

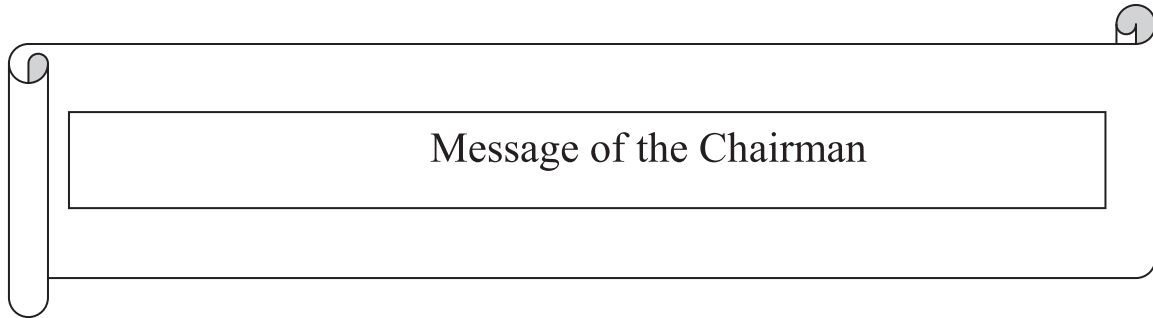
**Ministry of Indigenous Medicine**

**Sri Lanka Ayurvedic  
Drugs Corporation**

Annual Report - 2013

# Annual Report - 2013

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## **Message of the Chairman,**

It is with much pleasure that I convey this message on the progress of the Sri Lanka Ayurvedic Drugs Corporation in year 2013.

In 2007 His Excellency, the President has appointed me as the Chairman of the Sri Lanka Ayurvedic Drugs Corporation which claims a history 44 long years. From then onwards I, together with my staff strived hard day and night to uplift the Sri Lanka Ayurvedic Drugs Corporation which ran hitherto at a loss, to a profitable organization.

As a result, we succeeded in joining the category of profit making corporations from year 2008 onwards. Following the Mahinda Chinthana forward vision for promoting indigenous practice of medicine, our entity has performed an immense role in healing the ailments of patients living in the poorest hut to the wealthiest mansion.

In carrying out this task, we had to encounter many difficulties. Procuring required quantity of raw material and finding sufficient storage space for material and finished goods are the foremost.

As a solution, under the guidance of Minister of Indigenous Medicine Hon. Salinda Dissanayake, arrangements were made to purchase raw material produced by native community by coordinating all their villages.

Furthermore, to solve the storage problem, steps were taken to speed up the construction of four storied building complex which was already under construction. Fund allocations from General Treasury were obtained to purchase machinery for increase in production capacity.

End of 30 year war has brought a gradual increase in demand for our products in North - Eastern regions. Therefore, the attention of Board of Directors including myself has been drawn to the necessity of increasing the production under the present capacity, to ensure a continuous supply to meet the market demand. Initial stage of this move has already been completed and the machinery and equipment required will be imported next year. Amidst many such difficulties we are fortunate to be able to proceed ahead as a profitable Corporation while promoting the worker welfare and satisfaction.



D.D.Somaweera Chandrasiri

Chairman,  
Sri Lanka.Ayurvedic Drugs Corporation

## **Report of the Board of Directors of Sri Lanka Ayurvedic Drugs Corporation - Year 2013**

On behalf of the Board of Directors, I am privileged to present the Hon. Minister of Indigenous Medicine the report of the Board of Directors pertaining the activities of the Sri Lanka Ayurvedic Drugs Corporation for the year ended 31.12.2013, in terms of Section 142 of the Finance Act No.38 of 1971.

### **(01) Introduction**

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

### **(02) Vision**

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

### **(03) Mission**

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

### **(04) Main Objectives**

1. Production of varieties of Ayurvedic Drugs, pharmaceuticals and Ayurvedic medicinal preparations of a high standard.
2. Being the leading supplier in competitive Ayurvedic Medicines while satisfying medicinal requirements of state sector, Provincial Councils and Local Authorities.



3. Importing Ayurvedic Siddha and Unani raw material and drugs essential in production and selling them for the requirements of the local market.
4. Buying raw types of Ayurvedic medicine locally produced and are required for manufacturing Ayurvedic Medicines under an updated system of price, storing them and selling at a fair price and thereby enabling their cultivators be safeguarded with an optimum price.
5. Implementation of programs required for conservation of herbal plants necessary for production of medicines and expansion of their cultivation.
6. Conducting research on academic and pharmaceutical material on Ayurvedic medicine and standardization of such material with a view to promoting quality of medicinal production.
7. Conducting Ayurvedic pharmacies and producing raw material required for production of drugs.
8. To preserve the traditional system of medicine by acquiring prohibited and dangerous drugs essential for the manufacture of Ayurvedic drugs to make them available in a legitimate process to the Ayurvedic Physicians engaged in the manufacture of Ayurvedic Drugs.

## **(05) Business Locations**

**5.1 Head Office manufactory** is situated at No. 94, Nawinna Road, Maharagama.

### **5.2 Sales Outlets**

Wijerama (with Medical Clinic)	: No. 22, Sri Soratha Mawatha, Gangodawila, Nugegoda.
Kandy (with Medical Clinic)	: No. 70, Yatinuwara Street, Kandy
Diyatalawa	: Sanani Mandiraya, Diyatalawa.
Anuradhapura (with Medical Clinic)	: No. 561/86, Public Fair Road, New Bus Stand, Anuradhapura.
Badulla	: No. 35/36, Central Bus Stand, Badulla.
Pettah	: Colombo Fort Railway Station, Pettah.
Nawinna	: No. 94, Old Kottawa Road, Nawinna, Maharagama.
Ratnapura	: No. 32, Bus Stand, Ratnapura
Tangalle	: No. 18, New Market Complex, Yaya Watta, Godigamuwa, Netolpitiya.
Battaramulla	: Department of Examinations, Pelawatta, Battaramulla.
Jaffna	: Public Market Complex, Jaffna.
Galle	: No. 38, Olcott Mawatha, Galle.
Sethsiripaya	: Sethsiripaya, Battaramulla.
Moneragala	: No. 267, Wellawaya Road, Moneragala.

**(06) Board of Directors**

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

**(07) Executive Officers**

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

**Internal Audit Section**

1. Internal Auditor	-	Mr. U.Jayaratne
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**(08) Staff Composition**

Staff Composition In Year 2013

Designation	Office	Production	Wijerama	Navinna	Kandy	Diyatalawa	Badulla	Anuradhapura	Fort	Battaramulla	Tangalle	Ratnapura	Monaragala	Galle	Sethsiripaya	Exam (Isurupaya)	Jaffna	Nikaweratiya	National Crafts Council	Total
Senior Managers	1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			1
Managers	4	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			5
Juinior Managers	6	8																		14
Management Assistants' Service Technical Officers	1	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			6
Management Assistants' Service Non Technical Officers	29	24	1	1	1	1	1	1		-	1	1	1	-	-	1	1		1	65
Primary segment semi skilled officers	-	2		-	-	-	-	-	-	-	-	-	-	-	-	-	-			2
Primary segment skilled officers		10																		10
Primary segment non skilled officers	21	107	2	2	1	1	1	2		-	1	1		2	2		1	1	1	146
officers recruited on contract basis	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			1
Casual Labourer/Temporary Labourer	-	15	-	-	-	-	-	-	-	-	-	-	1	-	-	1	-		1	18
Casual Trained Labourer (Other)	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			8
<b>Total</b>	<b>63</b>	<b>180</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>276</b>

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

**Employee Motivation**

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

**Employee Welfare**

Uniforms are provided for all Employees directly engaged in the production process and the Corporation has hosted a three day annual trip organized for all employees and their family members. Transport and other necessary facilities are provided to attend employee related funerals.

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

	Medicinal Name	Unit	Year 2013	Year 2012	Year 2011	Year 2010	Year 2009
1	Arishta/Wine	750 ml	130,959.50	145,552.00	140,351.00	144,356.00	154,406.00
2	Asava	750 ml	142,933.00	112,948.00	124,483.00	134,150.00	136,063.00
3	Decoctions	750 ml	60,393.34	45,945.00	65,506.00	66,606.00	50,034.00
4	Syrup	750 ml	17,768.63	20,140.00	21,812.00	27,861.00	19,736.00
5	Ointments	750 ml	163,483.92	139,847.00	147,702.00	135,248.00	132,051.00
6	Powders	kg.	29,224.90	45,945.00	26,092.00	30,318.00	32,038.00
7	Paste/Leha/ointment	kg.	22,173.40	19,945.00	18,360.00	22,311.00	17,316.00
8	Flavours	kg.	3,121.50	1,417.00	1,618.00	1,702.00	1,287.00
9	Vatika/Gugul	kg.	15,233.20	9,651.00	14,422.00	10,212.00	10,969.00
10	<b>New Productions 01</b>						
	(1) Ranahansa tonic	kg.	138.88	412.00	202.00	160.00	259.00
	(2) Thripala tablets	kg.	709.56	500.00	1,057.00	506.00	655.00
	(3) Medaharani tablets	kg.	457.20	191.00	256.00	159.00	92.00
	(4) Madhuru fragrance	kg.					
	(5) Supeshi	kg.	10.96	27.00	57.00	29.00	1,935.00
	(6) Madhumeha harani tablets	kg.				3.00	
11	<b>New Productions</b>						
	(1) Thambun hodi	05g.	151,893.00	103,680.00	95,000.00	83,600.00	127,108.00
	Thambun hodi	250g.		1.00			
	(2) Peyawa	05g.	245,785.00	147,313.00	194,000.00	178,600.00	179,799.00
	Peyawa	250g.		1.00			
	(3) Paspanguwa	50g.	44,671.00	67,924.00	44,560.00	10,880.00	61,660.00
	(4) Aloe Vera Shampoo	95ml	723.20	8,626.00	6,263.00	5,294.00	4,004.00
	(5) Iramusu powder	kg.		338.00	33.00	-	-
	(6) Tender woodapple ( beli) powder	kg.		560.00	-	-	-
	<b>Other Types of Production</b>						
	(1) ANTI DIABETIC HERBLE TEA 25 BAGS	box		32.00	-	-	-
	(2) HERBLE CURRY SOUP 5g (EEPORT)	5g		500.00	-	-	-
	(3) MIXE HERBLE TEA 1.5g /06 BAGS (EXPORT)	Nos		4,320.00	-	-	-
	(4) SPICY HERBLE TEA 5g (EXPORT)	5g		500.00	-	-	-
	(5) PANTA KASAYA 60g	kg.		141.00	-	-	-

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

(In Rs. Millions)

	year 2013	year 2012	year 2011	year 2010	year 2009	year 2008
State Sector	336.49	315.98	294.76	263.9	250.71	219.3
<u>Sales Centre</u>						
Wijerama Wedagedera	10.59	6.54	6.36	6.52	6.1	6.80
Mobile Sales	0.33	0.12	0.27		0.32	0.94
Sales Centre - Kandy	6.22	6.53	5.37	4.86	4.93	4.79
Sales Centre- Diyatalawa	3.05	3.33	1.94	3.44	2.42	3.21
Sales Centre - Anuradhapura	2.00	1.85	0.98	1.15	1.42	1.46
Sales Centre - Badulla	2.94	2.65	1.77	1.63	1.49	1.57
Sales Centre -Pettah	2.22	4.15	3.66	2.89	2.39	2.36
SalesCentre -Nawinna	12.86	9.78	9.28	8.14	7.81	6.70
Store no. 008	19.86	23.54	20.38	16.48	13.66	10.11
Sales Centre - Ratnapura	12.46	9.39	4.74	3.11	1.88	1.83
SalesCentre - Tangalle	2.09	1.25	2.17	1.10	1.07	0.10
Sales Centre- Department of Examinations	0.98	1.02	1.01	0.75	0.60	0.63
Sales Centre - Jaffna	4.53	2.89	2.07	1.01	0.31	
Sales Centre - Galle	5.58	4.65	3.68	1.04		
Sales Centre- Sethsiripaya	1.67	1.20	0.21			
Janakala Kendraya	0.31	0.60	0.03			
Sales Centre - Monaragala	1.27	0.74				
<b>Grand Total</b>	<b>425.45</b>	<b>396.21</b>	<b>358.68</b>	<b>316.02</b>	<b>295.11</b>	<b>259.80</b>

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Sales</b>	100.00	100.00	100.00	100.00	100.00	100.00
<b>Less :- Cost of Sales</b>	62.46	61.81	56.13	72.30	71.69	57.85
Gross Profit	37.54	38.19	43.87	27.70	28.31	42.15
Add - Other Income	2.08	4.68	4.28	1.79	1.84	1.22
	39.62	42.87	48.15	29.49	30.15	43.37
<b>Less :-</b>						
Establishment and Administrative Expenses	18.29	19.56	21.81	19.95	20.14	18.37
Sales and Distribution Expenses	11.65	9.03	8.60	6.77	5.78	5.86
Financial Expenses	0.64	0.01	0.10	1.28	0.26	0.34
Other Expenses	-	0.62	-	-	-	-
<b>Total Expenses</b>	30.58	29.22	30.51	28.00	26.18	24.57
<b>Operational profit/(loss)</b>	9.04	13.65	17.64	1.49	3.97	18.80
Add - Interests Income and non-Operational Income	1.31	3.75	0.55	0.43	0.01	0.79
Profit Before Tax	10.35	17.40	18.19	1.92	3.98	19.59
<b>Less</b>						
Nikaweratiya Herbal Garden (Loss)	0.43	0.45	0.37	0.02	-	-
<b>Less</b>						
Provisions for Tax	2.65	4.74	5.16	0.38	0.80	3.92
<b>Net Profit</b>	<b>7.27</b>	<b>12.21</b>	<b>12.66</b>	<b>1.52</b>	<b>3.18</b>	<b>15.67</b>



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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Sales	425.45	396.22	358.68	316.02	295.12	259.81
Less:- Cost of Sales	265.72	244.90	201.33	228.48	211.58	150.31
Gross Profit	159.73	151.32	157.35	87.54	83.54	109.50
Add - Other Income	8.848	18.55	15.34	5.64	5.43	3.18
Total income	168.58	169.87	172.69	93.18	88.97	112.68
<b>Less :-</b>						
Establishment and Administrative Expenses	77.82	77.55	78.23	63.04	59.43	47.71
Selling and Distribution Expenses	49.558	35.80	30.86	21.39	17.07	15.23
Financial Expenses	2.70	0.07	0.37	4.03	0.76	0.87
Other Expenses	-	2.49	-	-	-	-
<b>Total Expenditure</b>	130.08	115.91	109.46	88.46	77.26	63.81
<b>Operational Gain</b>	38.49	53.96	63.23	4.72	11.71	48.87
Add - Interest Income	-	1.45	0.83	0.57	0.02	2.05
Non Operational Income	5.59	13.44	1.15	0.72	11.73	50.92
Nikaweratiya Herbal Garden(Loss)	(1.83)	-1.79	-1.33	0.00	0.00	0.00
Provision for Taxation	-11.28	-18.78	-18.52	1.20	2.34	10.18
<b>Net Gain/(loss)</b>	<b>30.98</b>	<b>48.30</b>	<b>45.36</b>	<b>4.81</b>	<b>9.38</b>	<b>40.74</b>

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

Most of raw materials required for manufacture of drugs have been procured from forests until now. Since forest conservation regulations are strictly enforced at present, a difficulty has arisen in obtaining herbs from forests. This has a direct impact on production of medicine for some period of time. A herbal farm in extent of 50 acres (Herbal Farm in Randenigama, Nikaweratiya) which operated under the Ministry of Indigenous Medicine has been provided for the use of Corporation to overcome this difficulty and it is being developed at present for cultivation of herbs. In particular, preparations are under way to cultivate herbs such as prickly nightshade (Katuwel batu), ginger etc., which are difficult to be found locally. Raw materials and herbs received from this project have been utilized directly for manufacturing purposes in the Corporation from year 2011 to date and arrangements are already under way for expanding these herbal cultivations and procuring varieties of herbs in short supply.

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

As a result of increase in demand, a sound market has been created locally as well as internationally for products of the Corporation. Therefore, it is necessary to increase the volume of production. In order to solve the issue of insufficient storage facility for storage of raw materials and finished goods, construction of a four storied storage complex was planned with the approval of the Cabinet using Rs. 40m provided by the General Treasury. An agreement has been signed with the State Engineering Corporation and construction work initiated in 2012.

Further, since the present manufactory is older than 40 years, the necessity has arisen of a new manufactory in keeping with new technology. Drugs produced by the Corporation must be of a high standard to cater local as well as overseas demand and also to compete with the private sector. The basic requirement for construction of a new manufactory with modern technology, a land in extent of 02 acres, 03 roods and 10.3 perches was found from the same area where the present manufactory of the Corporation is situated. This land belonged to Cooperative Union of Sri Lanka Ltd. is situated close to Pathiragoda Road, Maharagama. After granting the approval of the Cabinet of Ministers to purchase, the General Treasury has provided Rs. 50 million out of purchase price of Rs. 112.5 million. The balance money was obtained as a loan from a state bank, securing the said property.

The construction of a new factory with modern technology will expand the production capacity and will cater the needs of local and international market with high quality products.

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

Sri Lanka Ayurvedic Drugs Corporation has held 13 Meetings of the Audit and Management Committee in year 2013 wherein the Audit Queries forwarded by the Auditor General and the Internal Audit Section are discussed and directions issued for necessary rectifications. In addition, Audit and Management Committee Meetings are held on quarterly basis presided by the Secretary to the Ministry of Indigenous Medicine whereat the progress in implementing decisions taken pursuant to Audit Queries is reviewed.

Particulars of the Board of Members of the Audit and Management Committee for year 2013 are as follows:

Mr. A.K.Seneviratn	-	Chairman
Mr. Ratnasiri Kottage	-	Member of the Committee
Dr. Sarath Buddadasa	-	Member of the Committee
Mr. J.W.K.Premarathna	-	Member of the Committee
Mrs. J.M.H.Perera	-	Member of the Committee
Mrs. M.G.C.Perera	-	For Audit Superintendent
Mr. U.Jayaratne	-	Convener/Secretary to the Committee

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

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

Thank you.

On behalf of the Board of Directors I wish to thank

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



(D.D.Somaweera Chandrasiri)

Chairman

Sri Lanka Ayurvedic Drugs Corporation



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



මගේ අංකය  
எனது இல. }  
My No. }

HM/C/ADC/1/13/27

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி }  
Date }

29 May 2015

The Chairman  
Sri Lanka Ayurvedic Drugs Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka Ayurvedic Drugs Corporation for the year ended 31 December 2013 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 2013 comprising the statement of financial position as at 31 December 2013 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29 of State Industrial Corporations Act, No.49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Corporation on 23 December 2014.

1:2 Management's Responsibility for the Financial Statements

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





1:3 Auditor's Responsibility  
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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 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

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

1:4 Basis for Qualified Opinion  
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My opinion is qualified based on the matters described in paragraph 2.2 of this report.



## 2. Financial Statements

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### 2:1 Qualified Opinion

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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 Ayurvedic Drugs Corporation as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## 2.2 Comments on Financial Statements

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### 2.2.1 Sri Lanka Accounting Standards

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The following observations are made.

#### (a) Sri Lanka Accounting Standard No.01

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Even though the assets which realize within a year should only be shown under the current assets in a Statement of Financial Position, the balance of the Danayojana Bank Account as at 31 December 2013 amounting to Rs.360,000 kept as security for the loan amounting to Rs. 60 million due to be settled within 180 months had been shown under the current assets in the Statement of Financial Position despite that money could not be encashed until that loan is settled.

#### (b) Sri Lanka Accounting Standard No.16

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(i) Property, Plant and Equipment, of which the net value amounted to zero as at the end of the year under review, costing Rs.78,743,936 had not been revalued and the present value thereof had not been shown in the financial statements.

(ii) If the carrying amount of the Property, Plant and Equipment is subject to instant variations, revaluation thereof should be carried out annually. Nevertheless, without revaluating the Gold stock during the year under review the Corporation had accounted for such stock according to the revaluation amount of the preceding year.



(iii) The depreciation of Property, Plant and Equipment should be initiated when they are rendered usable. Although the water purification system of the Corporation completed at a cost of Rs,18,588,229 in the year 2011 had been handed over in January 2013, that amount had been further shown in the Work- In -Progress Account and action had also not been taken to depreciate the assets.

(c) Sri Lanka Accounting Standard No.18  
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Recognition of income should be done after the receipt of such income is specifically confirmed. Nevertheless, a sum of Rs.750,797 accounted as receivable income in the year 2010 and not received up to 31 December 2013 had been shown under receivable income. Further, the source from which the income is receivable had not been confirmed to audit..

2.2.2 Accounting Policies  
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The following disclosures had not been made in the accounts.

(a) Even though the information which cannot be included in the face of the financial statements should be disclosed by the notes, the following items of antique value of which prices cannot be fixed and available in the stores during the year under review, had not been disclosed by the notes.

Item	Quantity
-----	_____
	Kg.
Pearl shells	86.35
Deer horns	52.01
Musk pills	23.00
<i>Deli pothu</i>	3.00





- (b) The additional information other than the information included in a Statement of Financial Position, Comprehensive Income Statement, Statement of Changes in equity and a Cash Flow Statement should be presented by notes. Nevertheless, the cost of the donations valued at Rs.1,648,937 granted to various individuals by the Corporation had been adjusted in the accounts, but it had not been disclosed by the notes.

### 2:2:3 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a) The stock valued at Rs.317,920 that existed as at the end of the year under review had not been included in the closing stock.
- (b) In accordance with the Sri Lanka Accounting Standard No.07, the increase in the accrued expenditure under the changes in working capital in the cash flow statement amounted to Rs.2,257,286, whereas it had been adjusted as Rs.259,852 in the cash flow statement.
- (c) Since the cost of Rs.1,775,095 incurred in the construction of Rajarata Factory had been entered as Rs.1,808,795 in the Work- in -Progress Account, a sum of Rs.33,700 had been overstated in the accounts.
- (d) Fixed deposits amounting to Rs.52,136 and the interest on the fixed deposit amounting to Rs. 40,962 had been understated in the accounts as at 31 December 2013.
- (e) A sum of Rs.33,972 deducted by the Bank from the interest of the fixed deposits belonging to the Corporation had not been posted to accounts.





(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 104

(i) Since a preliminary inquiry or final investigation had not been conducted on the two accidents caused to motor vehicles during the year under review, the extent of the damage, cause for the accident and the party responsible for the accident had not been ascertained.

(ii) Although the repair cost of one motor vehicle amounted to Rs.260,442, indemnity amounting to Rs. 127,253 only had been paid by the insurance fund.

(ii) Financial Regulation 110

The Corporation had not maintained a Register of Losses and Damages.

(iii) Financial Regulation 760

Action in terms of the Financial Regulations had not been taken on the loss or shortage of the stores.

(c) Public Enterprises Circular No.58(2) dated 15 September 2011

In accordance with the Circular the Chairman and the Managing Director are entitled only to a monthly allowance of Rs.60,000 and Rs.45,000 respectively. Nevertheless, they had been paid Rs.174,376 and Rs.148,062 in the year 2012 and Rs.200,505 and Rs.195,332 in the year 2013 as the Attendance Allowance, Productive Allowance, Production allowance and the bonus.

(d) Treasury Circular No.842 dated 19 December 1978

A Register of Fixed Assets had not been maintained in respect of fixed assets aggregating to Rs. 273,288,019.





- (e) Decision No.10834 of the Board of Directors. Even though the Leave Procedure prepared by the Corporation had been cancelled by the decision of the Board of Directors, officers had availed of leaves in accordance with such cancelled Procedure.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a surplus of Rs.42,255,668 as compared with the corresponding surplus of Rs.62,731,392 for the preceding year, thus indicating a deterioration of Rs.20,475,724 in the financial results for the year under review as compared with the preceding year. Decrease in the other income by Rs.14,471,071 and the net financial income by Rs.5,985,655 had been the main reasons for this deterioration.

3.2 Analytical Financial Review

As compared with the preceding year, the non-operational income had declined by Rs.14,471,071 and it represented 53.43 per cent.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) According to the production plan of the Corporation a cost amounting to Rs.381,911,646 was expected to be incurred for the production, whereas the actual cost incurred amounted to Rs. 282,328,813. Accordingly, it is observed from the following data that production activities suffered a drawback and strict attention should be focused on the achievement of the desired targets.



Item	Estimated Production	Actual Production	Variance	Percentage
	Units	Units		
Arishta (750 ml)	197,700	130,443	(67,257)	(34)
Asawa (750 ml)	128,400	143,450	15,050	12
Thaila (750ml)	185,516	163,331	(22,185)	(12)
Kwatha (750 ml)	148,747	64,719	(84,028)	(56)
Syrup (750 ml)	35,246	17,769	(17,477)	(50)
Aloe Vera Shampoo (95ml)	2,079	723	(1,356)	(65)
Choorna (kg)	37,476	29,321	(8,155)	(22)
Kalka/leha/lepa/modaka(kg)	34,145	24,431	(9,714)	(28)
New production (kg.)	15,853	5,400	(10,453)	(66)
Rasa/Chemical (kg.)	4,201	3,250	(951)	(23)
Watikagugul (kg.)	16,830	11,238	(5,592)	(33)

(b) Even though sales amounting to Rs.395, 488,000 to the public sector had been the target during the year under review, under the above circumstance the actual sales income amounted to Rs.336,196,557. Accordingly, as compared with the budgeted sales income with the actual sales income the actual sales income had dropped by Rs.59,291,443.

#### 4.2 Management Inefficiencies.

Despite the Corporation had invested a sum of Rs.65,307,819 in fixed deposits as at 31 December 2012, without being utilized that sum, a loan amounting to Rs.60 million had been obtained at 15 per cent interest rate for the purchase of a land.



### 4.3 Operating Inefficiencies

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The following observations are made.

(a) Purchase of Raw materials

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The following observations are made.

- (i) Subsequent to the receipt of the raw materials to the stores and prior to issue of the Goods Receiving Notes (GRN), the Security Division should examine this raw materials and thereafter those should be checked with the relevant invoice and the Purchase Order. Nevertheless, it was observed that the raw materials had been examined after the issue of the Goods Receiving Notes on many occasions.
- (ii) Raw materials should be received by the stores only after they are examined by the Drugs Committee, whereas it was observed that raw materials had been delivered to the stores before they were checked by the Drugs Committee on 26 occasions.
- (iii) Instances of receiving raw materials by the stores without being checked by the Drugs Committee were observed while supply of goods to the stores by the suppliers prior to the issue of Purchase Orders was also observed.
- (iv) Prior to the raw materials being utilized for the production process, recommendation of the Drugs Committee should be obtained about whether such raw materials are at an appropriate standard to be utilized for the drugs manufacturing process, whereas it was observed that raw materials had been utilized for the manufacturing process prior to the receipt of the recommendations of the Drugs Committee.





(b) Annual Boar of Survey  
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The following observations are made.

- (i) Although annual stock verifications are carried out, action had not been taken to take necessary steps on the excesses and shortages of stocks identified in each year. Instead of including the physical stock balance, the book balance had been entered in the financial statements.
  - (ii) A stock verification had not been carried out in the year 2013 and the excesses and shortages of stocks identified by the Board of Survey during the past 6 years amounted to Rs.7,978,555 and Rs.6,087,865 respectively.
- (c) Although donations amounting to Rs.1,641,437 had been granted during the year under review, approval of the Board of Director had not been received in this connection. Further, it had not been disclosed at the audit as to whom donations amounting to Rs.367,395 had been granted out of the donations thus granted.
- (d) Nikaweratiya Herbal Garden had sustained losses amounting to Rs.4,949,433 during the years 2011 to 2013 due to the heavy maintenance expenditure and limitation of the raw materials received from the Herbal Garden. Attention had not been paid to minimize its continuous losses and maintain it as a productive Herbal Garden .

4.4 Uneconomic Transactions  
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The following observations are made.

- (a) Out of the wine bottles and Kirala corks purchased in the year 2011 without ascertaining the requirement, 24,002 wine bottles valued at Rs.989,603 and 28,000 Kirala corks valued at Rs.623,000 remained in the stores as at 31 December 2013.



(b) Notwithstanding being rejected by the laboratory report and the Medical Committee Report, 4000 Kilograms of honey valued at Rs. 1,980,000 had been purchased from a private establishment in June 2012 and the vouchers pertaining to this purchase, receipts in support of the receipt of money and the files relating to the expenditure had not been made available to audit.

#### 4.5 Identified Losses.

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Even though 200 Kilograms of Abhraka Bhashma and Naga Bhashma could have been manufactured by the Corporation at a cost of Rs.5,930,284, those had been imported at a cost of Rs.7,137,130, thus incurring a loss amounting to Rs.1,206,846.

#### 4.6 Irregular Transactions

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Even though officers are not entitled to the medical leave during the first year of the appointment according to Section 8.2 of the Leave Procedure of the Corporation, contrary to that officers and employees of the Corporation who received their first appointment of the Corporation had been paid a sum of Rs.15,064,122 from the year 2009 to 2013 in respect of medical leave that had not been availed of during the first year of the appointment.

### 5. Accountability and Good Governance

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#### 5.1 Presentation of Financial Statements.

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In terms of the Treasury Circular No.01/2004 dated 24 February 2004, the annual financial statements of Statutory Boards should be furnished to the Auditor General within 60 days from the close of the accounting year. Nevertheless, the financial statements of the Corporation for the year 2013 had been made available only on 27 November 2014. Accordingly, the delay for the presentation of accounts had been 9 months.





## 5.2 Action Plan

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The following observations are made.

- (i) Variances between the number of Job Cards to be carried out and specified in the Action Plan and the actual number of Job Cards completed during the year were observed. Similarly, variances were observed among the units to be completed out of 33 Job Cards indicated in the Action Plan.
- (ii) Seventeen items included in the Action Plan had not been manufactured during the year and 8 items, which had not been included in the Action Plan, had been manufactured by the Corporation.
- (iii) Comparison of the Action Plan with the actual production revealed 31 instances where actual production had been less than 50 per cent.
- (iv) Comparison of the Action Plan with the actual production revealed 24 instances where the actual production ranged between 50 per cent to 75 per cent.
- (v) According to the summarized report on the production and the monthly production estimates report presented to audit the estimated production cost had been indicated as Rs.381,911,645. Accordingly, a variance of Rs.5,000,000 was observed between the revised production cost indicated in the Action Plan and the production cost specified in the information furnished to audit.



### 5.3 Unresolved Audit Paragraphs

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

(a) In terms of the Management Services Circular No.49 dated 24 December 2012 the bonus payable to an employee of the Public Corporation amounted to Rs.7,500. However, a sum of Rs.2,263,166 had been paid to the staff as bonus at the rate of Rs.10,000 without prior approval of the Cabinet of Ministers. As such overpayment of Rs.607,500 had been made deviating from the provisions of the circulars.

#### (b) Bank Account

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(i) Action had not been taken on unidentified cheques valued at Rs.224,168 older than 15 years that had not been credited to the Bank.

(ii) Action had not been taken to settle the unsettled and unidentified balances valued at Rs.337,010 brought forward over period exceeding 20 years.

(c) Without making payments in respect of goods valued at Rs.194,006 purchased from a private institution, a cheque had been issued in favour of a person on the written direction of the Managing Director of the Corporation and the cheque had been obtained by himself.

(d) In the production of Maduka cough syrup under the Job Card. No.01283115 the Corporation sustained a loss of Rs.233,400 due to the inefficiency of the employees.

(e) Due to the emission of an unpleasant odour from Dharanee syrup bottles manufactured under Job Card No.009967 and No.009979 the value of the drugs removed from the sales amounted to Rs.65,720.



- (f) The construction of the Rajarata Factory commenced in the year 2010 at a cost of Rs.1,775,095 had been abandoned halfway.
- (g) It was observed that a sum of Rs.3,000,000 had been paid by the voucher No.226/10/2012 dated 12 October 2012 to the Ministry of Indigenous Medicine for establishment of an office of the World Health Organization in New Delhi. Any documentary evidence on the progress thereon had not been furnished to audit.

#### 5. Systems and Controls

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

- (a) Stocks
- (b) Accounting
- (c) Motor Vehicles Control
- (d) Staff Administration
- (e) Purchase of Raw Materials
- (f) Drugs Manufacturing Process.

W.P.C.Wickramaratne  
Acting Auditor General

**SRI LANKA AYURVEDIC DRUGS CORPORATION  
NO 94, OLD KOTTAWA ROAD, NAWINNA, MAHARAGAMA**

**BASIS OF PREPARATION AND ACCOUNTING POLICIES - 2013**

**1. Statement of Compliance**

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

The Financial statements were authorised for issue by the Board of Directors on 14<sup>th</sup> November 2014.

**2. Basis of Measurement**

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

- (a) Defined benefit obligations are measured at its present value, based on the Projected Unit Credit method prescribed in LKAS 19.
- (b) Non Derivative financial instruments measured at fair value.

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

**3. Going Concern**

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

**4. Comparative Information**

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



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

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

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

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

Measurement of defined benefit obligations

Deferred tax assets / liabilities

## **6. Foreign Currency Transaction**

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

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

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

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

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

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

## 7.1 Property, Plant and Equipment

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

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

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

## 7.2. Depreciation

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

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

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

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

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

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

### **8. Financial Assets**

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

### **9. Inventories**

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

### **10. Trade Receivables**

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

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

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

### **12. Liabilities and Provisions**

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

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

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

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

### **14. Borrowings**

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

### **15. Employee Benefits**

#### **Defined Benefit Plan**

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

### **16. Revenue Recognition**

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

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

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

### **18. Tax Expense**

Income Tax expense comprises current and deferred tax.



**SRI LANKA AYURVEDIC DRUGS CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

As at 31<sup>st</sup> December 2013

	31.12.2013	31.12.2012
	Rs. Cts.	Rs. Cts.
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, Plant and Equipment	155,081,533.27	160,907,541.43
Work in Progress	71,492,032.38	29,697,763.91
Other Financial Assets		
Staff Loans	7,555,483.69	7,081,084.34
Deferred Taxation	9,876,643.19	9,833,002.11
	<u>244,005,692.53</u>	<u>207,519,391.79</u>
<b>Current Assets</b>		
Inventories	144,256,841.12	141,265,798.23
Stocks in Transit	2,869,330.42	1,053,552.67
Other Financial Assets		
Staff Loans	10,404,303.21	9,447,929.32
Gold Stocks	5,561,695.00	5,561,695.00
Margin Account	3,874,335.00	1,232,247.00
Non-Resident Foreign Currency A/C	715,192.62	678,756.59
Miscellaneous Deposits	3,397,502.00	3,534,002.00
Short Term Investments in Fixed Deposits	71,577,603.50	66,701,024.35
Trade Debtors	86,767,038.00	67,726,194.00
Pre-payments & Advances	11,976,280.28	21,368,278.67
Cash & Cash Equivalents	38,443,990.32	48,329,078.36
	<u>379,844,111.47</u>	<u>366,898,556.19</u>
<b>Total Assets</b>	<u>623,849,804.00</u>	<u>574,417,947.97</u>
<b>FUNDS &amp; LIABILITIES</b>		
<b>Contributions</b>		
Subscribed Capital	5,000,000.00	5,000,000.00
	<u>5,000,000.00</u>	<u>5,000,000.00</u>
<b>External Contributory</b>		
General Treasury	238,038,210.00	235,038,210.00
W.H.O.	3,994,341.00	3,994,341.00
Ayurvedic Experimental Institute	761,274.00	761,274.00
	<u>242,793,825.00</u>	<u>239,793,825.00</u>
<b>Reserves</b>		
Capital Reserve	1,923,741.00	1,923,741.00
Revaluation Reserves	5,522,790.00	5,522,790.00
Foreign Exchange Reconciliation Reserves	19,523.00	19,523.00
Previous Year Adjustment - (According to the Package)	38,613,358.47	37,535,285.60
Other Comprehensive Income	2,751,742.08	3,094,830.88
Retained Earnings	191,546,841.94	160,568,264.44
	<u>240,377,996.49</u>	<u>208,664,434.92</u>
	<u>488,171,821.49</u>	<u>453,458,259.92</u>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Allocation for Provisions	4,193,014.00	3,491,314.00
Bank Loan	56,000,000.00	60,000,000.00
Retirement Benefit Obligations	25,300,199.27	23,013,461.08
	<u>85,493,213.27</u>	<u>86,504,775.08</u>
<b>Current Liabilities</b>		
Trade Creditors	12,069,275.00	2,582,918.00
Receipt of Advance	417,585.00	164,000.00
Accrued Expenses	11,736,530.24	9,479,243.98
Tender Security Deposit	2,929,197.00	3,033,562.00
Payable Deposits	185,361.00	203,161.00
Payable Employee Security Deposits	212,813.00	206,813.00
Income Tax Provisions (Previous Year)	22,634,008.00	18,785,215.00
	<u>50,184,769.24</u>	<u>34,454,912.98</u>
<b>Total Funds &amp; Liabilities</b>	<u>623,849,804.00</u>	<u>574,417,947.98</u>

**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31<sup>st</sup> December 2013**

	2013		2012	
	Rs.	Cts.	Rs.	Cts.
Sales	425,450,179.00		396,216,099.09	
Less: Cost of Sales	<u>265,720,560.15</u>		<u>246,607,243.87</u>	
<b>Gross Profit</b>	159,729,618.85		149,608,855.22	
Other Income	<u>12,611,164.82</u>		<u>27,082,235.85</u>	
	172,340,783.67		176,691,091.07	
Less: Administration & Establishment Expenses	77,822,750.63		80,407,686.73	
Sales & Distribution Expenses	<u>49,558,421.16</u>		<u>36,833,724.50</u>	
	127,381,171.79		117,241,411.23	
<b>Surplus from Activities</b>	44,959,611.88		59,449,679.84	
Net Financial Income / (Expenses)	<u>(2,703,943.46)</u>		<u>3,281,712.24</u>	
<b>Net Surplus before Tax</b>	42,255,668.42		62,731,392.08	
Less: Income Tax Expenses	11,277,090.92		26,136,699.45	
<b>Net Surplus after Tax</b>	<u>30,978,577.50</u>		<u>36,594,692.63</u>	
<b>Other Comprehensive Income</b>				
Defined Benefit Plan Actuarial Gains/ (Losses)	(343,088.80)		3,094,830.88	
<b>Total Other Comprehensive Income for the year</b>	<u>(343,088.80)</u>		<u>3,094,830.88</u>	
<b>Total Comprehensive Income for the year</b>	<u><u>30,635,488.70</u></u>		<u><u>39,689,523.51</u></u>	

**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF COST OF PRODUCTION**  
**For the year ended 31<sup>st</sup> December 2013**

	2013		2012	
	Rs.	Cts.	Rs.	Cts.
<b>Consumption of Raw Materials</b>				
Opening Stock	68,058,659.00		45,863,857.00	
Add: Local Purchases	136,605,366.00		156,340,938.00	
Import Purchases	384,546.00		2,789,328.00	
	205,048,571.00		204,994,123.00	
Less: Stock Damages	-		33,510.00	
	205,048,571.00		204,960,613.00	
Less: Closing Stock	51,129,741.00		68,058,659.00	
<b>Cost of Consumption of Raw Materials</b>	153,918,830.00		136,901,954.00	
<b>Consumption of Packing Materials</b>				
Opening Stock	11,357,499.00		10,459,770.00	
Add: Purchases	22,242,376.00		21,902,198.00	
	33,599,875.00		32,361,968.00	
Less: Closing Stock	10,684,760.00		11,357,499.00	
<b>Cost of Consumption of Packing Materials</b>	22,915,115.00		21,004,469.00	
Direct Labour Expenditure	49,705,875.01		40,662,337.08	
Opening Burnt Oil Stock	762,190.00		498,865.00	
Other Direct Expenditure	13,571,920.00		11,942,395.00	
Less: Closing Burnt Oil Stock	252,000.00		762,190.00	
	63,787,985.01		52,341,407.08	
<b>Prime Cost</b>	240,621,930.01		210,247,830.08	
<b>Factory Overhead Cost</b>				
Add: Opening Unfinished	6,251,170.26		4,409,278.00	
Indirect Expenses	40,843,311.63		41,153,681.78	
Less: Closing Unfinished	9,071,213.00		6,251,170.26	
	38,023,268.89		39,311,789.52	
Total Manufacturing Cost of the year carried forward to the Statement of Comprehensive Income	278,645,198.90		249,559,619.59	

**SRI LANKA AYURVEDIC DRUGS CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31<sup>st</sup> December 2013**

	2013	2012
	Rs. Cts.	Rs. Cts.
<b>Cash Flow from Operating Activities</b>		
Net Profit Before Taxation	42,255,668.42	62,731,392.08
<b>Adjustments for</b>		
Allocations for Provisions	701,700.00	246,858.00
Depreciation	11,765,787.23	11,731,888.74
Disposal Loss on Building	-	2,131,823.99
Net of Non Operating Incomes	(3,762,925.00)	(9,156,553.36)
Employee Benefit Adjustments	3,301,569.39	3,259,099.59
Revaluation of Gold Stock	-	(3,720,050.00)
	54,261,800.04	67,224,459.04
<b>Profit before changing the working capital</b>		
(Increase) / Decrease Inventories	(2,991,042.89)	(27,496,071.23)
(Increase) / Decrease Inventories in Transit	(1,815,777.75)	(784,386.67)
(Increase) / Decrease Staff Loans	(1,430,773.24)	(742,169.11)
(Increase) / Decrease Pre-payments & Advances	9,391,998.39	(19,396,212.64)
(Increase) / Decrease Miscellaneous Deposits	136,500.00	(334,000.00)
(Increase) / Decrease Trade Debtors	(19,040,844.00)	4,445,262.00
Increase / (Decrease) Trade Creditors	9,486,357.00	(5,985,505.00)
Increase / (Decrease) Accounting Package Suspense	1,078,072.87	(721,614.95)
Increase / (Decrease) Receipt of Advance Year	253,585.00	(76,000.00)
Increase / (Decrease) Tender Security Deposit	(104,365.00)	2,424,050.00
Increase / (Decrease) Payable Deposits	(17,800.00)	107,369.29
Increase / (Decrease) Payable Employee Security Deposits	6,000.00	133,576.00
Increase / (Decrease) Accrued Expenses	259,852.26	(584,961.49)
	49,473,562.68	18,213,795.24
Less: Gratuity Paid	(1,069,500.00)	(573,661.90)
Tax Paid	(2,000,000.00)	(5,536,364.00)
<b>Net Cash flows from Operating Activities</b>	46,404,062.68	12,103,769.34
<b>Cash flows from Investment Activities</b>		
Purchasing Assets	(5,939,779.07)	(131,413,983.16)
Investment in Work in Progress	(41,794,268.47)	(5,251,945.91)
Investment in Fixed Deposits	(4,876,579.15)	(40,758,815.32)
Investment in Margin Account	(2,642,088.00)	(1,210,022.00)
Investment in Non-Resident Foreign Currency Account	(36,436.03)	(266,535.59)
<b>Net cash flow from Investment Activities</b>	(55,289,150.72)	(178,901,301.98)
<b>Cash flow from Financial activities</b>		
Received from Treasury	3,000,000.00	106,000,000.00
Grant / ( Repayments ) Bank Loan	(4,000,000.00)	60,000,000.00
<b>Net cash flow from Financial Activities</b>	(1,000,000.00)	166,000,000.00
Net Increase / (Decrease) in Cash & Cash Equivalents	(9,885,088.04)	(797,532.64)
Cash & Cash Equivalent at beginning of year	48,329,078.36	49,126,611.00
Cash & Cash Equivalent at end of year	38,443,990.32	48,329,078.36
	2013	2012
Cash in Hand	Rs. Cts.	Rs. Cts.
Peoples' Bank- Gangodawila- A/C No. 97100-182315453	15,116,387.58	26,124,387.09
Peoples' Bank- Gangodawila- A/C No. 97100-272315453	5,519,183.66	6,992,520.57
Bank of Ceylon- Institution's Branch- A/C No.00001209	17,448,419.08	15,212,170.70
Saving A/C	360,000.00	-
	38,443,990.32	48,329,078.36

### STATEMENT OF CHANGES IN EQUITY FOR 2013

Description	Contributory Capital (Rs.)	General Treasury (Rs.)	World Health Organization (Rs.)	Ministries and State Institutions (Rs.)	Capital Reserves (Rs.)	Revaluation Reserves (Rs.)	Reserve on Computer Package (Rs.)	Reserve of Equilizing Foreign Exchange (Rs.)	Profit and Loss Account (Rs.)	Other Comprehensive Profits (Rs.)	Total (Rs.)
Balance as at 31.12.2012	5,000,000	235,038,210	3,994,341	761,274	1,923,741	5,522,790	37,535,286	19,523	160,568,264	3,094,831	450,363,429
Adjustments during the year		3,000,000					1,078,073		30,978,578	(343,089)	34,713,562
Balance as at 31.12.2012	5,000,000	238,038,210	3,994,341	761,274	1,923,741	5,522,790	38,613,358	19,523	191,546,842	2,751,742	485,076,991



## Notes to Accounts

1. Trading & other Stock of the Corporation as at 31.12.2013.

1. Raw material Stock (cost)	Rs.51,129,741.35
2. Finished medicine Stock (cost)	Rs.71,896,683.52
3. Packing Stock (cost)	Rs.10,684,760,06
4. Unfinished Stock (cost)	Rs. 9,071,213,23
5. Stationery Stock (cost)	Rs. 531,983.41
6. Burnt Oil Stock (cost)	Rs. 252,000.00
7. Machinery Spare Parts Stock	Rs. 583,834.50
8. Welfare Material	Rs. 106,625.05

2. Provisions of Rs. 650,000.00 have been allocated as audit fees for the year ended on 31.12.2013.

3. Income Tax of Rs. 11,320,732.00 on the profit of the Corporation during the year has been provided in the Accounts.

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

Party	Post	Case No	Court	Nature of charge
Mr. M.K.Somadasa	Store Keeper	W/P/HCCRMT/78/07 F	Supreme Court	Retirement on Age 55
Mr. S.L.Kekirideniya	Manager-Supplies	HC/ALT/02/2011	High Court - Colombo	Against Labour Tribunal
Mr. R.M.Lankathilake	Security Officer	HC3755/07	High Court - Colombo	Cash fraud on Mobile Sales
Matchma Komran (Pvt.) Ltd.	Supplier	ARB/229/2013 & ARB/162/2013	Commercial High Court	Payable for Steam Boiler

5. The Sri Lanka Ayurvedic Drugs Corporation has made agreements through letters of credit with Gangodawila Branch of the People's Bank for importation of raw material and spare parts.

6. The Gold Stock owned by the Corporation has been valued at Rs. 5,561,695.00 on 28.11.2013 by the Valuer in the International Branch of the Central Bank of Sri Lanka based on the rates prevailed at that time. The stated profit therein has been indicated as the profit calculated based on accounting policies.
7. Sales Income is the net sales after deducting discounts.
8. Following items lying in Store No01/02 & 11 as at 31.12.2012 with archaeological values and unable to value which in essential in a native item stores as follows. These items have not been adjusted in the shown as units as at 31<sup>st</sup> December 2012.

Pearl Shells (Kgs.)	36.100
Deer horns (Kgs.)	52.400
Kasthuri pills	23.000
Pure marble (Kgs.)	4.400
Sepia bark	2.900
Silver Zinc (Kgs.)	0.150
White lead (Kgs.)	16.80
Brass plates (Kgs.)	2.5

9. Several herbal farms belonging to the Ministry of Indigenous Medicine and to the Department of Ayurveda have been temporarily handed over to the Corporation. Their assets have been temporarily undertaken by the Corporation and the corporation at present expends on the herbal farm projects. Their productions have been utilized for production of medicine in the Corporation.
10. Since the determination of the case filed by the Corporation against Mr. S.L.Kekirideniya, its Manager - Supplies was issued against the Corporation, the amount of Rs. 2,380,500.00 payable as compensation to that officer remains accounted as allocations under contingent liabilities during the relevant period of accounting.
11. The raw materials donated from courts as grants for manufacturing medicines in the Corporation were accounted as raw material purchases and miscellaneous income at the lowest tender price during the year.
12. The Lorry no. LC 9184 belonging to the Ministry of Indigenous Medicine has been used in distribution of medicine in the Corporation.
13. As the finished goods stores are established outside the manufactory, the relevant employee wages and overtime expenses were accounted under selling and distribution expenses.