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இலங்கை அரசு மருந்தகக் கூட்டுத்தாபனம்
State Pharmaceuticals Corporation of Sri Lanka

2018

ANNUAL REPORT



ANNUAL REPORT

2018



STATE PHARMACEUTICALS CORPORATION OF SRILANKA

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YOUR HEALTH IS OUR CONCERN



OUR VISION

To become the prime partner in developing a healthier Nation

OUR MISSION

***To be the leading healthcare organization
serving the general public of Sri Lanka by providing safe,
effective and high-quality medical products and
health services at affordable prices, while promoting the
usage of generic drugs.***

OUR GOALS

***Services to the people is foremost
Quality and safety
Integrity never to be compromised
Reliable partner and effective team player
Passion for performance excellence
Innovation, the lifeblood***

OUR SLOGAN

Your health is our concern

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

FINANCIAL HIGHLIGHTS

DESCRIPTION	2018 Rs: ' 000 '	2017 Rs: ' 000 '	Variation (%)	2016 Rs: ' 000 '
Revenue - SPC	7,458,320	6,593,401	13.1	6,127,478
Supplies to DHS	31,436,986	25,970,290	21.0	26,127,912
Total Revenue	38,895,306	32,563,691	19.4	32,255,390
Gross Trading Profit SPC	1,810,383	1,680,368	7.7	1,656,938
Gross Surplus DHS	2,125,052	1,887,026	12.6	1,850,649
Gross Surplus	3,935,435	3,567,394	10.3	3,507,587
Other Income	73,072	53,004	37.9	43,084
Administrative Expenses	(1,535,277)	(1,288,184)	(19.2)	(1,101,435)
Other Operating Expenses	(691,968)	(741,459)	6.7	(580,844)
Finance Cost	(1,512)	(1,295)	(16.8)	(1,071)
Overdraft Interest	(67,405)	(35,199)	(91.5)	(5,434)
Finance Income	7,436	5,765	29.0	5,721
Profit Before Tax	1,719,781	1,560,026	10.2	1,867,608
Defined Benefit Plan	30,453	(59,575)	(151.1)	10,049
Taxation	(766,631)	(470,595)	(62.9)	(625,864)
Total Comprehensive Income	983,603	1,029,856	(4.5)	1,251,793
Treasury Levy/Dividend paid	-	(222,000)	-	(216,000)
Retained Earnings	8,794,490	6,792,893	29.5	5,985,037
Contributed Capital & Reserve	125,117	125,117	-	125,117
Non Current Assets	2,222,544	2,179,335	2.0	2,166,630
Current Assets	20,480,515	10,699,807	91.4	7,353,933
Non Current Liabilities	271,308	264,651	(2.5)	192,212
Current Liabilities	13,512,143	5,696,481	(137.2)	3,218,196
Net Current Assets	6,968,372	5,003,326	39.3	4,135,737
Ratios				
Gross Profit Ratio (%) SPC	24.3	25.5		27.0
Gross Profit Ratio (%) DHS	6.8	7.3		7.1
Gross Surplus to Sales (%)	10.1	11.0		10.9
Return on Capital Employed (%)	19.5	22.2		29.7
Interest Cover (times)	26.5	45.3		344.7
Equity to total Assets (times)	1:2.5	1:1.8		1:1.5
Turnover to Capital Employed (time)	4.23:1	4.53:1		5.12:1
Current Ratio (time)	1:1.5	1:1.8		1:2.29
Liquidity Ratio (time)	1:1.3	1:1.56		1:1.66
Stock Turnover Ratio -SPC (time)	2.46	2.58		2.04
OTHER INFORMATION				
Number of Employees	931	909		889
Earning per Employee (Rs.)	1,847	1,716		2,101
Sales per Employee (Rs.)	41,778	35,824		36,283

Board of Directors & Corporate Information

Board of Directors

Mr. Sarath Liyanage – Chairman

Attorney – at – Law and Commissioner for Oaths with over 33 years of experience in practice appeared in all courts up to the Supreme Court. Appeared throughout the Special Presidential Commission re-explosion in Kayts where Generals Kobbekaduwa and Wimalaratne were killed. Appeared throughout in International Commission consisting of two Chief Justices and a Knight which held sittings in Common Wealth Hall, London. Experience in state institutions as the Executive Director and the Chairman. Consultant (Legal) for a prominent Group of Companies and also a Company Director. Being the President of the P.M.E Trust for the needy in Sri Lanka, a non-political organization, has rendered and continue to serve the needy people in Sri Lanka. He has been serving as the Chairman of State Pharmaceuticals Corporation since January 2015.

Dr. M.H.M Rumie – Managing Director

Dr. Rumie has a PhD. & a Msc. holder in Engineering Sciences especially in Computers, Computer systems and Networks from Technical University of Ukraine. Dr Rumie was appointed as Junior Lecturer at National Technical University of Ukraine and has also contributed voluntary as a Director in Alif International School Dharga Town (Srilanka).

Dr. Rumie, who has more than 13 years of managerial experience presently function as the Chairman & Managing Director of Ceylon Tea Land (Pvt) Ltd, Royal Packaging Solutions (pvt) Ltd, Trend Ceramics (pvt) Ltd, Contronics Lanka (pvt) Ltd, and as a Managing Partner at Skill Enterprise. He is also well experienced in trading and has participated in more than 50 exhibitions on behalf of Ceylon Tea Land (pvt) Ltd for promotion of Ceylon Tea organized by Sri Lanka Tea Board and Export Development Board of Sri Lanka. He has been serving as the Managing Director of State Pharmaceuticals Corporation since January 2015.

Dr. B.G.N Ratnasena

Dr. B.G.N Ratnasena is a Consultant Surgeon. He holds F.R.C.S England, MS(Surgery), and M.B.B.S (Ceylon). He holds a fellow member of the Royal College of Surgeons of England, Past President, Association of General Surgeons, President, Association of Medical Specialists. Committee Member Board of Study in General Surgery and Committee Member Academic Accreditation Education and Disciplinary Committee of the PGIM until 2017 March and Committee member of the NMRA. Dr. B.G.N Ratnasena was awarded Presidential Research Award 2014 January for conducting outstanding research.

Mr. Ananda Kithsiri Senaviratne

Mr Ananda Kithsiri Senaviratne is a special grade officer of the Srilanka Administrative Service (SLAS). Since January 2018, Mr. Senaviratne has been working as the Director General of the Department of National Budget of the Ministry of Finance and Mass Media, Sri Lanka.

Mr. Senaviratne holds an Honors Bachelor's Degree specializing Chemistry from University of Kelaniya. He has obtained a postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka and a Masters of Business Administration from University of Colombo.

He joined the Sri Lanka Administrative Service in 1995. Upon completion of his in- service training year he was appointed as an Assistant Director to the Department of Fiscal Policy of the Ministry of Finance in 1996. In 2006 he was assigned to the Department of National Budget of the same Ministry as a Director. In 2015 he was appointed to Director General of the Department Fiscal Policy. He worked there until has assumed duties of Director General of Department of National Budget in 2018.

Presently, he serves as a Board of Director of the National Savings Bank (NSB), Ceylon Shipping Corporation Ltd, and De La Rue Lanka Currency and Security Print (Private) Limited.

Dr. A.K.S.B. de Alwis

Dr. Sunil De Alwis has obtained his first degree from Lvov, State Medical Institute of Republic of Ukraine (former Soviet Union) in 1987. He joined the Government Medical Service of Sri Lanka in 1989. Dr. De Alwis has obtained his Master degree in Community Medicine (1996) and Doctorate in Medical Administration (2006) from Post Graduate Institute of Medicine University of Colombo.

Dr. De Alwis has also served a Director of Provincial General Hospital, Rathnapura and later as Provincial Director of North Western Province for more than eight years.

In 2009 he was appointed as Director of the National Programme for Tuberculosis Control and Chest Diseases and promoted to Deputy Director General of Health Services for Education, Training and Research in the Ministry of Health in 2012. Dr. Sunil De Alwis is serving as the Additional Secretary Medical Services of Ministry of Health, Nutrition and Indigenous Medicine since July 2018.

Dr. De Alwis has obtained several awards as an appreciation from Sri Lankan and International agencies for his contribution for the health service, including National awards for productivity in several occasions and award from Asia Pacific Action Alliance on Human Resources for Health (AAAH) in 2018.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

CORPORATE INFORMATION

Board of Directors

Mr. Sarath Liyanage	Chairman	
Dr. M.H.M. Rumie	Managing Director	
Mr. Mukthar Marikkar	Director	(Till 28.08.2018)
Dr.B.G.N.Ratnasena	Director	
Mr.R.Pushpa Kumara de Zoysa	Director	(Till 26.09.2018)
Mr. A.K. Senaviratne	Director	
Dr. Sarath Amunugama	Director	(Till 30.04.2018)
Dr. A.K.S.B De Alwis	Director	(From 01.05.2018)

Audit Committee

Mr. A.K. Senaviratne	Chairman	
Mr. Mukthar Mrikkar	Director	(Till 28.08.2018)
Dr. B.G.N Rathnasena	Director	

Auditors

Auditor General, National Audit Office, No.306/72,
Polduwa Road, Battaramulla.

Bankers

Bank of Ceylon

Corporate Branch, Bank of Ceylon Mawatha, Colombo 1.

People's Bank

International Division, P O Box 437, ANCL. Bldg.
D R Wijewardana Mawatha, Colombo 10.

Standard Chartered Bank

P O Box 112, 37 York Street, Colombo 1.

Commercial Bank of Ceylon Ltd.

City Office, 98 York Street, Colombo 1.

Registered Office

No.75 Sir Baron Jayatillake Mawatha, Colombo 1.

Date of Incorporation

September 22, 1971

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA MANAGEMENT TEAM



Mr. K M D R Dassanayake - General Manager

Mr. Dinusha Dassanayake joined the SPC as a Management Trainee on 01/12/1999 and presently holds the General Manager's position w.e.f 01/06/2009. Before appointing as the General Manager He served in HR, Administration, Legal & Commercial Divisions of the Corporation and hold Deputy General Manager Positions in respective Departments. He is a graduate of B.com (Special) in International Trade, from the University of Sri Jayawardenapura. He holds a Masters degree in International Cooperation Specializing International Commercial Law from Nagoya University, Japan. He is an attorney-at-Law. He has also obtained Post Attorney Diploma in International Trade Law from Institute of Advance Legal Studies of Sri Lanka Law Collage and an Accredited Commercial Mediator.



Mrs. W A S D K Perera - Deputy General Manager (Marketing)

Mrs. Suranganie Perera joined the State Pharmaceuticals Corporation in December 1984 and promoted to Deputy General Manager (Marketing) from 01st January 2004 and worked till 1st June 2016 and Deputy General Manager (Technical, Laboratory & Production) from 1st June 2006 till 1st August 2014, transferred back to the post of Deputy General Manager (Marketing) until to date.

She holds a Bachelor of Science (Physical Science) Degree, Diploma in Management, Diploma in Business Management and Master of Business Administration. She is also a registered pharmacist. She has more than 34 years of knowledge in Marketing and Promoting Quality Assured SPC Generics at SPC.



**Mrs. P K S S Kulasuriya – Deputy General Manager
(Procurement & Imports - Pharmaceuticals)**

Mrs. P K S S Kulasuriya joined the SPC as a Management Trainee in 1997 and held the position of Deputy General Manager (Procurement & Imports) from July 2015. She has obtained her BSc degree in Bio Science and Masters Degree in Business Administration (MBA) from the University of Colombo. She has also obtained a Diploma in Purchasing & Materials Management from the Institute of Supplies & Materials Management. She is a Corporate Member of the Institute of Supply & Materials Management. Further she has obtained Diploma in Public Procurement & Contract Administration (DIPPCA) from Sri Lanka Institute of Development Administration.



**Mrs. Priyanthi Dassanayake – Actg. Deputy General Manager
(Procurement & Imports- Surgical)**

Mrs. Priyanti Dassanayake joined the SPC as a Management Trainee in 1987 and held the position of Acting Deputy General Manager (Procurement & Imports) from July 2015. She has obtained her BSc Degree Business Administration from University of Sri Jayawardenepura and Masters Degree in Business Studies from the University of Colombo. She has also obtained a Diploma in Purchasing & Material Management from the Institute of Supplies & Materials Management. She is a Corporate Member of the Institute of Supply & Materials Management.



Ms. Hiranya Sammandapperuma - Deputy General Manager (Finance)

Mrs Hiranya Sammandapperuma joined the SPC as the Management Accountant on 01st July 2007. She has more than 20 years' experience in the field of financial management, Management Accounting & Auditing. She is an Associate Member of Institute of Chartered Accountants of Sri Lanka. (ICASL) & Certified Management Accountants of Sri Lanka (CMA) & awaiting Membership of Association of Chartered Certified Accountants (ACCA- UK).

She obtains Bachelor of Business Administration with honors, specialization in finance, from University of Colombo in 2001. She is holder of MBA from University of Colombo.



**Ms. Chamari Gamage - Deputy General Manager
(Technical, Laboratory & Production)**

Mrs. K.G.C. Shanthimala joined the SPC as a Management Trainee on 15th May 1986 and presently holds the Deputy General Manager – Technical, Laboratory & Production position from 3rd July 2018. She has obtained her BSc (Special) Degree in Chemistry from the University of Kelaniya & Masters Degree in Business Administration from the Open University of Sri Lanka. She is a registered Pharmacist.



**Mrs. Nimmika Thusari - Deputy General Manager
(Human Resources & Administration)**

Mrs. M.R. Nimmika Thushari joined the SPC as Deputy General Manager (HR & Administration) with effect from 01.08.2018. She holds a Bachelor of Science (Human Resources) Special Degree from the University of Sri Jayawardanapura, Post Graduate Diploma in Human Resources Advancement and Master of Human Resources Management from the University of Colombo. She has 20 years' experience in the field of Human Resources Management and Administration.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

MANAGEMENT TEAM

Senior Management

Mr. U. Lokusuriya	Internal Auditor	
Mrs. P.D. Gunasekara	Accountant – Payments	(till 09.07.2018)
Mrs. P. K. Wijeratne	Manager - Quality Assurance Laboratory	
Mr. W.A.S. Wickramarachchi	Manager – Research & New Project	
Mr. D. P. Ajith Liyanage	Manager - Management Information Systems	
Mr. M. A. V. I. Kumarasiri	Field Manager (Monitoring of Distribution Systems)	
Mr. P.K.R. Fernando	Manager Wharf	
Miss. C.S.Withanage	Manager Sales	
Mrs. H.H.Piyadigama	Accountant – Stock & Pricing	
Mrs. D.N.Devasurendra	Accountant - Revenue	
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board	
Mr. P.M.B.R.Somathilaka	Manager – Production	
Mrs. A.H. Alwis	Manager – Post Delivery Operation	
Miss. M.K.A.P. Gunathilake	Manager – Promotion & Publicity	
Mr. D.G. D. J. Pushpakumara	Manager – Stores & Inventory Control	
Mr. A.P. Hapangama	Accountant - Financial Accounting	
Mr. H.D.N.R. Gunasekara	Manager – Osusala, Colombo 04.	(till 16.01.2018)
Mrs.L.W.Damayanthi	Accountant – Salaries	
Mr. D.K.A.P. Dassanayake	Manager – Administration	
Mrs.M.A.S. Karunaratne	Accountant - Rajya Osusala	
Mr.K.D.F.N.Perera	Manager – Sales	
Mr.W. Jayantha	Manager – CPU (Covering duty ROS Col- 07)	(till 30.09.2018)
	Manager – R.O.S Colombo 07.	(w.e.f 01.10.2018)
Mr. U. V. Piyasena	Manager – Imports	(till 27.04.2018)
Mr.B.A.K. Madusanka	Manager – Human Resources	
Mrs. D.D.S. Tharangamala	Manager – Procurement	(w.e.f 15.02.2018)
Mrs. R. P. Withanage	Manager – Procurement	(w.e.f 15.02.2018)
Mrs. K.G.S. Perera	Accountant – Payments	(w.e.f 01.08.2018)
Mr.M.A.D.S.S. Munasinghe	Manager – Imports	(w.e.f 13.09.2018)
Mr. C.U.M.M. Bandara	Manager- Stores & Inventory Control	(w.e.f 25.09.2018)

CHAIRMAN'S MESSAGE



It is a great pleasure to present Annual Report of State Pharmaceuticals Corporation of Sri Lanka for the year 2018.

Serving as Managing Director in 2018, I contributed to make SPC operations towards its growth with all my efforts which paved the path for me to take over as Chairman in January 2019.

From 2015 we have been able to maintain our profit figure above One Billion. At the first renewal of SPC Collective Agreement which fell in 2017 June, all the employees were given the highest ever 50% salary increase in keeping with the assurance given by Hon. Minister Dr. Rajitha Senarathne, to reward employees for their commendable performances. 2018 was the full year in which total salary cost hit the profit. Despite of that profit recorded for 2018 stood at 1.7 billion, highest ever recorded profit in SPC history.

Both sectors of SPC, Medical Supplies Division & SPC open market operations which consist of Rajya Osusala outlets & Distributors, have recorded 19% growth in sales.

Under my direction & supervision we added up three Osu Salas during the year, In Peradeniya, Monaragala & Akkaraipattu.

SPC being the largest Importer of Drugs in the Private Market and maintaining affordable prices has successfully contributed in implementing maximum retail prices of 48 drugs coming up to more than 400 varieties. Maximum tender prices were set for further more items including Lenses & cancer items. SPC plays a key role in implementing "New Drug Policy" and will continue to do so in years to come with many more control drugs in pipe line and also Promoting drugs under "Generic" Name.

Role of SPC will be more prominent and also will be challengeable in years to come with new initiatives which will come to play along with "New Drug Policy" of the country and towards Local Manufacturing.

I sincerely pay my gratitude to the guidance & assistance received from the Hon. Minister of Health Nutrition & Indigenous Medicine, the State Minister of Health Nutrition & Indigenous Medicine, Secretary to the Ministry of Health, Officials of Ministry of Health, Auditor General and his Staff, the officials of Ministry of Finance, the Managing Director and other Board Members, Management & all the Staff members at SPC.

It is my fervent hope that the State Pharmaceuticals Corporation of Sri Lanka will be able to contribute more to the motherland, in the years to come.

DR. M H M RUMIE

CHAIRMAN

MANAGING DIRECTOR'S REVIEW

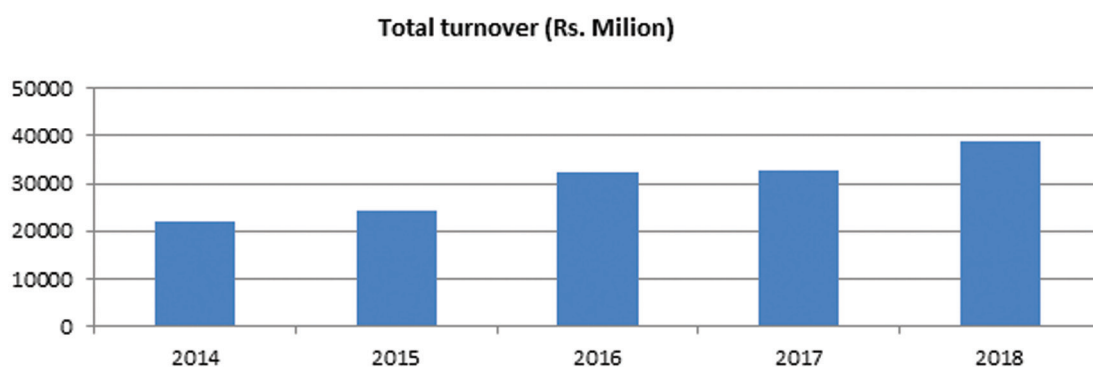


It is with great pleasure as the Managing Director, that I am presenting this Report with regard to the performance for the year 2018. During the period under review, State Pharmaceuticals Corporation completed its 47th year of supplying quality assured Pharmaceuticals and Healthcare items to the Nation.

SPC is also the sole importer of Pharmaceuticals and Healthcare items for the Department of Health Services, to ensure timely and continuous supply of quality assured Pharmaceuticals and Healthcare items to the Government Hospitals.

FINANCIAL PERFORMANCE

During the year under review, SPC has recorded the highest ever turnover of Rs.38,895 million. This is an increase of 19.4% as against previous year turnover of Rs.32,564 million. Healthcare items supplied to the 'Medical Supplies Division' were Rs.31,437 million during the year, as against Rs.25,970 million in the year 2017. This is an increase of 21%. Expanding SPC distribution channels by way of establishing new Osusala outlets and increased in supplies to MSD, were the major reasons for the sales growth during the year.



The Turnover excluding the supplies to the Department of Health Services, has recorded as Rs.7,458 million during the year 2018. It is an increase of 13.1% in comparison with the Turnover Rs.6, 593 million recorded in 2017.

Profit before Tax was Rs.1, 720 million in the year 2018. This is an increase of 10.2% as against the previous year figure of Rs. 1,560 million. This increase in profit was mainly due to the improvement in sales coupled with controlling the expenditure.

SALES & TRADE PROMOTIONS

During the year the SPC further consolidated its position in the market by establishing three new Rajya Osusala Outlets at Akkaraipattu, Monaragala and Peradeniya. At the end of the year, there were altogether 39 Rajya Osusala Outlets, 98 Franchised Osusala Outlets, 50 Distributors and 09 Authorized Retailers are in the SPC's total distribution channel, which covered the entire inland.

SPC participated in Medical and Trade exhibitions by having promotional and trade stalls to educate the general public with regard to the benefits of using SPC generic products. Under the theme of rational use of Medicine. Apart from conducting promotional stalls during the annual academic sessions of medical professionals, SPC sponsored clinical meetings of medical professionals in many parts of the country.

As a tribute to the founder Chairman of SPC, Professor Senaka Bibile, we are continuing with the "Senaka Bibile Commemoration Scholarship Programme" to the Medical Students who perform best in Pharmacology in each of the six Medical Faculties of the Universities in Sri Lanka.

TECHNICAL & LABORATORY

SPC continued its commitment towards maintaining and upgrading the quality standard of the Quality Assurance Laboratory. All SPC drugs are tested in four stages "Tender Samples", "Pre Shipment Samples", "Pre Distribution Samples" and "Market complaints", to maintain the quality standards of the pharmaceuticals supplied by the SPC, all the time.

HUMAN RESOURCES DEVELOPMENT

During the year under review the total workforce was 931 including the trainees. Our committed and motivated workforce was the key contributory factor for the success of the Corporation. In order to provide them with a career growth plan within the organization and to improve their skills, SPC employees were sent for local and overseas training programs.

Type of Training	No.of Trainings	No.of Employees
Local Trainings	24	69
Group Trainings	7	717
Foreign Trainings	12	34
Total	43	820

All staff welfare benefits which were prevailed in the Corporation prior to 2017, were continued during the year 2018 too.

CORPORATE SOCIAL RESPONSIBILITY

As part of our Corporate Social Responsibility, SPC continues to offer a 5% discount on Pharmaceuticals purchased for Children less than 05 years of age, Pregnant Mothers, Senior Citizens (Over 55 Years). We also sponsored a number of health camps in various parts of the country.

ACKNOWLEDGEMENT

I take this opportunity to thank our Chairman, Management team and the staff in all categories for their dedicated service rendered to the Corporation, to achieve the growth and profit that has been recorded. I would like to thank Hon. Minister of Health Nutrition and Indigenous Medicine for his excellent guidance & support rendered to us during the year. I hope with your unprecedented commitment and dedication, SPC will be a center of excellence in the pharmaceutical market in the years to come.



Dr. M.Y.K. Wilfred

MANAGING DIRECTOR

REPORT OF THE DIRECTORS

The directors of the State Pharmaceuticals Corporation present herewith the audited financial statements for the year ended 31 December 2018.

The Financial Statements of the Corporation was submitted to the Auditor General on 7th March 2019 in accordance with the Section 6.5.1 of Public Enterprises Guidelines, issued by the Director General of the Department of Public Enterprises in the General Treasury.

FORMATION

State Pharmaceuticals Corporation (SPC) was established under the Section 2 of State Industrial Corporations Act No. 49 of 1957 by the Gazette notification published in the Government Gazette No.14976/8 of 22nd September 1971, under an order made by the Minister of Industries and Scientific affairs with the approval of the Government of Sri Lanka. Initial capital of the corporation was Rupees one million.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on the pages 21 to 29

RESULTS

The results for the year and the Changes in Equity are set out in the Comprehensive Income Statement and in the Statement of Changes in Equity.

REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31 December 2018 is set out in the Statement of Financial Position and assessment of the Corporation during the financial year is given in the Managing Director's Report.

PROPERTY, PLANT & EQUIPMENT

The movements in Property, Plant & Equipment during the year are set out in Note No.17 to the financial statements. The value shown therein is not materially different from its current market value.

MAIN ACTIVITIES

Main activities of the Corporation are,

- Import, Purchase, Sales & Distribution of Pharmaceuticals and Health Care Items in the open market.
- Import & Supply Pharmaceuticals and Health Care Items to the Department of Health Services.
- Manufacturing and Marketing Jeevanee, Glucose & Benzyl Bensovate Cream.
- Providing medical tests and laboratory services.

Activities of the Corporation have not changed materially from the last financial year.

RESERVES

Total reserves of the Corporation and its composition has been given in the Statement of Changes in Equity.

DIRECTORS

Directors of the corporation as at 31st December 2018 were as follows,

Mr. Sarath Liyanage	Chairman	
Dr. Mohamed Hashim Mohamed Rumie	Managing Director	
Mr. Mukthar Mrikkar	Director	(Till 28.08.2018)
Dr. B.G.N. Rathnasena	Director	
Mr. R. Pushpa Kumara De Zoysa	Director	(Till 26.09.2018)
Mr. A.K. Senaviratne	Director	
Dr. Sarath Amunugama	Director	(Till 30.04.2018)
Dr. A.K.S.B.de Alwis	Director	(From 01.05.2018)

AUDIT COMMITTEE

Audit committee of the Corporation is constituted in accordance with the provisions of Public Enterprises Guidelines for good governance.

CORPORATE GOVERNANCE/INTERNAL CONTROL

The Corporation has put in place systems and procedures to ensure the implementation of sound corporate governance principles. The Audit Committee report is given in page No. 13

EMPLOYMENT

SPC continued to implement appropriate Human Resource Management policies and practices to enhance employee's skills.

STATUTORY PAYMENTS

All statutory payments to the Government and the employees have been paid promptly.

ENVIRONMENTAL PROTECTION

The Corporation has not engaged in any activities which would be detrimental to the environment.

CONTRIBUTION TO THE GOVERNMENT

The Corporation has paid Rs.638.7 million by the way of Income tax to the Government Treasury.

CORPORATE SOCIAL RESPONSIBILITY

During the year the Corporation contributed Rs. 2,213,964/- for charitable purpose.

POST BALANCE SHEET EVENTS

No events have occurred since the Balance Sheet date, which would require adjustments to, or disclosure in, the financial statements.

AUDITORS

Auditor General carried out the Audit of the Financial Statement of the State Pharmaceuticals Corporation of Sri Lanka for the financial year ended 31st December 2018.

By Order of the Board



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Anuradha Wijayawardana
Legal Officer /Secretary to the Board

REPORT OF THE AUDIT COMMITTEE

Constitution of the Audit Committee

The Audit Committee consists of Three Non-Executive Directors of the Board. The Director who represents the General Treasury would function as Chairman of the Committee. During the Financial year ended 31st December 2018, followings members attended to the Meetings of the Audit Committee.

Mr. A.K. Senevirathne	-	Chairman
Dr. B.G.N. Rathnasena	-	Member
Mr. Mukthar Marikkar	-	Member

Chief Accountant of the Ministry of Health, Nutrition & Indigenous Medicine and Audit Superintendent of Government Audit Branch of SPC participated the Committee Meetings as Observers. Board Secretary and the Internal Auditor functioned as the Secretary to the Committee and Convener respectively.

The Functions of the Audit Committee

The main functions of the Audit Committee are to review and monitor internal controls of the Corporation and assist the Board of Directors by reviewing and making recommendations on all aspects of audit and financial activities of the corporation. During the year under review, the Committee attended to following matters.

1. Review and evaluate the internal control systems and recommend modifications where necessary.
2. Review and approve Internal Audit Plan for the year 2018.
3. Review Internal Auditor's reports, and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.
4. Review External Auditors Audit Queries and the matters raised by them in the reports in terms of section 13(7) (a) and 14 (2) (c) of the Finance Act No. 38 of 1971.
5. Review of implementation of recommendations of the Committee of Public Enterprises (COPE).

Internal Audit Division

Under the guidance of the Audit Committee, an approved Internal Audit work plan was carried out by the Internal Audit Division of the corporation during the year under review. Further, the Internal Audit Division conducted Financial and System Audit to eliminate inefficient procedures, improve the internal controls, minimize the losses and possible instances of frauds and errors.

Meetings

During the year 2018, three Audit Committee meetings were held. The Committee has submitted its comments on the identified deficiencies to the Management. Accordingly, the remedial measures have been taken to rectify the identified deficiencies.



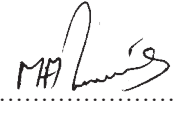
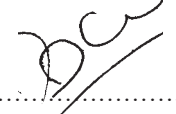
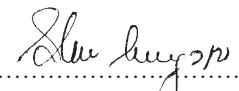
.....
Mr. A.K. Senevirathne
Chairman of the Audit Committee

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	NOTE	2018 Rs.	2017 Rs.
ASSETS			
Property Plant and Equipment	17	2,102,558,703	2,062,760,822
Leasehold Land - Ratmalana		9,720,000	9,880,000
Capital Work in Progress		95,588,879	89,595,739
Intangible Assets	18	-	1,804,647
Other non- Current Assets	19	14,676,643	15,294,117
Total Non- Current Assets		2,222,544,225	2,179,335,325
Current Assets			
Inventories - SPC	20	2,792,111,371	1,798,402,955
Stock in Transit - DHS	21	286,587,344	630,130,363
Trade & Other Receivables	22	16,319,412,639	7,901,244,022
Prepayments	23	61,219,447	57,979,683
Cash and Cash Equivalents	24	1,021,184,699	312,050,502
Total Current Assets		20,480,515,499	10,699,807,525
Total Assets		22,703,059,724	12,879,142,849
EQUITY AND LIABILITIES			
Contributed Capital		59,055,258	59,055,258
Retained Earnings		8,794,490,995	6,792,893,602
General Reserves		66,061,447	66,061,447
Total Equity		8,919,607,700	6,918,010,307
Non- Current Liabilities			
Retirement Benefit Obligation	25	221,192,102	232,516,523
Deferred Tax Liability	26	50,116,492	32,134,929
Total Non- Current Liabilities		271,308,595	264,651,453
Current Liabilities			
Trade and Other Payables	27	10,423,896,495	3,996,134,208
Income tax Payable		447,868,696	337,976,089
Deferred Income		1,345,422	926,953
Current Financial Liabilities	28	2,639,032,817	1,361,443,839
Total Current Liabilities		13,512,143,429	5,696,481,089
Total Equity & Liabilities		22,703,059,724	12,879,142,849

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 by,

			
Dr. M.H.M Rumie Chairman	Dr. M.Y.K Wilfred Managing Director	K.M.D.R Dasanayake General Manager	S.M.A.D.S.H Sarunandapperuma Deputy General Manager - Finance

The accounting policies and notes on pages 21 to 56 form an integral part of the financial statements.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2018

	Contributed Capital Rs.	General Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01st January 2016	59,055,258	66,061,447	4,949,243,062	5,074,359,767
Total Comprehensive Income for the year				
Net Profit for the year			1,241,744,631	1,241,744,631
Gain/ losses on defined benefit plan			10,049,455	10,049,455
Transaction with Government Treasury				
Treasury levy/Dividend paid			(216,000,000)	(216,000,000)
Balance as at 31st December 2016	59,055,258	66,061,447	5,985,037,149	6,110,153,853
Balance as at 01st January 2017	59,055,258	66,061,447	5,985,037,149	6,110,153,853
Total Comprehensive Income for the year				
Net Profit for the year			1,089,431,741	1,089,431,741
Gain/ losses on defined benefit plan			(59,575,287)	(59,575,287)
Transaction with Government Treasury				
Treasury levy/Dividend paid			(222,000,000)	(222,000,000)
Balance as at 31st December 2017	59,055,258	66,061,447	6,792,893,602	6,918,010,307
Balance as at 01st January 2018	59,055,258	66,061,447	6,792,893,602	6,918,010,307
Total Comprehensive Income for the year				
Net Profit for the year			953,149,764	953,149,764
Effect of initial application of SLFRS 9 and change of judgement and estimates (Note 34)			1,017,994,355	1,017,994,355
Gain/ losses on defined benefit plan			30,453,274	30,453,274
Balance as at 31st December 2018	59,055,258	66,061,447	8,794,490,995	8,919,607,700

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	SPC OPERATIONS Rs.	DHS OPERATIONS Rs.	TOTAL OPERATIONS 2018 Rs.	TOTAL OPERATIONS 2017 Rs.
Income	8	7,458,320,575	31,436,985,958	38,895,306,533	32,563,691,374
Less					
Direct Expenses - MSD	9		29,311,933,710	29,311,933,710	24,083,263,984
Cost of Sales - SPC	10	5,558,886,605		5,558,886,605	4,832,202,660
Cost of Production - ORS	11	89,050,781		89,050,781	80,829,820
Gross Profit/ Surplus		1,810,383,189	2,125,052,248	3,935,435,437	3,567,394,910
Add: Other Operating Income	12	73,072,867		73,072,867	53,004,143
Less					
Administrative Expenses	13	1,037,779,045	497,498,613	1,535,277,658	1,288,183,698
Other Operating Expenses	14	218,835,580	473,132,331	691,967,911	741,458,980
Operating Profit		626,841,431	1,154,421,304	1,781,262,734	1,590,756,376
Less: Finance Expenses	15	1,870,302	67,047,779	68,918,081	36,494,698
Add: Finance Income (Staff Loan)		7,436,916	-	7,436,916	5,765,380
Profit Before Tax		632,408,045	1,087,373,524	1,719,781,569	1,560,027,058
Income Tax Expenses	16	281,910,290	484,721,515	766,631,805	470,595,316
Profit After Tax		350,497,755	602,652,009	953,149,764	1,089,431,741
Other Comprehensive Income:					
Gain/ Losses on defined benefit plan		13,399,440	17,053,833	30,453,274	(59,575,287)
Total comprehensive income for the year		363,897,195	619,705,842	983,603,037	1,029,856,454

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

	OSU SALA TRADING Col.07	OSU SALA TRADING Col.04	OSU SALA TRADING Col.01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINU.	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSU SALA TRADING KURUNEGALA	OSU SALA TRADING AMPARA	OSU SALA TRADING HAMBANTOTA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	1,133,783,872	470,798,998	184,104,349	357,288,076	138,619,782	71,063,340	89,221,651	43,335,775	105,168,585	101,988,205	86,060,968	155,647,458	75,106,335	48,228,990
COST OF SALES & TRANSFERS	964,568,493	394,404,183	148,655,522	309,046,883	116,341,947	58,110,266	72,643,914	35,135,828	85,752,088	83,382,826	70,959,424	127,655,934	67,503,033	40,318,303
GROSS PROFIT ON														
SALES & TRANSFERS	169,215,379	76,394,815	35,448,827	48,241,193	22,277,834	12,953,073	16,577,737	8,199,947	19,416,497	18,605,380	15,101,545	27,991,524	7,603,301	7,910,687
ADMINISTRATIVE EXPENSES														
Personnel Expenses	70,477,155	19,685,378	14,515,752	24,025,323	16,901,234	11,276,643	13,273,186	7,678,482	13,271,304	17,426,942	14,768,510	14,477,432	5,014,510	6,774,592
Travelling Expenses	32,016	18,072	32,590	30,248	3,164	29,752	16,875	15,370	4,190	7,292	5,886	-	17,979	22,390
Supplies & Requisites	585,878	195,212	289,593	328,629	34,742	286,104	136,855	169,153	240,993	221,516	163,403	204,163	145,824	130,537
Repairs & Maintenance	1,017,635	340,778	29,978	256,926	315,039	102,244	966,328	31,432	105,144	126,100	83,364	82,659	188,197	84,507
Transportation, Communication	13,771,120	4,299,154	2,338,461	4,406,933	3,598,162	2,620,698	3,166,782	2,408,896	2,920,531	3,236,623	3,485,160	4,885,647	2,275,681	2,141,220
Utilities & Other Services														
OTHER OPERATING EXPENSES														
Selling & Distribution Expenses	1,772,091	399,122	243,581	1,432,333	691,080	1,163,526	451,570	176,060	404,464	310,931	470,724	661,524	319,198	222,727
TOTAL OVERHEADS	87,655,895	24,937,716	17,449,954	30,480,393	21,543,422	15,478,968	18,011,595	10,479,394	16,946,625	21,329,404	18,977,047	20,311,425	7,961,389	9,375,973
NET PROFIT/(LOSS)	81,559,484	51,457,099	17,998,873	17,760,799	734,412	(2,525,894)	(1,433,858)	(2,279,446)	2,469,872	(2,724,024)	(3,875,503)	7,680,099	(358,088)	(1,465,287)

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

	OSU SALA TRADING A'PURA	OSU SALA TRADING MAHARAGAMA	OSU SALA TRADING J. PURA	OSU SALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA- CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLETS RATMALANA	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	113,279,398	103,646,604	185,833,784	107,828,274	89,265,534	103,260,438	21,075,221	103,481,261	95,059,236	11,584,734	38,860,765	95,217,760	44,948,559	50,495,220
COST OF SALES & TRANSFERS	92,732,384	84,091,963	154,877,603	90,939,176	72,651,099	86,143,946	16,948,650	95,868,950	77,781,167	8,955,639	31,630,606	78,390,628	36,357,034	39,086,191
GROSS PROFIT ON														
SALES & TRANSFERS	20,547,014	19,554,641	30,956,181	16,889,098	16,614,435	17,116,491	4,126,571	7,612,311	17,278,069	2,629,095	7,230,159	16,827,132	8,591,525	11,409,030
ADMINISTRATIVE EXPENSES														
Personnel Expenses	9,534,336	12,720,408	29,113,798	12,391,081	9,180,750	10,422,879	5,136,443	7,553,142	9,088,764	3,266,553	6,831,293	9,494,398	6,985,800	5,472,515
Travelling Expenses	100	1,552	2,300	11,980	1,600	13,112	2,025	26,190	3,940	6,326	4,707	26,670	6,616	13,626
Supplies & Requisites	72,631	374,122	434,735	206,571	138,260	177,929	65,637	91,940	245,583	26,187	179,026	96,407	146,790	131,093
Repairs & Maintenance	100,224	200,247	179,198	113,954	89,194	217,198	44,868	156,185	153,415	3,938	55,946	47,129	40,952	81,511
Transportation, Communication	3,439,514	2,939,060	4,861,248	4,140,111	3,303,900	2,376,302	365,529	3,366,541	2,857,143	298,067	1,852,886	2,706,019	1,259,178	2,547,561
Utilities & Other Services														
OTHER OPERATING EXPENSES														
Selling & Distribution Expenses	441,563	633,126	215,225	384,910	322,724	353,241	130,798	117,168	257,101	44,907	174,373	606,293	177,235	199,213
TOTAL OVERHEADS	13,588,368	16,868,514	34,806,504	17,248,607	13,036,429	13,560,661	5,745,300	11,311,165	12,605,946	3,645,979	9,098,230	12,976,915	8,616,572	8,445,518
NET PROFIT/(LOSS)	6,958,646	2,686,127	(3,850,323)	(359,509)	3,578,006	3,555,830	(1,618,729)	(3,698,854)	4,672,123	(1,016,883)	(1,868,071)	3,850,217	(25,047)	2,963,512

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITTIYA	OSU SALA TRADING KDY-RAILWAY	OSU SALA TRADING GAMPAHA	OSU SALA TRADING NAGODA	OSU SALA TRADING BERUWALA	OSU SALA TRADING PILYANDALA	OSU SALA TRADING NINTHAVUR	OSU SALA TRADING AKKARAIPATTU	OSU SALA TRADING MONARAGALA	OSU SALA TRADING PERADENIYA	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	52,096,391	45,057,188	49,111,035	66,520,015	40,857,281	38,054,517	35,099,923	19,031,090	8,836,484	20,155,323	16,617,194	145,423,947	4,761,113,560
COST OF SALES & TRANSFERS	45,014,804	36,856,958	38,646,480	54,758,630	32,568,917	30,002,425	28,846,934	15,957,408	6,464,889	14,746,395	13,336,043	103,161,825	3,961,295,386
GROSS PROFIT ON													
SALES & TRANSFERS	7,081,588	8,200,230	10,464,556	11,761,385	8,288,364	8,052,092	6,252,989	3,073,682	2,371,596	5,408,928	3,281,151	42,262,122	799,818,174
ADMINISTRATIVE EXPENSES													
Personnel Expenses	6,786,891	6,754,629	6,689,062	8,806,035	6,397,338	6,575,281	7,465,339	4,176,171	2,645,572	3,948,870	2,804,191	8,542,364	458,350,345
Travelling Expenses	8,150	7,580	6,638	20,228	12,800	-	1,270	-	9,000	3,320	1,450	28,402	455,406
Supplies & Requisites	61,840	74,390	155,703	134,844	26,021	56,017	30,774	73,235	37,428	63,061	84,214	133,670	6,450,712
Repairs & Maintenance	37,773	123,266	20,419	25,994	41,870	10,229	25,901	7,041	20,446	13,099	14,313	48,418	5,603,061
Transportation, Communication	1,849,538	2,166,135	2,140,956	3,554,937	2,482,767	3,190,176	3,535,804	1,817,923	1,486,874	1,519,045	701,277	2,957,053	119,270,609
Utilities & Other Services													-
OTHER OPERATING EXPENSES													
Selling & Distribution Expenses	186,337	342,134	235,641	451,024	64,104	245,632	381,325	253,491	69,618	93,133	34,599	970,994	16,104,842
TOTAL OVERHEADS	8,930,530	9,468,135	9,248,418	12,993,063	9,024,900	10,077,335	11,440,412	6,327,862	4,268,939	5,640,528	3,640,045	12,680,901	606,234,975
NET PROFIT/(LOSS)	(1,848,942)	(1,267,904)	1,216,138	(1,231,678)	(736,536)	(2,025,243)	(5,187,423)	(3,254,179)	(1,897,344)	(231,600)	(358,894)	29,581,220	193,583,199

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 Rs.	2017 Rs.
Cash flow from operating activities		
Net profit before taxation,	1,719,781,569	1,560,027,058
Adjustments for:		
Depreciation	76,385,267	61,697,188
Gratuity provision for the year	40,771,844	32,216,995
Land lease amortisation - Ratmalana	160,000	160,000
Lease amortisation	617,474	617,474
Amortisation charges (software)	1,804,647	1,804,647
Unrealized profit	15,067,318	6,694,960
Prior year adjustments	1,017,994,355	-
Provision for bad debts	267,293,781	511,091,735
Stock losses	1,498,172	5,213,537
Provision for damaged & outdated stock - SPC	56,755,361	104,395,904
Provision for damaged & outdated stock DHS	29,389,174	2,474,920
Interest expenses	67,405,970	35,199,403
Operating profit before working capital changes	3,294,924,931	2,321,593,820
Increase/Decrease in trade and other receivable	(8,685,462,398)	(3,891,160,432)
Increase/Decrease in deposit & prepayments	(3,239,763)	(20,365,354)
Increase/Decrease in inventories	(1,066,110,633)	99,181,735
Increase/Decrease in Goods in Transit	313,235,212	(96,298,779)
Increase/Decrease in trade payables	6,427,762,286	1,338,513,886
Deferred Income	418,469	(176,531)
Cash generated from operations	281,528,105	(248,711,655)
Income tax paid	(638,757,636)	(659,031,538)
Gratuity paid	(21,642,992)	(12,711,078)
Interest paid	(67,405,970)	(35,199,403)
Treasury levy/ dividend paid	-	(222,000,000)
Cash flow before extraordinary items	(727,806,597)	(928,942,019)
Net cash from operating activities	(446,278,493)	(1,177,653,674)
Cash flow from investing activities		
Purchase of property, plant and equipment	(116,183,149)	(143,489,633)
Increase/Decrease in work in progress	(5,993,140)	66,505,362
Net cash used in investing activities	(122,176,289)	(76,984,271)
Net increase in cash and cash equivalents	(568,454,782)	(1,254,637,945)
Cash and cash equivalents at beginning of period	(1,049,393,337)	205,244,608
Cash and cash equivalents at end of period (Note A)	(1,617,848,119)	(1,049,393,337)
Note A : Cash and cash equivalents		
	2018 Rs.	2017 Rs.
Cash in hand & at bank	956,829,749	252,633,564
Treasury bill investment	64,354,949	59,416,938
Bank overdraft	(2,639,032,817)	(1,361,443,839)
Cash and cash equivalents	(1,617,848,119)	(1,049,393,337)

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

General

State Pharmaceuticals Corporation is a Government Corporation incorporated in 1971 under the State Industrial Corporations Act No. 49 of 1957 and domiciled in Sri Lanka. It is a Government Corporation located at No 75, Sir Baron Jayathilake Mawatha, Colombo 01.

The Corporation prepares financial statements for the twelve months period ended 31st December and these financial statements are authorized by the board of directors.

Principal Activities

The main functions are,

- a) Import, Purchase, Sales & Distribution of Pharmaceuticals and Health Care Items in the open market
- b) Import & Supply Pharmaceuticals and Health Care Items to the Department of Health Services
- c) Manufacturing and Marketing range of items including Jeevanee, Glucose & Benzyl Benzoate Cream
- d) Providing sample tests and laboratory services

2. BASIS OF PREPARATION

2.1. Basis of Preparation

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS as issued by the Institute of Chartered Accountants of Sri Lanka.

2.2. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the assets and liabilities at fair value.

The Corporation's financial statements are presented in Sri Lankan Rupees which is the organization's functional and presentation currency.

2.3. Going Concern

Financial Statements of the Corporation have been prepared on the basis of going concern.

3. CHANGES IN ACCOUNTING POLICY, ESTIMATES AND JUDGEMENTS

Changes in Accounting Policies

The Corporation has adopted SLFRS 9 and SLFRS 15 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Corporation did not early adopt any of SLFRS 9 in previous periods.

As permitted by the transitional provisions of SLFRS 9 and SLFRS 15, the Corporation elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities and revenue from contracts with customers at the date of transition were recognized in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to SLFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of SLFRS 15 has not created any changes to the recognition and measurement of revenue. However, any implications of changes in revenue recognition due to adoption have been explained in Note 8A.

The adoption of SLFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. SLFRS 9 also significantly amends other standards dealing with financial instruments such as SLFRS 7 "Financial Instruments: Disclosures".

Disclosures relating to the impact of the adoption of SLFRS 9 on the Corporation (as the previous LKAS 39 accounting policies applied in the comparative period) are described in more details in Note 34.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1.1. Significant Accounting Policies

The Accounting Policies applied by the Corporation are consistent with those used in the previous year except for the changes in the policy due to first time adoption of SLFRS 15 and SLFRS 9. The Corporation presents financial statements following modified restatement method and hence the comparative figures are not comparable with the current year figures.

4.1.2. Property Plant and Equipment

Consequent to a decision of the Board of Directors, during the year 2015, Furniture, Equipment and Computers were re-valued by Mr. J.M. Senanayaka Bandara, Govt. Deputy Chief Valuer (Rtd.) Ex Vice President of Institute of Valuers of Sri Lanka. Lal Nanaykkara & Co Chartered Accountants carried out the Physical Verification by Identifying, Labeling/Coding of actually available Furniture, Equipment and Computers as at 31.12.2015.

Total deficit arising out of the Re valuation amounting to Rs. 26,978,382/- has been charged to profit & loss account 2016.

Property, Plant and Equipment other than equipment, furniture and computers is stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation derecognize the replaced parts, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

4.1.2.1. Lease hold property

The Corporation obtained leasehold rights to the land and Premises marked lots 1 to 9 of the land called Kandawala Estate Division 2 in Ratmalana for 99 years from the Urban Development Authority on 11th September 1981. As per the Statement of Alternative Treatment for right to use land on lease issued by the institute of Chartered Accountants of Sri Lanka, the carrying value inclusive of revalued amounts of the leased property is amortized over the remaining lease period.

Lease Hold Land	31st Dec 2018	31st Dec 2017
	Rs.	Rs.
Valuation	11,000,000	11,000,000
Accumulated amortization		
Opening Balance	1,120,000	960,000
Amortized during the year	160,000	160,000
Balance at the end of the year	1,180,000	1,120,000
Carrying value	9,720,000	9,880,000

If the Lease hold land was stated at historical cost, the net book value would be as follows

	31st Dec 2018	31st Dec 2017
	Rs.	Rs.
Lease hold land		
cost	2,400,000	2,400,000
Accumulated amortization	896,969	872,727
Carrying value	1,503,031	1,527,273

4.1.3. Depreciation

Depreciation is provided on a pro-rata basis on the Property, Plant and Equipment acquired and disposed during the year.

The estimated useful lives of Property, Plant and Equipment are as follows.

Buildings	20- 40 years	Plant & Machinery	8 years
Motor Vehicles	3 to 17 years	Bicycles	6 to 7 years
Furniture & Fittings	10 years	Computers	4 years
Equipment	5 years		

4.1.4. Capital work in progress

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

4.1.5. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The Corporation's intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives as given below,

Computer Software 3 years

4.1.6. Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount.

4.1.7. Taxation

4.1.7.1. Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Taxation Authorities in respect of the current as well as prior years. The tax rate and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Balance Sheet date.

Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No: 24 of 2017 and the Amendments thereto, the rates specified in the act. Provision for the current year taxation made according to the accounting profit subject to the rate specified by act.

4.1.7.2. Deferred taxation

In respect of each type of temporary differences recognized in the Balance Sheet, were considered for the Deferred Tax Liabilities and Assets. Mainly, in Financial Statements Fixed Assets, Provision for Retiring Gratuity, impairment on debtors were considered. Deferred Tax Assets & Liabilities are measured at the Income Tax Rate.

4.2. Inventories

Inventories are recognized at cost and net realizable value, whichever is lower after making due allowance for obsolete and slow-moving items which are valued at 'First in first out' basis.

4.2.1. Measurement of inventories

4.2.2. Cost of Inventories

Raw Materials - ORS

Cost of purchases together with any incidental expenses.

Work In progress

Raw material cost and variable manufacturing expenses in full.

Finished Goods

Raw material cost and variable manufacturing expenses in full.

4.2.3. Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank, Treasury bill investments, other short-term highly liquid investments with original maturities of twelve months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.2.4. Research costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

5. LIABILITIES AND PROVISIONS**5.1. Retirement Benefit Obligations****5.1.1. Defined benefit plan – Retirement Gratuity**

The Corporation is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983. The liability for gratuity to an employee arises only on completion of five years of continued service with the Corporation. This Liability recognized in the balance sheet represents the present value of the defined benefit obligations at the balance sheet date estimated using the projected unit credit method. These benefits are not externally funded.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income.

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs. Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2018. The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

Expected Annual Average Salary Increment Rate	-	5 %
Allowance increment Rate	-	10 %
Discount Rate / Interest Rate	-	11.5 %
Staff Turnover Factor	-	2 %
Retirement Age	-	60 years

5.1.2. Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

The Corporation contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

The Corporation and Employees contribute to provident fund at 12% and 10% respectively on gross salary except travelling allowance.

Employees' Trust Fund

The Corporation contributes 3% on gross salary except travelling allowance, to the Employees' Trust Fund.

6. INCOME STATEMENT

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

6.1.1. Revenue Recognition

The Corporation recognizes and measures revenue under five step approach as per SLFRS 15- Revenue from Contracts with customers. Measurement of revenue is based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when the performance obligations are satisfied.

In the comparative period, revenue is recognized on an accrual basis when it is probable that the economic benefits will flow to the Corporation and the revenue and associated costs incurred or to be incurred can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

6.1.1.1. Nature of goods and service

The following is a description of the principal activities from which the Corporation generates its revenue and the respective revenue recognition policies.

i. Revenue from importing and trading pharmaceutical and health care items

The Corporation recognizes revenue from following sources;

Customer	Nature, Timing of satisfaction of performance obligation and significant payment terms
Distributors/ Franchises	The Corporation recognized revenue monthly at the point the customer takes possession of the products. The products are sold to the Distributors at prices determined by the Corporation will be notified to the Distributor from time to time. The products once sold to the Distributor will not be taken back by the Corporation or exchanged for other products unless they are spoilt or discolored at the time of issue or where the wrong products were issued to the Distributor by an error. An irrevocable unconditional Bank Guarantee for a sum equivalent to the value of products intended to purchase should be provided in favour of the State Pharmaceuticals Corporation. The Bank Guarantee should be valid for a period of twenty six (26) months from the date of commencement of the agreement and it should be in full force during the continuance of this agreement.
Forces/ Government Hospitals/ Private Hospitals	The Corporation recognized revenue monthly at the point the customer is delivered with the products. The products are sold at prices determined by the Corporation which will be notified to the customer from time to time. The products once sold will not be taken back by the Corporation or exchanged for other products unless they are spoilt or discolored at the time of issue or where the wrong products were issued by an error.

ii. Revenue from supply of Pharmaceuticals and health care items to the Department of Health services.

The revenue is recognized at the point the products are transferred to the Department of Health Services. The products once sold will not be taken back by the Corporation or exchanged for other products unless they are spoilt or discolored at the time of issue or where the wrong products were issued by an error.

iii. Production of Pharmaceuticals and health care items

The Corporation engages in manufacturing and marketing of pharmaceuticals items namely,

- Jeevani
- Glucose
- Benzyl Bensovate Cream

The sale of manufactures good are recognized at the point the products are transferred to the customers. The products once sold will not be taken back by the Corporation or exchanged for other products unless they are spoilt or discolored at the time of issue or where the wrong products were issued by an error.

The following specific recognition criteria are also evaluated by the Corporation before revenue is recognized:

6.1.1.2. Sale with a right of return

The Corporation transfer the control of the product to customers with the right to return if:

- The products sold are close to expiry
- Products are spoilt or discolored at the time of issue
- Issue of wrong products due to an error

Such sale of products with a right to return shall be recognized by the Corporation as;

- Revenue for the transferred products in the amount of consideration to which the Corporation expects to be entitled
- A refund liability; and
- An asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

At the end of each reporting period, the Corporation shall update its assessment of amounts for which it expects to be entitled in exchange for the transferred products and a corresponding change is made to the transaction price if necessary.

The Corporation shall update the measurement of the refund liability at the end of each reporting period for changes in expectations about the amount of refunds. The Corporation recognizes corresponding adjustments as revenue (or reductions of revenue).

An asset recognized for the Corporation's right to recover products from a customer on settling a refund liability shall initially be measured by reference to the former carrying amount of the less any expected costs to recover those products. At the end of each reporting period, the Corporation shall update the measurement of the asset arising from changes in expectations about products to be returned.

6.1.1.3. Other Income

Other income is recognized on an accrual basis.

6.1.1.4. Claims Receivable from Suppliers

Claims receivable from suppliers for Additional Storage Charges, Demurrages, Short Supplies and Damages have not been recognized in the Financial Statement due to uncertainty of the outcome. However, when the realization of income is virtually certain, the claim is recognized in the income statement.

The Corporation has applied SLFRS 15 using the modified restatement method and therefore the comparative information has not been restated and continues to be reported under LKAS 18. The details of accounting policies under LKAS 18 are disclosed separately if they are different from those under SLFRS 15 and the impact of changes is disclosed in Note 8A.

6.1.2. Expenses

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

6.1.3. Financial Expenses

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. The corporation's finance expenses comprise of overdraft interest, letter of credit opening expenses & credit facility agreement charges.

6.1.4. Allocation between overheads

Overheads have been allocated between SPC & DHS based on percentage after analyzing the activities involved.

In the Financial Statements, Overheads allocation method is as follows.

	DHS	SPC
(a) Personnel emoluments	56%	44%
(b) Travelling expenses	10%	90%
(c) Supplies and requisites	25%	75%
(d) Repairs and maintenance	50%	50%
(e) Transportation, communication utilities & other services	50%	50%
(f) Research cost	65%	35%
(g) OD interest	Actual	Actual

7. FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

7.1. Initial Recognition and Measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognized on trade- date, the date on which the Corporation commits to purchase or sell the asset.

At initial recognition, the Corporation measures a financial asset or financial liability at its fair value plus or minus in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability.

7.1.1. Financial Assets

7.1.1.1. Classification and subsequent measurement

From 1 January 2018, the Corporation has applied SLFRS 9 and classifies its financial assets in the following measurement categories:

- Fair Value through Profit and Loss (FVPL)
- Fair Value through Other Comprehensive Income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

• Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

- i. The Corporation's business model for managing the asset; and
- ii. The cash flow characteristics of the asset.

Based on these factors, the Corporation classifies its debt instruments into one of the following three measurement categories:

7.1.1.1.1. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortized cost. Interest income from these financial assets is included in the "Other Operating Income" using the effective interest rate method. The Corporation currently holds cash in hand and bank, staff loans, trade receivables and short term treasury bills under this category.

7.1.1.1.2. Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amounts are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in the profit or loss statement. Interest income from these financial assets is included in "Other Operating income" using effective interest rate method. Currently the Corporation do not hold any financial asset under this category.

7.1.1.1.3. Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not a part of a hedging relationship is recognized in profit or loss presented in the profit or loss statement in the period which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in the profit and loss statement. Interest income from these financial assets is included in "Other Operating income" using effective interest rate method. Currently the Corporation do not hold any financial asset under this category.

- **Business model :**

The business model reflects how the Corporation manages the assets in order to generate cash flows. That is, whether the Corporation's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Corporation in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

- **Solely Payments of Principal and Interest (SPPI) :**

Where the business model is to hold assets to collect contractual cash flow or to collect contractual cash flows and sell, the Corporation assesses whether the financial instruments cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Corporation considers whether the contractual cash flows are consistent with the basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Corporation reclassifies debt investments when and only when its business model for managing those assets changes. The re classification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

7.1.1.2. Impairment

The Corporation assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and FVOCI. The Corporation recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating range of possible outcomes
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

7.1.1.2.1. Measurement of the Expected Credit Loss (ECL) allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The judgements and estimates made by the Corporation for ECL measurement is as follows;

- Expected credit loss is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA). PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.

- LGD represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD is computed on lifetime basis, where Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The Corporation forecasts the economic growth for 5 years basing historical Economic growth data for 8 years and the economic factor adjustment (EFA) is arrived by using a weighted probability of the impact of growth on the Corporation. The economic growth of Sri Lanka is used for EFA as the main factor impacting growth of the Corporation due to the nature of the major customers.

7.1.1.3. De-recognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) Corporation transfers substantially all the risks and rewards of ownership, or (ii) the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and the control of assets.

The Corporation enters into transactions where it retains the contractual rights to receive cash flows from the assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in de-recognition if the Corporation :

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from other assets without material delay.

7.1.2. Financial Liabilities

7.1.2.1. Classification and subsequent measurement

In both current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for Financial Liabilities at fair value through profit and loss. This classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

The Corporation's financial liabilities include trade and other payables, bank overdrafts.

7.1.2.2. De-recognition

A financial liability is de-recognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

7.2. Measurement methods

Amortized cost and Effective Interest Rate

The amortized cost is the amount at which the financial asset or financial liability is measure at initial recognition less the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

INCOME	NOTE 8	
	2018 Rs.	2017 Rs.
Revenue - SPC		
Bulk trading	2,567,562,214	2,477,326,454
ORS sales	102,989,475	115,799,633
Osusala sales	4,761,113,560	3,971,193,491
Provision for Unrealized Profit	(15,067,318)	(6,694,960)
Credit Insurance	1,887,969	1,765,594
Claims Received from Suppliers	39,834,675	34,010,744
Total	7,458,320,575	6,593,400,956
Revenue - DHS		
Import supplies	17,942,708,792	18,025,527,483
Local supplies	8,015,266,843	7,604,857,767
CPU supplies	5,072,292,258	-
Claims Received from Suppliers	349,972,173	339,905,167
Penalties on delayed Supplies	56,745,892	-
Total	31,436,985,958	25,970,290,418
Total Revenue	38,895,306,533	32,563,691,374

SALE WITH A RIGHT OF RETURN

The Sales returns experienced by the Corporation are immaterial in comparison to sales generated. However, the Corporation shall monitor the probability of occurrence of sales returns and the requirement to adjust any material impact of such.

COST OF SALES / DIRECT EXPENSES	NOTE 09	
	2018 Rs.	2017 Rs.
DIRECT EXPENSES - DHS		
Revenue	31,436,985,958	25,970,290,418
DIRECT COST		
C & F value of DHS supplies	16,179,994,614	16,455,725,318
Custom duties & taxes	455,574,179	444,831,083
Cost of local supplies	7,715,060,316	7,313,131,719
CPU purchases to DHS	4,877,204,094	-
Total	29,227,833,203	24,213,688,120
Clearing charges (Bank charges, Stamp fee , Commission & LC chg.	269,174,820	265,781,348
Landing charges	27,100,728	31,669,757
Import licenses fee	40,841,939	10,782,684
Total	337,117,486	308,233,788
Less: Stock in transit	253,016,979	438,657,925
Direct expenses/ Cost of sales	29,311,933,710	24,083,263,984
Gross profit/surplus	2,125,052,248	1,887,026,434

COST OF SALES -SPC	NOTE 10			
	BULK TRADING Rs.	OSUSALA TRADING Rs.	TOTAL TRADING SPC-2018 Rs.	TOTAL TRADING SPC-2017 Rs.
Stock In trade at the beginning of the year	987,908,212	773,931,152	1,761,839,364	1,870,806,566
Add :				
Imported drugs	2,665,737,168		2,665,737,168	1,953,899,794
Consumables for the laboratory	3,088,247		3,088,247	2,903,123
Local purchases (SPC tenders)	1,247,979,355		1,247,979,355	922,397,459
C.P.U - Purchases	521,171,149		521,171,149	269,941,302
Local purchases (Osusalas)	-	2,132,303,865	2,132,303,865	1,700,598,981
Transfers	(1,978,852,611)	1,978,852,611	-	-
STOCK AVAILABLE FOR SALES	3,447,031,520	4,885,087,628	8,332,119,149	6,720,547,226
Less: Stock In trade at end of the year	1,849,440,302	923,792,242	2,773,232,544	1,888,344,565
COST OF SALES & TRANSFERS	1,597,591,219	3,961,295,386	5,558,886,605	4,832,202,660

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE -10A													
COST OF SALES	OSU SALA TRADING Col 7	OSU SALA TRADING Col.04	OSU SALA TRADING Col.01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINUWANGODA	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSUSALA TRADING KURUNEGALA	OSU SALA TRADING AMPARA	OSUSALA TRADING HAMBANTOTA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -														
at the bigining of the year	117,589,031	22,762,074	39,241,303	56,501,730	41,837,024	16,001,553	17,884,059	11,484,333	20,392,066	20,007,011	16,662,871	38,301,153	9,634,798	7,356,908
Local purchases	695,330,810	316,178,068	84,651,004	201,527,628	47,435,534	16,382,837	26,865,317	12,083,032	42,322,119	29,232,927	31,159,686	61,037,767	7,254,976	23,029,327
Transfers	265,852,567	124,078,246	68,316,073	111,092,919	61,348,270	41,423,004	48,554,411	23,981,452	52,696,721	53,454,829	41,935,022	71,178,848	67,081,167	26,206,716
STOCKS AVAILABLE FOR SALE	1,078,772,409	463,018,388	192,208,380	369,122,277	150,620,828	73,807,394	93,303,787	47,548,818	115,410,906	102,694,766	89,757,580	170,517,767	83,970,942	56,592,950
Stock in trade at year end	114,203,916	68,614,205	43,552,858	60,075,394	34,278,881	15,697,128	20,659,874	12,412,989	29,658,818	19,311,941	18,798,156	42,861,833	16,467,908	16,274,647
COST OF SALES & TRANSFERS	964,568,493	394,404,183	148,655,522	309,046,883	116,341,947	58,110,266	72,643,914	35,135,828	85,752,088	83,382,826	70,959,424	127,655,934	67,503,033	40,318,303
TOTAL TRADING													-	
Sales	1,133,783,872	470,798,998	184,104,349	357,288,076	138,619,782	71,063,340	89,221,651	43,335,775	105,168,585	101,988,205	86,060,968	155,647,458	75,106,335	48,228,990
Less: Cost of sales	964,568,493	394,404,183	148,655,522	309,046,883	116,341,947	58,110,266	72,643,914	35,135,828	85,752,088	83,382,826	70,959,424	127,655,934	67,503,033	40,318,303
GROSS TRADING PROFIT	169,215,379	76,394,815	35,448,827	48,241,193	22,277,834	12,953,073	16,577,737	8,199,947	19,416,497	18,605,380	15,101,545	27,991,524	7,603,301	7,910,687

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE -10A

	OSUSALA TRADING A'PURA	OSUSALA TRADING MAHARAGAMA	OSUSALA TRADING J.PURA	OSUSALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLETS RATMALANA	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -														
at the bigining of the year	18,617,409	24,471,466	34,591,436	27,047,892	12,975,001	15,767,442	4,487,924	14,970,820	19,487,005	2,307,620	13,899,179	16,163,772	8,347,415	8,921,007
Local purchases	39,859,110	36,254,395	84,308,267	40,210,821	27,790,627	42,127,438	4,219,190	68,572,001	18,937,751	2,012,664	13,533,026	23,421,417	10,712,502	14,235,955
Transfers	58,132,760	51,044,477	66,252,442	54,463,026	43,900,005	50,838,279	13,449,626	29,833,507	62,772,900	6,949,815	22,089,201	58,172,353	26,744,489	27,035,451
STOCK AVAILABLE FOR SALE	116,609,280	111,770,338	185,152,146	121,721,738	84,665,633	108,733,160	22,156,739	113,376,329	101,197,656	11,270,100	49,521,406	97,757,543	45,804,407	50,192,413
Stock In trade at year end	23,876,895	27,678,376	30,274,543	30,782,562	12,014,534	22,589,214	5,208,089	17,507,378	23,416,489	2,314,461	17,890,800	19,366,915	9,447,372	11,106,222
COST OF SALES & TRANSFERS	92,732,384	84,091,963	154,877,603	90,939,176	72,651,099	86,143,946	16,948,650	95,868,950	77,781,167	8,955,639	31,630,606	78,390,628	36,357,034	39,086,191
TOTAL TRADING														
Sales	113,279,398	103,646,604	185,833,784	107,828,274	89,265,534	103,260,438	21,075,221	103,481,261	95,059,236	11,584,734	38,860,765	95,217,760	44,948,559	50,495,220
Less: Cost of sales	92,732,384	84,091,963	154,877,603	90,939,176	72,651,099	86,143,946	16,948,650	95,868,950	77,781,167	8,955,639	31,630,606	78,390,628	36,357,034	39,086,191
GROSS TRADING PROFIT	20,547,014	19,554,641	30,956,181	16,889,098	16,614,435	17,116,491	4,126,571	7,612,311	17,278,069	2,629,095	7,230,159	16,827,132	8,591,525	11,409,030

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE -10A												
COST OF SALES	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	REGIONAL	OSUSALA
	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	STORES	TOTAL TRADING
	BORELLA	EMBILIPITIYA	KDY-RAILWAY	GAMPAHA	NAGODA	BERUWALA	PILIYANDALA	NINTHAVUR	AKKARAIPATTU	MONARAGALA	PERADENIYA	KANDY	ACTIVITIES
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -													
at the bigining of the year	11,622,021	11,055,354	7,364,518	12,588,295	14,043,536	12,728,342	13,054,102	9,749,104	-	-	-	24,014,579	773,931,152
Local purchases	13,043,871	13,001,632	9,096,086	17,471,435	10,277,951	13,245,552	13,862,643	3,032,819	4,655,159	7,012,705	6,917,815	-	2,132,303,865
Transfers	27,850,946	24,642,274	34,587,281	37,304,484	24,502,843	18,605,935	17,046,216	9,608,275	9,666,095	25,564,230	20,965,801	99,629,652	1,978,852,611
STOCK AVAILABLE FOR SALE	52,516,838	48,699,260	51,047,885	67,364,215	48,824,330	44,579,829	43,962,962	22,390,198	14,321,254	32,576,936	27,883,616	123,644,230	4,885,087,628
Stock In trade at year end	7,502,034	11,842,302	12,401,405	12,605,585	16,255,413	14,577,404	15,116,028	6,432,790	7,856,366	17,830,541	14,547,573	20,482,405	923,792,242
COST OF SALES & TRANSFERS	45,014,804	36,856,958	38,646,480	54,758,630	32,568,917	30,002,425	28,846,934	15,957,408	6,464,889	14,746,395	13,336,043	103,161,825	3,961,295,386
TOTAL TRADING													
Sales	52,096,391	45,057,188	49,111,035	66,520,015	40,857,281	38,054,517	35,099,923	19,031,090	8,836,484	20,155,323	16,617,194	145,423,947	4,761,113,560
Less: Cost of sales	45,014,804	36,856,958	38,646,480	54,758,630	32,568,917	30,002,425	28,846,934	15,957,408	6,464,889	14,746,395	13,336,043	103,161,825	3,961,295,386
GROSS TRADING PROFIT	7,081,588	8,200,230	10,464,556	11,761,385	8,288,364	8,052,092	6,252,989	3,073,682	2,371,596	5,408,928	3,281,151	42,262,122	799,818,174

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

COST OF MANUFACTURING GLUCOSE, JEEWANEE AND BB CREAM

NOTE 11

	2018	2017
	Rs.	Rs.
Opening stock of raw materials	671,326	1,086,686
Add: purchases of raw materials	25,551,471	24,089,587
Less: closing stock of raw materials	1,648,357	671,326
Cost of raw materials consumed	24,574,440	24,504,947
Add: Manufacturing cost (11a)	64,440,211	56,877,791
Production cost of goods	89,014,651	81,382,739

ORS TRADING	2018	2017
	Rs.	Rs.
Opening stock (finished goods)	1,953,393	1,400,474
Add: Production cost of goods	89,014,651	81,382,739
Less: Closing stock (finished goods)	1,917,263	1,953,393
Cost of sale	89,050,781	80,829,820
Sales	102,989,475	115,799,633
Less: Cost of sale	89,050,781	80,829,820
Gross profit	13,938,694	34,969,814

	2018	11A NOTE 11a
	Rs.	Rs.
MANUFACTURING COST		
Salaries & wages	23,837,121	20,145,585
Overtime.	2,196,432	1,641,856
Uniforms.	15,870	121,439
Insurance for staff	182,808	38,426
Provident fund (EPF & ETF).	2,834,583	2,354,115
Annual bonus	417,825	432,000
Attendance bonus	785,400	768,000
Annual incentive bonus	4,689,249	3,213,199
Staff welfare	1,362,409	1,378,421
Medical expenses	477,531	479,130
Power	3,584,128	3,437,282
Depreciation	10,816,537	8,678,575
Repairs & maintenance	911,676	2,151,522
Packing materials used	12,328,641	12,038,242
Total	64,440,211	56,877,791

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

OTHER OPERATING INCOME	NOTE - 12	
	2018 Rs.	2017 Rs.
Sales of tender forms.	48,844,896	32,345,910
Rent received	444,648	623,070
Treasury bill interest	5,396,705	5,440,476
Scrap sales	10,155	68,114
Fund management income	-	1,687,847
Miscellaneous income	4,923,686	4,207,528
Holiday bungalow income	824,445	774,500
Pre qualification charges	1,506,000	3,381,750
Sample testing income	2,929,849	2,103,193
Insurance claim received	6,335,373	-
Int. on returned cheques/ delays	1,857,110	2,371,756
Total	73,072,867	53,004,143

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

(A) ADMINISTRATIVE EXPENSES	SPC TRADING			TOTAL	TOTAL	TOTAL	NOTE 13
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TOTAL
	SPC	DHS	2018	2017			
PERSONNEL EMOLUMENTS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salaries, Wages & Allowances.	310,490,636	-	194,642,432	505,133,068	247,726,732	752,859,800	625,414,944
Overtime.	30,070,131	-	11,455,885	41,526,015	7,637,256	49,163,272	41,024,445
Staff training expenses.	-	-	2,991,648	2,991,648	3,807,552	6,799,200	5,891,258
Uniforms.	2,568,115	-	906,950	3,475,065	1,154,301	4,629,366	4,422,756
Insurance for staff	3,033,755	-	2,961,127	5,994,883	3,768,708	9,763,590	8,929,532
Provident fund (EPF & ETF).	36,785,915	-	22,872,962	59,658,877	29,111,042	88,769,919	75,328,265
Annual bonus	4,652,883	-	3,044,390	7,697,274	3,874,679	11,571,952	11,143,523
Monthly attendance bonus.	9,670,000	-	4,704,282	14,374,282	5,987,268	20,361,550	19,887,950
Sports club expenses	-	-	845,326	845,326	1,075,870	1,921,196	2,309,328
Annual per inc. bonus.	57,249,026	-	38,471,248	95,720,275	48,963,407	144,683,682	90,231,636
Gratuity.	-	-	17,939,611	17,939,611	22,832,233	40,771,844	32,216,995
Land/ Housing loan interest	3,829,884	47,979	2,892,437	6,770,300	3,681,283	10,451,583	9,160,234
SPC Anniversary payment	-	-	704,059	704,059	896,075	1,600,134	3,673,496
Total	458,350,345	47,979	304,432,359	762,830,683	380,516,405	1,143,347,088	929,634,363
TRAVELING EXPENSES							
Overseas travelling expenses- directors.	-	-	-	-	-	-	543,295
Overseas travelling expenses- others.	-	-	1,098,567	1,098,567	122,063	1,220,630	1,899,162
Local travelling expenses - others.	455,406	15,055	4,196,566	4,667,027	466,285	5,133,312	4,439,799
Total	455,406	15,055	5,295,133	5,765,594	588,348	6,353,942	6,882,256
SUPPLIES & REQUISITES							
Printing & stationery.	6,450,712	27,419	15,006,288	21,484,419	5,002,096	26,486,515	20,951,042
Board meeting expenses.	-	-	41,630	41,630	13,877	55,506	74,510
Entertainment - others.	-	-	637,272	637,272	212,424	849,696	579,805
Repairs to motor vehicles.	-	-	7,600,628	7,600,628	2,533,543	10,134,171	8,920,517
Fuel & lubricants.	-	-	9,083,238	9,083,238	3,027,746	12,110,984	12,133,056
License fees of motor vehicles.	-	-	145,471	145,471	48,490	193,961	433,505
Total	6,450,712	27,419	32,514,526	38,992,657	10,838,175	49,830,832	43,092,436
REPAIRS & MAINTENANCE							
Buildings.	2,514,998	-	2,777,566	5,292,563	2,777,566	8,070,129	8,819,802
Furniture, fittings & equipment	2,990,921	-	2,090,263	5,081,184	2,090,263	7,171,447	5,941,969
Computer	97,143	-	2,291,376	2,388,519	2,291,376	4,679,895	3,316,857
Total	5,603,061	-	7,159,205	12,762,266	7,159,205	19,921,471	18,078,629

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

NOTE 13

(A) ADMINISTRATIVE EXPENSES	SPC TRADING			TOTAL TRADING	TOTAL TRADING	TOTAL TRADING	TOTAL TRADING
	OSUSALAS	O.R.S.	BULK	SPC	DHS	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES							
Rent.	22,785,810	-	1,809,088	24,594,898	-	24,594,898	22,929,233
Lease rent	1,031,662	-	275,050	1,306,712	-	1,306,712	1,312,427
Rates & taxes.	812,887	-	566,940	1,379,827	566,940	1,946,767	2,394,997
Water bills	983,761	114,486	473,538	1,571,785	473,538	2,045,324	2,047,334
Electricity.	20,689,530	-	13,289,030	33,978,560	13,289,030	47,267,590	47,207,323
Postage, Telegrams & Telephones.	1,893,134	126,202	7,568,748	9,588,084	7,568,748	17,156,832	17,863,753
Trade subscriptions, Periodicals & Publica	372,330	-	125,422	497,752	125,422	623,175	917,966
Professional charges.	-	-	959,013	959,013	959,013	1,918,027	2,134,516
Insurance.	-	-	2,129,519	2,129,519	2,129,519	4,259,037	3,007,925
Press notification.	-	-	4,826,611	4,826,611	11,262,092	16,088,703	12,983,430
Security services.	23,435,467	613,985	6,450,893	30,500,345	6,450,893	36,951,238	37,243,532
Depreciation	19,545,693	-	23,011,519	42,557,212	23,011,519	65,568,730	53,018,613
Amortisation- Computer Software	1,714,117	-	90,530	1,804,647	-	1,804,647	1,804,647
License fees for drugs.	972,077	-	9,758,204	10,730,281	-	10,730,281	7,750,238
Sundry expenses.	141,757	112	212,805	354,674	100,143	454,817	353,105
Directors fees.	-	-	285,000	285,000	285,000	570,000	855,000
Audit fees.	-	-	1,285,298	1,285,298	1,285,298	2,570,595	2,589,005
Tender board expenses.	-	-	2,758,684	2,758,684	6,436,929	9,195,613	8,095,441
Staff welfare.	19,560,048	-	14,700,182	34,260,230	18,709,323	52,969,553	46,852,283
Staff medical expenses.	5,332,337	-	3,479,509	8,811,846	4,428,466	13,240,312	13,167,018
Donations	-	-	2,213,964	2,213,964	-	2,213,964	3,651,600
Holiday bungalow expenses	-	-	1,032,905	1,032,905	1,314,606	2,347,512	2,316,627
Total	119,270,609	854,785	97,302,451	217,427,846	98,396,480	315,824,325	290,496,014
TOTAL ADMINISTRATIVE Ex	590,130,134	945,238	446,703,674	1,037,779,045	497,498,613	1,535,277,658	1,288,183,698

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

NOTE - 13A

OSUSALA -OVERHEADS	OSU SALA TRADING Col.07	OSU SALA TRADING Col.04	OSU SALA TRADING Col.01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISSAWELLA.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINUWANGODA	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSU SALA TRADING KURUNEGALA	OSU SALA TRADING AMPARA	OSU SALA TRADING II, TOTA
A. ADMINISTRATIVE Ex	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
PERSONNEL EMOLUMENTS														
Salaries, Wages & Allowances.	46,668,517	13,271,475	9,994,608	16,128,861	11,305,138	7,860,255	9,436,652	5,481,619	9,305,612	12,408,026	10,363,247	10,051,586	2,864,771	4,542,337
Overtime.	5,404,121	1,393,944	535,098	1,367,848	1,309,887	598,459	350,674	340,828	671,212	468,042	410,615	803,400	725,099	660,501
Uniforms.	409,612	104,401	82,377	133,420	100,753	67,004	85,275	42,132	68,659	94,860	80,380	85,699	43,052	37,051
Insurance for staff	210,171	326,299	262,731	69,516	129,019	29,877	262,804	28,720	13,489	108,336	234,116	95,200	-	-
Provident fund (E.P.F & E.T.F)	5,591,005	1,567,415	1,205,627	1,914,848	1,360,026	930,572	1,119,799	642,576	1,077,377	1,436,908	1,234,205	1,186,277	581,359	566,030
Annual bonus	772,847	184,950	147,150	240,522	187,000	108,000	121,500	67,500	135,000	175,500	148,500	148,500	45,944	67,500
Annual per inc. bonus.	9,655,684	2,320,229	1,881,841	3,010,627	2,199,541	1,307,158	1,533,763	864,381	1,640,162	2,213,208	1,824,573	1,767,196	598,484	781,322
Housing loan interest	308,247	120,816	144,270	609,782	8,070	127,217	24,168	51,877	46,892	100,412	150,823	48,723	-	-
Attendance bonus	1,456,950	395,850	262,050	549,900	301,800	248,100	338,550	158,850	312,900	421,650	322,050	290,850	155,800	119,850
Total	70,477,155	19,685,378	14,515,752	24,025,323	16,901,234	11,276,643	13,273,186	7,678,482	13,271,304	17,426,942	14,768,510	14,477,432	5,014,510	6,774,592
TRAVELLING EXPENSES														
Local travelling expenses	32,016	18,072	32,590	30,248	3,164	29,752	16,875	15,370	4,190	7,292	5,886	-	17,979	22,390
Total	32,016	18,072	32,590	30,248	3,164	29,752	16,875	15,370	4,190	7,292	5,886	-	17,979	22,390
SUPPLIES & REQUISITES														
Printing & stationery.	585,878	195,212	289,593	328,629	34,742	286,104	136,855	169,153	240,993	221,516	163,403	204,163	145,824	130,537
Total	585,878	195,212	289,593	328,629	34,742	286,104	136,855	169,153	240,993	221,516	163,403	204,163	145,824	130,537
REPAIRS & MAINTENANCE														
Buildings.	759,781	108,647	3,508	81,190	66,530	47,148	873,782	7,427	10,758	76,210	32,647	28,216	50,949	8,980
Furniture, fittings & equipment	227,854	193,502	26,470	172,036	248,509	52,845	92,546	24,005	94,386	44,790	50,018	50,773	137,249	74,477
Computer	30,000	38,628	-	3,700	-	2,250	-	-	-	5,100	700	3,670	-	1,050
Total	1,017,635	340,778	29,978	256,926	315,039	102,244	966,328	31,432	105,144	126,100	83,364	82,659	188,197	84,507
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES														
Rent.	-	-	-	-	-	410,500	-	403,920	913,500	660,000	780,000	1,920,000	-	720,000
Lease rent	-	-	-	337,500	294,333	-	190,738	-	-	-	-	-	-	-
Rates & taxes.	298,432	152,460	128,200	67,456	-	-	6,000	3,510	3,000	26,894	16,463	-	-	26,844
Water bills	156,115	112,176	21,943	54,466	21,943	18,634	73,964	3,908	17,883	32,234	36,959	70,865	35,757	20,454
Electricity.	3,178,999	1,071,723	450,000	759,625	759,444	524,066	981,274	349,537	674,402	691,418	509,121	679,983	615,009	324,220
Postage, Telegrams & Telephones.	185,935	65,705	54,350	57,354	57,218	43,083	48,075	42,226	29,791	48,533	55,563	46,928	51,620	50,313
Depreciation	2,482,010	629,101	443,657	449,719	1,026,970	623,989	524,026	166,575	166,310	281,102	258,540	314,941	864,039	134,694
Amortisation- Computer Software	-	53,499	74,062	74,062	53,499	-	53,499	53,499	74,062	53,499	74,062	74,062	53,499	74,062
Trade subscriptions, Periodicals														
& Publications.	24,720	4,680	3,660	15,960	20,640	17,760	17,580	11,110	17,580	17,460	17,760	17,380	-	8,040
Security services.	3,580,991	1,268,518	377,910	1,182,568	353,976	374,131	345,780	919,581	372,241	340,017	841,398	841,398	340,017	341,170
License fees for drugs.	20,969	25,595	23,840	30,493	21,362	26,303	20,670	21,147	20,568	25,493	29,021	20,691	20,670	24,438
Sundry expenses.	2,230	6,471	19,525	2,100	750	3,230	3,550	2,470	2,580	12,520	1,857	3,663	2,232	2,734
Staff welfare.	2,965,715	645,419	561,314	1,090,630	769,389	444,002	739,828	332,496	478,614	834,607	695,852	731,281	252,084	339,251
Staff medical expenses.	875,004	263,808	180,000	285,000	218,640	135,000	161,798	98,917	150,000	212,847	168,563	164,455	40,755	75,000
Total	13,771,120	4,299,154	2,338,461	4,406,933	3,598,162	2,620,698	3,166,782	2,408,896	2,920,531	3,236,623	3,485,160	4,885,647	2,275,681	2,141,220
TOTAL ADMINISTRATIVE COST	85,883,804	24,538,595	17,206,373	29,048,060	20,852,341	14,315,441	17,560,025	10,303,333	16,542,161	21,018,473	18,506,323	19,649,901	7,642,191	9,153,247

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

NOTE - 13A

OSUSALA -OVERHEADS	OSU SALA TRADING A,PURA	OSU SALA TRADING MAHARAGAMA	OSU SALA TRADING J,PURA	OSU SALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLET RATMALANA	OSU SALA TRADING TAGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT
A. ADMINISTRATIVE COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
PERSONNEL EMOLUMENTS														
Salaries, Wages & Allowances.	6,078,298	8,782,212	18,929,266	8,637,779	6,234,980	6,896,554	3,520,514	5,164,354	6,149,954	2,361,803	4,679,484	6,390,640	4,828,205	3,946,196
Overtime.	1,011,984	751,428	2,106,001	630,871	858,638	731,814	315,804	405,403	615,142	51,400	369,397	767,195	494,285	157,634
Uniforms.	56,285	69,160	159,847	62,575	44,184	76,975	30,026	41,757	52,326	19,702	46,749	55,579	35,619	27,420
Insurance for staff	19,202	-	411,562	106,733	77,384	-	-	179,998	66,227	73,473	2,754	46,687	14,249	86,199
Provident fund (E.P.F & E.T.F)	734,466	1,028,513	2,281,189	996,597	688,879	786,564	421,246	606,805	717,129	279,248	563,688	722,486	521,175	444,934
Annual bonus	103,500	129,389	324,000	121,500	81,000	108,000	54,000	81,000	74,389	27,000	67,500	94,500	54,000	54,000
Annual per inc. bonus.	1,152,650	1,645,189	3,646,909	1,521,315	990,035	1,269,105	679,452	917,975	1,214,698	393,927	815,905	1,095,655	830,602	643,331
Housing loan interest	152,501	31,767	729,124	74,911	-	317,317	12,801	-	-	-	142,566	109,106	37,415	-
Attendance bonus	225,450	282,750	525,900	238,800	205,650	236,550	102,600	155,850	198,900	60,000	143,250	212,550	170,250	112,800
Total	9,534,336	12,720,408	29,113,798	12,391,081	9,180,750	10,422,879	5,136,443	7,553,142	9,088,764	3,266,553	6,831,293	9,494,398	6,985,800	5,472,515
TRAVELLING EXPENSES														
Local travelling expenses	100	1,552	2,300	11,980	1,600	13,112	2,025	26,190	3,940	6,326	4,707	26,670	6,616	13,626
Total	100	1,552	2,300	11,980	1,600	13,112	2,025	26,190	3,940	6,326	4,707	26,670	6,616	13,626
SUPPLIES & REQUISITES														
Printing & stationery.	72,631	374,122	434,735	206,571	138,260	177,929	65,637	91,940	245,583	26,187	179,026	96,407	146,790	131,093
Total	72,631	374,122	434,735	206,571	138,260	177,929	65,637	91,940	245,583	26,187	179,026	96,407	146,790	131,093
REPAIRS & MAINTENANCE														
Buildings.	4,943	30,117	6,853	23,470	3,579	99,242	7,343	10,606	9,069	488	4,787	7,135	2,409	556
Furniture, fittings & equipment	95,281	169,980	170,075	88,934	85,615	117,356	37,525	145,579	144,346	3,450	51,159	39,994	38,543	80,704
Computer	-	150	2,270	1,550	-	600	-	-	-	-	-	-	-	250
Total	100,224	200,247	179,198	113,954	89,194	217,198	44,868	156,185	153,415	3,938	55,946	47,129	40,952	81,511
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES														
Rent.	1,050,000	1,020,000	1,020,000	1,680,000	1,270,000	-	-	1,350,000	-	-	-	445,000	-	881,280
Lease rent	-	-	-	-	-	209,091	-	-	-	-	-	-	-	-
Rates & taxes.	9,132	-	2,500	13,703	11,457	11,148	-	6,365	-	-	10,273	-	-	-
Water bills	16,587	26,988	-	23,876	26,555	18,558	4,013	-	19,446	-	12,206	4,299	17,367	5,516
Electricity.	458,509	641,218	952,640	835,294	689,305	413,863	52,332	346,361	609,719	-	327,761	452,819	248,598	300,410
Postage, Telegrams & Telephones.	54,477	40,407	46,646	54,610	52,996	63,258	30,464	37,346	48,821	25,298	48,723	28,550	45,323	24,384
Depreciation	749,974	181,864	337,941	376,952	322,687	558,249	37,300	205,418	678,530	99,840	624,397	248,956	172,620	404,279
Amortisation- Computer Software	74,062	53,499	53,499	74,062	53,499	53,499	-	74,062	74,062	-	74,062	74,062	74,062	74,062
Trade subscriptions, Periodicals & Publications.	7,710	17,760	25,760	19,200	8,730	-	-	18,020	-	-	8,790	14,940	8,520	3,600
Security services.	343,511	362,794	919,581	352,119	318,118	449,514	-	841,398	841,398	-	341,170	919,581	335,983	527,814
License fees for drugs.	23,636	11,136	37,206	23,999	24,430	24,317	23,352	24,435	24,532	21,490	20,670	11,136	23,636	42,294
Sundry expenses.	2,500	1,831	4,396	32,518	1,000	2,100	-	4,400	1,950	145	2,700	1,210	150	2,370
Staff welfare.	555,130	443,161	1,133,174	533,779	429,366	452,706	158,068	353,737	453,685	111,745	300,945	400,441	251,719	221,552
Staff medical expenses.	94,287	138,403	327,905	120,000	95,758	120,000	60,000	105,000	105,000	39,549	81,190	105,025	81,200	60,000
Total	3,439,514	2,939,060	4,861,248	4,140,111	3,303,900	2,376,302	365,529	3,366,541	2,857,143	298,067	1,852,886	2,706,019	1,259,178	2,547,561
TOTAL ADMINISTRATIVE COST	13,146,804	16,235,388	34,591,279	16,863,697	12,713,705	13,207,420	5,614,501	11,193,997	12,348,846	3,601,071	8,923,858	12,370,623	8,439,337	8,246,305

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

OSUSALA -OVERHEADS	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	REGIONAL	OSUSALA
	TRADING BORELLA	TRADING EMBILIPITIYA	TRADING KDY- RAILWAY	TRADING GAMPAHA	TRADING NAGODA	TRADING BERUWALA	TRADING PILIYANDALA	TRADING NINTHAVUR	TRADING AKKARAIPATTU	TRADING MONARAGALA	TRADING PERADENIYA	STORES KANDY	TOTAL TRADING ACTIVITIES
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
A. ADMINISTRATIVE COST													
PERSONNEL EMOLUMENTS													
Salaries, Wages & Allowances.	4,819,380	4,714,958	4,383,278	6,039,985	4,354,453	4,341,342	5,071,660	2,847,212	1,726,223	2,514,169	1,760,289	5,634,742	310,490,636
Overtime.	287,853	336,957	685,140	503,582	497,155	709,737	533,541	368,928	323,985	553,625	295,829	667,073	30,070,131
Uniforms.	42,258	41,260	43,803	45,065	34,453	39,421	27,390	13,690	5,100	10,850	6,700	45,244	2,568,115
Insurance for staff	68,846	44,738	-	65,424	-	-	-	-	-	-	-	-	3,033,755
Provident fund (E.P.F & E.T.F)	563,021	553,181	532,059	661,831	470,742	520,264	599,712	287,620	201,946	295,624	200,787	692,185	36,785,915
Annual bonus	67,500	67,500	67,500	76,500	67,500	67,500	81,000	45,000	22,542	40,500	27,500	98,150	4,652,883
Annual per inc. bonus.	785,183	807,901	792,069	982,877	786,645	739,815	991,684	518,771	325,576	439,602	406,721	1,257,264	57,249,026
Housing loan interest	-	91,984	30,264	255,270	25,439	-	24,902	-	-	-	30,765	22,455	3,829,884
Attendance bonus	152,850	96,150	154,950	175,500	160,950	157,200	135,450	94,950	40,200	94,500	75,600	125,250	9,670,000
Total	6,786,891	6,754,629	6,689,062	8,806,035	6,397,338	6,575,281	7,465,339	4,176,171	2,645,572	3,948,870	2,804,191	8,542,364	458,350,345
TRAVELLING EXPENSES													
Local travelling expenses	8,150	7,580	6,638	20,228	12,800	-	1,270	-	9,000	3,320	1,450	28,402	455,406
Total	8,150	7,580	6,638	20,228	12,800	-	1,270	-	9,000	3,320	1,450	28,402	455,406
SUPPLIES & REQUISITES													
Printing & stationery.	61,840	74,390	155,703	134,844	26,021	56,017	30,774	73,235	37,428	63,061	84,214	133,670	6,450,712
Total	61,840	74,390	155,703	134,844	26,021	56,017	30,774	73,235	37,428	63,061	84,214	133,670	6,450,712
REPAIRS & MAINTENANCE													
Buildings.	6,577	61,229	9,109	1,348	1,539	7,749	17,423	2,796	12,621	5,269	10,253	12,714	2,514,998
Furniture, fittings & equipment	31,196	62,037	11,060	24,646	40,331	2,480	8,478	4,245	4,350	7,830	4,060	32,205	2,990,921
Computer	-	-	250	-	-	-	-	-	3,475	-	-	3,500	97,143
Total	37,773	123,266	20,419	25,994	41,870	10,229	25,901	7,041	20,446	13,099	14,313	48,418	5,603,061
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES													
Rent.	-	810,000	255,690	1,110,000	744,000	985,728	1,380,000	610,000	480,000	480,000	240,000	1,166,192	22,785,810
Lease rent	-	-	-	-	-	-	-	-	-	-	-	-	1,031,662
Rates & taxes.	-	5,224	6,825	4,000	-	3,000	-	-	-	-	-	-	812,887
Water bills	-	19,978	14,998	-	24,045	11,870	15,493	13,014	-	2,616	-	29,037	983,761
Electricity.	-	244,188	268,865	430,587	297,234	265,562	508,688	216,208	172,305	130,394	46,148	211,702	20,689,530
Postage, Telegrams & Telephones.	15,450	43,943	35,719	37,031	41,142	33,545	65,271	41,031	34,018	39,102	9,996	58,888	1,893,134
Depreciation	423,505	208,695	788,959	617,714	718,735	904,210	835,710	323,111	411,683	444,663	288,107	215,925	19,545,693
Amortisation- Computer Software	74,062	68,202	-	-	-	-	-	-	-	-	-	-	1,714,117
Trade subscriptions, Periodicals & Publications.	10,080	4,620	7,260	-	-	-	-	-	9,630	-	-	13,380	372,330
Security services.	898,166	341,170	357,306	919,581	370,352	613,474	329,445	336,559	198,247	197,095	-	841,398	23,435,467
License fees for drugs.	41,938	25,856	25,493	20,691	24,215	23,840	23,636	23,840	20,670	20,670	23,818	29,881	972,077
Sundry expenses.	360	1,958	2,089	3,700	950	2,200	500	2,850	160	-	650	3,159	141,757
Staff welfare.	310,977	317,302	294,870	327,357	205,200	259,403	287,298	206,311	124,168	163,841	83,931	299,701	19,560,048
Staff medical expenses.	75,000	75,000	82,882	84,276	56,895	87,345	89,763	45,000	35,992	40,665	8,626	87,789	5,332,337
Total	1,849,538	2,166,135	2,140,956	3,554,937	2,482,767	3,190,176	3,535,804	1,817,923	1,486,874	1,519,045	701,277	2,957,053	119,270,609
TOTAL ADMINISTRATIVE COST	8,744,193	9,126,001	9,012,777	12,542,039	8,960,797	9,831,703	11,059,087	6,074,370	4,199,321	5,547,395	3,605,445	11,709,907	590,130,134

NOTE - 13A

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

(b) OTHER OPERATING EXPENSES	SPC TRADING			TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2018	NOTE - 14 TOTAL TRADING
	OSUSALAS	O.R.S.	BULK				2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SELLING & DISTRIBUTION EXPENSES							
Sales promotion expenses.	-	-	37,418,958	37,418,958	-	37,418,958	29,769,812
Prescriber	-	-	117,024	117,024	-	117,024	1,855,838
Transport charges.	-	-	17,019,644	17,019,644	-	17,019,644	14,045,998
Provision for bad debts	-	-	3,734,691	3,734,691	263,559,090	267,293,781	511,091,735
Discount on osusala sales	-	-	5,191,648	5,191,648	-	5,191,648	4,002,470
Additional discounts	-	-	78,039,611	78,039,611	-	78,039,611	72,370,932
Value Added Tax	-	-	4,229,097	4,229,097	12,687,292	16,916,389	12,892,462
Dealers convention	-	-	3,095,670	3,095,670	-	3,095,670	1,983,097
Stock losses	-	-	579,539	579,539	918,633	1,498,172	5,213,537
Stock adj. (Excess/Shortage)	340,367	-	15,257	355,624	-	355,624	667,260
Pro. for outdated & damaged drugs	5,359,855	-	51,395,506	56,755,361	-	56,755,361	104,395,904
Pro. for outdated & damaged drugs - DHS	-	-	-	-	29,389,174	29,389,174	2,474,920
Stamp fee	-	-	384,736	384,736	-	384,736	365,440
Setting up expenses	-	-	999,660	999,660	-	999,660	2,984,905
Storage charges	-	-	-	-	4,619,731	4,619,731	6,794,922
Foreign exchange gain/loss	-	-	(1,312,720)	(1,312,720)	161,552,647	160,239,927	(38,501,835)
Sundry packing materials.	10,404,620	-	1,603,929	12,008,549	-	12,008,549	7,753,307
TOTAL	16,104,842	-	202,512,250	218,617,091	472,726,567	691,343,659	740,160,702
RESEARCH & DEVELOPMENT							
Drugs for testing	-	-	1,924	1,924	3,572	5,496	133,669
Testing charges for samples	-	-	215,109	215,109	399,489	614,598	1,146,109
Drugs for sample	-	-	1,455	1,455	2,703	4,158	18,500
TOTAL	-	-	218,488	218,488	405,764	624,252	1,298,278
TOTAL OTHER OPERATING EXPENSES	16,104,842	-	202,730,738	218,835,580	473,132,331	691,967,911	741,458,980

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

OTHER OPERATING EXPENSES - RAJYA OSUSALA				NOTE - 14 A
RAJYA OSUSALA OUTLET	Stock adj. (Excess/ Shortage)	Outdated & damages	Sundry packing materials.	Total
	Rs.	Rs.	Rs.	Rs.
Osusala- Colombo 07	(291,561)	879,320	1,184,332	1,772,091
Osusala- Colombo 04.	(13,833)	172,131	240,823	399,122
Osusala- Colombo 01	(213,919)	163,486	294,014	243,581
Osusala- Kandy	(25,763)	634,047	824,050	1,432,333
Osusala- Nugegoda	32,766	344,695	313,619	691,080
Osusala- Avissawella	825,424	54,656	283,447	1,163,526
Osusala- Ratnapura	87,166	73,053	291,351	451,570
Osusala- Minuwangoda	(3,156)	28,930	150,286	176,060
Osusala- Panadura	(13,199)	17,912	399,751	404,464
Osusala- Galle	(37,462)	85,514	262,879	310,931
Osusala- Matara	61,905	68,344	340,475	470,724
Osusala- Kurunegala	288	43,115	618,122	661,524
Osusala- Ampara	15,630	158,655	144,913	319,198
Osusala- Hambantota	(44,582)	47,832	219,476	222,727
Osusala - Anuradapura	(25,696)	33,358	433,902	441,563
Osusala- Maharagama	13,092	172,283	447,751	633,126
Osusala- Jayawardanapura	(65,807)	115,500	165,533	215,225
Osusala- Karapitiya	(31,249)	87,538	328,621	384,910
Osusala- Negombo	(55,267)	30,039	347,952	322,724
Osusala- Badulla - C W E	21,261	90,121	241,859	353,241
Osusala- Diyathalawa	-	68,049	62,749	130,798
Osusala- Jaffna	(82)	-	117,250	117,168
Osusala- Polonnaruwa	(8,039)	4,533	260,607	257,101
Osusala- Ratmalana	-	14,383	30,525	44,907
Osusala- Tangalle	(1,340)	67,768	107,945	174,373
Osusala- Ragama	(148)	22,687	583,753	606,293
Osusala- Bandaragama	(11,230)	4,119	184,347	177,235
Osusala- Fort -Railway Station	32,534	43,500	123,178	199,213
Osusala- Borella	(38,309)	36,303	188,343	186,337
Osusala- Embilipitiya	27,756	100,063	214,315	342,134
Osusala- Kandy -Railway Station	38,672	124,073	72,895	235,641
Osusala- Gampaha	(11,955)	188,734	274,244	451,024
Osusala- Nagoda	(67,242)	45,768	85,578	64,104
Osusala- Beruwala	(1,302)	6,072	240,863	245,632
Osusala- Piliyandala	29,536	165,251	186,538	381,325
Osusala- Ninthavur	61,776	154,628	37,088	253,491
Osusala- Akkaraipattu	(2,143)	63,529	8,232	69,618
Osusala- Monaragala	54,672	27,302	11,159	93,133
Osusala- Peradeniya	(8,747)	2,126	41,221	34,599
Kandy - Regional Stores	9,919	920,441	40,635	970,994
Total	340,367	5,359,855	10,404,620	16,104,842

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

(D) FINANCE EXPENSES	SPC TRADING			TOTAL	TOTAL	TOTAL	NOTE - 15
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TOTAL
				SPC	DHS	2018	2017
O/D Interest	-	-	358,191	358,191	67,047,779	67,405,970	35,199,403
Bank charges			1,512,111	1,512,111	-	1,512,111	1,295,294
TOTAL FINANCE COST	-	-	1,870,302	1,870,302	67,047,779	68,918,081	36,494,698

MAJOR COMPONENT OF TAX EXPENSES

	NOTE 16	
	2018	2017
	Rs.	Rs.
Current tax expenses	736,131,074	484,500,080
Over/Under provision in respect of previous years	12,519,169	(7,262,363)
Adj. Deferred tax Income/Expenses relating to the origination -	17,981,562	(6,642,400)
- and reversal of temporary differences		
Tax expenses	766,631,805	470,595,316

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

	NOTE 16A	
	2018	2017
	RS.	RS.
Profit Before Tax	1,719,781,569	1,560,027,058
Disallowable expenses	1,218,062,161	230,328,167
Qualifying payments	(308,804,181)	(283,244,199)
Taxable Income	2,629,039,549	1,507,111,026
Income Tax @ 28%	736,131,074	421,991,087
Tax on Distributable Profit 25% (net)	-	62,508,993
Income tax on current year profit	736,131,074	484,500,080
Over/Under provision in respect of previous years	12,519,169	(7,262,363)
Adj. Deferred tax Income/Expenses relating to the origination -		
and reversal of temporary differences	17,981,562	(6,642,400)
Tax expenses	766,631,805	470,595,316
Effective Tax Rate %	44.6	30.2

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

PROPERTY, PLANT AND EQUIPMENT

NOTE 17

	Freehold land	Buildings	Motor Vehicles	Delivery Cycles	Furniture & Fittings	Equipment	Plant & Machinery	Computers	Total
COST OF DEEMED COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 January 2017	1,199,639,630	551,265,752	149,933,451	59,063	49,927,470	83,793,159	36,865,520	27,496,931	2,098,980,977
Re-valuation	-	-	-	-	-	-	-	-	-
Classification change	-	-	-	-	(1,500,000)	1,500,000	-	-	-
Additions		73,151,884	-	-	20,291,335	33,471,689	4,528,850	12,045,876	143,489,633
At 31 December 2017	1,199,639,630	624,417,636	149,933,451	59,063	68,718,805	118,764,848	41,394,370	39,542,807	2,242,470,609
Additions	-	-	23,549,080	-	14,621,851	27,839,990	5,060,000	45,112,228	116,183,149
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2018	1,199,639,630	624,417,636	173,482,531	59,063	83,340,656	146,604,838	46,454,370	84,655,035	2,358,653,758
DEPRECIATION & IMPAIRMENT									
At 1 January 2017	-	58,331,967	27,071,045	49,639	4,302,783	15,179,393	7,655,415	5,422,358	118,012,599
Depreciation charge for the year	-	16,556,083	7,645,366	2,342	5,537,924	18,709,023	4,657,821	8,588,629	61,697,188
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	74,888,050	34,716,411	51,980	9,840,707	33,888,416	12,313,236	14,010,987	179,709,787
Depreciation charge for the year	-	16,556,083	9,701,571	2,342	7,405,343	25,587,107	5,685,495	11,447,327	76,385,267
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2018	-	91,444,133	44,417,982	54,322	17,246,050	59,475,523	17,998,731	25,458,314	256,095,055
NET BOOK VALUE									
At 31 December 2018	1,199,639,630	532,973,503	129,064,549	4,741	66,094,606	87,129,314	28,455,639	59,196,721	2,102,558,703
At 31 December 2017	1,199,639,630	549,529,586	115,217,040	7,083	58,878,098	84,876,432	29,081,134	25,531,820	2,062,760,822
At 31 December 2016	1,199,639,630	492,933,785	122,862,406	9,424	45,624,686	68,613,766	29,210,105	22,074,574	1,980,968,377

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

INTANGIBLE ASSETS		NOTE 18
Computer Software	2018	2017
	RS.	RS.
Cost		
As at the bigining of the year	5,413,941	5,413,941
Acquisition/Incurred during the year	-	-
As at the end of the year	5,413,941	5,413,941
Amortisation		
As at the bigining of the year	3,609,294	1,804,647
Amortisation charge for the year	1,804,647	1,804,647
As at the end of the year	5,413,941	3,609,294
Carrying Amount		
As at the bigining of the year	1,804,647	3,609,294
As at the end of the year	-	1,804,647

OTHER NON CURRENT ASSETS		NOTE 19
Deferred expenses/Lease hold Lands	2018	2017
	RS.	RS.
Osusala Badulla (Bus Stand)	3,681,600	3,796,650
Osusala Badulla (CWE)	4,565,152	4,774,243
Osusala Nugegoda	6,429,892	6,723,225
Other non Current Assets	14,676,643	15,294,117

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2018

NOTE 20

OSUSALA TRADING STOCK 2018							2017					
Location	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Transit	84,104,075	-	84,104,075	-	-	84,104,075	38,221,264	-	38,221,264	-	-	38,221,264
Bulk Stores	1,849,440,302	15,257	1,849,425,045	237,005,547	-	1,612,419,498	1,107,362,482	(6,914)	1,107,369,396	306,106,061	-	801,263,335
Colombo 07	114,203,916	(291,561)	114,495,477	879,320	4,816,504	108,799,653	118,343,409	(22,100)	118,365,509	776,477	3,786,430	113,802,602
Colombo 04	68,614,205	(13,833)	68,628,038	172,131	3,701,817	64,754,090	22,872,635	(17,730)	22,890,365	128,291	1,090,757	21,671,317
Colombo 01	43,552,858	(213,919)	43,766,777	163,486	2,137,775	41,465,516	39,307,577	(18,945)	39,326,522	85,219	2,490,640	36,750,663
Kandy	60,075,394	(25,763)	60,101,157	634,047	3,764,064	55,703,046	56,791,252	(14,594)	56,805,847	304,117	3,369,961	53,131,769
Nugegoda	34,278,881	32,766	34,246,114	344,695	1,837,833	32,063,587	42,187,717	41,117	42,146,601	309,577	1,762,899	40,074,124
Avissawella	15,697,128	825,424	14,871,704	54,656	1,150,130	13,666,918	16,561,335	452,229	16,109,106	107,553	1,064,435	14,937,118
Rathnapura	20,659,874	87,166	20,572,707	73,053	1,424,551	19,075,103	18,543,197	426,475	18,116,722	232,663	850,566	17,033,493
Minuwangoda	12,412,989	(3,156)	12,416,146	28,930	818,907	11,568,308	11,503,174	(1,178)	11,504,352	20,019	869,398	10,614,936
Panadura	29,658,818	(13,199)	29,672,017	17,912	2,155,563	27,498,542	20,382,084	(12,138)	20,394,222	2,156	1,209,863	19,182,202
Galle	19,311,941	(37,462)	19,349,403	85,514	1,513,427	17,750,462	20,631,746	(34,421)	20,666,167	659,156	1,300,319	18,706,692
Matara	18,798,156	61,905	18,736,251	68,344	1,315,324	17,352,583	16,801,928	81,533	16,720,395	57,523	1,094,568	15,568,304
Kurunegala	42,861,833	288	42,861,546	43,115	2,819,801	39,998,629	38,347,729	(221)	38,347,950	46,797	2,447,951	35,853,202
Ampara	16,467,908	15,630	16,452,278	158,655	1,464,945	14,828,678	10,340,361	7,674	10,332,688	697,889	734,725	8,900,074
Hambantota	16,274,647	(44,582)	16,319,228	47,832	940,826	15,330,570	7,516,980	8,412	7,508,568	151,660	547,486	6,809,422
Anuradhapura	23,876,895	(25,696)	23,902,591	33,358	2,091,397	21,777,836	18,602,154	(15,797)	18,617,950	542	1,290,563	17,326,845
Maharagama	27,678,376	13,092	27,665,283	172,283	1,610,882	25,882,118	24,510,593	(9,020)	24,519,613	48,147	1,295,498	23,175,968
Jayawardanapura	30,274,543	(65,807)	30,340,350	115,500	1,049,783	29,175,067	34,795,116	8,191	34,786,926	195,489	1,267,508	33,323,928
Karapitiya	30,782,562	(31,249)	30,813,811	87,538	1,944,664	28,781,610	27,233,933	(3,243)	27,237,176	189,284	1,704,242	25,343,650
Negombo	12,014,534	(55,267)	12,069,801	30,039	676,535	11,363,227	12,987,543	(64,184)	13,051,727	76,726	541,898	12,433,104
Badulla - CWE	22,589,214	21,261	22,567,953	90,121	1,562,936	20,914,896	15,989,890	20,797	15,969,093	201,651	995,895	14,771,547
Diyathalawa	5,208,089	-	5,208,089	68,049	391,504	4,748,536	4,522,608	-	4,522,608	34,685	336,827	4,151,097
Jaffna	17,507,378	(82)	17,507,460	-	1,170,807	16,336,653	15,024,255	624	15,023,631	52,811	951,069	14,019,751
Polonnaruwa	23,416,489	(8,039)	23,424,528	4,533	1,838,637	21,581,358	19,487,789	(9,134)	19,496,923	9,917	1,376,694	18,110,311
Ratmalana	2,314,461	-	2,314,461	14,383	170,657	2,129,421	2,310,308	-	2,310,308	2,688	145,192	2,162,428
Tangalle	17,890,800	(1,340)	17,892,140	67,768	1,180,721	16,643,652	14,024,162	(3,509)	14,027,671	128,492	991,936	12,907,243
Ragama	19,366,915	(148)	19,367,063	22,687	1,415,994	17,928,382	16,205,544	(131)	16,205,675	41,903	560,244	15,603,529

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2018

OSUSALA TRADING STOCK - Cont.

NOTE 20

Location	2018					
	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bandaragama	9,447,372	(11,230)	9,458,602	4,119	823,096	8,631,387
Fort - Station	11,106,222	32,534	11,073,688	43,500	668,256	10,361,931
Borella	7,502,034	(38,309)	7,540,343	36,303	445,666	7,058,374
Embilipitiya	11,842,302	27,756	11,814,546	100,063	890,083	10,824,400
KDY-Railway	12,401,405	38,672	12,362,733	124,073	975,413	11,263,246
Gampaha	12,605,585	(11,955)	12,617,540	188,734	878,604	11,550,201
Nagoda	16,255,413	(67,242)	16,322,655	45,768	1,101,080	15,175,807
Beruwala	14,577,404	(1,302)	14,578,706	6,072	874,948	13,697,686
Piliyandala	15,116,028	29,536	15,086,492	165,251	872,129	14,049,112
Ninthavur	6,432,790	61,776	6,371,015	154,628	495,523	5,720,864
Akkaraipattu	7,856,366	(2,143)	7,858,508	63,529	577,079	7,217,901
Monaragala	17,830,541	54,672	17,775,869	27,302	1,437,102	16,311,464
Peradeniya	14,547,573	(8,747)	14,556,320	2,126	1,178,141	13,376,053
Regional Stores Kandy	20,482,405	9,919	20,472,486	920,441	-	19,552,045
Total	2,857,336,618	355,624	2,856,980,995	242,365,401	56,183,108	2,558,432,485
ORS UNIT						
Finished Products	1,917,263	-	1,917,263	-	-	1,917,263
Raw Materials	1,648,357	-	1,648,357	-	-	1,648,357
Total	3,565,620	-	3,565,620	-	-	3,565,620
SUNDRY STOCKS						
Printing Stationery	11,586,834	-	11,586,834	-	-	11,586,834
Packing Materials	27,539,067	-	27,539,067	-	-	27,539,067
Miscellaneous Stocks	5,435,286	-	5,435,286	-	-	5,435,286
Total	44,561,187	-	44,561,187	-	-	44,561,187
Disputed items	185,552,078	-	185,552,078	-	-	185,552,078
Total	3,091,015,503	355,624	3,090,659,880	242,365,401	56,183,108	2,792,111,371

	2017					
	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	8,351,456	(2,680)	8,354,136	6,722	637,059	7,710,355
	11,740,958	3,359	11,737,599	115,578	548,739	11,073,281
	8,937,314	(9,722)	8,947,036	26,029	442,630	8,478,377
	11,115,123	(6,019)	11,121,142	65,789	777,225	10,278,129
	7,049,292	(390,274)	7,439,566	75,048	537,330	6,827,188
	13,128,441	456,562	12,671,879	83,584	740,888	11,847,408
	13,995,217	(62,611)	14,057,829	14,292	994,717	13,048,819
	12,739,129	(2,189)	12,741,318	12,976	888,080	11,840,262
	13,029,022	(34,219)	13,063,241	9,139	740,044	12,314,058
	9,704,537	(44,567)	9,749,104	-	731,515	9,017,589
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	25,366,575	(54,173)	25,420,748	1,464,132	-	23,956,616
Total	1,926,565,829	667,260	1,925,898,569	312,540,780	41,115,790	1,572,241,999
	1,953,393	-	1,953,393	-	-	1,953,393
	671,326	-	671,326	-	-	671,326
Total	2,624,719	-	2,624,719	-	-	2,624,719
	14,558,512	-	14,558,512.11	-	-	14,558,512
	16,700,041	-	16,700,041.36	-	-	16,700,041
	5,632,807	-	5,632,806.65	-	-	5,632,807
Total	36,891,360	-	36,891,360	-	-	36,891,360
	186,644,877	-	186,644,877	-	-	186,644,877
Total	2,152,726,785	667,260	2,152,059,525	312,540,780	41,115,790	1,798,402,955

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

STOCKS IN TRANSIT - DHS

NOTE 21

	2018	2017
	Rs.	Rs.
Stock in Transit	253,016,979	438,657,925
Add: Disputed Items - DHS		
Disputed stock as at 31.12.18	140,220,620	288,948,928
Disputed balances as at 31.12.18	14,603,745	14,603,745
Less: Provision for unsalable	121,254,001	112,080,235
Goods in Transit - DHS	286,587,344	630,130,363

TRADE AND OTHER RECEIVABLES

NOTE - 22

	2018	2017
	Rs.	Rs.
Total Dues From DHS	16,998,983,680	9,267,922,705
Trade Debtors	878,860,394	967,042,539
Staff Loans	99,536,632	78,238,674
Other Staff Advances	999,101	1,051,412
Deposits and Advances	2,298,217	3,537,509
Other Receivables & Recoverable	53,824,027	58,462,181
Total	18,034,502,052	10,376,255,021
Less: Provision for bad & doubtful debts	1,715,089,413	2,475,010,999
Trade and Other Receivables	16,319,412,639	7,901,244,022

DEBTORS ANALYSIS

NOTE 22A

	2018	2017
	Rs.	Rs.
TOTAL DUES FROM DHS		
Local Purchase on DHS Tenders	920,317	920,317
DHS Turnover Tax & Custom Duty	51,927,472	52,146,382
Purchase Clearing - DHS	158,744,104	158,744,104
Department of Health Services	16,787,391,787	9,056,111,902
Total	16,998,983,680	9,267,922,705

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

DEBTORS ANALYSIS - Cont.

	NOTE 22A	
	2018 Rs.	2017 Rs.
TRADE DEBTORS		
Distributors	278,270,640	281,887,790
Sales Representatives	49,685	649,820
Private Sector Organizations	33,295,743	22,054,302
Forces	212,104,145	349,782,737
Franchise Osusalas	38,927,628	39,330,554
Authorized retailer	2,178,133	2,856,516
Hospitals- Government	241,805,728	205,221,465
Hospitals- Private	11,730,128	11,354,637
Government Dept. & Corporations	30,414,261	26,758,075
Disputed Debtors - Government Sector	17,923,301	16,433,719
Disputed Debtors - Private Sector	1,720,952	272,872
Debtors under litigation	10,440,050	10,440,050
Total	878,860,394	967,042,539
STAFF LOANS		
Staff Loan	99,536,632	78,238,674
Total	99,536,632	78,238,674
OTHER STAFF ADVANCES		
Cycle Loans	19,831	20,642
Festival Advance	979,270	1,030,770
Total	999,101	1,051,412
DEPOSITS AND ADVANCES		
Advance Payments to Suppliers	1,237,753	3,075,114
General Advance	1,060,464	462,395
Total	2,298,217	3,537,509
OTHER RECEIVABLES & RECOVERABLE		
Sundry Debtors	8,077,511	7,720,310
E Channeling control A/c	25,556	25,556
Insurance Claim Receivables	2,279,937	2,507,547
Claim receivable from supplier	43,441,023	48,208,767
Total	53,824,027	58,462,181
TOTAL DEBTORS AND OTHER RECEIVABLES	18,034,502,052	10,376,255,021

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

DEBTORS ANALYSIS - Cont.

NOTE 22B

Age Analysis -DHS

(Rs.Million)

	Over 5 Years	4 to 5 Years	3 to 4 Years	2 to 3 Years	1 to 2 Years	Less Than 1 Year	Total
DHS - Outstanding	2,002	678	639	1,390	1,327	10,028	16,064
Deductions -Claim from Suppliers	576	41	3	61	3	39	723
Import, Local & Custom duty	211	-	-	-	-	-	211
	2,790	719	642	1,452	1,330	10,067	16,998

Age Analysis -SPC

	OVER 5 YEARS	1 TO 5 YEARS	184 - 365 Days	93 - 184 Days	32 - 92 Days	0 - 31 Days	Grand Total
Trade Debtors	12.4	17.9	37.3	163.1	263.9	384.2	878.9

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

PREPAYMENTS

NOTE - 23

	2018	2017
	Rs.	Rs.
Pre- Payments	26,282,202	26,517,539
Employee Security Investments	441,636	441,636
Deposits - Postal Franking Machine	555,337	698,742
Pre paid Staff Expenses	7,932,673	4,286,940
Advance Payments to Port Authority	1,637,576	2,414,409
Miscellaneous Deposits	12,521,567	11,850,567
Container Deposits - SPC	1,628,840	1,740,890
Container Deposits - DHS	10,219,615	10,028,960
Total	61,219,447	57,979,683

CASH AND CASH EQUIVALENTS

NOTE 24

	2018	2017
	Rs.	Rs.
People's Bank A/C 90210892	535,951,788	171,419,803
Commercial Bank A/C -10263	11,249	14,249
Bank of Ceylon A/C -1438	405,633,890	67,756,266
Bank of Ceylon A/C -70556680	5,875,491	4,792,985
Standard Chartered Bank A/C 1171968 01	7,871,330	7,967,486
Commercial bank A/C -50401	55,007	55,007
Sampath Sanhida A/C 10218	785,168	-
Investments		
Treasury Bill - Credit Insurance Scheme	50,319,838	46,224,126
Treasury Bill - Supplier Convention	14,035,112	13,192,812
Petty Cash Impress - Control	645,825	627,767
Total	1,021,184,699	312,050,502

DEFERRED LIABILITIES

NOTE 25

EMPLOYEE RETIREMENT GRATUITY	2018	2017
	Rs.	Rs.
Gratuity opening balance	232,516,523	153,435,319
Interest Cost	25,576,818	16,110,708
Current Service Cost	15,195,027	16,106,287
Actuarial Gain /Loss	(30,453,273)	59,575,287
Benefit paid/ payables during the year	(21,642,992)	(12,711,078)
Total	221,192,102	232,516,523

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs.' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2018. The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

Discount %	11.5% p.a.
Future salary increase %	5% p.a.
Allowance increase %	10% p.a.
Retiring age	60 Years

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

The amounts recognized in the Income Statement are as follows,

	NOTE 25A	
	2018	2017
	Rs.	Rs.
Current service cost	15,195,027	16,106,287
Interest charges for the year	25,576,818	16,110,708
Gratuity include in the staff cost	40,771,844	32,216,995
Actuarial gain/loss - OCI	(30,453,273)	59,575,287
Total	10,318,571	91,792,283

DEFERRED TAX ASSETS/ LIABILITIES

	NOTE 26	
	2018	2017
	Rs.	Rs.
Differed tax liability	(112,050,280)	(97,239,556)
Differed tax Assets	61,933,789	65,104,627
Opening SLFRS Deferred Tax Assets/ Liability	50,116,492	32,134,929

TRADE AND OTHER PAYABLES

	NOTE 27	
	2018	2017
	Rs.	Rs.
Accrued charges & provision	336,253,850	271,888,155
Creditors control	2,983,839,668	818,160,881
Special order advance	982,510	982,510
Security deposits	568,319	556,319
Salaries control	1,934,192	5,932,124
Bank bills payable - SPC	198,627,788	77,938,218
Bank bills payable - DHS	6,796,871,711	2,695,082,859
Interest on cash security deposits	42,537	25,216
Tender deposits	1,229,405	823,050
Loans & other recoveries (staff)	12,614,521	34,367,301
Gratuity payable	76,247	76,247
P.A.Y.E	404,822	850,171
Seva Vanitha	17,280	13,780
Welfare fund	690,187	803,711
Cash Deposit in lieu of Bank Guaranty	17,143,424	16,403,679
Agency commission	53,400,758	41,595,488
Value added tax	19,199,275	30,634,498
Total	10,423,896,495	3,996,134,208

CURRENT FINANCIAL LIABILITIES

		NOTE 28	
		2018	2017
		Rs.	Rs.
Bank of Ceylon	A/C -1435	559,637,026	610,245,516
Bank of Ceylon	A/C -1425	178,229,948	116,510,031
People's bank	A/C -90210929	1,895,543,511	612,646,295
Commercial bank	A/C -150701	5,622,333	22,041,997
Total		2,639,032,817	1,361,443,839

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018

NOTE -29

CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2018

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2018.

GENERAL RESERVE

	2018	2017
General Reserve		
Balance as at 31st December	Rs. 66,061,447.00	Rs. 66,061,447.00

General Reserve of the Corporation has been created out of the profits prior to year 1992, so as to meet future contingencies and not created for any specific purpose.

NOTE -30

LIABILITIES AND PROVISIONS

The following legal cases are pending as of 31st December 2018, and the Corporation has been advised by the legal council that it is only possible, but not probable that the action will succeed. Accordingly, no provision has been made in these financial statements.

30.1. Contingent liabilities

The Corporation is a defendant in eight Cases where legal actions instituted by stakeholders of entities involved, claiming 40,651,789/- with the interest for delay payment. These cases are being contested by the corporation and no provision has been made in the financial statements.

30.1.1 Rainn kumar - HC ARB 111/98

A letter of demand has been sent by Mr. Senaviratne Attorney – at – law on behalf of Mr. Rainnkumar against the decision of black listing Meaars Pharma. The Corporation has referred this matter to the Attorney General's Department.

30.1.2 LT Application No. LT4/G/28/2016 (Labour Tribunal Galle – Mr. H.C.R Pieris)

A case was filed in Labour Tribunal by an employee against the dismissal of his employment and the case was laid due to the pending Magistrate Court case regarding the same matter.

30.1.3 LT Application No. 13/59/2017 (Labour Tribunal No 13. – Mr. M.N. Nayanajith)

The case was filed in Labour Tribunal Colombo by an employee against the dismissal of his employment.

30.1.4 Mrs C K Jayawardana Vs SPC – A3631

A application was filed by former Manager (Imports) Mrs C K Jayawardana against the demotion of the applicant.

30.1.5 Consumer Affairs Authority Vs SPC – Galle 45913

Case has been filed in the Magistrate Courts, Galle against SPC by the consumer affairs authority for a labelling issue.

30.1.6 Consumer Affairs Authority (Higurakgoda) Vs SPC – Case No. 53962

Case has been filed in the Magistrate Courts, Higurakgoda against SPC by the consumer affairs authority for a labelling issue.

30.1.7 V.V.Karunarathna and Company Vs SPC

V.V.Karunarathna and Company has initiated Arbitration against SPC to recover the withheld amount of Rs.40,651,789.00 by SPC together with the interest for the delay payment for the wharf clearance and transport services.

30.1.8 Sadaleka Amila Bashini Senanayaka Vs SPC and Others – 4/2017/Writ

Above mentioned Petitioner has filed a writ application to quash the procedure followed and all decisions made by the Seethawaka Urban Counsel, re-enact all written and verbal agreements and contracts that has made with the petitioner and to issue a writ to make all necessary arrangements to handover the possession of the premises given to the petitioner by the Urban Counsel.

30.2 The corporation is a plaintiff in six Cases claiming Rs 38,935,941.42 with legal interest for the damages.

30.2.1 Osusala – Negombo - Case No. L 30202

Rs. 3,863,609.77 Cash loss reported at Rajya Osusala Negombo as a result of misappropriation of Osusala Funds by the Cashier. This contingent asset was not recognized in the financial report as the realization was not certain.

30.2.2 SPC Vs Nestor Pharmaceuticals Limited, India

A case has been filed by SPC against the M/S Nestor Pharmaceuticals Limited, India. Debit Note value USD 41,896 (LKR 4,813,512/-)

30.2.3 SPC Vs Unibios Laboratories Ltd, India and Others

This case has been filed by SPC against the above-mentioned supplier for not settling the Debit Note value USD 10,604.80 (LKR 1,207,885.59) against quality failures reported in their supplies.

30.2.4 SAS Pharmaceuticals - Case No. 7078 M

This Case has been filed against S A S Enterprises, one of Distributors who has defaulted in settling claim of Rs 13,023,790.64 due to the Corporation. District Court and High Court judgment was given in favour of “SPC” but SAS Enterprises has referred the case to the Supreme Court against the decision of District Court and High Court.

30.2.5 Lloyed Pharmaceuticals – Case No. 6799 M

SPC filed a case in district Court Kalutara against the distributor Lloyed Pharmaceuticals to recover the outstanding dues of Rs. 2,368,958.28.

30.2.6 Arbitration between State Pharmaceuticals Corporation of Sri Lanka Vs

M/S Anhui Tiankang Medical Products Co. Ltd.

SPC has been referred the above matter for Arbitration for not settling the Debit Note value USD 8412 and USD 305,510.30 (Rs. 930,670 and Rs. 24,981,480.78) raised due to quality failure in items issued on Indent No. DHS/SWW/45/341R/07 and DHS/© SU/172/194K/08-09 respectively.

30.3 Financial Commitments

Document credit established for purchases of pharmaceuticals as at 31.12.2018 amounts to Rs.14.334 m

NOTE -31

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's principal financial liabilities comprise of borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Corporation's operations. The Corporation has trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Corporation is exposed to credit risk and liquidity risk. The Corporation's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Credit risk

Trade receivables

Customer credit risk is managed by each business unit.

	2018	2017
SPC	Rs. 878,860,394	Rs. 967,042,539
DHS	Rs. 16,998,983,680	Rs. 9,267,922,705

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Corporation obtains bank guarantees as security for distributors, Franchised Osusalas & Authorized Retailers. In addition, a premium is charged from clients who wish to buy on credit in excess of the bank guarantee limit.

Liquidity risk

The Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2018:	(Rs)	Maturity
Interest-bearing loans and borrowings	2,639,032,817	OD – Payable on demand
Trade and other payables	10,396,979,347	Usually 03 months
Year ended 31 December 2017:	(Rs)	Maturity
Interest-bearing loans and borrowings	1,361,443,839	OD – Payable on demand
Trade and other payables	3,996,134,208	Usually 03 months
	2018	2017
	Rs	Rs
Interest-bearing loans and borrowings	2,639,032,817	1,361,443,839
Trade and other payables	10,396,979,347	3,996,134,208
Less: cash and short-term deposits	(1,021,184,699)	(312,050,520)
Net debt	12,014,827,465	5,045,527,527
Equity		
Capital and net debt	21,715,464,949	11,963,537,834

NOTE -32**RELATED PARTY TRANSACTIONS****32.1 Transactions with State and State Controlled Entities**

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

Nature of the Transaction	2018	2017
Transactions:	RS	RS
Sales	38,895,306,533	32,563,691,374
Outstanding Balances:		
Receivable from Medical Supplies Division	16,998,983,680	9,267,922,705
Receivable from Forces	212,104,145	349,782,737
Receivable from Government hospitals	241,805,728	205,221,465
Receivable from Other Government Institutions	30,414,261	26,758,075

32.2 Key Management Compensation

The Corporation's key management personnel include the Board of Directors, Minister of Health Sri Lanka and the Secretary to the Ministry of Health Sri Lanka.

	2018	2017
	RS	RS
Short term employment benefits	4,706,000	4,738,343

NOTE -33**EVENTS AFTER THE BALANCE SHEET DATE**

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

NOTE -34

EFFECT OF INITIAL APPLICATION OF SLFRS 9 AND CHANGES IN ACCOUNTING ESTIMATES AND JUDGEMENTS

The initial application of SLFRS 9 Financial Instruments had resulted changes in classification, measurement and presentation of financial instruments. The changes to the measurement through impairment as at 1st January 2018 amounts to Rs. 89,624,714. Further, the changes in the accounting estimates and judgements used in prior period has resulted a change in impairment amounting to Rs. 1,107,619,070. Net impact to the Equity Statement is Rs.1,017,994,355.

Impact from initial application of SLFRS 9**Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with LKAS 39 and SLFRS 9 at 1 January 2018 are compared as follows:

Financial Assets	Measurement category	LKAS 39	Measurement category	SLFRS 9
		Carrying amount (Rs.)		Carrying amount (Rs.)
Cash in hand and bank	Amortized cost (Loans and receivables)	252,005,797	Amortized cost	252,005,797
Staff loans	Amortized Cost (Loans and receivables)	78,238,674	Amortized cost	78,238,674
Trade receivables	Amortized Cost (Loans and receivables)	8,867,573,316	Amortized cost	8,777,948,602
Short term Treasury bills	Amortized Cost (Held to Maturity)	60,044,705	Amortized cost	60,044,705

There were no changes to the classification and measurement of financial liabilities.

The Corporation does not hold any financial liability falling under classification and measurement criteria of fair value through profit and loss.

Reconciliation of statement of financial position balances from LKAS 39 to SLFRS 9

The Corporation performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with LKAS 39 to their new measurement categories upon transition to SLFRS 9 on 1 January 2018.

	LKAS 39 Carrying amount 31 December 2017 (Rs)	Reclassification (Rs)	Re-measurements (Rs)	SLFRS 9 carrying amount 1 January 2018 (Rs)
Amortized cost				
Cash in hand and Bank	252,005,797	-	-	252,005,797
Staff Loans	78,238,674	-	-	78,238,674
Trade receivables	8,867,573,316	-	(89,624,714)	8,777,948,602
Short Term Treasury Bills	60,044,705	-	-	60,044,705
	9,257,862,492	-	(89,624,714)	9,168,237,778

Reconciliation of impairment allowance balance from LKAS 39 to SLFRS 9

The following table reconciles the previous period's closing impairment allowance measured in accordance with LKAS 39 incurred loss model to the new impairment allowance measured in accordance with the SLFRS 9 expected loss model at 1 January 2018:

MEASUREMENT CATEGORY	PROVISION AS PER LKAS 39 (RS.)	RECLASSIFICATION	RE-MEASUREMENT	PROVISION PER SLFRS 9 (RS.)
TRADE RECEIVABLES	1,367,391,928	-	89,624,714.	1,457,016,642
	1,367,391,928		89,624,714	1,457,022,279

Impacts from changes in Accounting Estimates and Judgements

This note provides an overview of the impact of changes in the accounting estimates and judgements of the Corporation.

The Corporation's practice was to provide in full for the debtor balances more than 5 years of Medical Supplies Division (MSD). However, in accordance with the recent approvals related information the judgement for above debtor balance has been changed. Thus, the Corporation decided to utilize actual loss given default (LGD) rates to compute the impairment of the debtor. Therefore, the impact from such decision on the Financial Statements is amounting to Rs. 1,107,619,070.

HSM/A/SPC/1/18/30

29th May 2019

Chairman,
State Pharmaceuticals Corporation of Sri Lanka

Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 December 2018 of the State Pharmaceuticals Corporation of Sri Lanka

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the State Pharmaceuticals Corporation of Sri Lanka for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act No.38 of 1971. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the qualified opinion

1.2.1 Sri Lanka Accounting Standards

The terms of following accounting standards have not been complied with in preparing the financial statements.

(a) Sri Lanka Financial Reporting Standard 13 (SLFRS)

In terms of paragraph 9 of the standard, the Corporation had not disclosed the accounting policy for the measurement of fair value of assets and liabilities on a recurring or non-recurring basis.

(b) Sri Lanka Accounting Standard 1

In terms of paragraph 32 of the standard, an entity shall not offset assets and liabilities or income and expenses unless required or permitted by a Sri Lanka Accounting Standard. However, credit balances amounting to Rs. 2,590,505 in trade debtor accounts as at 31 December 2018 had been offset against debit balances of Rs. 878,860,394 as of that date and credit balances of Rs 2,703,133 in the stocks in transit account in the name of the Director General of Health Services had been offset against debit balances of Rs. 253,016,979 as of that date and credit balances amounting to Rs. 6,610,270 in the payable agent commission account had been offset against debit balances of Rs. 60,011,028 as of that date and taken to financial statements. Action had not been taken to look into the credit balances of the trade debtor account, the stocks in transit account and the payable agent commission account and settle them.

(c) Sri Lanka Accounting Standard 8

In terms of paragraphs 30 and 31 of the standard, though an entity which has not applied a new SLFRS that has been issued but is not yet effective shall disclose this fact and known or reasonably estimable information relevant to assessing the possible impact that application of the new SLFRS will have on the entity's financial statements in the period of initial application, the Corporation had not disclosed the accounting policies for the new or amended standards which had been issued as at the reporting date but not yet effective. (Eg: SLFRS 16 – Leasing)

(d) Sri Lanka Accounting Standard 10

In terms of paragraph 17 of the Standard 10, disclosures had not been made regarding the date when the financial statements were authorized for issue and the power to amend the financial statements after issue.

(e) Sri Lanka Accounting Standard 12

In terms of paragraph 81(g) of the standard, detailed disclosures had not been made of tax liabilities in the statement of financial position in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits for each period presented.

(f) Sri Lanka Accounting Standard 16

In terms of paragraphs 51 and 55 of the standard, the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate in accordance with LKAS 8 and depreciation of an asset shall begin when it is available for use. Nevertheless, the accounting policy adopted by the Corporation for depreciation was an incomplete one not in compliance with the provisions of the relevant standard and a disclosure had not been made about the time of beginning of depreciation.

1.2.2 Accounting deficiencies

- a) As a result of the cost of Rs. 4,080,000 of a stock of medicine handed over to the medical supplies division having issued debit notes as at 31 December 2018 being debited to the bank bills account and not being credited to the stocks in transit account, the stocks in transit account and the bank bills account had been overstated by a similar value.
- b) Treasury bill interest income relevant to the year under review had been accounted less Rs. 222,180.
- c) The value of treasury bills reinvested during the year under review had been accounted less Rs. 300,377.
- d) The balance stock of packaging materials had been undervalued by Rs. 299,642 and accounted as at 31 December 2018.
- e) Building rental income of Rs. 531,025 received in respect of the year under review, had been accounted, treating it as a sales income.

1.2.3 Lack of evidence for audit

- a) Out of the trade creditors balances totalling Rs.82,983,839,668 relating to 247 creditors as at 31 December 2018, confirmation of balances relating to 176 creditors totalling Rs.1,915,058,173 were not made available for audit.
- b) In terms of Sri Lanka Accounting Standard 39, schedules or basis for calculation had not been submitted to the audit for the provision for doubtful debt made as at 31 December 2017 for debtors of the corporation and the Medical Supplies Division of Rs. 55,538,918 and Rs. 2,419,472,081 respectively.

1.2.4 Non-reconciled control accounts

According to the financial statements, 95.08 per cent or Rs.16,998,983,680 of the total debtors should have been received from the Medical Supplies Division. Nevertheless, according to the Appropriation Account of the Ministry of Health, Nutrition and Indigenous Medicine that balance represented Rs.16,787,391,787. Action had not been taken to prepare the reconciliation statements and identify the reasons for the difference of Rs.211,591,893.

1.2.5 Accounts receivable and payable

- a) Of the balance of Rs.16,998,983,680 receivable from the Medical Supplies Division, a sum of Rs.211,591,893 had been old debtor balances remained for periods ranging from 9 to 20 years.
- b) According to the credit policy of the Corporation, debts from trade debtors should be recovered within the period between 30 days and 45 days from the date of sale. However, out of the debt balance of Rs 878,860,394 as at 31 December 2018, the Corporation had failed to recover debts receivable from the Private, Government and Semi-government entities totalling Rs.12,408,417 remained recoverable for a period of more than 5 years and debts totalling Rs.14,621,371 receivable from the Parliament of Sri Lanka remained for more than one year. Legal action had been initiated only to recover a debt balances amounting to Rs. 3,138,783.
- c) Insurance indemnities receivable as at 31 December 2018 amounted to Rs.2,279,937 and the Corporation had failed to recover a sum of Rs.525,006 therefrom for a period ranging from 2 to 12 years.
- d) The balance of the receivable container deposit account as at 31 December 2018 amounted to Rs.11,848,455 and the Corporation had failed to recover a sum of Rs.6,219,806 therefrom since the period 2 to 11 years.
- (a) An advance of Rs.150,000 issued in the year 2014 for the installation of a computer system and advances totalling Rs. 1,237,753 issued to the suppliers during the period 2007 to 2015 and advances totaling Rs. 118,550 issued to 02 institutions during the year under review had not been settled even by 07 March 2019. .
- e) The balance of the bills payable account to banks as at 31 December 2018 amounted to Rs. 6,995,499 of which a sum of Rs.1,195,759 which had remained older than 4 years, Rs. 27,674,516 which had remained older than 3 years and Rs. 76,784,033 which had remained older than 2 years consisted of 100 per cent value of letters of credit unpaid to the supplies and retention money.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation financial reporting process.

As per section 16 (1) of the National Audit Act No. 19 of 2018, the Corporation is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the corporation.

1.4 Auditor's Responsibilities in connection with the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

2. Report on other legal and regulatory requirements

Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018.

- In terms of the requirements of section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the Corporation had maintained proper financial reports.
- In terms of the requirement indicated in Section 6(1)(d) (iii) of the National Audit Act No. 19 of 2008, the financial statements presented by the university are consistent with the preceding year.
- Except for the observation in paragraph 1.2.4 of this report, the recommendations made by me in the previous year have been included in the financial statements as per the requirement of Section 6(1)(d) (iv) of the National Audit Act No. 19 of 2008.

On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements, except for the following observations, did not come to my attention.

- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the Corporation has any interest, direct or otherwise, outside normal business status in any contract entered into by the Corporation.
- In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether the Corporation has not complied with any applicable written law, or other general or special directions issued by the governing body of the Corporation;

Reference to Laws, Rules, Regulations etc	Description
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulations 103,104 and 105	(i) The total cost of the expired medical supplies last year and during the year under review was Rs. 123,610,942 and action had not been taken to conduct an inquiry as per Financial Regulations and determine those responsible and recover losses as applicable. (ii) Action had not been taken to conduct preliminary inquiries and full inquiries as per the Financial Regulations relating to accidents occurred on 12 occasions to 09 vehicles belonging to the Corporation during the year under review in order to determine those responsible and to submit the inquiry reports to the relevant parties.
(ii) Financial Regulations 571(2)	Action had not been taken settle or credit lapsed deposits totaling Rs. 8,512,448/= to the government revenue or settle them.
(iii) Financial Regulations 757(2)(a)	Reports of boards of survey which should have been conducted as at 31 December 2018 had not been submitted to the Auditor General even by 10 th May 2019.
(iv) Financial Regulation 770(2)	Even though 54 inventory items costing Rs. 1,718,850/- had been damaged according to the reports of boards of survey conducted as at 31 December 2017, action had not been taken as per Financial Regulations to appoint a board of survey to identify and sell or destroy unserviceable articles.
(v) Public Finance Circular 02/2015 dated 10 July 2015	Action had not been taken to assess the value and dispose of 04 vehicles belonging to the Corporation which were not in running condition.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the Corporation has not performed according to its powers, functions and duties, except for the following observations.

For a ceremony conducted to felicitate the Hon. Minister of Health, Nutrition and Indigenous Medicine for being conferred with the post of Vice President of the 143rd Executive Council of the World Health Organization, Rs 1,000,000 had been sent to the Director General of Health Services.

- In terms of the requirement of Section 12(f) of the National Audit Act No. 19 of 2018, whether the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

(a) Deviations from procurement guidelines

- (i) A master procurement plan and a procurement time schedule have not been prepared in accordance with guideline 4.2 of the Procurement Guidelines for medical supplies purchased for the sale of the Corporation.
- (ii) During the year under review, office equipment to the value of Rs. 1,530,229 had been purchased using the shopping method. Shortcomings such as not informing the members of the Technical Evaluation Committee (TEC) in advance as per the Government Procurement Guideline Manual, all bidding invitation documents not being inspected and approved by the members of TEC, bid evaluation not being done so as to have a sufficient time to obtain formal approvals and not following the procurement plan were observed.

As a result of not specifying conditions for the charge of late fees in respect of one order of which the supply had been delayed, it was not possible to recover late fees for a delayed period of 124 days.

- (iii) During the year under review, seven hundred and twenty (720) 100 mg in 10ml vials of Rituximab Injection and nine hundred and twenty (920) 500mg in 50ml vials had been purchased at a cost of Rs. 57,675,670 under limited competitive method from the international market. Though the TEC does not have the power to reject bids on the grounds that the bidder had not been a previous supplier, the lowest bid had been rejected on this ground.

Even though the Procurement Committee had granted approval for the recommendation of TEC to award 50 percent of the total order each to the second and third lowest bidders, even the third lowest bidder too had not been a previous supplier. As a result of not awarding the contract to the lowest bidder, the additional cost incurred by the Corporation was Rs. 5,421,827.

- (iv) Five hundred and forty (540) 100mg in 10ml vials and Six hundred and ninety (690) 500mg in 50ml vials of Rituximab Injection had been purchased from the local market spending Rs. 67,768,600 and as a result of paying a price higher than the imported price, the additional cost incurred was Rs. 21,606,922. Action had not been taken to obtain a performance security from the relevant supplier.

Even though two specialist doctors should be appointed to TEC, only one specialist doctor had been appointed. Though the TEC does not have the power to reject bids on the grounds that the bidder had not been a previous supplier, the lowest bid and the second lowest bid had been rejected on this ground.

As a result of awarding the contract to the fourth lowest bidder, the additional cost incurred by the Corporation was Rs. 44,545,500.

- (v) During the year under review, 1,102,600 units of Blood Glucose Testing Strips with Blood Lancet and 974 units of Blood Glucose Testing Meters had been purchased under the limited international competitive bidding system.

The order had been delivered to the Medical Supplies Division with a delay of 06 months spending additional 14 weeks and 12 weeks respectively outside the procurement time schedule for technical evaluation and procurement activities.

Due to this delay, 2,878,150 units of Blood Glucose Testing Strips with Blood Lancet had been purchased spending Rs. 47,259,233 under the direct contract method from the same supplier from whom the main order was purchased.

Though the Procurement Committee recommendation relevant to the said second procurement had been given on 17th July 2018, the purchase order had been issued on 16 July, 2018, the day before.

Even though the Departmental Procurement Committee had recommended on 08 August 2018 to increase the second order by another 1,439,075 units, the purchase order had been issued two days before that and items had been delivered to the Medical Supplies Division even by 07 August 2018.

Even though a unit of Blood Glucose Testing Strips with Blood Lancet had been purchased at Rs. 9.89 through the main order, due to the purchase of 4,317,225 units at Rs 16.42 per unit under the direct contract system through the second order, the loss incurred was Rs. 28,191,479.

A performance security had not been obtained from the supplier nor an agreement had been entered into.

- (vi) 240,000 units of surgery equipment item 'Sterile Single Use Plastic Syringes Size 50 ml' had been purchased spending Rs. 10,045,000. As prescribed labeling had not been done as agreed by the relevant supplier, the Medical Supplies Division had rejected the 240,000 units and an additional cost of Rs. 1,597,563 had been incurred as the detention and container demurrage fee. Of this amount, only Rs. 712,759 had been recovered from the supplier and Rs. 884,804 recoverable for the liability of corporation employees had not been recovered from the staff of the corporation.
- (vii) Even though medical supplies including drugs had been purchased from the local market when there had been delays in main supplies by the Corporation to the Medical Supplies Division and when drugs had been ordered in the name of the patient, written instructions or guidelines had not been prepared having determined the purchasing procedures and practices.

A condition stating the decision of the Board of Directors to the effect that payments should be made to the suppliers after receiving money from the Medical Supplies Division for the supplies delivered to that division had not been included in the bid documents.

Procurements had been awarded exceeding the thresholds indicated in guideline 2.14.1 of the Government Procurement Guidelines and the TEC which should have been appointed by the Chairman had been appointed by the Managing Director.

Even though it had been indicated in bid documents that samples should be submitted together with bids, that requirement had not been taken into consideration in the evaluation and contract agreements had not been signed with suppliers.

(b) Deficiencies in contract administration

- (i) Within Rs. 88,926,577 paid during the period from year 2013 to year 2016 to a contractor to whom the contract for the construction of a building with a contract value of Rs. 106,305,300 was a sum of Rs. 6,824,841 paid for the additional works carried out without proper approval.

According to the contract agreement, the Corporation had failed to get the construction work completed even by 10th May 2019 and action had not been taken to recover late fees for the period of delay which had exceeded 04 years as of that date.

Even though, the performance bond had elapsed on 24 February 2016, action had not been taken to get the validity period of performance bond extended, even by 18 March 2019.

An electric lift, which was not in compliance with the required specifications and which had failed the quality test, the contract value of which amounted to Rs.4,010,742 had been installed.

Even though a sum of Rs.5,732,000 had been paid to the contractor for 24 air conditioner machines in 2016, they had not been used until the end of the warranty period.

Even though installation activities of 07 electricity distribution panels had not been completed even by 18 March 2019, Rs. 284,900 had been paid for that purpose in 2016.

- (ii) According to the agreement signed on 19 December 2016 for the preparation of the Enterprise Development Plan with a contract value of Rs. 49,335,000, even though the project should have been implemented and completed within 61 weeks from that date, it had not been completed even by 25 March 2019 and the period of delay was 55 weeks. Rs 4,935,500 had been paid to the contractor on 12 March 2018 without obtaining an acceptable advance payment bond.

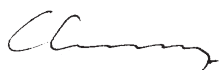
3. Other audit observations

(a) Management Activities

- (i) The Corporate Plan for the years 2016-2018 and the action plan for the year 2018 had not been prepared, enabling to achieve the main functions of the Corporation such as the establishment of industries which produce tenuous chemicals and oblige them and to commence researches locally and foreign countries in respect of marketing of pharmaceuticals, published in the Government Gazette extra ordinary No.14976/8 of 22 September 1971, by which the Corporation was established.
- (ii) As a result of performance criteria of activities in the corporate plan prepared by the corporation for the 2016-2018 period not being laid down specifically, quantitatively as well as at measureable level, the progress of 06 activities included in the action plan of 2018 could not be specifically evaluated.
- (iii) 06 activities which could not be fulfilled in the years 2016 and 2017 included in the corporate plan prepared for the period from 2016-2018, had not been included in the action plan for the year 2018. The corporation had failed to achieve the linking of the business resources planning system with external systems , upgrading business continuity plan, revision of the scheme of recruitment, preparation of successor plan for management posts and granting graded promotions which had been included in the action plan since the year 2015.

(b) Operating Activities

- (i) Of the drugs purchased for sale by the Corporation, the total cost of quality failed and expired drugs in the previous year amounted to Rs.23,561,218 and Rs.80,834,686 and the year under review amounted to Rs.13,979,105 and Rs.42,776,256 respectively.
- (ii) Even though, the value of debit notes issued to the suppliers as at 31 December 2018 for the recovery of cost incurred in respect of supply of quality failed and damaged drugs and short supplies to the Medical Supplies Division, administrative charges and destruction expenditure of those stocks amounted to Rs.1,754,661,431, the Corporation had failed to recover a sum of Rs.811,195,059 therefrom. A sum of Rs.47,106,121 included therein should have been recovered from the blacklisted suppliers and a sum of Rs. 283,811,421 from defaulter suppliers and as such there would be an uncertainty in recovering that money.
- (iii) Out of 40 operating Osusals, 24 had incurred losses during the year under review and the total loss amounted to Rs.45,139,259 and 32 percent of the total loss had incurred from seven Osusals located in the cities of Avissawella, Minuwangoda, Diyathalawa, Tangalle, Hambanthota, Jaffna and Ratmalana and those 07 Osusals had incurred continuous losses from the year 2013.



W.P.C. Wickremaratne
Auditor General

Reply statement of the Sri Lanka State Pharmaceuticals Corporation in respect of the Auditor General's report in terms of Section 12 of the National Audit Act No.19 of 2018 on the financial statements for the year ended 31 December 2018

2.1 Sri Lanka Accounting Standards

(a) Sri Lanka Financial Reporting Standard (SLFRS) 13

There are no non recurrent assets maintained for sale belonged to the institute in terms of SLFRS 13. Detailed disclosures i.e. initial recognition, valuation method and measures in connection with financial assets on the basis of recurring had been done in the financial statements

(b) Sri Lanka Accounting Standard 1

According to the paragraph 32 of the Sri Lanka Accounting Standard 1, assets and liabilities should not be offset. But what has been mentioned here are debit and credit balances of the same account.

Eg: Amongst the debtor balances are advances, debit notes and excess payments received from debtors and it is practically difficult to indicate separately indicate the balances in the same account at the end of the year. What has been mentioned in the stocks in transit and agents commission accounts are similar balances. These have been so mentioned as per the substance of the transactions and on the basis of correctly indicating the financial flow.

(c) Sri Lanka Accounting Standard 8

in applying a new accounting standard that has been issued but is not effective, the Corporation takes action to disclose such standards if the impact thereof is estimable or should be assessed. Since assets are not purchased on lease basis, SLFRS 16 is not directly applicable. However the land obtained on lease that the Ratmalana stores located has been recognized on lease as per 'SOAT- Right to sue land on lease' approved in 2013 by the Chartered Institute of Accounts and accordingly it has been was taken into accounts.

(d) Sri Lanka Accounting Standard 10

The authority for issuing and revising financial statements is vested in the Board of Directors. This authority was mentioned in the balance sheet of the financial statements and authority for issuing financial statements, the date submitted to audit and the authority for revision will be disclosed with the annual report.

(e) Sri Lanka Accounting Standard 12

As of now, we have submitted a summary by a private audit institution, but action will be taken to submit in detail as follows in future.

Deferred tax liability	Temporary differences
	Rs.
Buildings	220,391,466
Vehicles	65,926,658
Furniture and fittings	29,535,841
Equipment	51,692,284
Machinery & plant	17,288,618
Computers	15,344,706
	400,179,573
Deferred tax assets	
Retirement bonus liability	221,192,102
	221,192,102
Effective tax ratio 28%	
Deferred tax liability	(112,050,280)
Deferred tax assets	61,933,789
Balance as at 31 December 2018	(50,116,492)
Balance as at 31 December 2017	(32,134,929)
Charges for the year	17,981,562

(f) Sri Lanka Accounting Standard 16

When carrying out board of survey at the end of the year, special attention is paid for calculation of life time of assets and adjustments are made where necessary. The basis for depreciation of assets has been clearly mentioned under the accounting policies 4.1.3, Depreciation of assets is commenced when the consumption of the said asset is commenced, There are assets which are not depreciated in such manner. Hence it cannot be accepted that the accounting policy is incomplete and not in compliance with the Accounting Standard 16.

(g) Sri Lanka Accounting Standard 38

What has been indicated as an intangible asset by the Corporation is a software known as MY POS which is intended to be discarded. Since a change of lifetime thereof is not expected the relevant estimate has not been changed and the depreciation has ended in the year 2018.

2.2 Accounting deficiencies

- (a) We make transfers from the payable bills account to the goods in transit account on the basis of indent value. There are two invoices (Invoice No. 74590 and Invoice No. 74806) in respect of the indent bearing No. LP/DHS/RSS/RQ/151/1075RD/16

Though full payment has been made, since one invoice out of 2 was not received, it could not be transferred from the goods in transit account to the payable bills account. This has been so done since value of the receivable debit note/invoice may differ from the amount paid due to various reasons. Therefore the value has to be confirmed before the transfer is made.

(b) &

- (c) Action is to be taken to correct this in the year 2019.

- (d) This error has been corrected through JV 14 in January 2019.

- (e) Since all the expenses mentioned have been brought to accounts considering them as expenditure of the year 2018, the need to account again on accrued basis does not arise.

- (f) This is an error occurred in calculating VAT. Action will be taken to avoid such errors in future.

- (g) A copy of the final report submitted by Moore Stephens Aiyar Company for the allocation of the retrospectively restated doubtful debt as at 31 December 2017 done for the debtors of the Medical Division is submitted herewith.

Accordingly, the allocation for doubtful debt to the value of Rs.992,894,846 which has been adjusted in calculating income tax is correct and there will not be a shortfall of Rs 1,476,169 in the income tax liability as mentioned in the report. Agree with the difference of Rs. 222,180 in treasury bills.

- (h) A part of the Ratnapura Osusala building belonging to the State Pharmaceuticals Corporation has been rented to an external party.

Upon a management decision, for many years this rent income is considered as a part of the income of Osusala and total depreciation of the building is considered as an expenditure of the Osusala. This course of action has been adopted since it is unsuitable to include the depreciation of the entire building in the calculation of the income of Osusala and since it is difficult to identify the amount of depreciation relevant to Osusala.

2.3 Unreconciled Control Accounts

	Rs.
Local purchases for GMS	920,317
Duties receivable to GMS	51,927,472
Imports for GMS	158,744,104
	211,591,893

The difference mentioned is indicated in accounts as above and what has been mentioned is the value relating to supplies provided to the Government Medical Store prior to 2008 and duties thereto. However, the letter dated 12 July 2017 sent by the Director of the Medical Supplies Division had stated that debit notes relevant to imports prior to the year 2007 would not be accepted for payments.

Therefore steps are being taken to write off with the approval of the Treasury and Board of Directors.

2.4 Lack of evidence for audit

Out of creditor balances totaling Rs. 2,983,839,668 in respect of 247 creditors as at 31 December 2018, the unsettled balance of trade creditors is only to Rs. 834,130,145. This includes money still to be received from some creditors who have obtained goods on the basis of paying later. A balance of Rs 2,556,685,131 which was not submitted to the audit for the confirmation of the balance has been settled as of now and information relating to Rs. 1,722,554,986 will be submitted to the audit.

2.5 Accounts receivable and accounts payable

- (a) As mentioned in 2.3 above, actions are being taken to write off with the approval of the Treasury and Board of Directors.

- (b) Out of the debtor balance of Rs. 878,860,394, the outstanding balance as at 31.03. 2019 was Rs.210,346,536. Although discussions were carried out with the Speaker, the Health Secretary and other relevant parties to recover the balance of Rs.14,621,371 included in the above balance which should be recovered for medicines given to the Parliament of Sri Lanka, a satisfactory reply was not received and this matter was also discussed at the Committee on Public Enterprises. Since there is a problem with regard to the recovery of this amount, a provision for bad and doubtful debts was made for the said full amount. Legal actions were taken to recover the outstanding balance of Rs.12,408,417 which exceeded 5 years.

The outstanding debtor balance includes Rs. 10,440,049 receivable from public sector institutions Rs. 272,872 receivable from the private sector. A provision for bad and doubtful debt was made for the said full amount, too.

- (c) Out of the receivable insurance compensation of Rs.2,279,937 as at 31 December 2018 according to the audit paragraph, a sum of Rs.198,671.00 was settled as at 30 April 2019 and the amount remains to be recovered therefrom is Rs. 2,081,266.00. A sum of Rs.1,607,828 receivable for destroyed stocks of Hyoscinie Butylbromide tablets as insurance compensation was included in it. Further, out of the balance of Rs. 525,006.00 belonging to the period from 2 to 9 years Rs. 159,460.00 had been settled as at 30.04.2019. All documents relating to the claim of the remaining value of Rs.365,556 have been sent to the insurance institution and claims are to be received.
- (d) As mentioned in the audit paragraph, though the value of receivable container deposits as at 31 December 2018 was Rs 11,848,455 it has decreased up to Rs.9,479,455.00 as at 30 April 2019. Out of that, a sum of Rs.5,764,322 belonged to a period of 2 years to 11 years was referred to the Treasury on the recommendation of the Committee on Public Enterprises and the approval of the Board of Directors and on the instructions of the Treasury, it is scheduled to be referred to the Treasury again after including the necessary provisions.. Out of the rest of the receivable amount, a sum of Rs.2,704,000 is scheduled to be recovered from the Ceylon Shipping Corporation and actions are being taken to recover the balance of Rs.1,011,133 from the suppliers.

(e) Installation of computer system – Rs 150,000/-

This amount has been paid to the University of Colombo for the installation of E-Tender system. The transaction can only be settled by paying the remaining amount after finalizing the installation of the ERP system.

Action is to be taken to write off a sum of Rs.1,237,753 with the approval of Board of Directors because those suppliers are not dealing with the Corporation now.

A register with details of advances settled from the advance of Rs. 859,239 issued to 10 institutions is attached hereto. The present situation with regard to the advances relevant to the sum of Rs. 195,525 is given below.

Commissioner General of Examination Rs. 96600/-

Receipts relevant to Rs. 96,000 paid for the result confirmation applications have not been sent by the Department of Examinations up to now and the Human Resources Manager says that the Department had agreed to submit these receipts within next week.

E.W. Information System Ltd Rs. 21990/-

The IT Manager says that the expected task from this institution has still not been completed.

Southland College Past Pupils Association Rs. 50000/-

This amount has been accounted as a sales promotion expenditure in the year 2018. The entry in the register of advances should be corrected.

Islandwide Scientific (Pvt) Ltd Rs. 27025/-

The relevant division has been informed and ORS Manager has agreed to settle it soon.

Welfare Society of Health Ministry Rs. 50,000/-

The relevant division has been informed to settle this.

ADVANCE GIVEN DATE	CHEQUE NO.	COMPANY NAME	AMOUNT (RS)	SETTLED DATE
28.12.2018	032435	LANKA SATHOSA	561000.00	3/5/2019
20.12.2018	032261	D SAMSON & SONS (PVT) LTD	4200.00	11/4/2019
20.12.2018	032263	D SAMSON & SONS (PVT) LTD	4200.00	25/04/2019
20.12.2018	032261	D SAMSON & SONS (PVT) LTD	4200.00	11/4/2019
20.12.2018	032259	D SAMSON & SONS (PVT) LTD	4200.00	11/4/2019
6.12.2018	032261	D SAMSON & SONS (PVT) LTD	4200.00	11/4/2019
07.12.2018	031963	STAE TRADING CORPORATION	6700.00	11/2/2019
26.11.2018	031807	TOTAL TOOLS LANKA(PVT) LTD	20214.00	11/4/2019
26.12.2018	032423	CONSTRUCTION INDUSTRY DEVELOPMENT	4750.00	02.5.2019
TOTAL			613,664.00	

- (f) Items of suppliers to whom payments had been suspended by the Corporation due to various reasons and items for which the original copies of the relevant documents have not been submitted to the bank by suppliers remain as payable bills in the account. However, the accounting policy of the Corporation is to settle or bring into account as an income, the payable bills exceeding more than 3 years with the recommendation of the Export Division. The remaining payable bills are those confirmed by the Export Division as scheduled to be paid or settled in future.
- (g) Though debit notes have been sent to recover the balance of Rs. 53,400,758 in the Agent Commission Account to the GMS, it is a value not paid to the suppliers and though debit balances have been paid to suppliers is a value recoverable to the GMS. Action will be taken in the year 2019 to settle these amounts.

3. Payments made outside the duties and functions of the Corporation

The said ceremony was an event held in connection with the according of a special place to Sri Lanka in the field of health of the entire world and various local and foreign parties participated in the function. By sponsoring the event and creating awareness amongst participants on the contribution of the institution to the field of health in Sri Lanka, the institution has taken measures to gain a promotional advantage.

4. Non-compliance with laws, rules, regulations and management decisions

- (a)
 - i) Vehicles of the corporation had met with 12) accidents in the year 2018. Out of that, the total loss of 06 accidents and a part of the loss of 05 accidents had been reimbursed by the insurance company. Action is being taken to recover the rest and to fix the responsibility. For another accident, the documents relevant for claiming compensation have been forwarded to the insurance company.

ii) Financial Regulation 571

What has been mentioned here is the deposit value of tender deposits account and deposits for bank securities. These amounts should be refunded when the suppliers request and in general, deposits more than 5 years are taken to accounts as income.

Most of them are deposits from suppliers who continue their transactions with the Corporation and deposits from which compensation is to be recovered from clients by the Export Division and they have to be retained until the relevant recommendations are received. However, action is being pursued from time to time to identify the values which can be accounted as income and bring them into accounts.

iii) Financial Regulations 757(2) (a)

Stock verifications of all Rajya Osusala outlets and Rathmalana stores complex were completed and stock verifications of the Head Office is being carried out. Action will be taken to submit the relevant reports to the audit within this month and they will be submitted in the next year without delay.

- iv) Agree with the relevant observation. Actions relating to destroy or sale the items identified have been commenced as of now.
- b) Advice was sought from the Procurement Committee of the Department to take action regarding three vehicles belonging to the Corporation which were not in the running condition as of now. Instructions were received to obtain assessment reports from an independent institution for the said vehicles and in keeping with the relevant instructions assessment reports for the three vehicles were obtained and the file was referred to the Department Procurement Committee for further action regarding the of 3 vehicles.

Similarly, the three-wheeler, which is currently in the head office, was referred to the Procurement Committee seeking its approval for disposal and for that too, instructions were given to obtain an assessment report from an independent institution and from the transport division of the Ministry of Health.

Accordingly, assessment reports have been obtained from an independent institution by now but the report from the Ministry of Health has still not been received. A reminder was given over the phone to the Technical Officer of the Transport Division of the Ministry of Health and we were informed that action would be taken to submit the relevant report expeditiously.

5.1. Management and operational inefficiencies

- (a) Action had been taken paying attention to key objectives of the Corporation.
- (b) Action will be taken to rectify this situation in future.
- (c)
 - (i) Agree with the observation.
 - (ii) Action is being pursued to expedite ERP project.
 - (iii) This matter too will be carried out with the completion of the ERP project.

- (iv) Problems submitted by all trade unions, groups holding special positions and individuals were discussed with all the relevant parties including the heads of divisions and Deputy General Managers and the preparation of the draft incorporating the proposals is in the final stage. It is due to be discussed with the senior management.
- (v) Under the revision of the abovementioned recruitment procedure, a new post titled "Management Trainee" is proposed to be introduced and those selected from internal and external applicants will be offered one year training on the activities of each division of the institution and when a management position falls vacant, those trainees will be considered for appointment.

When a management position is due to fall vacant, it will be identified in advance and action will be pursued as per the relevant schemes of recruitment to call applications from qualified internal and external applicants.

- (vi) Promotions have been duly granted.
- (vii) Outbound training programmes as well as subject specific training programmes have been conducted to bring about attitudinal improvement with a view to developing team spirit among different categories of employees of the institution.

Two-day outbound training programmes were conducted for the labourer grade in the year 2017 and for management assistant grades in the year 2018 to promote collective team spirit and dynamism of employees. Similarly, outbound training programmes are due to be organized in the year 2019 to cater to the needs of the executive grades.

- (d) As a result of the Human Resources Division conducting various investigations /disciplinary inquiries, final payments have been made to 06 employees. These 06 employees have already left the service of the corporation. But when final payments are made upon the conclusion of investigations/ disciplinary inquiries, their distress loan arrears can be recovered. As a result the corporation does not incur any financial losses and from the employees currently in service, distress loans are duly deducted.

Distress loan in arrears of two employees was deducted from the final payment and brought to accounts in the year 2019.

- (e) Some of these items have been settled by now and only some errors committed by the Export Division remain to be settled. Action will be taken to correct them following discussions with the Export Division.
- (f) Out of the drugs purchased in the year 2017 for the sale of the Corporation, the value of quality failed drugs as per the stock verification was Rs. 44.9 million and out of that, a sum of Rs. 17.8 million was recovered and action is to be taken in due course to recover the remaining Rs. 27 million.

In the year 2017, drugs to the value of Rs. 70 million expired and out of that a sum of Rs. 17 million has been recovered. Every effort is being made to recover the rest.

According to the final stock verification of the year under review (2018) the value of the quality failed drugs was Rs. 14 million of which nearly 99% has been recovered. The value of the expired drugs this year was Rs. 37 million of which Rs. 3.7 million has been recovered. All steps are being taken to recover the remainder.

Action will be taken to submit the relevant detailed table to the audit.

- (g) During the year under review, 24 out of 39 Osusala outlets incurred losses. Of them the Osusalas at Awissawella, Minuwangoda, Diyathalawa, Tangalle, Jaffna and Hambantota outlets have recorded an increase in sales and the losses have declined.
- (h) Four new Osusala outlets were added to the network in the year 2018. These were opened in different months of the year and as they were opened with new capital, a profit could not be expected immediately. Other reasons for losses are the huge rent paid to the Osusala buildings and price controls introduced to drugs. New strategies are expected to be adopted in the ensuing years to overcome this situation.
- (i) As indicated by the audit, the value of debit notes amounting to Rs. 1,754,661,431 issued for the recovery of cost from suppliers during the period from 01.01.2012 to 31.12.2018 is correct.

Out of this amount, Rs. 943,466,372 had been recovered from suppliers as at 31.12.2018 and the amount remained to be recovered as of that date was Rs. 811,195,059.

Even though amount to be recovered from the blacklisted suppliers was indicated as Rs. 47,106,121 in the audit query, the actual amount to be recovered from blacklisted suppliers should be corrected as Rs. 283,811,421. Action will be taken to submit the relevant documents to the audit. Even though it is not an easy task to recover the dues from suppliers after issuing debit notes, the Corporation is engaged in the recovery process of debit note values at least in installments. Accordingly, out of Rs. 811,195,059 which should be recovered as at 31 December 2018, a sum of Rs. 44,760,118.38 had been recovered as at 30.04. 2019 and legal action is to be taken by the Corporation to recover from the black listed suppliers.

- (j) These are bank accounts opened in Commercial Bank due o diverse needs. Currently, accounts are maintained mainly in the state banks and therefore action will be taken to close these accounts with the approval of the board of directors.

5.2 Deficiencies in and deviation from the procurement process

- (a) Agree with the observation. But due to the nature of the procurement, it is practically impossible to follow the set procedure.
- (b)
- (i) Agree with the observations and those errors will be rectified in future procurement processes.
- (ii) We wish to bring to your kind notice that the documents for inviting bids were submitted to the departmental procurement board in terms of Section 5.3.1 (d) of the Procurement Guidelines Manual and approval was obtained for all documents. Further, we agree with the observation that the relevant documents have not been approved by the Technical Evaluation Committee and wish to inform you that action will be taken to correct the said shortcomings in future procurement processes.
- (iii) Agree with the relevant observations and action will be taken to rectify such mistakes in future procurement processes.
- (iv) Agree with the relevant observations and action will be taken to rectify such mistakes in future procurement processes.
- (v) Agree with the relevant observations and action will be taken to rectify such mistakes in future procurement processes.

(c)

- (i) According to the supplement issued in respect of Guideline 4.2.3 of the Government Procurement Manual on 15 March 2015, though the timeframe for procurement actions had been set as 8 weeks, it is difficult to apply this timeframe in practice due to various reasons for procurements relating to lifesaving drugs by adopting and implementing international competitive bidding process and limited competitive bidding process. The timeframe for each step of the procurement process of drugs has not been specifically mentioned in the general procurement guidelines. Therefore the procurement of lifesaving drugs is different from the procurement of ordinary drugs and some steps thereof are even beyond the control of the procurement entity.

Hence, there are practical issues in complying with the timeframes indicated in the procurement guidelines for the procurement of lifesaving guidelines. Annexure III of the manual on management of drugs details manner in which orders should be issued by the State Pharmaceuticals Corporation for the procurement actions of drugs.

That notwithstanding, the procurement relating to this audit query was treated as an emergency procurement and was accorded priority amongst other procurements and was completed comparatively within a shorter period.

Further, the additional time taken for processes beyond our control such as the referral of the procurement file again to the procurement committee owing to the implementation of a price control relevant to this drug during the said period too is included here.

- (ii) As the tender has been awarded to the recommended lowest price, it is not correct to indicate it as an additional cost.
- (iii) It is not clear as to what the audit query signifies with regard to a date on which stocks of drugs were agreed to be delivered. When inquiries were made, it was informed that this was the scheduled date mentioned in the annex sent by the Medical Supplies Division.

The drug order No. 2018/SPC/E/R/P/00559 dated 30.05.2018 was received by the Corporation on 06.06.2018. The scheduled date thereof was indicated as 15.06.2018. Hence, it is not practical at all to carry out a drug procurement by inviting bids in compliance with the government-approved procurement process within 09 days (07 working days). Therefore, as indicated in the audit query, to mention this as a local purchase due to a delay in the delivery of order is not relevant here.

- (iv) Only 1 day was provided for submitting bids on the instructions given by the Chairman taking into account the urgency of the requirement.
- (v) This was an emergency purchase. Since the bids have to be obtained within a short period in an emergency purchase, bid bonds have not been obtained. This is the normal course of action followed in emergency purchases.
- (vi) This was an emergency purchase. Since the bids have to be obtained within a short period in an emergency purchase, a performance bond have not been obtained. This is the normal course of action followed in emergency purchases.
- (vii) As per the conditions of the letter of credit, the full payment is required to be made 45 days after the delivery. Accordingly, action had been taken to retain the full amount for 45 days. Therefore your observation cannot be agreed with.

- (viii) According to the normal procedure, a 05-member committee is appointed for the technical evaluation of tenders ranging between 50- 100 million. This committee comprises the Deputy General Manager (Technical Laboratory and Manufacturing) , 02 medical specialists of the relevant field, an Assistant Secretary of the Ministry of Health and an accountant representing the finance division of the SPC. However, the technical division has only been granted 03 days for the evaluation of bids in regional purchases and emergency purchases. Here, the preliminary tasks of the bid evaluation such as the registration of drugs, compliance with the specifications, previous complaints and provision of samples too have to be examined and it is not practically possible to convene the aforesaid 05 members for technical evaluation within this period.

In particular, since senior medical specialists have a tight schedule, it is very difficult to call them for this purpose. Having regard for these matters, the Chairman of the Corporation has granted approval to obtain recommendations of one doctor for the technical evaluation, as these drugs have to be provided to patients as soon as possible.

- (ix) As per Procurement Guideline 2.8.4, the authority to appoint suitable persons for technical evaluation has been vested with the head of the institution and the Chairman, who is the head of the institution, has delegated that authority to the Managing Director. By approving, at the procurement committees headed by the Chairman, the technical evaluation reports submitted by medical specialists nominated by the Managing Director upon the authority so delegated, the Managing Director himself has confirmed that such authority has been delegated to him.
- (x) In conducting technical evaluations, there is no provision whatsoever which says that the matters stated by you cannot be considered in technical evaluation. It should also be noted that it is the general understanding that in dealing with drugs it is not advisable to act contrary to the opinion or recommendation of the medical specialist who conducts the technical evaluation. In particular, in instances where it is informed by medical specialists who conduct evaluations regarding purchases made in emergency requirements, that recommendations cannot be submitted in respect of the item submitted, there is no alternative but to disregard such items. Since the bid has been awarded to the recommended bidder, it is not correct to indicate that an additional cost has been incurred by comparing with quotations of suppliers who have not been recommended.
- (d) Inquiry into the purchase of Blood Glucose Testing Strips
- (e) It was due to the following reasons that the fax could not be sent to bidders at the same time.

Bid documents had to be faxed to 38 local and foreign suppliers for this tender and the bid documents had to be faxed on 03 different dates as fax numbers of some suppliers did not respond on the first day. A report is not received from the relevant fax machine to corroborate this and when fax machines do not respond to 03 attempts to send a fax message, it is not possible to allocate time on the same day for the sending of the fax and it is applicable not only to the bid document relevant to this tender but for all documents that are faxed since other bid documents relating to other orders too are received to be faxed on the same day. Our institution is not responsible for unresponsive fax machines of suppliers, however, the faxes in question were sent after trying for three days. Therefore we wish to state that our institution has ensured maximum justice with regard to the faxing of bid documents.

Further, it is noted that the bidders have received a reasonable time even after the lapse of three days for the submission of bids.

- (f) This is correct. However, since a period exceeding 210 days from 08.01.2018 to 04.09.2018 has been granted as the period of validity of the bid bond, a cover has been received within the period of bond, even though the validity of the bond has not been separately mentioned. Though the designation has not been mentioned, the official seal of the relevant company has been affixed and signature has been placed. Agree with the observation. Having understood the matter, it has been decided to proceed with future activities after obtaining the aforesaid letter on the delegation of authority. Even though the name of the relevant manufacturer has not been mentioned in the bid documents, the name of the drug manufacture is clearly mentioned in the certificate of registration submitted together with the tender as part of the bid documents.
- (g) In carrying out evaluations, some time has been taken for procedural matters which have to be performed mandatorily and it was unavoidable that additional time was taken in evaluating this item, which was an item with complex specifications different from an ordinary purchase. Additional time was also taken since this tender had to be evaluated on two occasions. Further, during the aforesaid period, the Technical Division had finalized evaluations of approximately 1300 items besides this tender and referred them to the relevant divisions.
- (h) This tender had been called under the limited international competitive bidding system and this procurement which was a special procurement could not be completed within the timeframe set out in the procurement guidelines. In duly completing the procedural steps that had to be carried out during this procurement, the time mentioned by you had been taken owing to practicalities.
- (i) The Medical Supplies Division had forwarded this order to the Corporation on 06.10.2017 and the first stock whereof had been requested on 01.01.2018. It was not practical to grant a very brief period like 04 months to deliver this order and the time taken for this was the normal time consumed practically to deliver such an order by adopting the relevant procedure. The first stock was supplied even before 9 ½ months thus fulfilling their requirement.
- i) In respect of items requested through order number 2018/SPC/L/R/D/00366, it was informed by the Medical Supplies Division in writing that such items should be procured under the direct purchase system from the suppliers mentioned and accordingly action was taken for direct purchases.

- ii) The order had been issued on the approval granted by the Chairman subject to the covering approval of the Procurement Committee, considering the emergency requirement of the item.
- iii) This order had been issued upon the approval of the Chairman subject to the approval of the procurement committee at a time it had been referred to the procurement committee to increase the order in consideration of the emergency requirement.
- iv) Agreed with the matters mentioned in connection with the additional cost, if the said additional cost had to be incurred due to the delay of the main supply, there is a methodology for recovering from the main supplier.
- v) This was an emergency purchase. Since bids should be received within a short period in an emergency purchase, bid bond or performance bond was not obtained and agreement were not signed. This is the normal course of action followed in emergency purchases.
- vi) Items purchased on emergency requirements under both these methods have been accepted by the Medical Supplies Division.
- vii) You are kindly informed that such situations occur in instances where our corporation does not receive adequate funds for the orders forwarded by the Medical Supplies Division. However, debit notes have been duly sent to the Medical Supplies Division for the recovery of dues.
- (e) In connection with the additional cost, necessary measures will be taken to ascertain whether the responsibility should be shifted to employees of the corporation.
- (f) During the year under review, 300,000 units and 250,000 units of Imatinib Mesilate Capsules 100mg were to be supplied respectively in March and August 2018 and details thereof are given below.
- (i) Though the recommendation of the Procurement Committee dated 14th of September 2017 with regard to this procurement was for the awarding of the bid to the lowest bidder, it was not a direct award and was subject to two conditions, i.e. subject to obtaining the acceptance from the Director of Medical Supplies Division (MDS) for offered storage temperature & printing 'DHS' mark on capsules shell. The bidder had indicated in his bid that letters 'DHS' could not be marked on the capsule.

Subsequently, having finalized the procedure to be completed by the Procurement Division such as obtaining the approval of the Additional Secretary for the recommendation of the procurement committee, the file with the procurement decision was referred to the Establishments Division. However the MSD took a considerable time to forward its replies to matters contained in the decision of the procurement committee and in order to avert the delay, the bidder was eventually informed of the bid awarding subject to the conditions contained in the aforesaid decision of the procurement committee before the replies being received from the MSD.

Measures will be taken as per the tender conditions to recover dues from the supplier for failing to deliver the first stock of the drug on the due date.

- (ii) The MSD expressed agreement to accept a part of the first stock from ex-stock quantity without printing the Sri Lanka estate emblem inside the internal and external packages.

Subsequently, approval was granted by the MSD to accept the balance stock with the state emblem printed only on the external package.

- (iii) (iv) (v) It appears that matters indicated could not be completed as it was an emergency purchase.

- (g) With regard to the purchase of cochlear implant equipment-

- (i) Tender invitation letters for the procurement relevant to the requirements of the year 2017 were sent on 05.05.2017 and the tender was closed on 26.05.2017 with a gap of 21 days as per the procurement guidelines.
- (ii) For island-wide tenders, notices with all the relevant key information have been published in government newspapers and posted on the website of the SPC and action has also been taken through the website of the Ministry of Foreign Affairs to inform sales agents and embassies of countries from which contractors and suppliers would participate. Accordingly, we wish to bring to your notice that the competitiveness has been protected by giving maximum publicity to the relevant procurement.
- (iii) Specifications of all order lists are prepared by the MSD and such specifications have been approved by the Formulary Revision Committee. If such specifications are to be altered or any amendments are to be made, it is referred to this Committee through the Director of the MSD. Further, since the number of items included in an order list is very high, it is practically difficult to have each specification approved and it might also cause delays in procurements.
- (iv) This cannot be accepted. The relevant report is maintained by the Administrative Division and a copy of the relevant tender is attached hereto for your information.
- (v) Supplement No. 31 in respect of Guideline 4.2.3 of the Government Procurement Guideline Manual was issued on 15 March 2017 and the order list for the procurement was received on 24.02.2016. A copy is attached.

- (vi) This file has been referred to the Procurement Committee which makes the relevant decisions and making procurement decisions is the duty of the Procurement Committee and as a government institution, decisions are made to bring maximum productivity to the government.
- (vii) The reasons for the disposing of rights of the bidder was clearly communicated to the bidder and a copy of the TEC report is attached hereto for the information of the audit.
- (viii) In terms of the Public Contracts Act No.3 of 1987, it has been mentioned in Annex V of the tender notice published by the SPC that it has to be registered for the second time if PCA-3 has been obtained. However, as a reminder, a letter was addressed to the Registrar of Companies on 06.07.2018 and a copy thereof was sent by post to the supplier.

5.3 Defects in contract administration

- (a) You are kindly informed that actions have been taken to complete the work of the building complying with the instructions given by the Ministry Procurement Committee to take actions as per the section 8.13.4 of the Procurement Manual in connection with the contract variations and to select a new contractor through a new procurement process or following direct contract method as per the instructions of the Guideline 3.5.1 of the Government Procurement Guideline for the work newly identified.
- (b)
 - i) Agree with the relevant observation. However, since the said repair/upgrading was a special technical matter, it had to be carried out by the relevant agent and the said advance was released after being approved by the departmental procurement committee on the basis of the agent's technical report and quotations and after entering into an agreement with the relevant agent for the said repair/upgrading and after obtaining a prescribed performance bond for the relevant contract.
 - ii) Though it is true that it has been mentioned in the contract agreement that the said repair/upgrading has to be completed within 10 weeks of receiving the advance, we feel that the reason for exceeding this time limit for the repair/upgrading was due to a delay in the importation of the relevant technical accessories as this was a special technical matter. Further, the repairing/upgrading of this electric lift has been carried out during routine operations at the Ratmalana store and this too may have contributed to the delay. Nevertheless, the said repair/upgrading was successfully completed and was certified after inspection by the Safety Manager of the relevant agency and the Mechanical Engineer of the Ministry of Health, Nutrition and Indigenous Medicine and their certification was handed over to us on 13.02.2019.
 - iii) The said repair/upgrading is carried out uninterrupted despite their being a delay. We are of the opinion that the need for encashing the performance bond submitted by the agent does not arise since this is an ongoing process and the relevant repair/upgrading is highly essential and critical for the routine operational activities of the Ratmalana store and since it is expected to have the relevant task duly carried out by the agent himself and calling for tenders again will not bring any economic benefits or advantages.

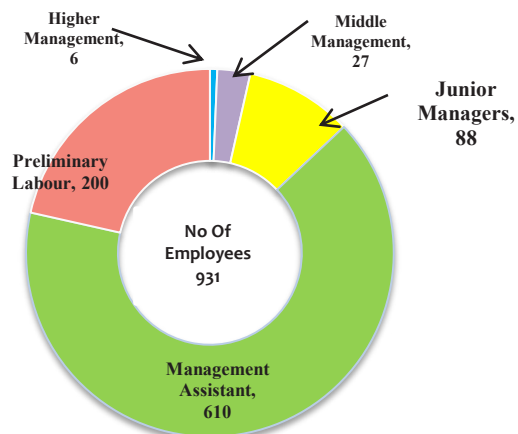


Chairman
State Pharmaceuticals Corporation

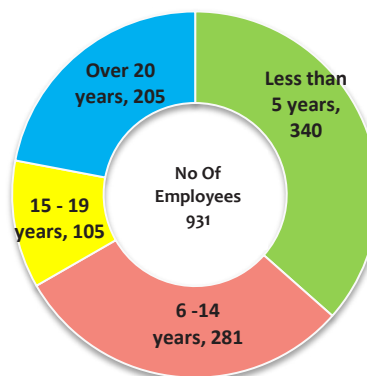
09th May 2019.

State Pharmaceuticals Corporation of Sri Lanka Human Resources Analysis

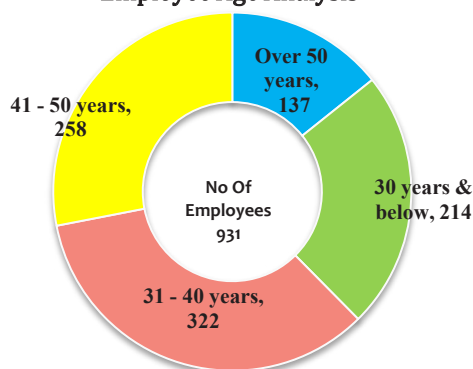
Employee Category Analysis



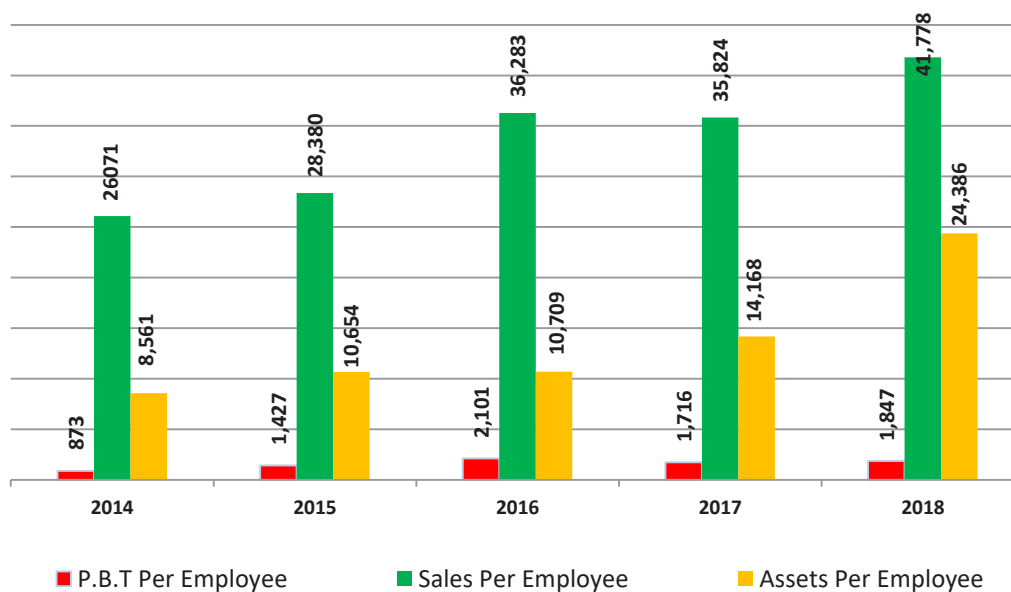
Employee Retention Period



Employee Age Analysis



(Rs.000)



STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

TEN YEAR SUMMARY - INCOME STATEMENT

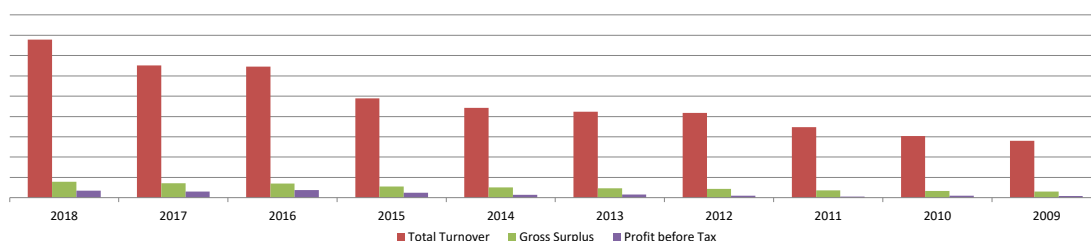
RS.'000'

Turnover

Description	2018 RS.	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.	2009 RS.
Turnover - SPC	7,458,320	6,593,401	6,127,478	5,286,876	4,865,151	4,320,300	4,283,232	4,806,170	4,197,759	4,015,962
Turnover - DHS	31,436,986	25,970,290	26,127,912	19,176,807	17,269,008	16,815,666	16,608,492	12,569,290	10,968,571	9,990,429
Total Turnover	38,895,306	32,563,691	32,255,390	24,463,683	22,134,159	21,135,966	20,891,724	17,375,460	15,166,330	14,006,391
Gross Trading Profit - SPC	1,810,383	1,680,368	1,656,938	1,410,722	1,247,074	1,136,403	991,541	1,043,453	995,371	894,232
Gross Surplus - DHS	2,125,052	1,887,026	1,850,650	1,386,731	1,333,198	1,185,004	1,193,214	780,735	688,145	622,071
Gross Surplus	3,935,435	3,567,394	3,507,588	2,797,453	2,580,272	2,321,407	2,184,755	1,824,188	1,683,516	1,516,303

Overheads

Other Income	73,072	53,004	43,085	51,259	25,738	17,537	15,105	23,231	20,414	18,107
Administrative Expenses	(1,535,277)	(1,288,183)	(1,101,435)	(1,057,970)	(969,744)	(786,904)	(670,635)	(614,019)	(605,475)	(573,322)
Other Operating Expenses	(691,967)	(741,459)	(580,843)	(563,357)	(749,825)	(791,794)	(745,230)	(492,631)	(285,777)	(203,520)
Operating Profit	1,781,263	1,590,756	1,868,392	1,227,385	886,441	760,246	783,995	740,769	812,678	757,568
Finance Cost	(1,512)	(1,295)	(1,071)	(1,599)	(124)	(227)	(17)	(3,661)	(17,734)	(8,841)
Overdraft Interest	(67,406)	(35,199)	(5,434)	(734)	(149,659)	(1,384)	(290,877)	(419,235)	(315,070)	(350,841)
Total Overheads	(2,296,162)	(2,066,136)	(1,688,783)	(1,623,660)	(1,869,352)	(1,580,309)	(1,706,759)	(1,529,546)	(1,224,056)	(1,136,524)
Finance Income	7,436	5,765	5,721	5,086	4,896	4,357	3,959	4,102	3,900	3,302
Profit before Tax	1,719,781	1,560,027	1,867,608	1,230,137	741,554	762,992	497,060	321,975	483,774	401,188
Taxation	766,632	470,595	625,863	610,539	192,145	320,008	205,282	228,473	243,907	144,883
Net Profit for the period	953,149	1,089,432	1,241,744	619,598	549,409	442,984	291,778	93,502	239,867	256,305
Defined benefits plan	30,453	(59,575)	10,049	239,887	(212,044)	(31,574)	(14,281)	11,325	-	-
Total comprehensive Income	983,603	1,029,856	1,251,794	859,485	337,365	411,410	277,497	104,827	239,867	256,305



RATIOS

Gross Profit Ratio - SPC (%)	24.3	25.5	27.04	26.68	25.63	26.3	23.15	21.71	23.71	22.27
Gross Profit Ratio - DHS (%)	6.76	7.27	7.08	7.23	7.72	7.05	7.18	6.21	6.27	6.23
Gross Surplus to Sales (%)	10.12	10.96	10.87	11.44	11.66	10.98	10.46	10.50	11.10	10.83
Annual Sales Growth (%) -SPC	13.12	7.60	15.90	8.67	12.61	0.9	(10.88)	14.49	4.53	13.21
Annual Sales Growth (%) -DHS	21.05	(0.60)	36.25	11.05	2.6	1.2	32.1	14.59	9.79	7.35
Total Sales Growth (%)	19.44	0.96	31.85	10.52	4.72	1.17	20.24	14.57	8.28	8.97

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
TEN YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

Rs. "000"

Description	2018 RS.	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.	2009 RS.
Contributed Capital & Reserves	125,117	125,117	125,117	125,117	125,117	125,117	125,117	3,502,607	3,412,780	2,418,452
Current Assets										
Inventories - SPC	2,792,111	1,798,403	2,009,502	2,364,091	1,385,477	1,703,222	1,231,857	987,733	979,315	777,682
Stocks in Transit - DHS	286,587	630,130	540,693	788,342	528,710	809,462	734,963	1,985,991	2,755,465	1,105,247
Trade and other receivables	16,319,413	7,901,244	4,521,175	3,051,445	2,370,323	8,881,602	11,113,022	5,123,702	3,453,354	2,139,755
Deposits & Prepayments	61,219	57,979	37,614	33,046	37,964	32,948	24,073	24,479	22,369	11,564
Cash in Hand & at Bank	1,021,185	312,050	244,947	790,525	801,717	1,200,667	216,359	600,807	671,104	263,769
Total Current Assets	20,480,515	10,699,807	7,353,931	7,027,449	5,124,191	12,627,901	13,320,274	8,722,712	7,881,607	4,298,017
Current Liabilities										
Trade and other Payables	10,423,896	3,996,134	2,657,620	3,347,410	2,235,194	3,649,362	3,032,684	1,784,156	1,551,401	739,514
Income tax payables	447,869	337,976	519,770	397,758	180,617	290,045	191,440	219,332	232,469	200,169
Deferred Income	1,345	927	1,103	1,005	748	889	1,292	318	1,559	-
Current Financial Liabilities	2,639,033	1,361,444	39,703	56,689	78,739	6,254,353	7,896,709	4,716,655	4,131,544	1,458,538
Total Current Liabilities	13,512,143	5,696,481	3,218,196	3,802,862	2,495,298	10,194,649	11,122,125	6,720,461	5,916,973	2,398,221
Non Current Assets	2,222,544	2,179,335	2,166,630	2,156,615	2,138,973	1,858,832	1,698,279	1,605,438	1,561,496	639,231
Non Current Liabilities	271,308	264,651	192,213	233,394	372,220	158,803	124,558	105,082	113,350	120,575
Net Assets	8,919,608	6,918,010	6,110,152	5,147,807	4,395,646	4,133,281	3,771,870	3,502,607	3,412,780	2,418,452

RATIOS

Assets Turnover (times)	1:1.71	1:2.53	1:3.39	1:2.66	1:3.05	1:1.46	1:1.39	1:1.68	1:1.61	1:2.84
Current Ratio (times)	1:1.51	1:1.88	1:2.29	1:1.85	1:2.05	1:1.24	1:1.2	1:1.3	1:1.33	1:1.79
Liquidity Ratio (times)	1:1.28	1:1.45	1:1.49	1:1.01	1:1.28	1:0.99	1:1.02	1:0.85	1:0.7	1:1.
Interest Cover (times)	26.51	45.32	344.6	1676.9	5.95	552.3	2.7	1.8	2.5	2.1
Stock Turnover Ratio (times) SPC	2.46	2.58	2.04	2.07	2.34	2.17	2.97	3.83	3.65	3.5

SALES NETWORK

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State Pharmaceuticals Corporation of Sri Lanka

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Fax:011-2636715

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Ratmalana.

Tel.011-2622334

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Kandy. Tel. 081-2240274

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D. S. Senanayaka Mawatha,

Ampara. Tel.063-2223088

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No. 74,

T.D.02 Main Street,

Akkaripattu. Tel.067-2057625

Osu Sala - Anuradhapura

Bank Street,

Anuradhapura.

Tel.025-2222181

Osu Sala - Avissawella

G 33/34/35,

Central Bus Stand,

Avissawella. Tel.036-2222501

New Osu Sala - Badulla

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Badulla. Tel.055 2229837

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Hospital Premises,

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Tel.038-2288671

Osu Sala – Beruwala

MPCS Building, Galle Road,

Beruwala.

Tel.034 2278578

Osu Sala – Borella

Lady Ridgway Premises,

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75, Sir Baron Jayatillake

Mawatha,

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Osu Sala - Colombo 4

85, Galle Road,

Colombo 4. Tel. 2587128

Osu Sala - Colombo 7

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Diyathalawa.

Tel.055- 3551624

Osu Sala – Embilipitiya

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Embilipitiya.

Tel. 047-2261177

Osu Sala – Fort

Fort Railway Station,

Fort. Tel. 011-2336926

Osu Sala - Galle

61A Wakwella Road,

Galle. Tel.091-2234726

Osu Sala – Gamapaha

266, Colombo Road

Gampaha. Tel.033-2234516

Osu Sala - Hambantota

No.3 Barrack Street,

Hambantota.

Tel.047-2222163

Osu Sala – Ja'pura

Sri Jayawardhanapura General

Hospital, Sri Jayawardhanapura.

Tel.011-2779414

Osu Sala – Jaffna

149A, K.K.S Road,

Jaffna. Tel. 021- 2219262

Osu Sala - Kandy

14A Lamagara Mawatha,

Kandy. Tel.081-2225175

Osu Sala – Karapitiya

175,Hiribura Road,

Karapitiya. Tel.091 2226947

Osu Sala – (Kandy Railway)

Kandy Railway Station,

Kandy. Tel.081-2225176

Osu Sala – Kurunegala

28. Weerathunga Bldg.

Buddhaloka Mawatha.

Kurunegala.

Tel.037-2230840

Osu Sala – Maharagama

71/9 Alwis Building

Old Road, Maharagama.

Tel.011-2745640

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23B Charikaramaya

Anagarika Dharmapala

Mawatha, Matara.

Tel.041-2231871

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24. Old Town hall Bldg,

Colombo Road,

Minuwangoda.

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Monaragala.

Tel.055-2277712

Osu Sala – Nagoda

313, Mathugama Road,

Nagoda,

Kalutara. Tel.034-2222818

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Negombo. Tel.031- 2228599

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Tel.067 2058208

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S de S Jayasinghe Mawatha,

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Osu Sala - Peradeniya

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Peradeniya.

Tel.081-2386045

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Kaduruwela Road,

Polonnaruwa.

Tel.027-2225465

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Ragama. Tel. 011-2955219

Osu Sala – Ratmalana

Mega Sathosa,

Golumadama Junction,

Galle Road, Rathmalana.

Tel. 011-3043789

Osu Sala - Ratnapura

32 Nanda Ellawala Mawatha,

Ratnapura.

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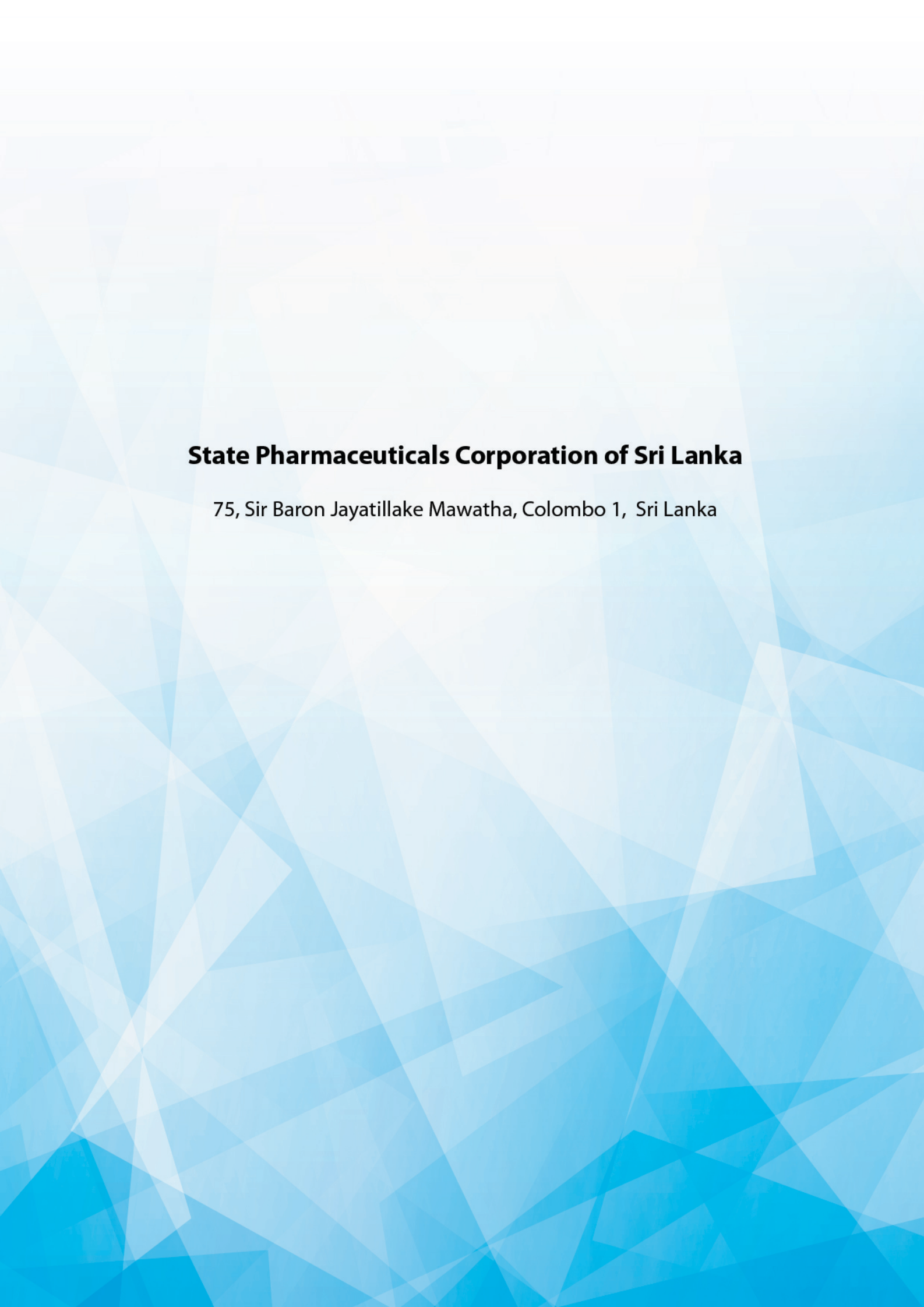
Osu Sala – Tangalla

No.8, Indipokunugoda Road,

Tangalla. Tel. 047-2241221

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State Pharmaceuticals Corporation of Sri Lanka

75, Sir Baron Jayatillake Mawatha, Colombo 1, Sri Lanka