

Sri Lanka Thriposha Limited

Annual Report - 2016

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Our Vision

To make the Sri Lankan general community a prosperous, proud, healthy and nourished nation void of malnutrition.

Our Mission

To continuously supply and make available the hygeinically manufactured, packed and finished product of Thriposha supplementary wholesome meal with quality nutrients of high standard for the wellbeing and the nourishment of the needy beneficiary members of the community whilst empowering the indigenous farmer with fortified supplier forces in cohesion with the General

Treasury propelled by the assistance and supervision of the Ministry of Health towards the future of our motherland of Sri Lanka, the nation of prosperity, solemnity and virtue that conquers the world of tomorrow with wonders of acclaim...

To be a great Thriposha family winning over the nation and universe in an enormous mission of activity with a committed effort of pride in service excellence and...

To be the first and the sole local Company for the cause of the sustenance of a healthy Sri Lankan nation that meets with the goals of the global health indices.

Message of the Chairman of Sri Lanka Thriposha Ltd.



The production and free of charge distribution of the Thriposha supplementary meal through the health clinics islandwide to all pregnant and lactating mothers and underweight infants below five years of age living in Sri Lanka towards the cause of the fulfilment of the national mission of bringing forth a healthy populace replete with nutrition is an uppermost national task carried out by Sri Lanka Thriposha Ltd.

The Thriposha programme was reconstituted as a fully owned government undertaking under the name and style of Sri Lanka Thriposha Ltd. on 17.09.2010 on a conception of His Excellency the President, Maithripala Sirisena when he was the then Hon. Minister of Health and the Company at that juncture was able to meet only a 60% - 70% of the entire requirement of the people of Sri Lanka.

The incumbent present Minister of Health, Hon. Rajitha Senaratne in order to achieve the objective of fulfilling the 100% beneficiary requirement with free of charge distribution has made necessary funds available through the budget. I wish to state with great pleasure that through setting in motion to full gear of the new system of machinery and equipment as a result of this move, we were able to witness most noteworthy feature during this year that enabled us to gradually venture into the basic foundation of achieving the goal of providing the entire annual requirement of Thriposha free of charge.

Apart from that, we have also drawn out plans to see to the fruition in the near future of the introduction of the surplus of the Thriposha production of about 1000 – 1,200 metric tonnes to the market on the guidance of the Hon. Minister of Health following the distribution of those quantities of Thriposha that are given free of charge to the intended beneficiaries. Accordingly, as of now, the total monthly production of Thriposha is 2,700 metric tonnes. Of it, 1,800 metric tonnes are given free of charge and the surplus of 900 metric tonnes is expected to be introduced to the market. As the school children and working community in particular will be able to purchase this wholesome supplementary meal of high quality at a reasonable price, it will be an immense benefit to them.

I owe a debt of gratitude to His Excellency the President, Maithripala Sirisena, Hon. Minister of Health, Nutrition and Indigenous Medicine, Dr. Rajitha Senaratne, whole of the staff at Thriposha including the Board of Directors for motivating me to achieve these stringent targets in a very short period of time. I also thank our suppliers who provide us with raw materials in time for an uninterrupted production and all the others who assisted us in many ways.

M.D. Bandusena

Chairman

Sri Lanka Thriposha Ltd.

Board of Directors of Sri Lanka Thripasha Limited - 2016

- Mr. M.D. Bandusena, Chairman
- Dr. Palitha Gunaratne Mahipala, Director
Director General of Health Services
Ministry of Health, Nutrition and Indigenous Madicine
- Dr. (Mrs.) Shanthi Gunawardane, Director
Director, Nutrition Co-ordination Unit
Ministry of Health, Nutrition and Indigenous Madicine
- Mrs. A. R. Ahamed, Director
Legal Officer
Ministry of Health, Nutrition and Indigenous Madicine
- Mrs. Theja Herat, Director
Senior Research Officer
Industrial Technology Institute
- Dr. (Mrs.) Damayanthi Hapugoda, Director
Consultant Paediatrician
General Hospital, Panadura
- Mr. Chinthaka Kularatne, Director
Director
Department of National Budget
- Mr. S.R. Rajapaksa, Observer
Chief Accountant
Ministry of Health, Nutrition and Indigenous Madicine
- Mrs. Thanuja Priyadarshani Alwis
Secretary to the Board of Directors

Let's know of Sri Lanka Thriposha Ltd. in brief

- **Address** - Sri Lanka Thriposha Ltd., P.O. Box 17,
Colombo Road, Kapuwatta, Ja Ela.
- **Telephone** - **0112 - 236588**
0112 - 237418
0112 - 233451
- **Fax Number** - **0112 - 237363**
- **E-mail address** - **thriposha@gmail.com**
- **Ministry** - Ministry of Health, Nutrition and
Indigenous Medicine
- **Nature of the Institution** - Fully government owned company under
Ministry of Health
- **Company Registration No.** - PB /3873
- **Main Product** - Wholesome Thriposha supplementary
meal replete with healthy nutrients
- **Distribution centres** - * Medical Centres islandwide
* Estates
* Probation & Child Care Centres
- **Mode of distribution** - By railway wagons and lorries
- **Beneficiaries** - * All pregnant mothers
* Lactating mothers
* Children with nutritional needs
* Certain patients
- **Total number
of beneficiaries** - In excess of One Million
- **Banker** - Bank of Ceylon
- **Auditor** - Auditor General
Auditor General's Department
No. 306/72, Polduwa Road,
Battaramulla.

Sri Lanka Thriposha Limited

Audit & Management Committee - 2016

- **Mr. Chinthaka Kularatne**
Chairman - Audit Management Committee
Director - Sri Lanka Thriposha Limited
- **Dr. (Mrs.) Shanthi Gunewardena**
Member - Audit Management Committee
Director - Sri Lanka Thriposha Limited
- **Mrs. A. R. Ahamed**
Member - Audit Management Committee
Director - Sri Lanka Thriposha Limited
- **Mr. S.R. Rajapaksa**
Observer - Audit Management Committee
Chief Accountant, Ministry of Health

- **Mr. Nishantha Hewagama**
Finance Manager
Sri Lanka Thriposha Limited
- **Mr. L. J. S. Premachandra**
Internal Auditor
Sri Lanka Thriposha Limited

Main Procurement Committee ***(Up to Rs. 60 million)***

- Chairman
Sri Lanka Thriposha Limited
- Chief Accountant
Ministry of Health, Nutrition and Indigenous Medicine
- Director
Non Communicable Diseases Division
Ministry of Health, Nutrition and Indigenous Medicine

Small Procurement Committee ***(Up to Rs. 10 million)***

- Senior Manager (Operations)
Sri Lanka Thriposha Limited
- Senior Manager (Human Resources & Legal)
Sri Lanka Thriposha Limited
- Manager (Quality Control)
Sri Lanka Thriposha Limited

History and present progress of Sri Lanka Thriposha Limited

The activities involving the management of Sri Lanka Thriposha Limited were vested in the Ministry of Health in the year 1976. Tenders were invited for the tasks entailing management and the Lanka Tobacco Company was selected for the purpose. From then onwards, the matters concerning management of Thriposha was undertaken by the Lanka Tobacco Company up until the year 2010. Contribution of the Ministry of Health towards this project became a more closer affair as the reimbursement process of the maintenance cost of the Thriposha Factory was taken care of by the Ministry itself from the year 1987 onwards. Furthermore, the land, machinery and equipment and other resources belonging to the Thriposha Factory too were in the possession of the Ministry of Health.

The Government focused its attention to have the Thriposha Company vested in the possession of the state in order to increase its production with the objective of giving more impetus empowering the National Programme for eradication of malnutrition from the country. The Thriposha Company was reconstituted in the name and style of “**Sri Lanka Thriposha Limited**” as a fully fledged government undertaking under the Ministry of Health with effect from 17.09.2010 following the granting of the approval of the Cabinet of Ministers to a Cabinet Memorandum submitted for the purpose by His Excellency the President, Maithripala Sirisena as the then Hon. Minister of Health. The new Company was registered in the Registrar of Companies as an affiliated institution of the Ministry of Health under Ref. No. **P. B. / 3873**. The business of Sri Lanka Thriposha Limited commenced thereafter under a new Board of Management constituting 07 members, as from 07.01.2011.

Progress in production

The total number of beneficiaries for a month having entitlement to receive the Thriposha packs in Sri Lanka was 928,000 at the time of the takeover of the Company by the Government in the year 2011. Composition of these beneficiaries is as follows;

- All pregnant mothers
- All lactating mothers (until the infant reaches the age of 06 months)
- Infants over 06 months and pre school children below 05 years of age with malnutrition
- The children below the 3rd century line in the Child Development Chart in terms of weight
- The hospitalized patients belonging to the above category

In order to supply the total monthly requirement of Thriposha for the aforesaid beneficiaries a quantity of 1,392 metric tonnes needs to be produced per month. The monthly production prior to the takeover of the Thriposha Company was 731 metric tonnes up to the month of September 2010. With the takeover of the Company by the Government in September 2010 the production saw a rapid increase. This increase in production was owing to the factors such as commissioning of modern machinery and incentives offered to employees. Accordingly, it was possible to have the total production during the year 2016 increased up to 9,801 metric tonnes of Thriposha and due to commissioning of the new Anderson Machine having the existed Braider Machine dismantled and removed in the year 2016, there was a drop in production to some extent.

It has been reckoned that the number of beneficiaries per month in the year 2016 will be one million and the requirement in production per month for that purpose would be 1,500 metric tonnes. The target as at present is to accomplish these exigencies and to introduce the surplus production to the local market. This would be a very facile target given the programmes described below have already been put into operation and are ongoing.

Programmes launched to meet targets

01. It has already been commissioned a new Anderson Machine with double capacity compared to the Anderson Machine that was in operation after dismantalling the old Braider Machine following the importation of it from the United State of America and the installation of a new Megamill Machine and a new Boiler in parallel to it.
02. Renovation of the old building in tandem with the new system of machinery.
03. Installation of a new Transformer so as to enable the operation of the new system of machinery and setting up of a new building for its Panel System.
04. Purchase of two new Fork Lift Machines so as to make the unloading and loading of raw materials and finished goods and their conveyance to and from convenient.
05. Purchase of two new Packing Machines so as to enable the packaging of the Thriposha production very efficiently and accurately with great ease.

The number of services, posts and the cadre approved by the Deapartment of Management Services of the Ministry of Finance

01.	Senior Managers		
	• Senior Manager (Operations)	01	
	• Senior Manager (Human Resource and Legal)	01	02
02.	Middle Level Managers		
	• Manager (Engineering and Prodcution Services)	01	
	• Managers (Quality Control)	02	
	• Manager (Finance)	01	
	• Manager (Trade Promotion)	01	05
03.	Junior Managers		
	• Distribution Officer	01	
	• Internal Auditor	01	
	• Finance Officer	01	
	• Supplies Officer	01	
	• Stores Officer	01	
	• Warehouse Officer	01	
	• Production Officers	03	
	• Administrative Officer	01	
	• Accounts Officer	01	
	• Engineering Service Officer	01	12
04.	Management Assistant (Technical)		04
05.	Management Assistant (Non Technical)		18
06.	Primary Services		
	Primary Services (Skilled)		
	• Drivers	07	
	• Electricians	04	11
	Primary Services (Semi skilled)		
	• Boiler Makers	03	
	• Fitters	03	
	• Lathemen	02	
	• Machine Operator	28	
	• Quality Controller	07	
	• Fireman	01	
	• Fork Lift Operators	02	46
	Primary Services (Non skilled)		
	• Gardeners	02	
	• Labourers / Office Assistants	02	
	• Ordinary Labourers	129	
	• Overseer	01	134
Total			232

Service-wise composition of our Group

▪ **Factory**

(Group consists of 205 personnel)

<u>Posts</u>	<u>Number</u>
01. Senior Manager (Operations)	01
02. Manager (Engineering Services and Production)	01
03. Managers (Quality Assurance)	02
04. Warehouse Officer	01
05. Production Officers	03
06. Stores Officer	01
07. Distribution Officer	01
08. Engineering Service Officer	01
09. Management Assistants	14
10. Electricians	04
11. Fireman	01
12. Fork Lift Operators	02
13. Quality Controllers	07
14. Machine Operators	28
15. Lathemen	02
16. Fitters	03
17. Boiler Makers	03
18. Ordinary Labourers	130
Total	205

▪ **Administration, Accounts and other sections**

(Group consists of 27 personnel)

<u>Posts</u>	<u>Number</u>
01. Senior Manager (Human Resources & Legal)	01
02. Manager (Finance)	01
03. Manager (Trade Promotion)	01
04. Finance Officer	01
05. Accounts Officer	01
06. Internal Auditor	01
07. Administrative Officer	01
08. Supplies Officer	01
09. Management Assistants	08
10. Drivers	07
11. Office Assistants	02
12. Gardeners	02
Total	27

Details of suppliers in 2016

Soya beans and maize

1. Farmers Centre, Meegalewa

No. 367,
03rd Floor, Dam Street,
Colombo 12.

**2.S.D.K. United Agriventures
(Pvt) Ltd.**

Pandulagama,
Anuradhapura.

**3. Consolidated
Farmer Organization, Ampara**

No. 169, Dutugemunu Mawatha,
Peliyagoda.

4. K. S. T. Evergreen (Pvt) Ltd.

No. 583,
St. Jude Mawatha,
Rilawulla,
Kandana.

5. S.B.M. Lanka Trading (Pvt) Ltd.

No. 184/1,
Dam Street,
Colombo 12.

1. Milk Powder

Milco (Pvt) Ltd.
No. 45,
Nawala Road,
Narahenpita

2. Vitamins & Minerals

J. K. Tradelink (Pvt) Ltd.
No. 44,
Thalawathugoda Road,
Pitakotte.

3. Craft Papers

Abdullah Industries Packaging
(Pvt) Ltd.
No. 72,
Maha Vidyala Mawatha,
Colombo 13.

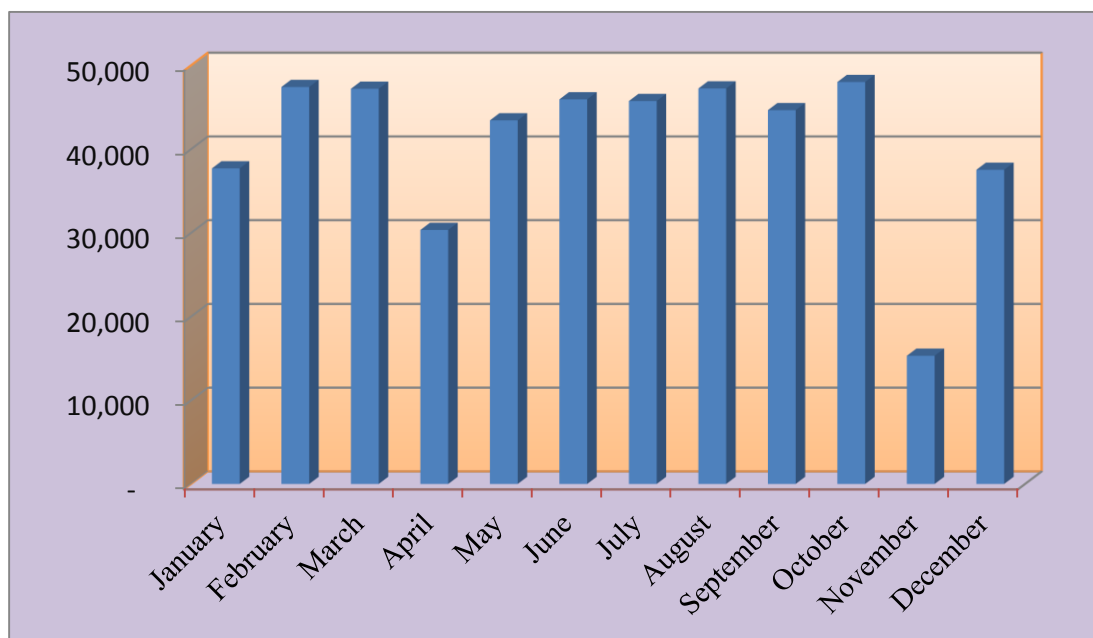
4. Polythene

New Jeewa Industry (Pvt) Ltd.
Polwatta,
Kundasale,
Kandy.

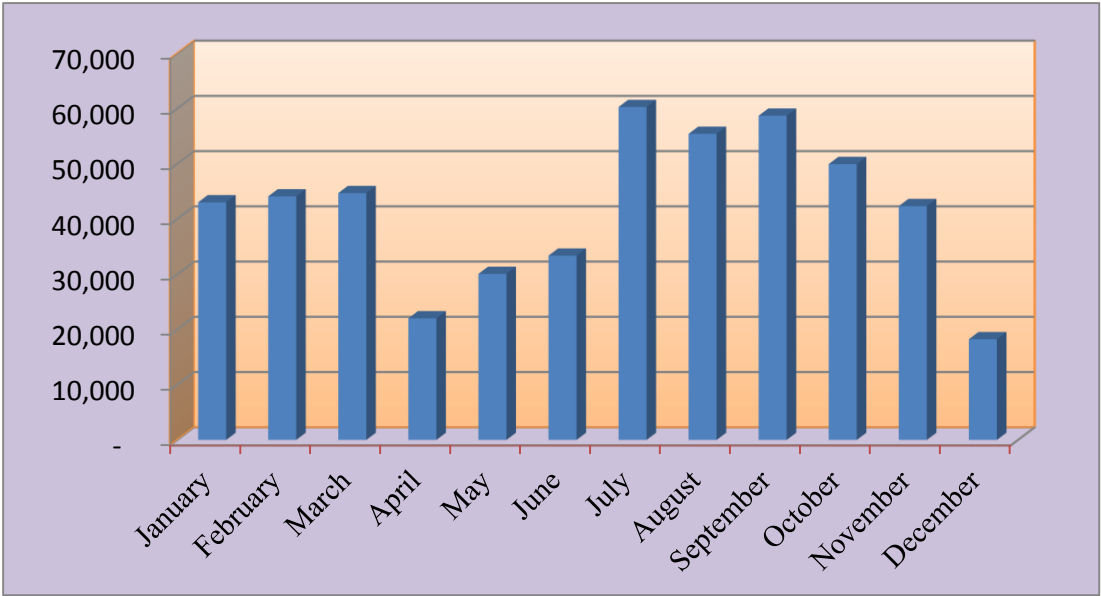
Production of Thripasha in Master Bags from 2012 to 2016

Month	2012	2013	2014	2015	2016
January	37, 689	43 ,026	40, 316	47, 901	57,542
February	47, 414	44, 109	47, 708	43, 679	53,416
March	47, 198	44, 701	56, 917	53, 206	55,410
April	30, 336	22, 018	38, 492	42, 176	44,501
May	43, 425	30, 069	56, 456	57, 367	52,757
June	45, 936	33, 370	51, 654	53, 393	15,757
July	45, 736	60, 285	57, 309	61, 000	-
August	47, 236	55, 429	57, 677	57, 719	3,060
September	44, 645	58, 712	57, 621	60, 182	38,071
October	48, 009	49, 958	58, 522	62, 381	38,806
November	15, 308	42, 348	56, 324	60, 908	47,392
December	37, 520	18, 238	42, 072	48, 633	28,898
Master bags	490, 452	502, 263	621, 068	648, 545	435,610
Metric tonnes	11, 035	11, 300	13, 974	14, 592	9,801

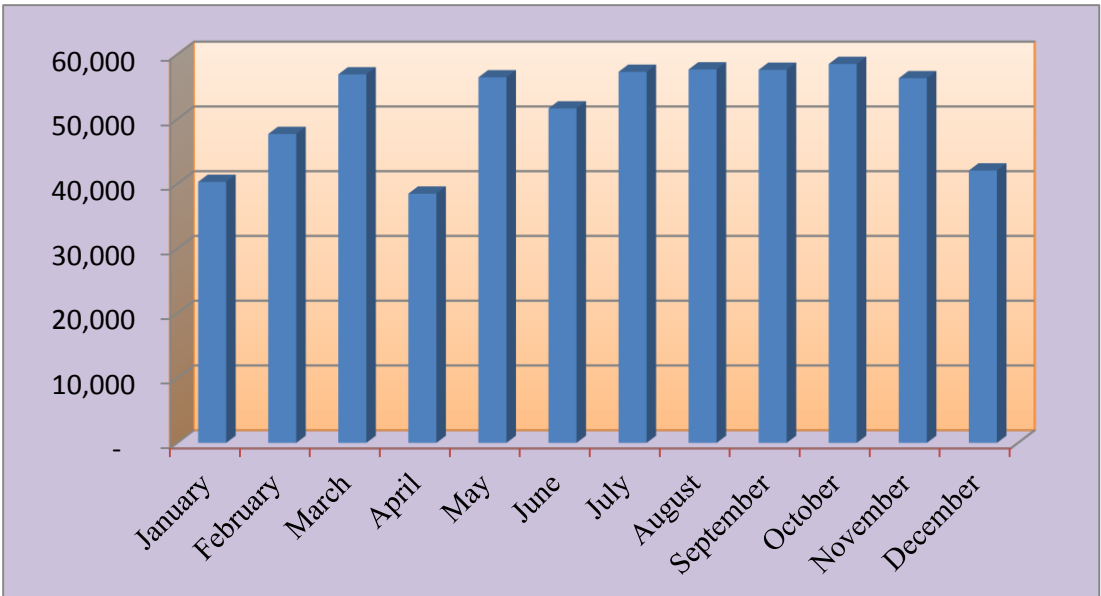
Production data 2012 in a chart (Master Bags)



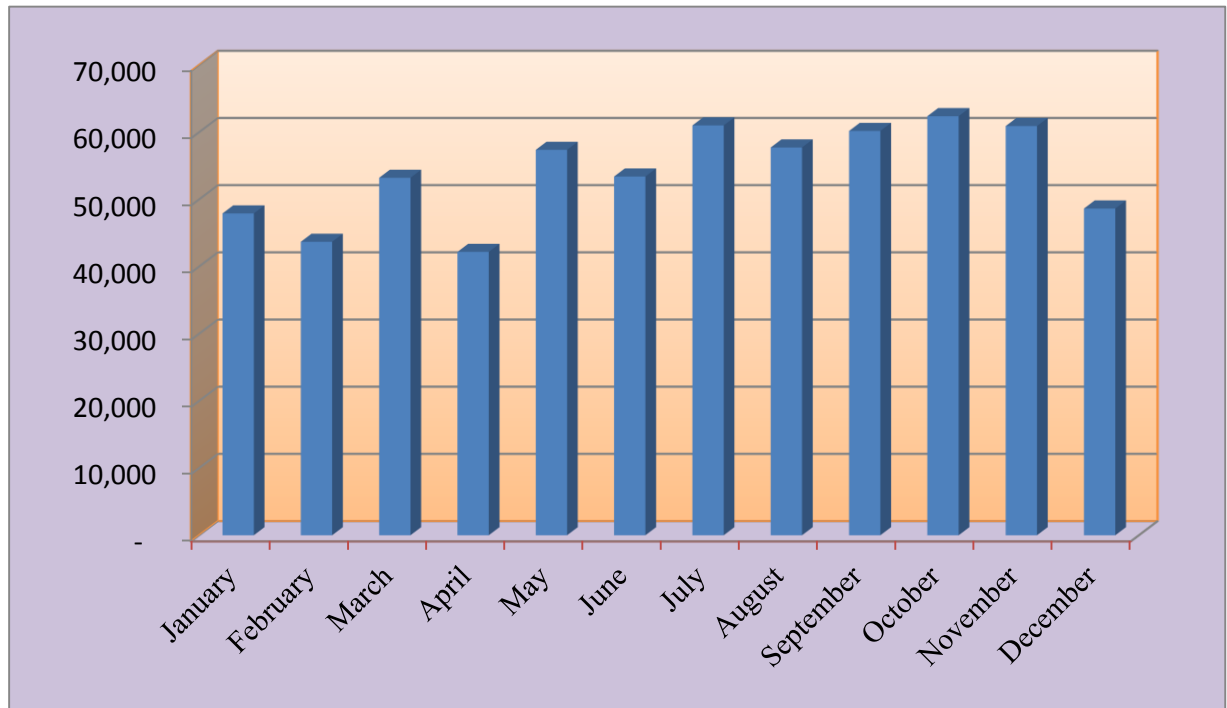
Production data 2013 in a chart (Master Bags)



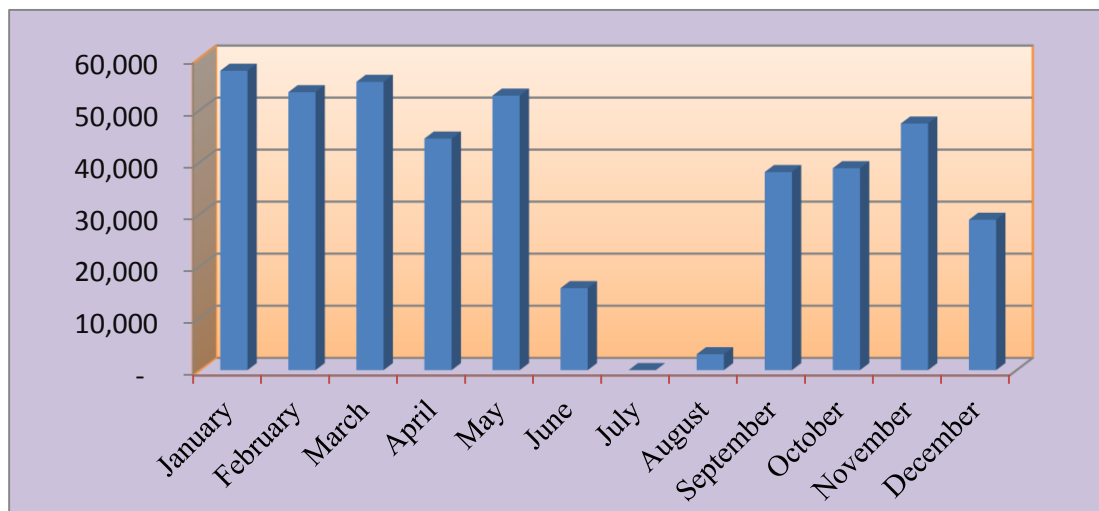
Production data 2014 in a chart (Master Bags)



Production data 2015 in a chart (Master Bags)



Production data 2016 in a chart (Master Bags)



The main reason attributable for the decrease in Thriplosa Master Bag production down to 435,610 in 2016 was the commissioning of the new Anderson Machine System imported from the United States of America in place of the existed mahines of 40 years old.

Targets expected in 2017

- Achieving the 100% target of providing the Thripasha product that is made available to all the beneficiaries free of charge.
- Our target in the year 2017 is to win the market after having introduced the surplus production for sale in the market in a new outlook following the commissioning of new machinery.
- In parallel thereto, putting the new production into sale after setting up of a new sales outlet within the premises of the Thripasha Factory.
- Making the distribution network more efficient after purchasing a new lorry.

The sole expectation of the Company is to augment the growth of the Thripasha production during the year 2017 in the following manner.

Month	2017	
	Master bags	Packets (750 g.)
January	82,797	2,483,910
February	73,464	2,203,920
March	87,915	2,637,450
April	74,066	2,221,980
May	79,184	2,375,520
June	84,905	2,547,150
July	93,636	2,809,080
August	84,302	2,529,060
September	84,905	2,547,150
October	85,808	2,574,240
November	86,410	2,592,300
December	82,797	2,483,910
Total	1,000,189	30,005,670

Data and Information

To have a software system installed in a manner that enables the retrieval of data on the production, distribution as well as marketing of Thripasha instantaneously and easily.

Purchase of production raw materials in increased quantities

To have Thripasha procured to the Company via farmer organizations by purchasing their products with the objective of protecting the local farmer more extensively.

Distribution Process of Thriposha

Thriposha Factory (Ja Ela)



Distribution activities (by lorries and railway wagons)



Regional Directors of
Health Services

Estates

Children's Centres



M. O. H.



Health Centres
(Clinics)



Midwife



Thriposha
Beneficiaries

Sri Lanka Thripasha Limited produces Thripasha and undertakes the distribution activities systematically through the Ministry of Health.

Thripasha Distribution Centres

Areas of Authority of Provincial Director of Health Services 1. Central Province 2. Eastern Province 3. North Central Province 4. North Western Province 5. Northern Province 6. Sabaragamuwa Province 7. Southern Province 8. Uva Province 9. Western Province	Estate Suprintendents 1. Hatton 2. Matale 3. Kegalle 4. Kandy 5. Kalutara 6. Nuwara Eliya 7. Matara 8. Badulla 9. Galle 10. Ratnapura	Other 1. Military Hospitals 2. Police Hospitals 3. Nurseries 4. Municipal Councils - Negombo - Colombo - Matale - Galle - Kandy
Probation and Child Care Authority 1. Anuradhapura 2. Battaramulla 3. Badulla 4. Galle 5. Jaffna 6. Trincomalee 7. Kurunegala 8. Ratnapura 9. Kegalle 10. Kandy	Areas of Authority of Regional Director of Health Services 1. Ampara 2. Anuradhapura 3. Badulla 4. Batticaloa 5. Colombo 6. Galle 7. Gampaha 8. Hambantota 9. Jaffna 10. Kalmune 11. Kalutara 12. Ratnapura 13. Trincomalee 14. Kandy 15. Kegalle 16. Kilinochchi 17. Kurunegala 18. Matale 19. Matara 20. Mannar 21. Monaragala 22. NuwaraEliya 23. Polonnaruwa 24. Puttalam 25. Vavuniya	
Number of M. O. H. Divisions 1. Ampara 07 2. Anuradhapura 18 3. Badulla 15 4. Batticaloa 13 5. Colombo 11 6. Galle 19 7. Gampaha 16 8. Hambantota 12 9. Jaffna 11 10. Kalmune 13 11. Kalutara 13 12. Ratnapura 17 13. Trincomalee 10 14. Kandy 21 15. Kegalle 11 16. Kilinochchi 04 17. Kurunegala 23 18. Matale 12 19. Matara 16 20. Mannar 03 21. Monaragala 11 22. Nuwara Eliya 11 23. Polonnaruwa 07 24. Puttalam 11 25. Vavuniya 04		

Details of Distribution of Thripasha in 2016

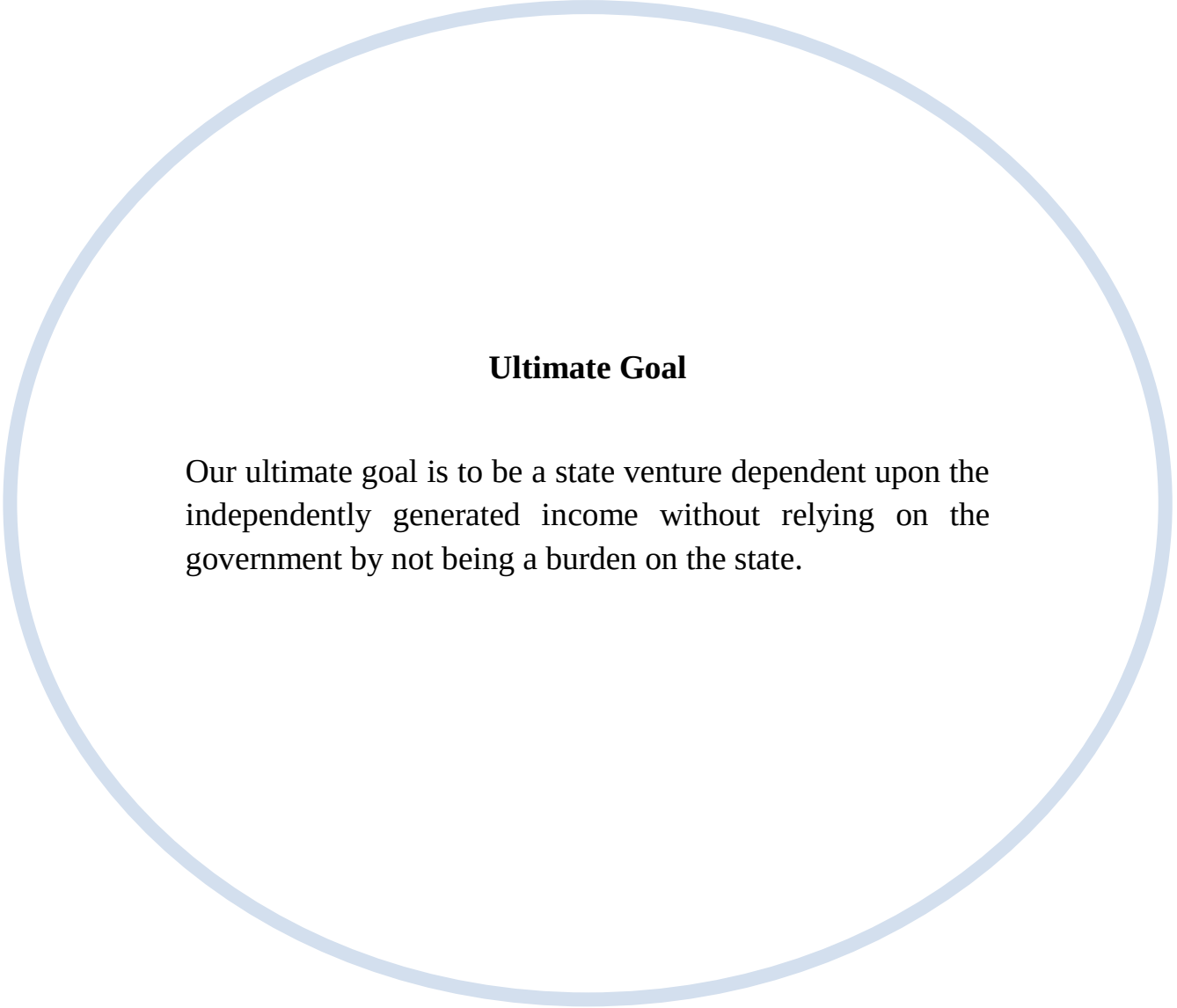
Areas of Authority of Provincial Director of Health Services	Number of beneficiaries	Monthly Allocation (Bags)		
		Mothers	Children	Total
Ampara	26,508	589	1,177	1,766
Anuradhapura	56,142	1,250	2,492	3,742
Badulla	38,654	851	1,727	2,578
Batticaloa	44,820	1,363	1,625	2,988
Colombo Hospital	4,848	68	256	324
Colombo Municipal Council	8,731	198	386	584
Colombo (South)	43,243	962	1,919	2,881
Galle	47,290	1,043	2,109	3,152
Gampaha	56,010	2,260	1,475	3,735
Hambantota	34,758	836	1,670	2,506
Jaffna	33,062	735	1,468	2,203
Kalmune	34,585	759	1,547	2,306
Kalutara	36,715	1,039	1,409	2,448
Kandy	61,913	1,369	2,757	4,126
Kegalle	29,681	659	1,320	1,979
Kilinochchi	7,987	176	355	531
Kurunegala	70,435	1,560	3,137	4,697
Mannar	10,224	226	455	681
Matale	31,715	687	1,431	2,118
Matara	51,240	1,139	2,278	3,417
Monaragala	28,509	641	1,259	1,900
NuwaraEliya	26,057	564	1,173	1,737
Polonnaruwa	33,500	652	1,580	2,232
Puttalam	27,857	661	1,197	1,858
Ratnapura	45,377	1,010	2,017	3,027
Trincomalee	28,266	630	1,255	1,885
Vavuniya	8,101	180	360	540
Mullaitivu	6,825	153	302	455
Total	933,053	22,260	40,136	62,396

Probation and Child Care Centers	Number of Beneficiaries	Monthly Allocation (Bags)
09	22, 692	6, 051
Total	22, 692	6, 051

Estate Areas	Number of Beneficiaries	Monthly Allocation (Bags)		
		Mothers	Children	Mothers
Hatton	10,565	679	1,427	2,106
Matale	2,888	178	400	578
Kegalle	4,347	253	616	869
Kandy	5,324	331	734	1,065
Kalutara	2,539	163	345	508
NuwaraEliya	11,500	749	1,551	2,300
Matara	1,077	70	145	215
Badulla	10,685	716	1,421	2,137
Galle	1,095	69	150	219
Ratnapura	4,743	310	638	948
Total	54,763	3,518	7,427	10,945

Number of Thripasha Distribution Centres and Beneficiaries in 2016

	Number of Centres	Number of Beneficiaries
For the 28 divisions of Regional Director of Health Services	740	933,053
Estates	447	54,763
Homes for the Children of the Department of Probation and Child Care	09	22,692
Total	1, 196	1,010,508



Ultimate Goal

Our ultimate goal is to be a state venture dependent upon the independently generated income without relying on the government by not being a burden on the state.

Achievements realized and proposals for success during the year 2016

Highest achievements realized by us in 2016

The gigantic achievement realized by us in the year 2016 was the commissioning of the new machine imported from the United States of America in place of the old machine that was put to use over a period of nearly 40 years after getting it ceremonially opened by His Excellency the President on 05.12.2016 in parallel to the opening of the new Boiler at the same time.

By this exercise, it is expected to double the production that was hitherto existed and our next goal is to have the surplus of production introduced into the open market.

Proposals for success during the year 2017

1. Procurement of a lorry for facilitating the distribution process of our Company in a systematic way.
2. To win over the market following the introduction of the surplus production to the market in a new outlook.
3. Dissemination of the new production among the consumers through the programmes of sales promotion.
4. Setting up of a new Sales Outlet within the factory premises so as to enable the consumer to purchase the new product easily.
5. To improve the storage facilities that are required in line with the new production.

Acknowledgement

We pay our gratitude to Hon. Dr. Rajitha Senaratne, Minister of Health for encouraging us with his continuous guidance, Hon. Faizal Cassim, Deputy Minister of Health for his continuous ready assistance, Mr. Anura Jayawickrema, Secretary of Health for leading us in the right direction with necessary instructions and Mr. R.H.S. Samaratunga, Secretary of the Ministry of Finance and the Secretary to the Treasury for lending us a helping hand with requisite annual provisions.

Likewise, it indeed was a blessing to all of us the support and cooperation extended by all ladies and gentlemen of the Board of Directors. I also wish to thank our suppliers and those who render us services externally.

It is heart warming to witness a staff serving satisfactorily from top to bottom in the institutional hierarchy. The contribution they make towards the Company has to be appreciated. Finally, we do owe a debt of gratitude to the entire members of such a staff of Sri Lanka Thripasha Limited, who strives to achieve the set targets at all times.

SRI LANKA THRIPOSHA LTD
STATEMENT OF INCOME AND EXPENDITURE
For the year ended 31st December 2016

	Notes	31/12/2016 Rs. Cts.	31/12/2015 Rs.
<u>Revenue</u>			
Expenditure Reimbursement During the Year	02	1,469,302,572.89	1,776,421,903
<u>Less</u> : Cost of Ready to used product	03	(1,392,865,137.52)	(1,793,195,367)
		76,437,435.37	(16,773,464)
Other Income	04	19,710,672.50	25,779,714
		96,148,107.87	9,006,250
<u>Less:Expenses</u>			
Distribution cost	05	6,929,064.13	11,119,781
Administration expenses	06	42,509,552.45	36,103,901
Financial and other expenses	07	225,860.02	3,272,031
		49,664,476.60	50,495,714
Income over expenditure for the year		46,483,631.27	(41,489,464)

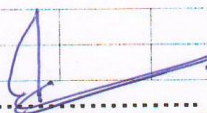
The above statement of comprehensive income is to be read in conjunction with the accounting policies and note to the financial statements appear on pages 06 to 21 which form an integral part of these financial statements.

SRI LANKA THRIPOSHA LTD
STATEMENT OF FINANCIAL POSITION
As at 31st December 2016

	Notes	31/12/2016 Rs. Cts.	31/12/2015 Rs.
ASSESTS			
Non Current Assets			
Property, Plant & Equipment	10	667,194,699.22	435,918,034
Intangible Assets	11	495,890.68	661,188
		667,690,589.90	436,579,222
Investments	12	92,641,169.64	90,251,731
Current Assets			
Inventories	13	206,108,078.60	228,273,118
Trade & Other Receivables	14	75,520,500.60	134,547,131
Cash & Cash Equivalents	15	12,310,647.40	53,922,992
		293,939,226.60	416,743,241
Total Assets		1,054,270,986.14	943,574,193
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Reserves	17	380,421,185.24	307,575,084
Revaluation Reserves	18	307,170,027.56	307,170,028
Accumulated Income Over Expenditure		307,683,544.60	261,223,489
Total Equity		995,274,757.40	875,968,600
Non Current Liabilities			
Retirement Benefit Obligation	19	37,858,775.50	29,593,685
Medical Fund	20	238,678.90	241,490
		38,097,454.40	29,835,175
Current Liabilities			
Trade & Other Payables	21	20,898,774.34	37,770,418
Total Equity & Liabilities		1,054,270,986.14	943,574,193

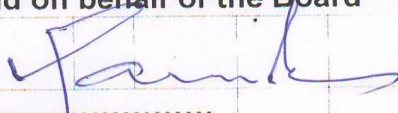
The above statement of financial position is to be read in conjunction with the accounting policies and notes to the financial statements appear on pages 06 to 21 which form an integral part of these financial statements.

These financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.

.....

Head of Finance

The Board of directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board

.....

Chairman

.....

Director

Ja-Ela, Kapuwatta

Date: 26/06/2017

SRI LANKA THRIPOSHA LTD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2016

	Notes	Capital Reserves	Revaluation Reserves	Accumulated Income Over Expenditure	Total
		Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.
Balance as at 01/01/2015		136,873,127.47	307,170,027.56	302,676,082.86	746,719,237.89
Capital grant from Ministry of Health	15	197,517,198.54	-	-	197,517,198.54
Depreciation - Capital Assets Grant by Ministry of Health	15	(26,345,242.48)	-	-	(26,345,242.48)
Prior Adjustment	20	(470,000.00)	-	36,869.82	(433,130.18)
Income over expenditure - 2015		-	-	(41,489,463.58)	(41,489,463.58)
Balance as at 31/12/2015		307,575,083.53	307,170,027.56	261,223,489.10	875,968,600.19
Balance as at 01/01/2016		307,575,083.53	307,170,027.56	261,223,489.10	875,968,600.19
Capital grant from Ministry of Health	17	102,406,369.70	-	-	102,406,369.70
Depreciation - Capital Assets Grant by Ministry of Health	17	(29,560,267.97)	-	-	(29,560,267.97)
Prior Adjustment - 2016	22	-	-	(23,575.77)	(23,575.77)
Income over expenditure 2016		-	-	46,483,631.27	46,483,631.27
Balance as at 31/12/2016		380,421,185.26	307,170,027.56	307,683,544.60	995,274,757.42

SRI LANKA THRIPOSHA LTD
CASH FLOW STATEMENTS
For the year ended 31st December 2016

	31/12/2016 Rs.	31/12/2015 Rs.
<u>Cash Flow from Operating Activities</u>		
Income over expenditure for the year	46,483,631	(36,313,714)
<u>Adjustments for</u>		
Depreciation	29,560,268	26,345,242
Gratuity Provision for the year	8,841,796	2,413,806
Provision Medical Contribution	193,600	173,968
Prior year adjustment	(23,576)	36,870
	38,572,088	28,969,886
Operating Profit Before Changes in Working Capital	85,055,719	(7,343,828)
<u>Changes in Working Capital</u>		
Increase / (Decrease) in Trade & Other Receivables	59,026,630	(90,669,514)
Increase / (Decrease) in Trade & Other Payables	(16,871,644)	(7,567,450)
Increase / (Decrease) in Inventories	22,165,039	57,025,533
	64,320,025	(41,211,430)
Net Cash Flow from Operating Activities Before Gratuity Payment	149,375,744	(48,555,258)
Less: Gratuity Paid	(576,705)	(950,801)
Payment of medical benefits	(196,411)	(73,642)
Net Cash Flow from Operating Activities	148,602,628	(49,579,701)
<u>Cash Flow from Investing Activities</u>		
Acquisition of Property, Plant & Equipment	(260,671,636)	(39,913,120)
Acquisition of Treasury Bills	-	(30,000,000)
Interest Income	(2,389,439)	(51,456)
Net Cash Flow from Investing Activities	(263,061,075)	(69,964,576)
<u>Cash Flow from Financing Activities</u>		
Capital Grant from Ministry of Health	72,846,102	166,005,984
Net Cash Flow from Financing Activities	72,846,102	166,005,984
Changes in Cash & Cash Equivalent	(41,612,345)	46,461,707
Cash & Cash Equivalent Brought Forward	53,922,992	7,461,286
Cash & Cash Equivalent Carried Forward	12,310,647	53,922,993
<u>Analysis of the Cash & Cash Equivalent shown in the statement of financial position</u>		
Bank Of Ceylon Ja-Ela 71324617	12,310,647	53,922,992
	12,310,647	53,922,992

SRI LANKA THRIPOSHA LTD			
MANUFACTURING ACCOUNT			
For the year ended 31 st December 2016			
	Notes	31/12/2016 Rs. Cts.	31/12/2015 Rs.
<u>COST OF MANUFACTURING</u>			
<u>Raw Materials</u>			
Balance as at 01/01/2016		169,087,068.47	218,004,588
Purchase		1,156,412,060.53	1,517,487,296
		1,325,499,129.00	1,735,491,884
Balance as at 31/12/2016		(151,509,362.88)	(169,087,068)
Cost of Raw Materials Consumed		1,173,989,766.12	1,566,404,816
Direct Labour Cost	08	139,817,126.63	132,557,414
Factory Overheads	09	74,295,302.39	90,556,367
Re-Processing Loss		(199,118.65)	(3,213,954)
Prime Cost		1,387,903,076.49	1,786,304,643
<u>Working Progress</u>			
Balance as at 01/01/2016		9,025,425.56	14,567,809
Balance as at 31/12/2016	13	(8,215,483.81)	(9,025,426)
		809,941.75	5,542,384
Total Production Cost		1,388,713,018.24	1,791,847,026

Sri Lanka Thriposha Ltd

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2016

1. Significant Accounting Policies

1.1.1 Reporting Entity

Sri Lanka Thriposha Ltd. is a limited liability company incorporated and domiciled in Sri Lanka as a fully Government owned company under the supervision of Ministry of Health. The registered office of the Company and the principal place of business is located at P O Box 17, Kapuwatta, Ja-Ela, Sri Lanka.

1.1.2 Principal Activities and Nature of Operations

The Company is the sole company for manufacturing “Thriposha”; for “Thriposha distribution program” of Ministry of Health.

The other principal activities of the company were:

- To facilitate to development, production and distribution of “Thriposha” – a Sri Lanka fortified supplementary food product in order to reduce maternal and child malnutrition in Sri Lanka.
- To encourage the income generation path for local farmers who supply the raw material for Thriposha Production as far as possible.
- To reduce and market any other form of fortified blended food items based on Government policy.
- To assess the annual requirement of Thriposha and take necessary action to supply.

1.1.3 Board of Directors

1. Mr.M.D. Bandusena (Chairman)
2. Dr.Palitha Gunarathna Maheepala
3. Dr.Shanthi Gunawardana
4. Mrs. H.M. Theja Herath
5. Mrs.A.R. Ahamed
6. Dr.Damayanthi Hapugoda
7. Mr. B.P. Chinthaka Kularathna
8. Mr.S.R.Rajapaksha (Observer)

Board Secretary

Mrs.Thanuja Priyadharshani Alwis

1.1.4 Auditor

Auditor General's Department
No.306/72, Polduwa Road,
Battaramulla

1.1.5 Bankers

Bank of Ceylon
Ja-Ela

1.1.6 Date of Authorization for Issue

The Financial Statements of Sri Lanka Thriposha Limited for the year ended 31st December 2016 was authorized for issue in accordance with the resolution of the Board of Directors.

1.1.7 Basis of Preparation

a. Statement of Compliance

The financial statements which comprise the income statement, statement of comprehensive income & expenditure, statement of financial position and statement of changes in equity together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

b. Basis of Measurement

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

c. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter-period comparability.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

When the presentation or classification of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

d. Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Company.

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

e. Use of Key Estimates and Critical Judgments

The preparation and presentation of financial statements in conformity with SLFRSs and LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

f. Going Concern

The Board of Director has made an assessment of the company's ability to continue as going concern in the foreseeable future, and Board is satisfied that the company possess adequate resources to continue their operation into the foreseeable future and hence endorses the continues adoption of the assumption of going concern

1.2 Assets and the Bases of their Valuation

1.2.1 Property, Plant & Equipment

a. Recognition and Measurement

Items of property, plant & equipment are stated at cost or at fair value less accumulated depreciation and any impairment losses.

All items of property, plant & equipment are initially recorded at cost less accumulated depreciation and any impairment losses. Significant components of an asset are identified and depreciated separately. When significant parts of property, plant & equipment are required to be replaced at intervals, the entity derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. All other repair and maintenance costs are recognized in the income statement as incurred.

b. Cost

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

Subsequent expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or increase the earning capacity of the assets has been treated as capital expenditure.

Expenditure incurred to replace a component of an item of property, plant & equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

c. Depreciation

Depreciation is charged to the capital reserve on the straight-line basis at the following rates per annum in order to write-off the cost of such assets over their estimated useful lives.

Buildings	Over 20 Years
Plant and Machinery	Over 10 Years
Motor Vehicles	Over 05 Years
Equipment and Tools	Over 05 Years

Laboratory Equipment	Over 10 Years
Agricultural equipment	Over 10 Years
Electrical Works	Over 05 Years
Office Equipment	Over 10 Years
Furniture and Fittings	Over 10 Years
Intangible Assets	Over 4 Years

d. De recognition

An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on De recognition of the assets is included in the statement of comprehensive income in the year the asset is derecognized.

1.2.2 Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset category in property, plant & equipment when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Company. Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses.

1.2.3 Intangible Assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment loss.

Computer software is amortized over a period of 4 years on the straight-line method.

Curriculum development cost is written-off on the straight-line method over a period of 5 years.

1.2.4 Inventories

Inventories are valued at first in first out (FIFO) method, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following formulae:-

Raw Materials	- At cost
Work –in- Progress	- At Cost
Finished Goods and	- At the cost of direct materials, direct labor, Administration an appropriate proportion of fixed Production overheads based on normal operating capacity.
Goods in Transit	- At actual cost

Net Realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make sale.

1.2.5 Impairment of Assets

The carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.2.6 Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset is transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The financial assets of the Company include cash and short-term investments and trade and other receivables.

a. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance expense in the statement of comprehensive income.

The Company has not designated any financial asset upon initial recognition at fair value through profit or loss.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any

discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Loans and receivables comprise trade receivables, employee loans, deposits, advances, other receivables and cash and cash equivalents.

c. Held-to-Maturity Investments (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in financial costs. Investments in Government Securities and fixed deposits have been classified under HTM investments.

d. Available-for-Sale Financial Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserved in funds and reserves. Interest income on available-for-sale debt securities is calculated using the effective interest rate method (EIR) and is recognized in profit or loss. When an investment is derecognized, the gain or loss accumulated in funds and reserves reclassified to profit or loss.

The Company has not designated any financial asset upon initial recognition as available-for-sale investment.

1.2.7 Impairment of Financial Assets

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

1.2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits at bank and repurchase agreements.

Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the 'indirect method'.

1.3 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 the Reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

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

1.3.1 Employee Benefits

a. Provision for Retiring Gratuity

The Company has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is not externally funded.

The key assumptions used for calculating the provision include the following:

Discounted Rate	12%
Future Salary Increment Rate	10%
Staff Turn Over	02%
Retirement Age	55 Years

That the Company will continue as a going concern

b. Defined Contribution Plan

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

c. Employees' Provident Fund

The Company and employees, contribute 12% and 08% respectively, on the salary of each employee to the approved provident fund.

d. Employees' Trust Fund

The Sri Lanka Thriposha Ltd. contributes 3% on the salary of each employee to the Employees' Trust Fund.

1.3.2 Trade and Other Payables

Trade and other payables are stated at cost.

1.3.3 Taxation

The surplus and income of the Company other than the surplus and income from dividends or interest is exempt from income tax under Section 7 (xiv) of the Inland Revenue Act No. 10 of 2006.

1.3.4 Deferred Taxation

Provision has not been made for deferred tax, as surplus and income of the Company since exempt from income tax under Section 7 (xiv) of the Inland Revenue Act No. 10 of 2006.

1.3.5 Capital Commitments and Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the financial statements.

1.4 Statement of Comprehensive Income

Capital Reserve – (Related to Capital Grants)

Funds spend on fixed assets since year 2011 provided by the Ministry of Health, CARE, and Ceylon Tabaco Ltd have been treated as capital grant and as such the depreciation in respect of these items has been charged to the relevant capital grant accounts while setting off same against the total depreciation charge for the year

1.4.1 Grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants that compensate the Company for expenses incurred are recognized as revenue in the statement of comprehensive income in the same period in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in the statement of financial position.

1.4.2 Expenditure

- a. Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Company and in maintaining the capital assets in a state of efficiency has been charged against revenue in arriving at the surplus for the year.

1.4.3 Finance Expense/Income

Finance income comprises interest received on accrual basis on funds invested.

1.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared in accordance with LKAS 07

1.6 Events after the Reporting Period

There are no material events occurring after the reporting date which require adjustment to or disclosure in the financial statements.

1.7 Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's annual financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

a. SLFRS 9 - Financial Instruments:

Classification and Measurement SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The mandatory effective date of this Standard has been deferred. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Company will quantify the effect in conjunction with other phases, when issued, to present a comprehensive picture.

1.8 Non-Current Assets Held For Sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are re-measured in accordance with the Company's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in the profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

	31/12/2016 Rs. Cts.	31/12/2015 Rs.
02. <u>INCOME</u>		
Reimbursement of expenses from Ministry of Health	1,467,564,568.46	1,776,421,903
Revenue	1,738,004.43	-
	<u>1,469,302,572.89</u>	<u>1,776,421,903</u>
03. <u>COST OF READY TO USED PRODUCT</u>		
Finish Product as at 01/01/2016	38,202,137.04	39,550,478
Total Production Cost	1,388,713,018.24	1,791,847,026
Finish Product as at 31/12/2016	(34,050,017.76)	(38,202,137)
	<u>1,392,865,137.52</u>	<u>1,793,195,367</u>
04. <u>OTHER INCOME</u>		
Sweeping Sales	11,831,512.85	20,815,957
Interest on Housing Loan	1,086,085.45	1,364,375
Interest Income on Treasury Bills	6,793,074.20	3,599,383
	<u>19,710,672.50</u>	<u>25,779,714</u>
05. <u>DISTRIBUTION COST</u>		
Trasport Charges	6,929,064.13	11,119,781
	<u>6,929,064.13</u>	<u>11,119,781</u>
06. <u>ADMINISTRATIVE EXPENSES</u>		
Basic Salaries	5,982,697.97	8,008,393
EPF	1,076,557.71	1,084,434
ETF	289,807.71	271,107
Overtime	708,400.40	964,761
Allowances	6,567,819.63	4,477,972
Travelling Expenses	-	3,971,580
Legal and Professional Charges	-	684,566
Staff Welfare	2,151,417.37	1,521,857
Building Repair & Maintenance	11,841,776.54	2,918,953
Garden Maintenance	70,635.00	70,305
Office Equipment Maintenance	729,127.71	862,566
Telephone Charges	584,150.59	222,156
Security Charges	7,034,082.85	6,932,193
Repairs - Motor Vehicles	2,154,767.81	-
Fuel - Motor Vehicles	120,424.90	-
Stationary	674,101.94	1,162,744
Postage Charges	239,625.00	434,596
Sweepings Expenses	127,570.82	803,393
Licence & Insurance Charges	1,152,696.46	-
Incentive	1,003,892.04	1,037,630
Staff Training Charges	-	344,400
Sanitary and Other	-	330,295
	<u>42,509,552.45</u>	<u>36,103,901</u>

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

	31/12/2016	31/12/2015
	Rs. Cts.	Rs.
07. FINANCE AND OTHER EXPENSES		
Bank Charges	26,741.37	58,077
Re - Processing Loss	199,118.65	3,213,954
	<u>225,860.02</u>	<u>3,272,031</u>
08. DIRECT LABOUR AND MANAGEMENT COST		
<u>Salaries & Wages Factory</u>		
Basic Salary	35,923,672.45	59,093,740
EPF	6,534,397.58	7,006,976
ETF	1,772,604.29	1,751,742
Overtime	19,830,216.47	19,945,224
Allowance	43,774,460.50	25,402,271
Gratuity	8,841,795.50	2,413,806
Entertainment Conference	3,462,466.34	3,150,166
Medical Retainer	102,786.66	742,153
Terminal Payment	30,347.49	-
Incentive	6,004,187.00	6,002,713
Wages	3,035,168.15	2,060,041
Other Contracts	6,707,893.78	835,939
Uniforms & Laundry	3,797,130.42	4,152,642
	<u>139,817,126.63</u>	<u>132,557,414</u>
09. FACTORY OVERHEAD COST		
Electricity Boiler & Generator Fuel	51,081,727.80	58,598,387
Factory Maintenance Charges	2,001,871.96	1,821,128
Plant & Machinery Maintenance	17,772,373.55	24,184,401
Other Services	1,662,564.71	2,663,747
Rate & Taxes	445,036.47	486,969
Sample Testing	792,803.90	1,498,088
Pest control	538,924.00	970,412
Telephone	-	333,234
	<u>74,295,302.39</u>	<u>90,556,367</u>

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

10. PROPERTY, PLANT AND EQUIPMENT

<u>Cost/ Revaluation</u>	Balance as at 01/01/2016	Additions	Transfer	Balance as at 31/12/2016
Land	220,000,000.00	-	-	220,000,000.00
Building	76,764,082.06	33,422,843.80	-	110,186,925.86
Plant and Machinery	157,822,457.20	218,900,546.35	-	376,723,003.55
Motor Vehicles	22,208,750.00	-	-	22,208,750.00
Tools & Equipment	11,929,912.97	1,696,411.56	-	13,626,324.53
Laboratory Equipment	5,702,187.50	280,224.50	-	5,982,412.00
Agricultural Equipment	138,650.00	-	-	138,650.00
Electrical Works	2,448,650.81	3,710,383.95	-	6,159,034.76
Office Equipment	12,304,126.62	2,234,509.47	-	14,538,636.09
Furniture and Fittings	4,334,851.29	426,716.38	-	4,761,567.67
	513,653,668.45	260,671,636.01	-	774,325,304.46

<u>Accumulated Depreciation</u>	Balance as at 01/01/2016	Charge for the Year	Transfer	Balance as at 31/12/2016
Building	11,614,074.97	3,838,204.10	-	15,452,279.07
Plant and Machinery	44,369,164.15	15,785,871.72	-	60,155,035.87
Motor Vehicles	7,838,042.17	4,441,750.00	-	12,279,792.17
Tools & Equipment	6,976,002.26	2,499,427.82	-	9,475,430.08
Laboratory Equipment	1,624,971.19	584,742.01	-	2,209,713.20
Agricultural Equipment	43,905.83	13,865.00	-	57,770.83
Electrical Works	1,049,925.29	520,890.92	-	1,570,816.21
Office Equipment	3,047,942.67	1,264,878.21	-	4,312,820.88
Furniture and Fittings	1,171,605.63	445,341.30	-	1,616,946.93
	77,735,634.16	29,394,971.08	-	107,130,605.24

Written Down Value

	Balance as at 31/12/2016	Balance as at 31/12/2015
	Rs. Cts	Rs
Land	220,000,000.00	220,000,000
Building	94,734,646.79	65,150,007
Plant and Machinery	316,567,967.68	113,453,293
Motor Vehicles	9,928,957.83	14,370,708
Tools & Equipment	4,150,894.45	4,953,911
Laboratory Equipment	3,772,698.80	4,077,216
Agricultural Equipment	80,879.17	94,744
Electrical Works	4,588,218.55	1,398,726
Office Equipment	10,225,815.21	9,256,184
Furniture and Fittings	3,144,620.74	3,163,246
	667,194,699.22	435,918,034

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

11. INTANGIBLE ASSETS

	Balance as at 31/12/2016		Balance as at 31/12/2015
	Rs.	Cts	Rs
Cost	661,187.57		661,188
Accumulated Depreciation	(165,296.89)		-
Written Down Value	495,890.68		661,188

12. INVESTMENTS

Treasury Bills - Face Value	92,359,000.00	90,000,000
Treasury Bill Interest Income Receivable	282,169.64	251,731
	92,641,169.64	90,251,731

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

13 INVENTORIES

Raw Materials

	31/12/2016 Rs. Cts.	31/12/2015 Rs.
Maize	18,732,378.06	8,632,731
Soya	93,212,872.80	91,069,823
Mineral	114,540.00	2,545,452
Vitamins	2,549,808.75	3,684,368
Milk Powder	31,833,000.00	55,451,250
	<u>146,442,599.61</u>	<u>161,383,623</u>

Packing Materials

Polythene Bags	2,890,755.00	4,081,248
Multy Layer Film Reel	1,029,346.95	3,237,161
Kraft Paper Bags	934,950.00	385,037
Twine	211,711.32	-
	<u>5,066,763.27</u>	<u>7,703,445</u>

Other

Diesel	2,248,175.00	1,586,975
Engineering Stores	10,085,039.15	10,371,512
	<u>12,333,214.15</u>	<u>11,958,487</u>

Work In Progress

Raw Materials

Maize	5,259,870.00	4,402,760
Soya	1,533,410.00	3,023,085
Mineral	186,127.50	48,951
Milk Powder	627,750.00	465,000
Vitamin	96,479.25	51,893

Packing Materials

Polythene Bags	171,085.50	179,387
Multy Layer Film Reel	263,231.32	792,895
Kraft Paper Bags	72,302.80	61,455
Twine	5,227.44	-
	<u>8,215,483.81</u>	<u>9,025,426</u>

Finished Goods

Mother	11,936,657.70	13,206,554
Children	22,113,360.06	24,995,583
	<u>34,050,017.76</u>	<u>38,202,137</u>

Total

<u>206,108,078.60</u>	<u>228,273,118</u>
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SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

	31/12/2016	31/12/2015
	Rs. Cts.	Rs.
14 TRADE AND OTHER RECEIVABLES		
Debtors	50,945,138.11	1,627,719
Housing Loan - Asset	10,848,129.62	17,877,066
Housing Loan - Distres	9,403,574.67	10,972,102
Picnic Advance	147,500.00	233,000
Sundry Deposits & Prepayments	3,087,658.20	102,748,743
Deposits	101,000.00	101,000
Refundable Deposit	987,500.00	987,500
	75,520,500.60	134,547,131
15 CASH AND CASH EQUIVALENTS		
BOC-Ja Ela-71324617	12,310,647.40	53,922,992
	12,310,647.40	53,922,992
16 STATED CAPITAL		
As a consequence of decision made by Cabinet of Ministers, Management of the Thriposha Program has been vested on fully own Government Limited Liability Company incorporated under the companies Act No.07 of 2007. Accordingly Sri Lanka Thriposha Limited was incorporated on 17th September 2010 with the Stated Capital of Rs.304,600,000/= (Three hundred four Million and six hundred thousand rupees)		
17 CAPITAL RESERVES		
Balance as at beginning of the year	307,575,083.51	136,873,127
Capital grant from Ministry of Health	102,406,369.70	39,251,932
Capital Grant Advance from MOH	-	158,265,266
Fixed Asset Disposal Loss	-	(470,000)
Less :- Depreciation charge for the year	(29,560,267.97)	(26,345,242)
Balance as at end of the year	380,421,185.24	307,575,084
18 REVALUATION RESERVES		
Balance as at beginning of the year	307,170,027.56	307,170,028
Revaluation during the year	-	-
Balance as at end of the year	307,170,027.56	307,170,028
19 RETIREMENT BENEFIT OBLIGATION		
Balance as at beginning of the year	29,593,685.00	28,130,680
Less: Payments during the year	(576,705.00)	(977,538)
Provision for the year - 2016	8,841,795.50	2,440,543
Balance as at end of the year	37,858,775.50	29,593,685

Discounted Rate	12%	12%
Future Salary Increment Rate	10%	10%
Staff Ture Over	2%	2%
Retirement Age	55 Year	55 Year

SRI LANKA THRIPOSHA LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2016

	31/12/2016	31/12/2015
	Rs. Cts.	Rs.
20 MEDICAL FUND		
Balance as at beginning of the year	241,489.96	141,164
Contributions During the year	193,600.00	173,968
Payment During the year	(196,411.06)	(73,642)
Balance as at end of the year	<u>238,678.90</u>	<u>241,490</u>

21 TRADE AND OTHER PAYABLES

Creditors	20,573,379.34	37,381,448
Festival Advance	36,250.00	-
Refundable Deposit	179,337.50	179,338
Auditors Remuneration payable	109,807.50	209,633
	<u>20,898,774.34</u>	<u>37,770,418</u>

22 PRIOR ADJUSTMENT

Adjustments relating to the payable accounts	-	36,870
Adjustments relating to the expenses accounts	23,575.77	-
Loss on disposal of machinery in 2014	-	(470,000)
	<u>23,575.77</u>	<u>(433,130)</u>

23 DEPRECIATION RELATED TO CAPITAL GRANTS

Depreciation in respect of the fixed assets granted by the Ministry of Health have been charged to the relevant Capital Grant account while setting off same against the total depreciation charge for the year.

24 COMMITMENT AND CONTINGENCIES

There are no significant commitment or contingencies as at the reporting date.

25 RELATED PARTED DISCLOSURES

Transaction with key management personnel

The key management personnel of the company are the members of its Board of Directors.



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்

AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

HSM/F/SLTC/06/16/12

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

18 August 2017

The Chairman,
Sri Lanka Thriposha Limited.

Report of the Auditor General on the Sri Lanka Thriposha Limited for the year ended 31 December 2016.

The audit of financial statements of the Sri Lanka Thriposha Limited for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the Production Account, statement of income and expenditure, 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. My comments and observations on the performance of the Company in the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Establishment of the Company

The Thriposha Project which was under the Ceylon Tobacco Company since year 1987 had been registered as Sri Lanka Thriposha Limited with full equity capital to the Government under the Companies Act, No. 07 of 2007 on 14 September 2010 in terms of the Cabinet Decision No.10/1236/415/039 dated 23 June 2010.

1.3 Management's Responsibility for Financial Statements

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



1.4 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000– 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.5 Basis for Qualified Opinion

My opinion is qualified based on the the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Thripasha Limited as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Accounting Standard 02

Even though stocks should be computed at the cost or net realizable value, whichever is less, the finished stocks of Thriposha had been computed at the average cost. Further, the value of unfinished closing stock should be computed inclusive of the direct raw material cost, direct labour cost and direct fixed overhead cost. Nevertheless, the value of unfinished stock had been computed as Rs.8,215,484 by including only the direct raw material cost and as such, production cost of the year had been overstated by that amount.

(b) Sri Lanka Accounting Standard 19

The gratuity pension benefit paid by the Company should be computed at present value in terms of Projected Unit Credit Method upon the instructions of an Actuarial Valuator. Nevertheless, the Company had computed the gratuity pension benefit contrary to that requirement and it had been stated as Rs.37,858,775 as at 31 December 2016. Further, the accounting policy as well had not been disclosed.

(c) Sri Lanka Accounting Standard 20

A Government Grant for an asset should be stated in the statement of financial position as deferred income under the long term liabilities or it should be deducted and showed in stating the carrying amount of the acquired asset. Instead of adjusting the relevant depreciations of the assets purchased under the grants, the value of which could not be determined and received by the Company in the previous years and the grants of Rs.106,019,410 received during the year under review for the acquisition of assets to the income and expenditure account and amortizing as deferred income, it had been deducted

from the capital grants. Further, the disclosures made on the grants had not been clearly stated in the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) In terms of Sub-section 6 of the Articles of Association of the Company, the total share capital of the Company should be borne by the Secretary to the General Treasury on behalf of the Government and according to Sub-section 7 thereof, it had been stated that share capital of the Company should be Rs.304.6 million, whereas such capital equity had not been disclosed in the financial statements.
- (b) As 1,509 kilograms of Soya bean purchased during the year under review had been damaged, it had been written off from the stock books. Nevertheless, action had not been taken to assess the value of destroyed stock and eliminate it from the accounts.

2.2.3 Unexplained Differences

There were 15 instances where, the names and values of the vote ledger and the summary of vote ledger maintained relating to the transactions carried out with the Ministry of Health, Nutrition and Indigenous Medicine and the names and values of the ledger accounts maintained relating to the financial statements had not been tallied each other. Out of that, the value of ledger account had not been stated in 8 instances and the value of the ledger accounts had been Rs.2,483,465 relating to 7 instances.

2.2.4 Lack of Evidence for Audit

The following observations are made.

- (a) As the Auditor General had not been invited for the process of computation of remaining stock of raw materials, finished and unfinished stocks as at 31 December 2016, the representatives of the Auditor General had not participated in that process. Accordingly, as the scope of the audit had been

limited, it was not possible to express an opinion on the stock costing Rs.206,668,618 remained as at that dated.

- (b) As reported to the audit, three officers of the Company had been participated in foreign tours and a sum of Rs.1,224,119 had been spent thereon. Nevertheless, the files relating to those foreign tours had not been furnished to audit and as such, it was not possible to express an opinion whether the said tours were in compliance with the laws, rules and regulations and that the objectives of the tours had been achieved.
- (c) Without preparing ledger vouchers, journal accounts had been adjusted by making ledger entries and the subsidiary documents relating to those adjustments amounting to Rs.1,193,313,232 had not been made available to audit.

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

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

Reference to Laws, Rules and Regulations	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 110	A Register of Losses and Damages had not been maintained.
(ii) Financial Regulation 139 (6)	In terms of Financial Regulations, it should be established that the name of the payee appeared in the cheque is tallied with the particulars indicated in the surface of the voucher before making payments.

Nevertheless, instead of the name indicated in the payment vouchers relating to 02 cheques issued for the payment totalling Rs 30,000 during the year under review, another names had been indicated in the counterfoils of the cheques and the cash book.

(iii) Financial Regulation 751

Although all the goods received should be entered in the inventories promptly, inventories had not been maintained therefor.

(iv) Financial Regulation 756 and 757

Although a Board of Survey should be conducted in respect of each year, a Board of Survey had not been conducted for the year under review.

(v) Financial Regulation 880 and 881

The Heads of the Company should ensure that the subordinate officers who should furnish security had furnish the relevant security within the due period. Nevertheless, securities had not been obtained from 06 officers who should furnish security in terms of the Public Officers (Security) Ordinance.

(vi) Financial Regulation 1647

Although there were 07 motor vehicles costing Rs.22,208,750 belonging to the Company, a register of listing vehicles had not been maintained.

(b) Public Enterprises Circular No.PED/12 dated 02 June 2003.

(i) Paragraph 3.8

Follow-up action had not been taken to inform the relevant officers in order to implement the decisions of the Board of Directors.

(ii) Paragraph 4.3

Although the minutes of the Board of Directors meetings should be presented to the Secretary to the Line Ministry within 10 days after confirmation of the date of next meeting, no written evidence was furnished to the effect that the action had been accordingly.

(iii) Paragraph 9.2 (d)

The Organization Chart of the Company had not been registered with the Public Enterprises Department.

(d) Public Enterprises Circular No.PED 1/2015 dated 25 May 2015. Instead of issuing fuel allowances equal to 170 liters of fuel in terms of the provisions of the Circular, 3,277 liters of fuel valued at Rs.419,447 had been issued to an official vehicle from November 2015 to March 2017 exceeding the approved limit.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operations of the Company for the year under review had resulted in an income over expenditure of Rs.46,483,631 as against the expenditure over income of Rs.41,489,464 for the preceding year, thus indicating an improvement in income over expenditure of Rs.87,973,095 in the financial result as compared with the preceding year. The increase in the contribution by Rs.93,210,899 after deducting the cost of production from the receipts for the reimbursement of the expenditure for the year under review as compared with the preceding year had mainly attributed to the above improvement of the financial result.

4. Operating Review

4.1 Performance

According to the Articles of Association of the Company, provision of facilities for the production, distribution and promotion of Thiposha which is an additional nutrition used in Sri Lanka for the minimization of maternal and child malnutrition, encouragement of local farmers engaged in the supply of raw materials required for the production of Thriposha towards the paths of increasing their income, production and marketing of other nutrition in conformity with the Government policy, assessment of the annual domestic requirement of Thriposha and taking appropriate measures for the supply of that requirement were the main objectives of the Company.

Due to the reasons such as closing down the factory for a period of month for the installation of newly purchased plants and machineries, failure in filling employees vacancies required for operating machines and failure in obtaining new packaging machines in time, production process had been carried in lesser quantities within a period of two months and as such, it had not been possible to achieve a production target of 379,430 Master Bags similar to 47 per cent as compared with the production plan for the year under review.

4.2 Management Activities

The following observations are made.

- (a) Even though a Code of Administrative Rules had been prepared for the administration activities of the Company, it had not been implemented by obtaining the approval thereon from the Department of Public Enterprises and the Department of Management Services even by the date of this report .
- (b) Although the duty lists had been prepared and filed in respect of the officers of the Administration Division of the Company, those duty lists had not been handed over to those officers in writing. Further, duty lists had been handed over to the officers of the Accounts Division, whereas the duty lists had not been revised so as to include the duties perform by them.

- (c) Since there was no lawful deed for the land in which the Company was situated, it had been decided to prepare a Deed of Covenant. Nevertheless, it had not been possible to prepare that deed even by the date of this report.
- (d) Security measures should be taken in order to prevent the damages caused by the creatures in the raw material stores maintained for Soya beans and maize. Nevertheless, it was observed at the physical verification that some of the ventilators on the upper part of the stores remained open while a part of the net that covered the door of the stores also remained open and even the doves could be found in the stores.
- (e) Ninety eight kilograms of Soya beans and 857 kilograms of maize, the actual value of which had not been identified and the gross value thereof amounted to Rs.62,470 and destroyed due to rats biting and the fumigation had been stored together with the Soya beans and maize suitable for the production by 15 March 2017. Action had not been taken to destroy the damaged stock, eliminate it from the books and write off the value thereof from the accounts by obtain the approval of the Board of Directors. Further, action had not been taken to conduct a formal inquiry on the officers who should be responsible for the relevant loss and the non-maintenance of the stores in accordance with the prescribed standards.
- (f) In terms of Section 05 of the Payment of Gratuity Act, No.12 of 1983, the gratuity entitled to the officers who terminated the services should be paid within 30 days from their termination of the service. Nevertheless, two officers who had retired on 15 July 2016 and 21 November 2016 had not been paid their pension gratuity even by the date of this report.

4.3 Transactions of Contentious Nature

Although cheques valued at Rs.50,000 had been issued to a private institution in respect of purchasing items proposed to be presented as the prizes for the competitions of a new year festival organized in the Beruwala electorate, no evidence had been furnished to audit in support of the conduct of a new year festival. Further, it was observed according to the audit test check that the institution to which the

cheques were issued not an institution engaged in the sale of such items and the name of the payee appeared in the payment voucher and the counterfoil of the cheques and the bank confirmation of the cash book had varied each other.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) An area of 900 square feet of the upper floor of the stores of the Thriposha Limited had not been utilized and there were usable 13 packing tables, 04 chairs and 13 desks valued at Rs.25,480 which had not been utilized.
- (b) Although 203 items of assets, the book value thereof was Rs.2,192,286 could not be utilized from several years, necessary steps had not been taken to dispose of them properly and eliminate them from the books. Further, a motor vehicle granted to the Ministry of Health by the World Health Organization had been given to the Company in the year 2011. As it had not been registered with the Department of the Commissioner of Motor Traffic, it had been parked in a garage since it could not be used for running.

4.5 Procurement and Contract Process.

The following observations are made.

- (a) In terms of Guideline 2.14.1 of the Government Procurement Guidelines and the provisions specified in the amended supplementary 28, procurements exceeding Rs.200 million should be carried out by a Procurement Committee appointed by the Cabinet of Ministers. Nevertheless, having segregated the maize requirement of the year under review amounting to Rs.757,170,000 into several instances, procurement had been carried out by the Procurement Committee of the Department.
- (b) Although the procurement activities relating to the supply of minerals for the year under review had been commenced on 18 May 2016 and spent 09 months since then, it had been failed to complete those activities. As such, 82 metric

tons of minerals, which had been an urgent requirement for the production, had to be purchased from the supplier selected for the supply of the mineral requirement of the preceding year. As the procurement activities for the year under review had not been properly completed and not selected the supplier, purchasing had to be made from the former supplier at higher rates and as a result, Company had sustained a loss of Rs.13,612, 000.

- (c) As the procurement activities relating to the supply of vitamins requirement for the year under review had not been properly completed and not purchased the annual requirement of 22,000 kilograms at Rs.2,384 per one kilogram from the supplier who had quoted the minimum price, purchasing had to be made at Rs.2,397 per one kilogram and it had resulted in sustaining a loss of Rs.286,000.
- (d) The procurement activities relating to the supply of printed polythene rolls requirement for the year under review had been commenced on 16 May 2016 and the supplier who had quoted the minimum price of Rs.410 for one kilogram of printed polythene had been turned down due to the breach of a procurement condition. Accordingly, the Technical Evaluation Committee had recommended purchasing the polythene at the first minimum price from the supplier who had quoted the second minimum price. Nevertheless, regardless of the recommendations of the Technical Evaluation Committee, second procurement activities had been newly commenced and a sum of Rs.56,055 had been spent on newspaper advertisements. Due to the slowness of the procurement process, 25,000 kilograms of polythene rolls had been purchased at Rs.418 per kilogram in 2 instances for urgent requirement from the supplier selected in the preceding year and it had resulted in a loss of Rs.200,000 to the Company.
- (e) In terms of provisions specified in Guideline 7.11.1 of the Government Procurement Guidelines, a comparative reports showing the conformity of the bidder for the main provisions of the technical specifications should be submitted. Nevertheless, without preparing such report in the procurements of

purchasing two kinds of raw materials and two packing materials totalling Rs.224,562,000, technical evaluation had been carried out.

- (f) In terms of Guideline 2.8.1 (b) of the Government Procurement Guidelines, the Technical Evaluation Committee should consist of a specialist of the subject and at least one member who is sufficiently knowledgeable on the Procurement Procedure. Nevertheless, the Technical Evaluation Committee appointed for the purchase of vitamins and minerals costing Rs.98,006,000 had not consist of such composition.

4.6 Staff Administration

The following observations are made.

- (a) For the post of Accounting Officer which is a post included in the approved cadre, an officer had been recruited in the year 2015 without being approved a scheme of recruitment.
- (b) For the post of Coordinating Officer, which is not a post included in the approved cadre of the Company, 06 officers of the Ministerial Staff of the Ministry of Health Nutrition and Indigenous Medicine had been recruited by the Company on contract basis during the period from October 2015 to February 2017. Further, those 06 officers had not reported for the service of the Company and sums totalling Rs.2, 553,000 had been paid as salary by 28 February 2017.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though two Directors should ensure that financial statements had been completed and certified within 06 months after the balance sheet date of the Company in terms of Section 150 (I) (c) of the Companies Act, No.07 of 2007, those provisions had not been followed in connection with the financial statements relating to the year ended 31 December 2015. Further, the financial statements and the draft Annual Report should be furnished to the Auditor General within 60 days from the close of

the year of account in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Nevertheless, the financial statements and the draft Annual Report of the preceding year and the draft Annual Report of the year under review had not been furnished even up to the date of this report.

5.2 Corporate Plan

Although a Procurement Plan for the period of 5 years from the year 2016 to the year 2020 had been prepared and approval of the Board of Directors had been obtained thereon, a copy of the Corporate Plan updated 15 days before the commencement of the financial year in terms of Section 5.1.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 had not been submitted to the relevant institution according to the Circular.

5.3 Action Plan

The objectives and targets due to be achieved within the period planned for each activity, responsibility of the management and the physical targets had not been clearly and directly stated in the Action Plan prepared for the year under review and only the financial targets had been stated therein. Further, the manner in which the arrangements were made for the recruitment of the staff had not been recognized as an activity and instead of detailed information, a classification of capital expenditure only had been included in the Strategic Plan relating to the period.

5.4 Internal Audit

Action had not been taken to recruit an adequate internal audit staff to carry out a qualitative and quantitative financial and performance audit of the Company and the appointed Internal Auditor had engaged in the correction of accounts while carrying out audit activities. Only the financial audit in the year under review had been carried out by that officer.

5.5 Audit Committees

The Audit Committee Meeting required to be held for the first and second quarters of the year 2017 according to the Guideline 7.4.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 had not been held even by 19 July 2017.

5.6 Procurement Plan

The Master Procurement Plan and the Procurement Time Schedule for the year under review had not been prepared as required by Guideline 4.2.1 of the Government Procurement Guidelines and the Guideline 4.2.1 of the Procurement Manual.

5.7 Tabling Annual Reports

Even though the Annual Report for the year 2015 should be tabled in Parliament within 150 days from the close of the financial year in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, it had not been tabled in Parliament even by the date of this report.

6. Systems and Controls

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

Area of Systems and Control	Observations
(a) Fixed Assets Control	Failure to take action to dispose of the unusable assets and eliminate them from the books.
(b) Procurement and Contract Process	Making purchases without being complied with the Government Procurement Guidelines.
(c) Staff Administration	To take action to fill vacancies without preparing scheme of recruitments and obtaining approval therefor and making recruitments to the posts not included in the approved cadre.

H.M. Gamini Wijesinghe

Auditor General

Sgd./ H.M. GAMINI WIJESINGHE