Standard 08

(i) Even though a sum of Rs. 38,613,358 which had been shown under the Reserves as the prior year adjustments for a period of 06 years from the 01 January 2009 to 31 December 2014 had been credited to the retained earnings account in the year under review , detailed data and information regarding that balance had not been disclosed in terms of Paragraph 49 of the Standard .

(ii) At the instance of the correction of the adjustment of understated closing finished goods balance amounting Rs. 15,715,396 shown in the Audit Report of the preceding year , it had been adjusted to the opening balance of the retained earnings of the year under review without adjusting to the prior years in terms of Paragraph 49 of the Standard and it had not been disclosed by notes to the accounts.

(c) Sri Lanka Accounting Standard 12

The relationship between the expenditure on income tax and the accounting profit had not been explained.

(d) Sri Lanka Accounting Standard 16

As a result of non- reviewing of the usable life time of the non- current assets annually, the fully depreciated property, plant and equipment costing Rs. 104,988,115 as at 31 December in the year under review had been further utilized for activities of the Corporation. Action had not been taken to revise the estimated error occurred accordingly in terms of Sri Lanka Accounting Standard 08.

(e) Sri Lanka Accounting Standard 20

(i) Government grants had not been amortized by an equal amount to the annual depreciation expenses amounting Rs. 1,237,316 in respect of the assets purchased out of Government grants.

(ii) Even though the amortization amounting Rs. 94,410,400 had been made for the assets purchased from the Government grants before the years prior to the year 2015, the assets had not been identified with regard to that.

(f) Sri Lanka Accounting Standard 24

Information in respect of the paid short- term staff benefits, other long- term benefits and service termination benefits to the Higher Management of the Corporation had not been disclosed .

(g) Sri Lanka Accounting Standard 39

(i) A sum of Rs. 2,493,761 had been provided for the bad and doubtful debtors without calculating the amortized cost of the trade debtors amounted to Rs. 86,681,085 in terms of the paragraph 9 of the Standard as at 31 December 2015 .

(ii) Although the market interest rate of the year under review should be applied as the effective interest rate for the calculation of amortized cost of staff loans , without disclosing fair reasons the interest rate of 12 per cent which was applied as effective interest rate in the years 2013 and 2014 had been used for the calculation of the amortization cost of the staff loans amounting Rs. 16,710,369 as at 31 December 2015.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) The disbursed recurrent expenditure in the year under review amounting to Rs. 141,243 had been capitalized under Land and Buildings.

(b) Annual Provision of Depreciation for the non-current assets for the year under review amounting Rs. 54,655 had been understated as a result of the calculation errors.

(c) A sum of Rs. 163,083 received from the debtors during the year under review had been taken into accounts as sales.

2.2.3 Unexplained Differences

A difference totalled to Rs. 2,340,683 between the balance according to the 02 account items of ledger accounts and the Schedules/balance confirmations was observed and the details are given below.

Account Item	Balance as per the ledger account	Balance as per the schedules or confirmations	Difference
	Rs.	Rs.	Rs.
(a) Sales	519,887,808	522,196,560	2,308,752
(b) Fixed Deposits in Bank of Ceylon	1,747,780	1,715,849	31,931
			2,340,683

2.2.4 Lack of Evidence for Audit

The following transactions could not be vouched or accepted in audit as the evidence indicated against each items of account were not furnished .

	Item	Value	Evidences not furnished
		Rs.	
(a)	Drugs donated to the external parties	765,352	Formal approvals
(b)	Provision for Gratuity	3,958,216	Schedules relating to the calculations
(c)	Adjustments made to the retained earnings account	93,373,135	Journal entries

2.3 Accounts Receivable

Any written evidence had not been furnished for the identification of income amounting Rs. 243,031 receivable from 01 January 2012. Action had not been taken to recover that income even by the 31 December in the year under review and sufficient provision also had not been made available.

2.4 Non - compliances with Laws, Rules and regulations

A Register of Fixed Assets in respect of the property plant and equipment totalling Rs. 353,359,512 had not been maintained in terms of Treasury Circular No. 842 of 19 December 1978 .

3. Financial Review

3.1 Financial Results

According to the financial statements presented , the financial result of the Corporation for the year under review amounted to a surplus of Rs. 41,058,076 and the corresponding surplus for the preceding year was Rs.7,968,428 thus indicating the increase in surplus by Rs. 33,089,648 in the year under review as compared with the preceding year . The decrease of other income by Rs. 2,627,298 and although the administrative , sales and distribution expenses increased by Rs. 44,027,383 the increase of sales by Rs. 74,946,110 and decrease in cost of sales by Rs. 20,198,388 as compared with the preceding year had mainly attributed to the above improvement.

In analyzing the financial results of 03 preceding years and the year under review even though the surplus of the year 2012 amounting Rs. 62,731,392 had decreased to Rs.42,255,668 and Rs. 14,474,024 in the years 2013 and 2014 respectively , it had increased up to Rs. 62,153,332 again in the year under review . However, after consideration of the employees remuneration, the depreciation on the non-current assets and readjusting of taxes paid to the Government to the financial results, the contribution in the year 2012 amounting Rs.194,292,276 had increased up to Rs. 245,255,493 by the year 2015 with fluctuations.

3.2 Analytical Review

The Gross Profit Ratio and the Net Profit Ratio had increased by 13.75 per cent and 6.1 per cent respectively and the Current Ratio had decreased by 27.63 per cent in the year under review as compared with the preceding year .

3.3 Procurement Procedure

A tea packing machine had been purchased for a sum of Rs. 4,929,309 in the year under review by considering only the cost of the machine without evaluating the bids by computing Operational cost or Life cycle cost in terms of Guideline 7.9.2 of Government Procurement Procedure Manual . Further, it had not been entered in to an agreement with the contractor in terms of Guideline 8.9.1 of Government Procurement Procedure Manual and 3 technical specifications which should have been existed in the purchased machine had not been fulfilled.

W.P.C. Wickramarathne
Additional Auditor General
For Auditor General

Account preparation basis & Accounting policies - 2015

1. **Consent declaration**

Comprehensive Revenue Statement , Financial Status Statement, Stock Variation Statement, Financial Flow Statement, Accounting policies and notes embodied in Financial Statement are prepared in accordance with Financial Regulations of Sri Lankan Government and Sri Lanka Accounting standards published by Sri Lanka Chartered Accountants' Institute.

Approval for issuing Financial Statements has been granted by Director Board on 09.03.2017.

2. **Basis of Measurement**

Financial Statement are prepared on historical cost basis apart from following quantative items highlighted in Financial Status Statement.

(a) Undeclared benefit obligations are depicted under their current value based on projected unit benefit system recommended in Sri Lanka Accounting Standards No. 19.

(b) Non derived financial instruments have been included under their fair value.

No adjustment are made for inflation factor in Financial Statements .

3. **Going concern**

Director Board has made an assessment of the Sri Lanka Ayurvedic Drug Corporation's ability to continue as a going concern and are satisfied that it has resources to continue in business for the foreseeable future.

4. **Comparative Details**

Enabling to project Financial Statements in better way and comparing Financial Statements of current year, submission of Financial Statements of previous years have been adjusted as required and re -arranged.

5. Utilization of Estimates and Decrees

In submitting financial statements in accordance with Sri Lanka Accounting Standards, various decrees, assumptions and estimates affecting financial statements to be introduced by the Management.

Decrees and estimates, experiences, models are based on future incidents expected to be fair under current situations. Accordingly, real outcome may be different from decrees and estimates. The validity of estimates and assumptions concerned are constantly reviewed. In case account estimates related to a period concerned has amended, the said variance is recognized for revised period and future period of affection. In preparation accounts with accounting standards, following calculations have made a considerable effect by serious decrees on amounts identified in financial statements .

Measuring undeclared benefit obligations

Asset and Liability calculation related to deemed tax

6. Foreign Currency Transactions

(a) Active and Tender currency in use

Items in Financial Statement of Corporation have been reflected in money currently used in primary economic arena.

(b) Transactions and balances

Foreign money transactions are dealt with active usable currency as at transaction effecting date using exchange rates of the day.

7. Assets and their evaluation basis

The tangible assets given in Financial Status Statement are classified on assets expected to transform into banks balances and money in general business of Corporation. Expect tangible assets, other assets are expected to retain by Corporation for over one year from day of other asset reporting date.

7.1 Property, Plant and Equipment

Value of property, plant and equipment is reflected with value deducted by depreciation from cost any loss, if any occurred. The Corporation prefers alternate freeing as at day considered for transition of fair value of property, plant and equipment referred in Sri Lanka Accounting Standard No. 01.

Purchasing price at cost of items given under property, plant and equipment and cost incurred for bringing them to usable level, if any too are included.

Profit or loss of disposed items of property, plant and equipment has been determined on variation of bearing value property, plant and equipment after their disposal which is reflected under Other Revenue or expenditure in comprehensive Revenue Statement.

7.2 Depreciation

Depreciation is accounted on depreciatory value. That means value realized by deducting supplementary value of it from cost or any other value similar to cost. Depreciation in Financial Statements are identified in simple way for useful life time of part of items of each property, plant and equipment .

Anticipated useful life time and depreciation ratio related to transition period and period of comparison is given below.

Asset type	Useful Life time (years)	Depreciation ratio (%)
Buildings	20 years	5%
Machineries	06 years & 08 months	15%
Water supply items	06 years & 08 months	15%
Lab equipments	06 years & 08 months	15%
Office items	10 years	10%
Vehicles	05 years	20%
Tools and appratus	03 years	33.33%

Depreciation of an asset is calculated with effect from its use and depreciation is withheld from first day of either classification date of its sale or day of disposing asset.

7.3 Work in Progress

Capital expenditure for work in progress as at reporting date are given in Financial Position Statement as Work in Progress and assets being used with accomplishment in current year is shown under property, plant and equipment.

8. Financial Assets

Financial Assets of Corporation have been classified into following categories. They are financial assets earned by profit or loss for fair value and loan and recievables, salable financial assets as investments retained up to maturity. Financial asset classification is depend on aim of having financial asset. There are no financial asset of Corporation classified at fair value through loss or profit during reporting period or as at reporting date. All financial assets are identified to fair value by aggregating transaction costs.

9. Stocks

Stocks are highlighted to less value of either cost or realized net. Cost of stocks is projected as cost for procuring stocks, stock distribution cost and cost incurred currently.

10. Trade Debtors

Trade debtors are identified in Financial Statement by Corporation only when there is a right ensued by agreement for cash or any other financial asset.

11. Cash and cash equivalents

Cash and cash equivalents are denoted by cash in hand, bank current account balances and short term deposits with high liquidity. Cash and cash equivalents in Financial Flow Statement is cash in hand and bank deposits.

12. Liabilities and Allocations

Payments to be cleared at any time of demand within a year from reporting date are classified as current liabilities under liabilities in Financial Position Statement. Non current liabilities means balances payable beyond one year from reporting date. All liabilities identified are accounted in preparation of Financial Statements.

Allocation is identified at time of possibility of paying economic benefit bound by agreement or legal binding for the Corporation as a result of any past incident.

13. Treasury contribution

All money received from General Treasury for capital expenditure have been in Accrued Fund.

14. Borrowings

Borrowings are basically identified by deducting transaction cost from fair value. Carrying cost of borrowing is amortized cost.

15. Employee Pension Benefits

Undeclared Benefit Plans

All qualified employees are offered with benefit plans by Corporation as stipulated by Gratuity Act No. 12 of 1983. As recommended by Employee Benefits in Sri Lanka Accounting Standards No. 19, benefits are calculated annually by Corporation on projected unit benefit system.

16. Revenue Recognition

Revenue is recognized by Corporation irrespective of day of receiving money up to level measuring revenue and economic benefit accrual.

17. Identifying recurrent expenditure

Expenditure in Comprehensive Revenue Statement is identified based on direct involvement between earning fixed income and cost involved thereto. All costs incurred for running business and efficient run of capital assets are credited by calculating profit of current year.

18. Income Tax

Tax payable in current year and varied taxes are projected under income tax expenditure.

Sri Lanka Ayurvedic Drugs Corporation
Financial Position Statement as at 31.12.2015

	31.12.2015	31.12.2014
Assets	**Rs.**	Rs.
Immovable Assets		
Property, plant & equipment	**209,169,793.91**	166,665,141.88
Work in progress	**98,024,741.22**	87,101,726.50
Other financial assets		
staff loans	**7,263,130.10**	10,027,082.56
Deferred tax	**3,930,632.00**	6,334,189.19
	318,388,297.23	270,128,140.13
Movable Assets		
Stock	**182,046,968.98**	130,583,741.83
stock in transit	-	-
Other Financial Assets		
staff loans	**9,447,238.94**	7,361,199.87
Gold stock	**3,912,464.55**	3,912,464.55
Margin account	**4,084,156.14**	2,500,000.00
Non residential foreign exchange	**831,906.16**	738,617.09
miscellenous deposits	**1,113,002.00**	1,131,002.00
Fixed deposits (short term)	**77,226,749.80**	75,168,240.02
Trade debtors	**84,187,324.58**	47,639,250.95
Pre payments & Advances	**3,899,804.67**	9,737,553.43
Bank balance	**153,139,964.65**	178,148,339.93
	519,889,580.47	456,920,409.67
Total Assets	**838,277,877.70**	727,048,549.80
Securities & Liabilities		
Securities		
Contributory capital	**5,000,000.00**	5,000,000.00
	5,000,000.00	5,000,000.00
External Securities		
Treasury	**254,630,369.28**	338,038,210.00
WHO	**3,994,341.00**	3,994,341.00
National Health Development Fund	**15,000,000.00**	-
Ayurvedic Research centre	**761,274.00**	761,274.00
	274,385,984.28	342,793,825.00
Reserves		
Capital reserves	**1,923,741.00**	1,923,741.00
Profit realization	**3,873,559.55**	3,873,559.55
Foreign Exchange Equalling Pool	**19,523.00**	19,523.00
Adjustment in previours year (as per package)	-	38,613,358.30
Other comprehensive profit	-	-
Balance in profit loss account	**382,463,694.37**	193,492,205.00
	388,280,517.92	237,922,386.85
	667,666,502.20	585,716,211.85
Liabilities		
Non current Liabilities		
Allocations for Provision	**3,294,333.00**	5,120,601.00
Bank loans	**59,105,500.13**	52,000,000.08
Gratuity allocation	**36,772,455.24**	35,018,906.40
	99,172,288.37	92,139,507.48
Current Liabilities		
Trade debtors	**17,780,734.53**	13,953,955.51
Recievables in next year	**361,000.00**	441,000.00
Accured expenditure	**16,039,308.92**	12,602,193.45
Deposits payable	**8,615,498.39**	6,414,008.51
Income tax allocation	**28,642,545.29**	15,781,673.00
	71,439,087.13	49,192,830.47
Total Security & Liabilities	**838,277,877.70**	727,048,549.80

Sri Lanka Ayurvedic Drugs Corporation
Production Account as at 31.12.2015

	2015 Rs.	2014 Rs.
Raw Material Usage		
Stock at beginning	**44,883,359.06**	51,129,741.00
Added :- purchases	**166,283,636.15**	159,964,933.47
ෆ‍ purchase import	**3,764,579.11**	147,195.03
	214,931,574.32	211,241,869.50
Less :- stock damage	**-**	-
	214,931,574.32	211,241,869.50
Less :- final stock	**52,783,798.66**	44,883,359.41
Raw Material Cost Used	**162,147,775.66**	166,358,510.09
Packing Material Usage		
Stock at beginning	**7,845,074.52**	10,684,760.00
Added :- purchases	**28,528,948.12**	23,118,100.75
	36,374,022.64	33,802,860.75
Less :- final stock	**11,060,668.09**	7,845,074.58
Packing Material Cost Used	**25,313,354.55**	25,957,786.17
Direct labour cost	**62,871,840.95**	53,290,111.68
Burnt oil stock - at beginning	**969,076.00**	252,000.00
Other direct expenses	**13,714,445.00**	15,233,764.92
Less :- burnt oil stock at end	**859,917.50**	969,076.00
	76,695,444.45	67,806,800.60
Primary cost	**264,156,574.66**	260,123,096.86
Factory Cost - General Administration		
Added :- Beginning in progress	**12,646,762.16**	9,071,213.00
Indirect expenses	**46,097,771.88**	39,171,394.44
Less :- damaged stock in progress	**14,875,406.97**	12,646,762.39
Less :- final in progress	**43,869,127.07**	35,595,845.05
	308,025,701.73	295,718,941.91

Sri Lanka Ayurvedic Drugs Corporation
Comprehensive Income Statement as at 31.12.2015

	2015 Rs.	2014 Rs.
Sales	**519,887,807.59**	444,941,698.49
Less :- sales cost	**284,548,893.92**	304,892,030.07
Net profit	**235,338,913.67**	140,049,668.42
Other income	**5,994,279.01**	8,621,577.31
	241,333,192.68	148,671,245.73
Less :- Institutional & Admin. Expenditure	**112,568,535.28**	82,300,046.44
Sales & distribution expenditure	**62,306,790.48**	48,547,895.94
	174,875,325.76	130,847,942.38
Profit from activities	**66,313,118.69**	17,823,303.35
Net Financial income/expenditure	**(4,159,786.50)**	(3,349,279.74)
Proft before tax reduction	**62,153,332.19**	14,474,023.61
Less :- tax allocation on profit	**21,095,256.19**	6,505,596.00
Net profit after tax	**41,058,076.00**	7,968,427.61
Less :- dividend tax		
	1,182,470.99	(6,139,731.80)
Other comprehensive income		
Gratuity calculation profit/(loss)	**1,182,470.99**	(6,139,731.80)
Total comprehensive income for year	**42,240,546.99**	1,828,695.81

Profit of year

Sri Lanka Ayurvedic Drugs Corporation
Cash Flow Statement for year ended by 31.12.2015

	2015 Rs	2014 Rs.
Operational activities		
Profit before tax	**62,153,332.19**	14,474,023.61
Adjustments		
Allocations - miscellenous	**(1,826,268.00)**	927,587.00
Asset depreciation	**10,033,085.47**	10,010,368.65
Amortization for treasure Funds	**(4,997,440.46)**	
Provision for Bad Debts	**2,493,761.14**	
Adjustments - gratuity	**5,140,687.33**	4,116,710.33
Adjustments - previous year	**52,320,542.12**	49,448.17
Profit before changin working capital	**125,317,699.79**	29,578,137.76
Working capital variance		
Stock (increase) / decrease	**(51,463,227.15)**	13,673,099.29
Stock - pipeline (increase) /decrease	-	2,869,330.42
Employee loans (increase) /decrease	**677,913.39**	571,504.47
Pre payments & advances (increase) /decrease	**5,837,748.76**	2,238,726.85
Miscellenous deposits (increase) /decrease	**18,000.00**	2,266,500.00
Debtors (increase) /decrease	**(39,041,834.77)**	39,127,787.05
Creditors increase / (decrease)	**3,826,779.02**	1,884,680.51
Accountng package variance - increase / (decrease)	**(38,613,358.30)**	(0.17)
Recievables in coming year - increase/ (decrease)	**(80,000.00)**	23,415.00
Payable deposits - increase / (decrease)	**2,201,489.88**	3,086,637.51
Accured expenditure - increase / (decrease)	**3,437,115.47**	865,663.21
Operational profit after working capital variance	**12,118,326.09**	96,185,481.90
Less :- Gratuity payment	**(2,204,667.50)**	(537,735.00)
Tax payment	**(5,830,826.71)**	(12,500,000.00)
Net Financial flow from operatinal activities	**4,082,831.88**	83,147,746.90
Investment activities		
Fixed assets variance	**(52,537,737.50)**	(21,593,977.26)
Work in progres variance	**(10,923,014.72)**	(15,609,694.12)
Fixed deposit variance	**(2,058,509.78)**	(3,590,636.52)
Margin account variance	**(1,584,156.14)**	1,374,335.00
Non residential foreign exchange account variance	**(93,289.07)**	(23,424.47)
Net Financial flow from investment activities	**(67,196,707.21)**	(39,443,397.37)
Financial Activities		
Provision - from Treasury	**16,000,000.00**	100,000,000.00
Bank loan, interest recoveries	**7,105,500.05**	(3,999,999.92)
National Health Development Fund	**15,000,000.00**	-
Net Financial flow from financial activities	**38,105,500.05**	96,000,000.08
Net variance between cash and cash equivalents	**(25,008,375.28)**	139,704,349.61
2015.01.01 cash and cash equivalents	**178,148,339.93**	38,443,990.32
2015.12.31 cash and cash equivalents	**153,139,964.65**	178,148,339.93

	2015 Rs.	2014 Rs.
People's Bank - Gangodawila -AC.No. 97100-182315453	**43,238,051.70**	41,423,221.77
People's Bank - Gangodawila -AC.No. 97100-272315453	**11,888,029.88**	23,012,460.76
Bank of Ceylon -Corporate branch-AC No. 00001209	**96,888,883.07**	112,992,657.40
Savings Account	**1,125,000.00**	720,000.00
	153,139,964.65	178,148,339.93

STATEMENT OF CHANGES IN SECURITY FOR YEAR 2015

Description	Contributory Capital (Rs.)	Treasury (Rs.)	World Health Organization (Rs.)	Ministries & Public institutes (Rs.)	Capital reserves (Rs.)	Realization reserves (Rs.)	Pool as per computer package (Rs.)	Foreign Exchange Equalling Pool (Rs.)	Profit & Loss Account (Rs.)	Other Comprehensive profit (Rs.)	Total (Rs.)
Balance as at 01.01.2015	5,000,000	338,038	3,994,341	761,274	1,923,741	3,873,560	38,613,358	19,523	93,492,205	-	585,716,212
Adjustments of year	-	(83,407,841)	-	-	-	-	(38,613,358)	-	88,971,489		66,950,290
Balance as at 31.12.2015	5,000,000	254,630,369	3,994,341	761,274	1,923,741	3,873,560	-	19,523	82,463,694	-	652,666,503

Notes to Accounts

1. Stocks at command of Corporation as at 31.12.2015 is given below.

1.	Raw material stock (cost)	Rs. 52,783,798.66
2.	Finished drug stock (cost)	Rs. 100,916,304.33
3.	Packing stock (cost)	Rs. 11,060,668.09
4.	Unfinished stock (cost)	Rs. 14,875,406.97
5.	Stationary stock (cost)	Rs. 1,281,862.15
6.	Burnt oil stock (cost)	Rs. 859,917.50
7.	Machine spare parts stock	Rs. 269,011.28

2. An Allocation of Rs. 600,000/- is made as Audit charges for year ended by 31.12. 2015.

3. Operational profit of Corporation as per the Inland Revenue Act No. 22 of 2011 and No. 10 of 2006 is subjective to income tax of ratio 28%.

	2015 (Rs.)
Tax on current year profit	18,691,699.00
Varied taxes	2,403,557.19
	21,095,256.19

4. The following law suits involving Sri Lanka Ayurvedic Corporation as a party are being heard.

Party	Designation	Case No.	Court	Type of accusation
Mr. M.K. Somadasa	Store keeper	W/P/HCCRMT/78/07 F	Supreme court	Retiring at 55 years
Mr. H.B. Jayawardana	Store keeper	MH/33/1191/2015	Labour court, Pannipitiya	Retiring at 59 years
Mr. R.M. Lankathilaka	Security officer	HC3755/07	High court, Colombo	Frauding mobile sales income
Matchma Kochran Pvt. Co.	Supplier	ARB/229/2013 & ARB/162/2013	Commercial court,	Money for supply of Steam Boiler

5. For importing raw materials and machine spare parts, agreements are entered into by Sri Lanka Ayurvedic Drugs Corporation and Gangodawila branch of People's Bank by way of Letters of Credit.

6. Gold stock of Corporation is accounted as at 31.12.2015 for Rs. 3,912,464.55. The declared profit of it has been given in accounts as profit as per Account policies.

7. Accounts related to Sales are projected by net sales deducted from sales discounts.

8. There are many brands of invaluable drugs that should be in Drug Manufactory is found in stores No. 01/02 and 11 of Drug Manufactory. Their value is not adjusted in accounts and given below as at 31.12.2016 as units.

i.	Pearl shells kilo	86.35
ii.	Deer horns kilo	52.10
iii.	Kasthuri	23.00
iv.	Purified marble kilo	4.46
v.	Deli Pothu kilo	3.00
vi.	Silver quarts kilo	18.50
vii.	White lead kilo	16.80
viii.	Copper plates kilo	2.50

9. Few Drug Farmer projects of Indigenous Drug Ministry and Ayurvedic Department are temporarily handed over to the Corporation. Their assets are undertaken by Corporation on make shift way and expenditure for Drug Farmer Projects is done by Corporation. Production from them are used for drug production of Corporation.

10. Value of raw materials received from courts used for drug production of Corporation is calculated under minimum rates of the current year and adjusted in accounts as miscellaneous income and raw material purchases.

11. Lorry bearing No. LC 9184 belongs to Ministry of Indigenous Medicine is used for drug distribution of Corporation. In addition, following vehicles too have been used for official functions of the Corporation.
PA – 7161
PA – 7155
GD – 7261
62 – 2440