



වර්ෂික වාර්තාව  
ஆண்டுறிக் கை  
ANNUAL REPORT

2020

ශ්‍රී ලංකා රාජ්‍ය ඖෂධ නිෂ්පාදන සංස්ථාව  
இலங்கை அரசு மருந்தாக்கற் போருட்கள் உற்பத்திக் ஜட்டுத்தாபனம்  
State Pharmaceuticals Manufacturing Corporation of Sri Lanka



## සමරු එළකයේ සටහන

අත්‍යවශ්‍ය ඖෂධ නිපදවීම සඳහා වූ මෙම ඖෂධ සංයෝග මධ්‍යස්ථානය ශ්‍රී - ලංකා ජපාන මිත්‍රත්වයේ සංකේතයක් ලෙසින් ජපන් රජය විසින් ශ්‍රී - ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජය වෙත කරන ලද පරිත්‍යාගයකි.

1987

## நுழைவாயிலில் இருக்கும் பதக்கப் பலகை

இம் முக்கியமான மருந்துகள் தயாரிக்கும் மருந்தாக்கல் கலைகள் நிலையம் யப்பான் நாட்டிற்கும் இலங்கை சனநாயக சோசலிசக் குடியரசிற்கும் இடையே இருக்கும் நட்புறவு மற்றும் ஒருமைப்பாட்டின் அடையாளமாக யப்பான் நாட்டினால்

இலங்கை சனநாயக சோசலிசக் குடியரசிற்கு வழங்கப்பட்ட நன்கொடையாகும்.

1987

## Plaque at the Entrance

This Pharmaceuticals Formulation Centre for the essential drugs is an outright gift by the Government of Japan to the Democratic Socialist Republic of Sri Lanka as a token of friendship and co-operation between Japan & the Democratic Socialist Republic of Sri Lanka.

1987



# Annual Report 2020

State Pharmaceuticals Manufacturing Corporation of Sri Lanka

# New Medicine for the New Country

In line with the Prosperity  
Vision Policy Statement of  
His Excellency the President of the  
Democratic Socialist Republic  
of Sri Lanka  
Gotabaya Rajapaksa,  
The State Pharmaceuticals  
Manufacturing  
Corporation launches a new  
type of drug once a month as  
a step forward to increase  
local pharmaceutical  
production.







# CONTENTS

|                                                                    |    |
|--------------------------------------------------------------------|----|
| Our Vision & Mission .....                                         | 3  |
| Corporate Information .....                                        | 5  |
| Establishment of SPMC and Key Objectives .....                     | 6  |
| Chairman's Review .....                                            | 7  |
| Directors .....                                                    | 9  |
| Directors' Report .....                                            | 11 |
| Report of the Audit Committee.....                                 | 13 |
| Corporate Governance Report .....                                  | 14 |
| Statement of Director's Responsibilities .....                     | 16 |
| Products Manufactured by SPMC .....                                | 17 |
| Statement of Comprehensive Income .....                            | 20 |
| Statement of Financial Position .....                              | 21 |
| Statement of Changes in Equity .....                               | 22 |
| Statement of Cash Flow .....                                       | 23 |
| Corporate Information & Significant Accounting Policies .....      | 24 |
| Notes to the Accounts .....                                        | 32 |
| Auditor General's Report .....                                     | 43 |
| Opinions of the Chairman about the Report of Auditor General ..... | 50 |
| Graphical Review .....                                             | 53 |
| Financial Highlights for the past 10 years .....                   | 55 |





# Vision

To Be Internationally Recognized,  
model Manufacturing and Marketing  
Organization for Pharmaceuticals and  
Health Care Products in South Asia



# Mission

To Manufacture Safe, Effective and  
Affordable Medicinal Drugs of Superior  
Quality up to International Standards  
to the Local and International Markets.



# CORPORATE INFORMATION

## NAME OF THE ORGANIZATION

State Pharmaceuticals Manufacturing Corporation of Sri Lanka

## LEGAL FORM

Established in 1987 under the State Industrial Corporation Act No. 49 of 1957

## DATE OF INCORPORATION

June 04, 1987

## REGISTERED OFFICE

11, Sir John Kotelawala Mawatha, Kandawala Estate, Ratmalana, Sri Lanka.

## BOARD OF DIRECTORS

**Dr. P. P. G. P. U. Indrawansa**  
Chairman

**Mr. K. M. S. P. Herath**  
Managing Director

**Dr. Bandula Chandranath Wijesiriwardena**  
Director

**Ms. S. A. C. Kulathilake**  
Director

**Mr. G. Chaminda Wickramaratne**  
Director

**Mr H. A. Kamal Pushpakumara**  
Director (Up to 29.10.2020)

## AUDITORS

Auditor General, No.306/72, Polduwa Road, Battaramulla.

## BANKS

Bank of Ceylon | People's Bank | National Savings Bank

## MANAGEMENT COMMITTEE

**S.W.Jayasundara**  
General Manager

**H.K.P.A.Senadheera**  
Mgr. (Quality Control)

**J.M.S.Jayasundera**  
Mgr. (Finance)

**A.G. De S.Athuraliya**  
DGM (Finance)

**D.H.J.Gunawardena**  
Mgr. (Engineering)

**B. V. H. P. S. Kumara**  
Mgr. (Engineering)

**S.P.Jayaweera**  
DGM (Production)

**V.J.Bandarawatte**  
Internal Auditor

**A. P. M. Wickramanayake**  
Mgr. (Production)

**R. M. R. M. Ranasinghe**  
DGM (Formulation cum Research & Development)  
- Acting

**C. D. Maginaarachchi**  
Mgr. (Human Resources)

**M. Benaragama**  
Mgr. (Engineering)

**P. D. Jayasundera**  
DGM (Engineering)

**A.C.P.Anandakumara**  
Mgr. (Planning & Procurement)

**Amila Nuwan Hewagama**  
Mgr. (Production)

**R. Darmadasa**  
DGM (Planning & Procurement)

**A.M.T.P.Kulasekara**  
Mgr. (Sales Promotion)

**V.P.Muthukuda**  
Mgr. (Production) – Up to November 2020

**P.Danthanarayana**  
Mgr. (Production)

# ESTABLISHMENT OF SPMC & KEY OBJECTIVES

---

SPMC was established in 1987 under the Industrial Corporation Act No. 49 of 1957.

In 2020, State Pharmaceuticals Manufacturing Corporation completed 33 years of commercial production of essential Medicinal Drugs for the Health care of the Sri Lanka population. SPMC product range consists of 81 products of tablets and capsules. Out of this product range 55 products were actively manufactured during the year. SPMC is the only State Sector Corporation engaged in manufacturing pharmaceuticals in Sri Lanka.

The main functions are,

- 1) Either by itself or by entering in to such Joint Venture, public-Private Partnership or other such agreement to manufacture, process, stock, pack or repack medicine.
- 2) To create subsidiary companies.
- 3) To enter into International Agreement with potential investors.
- 4) To provide technical assistance for the manufacturing and processing of medicine.
- 5) To undertake pharmacological and pharmaceutical research and the standardization of medicine.
- 6) To market medicinal products produced by the Corporation or Joint Venture or other such agreements.

All products released to the market complying our in-house specifications (SPMC) in addition to the British Pharmacopoeias (BP) and United State Pharmacopoeias (USP) requirements.

Implementation of cGMP (current Good Manufacturing Practices) regulations and procedures are regularly monitored through internal quality auditing and factory inspection.

# CHAIRMAN'S REVIEW



It is with great pleasure that I, on behalf of the Board of Directors present VVthe Annual Report and Audited Financial Statement comprising the Statement of Financial Position, Income Statement, Cash Flow Statement and Auditor General's report for the year ended 31<sup>st</sup> December 2020.

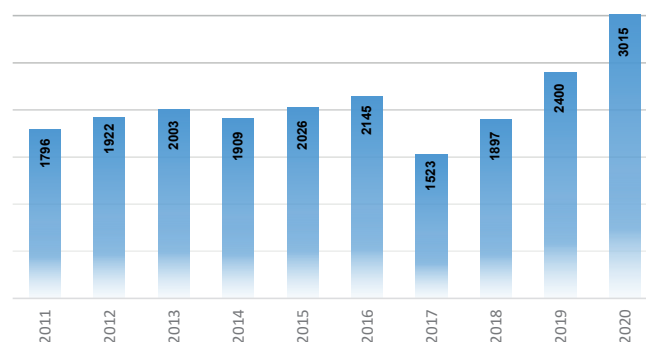
State Pharmaceuticals Manufacturing Corporation (SPMC) was established in 1987 under the Industrial Corporation Act No. 49 of 1957 with the commitment to manufacture quality, effective and safe drugs at affordable prices to the public. SPMC is the largest and leading state pharmaceutical manufacturer in Sri Lanka. At present, SPMC manufactures 81 drug items under the generic names covering a wide range of pharmacological products. All products manufactured by SPMC have the required quality as per British Pharmacopeia (BP), United State Pharmacopeia (USP) and SPMC in house standards. Implementation of current Good Manufacturing Practices (cGMP), regulations and procedures are constantly monitored through internal quality auditing and factory inspection.

The pharmaceuticals manufacturing facility of the SPMC is equipped with modern Japanese, German and Korean machines. The manufacturing facility has an ultra-clean atmosphere and conforms to World Health Organization (WHO) and Current Good Manufacturing Practice (cGMP) requirements. SPMC products are valued and preferred by doctors, pharmacists and other professionals in the health sector. Our reputation as a manufacturer of quality pharmaceutical products is the key factor success of SPMC.

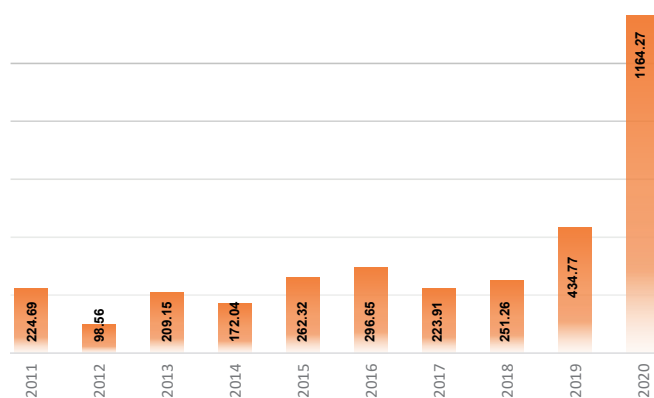
## PERFORMANCE

The State Pharmaceuticals Manufacturing Corporation recorded significant Net profit after tax of Rs.1,017 million in the year 2020.

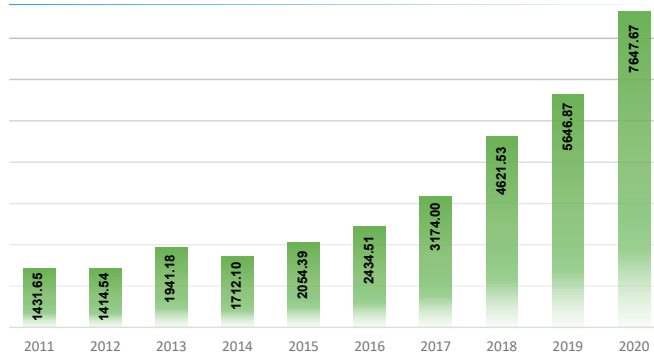
PRODUCTION OUTPUT



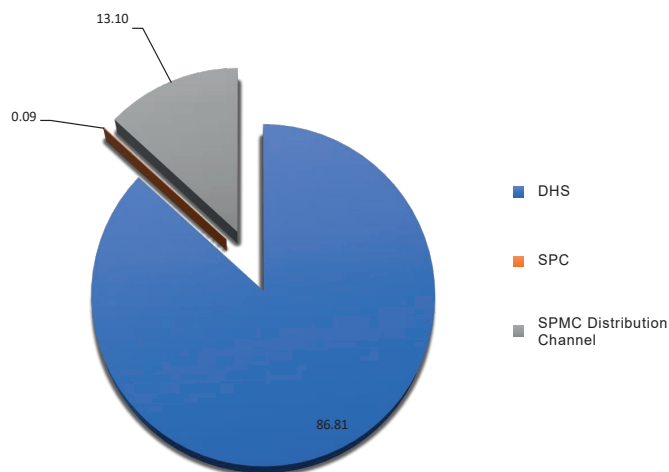
NET PROFIT / (LOSS)



TURN OVER



TURNOVER COMPOSITION



## Production Output

The total production output 3015 million units of tablets/capsules in the year 2020, is recorded as the highest output of SPMC.

## Turnover

Total turnover for the year 2020 amounted to Rs.7,647 million which is the highest turnover since its inception. Out of the total sales, 86.81% were to Medical Supplies Division (MSD) of the Ministry of Health. In addition to this main channel, the sales through the Private Distributors registered with us was 13.10% and the balance sales to State Pharmaceuticals Corporation (SPC) was 0.09%.

I am happy to note that SPMC has been well managed with its own resources to earn profits without any assistance of the General Treasury. In fact SPMC has paid Rs.24 million to the Treasury as contribution during the year 2020, fulfilling our responsibility as a public corporation.

## DEVELOPMENT WORK

### Factory Development

SPMC manufactured 3015 million tablets & capsules in 2020.

### Expansion Project

New Zone for manufacturing hormone items declared open by Honorable Prime Minister Mahinda Rajapaksa. Thyroxine tablets has been developed as the first product in the year.

Annual production capacity increased to 3 Billion tablets and capsules using machines installed through JICA Capacity Expansion Project.

### Research and Formulation Development

During the year 2020, Certificate of Registration has been obtained for seven products and four products were commercially manufactured successfully and launched during the year as new products.

## HUMAN RESOURCES DEVELOPMENT & WELFARE

SPMC had 291 employees as at 31.12.2020 including 07 SPMC Trainees and 01 Contract basis employees who are engaged on the job training under the guidance of Senior Management of the SPMC for efficient and smooth operation of two shifts.

SPMC continued to provide the basic welfare facilities requested by the employees.

Facilities have been provided to employees who infected with Covid-19 by sending them to care centres.

## STRATEGY AND PROSPECTS

Our main aim is to provide an uninterrupted supply of pharmaceuticals required by the Medical Supplies Division (MSD) of Ministry of Health, State Pharmaceuticals Corporation (SPC), Private Pharmacies and medical Professionals.

SPMC is expecting to expand its production capacity by setting up new plants at Millewa, Horana. Accordingly, SPMC has decided to establish

-plant for manufacturing of oncology drugs

-plant for manufacturing of Oral Solid Dosage (OSD) general drugs.

This expansion will support us to improve the production, increase sales revenue, widen the products range and create new employment opportunities, enhance technical know-how and create a corporate image of SPMC.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I thank His Excellency the President of the Democratic Socialist Republic of Sri Lanka Honorable Gotabaya Rajapaksa, for his continued dedication to the progress of the Pharmaceutical Industry in Sri Lanka. I also extend my appreciation to the Hon. Minister of Health Pavithra Wanniarachchi and the Hon. State Minister of Production, Supply and Regulation of Pharmaceuticals Prof. Channa Jayasumana for their valuable guidance and support. We also value the guidance provided by the Secretary to the Ministry of Health Major General Sanjeewa Munasinghe and the Secretary to the State Ministry of Production, Supply and Regulation of Pharmaceuticals Mr. K. R. Uduwawla and other officials of the Ministry of Health and State Ministry of Production, Supply and Regulation of Pharmaceuticals. We also appreciate the contribution made by the officials of the various Departments of General Treasury.

It is a pleasure to note with gratitude that we had an excellent relationship with the State Pharmaceuticals Corporation (SPC), Medical Supplies Division (MSD), Private Pharmacies and medical professionals who contributed enormously to the success of our Corporation.

The commitment of the Managing Director, General Manager, Deputy General Managers, Managers, Executive Staff and all levels of employees of the SPMC in achieving positive results during the year 2020 is greatly appreciated.

Finally, I must thank the Board of Directors for their valuable contribution and guidance in steering the Corporation towards success.

**Dr. P. P. G. P. U. Indrawansa**

**Chairman**

**State Pharmaceuticals Manufacturing Corporation of Sri Lanka**

**28<sup>th</sup> February 2021**

# DIRECTORS

## Dr. P P G P Uthpala Indrawansa Chairman

Dr. Uthpala Indrawansa is a Medical Doctor (Medical Academy of Sechenov-one of the leading medical universities in Russia) and completed internship at Polonnaruwa General Hospital.

He has pioneered the Provincial Award for 5S' Productivity in year 2007, meanwhile serving as Medical Officer in Charge in Rural Hospital Pulasthipura, For the Doctors category and the Hospital category Health Excellency Award also conquest by them in the same period. He has been serving at the Accident Service in National Hospital, Orthopedic unit since 2009. He is serving in the position in Chairman to the State Pharmaceuticals Manufacturing Corporation of Sri Lanka since December 2019.

## Mr. Saman Herath Managing Director

Mr. Saman Herath was appointed to the Board as Managing Director from January 2020.

Mr. Saman Herath is an experienced banker with 35 years' worth of experience. Beginning his banking career at Commercial Bank in 1981, he later joined Sampath Bank PLC as an Executive in the Finance Division in 1987. Mr. Herath worked his way up the proverbial ladder of the bank's hierarchy until he reached the position of Senior Deputy General Manager of Corporate Banking from which he retired in June 2015. A result-oriented person, Mr. Herath contributed largely to the development of Sampath Bank.

He is a fellow Member of the Chartered Institute of Management Accountants of UK (FCMA, UK) and a Chartered Global Management Accountant (CGMA). Mr. Herath is also an Associate Member of the Institute of Bankers, Sri Lanka and holds a number of qualifications including, a Diploma in Credit Management from the Institute of Bankers, a Certificate in Asset and Liability Management from the Postgraduate Institute of Management and has also completed a number of courses in General and Strategic Management conducted by institutions such as The National University of Singapore.

## Vidya Jyothi

## Dr. Bandula Chandranath Wijesiriwardena Director

A Consultant Physician, Dr. Bandula Wijesiriwardena holds over 33 years of experience in the Government Healthcare sector having served as Chief Examiner for MD (Medicine), Chairman, MCQ core group, Member, AAAED Committee and was the President of the Ceylon College of Physicians in 2005.

He presently works for the private health care sector full time. Dr. Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College of Physicians which is presently being used island-wide. With numerous national and international publications to his credit, Dr. Wijesiriwardena won the Presidential Award for his clinical research in 2000 and was awarded Honorary Fellowships by The Royal Australian College of Physicians and Colleges of Medicine in South Africa.

He holds an MBBS (Colombo), MD (Colombo) and MRCP (UK) and is a Fellow of the American College of Physicians and the Ceylon College of Physicians.

**Ms. S.A. Chandrika Kulathilake**  
**Director**

Mrs. S.A. Chandrika Kulathilake presently serves as the Director General to the Department of Management Audit.

She holds a Bachelor of Commerce degree (University of Sri Jayawardenapura) and Diploma in Financial Management in Sri Lanka Institute of Development Administration.

She has served as an Audit Examiner to the Auditor General's Department and she was the Accountant to the Postal Department. She was also the Deputy Director and Director for the Department of State Accounts and Director for the Department of Management Audit. She has been a resource person for a workshop on Strengthening the Internal Audit Function of the Government of India.

**Mr. V. G. Chaminda Wickramaratne**

Mr. V. G. C. Wickramaratne serves as the Director to Board of State Pharmaceuticals Manufacturing Corporation since January 2020 and he is having over 20 years experience in business management as the founder of SMI Engineering Co. (Pvt) Ltd.

He has served as the Director to the Board of National Youth Service Council (2005-2008), Public Performance Board National Film Corporation (2008-2010) and Sri Lanka Energies (Pvt) Ltd.(2012-2015).

Currently he is holding the position of Director to the Haritha TV Networks (Pvt) Ltd. and Ariike (Pvt) Ltd. Further to this he is a member of the National Railway Museum Committee.

**Mr. H. A. Kamal Pushpakumara**  
**Director**

Mr. Kamal Pushpakumara presently attached to the Sabaragamuwa Provincial Council as the Deputy Chief Secretary (Admin).

He has served as the Deputy Director General to the Ministry of Health for the years 2019 to 2020 and served as Divisional Secretary to the various Divisions from the year 2009. Other than this he has served in many positions to the government from the year 1994.

He has followed courses with SLIDA, Colombo, National Disaster Management Centre, Ministry of MASS Media, etc.

# DIRECTORS' REPORT

---

The Directors have pleasure in forwarding their Report and Audited Accounts for the year ended 31<sup>st</sup> December 2020. The Accounts are set out on pages 19- 42

## PRINCIPAL ACTIVITIES

The principal activities of the Corporation are,

- Either by itself or by entering in to such Joint Venture, public-Private Partnership or other such agreement to manufacture, process, stock, pack or repack medicine.
- To create subsidiary companies.
- To enter into International Agreement with potential investors.
- To provide technical assistance for the manufacturing and processing of medicine.
- To undertake pharmacological and pharmaceutical research and the standardization of medicine.
- To market medicinal products produced by the Corporation or Joint Venture or other such agreements.

## REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31<sup>st</sup> December 2020 is set out in the Statemet of Financial Position on page 21.

An assessment of the corporation during the financial year is given in the Chairman's Review on pages 7 & 8.

## TURNOVER & RESULTS

The Turnover, results for the year and the changes in the equity are set out in the income statement on page 20 and the statement of changes in equity on page 22 respectively.

## FUTURE DEVELOPMENT

Future developments in business are given in the Chairman's Review on pages 7 & 8.

## DONATIONS

During the year, no donations have been made by the Corporation.

## PROPERTY, PLANT & EQUIPMENT

The movements in property, plant & equipment during the year are set out in Note 10 in the financial statement on page 37.

## DIVIDEND / CONTRIBUTION

The Director recommended and made a payment of Rs. 24,000,000 by way of dividends to the consolidated fund of the General Treasury

## RESERVES

Total Reserves of the Corporation and their composition have been given in the statement of changes in equity on page 22 in the financial statements.

## DIRECTORS

The Board consists of five Directors, whom are appointed by the Minister of Health. One of the Directors is the Finance Ministry representative and the other is representing Ministry of Health. Directors of the Board were appointed from the month of January 2020. During the period, the Board of Directors had held four meetings. The Chairman and the Board of Directors take the responsibility for the affairs of the Corporation for the related period.

|                                         |                               |
|-----------------------------------------|-------------------------------|
| Dr. P. P. G. P. U. Indrawansa           | - Chairman                    |
| Mr. K. M. S. P. Herath                  | - Managing Director           |
| Dr. Bandula Chandranath Wijesiriwardena | - Director                    |
| Ms. S. A. C. Kulathilake                | - Director                    |
| Mr. V. G. Chaminda Wickramaratne        | - Director                    |
| Mr. H. A. Kamal Pushpakumara            | - Director (Up to 29.10.2020) |

## ACCOUNTING POLICIES

The principal accounting policies of the Corporation are set out on pages 24 to 31

## ENVIRONMENTAL PROTECTION

It is the responsibility of the corporation to operate in a manner that will not have a detrimental effect on the environment and to provide products of the highest quality that have a beneficial effect for our customers and the communities within which we operate.

## STATUTORY PAYMENTS

All statutory payments to the government and the employees have been made at the balance sheet date.

## EVENTS AFTER BALANCE SHEET DATE

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

## GOING CONCERN

The Financial Statements are prepared based on the going concern concept. The Board of Directors satisfied that the Corporation has adequate resources to continue its operations in the foreseeable future.

## APPOINTMENT OF AUDITORS

In terms of the provision of Finance Act 1971, the Auditor General is the Auditor of the Corporation and had carried out his annual audit of the financial activities of the Corporation for the year ended 31<sup>st</sup> December 2020

**Dr. P. P. G. P. U. Indrawansa**

**Chairman**

**State Pharmaceuticals Manufacturing Corporation of Sri Lanka**

**28<sup>th</sup> February 2021**

# REPORT OF THE AUDIT COMMITTEE – 2020

The Audit Committee constitutes in accordance with the provisions of the Public Enterprise Circular No. PED 55 of 14.12.2010.

As per the above circular, 'The Audit Committee should assist the Board in the task of overseeing to ensure that financial reporting is done in compliance with relevant Sri Lanka Accounting Standards and other applicable legal requirements, to ensure that all relevant rules and regulations and circulars issued by the government are complied with continuously reviewing and monitoring, making recommendations to the Board on non-compliance, review the internal /external audit reports, management letters and recommendations of COPE, help the Board to take remedial actions, to introduce and implement adequate internal control systems'.

The Audit Committee comprised three non - Executive Directors of the Corporation and chaired by the Director representing the Treasury during the year.

A representative from National Audit Office participated as an observer as per the above circular and Chief Internal Auditor of the Ministry of Health and Indigenous Medicine also participated as an observer as appointed by the Ministry of Health and Indigenous Medicine.

The Chairman and the Managing Director of SPMC participated to the Audit Committee meetings by invitation of Audit Committee.

During the financial year 2020, two (02) Audit Committee Meetings were held.

In the year 2020, the Committee

- Considered the internal audit reports issued from September 2018 to May 2020, covering the nature of the issues, responses by the heads of departments and corrective actions that were taken by the respective management to overcome the deficiencies highlighted.
- Reviewed & made suitable recommendations about the adequacy of several internal control systems in the areas including finance, sales, payments, debtors, non moving raw materials, contract administrations, procurement of fixed assets & packing materials in order to ensure the smooth operations of the Corporation.
- Reviewed the follow up actions taken by the respective heads of the departments on the recommendations of the Committee.
- Considered the Audit Queries for 2019 raised by the Auditor General and answers submitted by SPMC.
- Paid attention for difficulties encountered by corporation when SPMC product prices are decided by Pricing Committee of MOH and made suitable recommendations.
- Paid attention about accuracy of information generated by the ERP system for the areas Internal Audit activities were carried out.
- Reviewed the Auditor General Reports for the year 2017 & 2018 and considered the actions taken for rectifying accounting deficiencies, non-compliance with laws, rules, regulations and management decisions, issues relevant to production, sales, staff administration, procurement, contract administration & SPMC joint venture agreement mentioned therein.
- Considered the details required for formulating SPMC Corporate Plan & Action Plan and made suitable recommendations.

The Audit Committee is of the opinion that terms of reference of the Committee covered the subjects in all material aspects.

## Audit Committee Members

|                        |               |                                                                     |
|------------------------|---------------|---------------------------------------------------------------------|
| S A C Kulathilaka      | - Chairperson | - Director-SPMC / Director General - Department of Management Audit |
| H A Kamal Pushpakumara |               | - Member - Director-SPMC/ Health Ministry representative            |
| V G C Wickramaratna    |               | - Member - Director-SPMC                                            |

**S A C Kulathilaka**  
**Chairperson – Audit Committee**  
**03.09.2021**

# CORPORATE GOVERNANCE REPORT

Corporate Governance is the system by which companies are directed & controlled by the Management in the best interest of the stakeholders (investors, employees, suppliers, consumers, government & public) ensuring greater transparency, better and timely Financial reporting.

Board of Directors is responsible for the Governance of the Corporation.

## DIRECTORS

The Board comprises professional and experienced persons from Management, Pharmacology, Medicine, Marketing, Financial and Administration sectors.

The Board of Directors consists of two Executive Directors who are the Chairman, MD and four non-Executive Directors.

The Board meets monthly intervals and in addition special meetings are also arranged as required, unless otherwise in the event of parliament has been dissolved or Board has not been appointed by Hon. Minister.

During the period under review, five board meetings were held.

## MANAGEMENT COMMITTEE

Corporate Management Committee is headed by Chairman of the Corporation. The Committee comprises Heads and Deputy Heads of the Departments of the Corporation.

Management Committee makes decisions on regular operations of the Corporation, implements the policy decision and strategic objectives as well as makes recommendations as necessary for Board of Directors to take policy decisions.

Management Committee meets at monthly intervals.

## AUDIT COMMITTEE

Audit Committee is constituted in accordance with the 'Public Enterprises Guideline for Good Governance' and Public Finance Circulars.

The Audit Committee is appointed by the Board and comprises three non – executive Directors of the Corporation. Director who represents Ministry of Finance chairs the Committee.

The Audit Committee independently examines and evaluates the activities of the Corporation. Internal Audit function carried out in accordance with "Internal Audit Plan" is approved by the Audit Committee with the notification of the Auditor General.

During the period under review, two Audit Committee meetings were held.

Audit committee report is set out in page 13.

## INVESTOR'S RELATIONSHIP & PUBLIC ACCOUNTABILITY

Public Enterprises are established, owned and operated by the Government on behalf of the Public.

Therefore Board of Directors and Managers of the Corporation are responsible for managing the enterprises to the Ministry of Health as line Ministry and the General Treasury of the Finance Ministry.

Annual Report, Annual Accounts, Annual Budgets, Quarterly Performance Reports are forwarded to the same authorities, fulfilling the above responsibility.

Throughout the democratic world, Parliament, consisting of elected representatives of the people, has been accepted as the ultimate authority on public Finance.

Annual Report which embodies the performance of the Corporation, Financial Statements, and Auditor General's Report is tabled in parliament for review by the Members of Parliament.

Being a Public Enterprise, the Corporation is also accountable for the "Committee for Public Enterprises" (COPE) of Parliament.

## REMUNERATION POLICY

Corporation's remuneration policy is set out on the recommendations of the Management Services Department of the General Treasury.

Director's allowances and perquisites are decided and paid in accordance with the applicable circulars in relation to allowances and perquisites of directors of Corporations issued by the General Treasury.

Employees' salaries are paid on salary scales prepared by Corporation, based on Public Administration salary scales with the approval of the Department of Management Services of the General Treasury.

A performance incentive scheme is in place to link rewards directly to the performance.

**INTERNAL CONTROL**

The Board has responsibility to ensure that Corporation maintains a system of Internal Control, which is designed to provide reasonable assurance that all transaction entered into by the Corporation are properly authorized, recorded & reported.

Functional Organization Structure is in operation. Departments are designed with defined activities such as Production, Quality Control, Maintenance, Finance, Planning, and Formulation Research & Development & Marketing. Heads of each Department directly report to the General Manager who is the chief operating officer of the Corporation.

General Manager reports to the Managing Director, Chairman & the Board of Directors.

Internal Control system is augmented by the internal Audit function. The Internal Auditor reports direct to the Chairman of the Corporation and Audit Committee, thereby strengthening the independence of the Internal Auditor.

National Procurement Guidelines are followed the corporation in order to maintain the transparency of the transactions and thereby giving equal opportunities to interested parties.

The Annual Budget which includes the capital budget are approved by the Board and forwarded to Ministry of Health & Finance Ministry.

# Statement of Director's Responsibilities

---

The responsibilities of directors, in relation to the financial statements, differ from responsibilities of the Auditors, which are set out in the Report of the Auditor General on pages 43-49

Under the Financial Act No.38 of 1971, a public corporation shall cause proper accounts of the income and expenditure, assets and liabilities and of all other transactions of the corporation to be kept. A Public corporation shall prepare an annual statement of accounts and statistics relating to the activities of the corporation in such form and containing such particulars.

The Board of Directors has a statutory responsibility in the stewardship of the enterprise on behalf of the Government and stakeholders, they are responsible for ensuring that the corporation keep sufficient accounting records to disclose with reasonable accuracy the financial position of the corporation and for ensuring that the financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards and provide the information required by the Finance Act No.38 of 1971 and the directors continue to adopt the going concern basis in preparing the financial statements.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the corporation and in this regard to give proper consideration to the establishment of appropriate internal control systems comprising of internal audit, internal checks and financial reviews and detect fraud and irregularities.

Under the financial Act No. 38 of 1971, the Auditor General has examined the financial statements made available by the Board of Directors together with all the financial records and related data and expressed their opinions which appears as reported on page 43-49 of this report.

# PRODUCTS MANUFACTURED BY SPMC

| Products                           | Quantity<br>In Mn.<br>Units | Products                             | Quantity<br>In Mn.<br>Units |
|------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| Amoxicillin Tab. USP 125mg         | 15.750                      | Chloroquine Phosphate Tab. BP 500.mg | 0.055                       |
| Amoxycillin Cap. BP 250mg          | 128.800                     | Famotidine Tablets USP 20mg          | 97.200                      |
| Amoxycillin Cap. BP 500mg          | 42.000                      | Frusemide Tab. BP 40mg               | 67.125                      |
| Ascorbic Acid Tab. BP 100mg        | 21.600                      | Folic Acid Tabs. 1.mg                | 12.000                      |
| Atorvastatin Tablets BP 10mg       | 298.500                     | Gliclazide Tablets BP 40mg           | 96.000                      |
| Atorvastatin Tablets BP 20mg       | 1.200                       | Gliclazide Tablets BP 80mg           | 147.000                     |
| Atenolol Tablets BP 50mg           | 17.000                      | Indomethacin Caps 25.mg              | 3.500                       |
| Benzhexol Tab. BP 2mg              | 72.000                      | Losartan Potassium Tablets 50mg      | 271.402                     |
| Carbamazepine Tab. BP 200mg        | 34.750                      | Mebendazole Tab. USP 100mg           | 31.000                      |
| Cetrazine Tablets BP 10.mg         | 16.900                      | Metformin Tab. BP 500mg              | 43.781                      |
| Clarithromycin Tab. 250mg          | 16.200                      | Metronidazole Tabs BP 200mg          | 9.894                       |
| Cloxacillin Cap. BP 250mg          | 45.850                      | Paracetamol Tab. BP 500mg            | 421.654                     |
| Cloxacillin Cap. BP 500mg          | 14.875                      | Phenoxyethylpenicillin Tab. BP 250mg | 25.000                      |
| Ciprofloxacin Tablets USP 500mg    | 10.800                      | Prednisolone Tab. BP 5mg             | 268.800                     |
| Ciprofloxacin Tablets USP 250mg    | 7.003                       | Propranolol Tab. BP 40mg             | 22.000                      |
| Cimetidine Tablets BP 200mg        | 4.160                       | Salbutamol Tab. BP 2mg               | 213.600                     |
| Co-Trimoxazole Tablets BP (Adult)  | 3.750                       | Salbutamol Tab. BP 4mg               | 24.000                      |
| Domperidone Tabs 10.mg             | 136.500                     | Spiranolactone Tab. USP 25mg         | 40.500                      |
| Diclofenac Sodium Tab.USP 50mg     | 61.100                      | Theophylline ER Tablets 125mg        | 21.350                      |
| Diltiazem HCL Tablets 60mg         | 19.052                      | Trifluoperazine Tablets BP 5mg       | 15.750                      |
| Diltiazem HCL Tablets 30mg         | 32.214                      | Verapamil Tab. BP 40mg.              | 24.200                      |
| Diethylcarbamazine Tablets BP 50mg | 9.000                       | Vitamin B Tab. CHF                   | 49.000                      |
| Enalapril Maleate Tablets 5 mg     | 100.800                     |                                      |                             |

## PRODUCTS TO BE LAUNCHED – 2021

Prednisolone Tab. BP 1mg  
 Phenoxyethylpenicillin Tab. BP 500mg  
 Losartan Potassium Tab. BP 25mg  
 Nimodipine Tab. BP 30mg  
 Tramadol Caps IP 50mg  
 Levothyroxine Tab IP 50mcg  
 Loratadine Tab BP 10mg  
 Amlodipine Besylate Tab USP 5mg

Mefenamic Acid Tab BP 500mg  
 Omeprazole Caps IP 20mg  
 Trimethoprim Tab. BP 200mg  
 Ibuprofen Tab. BP 200mg  
 Rosuvastatin Tab. IP 10mg  
 Bisoprolol Tab. BP 5mg  
 Methyl Prednisolone Tab BP 4mg



# Financial Statement



**BALANCE SHEET**



**INCOME STATEMENTS**



**CASH FLOWS**



**EQUITY**

**For the Year ended 31.12.2020**

# Statement of Comprehensive Income

For the Year ended 31<sup>st</sup> December 2020

(All amounts in Sri Lankan Rupees)

|                                 | Note | For the year 2020    | For the year 2019  |
|---------------------------------|------|----------------------|--------------------|
| Revenue                         | 1    | 7,647,780,487        | 5,646,878,417      |
| Cost of Sales                   | 2    | (6,280,757,124)      | (4,743,125,752)    |
| <b>Gross Profit</b>             |      | <b>1,367,023,363</b> | <b>903,752,665</b> |
| Other Operating Income          | 3    | 6,979,050            | 8,064,034          |
| Administrative Expenses         | 4    | (247,137,830)        | (237,694,200)      |
| Selling & Distribution Expenses | 5    | (49,137,643)         | (99,189,983)       |
| Other Operating Expenses        | 6    | (10,706,666)         | (10,521,475)       |
| <b>Operating Profit</b>         |      | <b>1,067,020,274</b> | <b>564,411,041</b> |
| Finance Cost                    | 7    | (509,716)            | (447,124)          |
| Finance Income                  | 8    | 94,487,181           | 28,093,141         |
| <b>Profit Before Tax</b>        |      | <b>1,160,997,739</b> | <b>592,057,058</b> |
| Tax Expenses                    | 9    | (143,633,422)        | (157,279,180)      |
| <b>Profit for the Year</b>      |      | <b>1,017,364,317</b> | <b>434,777,878</b> |

| Statement of Comprehensive Income                          |      | For the year 2020   | For the year 2019  |
|------------------------------------------------------------|------|---------------------|--------------------|
| Profit for the Year                                        |      | 1,017,364,317       | 434,777,878        |
| (-) Actuarial (Gain) /Loss                                 |      | (22,227,485)        | (2,182,882)        |
| (Gain) / Loss Due to Changes in Assumptions                |      | -                   | -                  |
| Income Tax on Other Comprehensive Income                   | 9(B) | 4,000,947           | -                  |
| <b>Other Comprehensive Income for the Year, Net of Tax</b> |      | <b>(18,226,538)</b> | <b>(2,182,882)</b> |
| <b>Total Comprehensive Income for the Year, Net of Tax</b> |      | <b>999,137,780</b>  | <b>432,594,996</b> |

# Statement of Financial Position

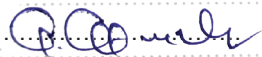
As at 31<sup>st</sup> December 2020  
(All amounts in Sri Lankan Rupees)

|                                     | Note | As at 31.12.2020     | As at 31.12.2019     |
|-------------------------------------|------|----------------------|----------------------|
| <b>ASSETS</b>                       |      |                      |                      |
| <b>Non Current Assets</b>           |      |                      |                      |
| Property, Plant and Equipment       | 10   | 3,117,911,777        | 3,203,159,799        |
| Intangible Assets                   | 11   | 2,570,308            | 3,440,402            |
| Other Non Current Assets            | 14   | 2,147,321            | 2,754,426            |
| Prepaid Lease                       | 13   | 3,233,254            | 3,282,243            |
| Work in Progress - Construction     |      | 81,864,132           | 150,738,389          |
| Machines                            |      | 13,970               | 13,970               |
| <b>Current Assets</b>               |      |                      |                      |
| Inventories                         | 15   | 1,338,464,075        | 1,042,287,690        |
| Trade and Other Receivables         | 16   | 230,633,684          | 2,283,110,605        |
| Prepayments                         | 17   | 12,001,846           | 21,165,516           |
| Other Financial Assets              | 18   | 3,040,316,966        | 474,984,506          |
| Cash In Hand & At Bank              | 19   | 554,452              | 449,269              |
|                                     |      | 4,621,971,023        | 3,821,997,586        |
| <b>Total Assets</b>                 |      | <b>7,829,711,784</b> | <b>7,185,386,815</b> |
| <b>EQUITY AND LIABILITIES</b>       |      |                      |                      |
| Authorised Capital                  |      | 850,000,000          | 850,000,000          |
| Stated Capital                      | 20   | 690,079,000          | 690,079,000          |
| Retained Earnings                   |      | 3,686,214,826        | 2,761,709,649        |
| <b>Total Equity</b>                 |      | <b>4,376,293,826</b> | <b>3,451,788,649</b> |
| <b>Non Current Liabilities</b>      |      |                      |                      |
| Employee Benefit Liabilities        |      | 106,799,809          | 75,028,761           |
| Deferred Tax Liability              | 21   | 167,206,928          | 193,926,433          |
| JICA Loan                           | 22   | 2,416,094,044        | 2,416,094,043        |
|                                     |      | 2,690,100,781        | 2,685,049,237        |
| <b>Current Liabilities</b>          |      |                      |                      |
| Trade and Other Payables            | 23   | 677,033,320          | 964,712,097          |
| Tax Payable                         |      | 86,283,856           | 83,836,831           |
|                                     |      | 763,317,177          | 1,048,548,928        |
| <b>Total Equity and Liabilities</b> |      | <b>7,829,711,784</b> | <b>7,185,386,815</b> |

The Accounting Policies on Pages 24 to 31 form an integral part of these Financial Statements. The Board of Directors are responsible for the preparation and presentation of these Financial Statements. These Financial Statements are presented to Auditor General's Department with the Board of Directors approval and signed on their behalf.

Chairman : 

Director : 

DGM - Finance : 

Date : 28-02-2021

# Statement of Changes in Equity

For the Year ended 31<sup>st</sup> December 2020  
(All amounts in Sri Lankan Rupees)

|                                 | Stated Capital     | Profit & Loss        | Total                |
|---------------------------------|--------------------|----------------------|----------------------|
| Balance as at 01.01.2019        | 690,079,000        | 2,265,198,267        | 2,955,277,267        |
| Profit for the Year             | -                  | 434,777,878          | 434,777,878          |
| Other Comprehensive Income      | -                  | (2,182,882)          | (2,182,882)          |
| Total Comprehensive Income      | -                  | 432,594,996          | 432,594,996          |
| Contribution to Treasury        | -                  | -                    | -                    |
| Prior Year Adjustment           | -                  | 63,916,387           | 63,916,386           |
| <b>Balance as at 31.12.2019</b> | <b>690,079,000</b> | <b>2,761,709,650</b> | <b>3,451,788,649</b> |
| Balance as at 01.01.2020        | 690,079,000        | 2,761,709,650        | 3,451,788,650        |
| Profit for the Year             | -                  | 1,017,364,317        | 1,017,364,317        |
| Other Comprehensive Income      | -                  | (18,226,538)         | (18,226,538)         |
| Total Comprehensive Income      | -                  | 999,137,780          | 999,137,780          |
| Treasury Levy                   | -                  | (24,632,603)         | (24,632,603)         |
| Prior Year Adjustment           | -                  | (50,000,000)         | (50,000,000)         |
| <b>Balance as at 31.12.2020</b> | <b>690,079,000</b> | <b>3,686,214,826</b> | <b>4,376,293,826</b> |

# Statement of Cash Flow

For the Year ended 31<sup>st</sup> December 2020  
(All amounts in Sri Lankan Rupees)

|                                                                      | For the year 2020      | For the year 2019    |
|----------------------------------------------------------------------|------------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>                          |                        |                      |
| Net Profit/(Loss) before taxation & extraordinary items              | 1,160,997,739          | 592,057,058          |
| Adjustments for :                                                    |                        |                      |
| Depreciation on Fixed Assets                                         | 189,400,649            | 184,365,949          |
| Current Service Cost                                                 | 6,415,695              | 4,343,655            |
| Employee Interest Cost                                               | 8,065,592              | 8,467,681            |
| Profit / Loss on Disposal                                            | (107,745)              | (28,424)             |
| Cost of Damaged & Unused                                             | 3,122,097              | 59,400               |
| Unclaimed Retention                                                  | -                      | (55,384)             |
| Unclaimed Bid Bonds                                                  | -                      | (962,908)            |
| Interest Income                                                      | (87,837,692)           | (22,678,826)         |
| <b>Operating Profit before Working Capital Changes</b>               | <b>1,280,056,334</b>   | <b>765,568,202</b>   |
| <b>Changes in items of Working Capital</b>                           |                        |                      |
| (Increase) / Decrease in Inventories                                 | (296,176,385)          | (199,969,965)        |
| (Increase) / Decrease in Debtors & Receivables                       | 1,962,180,490          | (619,338,522)        |
| (Increase) / Decrease in Deposits & Prepayments                      | 9,163,670              | (3,792,198)          |
| Increase / (Decrease) in Liabilities                                 | (287,678,778)          | 372,893,619          |
| <b>Cash generated from operations</b>                                | <b>2,667,545,332</b>   | <b>315,361,135</b>   |
| Gratuity paid                                                        | (4,937,725)            | (7,706,911)          |
| Tax paid                                                             | (123,608,519)          | (77,020,297)         |
| <b>Net cash from operating activities</b>                            | <b>2,538,999,088</b>   | <b>230,633,927</b>   |
| <b>Cash Flows from Investing Activities</b>                          |                        |                      |
| Short term Investments (Note A)                                      | (2,553,811,909)        | (105,802,239)        |
| Acquisition of Fixed Assets                                          | (37,500,997)           | (147,617,267)        |
| Proceeds from the sale of Disposal of Property                       | 127,358                | 28,424               |
| Interest received                                                    | 76,317,141             | 23,257,972           |
| Increasing Other Non Current Assets                                  | 607,106                | (530,856)            |
| <b>Net cash used in investing activities</b>                         | <b>(2,514,261,300)</b> | <b>(230,663,967)</b> |
| <b>Cash Flows from Financing Activities</b>                          |                        |                      |
| Treasury Levy                                                        | 24,632,603             | -                    |
| <b>Net cash used in Financing activities</b>                         | <b>24,632,603</b>      | -                    |
| <b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>      | <b>105,184</b>         | <b>(30,039)</b>      |
| <b>Cash &amp; Cash Equivalents at the beginning of the period</b>    | <b>449,268</b>         | <b>479,308</b>       |
| <b>Cash &amp; Cash Equivalents at the end of the period (Note B)</b> | <b>554,452</b>         | <b>449,269</b>       |
| <b>Note A - Cash flow from investing activities</b>                  |                        |                      |
| Cash Inflows during the period                                       | 42,354,011,747         | 15,651,671,911       |
| Cash Outflows during the period                                      | (44,907,823,656)       | (15,545,869,672)     |
| <b>Net Cash Flow</b>                                                 | <b>(2,553,811,909)</b> | <b>105,802,239</b>   |
| <b>Note B - Cash &amp; Cash Equivalents</b>                          |                        |                      |
| Bank of Ceylon - Ratmalana Branch                                    | 53,584                 | 6,910                |
| Bank of Ceylon - Corporate Branch                                    | 192,301                | 327,273              |
| Peoples Bank - Ratmalana Branch                                      | 136,590                | 36,590               |
| Peoples Bank - Corporate Branch                                      | 111,546                | 48,698               |
| Cash Balance                                                         | 43,020                 | 19,787               |
| Petty Cash                                                           | 17,410                 | 10,010               |
|                                                                      | <b>554,452</b>         | <b>449,269</b>       |

# Corporate Information & Significant Accounting Policies

## 1. CORPORATE INFORMATION

### GENERAL

State Pharmaceuticals Manufacturing Corporation is incorporated under Industrial Corporation Act No. 49 of 1957. It is a Government Corporation located at No. 11, Sir John Kotelawala Mawatha, Ratmalana.

The Corporation prepares Financial Statements for the year ended 31<sup>st</sup> December 2020. The Financial Statements were approved by the Board of Directors of the Corporation on 24<sup>th</sup> February 2021.

### PRINCIPAL ACTIVITIES

The main functions are,

- (a.) Either by itself or by entering into such Joint Venture, Public-Private Partnership or other such agreement to manufacture, process, stock, pack or repack medicine
- (b.) To create subsidiary companies
- (c.) To enter into International Agreements with potential investors
- (d.) To provide technical assistance for the manufacturing and processing of medicine
- (e.) To undertake pharmacological and pharmaceutical research and the standardization of medicine
- (f.) To market medicinal products produced by the Corporation or Joint Venture or other such agreements

## 2. BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) 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. The financial statements of the Corporation are presented in Sri Lankan Rupees. The Board of Directors of the Corporation acknowledges their responsibilities for the Financial Statements.

### 2.3 GOING CONCERN

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below are consistent with those used in the previous year other than following.

All fully depreciated Library Books which have been categorized under Non-Current Assets, removed from the Books of Accounts. But they are verifying in every year under the year end verification.

#### 3.1.1 PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are 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 de recognizes the replaced part, 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.

### 3.1.2 DEPRECIATION

Depreciation is provided according to LKAS 16, depreciation of non-current assets commenced from the date it is made use of, whereas depreciation discontinued from the date an asset decided to be sold in accordance with SLFRS 05, on straight line basis. Estimated useful lives of Property, Plant & Equipment are as follows.

|                      |                                     |
|----------------------|-------------------------------------|
| Leasehold Land       | Over the period of Lease (99 years) |
| Landscaping Expenses | Over the period of Lease (99 years) |
| Buildings            | 40 to 4 years                       |
| Vehicle Shed         | 4 to 8 years                        |
| Plant & Machinery    | 25 to 1 year                        |
| Motor Vehicles       | 15 to 3 years                       |
| Motor Bicycle        | 15 to 4 years                       |
| Bicycle & Carts      | 8 years                             |
| Equipment            | 30 to 2 years                       |
| Computer Accessories | 10 to 1 year                        |
| Computer Software    | 6 to 1 year                         |
| Furniture & Fittings | 30 to 3 years                       |
| Tools                | 15 to 1 year                        |

### 3.1.3 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.

### 3.1.4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement unless it reverses a previous revaluation surplus for the same asset.

### 3.1.5 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. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

### 3.1.6 TAXATION

#### 3.1.6.1 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 date of Statement of Financial position.

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: 38 of 2000 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.

### 3.1.6.2 DEFERRED TAXATION

In respect of each type of temporary differences recognized in the Statement of Financial Position, we considered the Deferred Tax Liabilities and Assets. In our Financial Statements mainly we recognized a Deferred Tax Liability for Book & Tax written down value of Fixed Assets & Deferred Tax Asset for Provision for Retiring Gratuity. Deferred Tax Assets & Liabilities are measured at the Income Tax Rate.

## 3.2 INVENTORIES

Inventories are recognized at cost and net realizable value which ever is lower after making due allowance for obsolete and slow moving items which are valued at 'First In First Out' basis.

### 3.2.1 MEASUREMENT OF INVENTORIES

#### COST OF INVENTORIES

##### RAW MATERIALS

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.

##### OTHER STOCKS

Cost is arrived at weighted average basis.

### 3.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The Corporation has not provided any impairment for trade debtors as there is no long outstanding as at 31-12-2020.

### 3.2.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balance and short term investment.

### 3.2.4 RELATED PARTY TRANSACTIONS

#### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL ("KMP")

Key management personnel are those with authority and responsibility for planning and controlling the activities of the Corporation. Accordingly, the Directors of the Corporation (including executive and non-executive Directors) have been classified as KMP of the Corporation.

Compensation to key management personnel (Board of Directors) are follows.

|                     | 2020      | 2019      |
|---------------------|-----------|-----------|
| Short term benefits | 3,385,180 | 2,322,175 |
| Gift Vouchers       | 200,000   | 34,000    |

#### 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 TRANSACTION**

| <b>TRANSACTION</b>                                                | <b>2020</b>   | <b>2019</b>   |
|-------------------------------------------------------------------|---------------|---------------|
| Investment in Sri Lanka Government Securities Held by Corporation | 3,040,316,968 | 474,984,506   |
| Paid Surplus to Government during the year                        | 24,632,603    | -             |
| Sales to DHS, SPC & Distributors                                  | 7,647,688,798 | 5,646,878,417 |
| <b>OUTSTANDING BALANCE</b>                                        |               |               |
| Receivable from SPC                                               | 23,287,160    | 38,929,551    |
| Receivable from DHS                                               | 42,220,340    | 2,003,016,236 |

**3.2.5 CAPITAL**

There is no change in the Authorized Capital during the year ended 31<sup>st</sup> December 2020.

**3.2.6 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION**

All the material events after the date of Statement of Financial Position have been considered and appropriate adjustment and disclosures have been made in to the financial statement, where necessary.

**3.2.7 RESEARCH COST**

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.

**4 LIABILITIES AND PROVISIONS****4.1 RETIREMENT BENEFIT OBLIGATION****4.1.1 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. In order to meet this liability, a provision is carried forward in the Statement of Financial Position. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of the year is dealt with in the Income Statement.

The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 – Employee Benefits.

The principal assumptions used in the calculations are as follows.

|                                               | <b>2020</b> | <b>2019</b> |
|-----------------------------------------------|-------------|-------------|
| Expected Annual Average Salary Increment Rate | 4.00%       | 4.00%       |
| Discount Rate / Interest Rate                 | 9.00%       | 10.75%      |
| Staff Turnover Factor                         | 1.4%        | 1.00%       |

The liability is funded in NSB as Treasury Bills. The item is grouped under Non-Current Liabilities in the Statement of Financial Position.

**4.1.2 DEFINED CONTRIBUTION PLANS – EMPLOYEES PROVIDENT FUND & EMPLOYEES TRUST FUND**

All employees who are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contribution is covered by relevant contribution funds in line with respective regulation.

Obligations for contributions to provident Fund and Trust Fund covering the employees are recognized as an expense in the Income Statement.

**EMPLOYEES PROVIDENT FUND**

All Employees of the Corporation are members of the Employees Provident Fund to which the Corporation contributes 15% of the Employees' consolidated salary.

## EMPLOYEES TRUST FUND

The Corporation contributes 3% of the Employees' consolidated salary to the each Employees Trust Fund.

### 4.1.3 TRADE AND OTHER PAYABLES

Trade and other payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The corporation has not provided any subsequent measured cost as there is material effect as at 31.12.2020.

### 4.1.4 PROVISION

#### GENERAL

Provisions are recognized when the Corporation has a present obligation (legal or Constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## 5. 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.

### 5.1.1 TURNOVER

The State Pharmaceuticals Manufacturing Corporation turnover comprises sales to Department of Health Service, Distributors and State Pharmaceuticals Corporation.

### 5.1.2 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements.

## SALE OF GOODS

Corporation recognizes its revenue by selling Pharmaceuticals to Medical Supplies Division, State Pharmaceuticals Corporation and through Distribution channels. Revenue from the sale of goods is recognized when the entity has transferred to the buyer the significant risk and rewards of ownership of the goods. Corporation recognizes revenue from following sources.

- (a.) Supplying Pharmaceuticals to Medical Supplies Division.(State Hospitals).Corporation engages in manufacturing, buying pharmaceuticals from Joint Ventures and selling to Medical Supplies Division. The revenue is recognized at the point the products are transferred to the Medical Supplies Division. SPMC supplies Joint Venture products to Medical Supplies Division by adding 6% to purchase price.

Corporation formed following Joint Venture Companies.

| Name of the Company                             | Place of J/Venture Company            | Percentage of Ownership | Principal Activity                                              |
|-------------------------------------------------|---------------------------------------|-------------------------|-----------------------------------------------------------------|
| Celogen Lanka (Pvt) Ltd                         | 116,Layards Broadway<br>Colombo 14.   | 10%                     | Manufacturing, Distributing Pharmaceuticals to MSD through SPMC |
| Diyatha Pharmaceutical and Healthcare (Pvt) Ltd | No.53/A/1,Batagama<br>North, Ja - Ela | 10%                     | Manufacturing, Distributing Pharmaceuticals to MSD through SPMC |

Corporation and Joint Venture Company shall execute a share holder agreement in respect of the aforesaid share holding in Joint Venture. These Joint Venture Companies will ensure that this proportion of share holding granted to SPMC shall be maintained throughout the pendency of this

agreement. Share holding details has mentioned below.

| Share Holding Company                             | No. of Shares | Issued Date | Value(Rs.) |
|---------------------------------------------------|---------------|-------------|------------|
| *Celogen Lanka (Pvt) Ltd                          | 3,000,000     | 21.10.2020  | 3,000,000  |
| *Diyatha Pharmaceutical and Healthcare (Pvt) Ltd. | 1,500,000     | 21.10.2020  | 1,500,000  |

(b.) Supplying Pharmaceuticals through distributors. Corporation engages in marketing of pharmaceuticals through distributors since 2003.

## SEGREGATED OF REVENUE

Revenue is segregated by nature of revenue.

|                                           | 2020          | 2019          |
|-------------------------------------------|---------------|---------------|
| Medical Supplies Division – SPMC Products | 3,125,364,543 | 2,322,044,481 |
| – Joint Venture Products                  | 3,513,839,561 | 2,370,063,720 |
| State Pharmaceuticals Corporation         | 6,602,500     | 5,885,075     |
| Distribution                              | 1,001,882,193 | 948,206,015   |

### 5.1.3 EXPENSES

All expenditure incurred in the running of the business has been charged to statement of income in arriving at the profit for the year.

Repair and renewals are charged to profit and loss in the year in which the expenditure is incurred.

### 5.1.4 FINANCING EXPENSES

Finance expenses comprise of overdraft interest, letter of credit opening expenses & credit facility agreement charges.

### 5.1.5 ALLOCATION BETWEEN OVERHEADS

In the Financial Statements, Overheads allocation methods are as follows.

## EXPENSES

- Rates & Taxes, Electricity, Water Charges, Security Charges, Insurance, Maintenance of Equipment, Maintenance – General, Maintenance – Building, Depreciation.
- Insurance of Health Insurance Scheme, Staff Welfare, Uniform & Shoes, Transport Charges.
- Directors Fees, Other Incentives, Repairs & Maintenance of Motor Vehicles, Fuel & Lubricants for Vehicles, Postage & Fax, Telephone Charges, Security Charges, License Fee-Vehicles & Drugs, Printing & Stationery, Office Expenses, Audit Fee, Rent Charges, Advertisements, Trade Subs. & Periodicals, Legal & Inquiry Expenses, Professional Charges, Entertainment, Annual Subscription, Annual Conference & Meetings, Stamp Fee, Stationery Adjustments-Stock take.
- Staff Benefits & Other Expenses.

## ALLOCATION METHOD

- If the actual cost is directly related to the Production or Administration, apportioned on that basis. Other common actual cost is apportioned based on percentage 70% & 30% between Production & Administration.
- Cost is apportioned based on actual number of employees in each section.
- Actual cost method is used.
- Actual Cost method is used.

## 6. FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

### 6.1 FINANCIAL ASSETS

#### 6.1.1 INITIAL RECOGNITION AND MEASUREMENT

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Corporation financial Assets include cash and short term Treasury bill investment, trade and other receivable, staff loans and other receivable.

#### 6.1.2 SUBSEQUENT MEASUREMENT

The subsequent measurement of financial assets depend on their classification as follows.

#### 6.1.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

#### 6.1.4 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance cost.

#### 6.1.5 HELD – TO – MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to- maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized as finance cost in the income statement in finance cost. The Corporation did not have any held –to- maturity investments during the year ended 31 December 2020.

#### 6.1.6 AVAILABLE – FOR – SALE FINANCIAL INVESTMENTS

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is de-recognized at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

The Corporation evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Corporation is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Corporation may elect to reclassify these financial assets in rare circumstances. Reclassification of loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Corporation has the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For financial assets reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the assets are subsequently determined to be impaired, then the

amount recorded in equity is reclassified to the income statement. The Corporation did not have any available for –sale financial investments during the year ended 31 December 2020.

#### **6.1.7 DE RECOGNITION**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

- i). The rights to receive cash flows from the asset have expired.
- ii). The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either
  - (a) The Corporation has transferred substantially all the risks and rewards of the asset, or
  - (b) The Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### **6.1.8 IMPAIRMENT OF FINANCIAL ASSETS**

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **6.1.9 FINANCIAL ASSETS CARRIED AT AMORTIZED COST**

For financial assets carried at amortized cost, the Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

The Corporation is performed specific impairment for each debtor categories.

### **7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **FINANCIAL RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation’s risk management frame work.

The Corporation risk management process is established to identify and analyse the risks faced by the Corporation to set appropriate risk limit and controls and to monitor risks and adherence to limit.

# Notes to the Financial Statements for the year ended 31.12.2020

## NOTE 01

| Revenue              | For the year<br>2020 | For the year<br>2019 |
|----------------------|----------------------|----------------------|
| Sales - SPC          | 6,602,500            | 5,885,075            |
| Sales - DHS          | 6,639,295,794        | 4,692,787,326        |
| Sales - Distribution | 1,001,882,193        | 948,206,016          |
|                      | <b>7,647,780,487</b> | <b>5,646,878,417</b> |

## NOTE 02

| Cost of Sales                  | For the year<br>2020   | For the year<br>2019 |
|--------------------------------|------------------------|----------------------|
| Cost of Sales - SPC            | 3,702,696              | 3,083,302            |
| Cost of Sales - DHS            | 5,424,055,808          | 3,775,578,421        |
| Cost of Sales - SPMC           | 660,141,081            | 664,527,236          |
| Cost of Sales Invoice Variance | (1,246,687)            | 697,716              |
| DHS Finished Goods Adj.        | 6,890.57               | -                    |
| Production Expenses            | Note - 2 A 194,097,335 | 299,239,077          |
|                                | <b>6,280,757,124</b>   | <b>4,743,125,752</b> |

**NOTE 2 A**

| <b>Production Cost</b>                          | <b>Unabsorbed Cost</b> | <b>Absorbed Cost to the Cost of Sales</b> | <b>Total 2020</b> | <b>Total 2019</b> |
|-------------------------------------------------|------------------------|-------------------------------------------|-------------------|-------------------|
| Direct Labour(Production)                       |                        |                                           |                   |                   |
| Salaries & Wages                                | -                      | 49,463,511                                | 49,463,511        | 45,100,875        |
| Casual Salaries                                 | -                      | 3,172,887                                 | 3,172,887         | 1,853,067         |
| Cost of Living                                  | -                      | 10,530,679                                | 10,530,679        | 10,369,271        |
| Travelling Incentive                            | -                      | 8,622,024                                 | 8,622,024         | 7,495,203         |
| E.P.F. & E.T.F. - 18%                           | -                      | 11,674,712                                | 11,674,712        | 10,618,898        |
| Overtime                                        | -                      | 20,585,319                                | 20,585,319        | 14,626,231        |
| Attendance Incentive                            | -                      | 8,915,333                                 | 8,915,333         | 6,456,794         |
| Performance Incentive                           | 430,800                | 12,600,253                                | 13,031,053        | 13,729,336        |
| Annual Bonus                                    | 147,861                | 8,014,810                                 | 8,162,671         | 2,532,279         |
| Current Service Cost                            | 910,139                | 1,384,581                                 | 2,294,720         | 1,510,450         |
| Employee Interest Cost                          | 2,853,582              | -                                         | 2,853,582         | 3,035,650         |
| Shift Incentive                                 | -                      | 3,789,900                                 | 3,789,900         | 3,639,200         |
| Staff Medical Expenses                          | -                      | 3,296,415                                 | 3,296,415         | 4,625,394         |
| Housing Loan Int.Reimb.                         | -                      | 6,256,951                                 | 6,256,951         | 7,522,722         |
| Supervisor Allowance                            | -                      | 108,000                                   | 108,000           | 108,000           |
| Difficult Working Condition Allowance           | -                      | 3,134,940                                 | 3,134,940         | 3,281,790         |
| Professional Allowance                          | -                      | 239,000                                   | 239,000           | 249,000           |
| Retirement Benefit                              | 108,000                | -                                         | 108,000           | 256,000           |
| Staff Cost                                      | 2,032,224              | -                                         | 2,032,224         | 1,568,983         |
|                                                 | 6,482,607              | 151,789,314                               | 158,271,921       | 138,579,143       |
| Indirect Manufacturing Cost (Q/C,F/D,Plan/Main) |                        |                                           |                   |                   |
| Salaries & Wages                                | -                      | 37,014,953                                | 37,014,953        | 32,499,444        |
| Casual Salaries                                 | -                      | 801,247                                   | 801,247           | 1,630,593         |
| Cost of Living                                  | 315,012                | 6,948,256                                 | 7,263,268         | 7,164,472         |
| Travelling Incentive                            | 455,000                | 6,100,129                                 | 6,555,129         | 5,691,901         |
| E.P.F. & E.T.F. - 18%                           | -                      | 8,580,176                                 | 8,580,176         | 7,615,051         |
| Overtime                                        | 807,423                | 13,708,569                                | 14,515,991        | 9,874,155         |
| Attendance Incentive                            | 836,942                | 6,786,147                                 | 7,623,088         | 5,294,531         |
| Performance Incentive                           | 1,049,300              | 9,501,891                                 | 10,551,191        | 11,383,746        |
| Annual Bonus                                    | 720,005                | 5,405,930                                 | 6,125,935         | 1,726,496         |
| Current Service Cost                            | 880,671                | 991,965                                   | 1,872,636         | 1,238,368         |
| Employee Interest Cost                          | 2,444,150              | -                                         | 2,444,150         | 2,269,478         |
| Shift Incentive                                 | 134,600                | 2,187,900                                 | 2,322,500         | 1,341,200         |
| Staff Medical Expenses                          | 145,488                | 2,186,801                                 | 2,332,289         | 2,804,905         |
| Housing Loan Int.Reimbursement                  | 282,605                | 3,555,677                                 | 3,838,281         | 5,479,287         |
| Supervisor Allowance                            | -                      | 144,000                                   | 144,000           | 147,000           |
| Difficult Working Condition Allowance           | 240,420                | 1,334,595                                 | 1,575,015         | 1,630,185         |
| Professional Allowance                          | 40,000                 | 252,000                                   | 292,000           | 307,500           |
| Staff Cost                                      | 1,332,809              | -                                         | 1,332,809         | 1,016,536         |
| Special Acting Allowance                        | 167,358                | -                                         | 167,358           | 167,358           |
| Telephone Bill Reimbursement                    | 11,431                 | 348,109                                   | 359,540           | 371,052           |
| Insurance of Health Ins.Scheme                  | 5,673                  | 8,889,279                                 | 8,894,952         | 11,365,299        |
| Staff Welfare                                   | 1,120,904              | 32,366,977                                | 33,487,881        | 29,651,485        |
| Staff Training                                  | 90,575                 | 167,200                                   | 257,775           | 2,902,960         |
| Uniforms & Shoes                                | 50,427                 | 1,454,601                                 | 1,505,028         | 1,503,506         |
| Water Charges                                   | -                      | 2,438,660                                 | 2,438,660         | 2,308,272         |
| Rates & Taxes                                   | -                      | 720,203                                   | 720,203           | 738,843           |
| Electricity                                     | -                      | 32,639,456                                | 32,639,456        | 30,519,874        |
| Insurance - General                             | -                      | 2,669,597                                 | 2,669,597         | 1,560,543         |
| Security Charges - Production                   | 2,886,549              | 3,386,578                                 | 6,273,127         | 7,449,685         |
| Maintenance of Equipment                        | -                      | 1,696,677                                 | 1,696,677         | 3,327,529         |
| Maintenance-Production                          | 342,324                | 15,607,969                                | 15,950,293        | 22,640,519        |
| Maintenance of Building                         | -                      | 262,040                                   | 262,040           | -                 |
| Depreciation                                    | 163,925,406            | -                                         | 163,925,406       | 160,667,919       |
| Transport Charges                               | 90,890                 | 443,201                                   | 534,091           | 1,667,242         |
| Consumption - Spare Parts                       | -                      | 24,204,758                                | 24,204,758        | 24,826,296        |
| Consumption - Fuel & Lubricants                 | -                      | 15,426,985                                | 15,426,985        | 16,896,788        |
| Repairs & Maintenance P & M                     | 53,768                 | 5,133,787                                 | 5,187,555         | 6,215,434         |
| Quality Control Expenses                        | (3,500)                | 10,002,876                                | 9,999,376         | 727,816           |
| R/M Destruction Chrges                          | 1,431,739              | -                                         | 1,431,739         | 651,722           |
| Cost of Rejected Raw Materials                  | 5,200,417              | -                                         | 5,200,417         | 181,733           |
| Cost of Rejected Paking Materials               | 1,170,221              | -                                         | 1,170,221         | -                 |
| Cost of Rejected Work in Progress               | -                      | -                                         | -                 | 599,820           |
| Cost of Damaged Raw Materials                   | (24,000)               | -                                         | (24,000)          | (24,000)          |
| Raw Material Adj-General Drugs                  | 124,056                | -                                         | 124,056           | (8,579)           |
| Raw Material Adj-Penicillin Drugs               | 5,349                  | -                                         | 5,349             | (7,913)           |
| Raw Material Adj-Stock Take                     | (943,204)              | -                                         | (943,204)         | (2,371,993)       |
| Packing Material Adj-Stock Take                 | (468,663)              | -                                         | (468,663)         | 74,580            |
| Packing Material Adj.                           | -                      | -                                         | -                 | 580,479           |
| Stock Take Adjustment - Main                    | (51,417)               | -                                         | (51,417)          | 37,814            |
| Spares Adj.                                     | 2,869,504              | -                                         | 2,869,504         | -                 |
| Work-in-Progress Adj-Stock Take                 | (125,503)              | -                                         | (125,503)         | 1,250,160         |
|                                                 | 194,097,335            | 415,148,502                               | 609,245,838       | 564,166,234       |

**NOTE 3**

| Other Operating Income              | For the year 2020 | For the year 2019 |
|-------------------------------------|-------------------|-------------------|
| Miscellaneous Income                | 6,825,266         | 7,284,562         |
| Finished Goods & Raw Material Sales | 46,040            | 751,048           |
| Profit or Loss on Disposal          | 107,745           | 28,424            |
|                                     | <b>6,979,050</b>  | <b>8,064,034</b>  |

**NOTE 3A**

| Miscellaneous Income        | For the year 2020 | For the year 2019 |
|-----------------------------|-------------------|-------------------|
| Scrap Sales                 | 4,384,009         | 3,494,533         |
| Registration of Suppliers   | 674,000           | 590,000           |
| Tender Document Fee         | 1,745,100         | 1,185,000         |
| Bid Bond Balance Writeoff   | -                 | 962,908           |
| Creditor's Balance Writeoff | -                 | 55,384            |
| General                     | 22,157            | 996,738           |
|                             | <b>6,825,266</b>  | <b>7,284,562</b>  |

**NOTE 4**

| Administration Expenses                 | For the year 2020  | For the year 2019  |
|-----------------------------------------|--------------------|--------------------|
| Salaries & Wages                        | 45,929,918         | 40,873,836         |
| Casual Salaries                         | 744,425            | 1,823,311          |
| Cost of Living                          | 8,640,991          | 8,808,692          |
| Travelling Incentive                    | 11,352,742         | 10,788,046         |
| E.P.F. & E.T.F. - 18%                   | 9,418,170          | 8,905,113          |
| Overtime                                | 12,394,981         | 12,028,101         |
| Attendance Incentive                    | 7,288,210          | 5,618,751          |
| Performance Incentive                   | 8,905,242          | 9,864,934          |
| Annual Bonus                            | 5,984,882          | 2,249,597          |
| Current Service Cost                    | 2,248,339          | 1,594,837          |
| Employee Interest Cost                  | 2,767,859          | 3,162,554          |
| Shift Incentive                         | 1,248,600          | 366,510            |
| Staff Cost                              | 1,598,875          | 1,394,652          |
| Staff Medical Expenses                  | 2,589,490          | 3,277,181          |
| Housing Loan Int.Reimbursement          | 2,254,246          | 2,931,395          |
| Supervisor Allowance                    | 255,000            | 114,000            |
| Difficult Working Condition Allowance   | 466,665            | 442,455            |
| Professional Allowance                  | 804,000            | 886,097            |
| Special Acting Incentive                | 81,000             | 162,000            |
| Retirement Benefit                      | 208,000            | 116,000            |
| Telephone Bill Reimbursement            | 798,926            | 668,683            |
| Ins.of Health Insurance Scheme          | 5,591,304          | 5,446,523          |
| Staff Welfare                           | 16,148,906         | 15,418,180         |
| Staff Training                          | 287,308            | 3,909,105          |
| Uniforms & Shoes                        | 735,111            | 910,978            |
| Travelling - Overseas                   | (100,000)          | 3,067,064          |
| Directors Fees                          | 172,500            | 108,100            |
| Other Incentives                        | 1,699,950          | 1,940,570          |
| Rates & Taxes                           | 324,333            | 315,843            |
| Electricity                             | 11,299,174         | 11,185,773         |
| Water Charges                           | 1,043,015          | 682,690            |
| Insurance - General                     | 795,608            | 425,255            |
| Insurance - Vehicles                    | 710,937            | 1,073,601          |
| Rapairs & Maintenance of Motor Vehicles | 4,713,093          | 5,166,774          |
| Fuel & Lubricants for Vehicles          | 4,007,578          | 3,089,772          |
| Maintenance of Equipment                | 1,045,792          | 1,229,907          |
| Maintenance-Administration              | 5,480,676          | 3,030,083          |
| Maintenance of Building                 | 4,093,154          | -                  |
| Depreciation                            | 25,475,242         | 23,698,255         |
| Transport Charges                       | 810,526            | 1,714,966          |
| Postage & Fax                           | 158,536            | 257,513            |
| Telephone Charges                       | 1,065,560          | 1,191,102          |
| Security Charges                        | 1,640,881          | 1,560,418          |
| Donations                               | 7,181,816          | 6,278,925          |
| Licence Fee - Vehicles                  | 90,338             | 118,020            |
| Licence Fee - Drugs                     | 6,471,837          | 5,515,114          |
| Licence Fee - Others                    | 127,204            | 42,428             |
| Printing & Stationery                   | 4,112,674          | 4,504,305          |
| Office Expenses                         | 360,177            | 476,878            |
| Audit Fee                               | 1,333,964          | 1,272,945          |
| Rent Charges                            | 961,862            | 8,442,884          |
| Advertisements                          | 3,833,320          | 4,904,805          |
| Trade Subs.& Periodicals                | 57,030             | 259,310            |
| Legal & Inquiry Expenses                | 1,161,523          | 1,520,529          |
| Professional Charges                    | 470,195            | 1,449,315          |
| Entertainment                           | 661,118            | 1,007,665          |
| Annual Subscription                     | 112,500            | 261,335            |
| Annual Conference & Meetings            | -                  | 11,500             |
| Stamp Fee                               | 43,750             | 46,950             |
| Cost of Damaged & Unused                | 3,122,097          | 59,400             |
| Building Opening Ceremony               | 3,798,296          | 14,495             |
| Expenses of Training School - CTPPM     | -                  | 8,180              |
| Stationary Adj-Stock take               | 58,384             | -                  |
|                                         | <b>247,137,830</b> | <b>237,694,200</b> |

**NOTE - 5**

| <b>Selling &amp; Distribution Expenses</b> | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|--------------------------------------------|------------------------------|------------------------------|
| Promotional Discounts                      | 46,088,517                   | 39,756,512                   |
| Sales Promotion Expenses                   | 7,875,743                    | 54,601,236                   |
| Cost of Rejected Finished Goods            | 3,383                        | 2,234                        |
| Doubtful Debt                              | (4,830,000)                  | 4,830,000                    |
|                                            | <u>49,137,643</u>            | <u>99,189,983</u>            |

**NOTE - 6**

| <b>Other Operating Expenses</b> | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|---------------------------------|------------------------------|------------------------------|
| Formulation, Research & Dev.    | 10,320,258                   | 8,567,890                    |
| Stock Take Adjustments - FD     | 156,809                      | (43,594)                     |
| Exchange Loss                   | 229,599                      | 1,997,179                    |
|                                 | <u>10,706,666</u>            | <u>10,521,475</u>            |

**NOTE - 7**

| <b>Finance Cost</b> | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|---------------------|------------------------------|------------------------------|
| Bank Charges        | 472,381                      | 389,521                      |
| O.D.Interest        | 37,335                       | 57,603                       |
|                     | <u>509,716</u>               | <u>447,124</u>               |

**NOTE - 8**

| <b>Finance Income</b>        | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|------------------------------|------------------------------|------------------------------|
| Staff Loan Interest          | 1,685,580                    | 1,434,143                    |
| Treasury Bill Interest       | 87,837,692                   | 22,678,826                   |
| Interest Income - Staff Loan | 4,963,908                    | 3,980,172                    |
|                              | <u>94,487,181</u>            | <u>28,093,141</u>            |

**NOTE 9**

| <b>Income Tax Expense</b> |            | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|---------------------------|------------|------------------------------|------------------------------|
| Current Tax Expense       | Note - 9 A | 166,351,979                  | 83,836,831                   |
| Deferred Tax Expense      | Note - 9 B | (22,718,557)                 | 73,442,350                   |
| Deemed Dividend Tax       |            | -                            | -                            |
|                           |            | <b>143,633,422</b>           | <b>157,279,181</b>           |

**NOTE 9 A**

| <b>Current Tax Expense</b>            |                | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|---------------------------------------|----------------|------------------------------|------------------------------|
| Income Tax on Profit for the year     | Note - 9 A (i) | 166,351,979                  | 83,836,831                   |
| Over / Under Provision for Income Tax |                | -                            | -                            |
|                                       |                | <b>166,351,979</b>           | <b>83,836,831</b>            |

**NOTE 9 A (I)**

| <b>Income Tax on Profit for the year</b>                               |  | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|------------------------------------------------------------------------|--|------------------------------|------------------------------|
| Profit before Taxation                                                 |  | 1,160,997,739                | 592,057,058                  |
| Disallowable Expenses                                                  |  | 215,793,816                  | 210,579,701                  |
| Allowable Expenses                                                     |  | (482,020,484)                | (480,569,104)                |
| Tax exempt Income - Interest on Treasury Bills                         |  | (87,837,692)                 | (22,678,826)                 |
| Tax Income from Treasury Bill Interest & Sale proceed from Disposal FA |  | 127,358                      | 28,424                       |
| Assessable Income                                                      |  | 807,060,737                  | 299,417,253                  |
| Qualifying Payments                                                    |  | -                            | -                            |
| Taxable Income                                                         |  | 807,060,737                  | 299,417,253                  |
| Income Tax rate on Operational Income                                  |  | 18%                          | 28%                          |
| Income Tax rate on Interest Income                                     |  | 24%                          | 0%                           |
| Income Tax on Operational Income                                       |  | 145,270,933                  | 83,836,831                   |
| Income Tax on Interest Income                                          |  | 21,081,046                   | -                            |
| <b>Total Income Tax</b>                                                |  | <b>166,351,979</b>           | <b>83,836,831</b>            |

**NOTE 9 B**

| <b>Deferred Tax</b>                                      |  | <b>For the year<br/>2020</b> | <b>For the year<br/>2019</b> |
|----------------------------------------------------------|--|------------------------------|------------------------------|
| Charge/(Reversal) as Deferred Tax during the year        |  |                              |                              |
| Deferred Tax on Deferred Tax Liabilities                 |  | 186,430,894                  | 214,934,486                  |
| Deferred Tax on Deferred Tax Assets                      |  | (19,223,965)                 | (21,008,053)                 |
| Deferred Tax Liability at the end of the year            |  | 167,206,928                  | 193,926,433                  |
| Deferred Tax Liability at the beginning of the year      |  | 193,926,433                  | 120,484,083                  |
| <b>Charge/(Reversal) as Deferred Tax during the year</b> |  | <b>(26,719,505)</b>          | <b>73,442,350</b>            |

**Deferred Tax Adjustment**

|                  |                     |
|------------------|---------------------|
| Charged to P & L | (22,718,557)        |
| Charged to OCI   | (4,000,947)         |
|                  | <b>(26,719,505)</b> |

**NOTE - 10**

Property, Plant &amp; Equipments - Depreciable Assets

| 2020 |                                 |                       |                              |                           |                          |                                            |
|------|---------------------------------|-----------------------|------------------------------|---------------------------|--------------------------|--------------------------------------------|
| Cost | Description                     | Cost As At 01.01.2020 | Acquisitions During the Year | Disposals During the Year | Balance As at 31.12.2020 | Damaged & Unused Adjustments (Note - 02 A) |
|      | <b>Depreciable Assets</b>       |                       |                              |                           |                          |                                            |
|      | Land Scaping Expenses           | 6,113,388             | -                            | -                         | 6,113,388                | -                                          |
|      | Land                            | 49,471,918            | -                            | -                         | 49,471,918               | -                                          |
|      | Buildings                       | 1,220,693,844         | 97,831,795                   | -                         | 1,318,525,639            | -                                          |
|      | Plant & Machinery               | 2,820,787,974         | (231,000)                    | -                         | 2,820,556,974            | (29,731,682)                               |
|      | Motor Vehicles                  | 89,021,800            | -                            | -                         | 89,021,800               | -                                          |
|      | Motor Bicycle                   | 298,640               | -                            | -                         | 298,640                  | -                                          |
|      | Equipment                       | 194,052,678           | 3,577,117                    | (363,200)                 | 197,266,595              | (27,364,205)                               |
|      | Computer Accessories            | 21,138,730            | 3,281,268                    | (204,725)                 | 24,215,273               | (195,381)                                  |
|      | Furniture & Fittings            | 33,806,347            | 907,066                      | (11,300)                  | 34,702,113               | (493,748)                                  |
|      | Bicycle & Carts                 | 2,999,367             | -                            | -                         | 2,999,367                | -                                          |
|      | Tools                           | 7,708,770             | -                            | -                         | 7,708,770                | (1,474,373)                                |
|      | <b>Fully Depreciated Assets</b> |                       |                              |                           |                          |                                            |
|      | Vehicle Parking Shed            | 1,170,063             | 485,450                      | -                         | 1,635,513                | -                                          |
|      | <b>Total Value of Assets</b>    | <b>4,447,263,520</b>  | <b>105,831,696</b>           | <b>(579,225)</b>          | <b>4,552,515,991</b>     | <b>(59,259,389)</b>                        |

## Depreciation

| 2020                            |                                   |                           |                                |                              |                          |  |
|---------------------------------|-----------------------------------|---------------------------|--------------------------------|------------------------------|--------------------------|--|
| Description                     | Accumulated Dep. As at 01.01.2020 | Depreciation For the Year | Acc. Dep. Related to Disposals | Damaged & Unused Adjustments | Balance As at 31.12.2020 |  |
| <b>Depreciable Assets</b>       |                                   |                           |                                |                              |                          |  |
| Land Scaping Expenses           | 2,040,590                         | 60,788                    | -                              | -                            | 2,101,378                |  |
| Land                            | -                                 | -                         | -                              | -                            | -                        |  |
| Buildings                       | 293,023,963                       | 52,840,799                | -                              | -                            | 345,864,762              |  |
| Plant & Machinery               | 676,012,884                       | 118,159,732               | -                              | (1,882,668)                  | 792,289,947              |  |
| Motor Vehicles                  | 62,793,447                        | 5,338,939                 | -                              | -                            | 68,132,386               |  |
| Motor Bicycle                   | 278,639                           | 3,333                     | -                              | -                            | 281,973                  |  |
| Equipment                       | 112,910,580                       | 5,654,407                 | (343,587)                      | (100,416)                    | 118,120,985              |  |
| Computer Accessories            | 13,181,668                        | 3,156,361                 | (204,725)                      | (4,857)                      | 16,128,447               |  |
| Furniture & Fittings            | 22,201,420                        | 1,962,521                 | (11,300)                       | (8,375)                      | 24,144,265               |  |
| Bicycle & Carts                 | 614,778                           | 596,752                   | -                              | -                            | 1,211,530                |  |
| Tools                           | 5,774,932                         | 162,942                   | -                              | (40,220)                     | 5,897,653                |  |
| <b>Fully Depreciated Assets</b> |                                   |                           |                                |                              |                          |  |
| Vehicle Parking Shed            | 1,170,063                         | 1,436                     | -                              | -                            | 1,171,499                |  |
| <b>Total</b>                    | <b>1,190,002,963</b>              | <b>187,938,009</b>        | <b>(559,612)</b>               | <b>(2,036,536)</b>           | <b>1,375,344,824</b>     |  |

## Written Down Value

| Balance As at 31.12.2020        |                      |
|---------------------------------|----------------------|
| <b>Description</b>              |                      |
| <b>Depreciable Assets</b>       |                      |
| Land Scaping Expenses           | 4,012,010            |
| Land                            | 49,471,918           |
| Buildings                       | 972,660,877          |
| Plant & Machinery               | 1,998,535,345        |
| Motor Vehicles                  | 20,889,414           |
| Motor Bicycle                   | 16,667               |
| Equipment                       | 51,781,405           |
| Computer Accessories            | 7,891,446            |
| Furniture & Fittings            | 10,064,100           |
| Bicycle & Carts                 | 1,787,837            |
| Tools                           | 336,743              |
| <b>Fully Depreciated Assets</b> |                      |
| Library Book                    | -                    |
| Vehicle Parking Shed            | 464,014              |
| <b>Total</b>                    | <b>3,117,911,777</b> |

| 2019 |                                 |                       |                              |                           |                          |                              |
|------|---------------------------------|-----------------------|------------------------------|---------------------------|--------------------------|------------------------------|
| Cost | Description                     | Cost As At 01.01.2019 | Acquisitions During the Year | Disposals During the Year | Balance As at 31.12.2019 | Damaged & Unused Adjustments |
|      | <b>Depreciable Assets</b>       |                       |                              |                           |                          |                              |
|      | Land Scaping Expenses           | 6,113,388             | -                            | -                         | 6,113,388                | -                            |
|      | Land                            | 49,471,918            | -                            | -                         | 49,471,918               | -                            |
|      | Buildings                       | 991,475,011           | 229,218,833                  | -                         | 1,220,693,844            | -                            |
|      | Plant & Machinery               | 2,810,689,964         | 10,098,010                   | -                         | 2,820,787,974            | (26,745,631)                 |
|      | Motor Vehicles                  | 89,021,800            | -                            | -                         | 89,021,800               | -                            |
|      | Motor Bicycle                   | 298,640               | -                            | -                         | 298,640                  | -                            |
|      | Equipment                       | 190,702,108           | 3,350,795                    | (225)                     | 194,052,678              | (25,252,470)                 |
|      | Computer Accessories            | 19,023,245            | 2,431,773                    | (316,288)                 | 21,138,730               | (183,130)                    |
|      | Furniture & Fittings            | 27,219,638            | 6,586,709                    | -                         | 33,806,347               | (485,373)                    |
|      | Bicycle & Carts                 | 2,260,377             | 738,990                      | -                         | 2,999,367                | -                            |
|      | Tools                           | 7,708,770             | -                            | -                         | 7,708,770                | (1,434,153)                  |
|      | <b>Fully Depreciated Assets</b> |                       |                              |                           |                          |                              |
|      | Vehicle Parking Shed            | 1,170,063             | -                            | -                         | 1,170,063                | -                            |
|      | <b>Total Value of Assets</b>    | <b>4,195,154,922</b>  | <b>252,425,110</b>           | <b>(316,513)</b>          | <b>4,447,263,519</b>     | <b>(54,100,757)</b>          |

## Depreciation

| Description                     | Accumulated Dep. As at 01.01.2019 | Depreciation For the Year | Acc. Dep. Related to Disposals | Damaged & Unused Adjustments | Balance As at 31.12.2019 |  |
|---------------------------------|-----------------------------------|---------------------------|--------------------------------|------------------------------|--------------------------|--|
| <b>Depreciable Assets</b>       |                                   |                           |                                |                              |                          |  |
| Land Scaping Expenses           | 1,979,802                         | 60,788                    | -                              | -                            | 2,040,590                |  |
| Land                            | -                                 | -                         | -                              | -                            | -                        |  |
| Buildings                       | 245,109,373                       | 47,914,590                | -                              | -                            | 293,023,963              |  |
| Plant & Machinery               | 556,495,926                       | 119,630,473               | -                              | (113,515)                    | 676,012,884              |  |
| Motor Vehicles                  | 57,177,937                        | 5,615,510                 | -                              | -                            | 62,793,447               |  |
| Motor Bicycle                   | 275,306                           | 3,333                     | -                              | -                            | 278,639                  |  |
| Equipment                       | 107,734,895                       | 5,361,455                 | (225)                          | (185,543)                    | 112,910,582              |  |
| Computer Accessories            | 11,235,386                        | 2,316,319                 | (316,288)                      | (53,750)                     | 13,181,668               |  |
| Furniture & Fittings            | 20,788,273                        | 1,502,771                 | -                              | (89,624)                     | 22,201,420               |  |
| Bicycle & Carts                 | 73,309                            | 541,469                   | -                              | -                            | 614,778                  |  |
| Tools                           | 5,615,917                         | 162,942                   | -                              | (3,928)                      | 5,774,931                |  |
| <b>Fully Depreciated Assets</b> |                                   |                           |                                |                              |                          |  |
| Vehicle Parking Shed            | 1,170,063                         | -                         | -                              | -                            | 1,170,063                |  |
| <b>Total</b>                    | <b>1,007,656,187</b>              | <b>183,109,650</b>        | <b>(316,513)</b>               | <b>(446,360)</b>             | <b>1,190,002,964</b>     |  |

## Written Down Value

| Balance As at 31.12.2019        |                      |
|---------------------------------|----------------------|
| <b>Description</b>              |                      |
| <b>Depreciable Assets</b>       |                      |
| Land Scaping Expenses           | 4,072,798            |
| Land                            | 49,471,918           |
| Buildings                       | 927,669,881          |
| Plant & Machinery               | 2,118,029,459        |
| Motor Vehicles                  | 26,228,353           |
| Motor Bicycle                   | 20,001               |
| Equipment                       | 55,889,626           |
| Computer Accessories            | 7,773,933            |
| Furniture & Fittings            | 11,119,554           |
| Bicycle & Carts                 | 2,384,589            |
| Tools                           | 499,686              |
| <b>Fully Depreciated Assets</b> |                      |
| Library Book                    | -                    |
| Vehicle Parking Shed            | -                    |
| <b>Total</b>                    | <b>3,203,159,799</b> |

**NOTE 11**

## Intangible Assets Cost

| 2020                         |                       |                              |                           |                          |                                            |                                                         |
|------------------------------|-----------------------|------------------------------|---------------------------|--------------------------|--------------------------------------------|---------------------------------------------------------|
| Description                  | Cost As At 01.01.2020 | Acquisitions During the Year | Disposals During the Year | Balance As At 31.12.2020 | Damaged & Unused Adjustments (Note - 02 A) | Balance After Adj. of Damaged & Unused As At 31.12.2020 |
| Computer Software            | 21,386,448            | 543,558                      | (67,200)                  | 21,862,805               | -                                          | 21,862,805                                              |
| <b>Total Value of Assets</b> | <b>21,386,448</b>     | <b>543,558</b>               | <b>(67,200)</b>           | <b>21,862,805</b>        | <b>-</b>                                   | <b>21,862,805</b>                                       |

## Depreciation

| Description       | Accumulated Dep. As at 01.01.2020 | Depreciation For the Year | Acc. Dep. Related to Disposals | Damaged & Unused Adjustments | Balance As at 31.12.2020 |
|-------------------|-----------------------------------|---------------------------|--------------------------------|------------------------------|--------------------------|
| Computer Software | 17,946,046                        | 1,413,652                 | (67,200)                       | -                            | 19,292,498               |
| <b>Total</b>      | <b>17,946,046</b>                 | <b>1,413,652</b>          | <b>(67,200)</b>                | <b>-</b>                     | <b>19,292,498</b>        |

## Written Down Value

| Description       | Balance As at 31.12.2020 |  |
|-------------------|--------------------------|--|
| Computer Software | 2,570,308                |  |
| <b>Total</b>      | <b>2,570,308</b>         |  |

**NOTE 12**

## Damaged &amp; Unused Adjustment

| 2019                 |                          |                                             |                           |                          |
|----------------------|--------------------------|---------------------------------------------|---------------------------|--------------------------|
| Description          | Balance as at 01.01.2020 | Damaged & Unused identified during the year | Disposals during the year | Balance as at 31.12.2020 |
| Plant & Machinery    | 26,745,631               | 3,217,050                                   | -                         | 29,962,681               |
| Equipment            | 25,252,470               | 2,213,636                                   | (332,900)                 | 27,133,205               |
| Computer Accessories | 183,130                  | 12,250                                      | -                         | 195,380                  |
| Furniture & Fittings | 485,373                  | 10,375                                      | (2,000)                   | 493,748                  |
| Tools                | 1,434,153                | 40,220                                      | -                         | 1,474,373                |
| Computer Software    | -                        | -                                           | -                         | -                        |
|                      | 54,100,757               | 5,483,531                                   | (334,900)                 | 59,259,387               |

**NOTE 13**

## Prepaid Lease Cost

| 2019                         |                       |                              |                           |                       |
|------------------------------|-----------------------|------------------------------|---------------------------|-----------------------|
| Description                  | Cost As At 01.01.2020 | Acquisitions During the Year | Disposals During the Year | Cost As At 31.12.2020 |
| Leasehold Land               | 4,920,845             | -                            | -                         | 4,920,845             |
| <b>Total Value of Assets</b> | <b>4,920,845</b>      | <b>-</b>                     | <b>-</b>                  | <b>4,920,845</b>      |

## Depreciation

| Description    | Accumulated Dep. As at 01.01.2020 | Depreciation For the Year | Acc. Dep. Related to Disposals | Balance As at 31.12.2020 |
|----------------|-----------------------------------|---------------------------|--------------------------------|--------------------------|
| Leasehold Land | 1,638,602                         | 48,989                    | -                              | 1,687,591                |
| <b>Total</b>   | <b>1,638,602</b>                  | <b>48,989</b>             | <b>-</b>                       | <b>1,687,591</b>         |

## Written Down Value

| Description    | Balance As at 31.12.2020 |  |
|----------------|--------------------------|--|
| Leasehold Land | 3,233,254                |  |
| <b>Total</b>   | <b>3,233,254</b>         |  |

**Lease of Land 99 Years**

Land had been acquired from Urban Development Authority on 99 Years lease. Total lease value had been paid at the beginning of the lease period. Lease amount has been accounted for on straight line basis over the lease period of 99 years.

## Intangible Assets Cost

| 2018                         |                       |                              |                           |                          |                                            |                                                         |
|------------------------------|-----------------------|------------------------------|---------------------------|--------------------------|--------------------------------------------|---------------------------------------------------------|
| Description                  | Cost As At 01.01.2019 | Acquisitions During the Year | Disposals During the Year | Balance As At 31.12.2019 | Damaged & Unused Adjustments (Note - 02 A) | Balance After Adj. of Damaged & Unused As At 31.12.2019 |
| Computer Software            | 19,450,888            | 1,963,000                    | (27,440)                  | 21,386,448               | -                                          | 21,386,448                                              |
| <b>Total Value of Assets</b> | <b>19,450,888</b>     | <b>1,963,000</b>             | <b>(27,440)</b>           | <b>21,386,448</b>        | <b>-</b>                                   | <b>21,386,448</b>                                       |

## Depreciation

| Description       | Accumulated Dep. As at 01.01.2019 | Depreciation For the Year | Acc. Dep. Related to Disposals | Damaged & Unused Adjustments | Balance As at 31.12.2019 |
|-------------------|-----------------------------------|---------------------------|--------------------------------|------------------------------|--------------------------|
| Computer Software | 16,765,950                        | 1,207,536                 | (27,440)                       | -                            | 17,946,046               |
| <b>Total</b>      | <b>16,765,950</b>                 | <b>1,207,536</b>          | <b>(27,440)</b>                | <b>-</b>                     | <b>17,946,046</b>        |

## Written Down Value

| Description       | Balance As at 31.12.2019 |  |
|-------------------|--------------------------|--|
| Computer Software | 3,440,401                |  |
| <b>Total</b>      | <b>3,440,401</b>         |  |

**NOTE 02 A**

## Damaged &amp; Unused Adjustment

| 2019                 |                          |                                             |                           |                          |
|----------------------|--------------------------|---------------------------------------------|---------------------------|--------------------------|
| Description          | Balance as at 01.01.2019 | Damaged & Unused identified during the year | Disposals during the year | Balance as at 31.12.2019 |
| Plant & Machinery    | 26,628,131               | 117,500                                     | -                         | 26,745,631               |
| Equipment            | 25,065,795               | 186,900                                     | (225)                     | 25,252,470               |
| Computer Accessories | 129,380                  | 53,750                                      | -                         | 183,130                  |
| Furniture & Fittings | 341,690                  | 143,683                                     | -                         | 485,373                  |
| Tools                | 1,430,225                | 3,928                                       | -                         | 1,434,153                |
| Computer Software    | -                        | -                                           | -                         | -                        |
|                      | 53,595,221               | 505,761                                     | (225)                     | 54,100,757               |

**NOTE 03**

## Prepaid Lease Cost

| 2019                         |                       |                              |                           |                       |
|------------------------------|-----------------------|------------------------------|---------------------------|-----------------------|
| Description                  | Cost As At 01.01.2019 | Acquisitions During the Year | Disposals During the Year | Cost As At 31.12.2019 |
| Leasehold Land               | 4,920,845             | -                            | -                         | 4,920,845             |
| <b>Total Value of Assets</b> | <b>4,920,845</b>      | <b>-</b>                     | <b>-</b>                  | <b>4,920,845</b>      |

## Depreciation

| Description    | Accumulated Dep. As at 01.01.2019 | Depreciation For the Year | Acc. Dep. Related to Disposals | Balance As at 31.12.2019 |
|----------------|-----------------------------------|---------------------------|--------------------------------|--------------------------|
| Leasehold Land | 1,589,613                         | 48,989                    | -                              | 1,638,602                |
| <b>Total</b>   | <b>1,589,613</b>                  | <b>48,989</b>             | <b>-</b>                       | <b>1,638,602</b>         |

## Written Down Value

| Description    | Balance As at 31.12.2019 |  |
|----------------|--------------------------|--|
| Leasehold Land | 3,282,243                |  |
| <b>Total</b>   | <b>3,282,243</b>         |  |

**NOTE 14**

| Other Non Current Assets | As at 31.12.2020 | As at 31.12.2019 |
|--------------------------|------------------|------------------|
| Deposits                 | 1,820,000        | 2,460,000        |
| Security Deposits        | 327,321          | 294,426          |
|                          | <u>2,147,321</u> | <u>2,754,426</u> |

**NOTE 15**

| Inventories                                   | As at 31.12.2020     | As at 31.12.2019     |
|-----------------------------------------------|----------------------|----------------------|
| Raw Materials                                 | 777,915,954          | 572,154,416          |
| Packing Materials                             | 64,464,660           | 60,345,943           |
| Finished Goods                                | 183,679,231          | 108,381,152          |
| Work-in-Progress                              | 97,995,471           | 140,807,075          |
| Goods in Transits - R/M                       | 48,338,167           | 35,354,749           |
| RawMaterial Loan                              | 22,008               | 88,685               |
| Inventory - Formulation, Research & Dev.      | 7,352,394            | 2,461,861            |
| Spare Parts - Plant & Machinery & Consumables | 155,507,106          | 120,533,694          |
| Fuel & Lubricants                             | 1,424,751            | 1,030,554            |
| Inventory - Stationery                        | 1,764,332            | 1,129,562            |
|                                               | <u>1,338,464,075</u> | <u>1,042,287,690</u> |

**NOTE 16**

| Trade Debtors & Receivables                               | As at 31.12.2020   | As at 31.12.2019     |
|-----------------------------------------------------------|--------------------|----------------------|
| Debtors - SPC                                             | 1,685,000          | 5,067,375            |
| Debtors - DHS                                             | 42,312,030         | 2,003,016,236        |
| (-) Provision for Doubtful Debts                          | -                  | (4,830,000)          |
| Debtors - Distributors                                    | 120,630,754        | 134,210,410          |
| Distress Loans                                            | 55,729,563         | 43,768,025           |
| Receivables                                               | 4,079,679          | 68,276,775           |
| Cycle Loans                                               | 1,443,329          | 1,852,773            |
| Staff Loans                                               | 3,352,830          | 2,239,216            |
| Economic Service Charge - 0.5%<br>(Adv.pay.of Income Tax) | -                  | 28,155,668           |
| Festival Advance                                          | 528,000            | 573,000              |
| Import Deposits Refunds                                   | 872,500            | 704,500              |
| Paye Tax                                                  | -                  | 76,626               |
|                                                           | <u>230,633,684</u> | <u>2,283,110,605</u> |

**Note 26**

**NOTE 17**

| <b>Pre-Payments</b>                        | <b>As at 31.12.2020</b> | <b>As at 31.12.2019</b> |
|--------------------------------------------|-------------------------|-------------------------|
| Advance Payments                           | 1,600,017               | 1,305,651               |
| Advance Payments - Machinery & Spare Parts | 1,036,428               | 7,683,948               |
| Prepayments                                | 5,732,682               | 6,541,712               |
| Prepaid Staff Cost                         | 3,632,719               | 5,634,206               |
|                                            | <u>12,001,846</u>       | <u>21,165,516</u>       |

**NOTE 18**

| <b>Other Financial Assets</b> | <b>As at 31.12.2020</b> | <b>As at 31.12.2019</b> |
|-------------------------------|-------------------------|-------------------------|
| Treasury Bills                | 2,960,815,874           | 377,030,073             |
| Treasury Bills at NSB         | 79,501,094              | 73,765,864              |
| Investments in Trust fund     | -                       | 24,188,569              |
|                               | <u>3,040,316,968</u>    | <u>474,984,506</u>      |

**Investment in Treasury Bills**

REPO are classified as current assets measured at amortised cost. The Corporation limits its exposure to credit risk by investing only in REPOs with Government Banks ( Bank of Ceylon , People's Bank and National Saving Bank ) with Board Approval.

**NOTE 19**

| <b>Cash In Hand &amp; at Bank</b> | <b>As at 31.12.2020</b> | <b>As at 31.12.2019</b> |
|-----------------------------------|-------------------------|-------------------------|
| Bank of Ceylon - Ratmalana        | 53,584                  | 6,910                   |
| Bank of Ceylon - Corporate        | 192,301                 | 327,273                 |
| Peoples Bank - Ratmalana          | 136,590                 | 36,590                  |
| Peoples Bank - Corporate          | 111,546                 | 48,698                  |
| Cash in Hand                      | 43,020                  | 19,787                  |
| Petty Cash                        | 17,410                  | 10,010                  |
|                                   | <u>554,452</u>          | <u>449,269</u>          |

**NOTE 20****Stated Capital**

Stated Capital is made up by Grant amounting to JPY. 2,564 million converted at the average rate of Rs. 0.186 amounting to Rs. 476,904,000.00 and the funds contributed by the General Treasury amounting to Rs. 208,375,000.00 and the value of land amounting to Rs. 4,800,000.00 transferred from the State Pharmaceuticals Corporation.

**NOTE - 21**

| <b>Deferred Tax Liability</b>                     | <b>As at 31.12.2020</b> | <b>As at 31.12.2019</b> |
|---------------------------------------------------|-------------------------|-------------------------|
| Balance at the Beginning of the Year              | 193,926,433             | 120,484,083             |
| Charge/(Reversal) as Deferred Tax during the year | (26,719,505)            | 73,442,350              |
|                                                   | <u>167,206,928</u>      | <u>193,926,433</u>      |

**NOTE - 22****JICA - Loan**

JICA Loan Funded Project for procurement of Equipment, Design Services, Building Refurbishment and Construction

Installation and other services amounting to Japanese Yen - 1,239,888,000 as described below.

|                                         | <b>JPY</b>           |
|-----------------------------------------|----------------------|
| Plant & Equipment supplied from abroad  | 910,075,230          |
| Design Services                         | 3,216,529            |
| Building refurbishment and construction | 312,850,251          |
| Installation and other expenses         | 13,745,990           |
| Total                                   | <u>1,239,888,000</u> |

Repayment of Loan

Repayment period - 40 years including 10 years of grace period

**NOTE - 23**

| <b>Trade and Other Payables</b>           | <b>As at 31.12.2020</b> | <b>As at 31.12.2019</b> |
|-------------------------------------------|-------------------------|-------------------------|
| Creditors Control - Packing Materials     | 7,011,215               | 8,970,342               |
| Creditors Control - Raw Materials         | 31,256,125              | 25,516,476              |
| Creditors Control - Stationery            | 3,457,873               | 1,514,237               |
| Creditors Control - Equipment & Machinery | 1,614,662               | 1,356,714               |
| Creditors Control - Chemicals             | 83,198                  | 734,594                 |
| Creditors Control - General               | 114,953,245             | 150,185,427             |
| Creditors Control - Bank                  | 38,958,021              | 37,212,266              |
| Creditors Control - Employees             | 3,863,194               | 3,517,379               |
| Creditors Control - Services              | 6,068,224               | 5,738,382               |
| Creditors Control - Other FA              | 61,324                  | -                       |
| Creditors Control - Joint Ventures        | 459,679,854             | 724,794,070             |
| Employee Security Guarantee - Finance     | 10,388                  | 1,003                   |
| Employee Security Guarantee - Stores      | 316,933                 | 293,422                 |
| Bid Bonds Payable                         | 9,679,678               | 4,824,011               |
| W & OP Contribution                       | 11,387                  | -                       |
| E.P.F. & E.T.F. Payables - 28%            | -                       | -                       |
| Insurance Claim Control                   | 8,000                   | -                       |
| Salaries Control                          | -                       | 53,774                  |
|                                           | <u>677,033,320</u>      | <u>964,712,096</u>      |

**NOTE 24****Retirement Benefit Obligation**

The amounts recognized in the Financial Position are as follows.

|                                            | <b>31.12.2020</b>  | <b>31.12.2019</b> |
|--------------------------------------------|--------------------|-------------------|
| Net Liability at the beginning of the Year | 75,028,761         | 67,741,454        |
| Current Service Cost                       | 6,415,695          | 4,343,654         |
| Interest Cost                              | 8,065,592          | 8,467,682         |
| Past Service Cost                          | -                  | -                 |
| (Gain)/loss due to changes in assumptions  | -                  | -                 |
| Actuarial (gain)/loss                      | 22,227,485         | 2,182,882         |
|                                            | <u>111,737,533</u> | <u>82,735,672</u> |
| Less:                                      |                    |                   |
| Payment made during the Year               | (4,937,725)        | (7,706,911)       |
|                                            | <u>106,799,808</u> | <u>75,028,761</u> |

The Retirement benefit Liability of the Corporation is based on the actuarial valuation carried out by Actuarial & Management Consultants (Pvt) Ltd. The Principal assumptions used in determining the cost of retirement benefit were,

|                                               |      |        |
|-----------------------------------------------|------|--------|
| Expected Annual Average Salary Increment Rate | 4%   | 4%     |
| Discount Rate                                 | 9%   | 10.75% |
| Staff Turnover Factor                         | 1.4% | 1.00%  |

The amounts recognized in the Income Statement are as follows.

|                      |           |           |
|----------------------|-----------|-----------|
| Current Service Cost | 6,415,695 | 4,343,654 |
| Interest Cost        | 8,065,592 | 8,467,682 |

An Actuarial valuation was to assess the present value of the Financial Position date 31st December 2020 to bring their best estimates

**NOTE 25****Related Party Disclosures**

Details of significant related party disclosures are as follows.

| <b>Organization</b>               | <b>Relationship</b> | <b>Nature of Transaction</b> | <b>Sales During the year</b> |
|-----------------------------------|---------------------|------------------------------|------------------------------|
| Medical Suppliers Division        | Customer            | Sale of Goods                | 6,639,204,104                |
| State Pharmaceuticals Corporation |                     |                              |                              |
| Through Distribution              | Customer            | Sale of Goods                | 121,821,948                  |
| Through Tenders Distribution      | Customer            | Sale of Goods                | 6,602,500                    |
|                                   |                     |                              | <u>880,060,245</u>           |
|                                   |                     |                              | <u><b>7,647,688,798</b></u>  |

**NOTE 26****Receivables**

Analysis of Receivables are as follows

|                                                                  |                         |
|------------------------------------------------------------------|-------------------------|
| Receivable from Ningbo Joychem for Theophylline Anhydrous USP    | 726,780                 |
| Receivable from Insurance Corporation for - MC Cellulose - 60Kg  | 70,973                  |
| Receivable from Waylink International for Maize Starch - 4850 Kg | 773,753                 |
| Receivable from VWR (Pvt)LTD for Chemicals                       | 73,007                  |
| Receivable from Ayurvedic Cor.for E/H Gelatin Caps. - 1.79 Kg    | 2,435,165               |
| <b>Total</b>                                                     | <u><b>4,079,679</b></u> |



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு ஆலுவலகம்

### NATIONAL AUDIT OFFICE



HSM/A/SPMC

12<sup>th</sup> August 2020

/1/20/35

Chairperson,

State Pharmaceuticals Manufacturing Corporation

Auditor General's Report in terms of Section 12 of the National Audit Act No. 19 of 2018 regarding the financial statements and other legal and regulatory requirements for the year ended 31st December 2020 of the State Pharmaceutical Manufacturing Corporation

#### 1. Financial statements

##### 1.1 Opinion

The audit of financial statements of the State Pharmaceuticals Manufacturing Corporation of Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes 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 with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My report will be tabled in due course in Parliament in terms of Article 154 (6) of the Constitution.

I am of the view that the financial condition of the corporation and its financial performance and cash flows for the year ended December 31, 2019 reflect the true and equitable position of the corporation in accordance with Sri Lanka Accounting Standards, excluding the impact of the matters described in the section for the audited opinion of my report.

##### 1.2 Basis for Opinion

I have performed the audit according to the Sri Lanka Auditing Standards (SLAS). My responsibility under these auditing standards have been further described under the part of Responsibility of the Auditor on the Audit of the Financial Statements of this report. I believe that the audit evidence I have obtained, have been adequate and appropriate for my opinion.

##### 1.3 Other information contained in the 2020 Annual Report of the Corporation

The 'other information' means the financial statements included in the 2020 Annual report of the Corporation that is expected to be given to me after the date of this audit and the information that is not included in my audit report. The management is responsible for these other information.

My opinion on the financial statements does not cover the other information and I, in any manner, do not guarantee or make any statement on them.



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

My responsibility on the audit of the financial statements is to read the above mentioned other information when they are made available and to consider if such other information is significantly inconsistent with the financial statements or audit or my knowledge obtained otherwise.

When reading the 2020 Annual Report of the Corporation, if I conclude that there are significant misrepresentations, such matters should be communicated to the governing parties for correction. If there are more uncorrected misrepresentation, they will be included in the report that will be tabled in due course in Parliament in terms of Article 154 (6) of the Constitution.

#### 1.4 Responsibility of the Management and Administration for the Financial Statements

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

When preparing financial statements, it is the management's responsibility to determine the ability to maintain the corporation and it is also the responsibility of the management to keep accounts on the basis of continuity and disclose the matters relating to the continuity of the corporation unless the management intends to liquidate the corporation or cease operations in the absence of any other option.

The controlling parties are responsible for the financial reporting process of the corporation.

Subject to subsection 16 (1) of the National Audit Act, No. 19 of 2018, the Corporation shall maintain proper books and records of its income, expenses, assets and liabilities in order to prepare annual and periodic financial statements.

#### 1.5 Responsibility of the Auditor in the Audit of Financial Statements

My objective is to provide a reasonable assurance that financial statements are free from frauds and errors that occurred due to inaccurate false statements and to release the auditor's report along with my opinions. While fair assurance is a high-level guarantee, it does not always mean that auditing in accordance with Sri Lanka Audit Standards that will always detect quantitative disclosures. Frauds and mistakes are likely to result in quantitative disclosures, either individually or collectively, and may be expected to affect users' economic decisions based on these financial statements.

I audited in accordance with Sri Lanka Auditing Standards with professional judgment and professional compliance,

- By planning appropriate audit procedures when identifying and assessing the risk of inaccurate misrepresentations in financial statements due to fraud or error, I obtained adequate and appropriate audit evidence to avoid the risks of fraud or error. The impact of fraud is stronger than the impact of inaccurate misrepresentation, and can lead to fraud, misconduct, forgery, intentional avoidance or avoidance of internal controls.
- In designing audit procedures that are appropriate in the circumstances, the auditor considers internal control relevant to the Corporation, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- The appropriateness of accounting policies used and the reasonableness of accounting estimates made by management is appreciated.
- The relevance of using the institution's continuity basis for accounting was determined based on the audit evidence obtained on whether there was sufficient uncertainty about the corporation's existence as a result of the events or circumstances. If I determine that there is sufficient uncertainty, my audit report should focus on the disclosures in the financial statements, and if that disclosure is inadequate, my opinion must be modified. However, continuity can end on future events or circumstances
- The presentation, structure and content of the financial statements included in the disclosures were evaluated and the underlying transactions and events were evaluated in a reasonable and fair manner.



ජාතික විගණන කාර්යාලය  
நேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

Governing parties will be informed on the key audit findings, key internal control deficiencies and other issues identified during my audit.

## 2. Report on other legal and regulatory requirements

2.1 The National Audit Act No. 19 of 2018 contains special provisions relating to the following requirements.

2.1.1 In accordance with the requirements set out in Section 12 (a) of the National Audit Act No. 19 of 2018, I have obtained all the information and explanations required for the audit, excluding the impact of what is described in the section on the basis of the Qualified Opinion of my report. My investigation shows that the proper financial records were maintained by the Corporation.

2.1.2 The financial statements presented by the Corporation in accordance with the requirements of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, are consistent with the previous year.

2.1.3 The recommendations I made last year have been included in the financial statements submitted as per the requirement of Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018.

2.2 In terms of the measures adopted and the amount of evidence and quantitative considerations, nothing came to my attention as to the following statements:

2.2.1 In accordance with the requirements of section 12 (d) of the National Audit Act, No. 19 of 2018, that any member of the Governing Body may be involved in any contract involving the corporation, directly or otherwise, out of the ordinary course of business.

2.2.2 In compliance with the requirements set out in Section 12 (f) of the National Audit Act No. 19 of 2018, except for the following observations, that anyone has acted in non-compliance with a written law or any other general or special directive issued by the Governing Body of the Corporation.

| <b>Reference to Laws and Rules</b> |                                                                                                                    | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a)                                | Section 06 (2) (a) of the Payment of Gratuity Act No. 12 of 1983                                                   | Though employee gratuity should be made based on half a month's wage or salary for each year of completed service of the employee, employee gratuity had been calculated based on the full month's salary. As such, a sum of Rs. 2.46 million had been paid in excess to 05 officers who had retired during the year under review.                                                                                                                   |
| (b)                                | Public Finance Circular No. 438 dated 13 <sup>th</sup> November 2009 and Financial Regulation No. 103, 104 and 105 | Action had not been taken for the proper disposal of raw material stock cost of Rs. 5,959,483, unfinished material stock cost of Rs. 6,030,600, finished material stock cost of Rs. 3,383 and 346 units of fixed assets having a total cost of Rs. 59,259,389 and conduct inquiries as per the Financial Regulations on the stocks that could not be used in order to determine the respondents and recover loss accordingly.                        |
| (c)                                | Public Enterprise Circular No. PED 03/2020 dated 18 <sup>th</sup> December 2020.                                   | Though according to the Circular provisions, an amount of Rs. 13,500 can only be given to an employee as the annual bonus, the Corporation had paid a one month's salary for one employee as a special bonus, Rs. 5,000 or Rs. 10,000 for each employee as Chairman's bonus. As such, a sum of Rs. 16,577,284 had been paid in excess during the year under review, exceeding the limits approved by the Circulars and without any proper approvals. |
| (d)                                | Letter No. PED/A/Surplus/1/11 (i) dated 23 <sup>rd</sup> July 2020 of State Enterprises Department of Treasury     | Though a sum of Rs. 24,632,603 of Treasury Fund investments that were transferred to the Treasury during the year under review had been accounted as a Treasury tax expenditure, none other provision had been made for the Treasury contribution during the year under review.                                                                                                                                                                      |



**ජාතික විගණන කාර්යාලය**  
**தேசிய கணக்காய்வு அலுவலகம்**  
**NATIONAL AUDIT OFFICE**

|     |                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (e) | Paragraph No. 02 of the Public Administration Circular No. 6/97 dated 03 <sup>rd</sup> February 1997.                                                                                  | Though the acting period should be subjected to a maximum period of three months, an officers had been recruited to the post of Deputy General Manager (Formulation and Research) for acting for a period exceeding 03 years.                                                                                                                                                                                                                                                                                              |
| (f) | Public Administration Circular No. 30/2008 dated 31 <sup>st</sup> February 2008.                                                                                                       | Though the maximum distress loan amount should be limited to Rs. 250,000, exceeding such amount, a sum of Rs. 12,429,500 had been paid to 101 officers during the year under review.                                                                                                                                                                                                                                                                                                                                       |
| (g) | Management Services Department Letter No. DMS/ E4/10/4/090/2 dated 09 <sup>th</sup> March 2009 addressed to the Secretary of the Ministry of Health, Nutrition and Indigenous medicine |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|     | (i) Paragraph 02-01                                                                                                                                                                    | Though transport facility should be provided to the executive and non-executive officers of the Corporation based on the distance, a monthly transport allowance of Rs. 4,700 and Rs. 3,000 had been paid from 2009 not considering the distance. From 2019, as per decision of the Board of Directors this monthly allowance had been increased to Rs. 8,000 and Rs. 6,000 respectively.                                                                                                                                  |
|     | (ii) Paragraph 02-02                                                                                                                                                                   | Though the staff members can be paid a sum of Rs. 4,000 as a monthly production incentive, contrary to this, a monthly production incentive of under the maximum amount of Rs. 12,000 had been paid to all the staff from 01 <sup>st</sup> of July 2011. As such, a total amount of Rs. 121,234,241, including Rs. 18,999,486 paid in excess in the year under review had been paid as monthly production incentive from 01 <sup>st</sup> of July 2011 to 31 <sup>st</sup> December 2020.                                  |
|     | (iii) Paragraph 02-03                                                                                                                                                                  | (i) Though approval had been obtained to pay Rs. 2,000 as attendance incentive per month for each employee, it had been increased to Rs. 3,500.                                                                                                                                                                                                                                                                                                                                                                            |
|     |                                                                                                                                                                                        | (ii) Though attendance incentive is paid, money for the balance leaves at the end of the year cannot be paid to the employees, a sum of Rs. 12,475,703 had been paid to the employees who had received the attendance incentive, for the leave unspent during the year under review.                                                                                                                                                                                                                                       |
|     |                                                                                                                                                                                        | (iii) Though gift vouchers of Rs. 6,000 can be given to each employee only once in a year for the new year and Christmas, during the year under review, permanent employees had been given gift vouchers valued in total Rs. 7,325,000 including Rs. 25,000 for the permanent employees and Rs. 12,500 for the training employees and gift vouchers valued in total Rs. 4,712,500, including a sum of Rs. 12,500 for the permanent employees and Rs. 6,250 for the other employees to purchase school books and equipment. |
|     | (iv) Paragraph 02-06                                                                                                                                                                   | Though a monthly allowance of Rs. 1,000 can be paid for an employee only after completing all the shift work, a total sum of Rs. 6,981,100 had been paid as shift allowance during the year under review including Rs. 400, Rs. 300 and Rs. 200 for the executive, training executive and non-executive employees respectively and the paid excess shift allowance was Rs. 3,549,100.                                                                                                                                      |
| (h) | Decision of the Board of Directors No. BP/30/15 dated 04 <sup>th</sup> June 2015.                                                                                                      | Though the bicycle loan of Rs. 3,000 paid to the employees of the Corporation had been increased to Rs. 20,000 from 04 <sup>th</sup> June 2015, the approval of Treasury for it had not been taken as at the audit date.                                                                                                                                                                                                                                                                                                   |



ජාතික විගණන කාර්යාලය  
நேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

2.2.3 That the Corporation has acted in non-compliance with the powers, duties and functions of the Corporation except the following observations as required under Section 12 (g) of the National Audit Act No. 19 of 2018.

2.2.4 That the Corporation has not procured and utilized its resources in an economical, efficient and effective manner as required under Section 12 (h) of the National Audit Act No. 19 of 2018.

(a) The errors and shortcomings of the Corporation in the procurement process in purchasing drug raw materials and packaging items during the year under review, are as follows:

- (i) Giving orders to the supplier before obtaining approvals from the Technical Evaluation Committee and the Procurement Committee and before agreements are signed.
- (ii) Not appointing Bid Opening Committees as per the Guideline 6.3.3 (a) of the Code of Government Procurement Guidelines and not reporting the bid openings in the prescribed format as per the Guideline 6.3.6.
- (iii) Not obtaining Performance bonds as per the Guideline 5.4.10 (b) of the Code of Government Procurement Guidelines.
- (iv) Not entering into a formal agreement on goods and services contracts exceeding Rs. 500,000 as per the Guideline 8.9.1 of the Code of Government Procurement Guidelines.
- (v) Not obtaining the contract registration certificate (PCA 4 format) from the supplier.

(b) It was observed that the contract administration of the Corporation had been at a poor level such as constructing the four-story building, the fly-over bridge, steel structure warehouse, converting the Penicillin Zone store as the Cephalosporin Production division and renovating the Bulathsinhala building due to the matters such as selecting consultants and contractors for constructions without any transparency and following some guidelines of the Code of Public Procurement Guidelines, not including the contract terminating date and conditions on late payments to the contracts, constantly changing the primary plans without proper approvals, doing constructions in contrary to plans and estimate sheets, changing the objectives of constructions and failing to complete the construction work within the contract period due to exceeding the contract value as a result of failing to complete the construction work within the construction contract period as well as lack of adequate supervision from the responsible parties of the Corporation during the contract performing period.

(c) Though the total contract value of the contract for constructing the G zone by converting the Penicillin Zone store as the Cephalosporin Production division was Rs. 80,510,608, as at 19<sup>th</sup> February 2020, the Corporation had obtained work done exceeding the total contract value of Rs. 11,918,835 without obtaining the approval from the Department Procurement Committee.

### 3. Other Audit Observations

(a) The following observations were made on the progress of performing activities in the Action Plan for the year 2020:

- (i) Though according to the Public Finance Circular No. PED/12 dated 02<sup>nd</sup> June 2003 the Action Plan has to be prepared including the Key Performance Indicators that enables to assess the performance of the activities that needs to be completed within timelines, the Corporation had not included defined and measurable performance indicators for the activities in the Action Plan prepared for the year 2020. Therefore, it had been unable to properly assess the progress of the activities included in the Action Plan of the year under review.
- (ii) Fifty-one activities of Rs. 735.9 million out of the 91 activities of estimated cost of Rs. 875.8 million included in the Action Plan had not been initiated within the year under review and 14 activities that had been initiated had not been completed. The physical progress of any of the activities related to three Departments had not been revealed.

(b) The following observations were made on the efficiency and the efficacy of the productions of the Corporation:

- (i) Though the total production requirement identified as per the Sales Plan had been 28 drug types of 2.077 million units, the actual production had been 24 drug types of 1,535 million units.
- (ii) The total production requirement of 17 drugs had exceeded the Sales Plan in 163 million units and had produced 1,206 million units. However, during the year under review, only 999 units had been sold and it had been unable to sell 3.07 million units of 03 drug items out of the balance 207 million units as no orders from the Medical Supplies



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

Division had been received in the year 2021.

- (iii) An additional cost of Rs. 2,563,069 had to be incurred for the re-production of drugs, the production of which had to be suspended due to reasons such as higher possibility of breaking the pills into small parts, variations in the weight of the pills, unhealthy appearance and Action had not been taken to minimize this adverse condition that takes place in the production process of every year.
  - (iv) 213 kilo grams of dug raw materials costing of Rs. 2,042,844 purchased during the two previous years and the year under review for research activities, had not been used even as at 17<sup>th</sup> February 2021. It was also confirmed that 175 kilo grams of the said dug raw materials had been not in a proper standards.
- (c) The following observations were made on the selling and distribution of the drugs of the Corporation:
- (i) The Corporation had been unable to supply 570.78 million units of 26 drugs valued Rs. 1,003 million ordered in the year under review due to various reasons such as lack of raw materials, not having adequate machinery capacity and technical shortcomings in the production process and the Corporation had failed to supply the whole required 30 million units of Thepphy ER Tab 125 mg that had the selling value of Rs. 44.10 million.
  - (ii) During the year under review, it had been unable to fulfill the local sales targets of 549 million units of 28 drugs that had the selling value of Rs. 616 million and it had been unable to sell any quantity of two units of drugs that had the selling targets of 5.21 million units of Rs. 3.92 million.
- (d) During the years 2018 and 2019, the Corporation had entered into contracts with 15 potential investors to supply drugs under the proposal to initiate a joint venture between the State Pharmaceutical Manufacturing Corporation and private investors in order to expand the local drug production process. The following observations are made on the nature of transactions done by the Corporation with the said joint venture during the year under review.
- (i) Though the Corporation had entered into contracts with 15 investors to supply drugs, drugs had been purchased from only three investors as at 31<sup>st</sup> December 2020.
  - (ii) According to the recommendations of the official committee appointed by the Cabinet of Ministers to establish the joint venture, though the Corporation had to enter into agreements with the drug producer to supply drugs, contracts had been entered into and supplies had been accepted from an investor who was only a mediator and not a producer.
  - (iii) According to the joint venture contract, the selling price had to be decided by adding a 20 per cent margin to the production cost of the drugs and surgical consumables that are produced by the investor. During the year under review, the total production cost of 06 drug units that had been sold to the Medical Supplies Division was Rs. 823,010,169. A profit of Rs. 129,898,488 had been added to the said amount and had been sent to the Corporation with a total invoice value of Rs. 952,908,656. The Corporation had added a service charge of Rs. 66,692,327 to the said invoice value and had sold to the Medical Supplies Division for Rs. 1,019,600,983. The investor had earned a 16 per cent profit margin from the total cost of the said 06 drugs and the Corporation had earned a 07 per cent service charge from the invoice price. Therefore, the selling price had been decided after adding 23 per cent of the total production cost as profit and service charge.
  - (iv) The Corporation had conducted quality assurance only on 36 drug items out of the 43 drug items supplied to the Medical Supplies Division purchased from the joint venture during the year under review. Though 03 items of the surgical consumables had been purchased and supplied to the Medical Supplies Division during the year under review, the suppliers themselves had sent samples from each production category to the Institute of Industrial Technology (ITI) as the Corporation did not have adequate facilities to conduct quality assurance on such items and the quality of the drugs had been assessed only on the reports issued by the said institute. Therefore, no adequate independent assurance had not been made on the quality of the drugs supplied to the Medical Supplies Division under the joint venture.



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

- (e) The building that was purchased by spending a total sum of Rs. 133,767,599 and renovated with the objective of establishing a common test laboratory and a training school, had been left idle from 20<sup>th</sup> August 2019 to 19<sup>th</sup> February 2021 and this had taken place due to the reasons such as not fulfilling any of the other requirements to establish a common test laboratory and a training school and the absence of a pre plan or any arrangement by the Corporation.
- (f) Though Rs. 6,016,902 had been incurred as at 18<sup>th</sup> February 2021 for the construction of the proposed fly-over bridge to connect two buildings, the money spent for this purpose had been a void expenditure as the Governing Authority had decided to cease the construction work.
- (g) Though the under-ground piling work for the construction of the four-story building had been completed as at 07<sup>th</sup> March 2018 with an expenditure of Rs. 28,952,527, the building construction work had not been initiated as at 31<sup>st</sup> July 2021.
- (h) Construction work had been initiated as at 21<sup>st</sup> September 2018 for the construction of a two-story building and as at 19<sup>th</sup> February 2021, a sum of Rs. 36,045,249 had been incurred for this purpose. Though according to the first agreement the construction work had to be completed as at 21<sup>st</sup> August 2019, the construction work had not been completed as at 19<sup>th</sup> February 2021. However, the Central Engineering Consultancy Bureau (CECB) had been informed on 06<sup>th</sup> October 2020 to re-evaluate the building structure as a building having structuring capacity to suit the planned capacity had not been built.
- (i) A loss of Rs. 3,429,299 had been incurred as 3,105.25 kilo grams of purchased drug raw materials and 292,938 units of packaging materials had been rejected due to various reasons.
- (j) The following observations are made on the human resource management of the Corporation:
- (i) As at 31<sup>st</sup> December 2020, the approved cadre of the Corporation was 353 and the actual cadre was 302, while there were 67 vacancies and 16 excess employees. Action had not been taken to obtain the approval of the Department of Management Services to recruit officers for the essential posts including 06 executive posts and for the excess cadre.
  - (ii) Though according to the recruitment procedure for the post of Drug Finalizing Assistants of the Corporation, qualified officers should be recruited from an interview after calling applications from a public notice or a newspaper advertisement for the said post, 17 officers had been recruited on contract basis deviating from the said procedure, and from applications of candidates received from the Co-ordinating Secretary to the Hon. Minister of Health and Indigenous Medical Services.

W.P.C. Wickramarathna

Auditor General

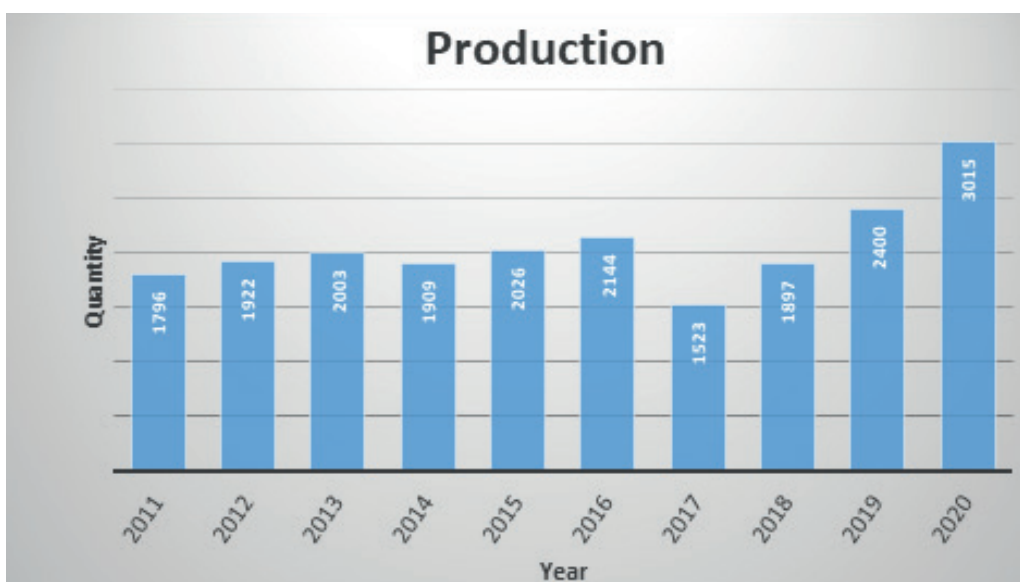
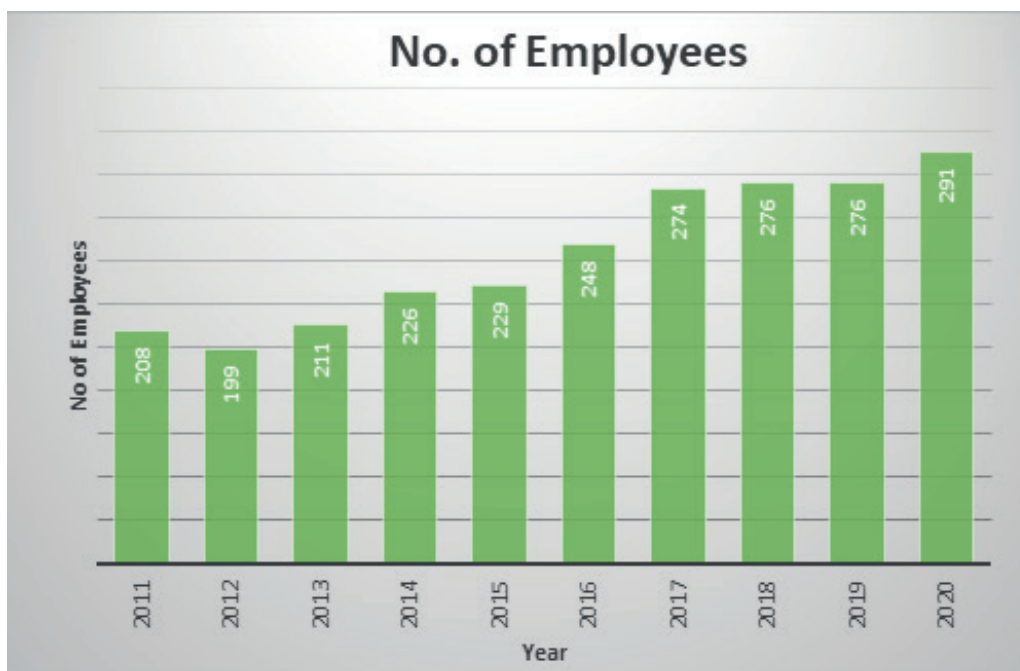
# Opinions of the Chairman about the Report of Auditor General -2020

- 2.2.2 (a) Actions have been taken in comply with Chapter 2.3 of the Operations Manual issued by the Department of Public Enterprises.
- 2.2.2 (b) **Raw Material Stock** - Approved by the Board of Directors for Disposal. Accordingly, necessary steps will be taken to carry out the disposal
- Unfinished Stock** - Approval by the Board of Directors for disposal received on 31.08.2021. Accordingly, the relevant authorities have been instructed to take necessary steps for the disposal and due to the prevailing Covid epidemic situation, no date could be fixed for the disposal.. (The material should be sent to the Incee Cement factory in Puttalam.)
- Fixed Assets** - We have appointed a Fixed Assets Committee to deal with all fixed assets. The committee will identify the status of fixed assets, their life time, reusable assets and non-performing assets, and to dispose of such non-performing assets with the approval of the Board of Directors following due process.
- Finished Goods Stock** - The consignment of Diclofenac Tablets 50mg (Blister) in 41 packs that are in an unusable condition as at 31.12.2020 which has been returned by a dealer due to changes in their appearance and this is to be disposed in 2021 and necessary action is being taken at present in that regard.
- 2.2.2 (c) Action will be taken in accordance with Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises.
- 2.2.2(d) No written request for a Treasury contribution has been made by the Department of Public Enterprises for the year 2020. However, the trust fund owned by the corporation amounting to Rs. 24,632,603 including accrued interest has been sent to the treasury as a financial contribution to the treasury as a state-owned enterprise. In addition, no reservation has been made for final accounts due to no request. This expenditure is recorded in the final financial statements as a Treasury contribution expense and is converted into a special tax expense at the time of preparation of annual reports.
- 2.2.2 (e) Applications were called for that posts on several occasions, but none of the qualified candidates applied. Applications have been called again and arrangements are being made to conduct interviews.
- All payments made for the work have been made with the approval of the Board of Directors. The Board of Directors has submitted a memorandum to the Board of Directors in this regard and steps will be taken to implement the decisions given by the Board in this connection.
- 2.2.2 (f) Public Administration Circular No. 30/2008 (Regarding Distress Loan) is especially applicable to Public Institutions such as Government Departments. Management Service Circulars also apply to corporations such as the State Pharmaceutical Corporation.
- Also, in the case of distress loans, the institution has not incurred any loss by extending the credit limit mentioned in the above circular. This is because the surplus money currently invested in the company is invested in Treasury bills at an interest rate of 3.90% and the company earns a profit of 4.20% by providing distress loans to its employees. Also, the relevant circular has been specially introduced for government Institutions or especially non-revenue generating government departments and these restrictions have been imposed due to their lack of funds, and the institution also benefits from disbursing cash in the form of disaster relief loans to a revenue-generating and profit earning institutions such as the State Pharmaceutical Corporation.

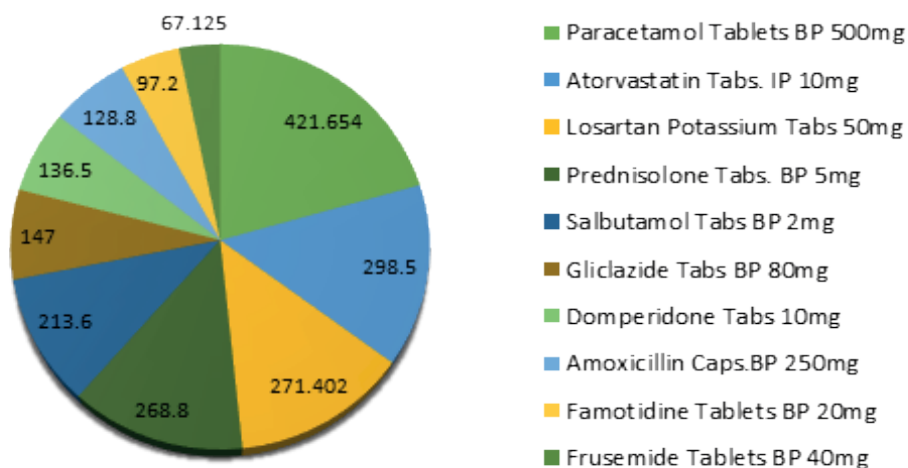
- 2.2.2 (g) (i)  
2.2.2 (g) (ii)  
2.2.2 (g) (iii)  
2.2.2 (g) (iii)  
2.2.2 (g) (iii)  
2.2.2 (g) (iv)  
2.2.2 (j)
- Action has been taken in complying with Chapter 2.3 of the Operations Manual issued by the Department of Public Enterprises.
- 2.2.4 (a) (i) Due to the epidemic situation in the country, covering approval was obtained for the purchase of the raw material on urgent requirement. The potential risk was also calculated. No loss has been reported from this purchase and all rules will be followed to the maximum in the future.
- 2.2.4(a) (ii) Bidding activities are already being carried out in accordance with the prescribed form. Arrangements have been made to obtain covering approval from the Chairman of the Corporation for the appointment of the Bidding Committee. The Deputy General Manager for Planning and Procurement has been instructed to prepare a Board of Director paper to obtain the approval of the Board of Directors for all these activities.
- 2.2.4 (a) (iii)  
2.2.4 (a) (iv)  
2.2.4 (a) (v)
- Due to the epidemic situation in the country, this was done to purchase the raw material on urgent requirement. In the future, all the rules will be followed to the maximum possible manner.
- 2.2.4 (b) Construction of four storied facility building - The existing repairs were attended and the building is being utilized.
- Flyover Construction - The Board of Directors has given approval to halt this project.
- Steel Storage Warehouse Construction - The existing repairs were attended and the building is being utilized.
- Transformation of the Penicillin Zone Warehouse into the Cephalosporin Division - Built primarily for the production of Cephalosporin items in the relevant zone. Various deficiencies in the zone have been identified and rectified and Thyroxin production has been initiated in the zone.
- Bulathsinhala Building Renovation - Deputy General Manager - The Board of Directors has submitted a memorandum seeking advice on the transfer of this building to an investor through Planning and Procurement.
- 2.2.4(c) The relevant zone was primarily constructed for the manufacture of cephalosporin. After the consultant's examination of the various deficiencies in this area, it was observed that the relevant deficiencies should be rectified and the drug Thyroxin should be manufactured in this region.
- Relevant deficiencies were rectified and production commenced and payments for additional costs were made with the approval of the Technical Committee and the covering approval of the chairman of the Procuring Committee following the discussions at the Technical Committee. Also, a letter has been sent to the relevant company requesting an interest amount due to late payment. Action is currently being underway to remove this interest rate.
3. (a) (i) Action will be taken to prepare in accordance with the PED Circular from 2021.
3. (a) (ii) The activities referred to herein in the Action Plan could not be initiated or completed within the year under review due to the need to implement all requirements in compliance with existing health regulations due to the current global epidemic situation. It is expected that the above activities will be implemented once this epidemic is over.
3. (b) (i) Some items have been produced for less than the annual budgeted sales volume. Due to changes in demand, availability of raw materials and technical issues, the monthly production plan may also differ from the annual production plan. Accordingly, changes in the annual forecast may occur at the end of the year

3. (b) (ii) Some items have been produced for less than the annual budgeted sales volume. The monthly production plan may also differ from the annual production plan due to changes in demand, existing raw materials and technical issues. Accordingly, changes in the annual forecast may occur at the end of the year.
3. (b) (iii) Steps will be taken to assist the manufacturing sector to avoid such problems in future.
3. (b) (iv) Flucloxacillin Sodium BP - 200 kg - Due to the defects in this raw material, all the formula experiments carried out using that raw material failed. This was communicated to the supplier and he agreed to send a consignment in return. The Procurement Division will take action in this regard.
3. (c) (i) Out of the 30 million Theophylline Tab ER 125mg which could not be supplied in the year 2020, 7.934 million has been supplied this year and the supply of the remaining 22.066 million has been temporarily suspended due to sufficient stocks in the Medical Supplies Division.
3. (c) (ii) The actual production volume has been made as planned or more than planned. The following factors are mainly contributing towards influencing this change. However, we were able to achieve sales revenue that exceeded the targeted total sales revenue for the year.
3. (d) (i) The remaining potential investors are still constructing factories
3. (d) (ii) The manufacturer of the joint venture is supplying it directly to our company at the moment.
3. (d) (iii) Such problems arise when the same item is manufactured by our company and joint ventures.
3. (d) (iv) Supply has been made to the Medical Supplies Division as per the analytical reports issued by ITI (Institute of Industrial Technology) for surgical consumables under joint venture and we have not received any complaint in this regard.
- Following ITI's laboratory inspections, the equipment and raw materials required for the testing of surgical consumables will be procured and the testing of surgical consumables will begin in 2022 at SPMC Quality Control Labs.
3. (e) Deputy General Manager - The Board of Directors has submitted a paper dated 09.04.2021 for the advice of the Board regarding the transfer of this building to an investor through Planning and Procurement.
3. (f) The Board of Directors has approved the suspension of this project.
3. (g) The required reports have been submitted to M / S CECB and their Piling Condition Analysis Report (PCAR) has not been received yet.
3. (h) This project is currently being carried out under the supervision of M / S CECB
3. (i) Necessary supervision is being carried out to prevent such losses. An Age Analysis Report has been submitted to the Board of Directors. Follow the instructions given to minimize such losses in the future.
3. (k) (i) Competitive Examinations and Interviews for Posts Other than the Primary Grade Posts (PL) Vacancies and for the positions to be approved by the Recruitment Procedure from the Department of Management Services according to newspaper advertisements had to be postponed due to the Covid 19 epidemic. However, recruitments have been made for non-executive posts by conducting competitive examinations and interviews and interviews will be conducted in the future for the recruitment of six executive posts.
3. (l) (ii) In the face of the Covid 19 epidemic, the activities of our Corporation continued and the production of medicines also increased. However, the rapid packaging of finished drugs and their supply to the medical supply sector and the local market could not be improved in parallel. The medicine even had to be packed somewhere in the drug store. Due to the shortage of manpower, one product chain with 12 employees in the packaging sector was inactive at that time. This was also reported to the Department of Management Services and it was requested to increase the number of employees. Due to the Corona epidemic, there was no opportunity in the country at that time to publish newspaper advertisements, conduct interviews and recruit employees. Therefore, with the approval of the Secretary to the Ministry of Health, 20 Drug Finishing Assistants were recruited on a temporary basis subject to daily payment.

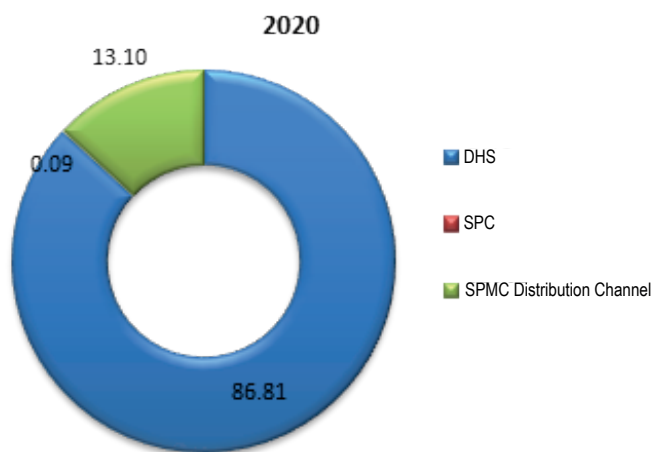
# GRAPHICAL REVIEW



### Major Contribution to the Production in 2020



## MARKETING



## FINANCE



# FINANCIAL HIGHLIGHTS FOR THE PAST 10 YEARS

(Rs.000)

|                                                                                         | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      |
|-----------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Turnover                                                                                | 1,431,655 | 1,414,546 | 1,941,182 | 1,712,105 | 2,054,363 | 2,434,508 | 3,174,612 | 4,621,537 | 5,646,878 | 7,647,780 |
| Cost of Sales                                                                           | 1,127,409 | 1,220,523 | 1,513,899 | 1,319,715 | 1,539,441 | 1,888,256 | 2,666,683 | 3,990,801 | 4,743,125 | 6,280,757 |
| Gross Profit                                                                            | 304,246   | 194,023   | 427,283   | 392,391   | 514,921   | 546,252   | 507,928   | 630,736   | 903,752   | 1,367,023 |
| Operational Profit                                                                      | 222,469   | 85,292    | 304,176   | 224,758   | 364,845   | 353,776   | 244,781   | 308,741   | 564,411   | 1,067,020 |
| Administration Overhead                                                                 | 72,730    | 82,390    | 106,096   | 133,933   | 125,469   | 165,788   | 204,579   | 242,218   | 237,694   | 247,137   |
| Interest Income                                                                         | 23,702    | 34,251    | 28,059    | 44,196    | 53,586    | 87,629    | 77,607    | 51,659    | 28,093    | 94,487    |
| Net Profit Before Tax                                                                   | 244,792   | 117,136   | 329,968   | 266,481   | 414,501   | 441,164   | 321,982   | 359,680   | 592,057   | 1,160,997 |
| Net Profit After Tax                                                                    | 193,029   | 98,561    | 209,154   | 183,848   | 262,323   | 296,646   | 223,907   | 251,262   | 434,777   | 1,017,364 |
| Fixed Assets                                                                            | 864,779   | 804,305   | 762,641   | 780,718   | 762,560   | 798,657   | 802,775   | 3,133,903 | 3,203,159 | 4,621,971 |
| Short Term Investment                                                                   | 331,779   | 210,691   | 429,896   | 913,443   | 1,027,388 | 1,175,754 | 926,461   | 369,761   | 474,984   | 3,040,316 |
| Total Assets                                                                            | 1,945,347 | 2,003,258 | 2,294,113 | 2,386,449 | 2,700,885 | 2,902,284 | 3,073,471 | 6,229,453 | 7,185,386 | 7,829,711 |
| No. of Employees                                                                        | 208       | 199       | 211       | 226       | 229       | 248       | 274       | 276       | 276       | 291       |
| <b>Total Assets = Net book value of total non current assets + total current assets</b> |           |           |           |           |           |           |           |           |           |           |

**ලියාපදිංචි කාර්යාලය**

11, සර් ජෝන් කොතලාවල මාවත,  
කඳවල වත්ත,  
රත්මලාන.

දුර: 2635353, 2637574, 2636966,  
2636967 (ADSL)  
ෆැක්ස් : 2634771, 2626621, 2623553  
වි - තැපෑල : [spmclanka@slt.net.lk](mailto:spmclanka@slt.net.lk)  
වෙබ් අඩවිය : [www.spmclanka.lk](http://www.spmclanka.lk)

**සහායක**

දුර : 2623238 (සෘජු)  
2635353, 2714771 (පොදු)

කළමනාකරු අධ්‍යක්ෂ  
දුර : 2636368 (සෘජු)  
2635353, 2637574 (පොදු)

සාමාන්‍යාධිකාරී  
දුර : 3153835 (සෘජු)  
2635353, 2637574 (පොදු)

නිෂ්පාදන දෙපාර්තමේන්තුව  
නියෝජ්‍ය සාමාන්‍යාධිකාරී - නිෂ්පාදන  
දුර : 2623521 (සෘජු)

සැලසුම් හා ප්‍රසම්පාදන දෙපාර්තමේන්තුව  
නියෝජ්‍ය සාමාන්‍යාධිකාරී  
- සැලසුම් හා ප්‍රසම්පාදන  
දුර: 2623298 (සෘජු)

කළමනාකාරී - සැලසුම් හා ප්‍රසම්පාදන  
දුර: 2637124 (සෘජු)

අලෙවි දෙපාර්තමේන්තුව  
අලෙවි කළමනාකාරී  
දුර : 3163308 (සෘජු)

තත්ව පාලන දෙපාර්තමේන්තුව  
නියෝජ්‍ය සාමාන්‍යාධිකාරී - තත්ව පාලන  
දුර : 5012945 (සෘජු)

වට්ටෝරු, පර්යේෂණ හා සංවර්ධන දෙපාර්තමේන්තුව  
නියෝජ්‍ය සාමාන්‍යාධිකාරී  
- වට්ටෝරු, පර්යේෂණ හා සංවර්ධන  
දුර : 5012950 (සෘජු)

මූල්‍ය දෙපාර්තමේන්තුව  
නියෝජ්‍ය සාමාන්‍යාධිකාරී - මූල්‍ය  
දුර : 2626630 (සෘජු)

මූල්‍ය කළමනාකරු  
දුර : 2623276 (සෘජු)

නඩත්තු දෙපාර්තමේන්තුව  
නියෝජ්‍ය සාමාන්‍යාධිකාරී - ඉංජිනේරු  
දුර : 2623246 (සෘජු)

කළමනාකරු - ඉංජිනේරු  
දුර : 2623239 (සෘජු)

අභ්‍යන්තර විගණක දෙපාර්තමේන්තුව  
අභ්‍යන්තර විගණක  
දුර : 2626619 (සෘජු)

මානව සම්පත් දෙපාර්තමේන්තුව  
මානව සම්පත් කළමනාකාරී  
දුර : 2636234 (සෘජු)

**පති ලියාපදිංචි කාර්යාලය**

11, ශ්‍රී ලංකා කොතලාවල මාවත,  
කඳවල වත්ත,  
රත්මලාන

දුර: 2635353, 2637574 , 2636966 , 2636967  
(ADSL)  
දුර: 2634771, 2626621, 2623553  
වි - තැපෑල : [spmclanka@slt.net.lk](mailto:spmclanka@slt.net.lk)  
වෙබ් අඩවිය : [www.spmclanka.lk](http://www.spmclanka.lk)

**තලාස**

දුර: 2623238 (ශ්‍රී ලංකා)  
2635353, 2714771 (පොදු)

මුද්‍රාපිටු ප්‍රකාශන ප්‍රධානියා  
දුර: 2636368  
2635353, 2637574 (පොදු)

පොදු මුද්‍රාපිටු ප්‍රකාශන  
දුර: 3153835 (ශ්‍රී ලංකා)  
2635353, 2637574 (පොදු)

උපදේශන තිහසුන්  
උපදේශන පොදු මුද්‍රාපිටු ප්‍රකාශන  
දුර: 2623521 (ශ්‍රී ලංකා)

නිවැරදි, කොප්පි, ප්‍රකාශන, ප්‍රකාශන  
නිවැරදි, කොප්පි, පොදු මුද්‍රාපිටු ප්‍රකාශන  
දුර: 2623298 (ශ්‍රී ලංකා)

නිවැරදි, කොප්පි, ප්‍රකාශන  
දුර: 2637124 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
දුර: 3163308 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
දුර: 5012945 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
දුර: 5012950 (ශ්‍රී ලංකා)

නිවැරදි, ප්‍රකාශන  
නිවැරදි, ප්‍රකාශන  
දුර: 2626630 (ශ්‍රී ලංකා)

නිවැරදි, ප්‍රකාශන  
දුර: 2623276 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
දුර: 2623246 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන  
දුර: 2623239 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
ප්‍රකාශන, ප්‍රකාශන, ප්‍රකාශන  
දුර: 2626619 (ශ්‍රී ලංකා)

ප්‍රකාශන, ප්‍රකාශන  
ප්‍රකාශන, ප්‍රකාශන  
දුර: 2636234 (ශ්‍රී ලංකා)

**Registered Office**

11, Sir John Kotelawala Mawatha,  
Kandawala Estate,  
Rathmalana.

Tel: 2635353 , 2637574 , 2636966 , 2636967(ADSL)  
Fax : 2634771,2626621,2623553  
email : [spmclanka@slt.net.lk](mailto:spmclanka@slt.net.lk)  
Web : [www.spmclanka.lk](http://www.spmclanka.lk)

**Chairman**

Tel : 2623238 ( Direct )  
2635353, 2714771 (General)

**Managing Director**

Tel : 2636368 (Direct)  
2635353, 2637574 (General)

**General Manager**

Tel : 3153835 (Direct)  
2635353, 2637574 (General)

**Production Dept.**

**DGM Production**  
Tel : 2623521 (Direct)

**Planning & Procurement Dept.**

**DGM Planning & Procurement**  
Tel : 2623298 (Direct)

**Manager Planning & Procurement**

Tel : 2637124 (Direct)

**Marketing Dept.**

**Manager Marketing**  
Tel : 3163308 (Direct)

**Quality Control Dept.**

**DGM Quality Control**  
Tel : 5012945 (Direct)

**Formulation, Research & Development Dept.**

**DGM Formulation, Research & Development**  
Tel : 5012950 (Direct)

**Finance Dept.**

**DGM Finance**  
Tel : 2626630 (Direct)

**Finance Manager**

Tel : 2623276 (Direct)

**Maintenance Dept.**

**DGM Engineering**  
Tel : 2623246 (Direct)

**Manager Engineering**

Tel : 2623239 (Direct)

**Internal Audit Dept.**

**Internal Auditor**  
Tel : 2626619 (Direct)

**Human Resources Dept.**

**Manager Human Resources**  
Tel : 2636234 (Direct)

