2016

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ஆண்டு அறிக்கை

ANNUAL REPORT



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இலங்கை அரச மருந்தகக் கூட்டுத்தாபனம்

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ANNUAL REPORT - 2016

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OUR VISION

- To become the prime partner in developing a healthier Nation

OUR MISSION

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

OUR VALUES

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

OUR SLOGAN

- Your health is our concern

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

FINANCIAL HIGHLIGHTS

DESCRIPTION	2016 Rs: ' 000 '	2015 Rs: ' 000 '	Variation (%)	2014 Rs: ' 000 '
Revenue - SPC	6,127,478	5,286,876	15.9	4,865,151
Supplies to DHS	26,127,912	19,176,807	36.2	17,269,008
Total Revenue	**32,255,390**	**24,463,683**	**31.9**	**22,134,159**
Gross Trading Profit SPC	1,656,938	1,410,722	17.5	1,247,074
Gross Surplus DHS	1,850,649	1,386,731	33	1,333,198
Gross Surplus	**3,507,587**	**2,797,453**	**25.4**	**2,580,272**
Other Income	43,084	51,259	(15.9)	25,738
Administrative Expenses	(1,101,435)	(1,057,970)	(4.1)	(969,744)
Other Operating Expenses	(580,844)	(563,357)	(3.1)	(749,825)
Finance Cost	(1,071)	(1,600)	33.1	(124)
Overdraft Interest	(5,434)	(734)	(640.3)	(149,659)
Finance Income	5,721	5,086	12.5	4,896
Profit Before Tax	**1,867,608**	**1,230,137**	**51.8**	**741,554**
Defined Benefit Plan	10,049	239,887	(95.8)	(212,044)
Taxation	(625,864)	(610,539)	2.5	(192,145)
Total Comprehensive Income	**1,251,793**	**859,485**	**45.6**	**337,365**
Treasury Levy/Dividend paid	**(216,000)**	**(100,000)**	**(116.0)**	**(75,000)**
Retained Earnings	5,985,037	5,022,870	19.2	4,263,205
Contributed Capital & Reserve	125,117	125,117	-	125,117
Non Current Assets	2,166,630	2,156,615	0.5	2,138,973
Current Assets	7,353,933	7,027,468	4.65	5,129,323
Non Current Liabilities	192,212	233,394	17.6	372,219
Current Liabilities	3,218,196	3,802,703	15.4	2,507,754
Net Current Assets	4,135,737	3,224,765	28.25	2,621,569
Ratios				
Gross Profit Ratio (%) SPC	27.0	26.7		25.6
Gross Profit Ratio (%) DHS		7.2		7.7
Gross Surplus to Sales (%)	10.9	11.4		11.7
Return on Capital Employed (%)	29.7	22.9		18.7
Interest Cover (times)	344.69	1,677		5.95
Equity to total Assets (times)	1:1.5	1:1.7		1:1.6
Turnover to Capital Employed (time)	5.12:1	4.55:1		4.65:1
Current Ratio (time)	1:2.29	1:1.85		1:2.05
Liquidity Ratio (time)	1:1.66	1:1.23		1:1.5
Stock Turnover Ratio -SPC (time)	2.04	2.07		2.34
OTHER INFORMATION				
Number of Employees	889	862		849
Earning per Employee (Rs.)	2,101	1,427		873
Sales per Employee (Rs.)	36,283	28,380		26,071

Board of Directors & Corporate Information

Board of Directors

Mr. Sarath Liyanage – Chairman

Attorney – at – Law and Commissioner for Oaths with over 30 years of experience in practice appeared in all courts up to the Supreme Court. Appeared throughout the Special Presidential Commission re–explosion in Kayts where Generals Kobbekaduwa and Wimalaratne were killed. Appeared throughout in international Commission consisting of two Chief Justices and a Knight which held sittings in Common Wealth Hall, London. Experience in state Institutions as the Executive Director and the Chairman. Consultant (Legal) for a prominent Group of Companies and also a Company Director. Being the President of the P.M.E Trust for the needy in Sri Lanka, a non-political organization, has rendered and continue to serve the needy people in Sri Lanka. He has been serving as the Chairman of State Pharmaceuticals Corporation since January 2015.

Dr. M. H. M. Rumie – Managing Director

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

Dr. Rumie, who has more than 10 years of managerial experience presently function as the Chairman & Managing Director of Ceylon Tea Land (Pvt) Ltd, Royal Packaging Solutions (pvt) Ltd, Trend Ceramics (pvt) Ltd, Contronics Lanka (pvt) Ltd, and as a Managing Partner at Skill Enterprise. He is also well experienced in trading and has participated in more than 50 exhibitions on behalf of Ceylon Tea Land (pvt) Ltd for promotion of Ceylon Tea organized by Sri Lanka Tea Board and Export Development Board of Sri Lanka. He has been serving as the Managing Director of State Pharmaceuticals Corporation since January 2015.

Mr. Mukthar Marikkar

Mr. Mukthar Marikkar is an Engineer by profession. He is a fellow Member of the Institute of Marketing UK, He has Professional Memberships and Business Council Memberships in various institutions. Including The Ceylon Chamber of commerce, Refrigeration Service Engineers Society, American society of Heating, Refrigerating and Air conditioning Engineers Inc. Mr. Mukthar Marikkar was appointed as a director of State Pharmaceuticals Corporation in March 2015. He is the founder Chairman of Frostaire Group of Companies since 1980 to date. He is also the board member in the director boards of Frostaire Panels (pvt) Ltd, Malwana Springs (pvt) Ltd, Regional Development Bank and Pan Asia Banking Corporation Ltd. He has at various times served on the Boards of a number of Private sector Institutions and Government Corporations including Rupavahini Corporation, Broadcasting Corporation.

Mr. Mukthar Marikkar is the Hon. Consul General for the Republic of Tunisia in Sri Lanka since 2001.

Dr. R. R. M. L. R. Siyambalagoda

Apart from his MBBS Medical Degree from the University of Peradeniya, Dr. Siyambalagoda has a Masters in Medical Administration from the University of Colombo and a M.Phil. in Community Nutrition from the University of Peradeniya. Presently, he is the Additional Secretary (Medical Services) and the DDG (PHS II), Ministry of health, Nutrition & Indigenous Medicine. He served as Medical officer for the General Hospital in Kurunegala and Maternal and Child Health in Polonnaruwa District In addition to this, he was also the Medical Officer of Health for Gampola, Higurakgoda and Polonnaruwa whilst also assuming the role of Regional Director of Health Services in the district of Polonnaruwa. In a directorial capacity, Dr. Siyambalagoda was the Deputy Director of the Teaching Hospital in Peradeniya, the Director of the Anti-Malaria Campaign.

Dr. B. G. N. Ratnasena

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

Mr. R. Pushpa Kumara de Zoysa

Mr. R.Pushpa Kumara de Zoysa was a Southern Provincial Councilor for 14 years from 1988 to 2004. He is a Diploma holder in Business Management (ICBT) and Human Resources Management (IPM). Mr. R. Pushpa Kumara de Zoysa was the Chairman South Gate College International, Managing Director of Reef Garden Hotel, Akurala, He was also a member of the Board of Directors of the Mathugama Plantation (pvt) Ltd. He was appointed as a director of State Pharmaceuticals Corporation in April 2015.

Mr. Gamage Sarath Kumara

Mr. Kumara holds Degree in Bachelor of Commerce (Special), University of Sri Jayawardanapura and acquired his masters qualification through successfully completing the Master of Arts in Financial Economics at the University of Colombo. Also, he got through the Chartered Accountancy Professional Part – I examination conducted by the Institute of Chartered Accountants of Sri lanka (ICASL) and being an Intermediate Accountant and a member of Certified Business Accountant (CBA) of ICASL. In addition, he is a member of Association of Accounting Technicians (AAT) of Sri Lanka.

Mr. Kumara currently working as a Director of the Department of Treasury Operations of the Ministry of Finance. He was appointed as a Director of State Pharmaceuticals Corporation In 2016. He has served as the President/ Chairman of the Public Service Mutual Provident Association (PSMPA) from 2012 to 2015 and Board Member of Statutory Institutions such as: Building Materials Corporation (BMC), Paranthan Chemicals Limited, Lakdiva Engineering Services Limited and National Building Research Organization (NBRO).

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

CORPORATE INFORMATION

Board of Directors

Mr. Sarath Liyanage	Chairman
Dr. M.H.M. Rumie	Managing Director
Dr. R. R.M.LR.Siyabalagoda	Director
Mr. Mukthar Marikkar	Director
Dr.B.G.N.Ratnasena	Director
Mr.R.Pushpa Kumara de Zoysa	Director
Mr. Gamage Sarath Kumara	Director (From 08.02.2016)

Audit Committee

Mr. Gamage Sarath Kumara	Chairman	(From 08.02.2016)
Dr. R.R.M.L.R Siyabalagoda	Director	
Mr. Mukthar Mrikkar	Director	

Auditors

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

Bankers

Bank of Ceylon
Corporate Branch, Bank of Ceylon Mawatha, Colombo 1.

People's Bank

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

Standard Chartered Bank

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

Commercial Bank of Ceylon Ltd.

City Office, 98 York Street, Colombo 1.

Registered Office

No.75 Sir Baron Jayatillake Mawatha, Colombo 1.

Date of Incorporation

September 22, 1971

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

MANAGEMENT TEAM

Mr. K. M. D. R. Dassanayake - General Manager



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

Mr. Madura Kuruppu - Deputy General Manager (Technical, Laboratory & Production)



Mr. Madura Kuruppu joined the SPC as the Manager (Technical & Laboratory Division) in 1997 & presently holds the Deputy General Manager -Technical, Laboratory & Production position. He functioned as the Deputy General Manager (Marketing) from 2006 – 2014 before reverting back to Technical, Laboratory & Production Division as the Divisional Head in 2014. He counts 37 years of experience in production, Quality Control, Administration & Marketing in the state & private sector organizations; He holds BSc degree from University of Colombo & also possesses the post Graduate Diploma in Industrial Engineering from NIBM and Post Graduate Diploma in Analytical Chemistry from University of Colombo.

Mr. Mahinda Gamage - Deputy General Manager (Finance)



Mr. Gamage joined the SPC as the Deputy General Manager (Finance) on 01/02/2001. He has 38 years' experience in the field of Accounting, Finance, Costing, Management Accounting and Financial Management. He is a fellow of CIMA London and also Member of CMA Australia. He is a holder of MBA from University of Colombo and Associate Member of SLIM Sri Lanka. He is a member of Chartered Institute of Ship Brokers London.

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



Mrs. W A S D K Perera joined the SPC in December 1984, Deputy General Manager (Marketing) from 01/11/2004 to 01/06/2006 and Deputy General Manager (Technical, Laboratory & Production) from 01/06/2006 to 01.08.2014 and presently holds Deputy General Manager (Marketing) from 01.08.2014. She holds a Bachelor of Science (Physical Science) Degree, Diploma in Management, Diploma in Business Management and Master of Business Administration. She is also a registered pharmacist.

MANAGEMENT TEAM

Continued.

Mr. H. G. W. Dharmasena - Deputy General Manager(Human Resources & Administration)



Mr. H G W Dharmasena joined the SPC in February 1982 and presently holds the position of Deputy General Manager (Human Resources & Administration).

He has a BLE Degree and a Masters Degree in Business Studies from the University of Colombo. He also has a Diploma in Purchasing & Material Management from the Institute of Supply and Material Management and has over 15 years of experience in management of stores operations too.

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



Mrs. P K S S Kulasuriya joined the SPC as a Management Trainee in 1997 and held the position of Acting Deputy General Manager (Procurement & Imports) from August 2011. She has obtained her BSc degree in Bio Science and Masters Degree in Business Administration from the University of Colombo. She has also obtained a Diploma in Purchasing & Material Management from the Institute of Supplies & Materials. She is a Corporate Member of the Institute of Supply & Materials Management.

Mrs. Priyanthi Dassanayake – Actg. Deputy General Manager

(Procurement & Imports- Surgical)



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

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

MANAGEMENT TEAM - Senior Management

Mrs. S.M.A.D.S.H. Sammandapperuma	Management Accountant
Mrs. P.D. Gunasekara	Accountant - Payments
Mrs. K. G. C. Shanthimala	Manager – Technical
Mr. U. Lokusuriya	Internal Auditor
Mrs. P. K. Wijeratne	Manager - Quality Assurance Laboratory
Mr. W.A.S. Wickramarachchi	Manager – Research & New Project
Mr. D. P. Ajith Liyanage	Manager - Management Information Systems
Mr. M. A. V. I. Kumarasiri	Field Manager (Monitoring of Distribution Systems)
Mr. W. U. Samaranayake	Manager - Osu Sala, Colombo 7 (Till 27.05.2016)
Mr. P.K.R. Fernando	Manager Wharf
Miss. C.S.Withanage	Manager Sales
Mrs. H.H.Piyadigama	Accountant – Stock & Pricing
Mrs. D.N.Devasurendra	Accountant - Revenue
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board
Mr. P.M.B.R.Somathilaka	Manager – Production
Mrs. M.W.Pushpa Jennet	Manager – Administration
Mrs. A.H. Alwis	Manager – Post Delivery Operation
Miss. M.K.A.P. Gunathilake	Manager – Promotion & Publicity
Mr. G. D. J. Pushpakumara	Manager – Stores & Inventory Control
Mr. A.P. Hapangama	Accountant - Financial Accounting
Mrs. M.B. Jayawardana	Manager – Stores & Inventory Control (Till 19.12.2016)
Mr. H.D.N.R. Gunasekara	Manager – Osusala, Colombo 04.
Mr. D.R. Kuruppumullage	Manager - Osusala, Colombo 01. (Till 25.08.2016)
Mrs.L.W.Damayanthi	Accountant – Salaries
Mr. D.K.A.P. Dassanayake	Manager – Human Resources
Mrs.M.A.S. Karunaratne	Accountant - Rajya Osusala
Mr.K.D.F.N.Perera	Manager – Sales
Mr.W. Jayantha	Manager – CPU (Covering duty ROS Col- 07 w.e.f 28.05.2016)
Mr. U. V Piyasena	Manager – Impsorts

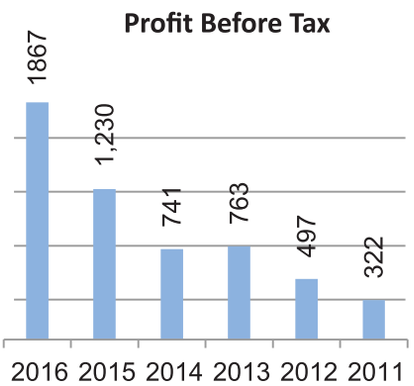
CHAIRMAN'S MESSAGE



It is a great privilege for me to present the Annual Report of State Pharmaceuticals Corporation for the year 2016.

Year 2016 was the second year of operation under my stewardship, and has produced remarkable performances.

In the second consecutive year, Profit before Tax has surpassed Billion Rupee mark and reached almost two billion mark during the year under review. Profit Before Tax has recorded as Rs.1,867 Million which is a growth of 51.7 % as against Rs.1230 Million recorded in 2015. Compared to 2014 in my period it is 161.7% growth.

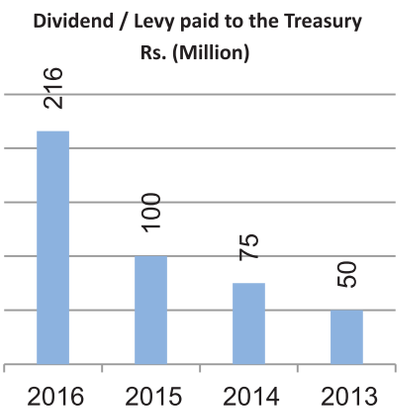


The operational activities of "SPC" are two pronged; Supply of Medicines & Healthcare Items to Medical Supplies Division, which in turn distribute those to all the Government Hospitals, & to make available in the open market through our own Rajya Osu Sala Outlets, Franchised Outlets and through Distributors. Both the Sectors have recorded reasonable growth during the year under review.

The main focus in our operation is the "Service to the Nation" by offering Quality Assured Healthcare Products at Affordable prices to the people of the Country.

"SPC" being the Largest Importer of Drugs in the Private Market and maintaining a reasonable low price, have been able to regulate the prices of the Drugs in the entire Country to a great extent.

While operating as a Financially Viable Entity under the State Ownership, we were being able to pay Rs. 216 Million to the General Treasury as Dividend and also paid Rs. 518.9 Million as Income Tax on Profit, during the year under review.



During the year under review (in Oct 2016), 48 selected commonly used drugs were fixed with Maximum Retail Prices by the Hon. Minister of Health Nutrition & Indigenous Medicine. SPC was being able to actively involved in successful implementation of government policy. There is no doubt, this ease off the drugs- bill of majority of people in the Country. SPC has to play a vital role in implementing "new Drugs Policy" along with control drug prices, which may be implemented to many more drugs in the near future.

The guidance & assistance received from the Hon. Dr. Rajitha Senaratne - The Minister of Health Nutrition & Indigenous Medicine, Secretary to the Ministry of Health, Officials of Ministry of Health, Auditor General and his Staff, the Officials of Ministry of Finance, my Managing Director and other Board Members, Management & all the Staff Members at SPC, was immense in achieving the above results.

Hope & wish that we will be able to contribute more to the motherland, in the years to come.



Sarath Liyanage
CHAIRMAN

MANAGING DIRECTOR'S FINANCIAL REVIEW



I am happy to present the Managing Director's Report with regard to the performance of the Corporation for the year 2016. During the period under review, State Pharmaceuticals Corporation recorded highest ever turnover of Rs. 32,25 4 million which is 32% increase against the previous year. The reason for increase is, improving the business in all the segments.

SPC is the sole importer of Healthcare items to 'Medical Supplies Division' to ensure continuous supply of quality assured Pharmaceuticals and Healthcare items to the Government Hospitals. SPC also imports and sell in the open market through ,our own Rajya Osusala Outlets, Franchised Osusala outlets & Distributors, to cover the entire island.

FINANCIAL PERFORMANCE

During the year under review, healthcare items to the tune of Rs.26,128 million had been supplied to the Medical Supplies Division, which is a 36% increase against the Rs. 19,177 million in 2015.

The Turnover from the open market operations, has recorded as Rs.6,127 million during the year 2016. It is an increase of 16 % when compares with the turnover of Rs.5,286 million recorded in 2015. The increase in sales was mainly due to the expansion of distribution network, during the year 2016.

SPC has recorded a Profit before Tax of Rs.1,867 million during 2016. This is an increase of 51.7 % as against the previous year figure of Rs. 1230 million. This increase in profit was mainly due to the improvement in sales coupled with controlling expenditure.

Even though the motto of the Corporation is service, ”SPC” has been operating as a profitable government, owned business Enterprise, SPC has paid Rs.216 million as dividend to the General Treasury during the year under review. This contribution has made in addition to the tax payment of Rs. 518.9 million (cash basis) for the year 2016.

TECHNICAL & LABORATORY

SPC continued its commitment towards maintaining the quality standard of the Products marketed by SPC. To ensure this all SPC drugs are tested in four stages “Tender Samples”, “Pre Shipment Samples”, “Pre Distribution Samples” and “Post Delivery Samples”. SPC Laboratory tests tender samples of 'MSD' supplies too.

PROMOTION SPC GENERICS

SPC established Rajya Osuslala Outlets in Gampaha, Nagoda and Kandy -Railway Station during the year 2016. At the end of the year, there were altogether 34 Rajya Osusala Outlets, 103 Franchised Osusala Outlets, 47 Distributors and 10 Authorized Retailers are in operation for open market sales.

As a tribute to the founder Chairman of SPC Professor Senaka Bibile, we are contributing with the “Senaka Bibile Commemoration Scholarship Program” to the Medical Students who performed best in the Pharmacology in each of the seven Medical Faculties of the Universities in Sri Lanka. Apart from the above, awareness to the general public in the availability of generic drugs and the rational use of drugs were carried through TV programs, print media, clinical meetings, workshops and sponsoring of medical activities. As a 'CSR' project, 'SPC' has contributed Computers, Books & Other infrastructure facilities to under privileged Schools.

Dealer's Convention 2016





Senaka Bibile Commemoration





Two new editions of the Magazine “Prescriber” were published and distributed among the Medical professionals in order to update information on Medicine

HUMAN RESOURCES DEVELOPMENT

We maintain cordial relations with our staff and have constant dialogue with them. Employee training on various topics is conducted by internal and external resource personnel. Annual events held are Sinhala Avurudu celebrations, Annual Get together, Annual Trip, Blood donation Campaign, Vesak Bana etc.

Blood donation Campaign







Annual Get Together (Dream Paradise Veyangoda)





During the year under review total workforce was 1031, out of which 142 are trainees. In order to provide them with a career growth plan within the organization and to improve their skills, 235 employees were sent for local training programmes and 10 employees were sent for overseas training programmes.

Type of Training	No.of Trainings	No.of Employees
Local Trainings	17	20
Group Trainings	05	162
Foreign Trainings	10	53
Total	32	235

All staff welfare benefits which were prevailed in the Corporation prior to 2015, were continued during the year 2016 too.

ACKNOWLEDGMENT

I take this opportunity to thank our Chairman and entire management & the staff in all categories for their dedicated service rendered to the corporation to achieve the growth that has been recorded. Also, I would like to thank Hon. Minister of Health & Indigenous Medicine, Officials to Ministry of Health & Ministry of finance for their guidance & support rendered to me during the year.

Dr.M.H.M Rumie
Managing Director

REPORT OF THE DIRECTORS

The directors of the State Pharmaceuticals Corporation present herewith the audited financial statements for the year ended 31 December 2016.

The Financial Statements of the Corporation was submitted to the Auditor General on 01st March 2017 in accordance with the Section 6.5.1 of Public Enterprises Guidelines, issued by the Director General of the Department of Public Enterprises in the General Treasury.

Formation

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

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 188 to 194

Results

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

Review of Business

The state of affairs of the Corporation as at 31st December 2016 is set out in the Statement of Financial Position and assessment of the Corporation during the financial year is given in the Managing Director's Report.

Property, Plant & Equipment

Property, Plant and Equipment is stated at cost net of accumulated depreciation. The movements in Property, Plant & Equipment during the year are set out in Note 16 to the financial statements. The value shown therein is not materially different from its current market value.

Main Activities

Main activities of the Corporation are,

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

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

Reserves

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

Directors

Directors of the corporation as at 31st December 2016 were as follows,

Mr. Sarath Liyanage	Chairman	
Dr. Mohamed Hashim Mohamed Rumie	Managing Director	
Dr. R.R.M.L.R Siyabalagoda	Director	
Mr. Mukthar Mrikkar	Director	
Dr. B.G.N. Rathnasena	Director	
Mr. R. Pushpa Kumara De Zoysa	Director	
Mr. G.Sarath Kumara	Director	(From 08.02.2016)

Audit Committee

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

Corporate Governance/Internal Control

The Corporation has put in place systems and procedures to ensure the implementation of sound corporate governance principles. The Audit Committee report is given in page No 180

Employment

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

Statutory Payments

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

Environmental Protection

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

Contribution to the Government

The Corporation has paid Rs.518.9 million by the way of Income tax and deemed dividend tax, in addition to the Rs. 216 million paid as dividend to the Government Treasury.

Corporate Social Responsibility

During the year the Corporation contributed Rs. 1,358,436/- for charitable purpose.

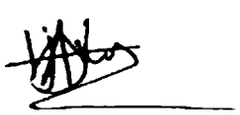
Post Balance Sheet Events

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

Auditors

Auditor General carried out the Audit of the Financial Statement of the State Pharmaceuticals Corporation of Sri Lanka for the financial year ended 31st December 2016.

By Order of the Board



Anuradha Wijayawardana
Legal Officer /Secretary to the Board

REPORT OF THE AUDIT COMMITTEE

Constitution of the Audit Committee

The Audit Committee consists of Three Non-Executive Directors of the Board. The Director who represents the General Treasury would function as Chairman of the Committee. During the Financial year ended 31st December 2016, followings members attended to the Meetings of the Audit Committee.

Mr. G.S Kumara – Chairman of the Committee.
Dr. R.R.M.L.R Siyabalagoda – Member
Mr. Mukthar Marikkar – Member

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

The Functions of the Audit Committee

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

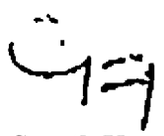
1. Review and evaluate the internal control systems and recommend modifications where necessary.
2. Review and approve Internal Audit Plan for the year 2016.
3. Review Internal Auditor's reports, and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.
4. Review External Auditors Audit Queries and the matters raised by them in the reports in terms of section 13(7) (a) and 14 (2) (c) of the Finance Act No. 38 of 1971.
5. Review of implementation of recommendations of the Committee of Public Enterprises (COPE).

Internal Audit Division

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

Meetings

During the year 2016, Four Audit Committee meetings were held. The Committee has submitted its comments on the identified deficiencies to the Management. Accordingly, the remedial measures have been taken to rectify the identified deficiencies.



G. Sarath Kumara
Chairman of the Audit Committee

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

	NOTE	2016 Rs.	2015 Restated Rs.
ASSETS			
Property Plant and Equipment	**16**	1,980,968,377	1,981,695,566
Leasehold Land - Ratmalana		10,040,000	10,200,000
Capital Work in Progress		156,101,101	148,598,345
Intangible Assets	**17**	3,609,294	-
Other non- Current Assets	**18**	15,911,591	16,120,702
Total Non- Current Assets		**2,166,630,363**	**2,156,614,613**
Current Assets			
Inventories - SPC	**19**	2,009,502,353	2,338,651,229
Stock in Transit - DHS	**20**	540,693,242	788,342,127
Trade & Other Receivables	**21**	4,521,175,325	3,059,331,596
Prepayments	**22**	37,614,329	33,046,449
Cash in Hand and at Bank	**23**	244,947,473	790,525,341
Total Current Assets		**7,353,932,721**	**7,009,896,743**
Total Assets		**9,520,563,084**	**9,166,511,356**
EQUITY AND LIABILITIES			
Contributed Capital		59,055,258	59,055,258
Retained Earnings		5,985,037,149	4,949,243,063
General Reserves		66,061,447	66,061,447
Total Equity		**6,110,153,854**	**5,074,359,767**
Non- Current Liabilities			
Retirement Benefit Obligation	**24**	153,435,319	150,917,657
Deferred Tax Liability	**25**	38,777,329	82,475,966
Total Non- Current Liabilities		**192,212,648**	**233,393,624**
Current Liabilities			
Trade and Other Payables	**26**	2,657,620,323	3,431,867,779
Income tax Payable		519,769,910	369,195,586
Deferred Income		1,103,484	1,005,157
Current Financial Liabilities	**27**	39,702,865	56,689,443
Total Current Liabilities		**3,218,196,582**	**3,858,757,964**
Total Equity & Liabilities		**9,520,563,084**	**9,166,511,356**

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board by,

.....	.....	.....	.....
Sarath Liyanage	Dr.M.H.M Rumie	K.M.D.R Dasanayake	Mahinda Gamage
Chairman	Managing Director	General Manager	Deputy General Manager Finance

The accounting policies and notes on pages 181 to 220 from an integral part of the financial statements.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Contributed Capital Rs.	General Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31st December 2013	**59,055,258**	**66,061,447**	**4,000,840,298**	**4,125,957,00**
Balance as at 01st January 2014	59,055,258	66,061,447	4,000,840,298	4,125,957,00
Total Comprehensive Income for the year				-
Net Profit for the year			549,409,084	549,409,084
a. Correction of incorrectly understated payment of contribution to the employees' Provident fund (net)			(53,867,595)	(53,867,595
c. Correction of incorrectly understated bank charges from 2014 - 2012			(10,463,040)	(10,463,040
Gain/ losses on defined benefit plan			(212,044,242)	(212,044,242
Transaction with Government Treasury				
Treasury levy paid			(75,000,000)	(75,000,000
Balance as at 31st December 2014	**59,055,258**	**66,061,447**	**4,198,874,505**	**4,323,991,21**
Balance as at 01st January 2015	59,055,258	66,061,447	4,198,874,505	4,323,991,21
Total Comprehensive Income for the year				
Net Profit for the year			619,598,174	619,598,174
Gain/ losses on defined benefit plan			239,887,050	239,887,050
b. Correction of incorrectly understated payment of Employees Retirement Gratuity			(1,263,395)	(1,263,395
c. Correction of incorrectly understated bank charges during the year 2015			(7,853,272)	(7,853,272
Transaction with Government Treasury			-	-
Treasury levy/Dividend paid			(100,000,000)	(100,000,000
Balance as at 31st December 2015	**59,055,258**	**66,061,447**	**4,949,243,063**	**5,074,359,76**
Balance as at 01st January 2016	59,055,258	66,061,447	4,949,243,063	5,074,359,76
Total Comprehensive Income for the year				
Net Profit for the year			1,241,744,631	1,241,744,631
Gain/ losses on defined benefit plan			10,049,455.00	10,049,455
Transaction with Government Treasury				
Treasury levy/Dividend paid			(216,000,000)	(216,000,000
Balance as at 31st December 2016	**59,055,258**	**66,061,447**	**5,985,037,149**	**6,110,153,85**

Note (a)

Following errors have been rectified by restating the financial statement 2015 as given below:

		Value Rs	Tax effect @ 28% Rs.	Net Bal Rs.
(a)	Correction of incorrectly understated payment of contribution to the employees' provident fund (arrears payment from 2006 to 2013)	74,816,104	20,948,509	53,867,595
(b)	Correction of incorrectly understated payment of Employees Retirement Gratuity	1,754,715	491,320	1,263,395
(c)	Correction of incorrectly understated bank charges from 2015-2012	25,439,321	7,123,010	18,316,311
	Total	**102,010,140**	**28,562,839**	**73,447,301**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

	Note	SPC OPERATIONS Rs.	DHS OPERATIONS Rs.	TOTAL OPERATIONS 2016 Rs.	TOTAL OPERATIONS 2015 Restated Rs.
Income	7	**6,127,478,055**	**26,127,912,765**	**32,255,390,820**	**24,463,683,130**
Less					
Direct Expenses - MSD	8		24,277,263,139	24,277,263,139	17,790,075,832
Cost of Sales - SPC	9	4,393,278,237		4,393,278,237	3,809,522,685
Cost of Production - ORS	10	77,262,126		77,262,126	66,631,913
Gross Profit/ Surplus		**1,656,937,692**	**1,850,649,626**	**3,507,587,319**	**2,797,452,700**
Add: Other Operating Income	11	43,084,880		43,084,880	51,259,458
Less					
Administrative Expenses	12	727,041,490	374,394,096	1,101,435,586	1,057,970,222
Other Operating Expenses	13	290,244,341	290,599,473	580,843,815	563,357,200
Operating Profit		**682,736,741**	**1,185,656,057**	**1,868,392,798**	**1,227,384,737**
Less: Finance Expenses	14	1,343,931	5,161,447	6,505,378	2,333,916
Add: Finance Income (Staff Loan)		5,721,102	-	5,721,102	5,086,500
Profit Before Tax		**687,113,912**	**1,180,494,609**	**1,867,608,521**	**1,230,137,320**
Income Tax Expenses	15	230,262,274	395,601,616	625,863,890	610,539,146
Profit After Tax		**456,851,638**	**784,892,994**	**1,241,744,631**	**619,598,174**
Other Comprehensive Income:					
Gain/ Losses on defined benefit plan		4,421,760	5,627,695	10,049,455	239,887,050
Total comprehensive income for the year		**461,273,398**	**790,520,689**	**1,251,794,086**	**859,485,224**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2016

	OSU SALA TRADING Col.07	OSU SALA TRADING Col.04	OSU SALA TRADING Col .01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINU.	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSU SALA TRADING KURUNEGALA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	722,382,833	419,518,108	189,168,479	186,039,636	118,180,564	43,581,525	80,493,196	33,240,559	84,151,120	94,588,564	77,732,973	104,756,566
COST OF SALES & TRANSFERS	611,604,911	359,498,785	157,840,675	150,926,409	96,947,007	35,577,774	66,019,070	26,133,928	68,055,396	75,669,470	63,603,463	86,172,812
GROSS PROFIT ON												
SALES & TRANSFERS	**110,777,922**	**60,019,323**	**31,327,804**	**35,113,227**	**21,233,557**	**8,003,750**	**14,474,125**	**7,106,631**	**16,095,724**	**18,919,093**	**14,129,510**	**18,583,755**
ADMINISTRATIVE EXPENSES												
Personnel Expenses	42,260,074	17,929,683	8,677,838	15,544,991	10,171,105	6,927,475	10,502,126	5,867,304	9,175,624	12,395,663	9,550,888	9,437,181
Travelling Expenses	10,136	13,219	21,470	18,089	1,149	22,490	34,010	10,210	1,510	5,910	4,350	3,460
Supplies & Requisites	327,397	117,921	137,490	118,335	201,260	59,105	118,451	68,553	101,847	72,164	30,638	84,144
Repairs & Maintenance	798,751	1,593,431	385,130	256,798	207,160	136,335	90,749	68,860	140,376	238,229	177,748	223,857
Transportation, Communication	12,216,912	4,196,407	2,361,496	4,154,612	3,199,750	2,994,115	3,029,341	2,254,281	2,797,835	3,129,173	3,431,981	4,527,506
Utilities & Other Services												
OTHER OPERATING EXPENSES												
Selling & Distribution Expenses	1,523,083	297,265	204,193	629,580	543,577	324,726	543,930	168,797	293,259	600,663	434,599	383,076
TOTAL OVERHEADS	**57,136,353**	**24,147,926**	**11,787,618**	**20,722,404**	**14,324,001**	**10,464,247**	**14,318,607**	**8,438,005**	**12,510,452**	**16,441,802**	**13,630,203**	**14,659,224**
NET PROFIT/(LOSS)	**53,641,568**	**35,871,397**	**19,540,186**	**14,390,823**	**6,909,556**	**(2,460,497)**	**155,519**	**(1,331,375)**	**3,585,272**	**2,477,292**	**499,308**	**3,924,531**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2016

	OSU SALA TRADING AMPARA	OSU SALA TRADING HAMBANTOTA	OSU SALA TRADING A'PURA	OSU SALA TRADING MAHARAGAMA	OSU SALA TRADING J, PURA	OSU SALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA- CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLETS RATMALANA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	60,594,954	29,777,680	82,277,774	90,026,238	164,516,169	94,042,103	70,667,113	75,279,977	21,539,774	35,787,634	72,562,142	9,818,120
COST OF SALES & TRANSFEF	51,672,236	24,725,782	66,964,980	73,971,822	137,315,424	78,334,905	58,662,321	63,390,693	17,915,304	30,369,031	60,225,224	8,033,182
GROSS PROFIT ON												
SALES & TRANSFERS	**8,922,718**	**5,051,898**	**15,312,794**	**16,054,416**	**27,200,745**	**15,707,198**	**12,004,793**	**11,889,285**	**3,624,470**	**5,418,603**	**12,336,917**	**1,784,938**
ADMINISTRATIVE EXPENSES												
Personnel Expenses	5,531,779	4,782,207	6,335,773	8,876,694	18,838,461	10,175,653	6,666,170	6,428,441	3,556,840	4,792,774	5,588,153	1,983,156
Travelling Expenses	439	12,096	669	7,389	5,847	24,900	480	20,774	26,487	12,242	2,945	5,680
Supplies & Requisites	45,381	21,734	93,021	156,910	145,180	93,933	48,975	23,091	111,267	75,849	66,614	17,055
Repairs & Maintenance	103,024	62,974	228,727	156,370	104,021	484,968	154,241	60,871	19,502	41,507	117,578	8,118
Transportation, Communication	2,419,609	2,018,366	3,226,290	2,664,409	4,561,177	4,050,537	3,061,449	2,242,643	364,625	4,074,069	2,721,370	220,875
Utilities & Other Services												
OTHER OPERATING EXPENSES												
Selling & Distribution Expenses	152,404	109,482	86,482	295,692	511,870	351,698	198,895	179,576	46,746	107,042	174,717	38,652
TOTAL OVERHEADS	**8,252,637**	**7,006,859**	**9,970,961**	**12,157,463**	**24,166,557**	**15,181,688**	**10,130,209**	**8,955,396**	**4,125,466**	**9,103,483**	**8,671,377**	**2,273,536**
NET PROFIT/(LOSS)	**670,081**	**(1,954,961)**	**5,341,833**	**3,896,953**	**3,034,188**	**525,511**	**1,874,584**	**2,933,889**	**(500,996)**	**(3,684,881)**	**3,665,540**	**(488,598)**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2016

	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY-RAILWAY	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	34,121,220	63,613,906	35,299,445	38,996,240	47,270,692	37,434,120	5,378,063	135,187,277	3,358,024,763
COST OF SALES & TRANSFEF	27,249,205	52,745,272	28,343,742	32,121,815	37,847,125	30,454,238	3,868,799	96,577,037	2,778,837,836
GROSS PROFIT ON SALES & TRANSFERS	**6,872,016**	**10,868,634**	**6,955,703**	**6,874,425**	**9,423,567**	**6,979,882**	**1,509,264**	**38,610,240**	**579,186,927**
ADMINISTRATIVE EXPENSES									
Personnel Expenses	5,320,296	6,308,302	5,057,910	3,556,443	4,312,516	4,521,985	1,606,274	4,642,041	277,321,821
Travelling Expenses	5,656	23,130	3,875	5,690	1,600	5,470	8,486	24,559	344,417
Supplies & Requisites	42,944	32,083	34,915	40,125	22,217	36,801	18,126	26,673	2,590,199
Repairs & Maintenance	108,096	136,441	42,871	153,975	59,378	79,721	58,781	181,418	6,680,006
Transportation, Communication	2,037,948	2,609,493	1,294,580	2,930,805	1,819,950	2,217,136	654,946	2,372,640	95,856,327
Utilities & Other Services									-
OTHER OPERATING EXPENSES									
Selling & Distribution Expenses	182,369	52,947	110,209	115,241	133,057	219,130	12,371	315,030	9,340,356
TOTAL OVERHEADS	**7,697,310**	**9,162,396**	**6,544,360**	**6,802,279**	**6,348,717**	**7,080,244**	**2,358,984**	**7,562,362**	**392,133,126**
NET PROFIT/(LOSS)	**(825,294)**	**1,706,237**	**411,343**	**72,146**	**3,074,850**	**(100,361)**	**(849,720)**	**31,047,878**	**187,053,801**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2016

	2016 Rs.	2015 Rs.
Cash flow from operating activities		
Net profit before taxation,	**1,867,608,521**	**1,230,137,320**
Adjustments for:		
Depreciation	50,806,634	59,027,447
Gratuity provision for the year	25,614,428	32,623,953
Land lease amortisation - Ratmalana	160,000	160,000
Profit/loss on disposal of fixed assets	-	(597,667)
Lease amortisation	209,111	654,598
Re- valuation loss	26,978,382	-
Amortisation charges (software)	1,804,647	-
Unrealized profit	(1,752,868)	(6,631,956)
Provision for bad debts	165,517,916	327,293,694
Stock losses	38,170,084	5,481,653
Provision for damaged & outdated stock - SPC	129,988,035	46,836,966
Provision for damaged & outdated stock DHS	51,840,020	(10,262,566)
Interest expenses	5,434,349	734,134
Operating profit before working capital changes	**2,362,379,259**	**1,685,457,576**
Increase/Decrease in trade and other receivable	(1,627,361,644)	(1,008,389,469)
Increase/Decrease in deposit & prepayments	(4,567,880)	4,917,986
Increase/Decrease in inventories	162,743,626	(1,019,168,622)
Increase/Decrease in Goods in Transit	195,808,865	(249,369,801)
Increase/Decrease in trade payables	(774,247,456)	1,096,886,949
Deferred Income	98,328	256,927
Cash generated from operations	**314,853,098**	**510,591,546**
Income tax paid	(518,988,204)	(268,319,436)
Gratuity paid	(13,047,311)	(14,039,042)
Interest paid	(5,434,349)	(734,135)
Treasury levy/ dividend paid	(216,000,000)	(100,000,000)
Cash flow before extraordinary items	**(753,469,864)**	**(383,092,613)**
Net cash from operating activities	**(438,616,766)**	**127,498,933**
Cash flow from investing activities		
Purchase of property, plant and equipment	(77,057,828)	(285,129,811)
Increase/Decrease in work in progress	(7,502,756)	160,858,055
Computer Software	(5,413,941)	-
Disposal of fixed assets	-	7,631,000
Net cash used in investing activities	**(89,974,524)**	**(116,640,756)**
Net increase in cash and cash equivalents	(528,591,290)	10,858,177
Cash and cash equivalents at beginning of period	**733,835,898**	**722,977,721**
Cash and cash equivalents at end of period (Note A)	**205,244,608**	**733,835,898**

Note A : Cash and cash equivalents	2016 Rs.	2015 Rs.
Cash in hand & at bank	192,385,793	67,955,492
Repurchase Agreements - B.O.C & P.B	-	675,000,000
Treasury bill investment	52,561,680	47,569,848
Bank overdraft	(39,702,865)	(56,689,443)
Cash and cash equivalents	**205,244,608**	**733,835,898**

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

General

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

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

Principal Activities

The main functions are,

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

2. BASIS OF PREPARATION

2.1 Basis of Preparation

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

2.2 Basis of Measurement

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

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

2.3 Going Concern

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1.1 Significant Accounting Policies

The Accounting Policies applied by the Corporation are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary, to conform to the current year's presentation.

3.1.2 Property Plant and Equipment

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

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

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

When significant parts of property, plant and equipment are required to be replaced at intervals,

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

3.1.2.1 Lease hold property

The Corporation classifies Rathmalana land as a finance lease and amortises the total lease value over the remaining useful life of the land.

3.1.3 Depreciation

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

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

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

3.1.4 Capital work in progress

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

3.1.5 Intangible assets

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

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

Computer Software 3 years

3.1.6 Impairment of non financial assets

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

3.1.7 Taxation

3.1.7.1 Current taxation

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

Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No: 10 of 2006 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.

3.1.7.2 Deferred taxation

In respective of each type of temporary differences recognized in the Balance Sheet, were considered for

the Deferred Tax Liabilities and Assets. Mainly, in Financial Statements Fixed Assets, Provision for Retiring Gratuity, impairment on debtors were considered. Deferred Tax Assets & Liabilities are measured at the Income Tax Rate.

3.2.1 Inventories

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

Measurement of inventories

3.2.2 Cost of Inventories

Raw Materials - ORS

Cost of purchases together with any incidental expenses.

Work In progress

Raw material cost and variable manufacturing expenses in full.

Finished Goods

Raw material cost and variable manufacturing expenses in full.

3.2.3 Cash & Cash Equivalents

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

3.2.4 Research costs

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

4. LIABILITIES AND PROVISIONS

4.1 Retirement Benefit Obligations

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. This Liability recognized in the balance sheet represents the present value of the defined benefit obligations at the balance sheet date estimated using the projected unit credit method. These benefits are not externally funded.

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

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs.' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2016. The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

Expected Annual Average

Salary Increment Rate	-	6 %
Allowance increment Rate	-	10 %
Discount Rate / Interest Rate	-	10.5 %
Staff Turnover Factor	-	3 %
Retirement Age	-	60 years

4.1.2 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

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

Employees' Provident Fund

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

Employees' Trust Fund

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

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 Revenue Recognition

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

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Other Income

Other income is recognized on an accrual basis.

Claims Receivable from Suppliers

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

5.1.2 Expenses

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

5.1.3 Financial Expenses

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

5.1.4 Allocation between overheads

Overheads have been allocated between SPC & DHS based on percentage after analyzing the activities involved.
In the Financial Statements, Overheads allocation method is as follows.

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

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 receivables.

6.1.2 Subsequent Measurement

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

6.1.2.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Corporation did not have any financial assets at fair value through profit or loss during the years ended 31st December 2016.

6.1.2.2 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 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 in the income statement in finance cost.

6.1.2.3 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.

6.1.2.4 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 recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised 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 recognised 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 to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Corporation has the intent 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 a 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 years ended 31 December 2016.

6.1.2.5 Derecognition

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.

6.1.2.6 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 is 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. Currently the Corporation identifies a specific provision for trade receivables.

6.1.2.7 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, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 and collective impairment for different categories of general debtors.

6.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of SLAS (SLFRS/LKAS) 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Corporation's financial liabilities include trade and other payables, bank overdrafts.

Subsequent measurement

The measurement of financial liabilities is at the amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE 7

INCOME	2016 Rs.	2015 Rs.
Revenue - SPC		
Bulk trading	2,555,469,255	2,292,028,469
ORS sales	99,299,632	84,476,828
Osusala sales	3,358,024,763	2,892,924,290
Provision for Unrealized Profit	(1,752,868)	(6,631,956)
Credit Insurance	1,793,360	1,466,198
Claims Received from Suppliers	114,643,913	22,612,511
Total	**6,127,478,055**	**5,286,876,339**
Revenue - DHS		
Import supplies	20,672,225,417	14,927,370,007
Local supplies	5,293,393,243	4,108,061,775
Claims Received from Suppliers	162,294,105	141,375,008
Total	**26,127,912,765**	**19,176,806,790**
Total Revenue	**32,255,390,820**	**24,463,683,130**

COST OF SALES / DIRECT EXPENSES — NOTE 08

DIRECT EXPENSES - DHS	2016 Rs.	2015 Rs.
Revenue	**26,127,912,765**	**19,176,806,790**
DIRECT COST		
C & F value of DHS supplies	18,821,509,107	14,006,017,038
Custom duties & taxes	378,983,691	338,971,781
Cost of local supplies	5,146,801,305	4,003,983,567
Total	**24,347,294,102**	**18,348,972,385**
Clearing charges (Bank charges, Stamp fee , Commission & LC chg.	249,671,390	166,555,664
Landing charges	30,198,641	16,975,277
Import licenses fee	49,438,134	31,397,021
Total	**329,308,165**	**214,927,962**
Less: Stock in transit	399,339,127	773,824,515
Direct expenses/ Cost of sales	**24,277,263,139**	**17,790,075,832**
Gross profit/surplus	**1,850,649,626**	**1,386,730,958**

NOTE 09

COST OF SALES -SPC	BULK TRADING Rs.	OSUSALA TRADING Rs.	TOTAL TRADING SPC-2016 Rs.	TOTAL TRADING SPC-2015 Rs.
Stock In trade at the beginning of the year	1,361,481,142	652,656,361	2,014,137,503	1,249,637,923
Add :				
Imported drugs	2,014,357,513		2,014,357,513	2,239,398,908
Consumables for the laboratory	4,103,620		4,103,620	2,361,626
Local purchases (SPC tenders)	693,613,858		693,613,858	693,290,601
C.P.U - Purchases	236,530,051		236,530,051	254,701,024
Local purchases (Osusalas)	-	1,431,875,548	1,431,875,548	1,430,262,012
Transfers	(1,382,429,083)	1,382,429,083	-	-
STOCK AVAILABLE FOR SALES	**2,927,657,102**	**3,466,960,992**	**6,394,618,094**	**5,869,652,094**
Less: Stock In trade at end of the year	1,313,216,700	688,123,157	2,001,339,857	2,060,129,409
COST OF SALES & TRANSFERS	**1,614,440,402**	**2,778,837,836**	**4,393,278,237**	**3,809,522,685**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE -09A

COST OF SALES	OSU SALA TRADING Col 7	OSU SALA TRADING Col.04	OSU SALA TRADING Col .01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINUWANGODA	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSUSALA TRADING KURUNEGALA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -												
at the bigining of the year	102,087,448	24,706,354	53,969,717	46,495,257	27,971,444	10,721,197	24,269,573	6,892,116	14,606,837	27,962,506	19,980,050	22,381,551
Local purchases	429,106,056	289,786,143	74,696,523	66,973,679	53,042,128	9,378,687	28,328,008	9,292,311	34,935,383	29,711,335	24,088,472	40,335,134
Transfers	183,242,367	80,916,658	81,122,089	83,144,035	55,270,496	27,511,547	33,733,301	19,943,427	37,724,126	42,073,998	37,629,445	51,619,474
STOCKS AVAILABLE FOR SALE	**714,435,871**	**395,409,155**	**209,788,329**	**196,612,972**	**136,284,068**	**47,611,430**	**86,330,883**	**36,127,854**	**87,266,346**	**99,747,839**	**81,697,967**	**114,336,159**
Stock in trade at year end	102,830,960	35,910,370	51,947,653	45,686,563	39,337,062	12,033,656	20,311,813	9,993,926	19,210,950	24,078,369	18,094,504	28,163,347
COST OF SALES & TRANSFERS	**611,604,911**	**359,498,785**	**157,840,675**	**150,926,409**	**96,947,007**	**35,577,774**	**66,019,070**	**26,133,928**	**68,055,396**	**75,669,470**	**63,603,463**	**86,172,812**
TOTAL TRADING												
Sales	722,382,833	419,518,108	189,168,479	186,039,636	118,180,564	43,581,525	80,493,196	33,240,559	84,151,120	94,588,564	77,732,973	104,756,566
Less: Cost of sales	611,604,911	359,498,785	157,840,675	150,926,409	96,947,007	35,577,774	66,019,070	26,133,928	68,055,396	75,669,470	63,603,463	86,172,812
GROSS TRADING PROFIT	**110,777,922**	**60,019,323**	**31,327,804**	**35,113,227**	**21,233,557**	**8,003,750**	**14,474,125**	**7,106,631**	**16,095,724**	**18,919,093**	**14,129,510**	**18,583,755**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE -09A

COST OF SALES	OSU SALA TRADING AMPARA	OSUSALA TRADING HAMBANTOTA	OSUSALA TRADING A'PURA	OSUSALA TRADING MAHARAGAMA	OSUSALA TRADING J,PURA	OSUSALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLETS RATMALANA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -												
at the bigining of the year	13,047,968	8,280,699	14,653,780	25,996,038	40,586,659	30,627,266	13,104,836	17,453,911	5,331,159	12,277,180	12,805,666	1,831,662
Local purchases	5,342,094	10,843,604	21,865,047	30,941,710	73,702,658	32,663,122	25,991,913	29,868,966	3,529,652	13,823,373	14,721,437	1,353,543
Transfers	45,809,735	11,909,537	47,134,093	40,300,746	57,415,604	45,572,664	31,940,967	34,402,651	13,679,285	18,292,835	46,242,746	6,388,256
STOCK AVAILABLE FOR SALE	**64,199,797**	**31,033,840**	**83,652,920**	**97,238,494**	**171,704,920**	**108,863,052**	**71,037,716**	**81,725,528**	**22,540,097**	**44,393,387**	**73,769,850**	**9,573,461**
Stock In trade at year end	12,527,561	6,308,058	16,687,940	23,266,672	34,389,496	30,528,147	12,375,395	18,334,835	4,624,792	14,024,356	13,544,626	1,540,279
COST OF SALES & TRANSFERS	**51,672,236**	**24,725,782**	**66,964,980**	**73,971,822**	**137,315,424**	**78,334,905**	**58,662,321**	**63,390,693**	**17,915,304**	**30,369,031**	**60,225,224**	**8,033,182**
TOTAL TRADING												
Sales	60,594,954	29,777,680	82,277,774	90,026,238	164,516,169	94,042,103	70,667,113	75,279,977	21,539,774	35,787,634	72,562,142	9,818,120
Less: Cost of sales	51,672,236	24,725,782	66,964,980	73,971,822	137,315,424	78,334,905	58,662,321	63,390,693	17,915,304	30,369,031	60,225,224	8,033,182
GROSS TRADING PROFIT	**8,922,718**	**5,051,898**	**15,312,794**	**16,054,416**	**27,200,745**	**15,707,198**	**12,004,793**	**11,889,285**	**3,624,470**	**5,418,603**	**12,336,917**	**1,784,938**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE -09A

COST OF SALES	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY - RAILWAY	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -									
at the bigining of the year	10,252,710	16,936,950	6,107,815	10,816,393	10,256,058	9,374,075	-	10,871,488	652,656,361
Local purchases	12,204,921	15,553,402	10,002,695	13,301,810	15,645,095	8,192,625	2,654,020	-	1,431,875,548
Transfers	20,245,545	36,524,052	18,154,732	18,441,298	20,607,847	22,169,609	4,903,159	108,362,760	1,382,429,083
STOCK AVAILABLE FOR SALE	**42,703,176**	**69,014,403**	**34,265,241**	**42,559,501**	**46,509,000**	**39,736,310**	**7,557,179**	**119,234,248**	**3,466,960,992**
Stock In trade at year end	15,453,971	16,269,131	5,921,499	10,437,686	8,661,876	9,282,072	3,688,379	22,657,211	688,123,157
COST OF SALES & TRANSFERS	**27,249,205**	**52,745,272**	**28,343,742**	**32,121,815**	**37,847,125**	**30,454,238**	**3,868,799**	**96,577,037**	**2,778,837,836**
TOTAL TRADING									
Sales	34,121,220	63,613,906	35,299,445	38,996,240	47,270,692	37,434,120	5,378,063	135,187,277	3,358,024,763
Less: Cost of sales	27,249,205	52,745,272	28,343,742	32,121,815	37,847,125	30,454,238	3,868,799	96,577,037	2,778,837,836
GROSS TRADING PROFIT	**6,872,016**	**10,868,634**	**6,955,703**	**6,874,425**	**9,423,567**	**6,979,882**	**1,509,264**	**38,610,240**	**579,186,927**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

COST OF MANUFACTURING GLUCOSE, JEEWANEE AND BB CREAM — **NOTE 10**

	2016 Rs.	2015 Rs.
Opening stock of raw materials	949,536	762,869
Add: purchases of raw materials	28,045,120	26,290,347
Less: closing stock of raw materials	1,086,686	904,691
Cost of raw materials consumed	**27,907,969**	**26,148,526**
Add: Manufacturing cost (10a)	48,266,622	42,713,331
Production cost of goods	**76,174,592**	**68,861,856**

ORS TRADING	2016 Rs.	2015 Rs.
Opening stock (finished goods)	2,488,008	258,064
Add: Production cost of goods	76,174,592	68,861,856
Less Closing stock (finished goods)	1,400,474	2,488,008
Cost of sale	**77,262,126**	**66,631,913**
Sales	99,299,632	84,476,828
Less: Cost of sale	77,262,126	66,631,913
Gross profit	**22,037,507**	**17,844,915**

NOTE 10a

MANUFACTURING COST	2016 Rs.	2015 Rs.
Salaries & wages	16,224,528	14,602,198
Overtime.	1,613,176	2,330,421
Uniforms.	94,688	133,141
Insurance for staff	76,225	131,059
Provident fund (EPF & ETF).	1,862,110	1,695,607
Annual bonus	446,522	398,813
Attendance bonus	861,900	711,650
Annual performance incentive bonus	2,524,283	2,648,956
Staff welfare	1,444,084	1,488,596
Medical expenses	472,711	467,773
Power	3,475,750	3,744,480
Depreciation	5,549,297	2,758,272
Repairs & maintenance	772,567	708,958
Packing materials used	12,848,780	10,893,407
Total	**48,266,622**	**42,713,331**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

OTHER OPERATING INCOME

NOTE - 11

	2016 Rs.	2015 Rs.
Sales of tender forms.	8,578,101	5,937,263
Rent received	916,329	1,894,880
Treasury bill interest	3,962,418	1,377,796
Scrap sales	17,705	79,288
Fund management income	20,078,731	31,853,969
Miscellaneous income	4,043,581	3,940,483
Holiday bungalow income	565,300	1,203,333
Pre qualification charges	1,584,235	2,502,500
Bad debt recoveries	1,238,093	218,325
Supplier Convention	-	(321,623)
Int. on returned cheques/ delays	2,100,388	1,975,578
Profit on disposal of fixed assets	-	597,667
Total	**43,084,880**	**51,259,458**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE 12

(A) ADMINISTRATIVE EXPENSES	SPC TRADING OSUSALAS	O.R.S.	BULK	TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2016	TOTAL TRADING 2015
PERSONNEL EMOLUMENTS	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Salaries, Wages & Allowances.	188,148,395	-	131,002,880	319,151,276	166,730,939	485,882,215	476,632,884
Overtime.	20,913,364	-	9,615,351	30,528,715	6,410,234	36,938,949	40,147,440
Staff training expenses.		-	770,813	770,813	981,035	1,751,848	4,225,347
Uniforms.	2,185,502	-	883,324	3,068,826	1,124,231	4,193,057	3,907,262
Insurance for staff	2,627,538	-	2,770,047	5,397,585	3,525,514	8,923,100	10,991,510
Provident fund (EPF & ETF).	21,115,133	-	14,518,148	35,633,281	18,477,643	54,110,924	53,232,515
Annual bonus	4,113,750	-	2,929,025	7,042,775	3,727,850	10,770,625	10,532,715
Monthly attendance bonus.	8,420,400	-	4,978,786	13,399,186	6,336,637	19,735,823	20,053,743
Sports club expenses		-	1,041,980	1,041,980	1,326,157	2,368,137	1,502,676
Annual per inc. bonus.	27,467,381	-	19,923,840	47,391,221	25,357,614	72,748,835	70,564,664
Gratuity.		-	11,270,348	11,270,348	14,344,080	25,614,428	32,623,953
Land/ Housing loan interest	2,330,357	62,535	2,218,617	4,611,509	2,823,695	7,435,204	7,766,363
SPC Anniversary payment		-	1,283,678	1,283,678	1,633,773	2,917,451	2,927,643
Death gratuity		-	555,786	555,786	707,363	1,263,149	-
Total	**277,321,821**	**62,535**	**203,762,625**	**481,146,980**	**253,506,764**	**734,653,744**	**735,108,715**
TRAVELING EXPENSES							
Overseas travelling expenses- directors.	-	-	96,394	96,394	10,710	107,104	-
Overseas travelling expenses- others.	-	-	1,242,856	1,242,856	138,095	1,380,951	441,251
Local travelling expenses - others.	344,417	1,520	3,408,596	3,754,533	378,733	4,133,266	4,080,570
Total	**344,417**	**1,520**	**4,747,847**	**5,093,783**	**527,539**	**5,621,322**	**4,521,821**
SUPPLIES & REQUISITES							
Printing & stationery.	2,590,199	351,724	12,373,153	15,315,076	4,124,384	19,439,461	17,375,299
Board meeting expenses.	-	-	33,634	33,634	11,211	44,846	22,860
Entertainment - others.	-	-	343,171	343,171	114,390	457,562	581,161
Repairs to motor vehicles.	-	-	5,516,969	5,516,969	1,838,990	7,355,959	6,001,337
Fuel & lubricants.	-	-	9,756,716	9,756,716	3,252,239	13,008,954	11,236,331
License fees of motor vehicles.	-	-	156,092	156,092	52,031	208,122	220,524
Total	**2,590,199**	**351,724**	**28,179,735**	**31,121,658**	**9,393,245**	**40,514,903**	**35,437,513**
REPAIRS & MAINTENANCE							
Buildings.	3,222,337	-	4,375,300	7,597,636	4,375,300	11,972,936	8,041,342
Furniture, fittings & equipment	3,363,700	-	3,004,093	6,367,793	3,004,093	9,371,887	8,166,799
Computer	93,969	-	1,424,496	1,518,465	1,424,496	2,942,962	2,215,552
Total	**6,680,006**	**-**	**8,803,889**	**15,483,895**	**8,803,889**	**24,287,784**	**18,423,693**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE 12

(A) ADMINISTRATIVE EXPENSES	SPC TRADING OSUSALAS	O.R.S.	BULK	TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2016	TOTAL TRADING 2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES							
Rent.	16,204,461	-	1,559,728	17,764,190	-	17,764,190	13,358,978
Lease rent	1,012,374	-	-133,313	879,061	-	879,061	2,343,705
Rates & taxes.	737,153	-	604,630	1,341,783	604,630	1,946,412	2,560,135
Water bills	776,463	133,303	558,093	1,467,859	558,093	2,025,952	1,740,931
Electricity.	18,899,688	-	13,971,027	32,870,714	13,971,027	46,841,741	42,664,558
Postage, Telegrams & Telephones.	1,637,348	63,947	7,326,443	9,027,738	7,326,443	16,354,181	15,142,579
Trade subscriptions, Periodicals & Pul	355,950	-	208,096	564,046	208,096	772,142	737,219
Professional charges.	-	-	660,924	660,924	660,924	1,321,847	1,341,900
Insurance.	-	-	1,798,765	1,798,765	1,798,765	3,597,530	2,895,039
Press notification.	-	-	4,572,927	4,572,927	10,670,162	15,243,089	16,793,403
Security services.	22,387,081	493,428	6,952,464	29,832,973	6,952,464	36,785,437	27,100,175
Depreciation	10,680,427	-	17,288,455	27,968,882	17,288,455	45,257,337	56,269,174
Amortisation- Computer Software	1,714,117	-	90,529	1,804,647	-	1,804,647	-
Re-valuation loss	-	-	13,489,191	13,489,191	13,489,191	26,978,382	-
License fees for drugs.	365,497	1,000	6,533,846	6,900,343	-	6,900,343	6,492,390
Sundry expenses.	74,047	860	208,566	283,472	98,149	381,621	562,490
Directors fees.	-	-	427,500	427,500	427,500	855,000	784,750
Audit fees.	-	-	430,898	430,898	430,898	861,795	910,795
Tender board meeting expenses.	-	-	2,409,347	2,409,347	5,621,810	8,031,157	6,809,940
Staff welfare.	16,271,622	-	13,106,647	29,378,269	16,681,187	46,059,456	46,778,370
Staff medical expenses.	4,740,100	-	3,413,963	8,154,063	4,345,044	12,499,107	12,371,689
Donations	-	-	1,358,436	1,358,436	-	1,358,436	2,771,230
Holiday bungalow expenses	-	-	809,147	809,147	1,029,823	1,838,970	4,049,031
Total	**95,856,327**	**692,538**	**97,646,307**	**194,195,173**	**102,162,660**	**296,357,833**	**264,478,481**
TOTAL ADMINISTRATIVE Ex	**382,792,770**	**1,108,317**	**343,140,403**	**727,041,490**	**374,394,096**	**1,101,435,586**	**1,057,970,222**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE - 12A

OSUSALA -OVERHEADS	OSU SALA TRADING Col.07	OSU SALA TRADING Col.04	OSU SALA TRADING Col .01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISSAWELLA.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINUWANGODA	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSU SALA TRADING KURUNEGALA
A. ADMINISTRATIVE Ex	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
PERSONNEL EMOLUMENTS												
Salaries, Wages & Allowances.	27,872,326	12,167,441	6,007,643	10,398,485	6,665,683	4,833,579	7,430,911	3,944,547	6,579,711	8,662,400	6,825,692	6,575,216
Overtime.	3,746,121	1,427,269	430,086	1,217,019	940,330	445,402	407,447	385,137	539,261	516,927	390,716	600,157
Uniforms.	332,595	126,369	55,806	121,163	85,236	57,633	90,433	48,859	68,871	89,544	88,402	66,788
Insurance for staff	283,303	353,258	31,960	290,843	237,097	-	149,155	222,500	-	216,937	44,059	9,346
Provident fund (E.P.F & E.T.F)	3,180,514	1,356,769	689,972	1,185,292	749,556	537,163	844,350	430,015	737,026	975,448	774,715	734,949
Annual bonus	647,204	254,475	132,034	226,787	143,399	108,000	148,500	81,000	135,000	175,500	148,500	135,000
Annual per inc. bonus.	4,490,918	1,621,388	983,750	1,544,426	1,075,253	702,938	1,054,946	542,696	733,399	1,285,611	957,654	916,841
Housing loan interest	407,193	116,765	97,488	45,676	21,502	28,560	31,383	-	82,356	89,746	-	93,784
Attendance bonus	1,299,900	505,950	249,100	515,300	253,050	214,200	345,000	212,550	300,000	383,550	321,150	305,100
Total	**42,260,074**	**17,929,683**	**8,677,838**	**15,544,991**	**10,171,105**	**6,927,475**	**10,502,126**	**5,867,304**	**9,175,624**	**12,395,663**	**9,550,888**	**9,437,181**
TRAVELLING EXPENSES												
Local travelling expenses	10,136	13,219	21,470	18,089	1,149	22,490	34,010	10,210	1,510	5,910	4,350	3,460
Total	**10,136**	**13,219**	**21,470**	**18,089**	**1,149**	**22,490**	**34,010**	**10,210**	**1,510**	**5,910**	**4,350**	**3,460**
SUPPLIES & REQUISITES												
Printing & stationery.	327,397	117,921	137,490	118,335	201,260	59,105	118,451	68,553	101,847	72,164	30,638	84,144
Total	**327,397**	**117,921**	**137,490**	**118,335**	**201,260**	**59,105**	**118,451**	**68,553**	**101,847**	**72,164**	**30,638**	**84,144**
REPAIRS & MAINTENANCE												
Buildings.	489,549	1,357,670	313,361	88,322	114,968	68,438	14,673	15,201	11,442	48,237	48,164	28,103
Furniture, fittings & equipment	309,202	235,761	71,769	168,475	92,192	46,602	76,076	53,058	128,934	181,592	124,994	195,004
Computer	-	-	-	-	-	21,296	-	600	-	8,400	4,590	750
Total	**798,751**	**1,593,431**	**385,130**	**256,798**	**207,160**	**136,335**	**90,749**	**68,860**	**140,376**	**238,229**	**177,748**	**223,857**
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES												
Rent.	-	-	-	-	-	607,411	-	396,000	840,000	570,000	780,000	1,840,000
Lease rent	-	-	-	337,500	294,333	-	171,450	-	-	-	-	-
Rates & taxes.	299,048	122,810	152,460	40,930	-	-	3,160	1,020	3,000	20,744	20,520	3,810
Water bills	172,122	52,155	21,552	42,215	21,552	39,860	25,741	14,222	18,791	30,715	19,645	39,625
Electricity.	3,316,052	940,142	450,000	767,897	823,332	554,280	937,971	149,394	576,597	751,968	641,810	622,870
Postage, Telegrams & Telephones.	201,373	68,020	51,226	52,496	61,116	56,408	50,174	45,257	35,207	56,635	48,120	43,620
Depreciation	1,240,150	548,975	362,081	364,538	749,732	218,015	489,738	120,600	150,050	271,123	155,738	257,406
Amortisation- Computer Software	-	53,499	74,062	74,062	53,499	-	53,499	53,499	74,062	53,499	74,062	74,062
Trade subscriptions, Periodicals & Publications.	24,960	4,680	10,200	16,020	18,400	16,140	14,520	10,060	16,020	14,570	14,460	15,790
Security services.	3,666,566	1,259,093	398,878	1,241,325	371,693	940,731	359,327	964,434	397,466	362,910	879,567	879,567
License fees for drugs.	13,620	11,100	11,100	12,500	11,100	12,100	11,100	11,100	8,333	12,100	11,100	12,500
Sundry expenses.	4,050	1,540	1,808	3,390	500	2,090	1,850	1,058	2,000	1,940	1,301	5,815
Staff welfare.	2,526,033	818,762	661,138	928,052	591,013	427,080	716,663	382,637	526,309	790,989	620,830	604,742
Staff medical expenses.	752,938	315,632	166,992	273,686	203,480	120,000	194,149	105,000	150,000	191,980	164,829	127,699
Total	**12,216,912**	**4,196,407**	**2,361,496**	**4,154,612**	**3,199,750**	**2,994,115**	**3,029,341**	**2,254,281**	**2,797,835**	**3,129,173**	**3,431,981**	**4,527,506**
TOTAL ADMINISTRATIVE COST	**55,613,270**	**23,850,661**	**11,583,425**	**20,092,824**	**13,780,424**	**10,139,521**	**13,774,677**	**8,269,208**	**12,217,193**	**15,841,139**	**13,195,604**	**14,276,148**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE 12 A

OSUSALA -OVERHEADS	OSU SALA TRADING AMPARA	OSU SALA TRADING H, TOTA	OSU SALA TRADING A,PURA	OSU SALA TRADING MAHARAGAMA	OSU SALA TRADING J,PURA	OSU SALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLET RATMALANA
A. ADMINISTRATIVE COST	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
PERSONNEL EMOLUMENTS												
Salaries, Wages & Allowances.	3,652,910	3,320,420	4,035,416	6,160,338	12,359,672	6,899,973	4,652,330	4,264,651	2,407,059	3,328,964	3,612,575	1,375,979
Overtime.	664,153	375,569	776,418	602,958	1,621,351	634,687	574,322	501,605	297,284	376,991	602,675	177,135
Uniforms.	43,119	49,486	51,093	70,433	151,984	86,666	44,526	55,834	35,468	25,784	37,551	14,548
Insurance for staff	-	29,713	-	35,660	133,184	224,746	-	33,335	8,930	-	139,492	-
Provident fund (E.P.F & E.T.F)	425,778	364,372	474,029	692,304	1,430,270	779,053	497,697	456,987	276,870	355,221	398,624	155,828
Annual bonus	94,500	67,500	94,500	127,953	298,062	148,500	96,188	81,000	54,000	74,109	59,489	13,500
Annual per inc. bonus.	473,869	433,847	546,836	838,988	2,011,360	957,406	600,558	609,700	367,303	474,206	553,247	172,216
Housing loan interest	-	-	122,131	76,859	371,180	160,521	-	229,879	30,875	-	-	-
Attendance bonus	177,450	141,300	235,350	271,200	461,400	284,100	200,550	195,450	79,050	157,500	184,500	73,950
Total	**5,531,779**	**4,782,207**	**6,335,773**	**8,876,694**	**18,838,461**	**10,175,653**	**6,666,170**	**6,428,441**	**3,556,840**	**4,792,774**	**5,588,153**	**1,983,156**
TRAVELLING EXPENSES												
Local travelling expenses	439	12,096	669	7,389	5,847	24,900	480	20,774	26,487	12,242	2,945	5,680
Total	**439**	**12,096**	**669**	**7,389**	**5,847**	**24,900**	**480**	**20,774**	**26,487**	**12,242**	**2,945**	**5,680**
SUPPLIES & REQUISITES												
Printing & stationery.	45,381	21,734	93,021	156,910	145,180	93,933	48,975	23,091	111,267	75,849	66,614	17,055
Total	**45,381**	**21,734**	**93,021**	**156,910**	**145,180**	**93,933**	**48,975**	**23,091**	**111,267**	**75,849**	**66,614**	**17,055**
REPAIRS & MAINTENANCE												
Buildings.	14,123	20,010	16,189	13,220	4,226	169,451	42,478	27,406	10,502	10,527	83,161	8,118
Furniture, fittings & equipment	88,831	42,065	212,538	143,150	99,445	307,467	111,763	33,464	9,000	30,980	34,417	-
Computer	70	900	-	-	350	8,050	-	-	-	-	-	-
Total	**103,024**	**62,974**	**228,727**	**156,370**	**104,021**	**484,968**	**154,241**	**60,871**	**19,502**	**41,507**	**117,578**	**8,118**
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES												
Rent.	-	540,000	1,214,400	780,000	1,020,000	1,660,000	1,200,000	-	-	1,800,000	-	-
Lease rent	-	-	-	-	-	-	-	209,091	-	-	-	-
Rates & taxes.	1,100	8,783	20,600	-	-	1,549	4,481	11,388	-	6,150	-	-
Water bills	24,626	17,119	15,703	21,992	-	25,518	31,814	12,778	3,346	-	26,451	-
Electricity.	715,754	408,102	749,504	615,054	907,830	765,230	563,710	424,457	78,754	620,379	563,596	-
Postage, Telegrams & Telephones.	57,768	69,486	67,624	33,373	50,103	63,163	83,125	61,855	30,642	29,650	53,902	1,160
Depreciation	824,359	135,238	149,891	180,875	193,767	291,844	227,839	480,910	34,350	234,192	651,943	92,916
Amortisation- Computer Software	53,499	74,062	74,062	53,499	53,499	74,062	53,499	53,499	-	74,062	74,062	-
Trade subscriptions, Periodicals & Publications.	-	7,110	16,070	-	21,100	15,460	7,110	20,100	-	14,700	16,500	-
Security services.	355,700	360,607	359,284	382,157	969,701	367,730	356,938	468,708	-	879,567	879,567	-
License fees for drugs.	11,100	12,100	12,100	12,500	12,500	11,100	12,500	12,500	-	16,380	12,100	24,540
Sundry expenses.	2,775	1,477	1,148	2,700	6,480	13,130	1,850	5,000	1,970	2,000	-	910
Staff welfare.	274,506	313,340	441,171	423,509	993,150	602,501	416,747	378,988	155,564	314,489	345,123	83,220
Staff medical expenses.	98,423	70,943	104,735	158,750	333,048	159,249	101,836	103,370	60,000	82,500	98,127	18,130
Total	**2,419,609**	**2,018,366**	**3,226,290**	**2,664,409**	**4,561,177**	**4,050,537**	**3,061,449**	**2,242,643**	**364,625**	**4,074,069**	**2,721,370**	**220,875**
TOTAL ADMINISTRATIVE COST	**8,100,233**	**6,897,378**	**9,884,479**	**11,861,771**	**23,654,687**	**14,829,990**	**9,931,314**	**8,775,820**	**4,078,720**	**8,996,442**	**8,496,661**	**2,234,884**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE 12 A

OSUSALA -OVERHEADS	OSU SALA TRADING TAGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY- RAILWAY	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
A. ADMINISTRATIVE COST	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
PERSONNEL EMOLUMENTS									
Salaries, Wages & Allowances.	3,599,438	4,222,124	3,467,422	2,577,644	2,946,166	3,204,377	853,383	3,243,922	188,148,395
Overtime.	424,318	577,431	395,333	147,190	397,575	280,181	210,807	229,510	20,913,364
Uniforms.	46,097	46,409	43,793	33,549	30,742	35,992	6,600	44,130	2,185,502
Insurance for staff	-	65,958	-	6,250	37,127	-	-	74,685	2,627,538
Provident fund (E.P.F & E.T.F)	414,687	464,656	350,851	278,211	313,416	346,522	85,637	358,349	21,115,133
Annual bonus	81,000	110,051	67,500	54,000	67,500	67,500	54,000	67,500	4,113,750
Annual per inc. bonus.	489,280	561,842	457,853	344,849	405,540	423,669	332,415	502,576	27,467,381
Housing loan interest	83,226	51,931	113,457	-	-	50,943	17,232	7,670	2,330,357
Attendance bonus	182,250	207,900	161,700	114,750	114,450	112,800	46,200	113,700	8,420,400
Total	**5,320,296**	**6,308,302**	**5,057,910**	**3,556,443**	**4,312,516**	**4,521,985**	**1,606,274**	**4,642,041**	**277,321,821**
TRAVELLING EXPENSES									
Local travelling expenses	5,656	23,130	3,875	5,690	1,600	5,470	8,486	24,559	344,417
Total	**5,656**	**23,130**	**3,875**	**5,690**	**1,600**	**5,470**	**8,486**	**24,559**	**344,417**
SUPPLIES & REQUISITES									
Printing & stationery.	42,944	32,083	34,915	40,125	22,217	36,801	18,126	26,673	2,590,199
Total	**42,944**	**32,083**	**34,915**	**40,125**	**22,217**	**36,801**	**18,126**	**26,673**	**2,590,199**
REPAIRS & MAINTENANCE									
Buildings.	17,917	7,161	7,450	1,075	24,109	54,651	3,628	88,806	3,222,337
Furniture, fittings & equipment	90,179	129,280	35,420	152,900	35,269	25,070	6,190	92,612	3,363,700
Computer	-	-	-	-	-	-	48,963	-	93,969
Total	**108,096**	**136,441**	**42,871**	**153,975**	**59,378**	**79,721**	**58,781**	**181,418**	**6,680,006**
TRANSPORTATION, COMMUNICATION,UTILITIES & OTHER SERVICES									
Rent.	-	420,000	-	881,280	-	810,000	110,970	734,400	16,204,461
Lease rent	-	-	-	-	-	-	-	-	1,012,374
Rates & taxes.	9,600	-	-	-	-	3,000	-	3,000	737,153
Water bills	14,451	6,029	18,596	7,903	-	31,123	-	20,822	776,463
Electricity.	381,756	387,968	287,545	336,856	-	308,901	44,606	207,373	18,899,688
Postage, Telegrams & Telephones.	25,120	36,736	38,819	21,305	16,868	53,201	4,725	69,074	1,637,348
Depreciation	558,834	247,800	168,150	404,279	403,004	155,644	232,498	83,950	10,680,427
Amortisation- Computer Software	74,062	74,062	74,062	74,062	74,062	68,202	-	-	1,714,117
Trade subscriptions, Periodicals									-
& Publications.	6,880	11,850	9,080	7,710	9,210	7,750	-	9,500	355,950
Security services.	580,295	969,699	358,132	969,701	971,018	359,370	197,781	879,567	22,387,081
License fees for drugs.	11,100	12,500	12,500	12,314	11,150	12,100	-	6,660	365,497
Sundry expenses.	2,000	325	670	2,300	-	1,970	-	-	74,047
Staff welfare.	273,851	322,525	252,025	153,096	261,130	331,500	54,815	286,125	16,271,622
Staff medical expenses.	100,000	120,000	75,000	60,000	73,508	74,376	9,551	72,169	4,740,100
Total	**2,037,948**	**2,609,493**	**1,294,580**	**2,930,805**	**1,819,950**	**2,217,136**	**654,946**	**2,372,640**	**95,856,327**
TOTAL ADMINISTRATIVE COST	**7,514,941**	**9,109,449**	**6,434,150**	**6,687,038**	**6,215,661**	**6,861,114**	**2,346,613**	**7,247,332**	**382,792,770**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE - 13

(b) OTHER OPERATING EXPENSES	SPC TRADING OSUSALAS	O.R.S.	BULK	TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2016	TOTAL TRADING 2015
SELLING & DISTRIBUTION EXPENSES	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Sales promotion expenses.	-	-	28,751,271	28,751,271	-	28,751,271	28,387,230
Prescriber	-		2,400,350	2,400,350	-	2,400,350	1,056,542
Transport charges.	-	-	9,503,232	9,503,232	-	9,503,232	6,790,696
Provision for bad debts	-	-	-	-	165,517,916	165,517,916	327,293,694
Discount on osusala sales	-	-	3,426,048	3,426,048	-	3,426,048	2,663,745
Additional discounts	-		72,263,196	72,263,196		72,263,196	64,261,384
Value Added Tax	-		2,396,625	2,396,625	7,189,876	9,586,501	12,159,615
Dealers convention	-		2,279,263	2,279,263	-	2,279,263	2,322,590
Stock losses *	-	-	1,273,516	1,273,516	36,896,567	38,170,084	5,481,653
Stock adj. (Excess/Shortage)	88,480	-	(74,891)	13,588	-	13,588	(845,061)
Pro. for outdated & damaged drugs	2,448,909	-	127,539,126	129,988,035	-	129,988,035	46,836,966
Pro. for outdated & damaged drugs - DHS	-	-	-	-	51,840,020	51,840,020	(10,262,566
Stamp fee	-		296,591	296,591	-	296,591	222,240
Setting up expenses	-	-	1,103,287	1,103,287	-	1,103,287	132,969
Storage charges	-		-	-	5,534,387	5,534,387	3,328,530
Foreign exchange gain/loss	-	-	29,176,283	29,176,283	23,064,246	52,240,529	63,952,788
Sundry packing materials.	6,802,968	-	230,633	7,033,601	-	7,033,601	9,035,086
TOTAL	**9,340,356**	**-**	**280,564,528**	**289,904,884**	**290,043,012**	**579,947,897**	**562,818,103**
RESEARCH & DEVELOPMENT							
Drugs for testing	-	39,824	2,970	42,794	5,515	48,309	-
Testing charges for samples	-	-	247,281	247,281	459,237	706,518	465,607
Drugs for sample	-	-	49,382	49,382	91,709	141,091	73,490
TOTAL	**-**	**39,824**	**299,633**	**339,457**	**556,461**	**895,918**	**539,097**
TOTAL OTHER OPERATING EXPENSES	**9,340,356**	**39,824**	**280,864,161**	**290,244,341**	**290,599,473**	**580,843,815**	**563,357,200**

* Items procured to be supplied to Medical Supplies Division were destroyed at the Stores of the Transport Contractor in April 2016, due to the flood situation. The landed items were valued at Rs. 36,896,567/- We have claimed this total amount and 10% penalty to this Transport Contractor to early settlement. The Contractor is disputing this has been referred to the Secretory Health & we are awaiting a decision. Until such time this loss of Rs 36,896,567/- has accounted. Anyhow we have held bills to the equiv 40,651,789/- million without settling him.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

OTHER OPERATING EXPENSES - RAJYA OSUSALA **NOTE - 13 A**

OSUSALA -OVERHEADS	OSU SALA TRADING Col.07	OSU SALA TRADING Col.04	OSU SALA TRADING Col .01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RAT.	OSU SALA TRADING MINU.	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSU SALA TRADING KURUNE.
(B) OTHER OPEATING EX.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**RS.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
SELLING & DISTRIBUTION EX												
Stock adj. (Excess/Shortage)	(140,938)	(9,289)	(107,513)	(10,354)	28,776	-	54,072	1,605	(18,780)	103,247	82,538	13,043
Outdated & damages	469,300	69,783	83,290	138,257	62,635	141,371	226,528	42,553	2,872	167,899	22,281	50,815
Sundry packing materials.	1,194,721	236,771	228,415	501,677	452,166	183,355	263,330	124,639	309,167	329,517	329,779	319,218
Total	**1,523,083**	**297,265**	**204,193**	**629,580**	**543,577**	**324,726**	**543,930**	**168,797**	**293,259**	**600,663**	**434,599**	**383,076**

OTHER OPERATING EXPENSES - RAJYA OSUSALA

OSUSALA -OVERHEADS	OSU SALA TRADING AMPARA	OSU SALA TRADING H, TOTA	OSU SALA TRADING A,PURA	OSU SALA TRADING MAHARAGAMA	OSU SALA TRADING J,PURA	OSU SALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLET RATMALANA
(B) OTHER OPEATING EX.	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**
SELLING & DISTRIBUTION EX					-	-						
Stock adj. (Excess/Shortage)	(647)	(19,683)	(9,997)	33,351	17,922	12,524	(30,678)	35,623	-	3,524	12,692	-
Outdated & damages	92,815	27,511	943	33,222	143,269	76,522	13,521	45,972	12,804	37,661	6,409	14,595
Sundry packing materials.	60,236	101,654	95,535	229,119	350,679	262,652	216,052	97,981	33,942	65,857	155,616	24,056
Total	**152,404**	**109,482**	**86,482**	**295,692**	**511,870**	**351,698**	**198,895**	**179,576**	**46,746**	**107,042**	**174,717**	**38,652**

OTHER OPERATING EXPENSES - RAJYA OSUSALA

OSUSALA -OVERHEADS	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY- Railway	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
(B) OTHER OPEATING EX.	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS.**	**RS**	**RS.**
SELLING & DISTRIBUTION EX.									
Stock adj. (Excess/Shortage)	9,732	3,415	(9,298)	(4,247)	(8,273)	13,554		32,559	88,480
Outdated & damages	6,861	13,633	3,704	26,771	44,714	105,390		265,007	2,448,909
Sundry packing materials.	165,776	35,899	115,804	92,717	96,616	100,186	12,371	17,464	6,802,968
Total	**182,369**	**52,947**	**110,209**	**115,241**	**133,057**	**219,130**	**12,371**	**315,030**	**9,340,356**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE - 14

(D) FINANCE EXPENSES	SPC TRADING OSUSALAS	O.R.S.	BULK	TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2016	TOTAL TRADING 2015
O/D Interest	-	-	272,902	272,902	5,161,447	5,434,349	734,134
Bank charges			1,071,029	1,071,029	-	1,071,029	1,599,782
TOTAL FINANCE COST	**-**	**-**	**1,343,931**	**1,343,931**	**5,161,447**	**6,505,378**	**2,333,916**

MAJOR COMPONENT OF TAX EXPENSES

NOTE 15

	2016 Rs.	2015 Rs.
Current tax expenses	629,378,241	462,901,516
Over/Under provision in respect of previous years	40,184,286	22,702,050
Adj. Deferred tax Income/Expenses relating to the origination -	(43,698,637)	122,230,536
and reversal of temporary differences		
Tax expenses	**625,863,890**	**610,539,146**

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

NOTE 15a

	2016 RS.	2015 RS.
Profit Before Tax	1,867,608,521	1,230,137,320
Disallowable expenses	159,807,843	(603,189)
Qualifying payments (Donations)	(225,149,172)	(618,750)
Taxable Income	**1,802,267,192**	**1,228,915,381**
Income Tax @ 28%	504,634,814	344,096,307
Tax on Distributable Profit 25% (net)	124,743,427	121,510,253
Income tax on current year profit	**629,378,241**	**465,606,560**
Over/Under provision in respect of previous years	40,184,286	22,702,050
Adj. Deferred tax Income/Expenses relating to the origination -		
and reversal of temporary differences	(43,698,637)	122,230,536
Tax expenses	**625,863,890**	**610,539,146**
Effective Tax Rate %	**33.5**	**49.6**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

PROPERTY, PLANT AND EQUIPMENT

NOTE 16

	Freehold land	Buildings	Motor Vehicles	Delivery Cycles	Furniture & Fittings	Equipment	Plant & Machinery	Computers	Total
COST OF DEEMED COST	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 1 January 2015	**1,199,639,630**	**339,346,297**	**159,833,451**	**45,013**	**49,371,922**	**152,252,475**	**15,373,018**	**140,167,236**	**2,056,029,043**
Additions		193,120,919	-	14,050	46,230,777	42,825,554	124,000	2,814,512	285,129,811
Disposals	-	-	9,900,000	-	-				9,900,000
At 31 December 2015	**1,199,639,630**	**532,467,216**	**149,933,451**	**59,063**	**95,602,699**	**195,078,029**	**15,497,018**	**142,981,748**	**2,331,258,854**
Re-valuation	-	-	-	-	(54,276,049)	(127,339,779)		(122,441,998)	(304,057,825
Classification change	-	-	-	-	-		(5,277,880)		(5,277,880)
Additions		18,798,536	-	-	8,600,820	16,054,909	26,646,382	6,957,181	77,057,828
Disposals	-	-	-	-	-				-
At 31 December 2016	**1,199,639,630**	**551,265,752**	**149,933,451**	**59,063**	**49,927,470**	**83,793,159**	**36,865,520**	**27,496,931**	**2,098,980,977**
					,				
DEPRECIATION & IMPAIRMENT									
At 1 January 2015	**-**	**29,926,681**	**14,355,911**	**42,724**	**20,039,361**	**117,694,796**	**7,756,571**	**103,586,465**	**293,402,508**
Depreciation charge for the year	-	14,121,052	7,882,365	2,025	6,750,876	12,605,588	1,263,184	16,402,357	59,027,447
Disposals	-	-	(2,866,667)		-				(2,866,667)
At 31 December 2015	**-**	**44,047,732**	**19,371,609**	**44,749**	**26,790,237**	**130,300,385**	**9,019,755**	**119,988,821**	**349,563,288**
Re-valuation/ adjustments	**-**	**-**	**-**	**-**	(26,790,237)	(130,300,385)		(119,988,821)	(282,357,323
Classification change	**-**	**-**	**-**	**-**	-		(5,277,880)		(5,277,880)
Depreciation charge for the year	-	14,284,235	7,699,436	4,890	4,302,783	15,179,393	3,913,540	5,422,358	50,806,634
Disposals	-	-	-	-	-				-
At 31 December 2016	**-**	**58,331,967**	**27,071,045**	**49,639**	**4,302,783**	**15,179,393**	**7,655,415**	**5,422,358**	**118,012,599**
NET BOOK VALUE									
At 31 December 2016	**1,199,639,630**	**492,933,785**	**122,862,406**	**9,424**	**45,624,686**	**68,613,766**	**29,210,105**	**22,074,574**	**1,980,968,377**
At 31 December 2015	1,199,639,630	488,419,484	130,561,842	14,314	68,812,461	64,777,644	6,477,264	22,992,926	1,981,695,566
At 31 December 2014	1,199,639,630	309,419,617	145,477,540	2,290	29,332,560	34,557,679	7,616,447	36,580,771	1,762,626,534

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

INTANGIBLE ASSETS

NOTE 17

Computer Software	2016 RS.	2015 RS.
Cost		
As at the bigining of the year		-
Acquisition/Incurred during the year	5,413,941	-
As at the end of the year	**5,413,941**	-
Amortisation		
As at the bigining of the year		-
Amortisation charge for the year	1,804,647	-
As at the end of the year	**1,804,647**	-
Carrying Amount		
As at the bigining of the year		-
As at the end of the year	**3,609,294**	-

OTHER NON CURRENT ASSETS

NOTE 18

Deferred expenses/Lease hold Lands	2016 RS.	2015 RS.
Osusala Badulla (Bus Stand)	3,911,700	3,618,387
Osusala Badulla (CWE)	4,983,333	5,192,424
Osusala Nugegoda	7,016,558	7,309,891
Other non Current Assets	**15,911,591**	**16,120,702**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2016

NOTE 19

OSUSALA TRADING STOCK

Location	2016						2015					
	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stocl	Prov. for Unrealized Profit	Stock (as at 31st Dec
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Transit	142,639,566	-	142,639,566	-	-	**142,639,566**	349,485,600	-	349,485,600	-	-	**324,046,278**
Bulk Stores	1,313,216,700	(74,891)	1,313,291,592	285,299,086	905,584	**1,027,086,922**	1,405,140,519	686,271	1,405,826,790	179,816,255	-	**1,226,010,535**
Colombo 07	102,830,960	(140,938)	102,971,899	469,300	2,809,738	**99,692,861**	102,262,226	176,327	102,438,552	829,810	3,528,084	**98,080,658**
Colombo 04	35,910,370	(9,289)	35,919,658	69,783	799,987	**35,049,888**	24,816,808	(15,773)	24,801,035	418,447	1,647,757	**22,734,831**
Colombo 01	51,947,653	(107,513)	52,055,166	83,290	2,974,737	**48,997,139**	53,887,245	111,237	53,998,483	149,074	1,974,865	**51,874,544**
Kandy	45,686,563	(10,354)	45,696,917	138,257	2,669,374	**42,889,287**	46,802,839	24,346	46,827,185	1,090,791	2,867,108	**42,869,286**
Nugegoda	39,337,062	28,776	39,308,286	62,635	1,810,385	**37,435,266**	28,108,700	(88,540)	28,020,160	124,512	1,492,162	**26,403,486**
Avissawella	12,033,656	-	12,033,656	141,371	844,021	**11,048,264**	10,795,529	-	10,795,529	132,396	763,992	**9,899,141**
Rathnapura	20,311,813	54,072	20,257,741	226,528	1,145,796	**18,885,417**	24,635,688	(85,537)	24,550,150	477,341	1,331,870	**22,740,939**
Minuwangoda	9,993,926	1,605	9,992,321	42,553	611,680	**9,338,088**	6,927,585	1,779	6,929,365	93,160	388,058	**6,448,147**
Panadura	19,210,950	(18,780)	19,229,730	2,872	1,066,930	**18,159,928**	14,580,608	40,298	14,620,906	106,611	683,140	**13,831,155**
Galle	24,078,369	103,247	23,975,122	167,899	1,598,876	**22,208,347**	28,077,838	(54,494)	28,023,344	345,962	1,577,629	**26,099,754**
Matara	18,094,504	82,538	18,011,966	22,281	1,237,044	**16,752,641**	20,044,710	(31,118)	20,013,592	203,958	1,146,156	**18,663,478**
Kurunegala	28,163,347	13,043	28,150,304	50,815	1,569,549	**26,529,941**	22,383,427	10,822	22,394,249	436,479	1,247,926	**20,709,844**
Ampara	12,527,561	(647)	12,528,208	92,815	911,396	**11,523,997**	13,108,963	(21,952)	13,087,011	485,969	1,110,063	**11,490,979**
Hambantota	6,308,058	(19,683)	6,327,741	27,511	288,971	**6,011,260**	8,356,864	(2,367)	8,354,497	163,446	461,190	**7,729,861**
Anuradhapura	16,687,940	(9,997)	16,697,937	943	1,016,063	**15,680,931**	14,662,590	15,116	14,677,706	492,660	791,228	**13,393,819**
Maharagama	23,266,672	33,351	23,233,321	33,222	1,375,087	**21,825,011**	26,046,699	(764)	26,045,935	119,070	1,342,052	**24,584,814**
Jayawardanapura	34,389,496	17,922	34,371,574	143,269	1,031,700	**33,196,605**	39,290,739	(35,537)	39,255,202	562,315	1,128,936	**37,563,951**
Karapitiya	30,528,147	12,524	30,515,624	76,522	1,872,392	**28,566,709**	30,683,302	15,964	30,699,266	188,236	1,898,840	**28,612,189**
Negombo	12,375,395	(30,678)	12,406,073	13,521	600,310	**11,792,242**	13,063,530	63,539	13,127,070	37,692	554,733	**12,534,644**
Badulla - CWE	18,334,835	35,623	18,299,212	45,972	1,116,517	**17,136,723**	17,479,531	3,049	17,482,579	57,386	1,069,112	**16,356,081**
Diyathalawa	4,624,792	-	4,624,792	12,804	105,457	**4,506,531**	5,341,106	-	5,341,106	16,824	395,605	**4,928,678**
Jaffna	14,024,356	3,524	14,020,833	37,661	807,082	**13,176,090**	12,419,929	(976)	12,418,953	263,487	831,834	**11,323,632**
Polonnaruwa	13,544,626	12,692	13,531,934	6,409	945,187	**12,580,338**	12,820,657	(6,289)	12,814,369	49,082	750,660	**12,014,627**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2016

OSUSALA TRADING STOCK - Cont.

NOTE 19

Location	2016 Bin Balance	2016 Stock Adj.	2016 Trading Stock in Hand	2016 Prov. for Damaged & Outdated Stocl	2016 Prov. for Unrealized Profit	2016 Stock (as at 31st Dec	2015 Bin Balance	2015 Stock Adj.	2015 Trading Stock in Hand	2015 Prov. for Damaged & Outdated Stocl	2015 Prov. for Unrealized Profit	2015 Stock (as at 31st Dec
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ratmalana	1,540,279	-	1,540,279	14,595	90,062	**1,435,622**	1,847,231	-	1,847,231	18,411	131,397	**1,697,424**
Piliyandala	-	-	-	-	-	**-**	1,569,749	-	1,569,749	56,116	84,450	**1,429,183**
Tangalle	15,453,971	9,732	15,444,240	6,861	1,013,271	**14,424,107**	10,268,890	(3,442)	10,265,448	64,833	727,056	**9,473,559**
Ragama	16,269,131	3,415	16,265,716	13,633	971,878	**15,280,205**	16,942,376	23,498	16,965,875	56,319	932,307	**15,977,249**
Bandaragama	5,921,499	(9,298)	5,930,797	3,704	375,574	**5,551,519**	6,119,319	8,965	6,128,284	27,374	404,546	**5,696,365**
Fort - Station	10,437,686	(4,247)	10,441,933	26,771	634,154	**9,781,008**	10,825,843	13,461	10,839,304	25,236	454,245	**10,359,823**
Borella	8,661,876	(8,273)	8,670,148	44,714	240,104	**8,385,331**	10,282,313	2,987	10,285,301	30,480	312,024	**9,942,797**
Embilipitiya	9,282,072	13,554	9,268,518	105,390	680,498	**8,482,630**	9,437,577	(5,811)	9,431,767	118,575	638,937	**8,674,254**
KDY-Railway	3,688,379	-	3,688,379	-	301,426	**3,386,953**						
Regional Stores Kandy	22,657,211	32,559	22,624,652	265,007	-	**22,359,645**	11,098,476	-	11,098,476	205,505	-	**10,892,971**
Total	**2,143,979,423**	**13,588**	**2,143,965,835**	**287,747,995**	**34,420,829**	**1,821,797,011**	**2,409,615,009**	**845,061**	**2,410,460,069**	**187,263,810**	**32,667,961**	**2,165,088,976**
ORS UNIT												
Finished Products	1,400,474	-	1,400,474	-	-	**1,400,474**	2,488,008	-	2,488,008	-	-	**2,488,008**
Raw Materials	1,086,686	-	1,086,686	-	-	**1,086,686**	904,691	-	904,691	-	-	**904,691**
Chemical & Others	-	-	-	-	-	**-**	44,845	-	44,845	-	-	**44,845**
Total	**2,487,160**	**-**	**2,487,160**	**-**	**-**	**2,487,160**	**3,437,544**	**-**	**3,437,544**	**-**	**-**	**3,437,544**
SUNDRY STOCKS												
Printing Stationery	13,461,435	-	13,461,435	-	-	**13,461,435**	12,269,371	-	12,269,371	-	-	**12,269,371**
Packing Materials	12,630,870	-	12,630,870	-	-	**12,630,870**	14,479,834	-	14,479,834	-	-	**14,479,834**
Miscellaneous Stocks	1,897,584	-	1,897,584	-	-	**1,897,584**	1,955,396	-	1,955,396	-	-	**1,955,396**
Total	**27,989,890**	**-**	**27,989,890**	**-**	**-**	**27,989,890**	**28,704,600**	**-**	**28,704,600**	**-**	**-**	**28,704,600**
Disputed items	157,228,292		157,228,292			**157,228,292**	141,420,110		141,420,110			**141,420,110**
Total	**2,331,684,766**	**13,588**	**2,331,671,178**	**287,747,995**	**34,420,829**	**2,009,502,353**	**2,583,177,262**	**845,061**	**2,584,022,323**	**187,263,810**	**32,667,961**	**2,338,651,225**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

STOCKS IN TRANSIT - DHS

NOTE 20

	2016 Rs.	2015 Rs.
Stock in Transit	399,339,127	773,824,515
Add: Disputed Items - DHS		
Disputed stock as at 31.12.16	277,207,847	166,736,562
Disputed balances as at 31.12.16	14,603,745	14,603,745
Less: Provision for unsalable	150,457,477	166,822,695
Goods in Transit - DHS	**540,693,242**	**788,342,127**

TRADE AND OTHER RECEIVABLES

NOTE - 21

	2016 Rs.	2015 Rs.
Total Dues From DHS	5,771,132,176	4,184,762,870
Trade Debtors	552,045,880	602,087,573
Staff Loans	83,637,815	77,467,750
Other Staff Advances	998,000	1,028,896
Deposits and Advances	5,397,328	11,310,913
Other Receivables & Recoverable	100,300,771	10,730,418
Total	**6,513,511,971**	**4,887,388,420**
Less: Provision for bad & doubtful debts	1,992,336,646	1,828,056,823
Trade and Other Receivables	**4,521,175,325**	**3,059,331,596**

DEBTORS ANALYSIS

NOTE 21A

	2016 Rs.	2015 Rs.
TOTAL DUES FROM DHS		
Local Purchase on DHS Tenders	920,317	920,317
DHS Turnover Tax & Custom Duty	52,146,382	52,984,512
Purchase Clearing - DHS	158,744,104	156,950,371
Department of Health Services	5,559,321,373	3,973,907,670
Total	**5,771,132,176**	**4,184,762,870**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

DEBTORS ANALYSIS - Cont. **NOTE 21A**

	2016 Rs.	2015 Rs.
TRADE DEBTORS		
Distributors	241,923,276	229,581,766
Sales Representatives	431,422	503,417
Private Sector Organizations	16,126,115	13,159,071
Forces	132,903,168	189,797,045
Franchise Osusalas	31,506,343	37,772,458
Authorized retailer	1,817,838	1,776,294
Hospitals- Government	64,645,277	69,809,704
Hospitals- Private	9,077,028	5,498,104
Government Dept. & Corporations	39,820,635	38,353,680
Other Debtors	270,055	1,139,054
Disputed Debtors - Government Sector	2,583,090	3,816,512
Disputed Debtors - Private Sector	501,582	440,418
Debtors under litigation	10,440,050	10,440,050
Total	**552,045,880**	**602,087,573**
STAFF LOANS		
Staff Loan	83,637,815	77,467,750
Total	**83,637,815**	**77,467,750**
OTHER STAFF ADVANCES		
Cycle Loans	26,730	35,401
Festival Advance	971,270	993,495
Total	**998,000**	**1,028,896**
DEPOSITS AND ADVANCES		
Advance Payments to Suppliers	3,601,322	4,749,631
General Advance	1,796,007	6,561,282
Total	**5,397,328**	**11,310,913**
OTHER RECEIVABLES & RECOVERABLE		
Sundry Debtors	7,924,914	5,657,972
E Channeling control A/c	25,556	25,556
Insurance Claim Receivables	3,947,890	5,046,889
Claim receivable from supplier	88,402,411	-
Total	**100,300,771**	**10,730,418**
TOTAL DEBTORS AND OTHER RECEIVABLES	**6,513,511,971**	**4,887,388,420**

PREPAYMENTS — **NOTE - 22**

	2016 Rs.	2015 Rs.
Pre- Payments	10,322,620	4,332,849
Employee Security Investments	441,636	440,336
Deposits - Postal Franking Machine	525,822	564,367
Pre paid Staff Expenses	3,135,116	1,544,376
Advance Payments to Port Authority	1,657,121	6,634,937
Miscellaneous Deposits	11,198,255	9,305,760
Container Deposits - SPC	1,347,340	1,585,840
Container Deposits - DHS	8,986,419	8,637,984
Total	**37,614,329**	**33,046,449**

CASH IN HAND AND AT BANK — **NOTE 23**

		2016 Rs.	2015 Rs.
People's Bank	A/C 90210892	7,442,685	27,459,687
Commercial Bank	A/C -10263	17,249	-
Bank of Ceylon	A/C -1438	10,654,012	5,515,013
Bank of Ceylon	A/C -1425	-	3,938,979
Bank of Ceylon	A/C -1435	75,903,764	14,222,735
Standard Chartered Bank	A/C 1171968 01	6,458,957	6,101,636
People's bank	A/C -90210929	91,312,447	10,186,016
Commercial bank	A/C -50401	39,507	78,508
Investments			
Repurchase Agreements - B.O.C & P.B		-	675,000,000
Treasury Bill - Credit Insurance Scheme		38,608,499	38,054,396
Treasury Bill - Supplier Convention		13,953,180	9,515,453
Petty Cash Impress - Control		557,172	452,918
Total		**244,947,473**	**790,525,341**

DEFERRED LIABILITIES — **NOTE 24**

EMPLOYEE RETIREMENT GRATUITY	2016 Rs.	2015 Rs.
Gratuity opening balance	150,917,657	372,219,796
Interest Cost	15,091,766	22,333,188
Current Service Cost	10,522,662	10,290,765
Actuarial Gain /Loss	(10,049,455)	(239,887,050)
Benefit paid/ payables during the year	(13,047,311)	(14,039,042)
Total	**153,435,319**	**150,917,657**

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs.' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2016. The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

Discount %	**10.5% p.a.**
Future salary increase %	**6% p.a.**
Allowance increase %	**10% p.a.**
Retiring age	**60 Years**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

The amounts recognized in the Income Statement are as follows, **NOTE 24A**

	2016 Rs.	2015 Rs.
Current service cost	10,522,662	10,290,765
Interest charges for the year	15,091,766	22,333,188
Actuarial gain/loss charged		
Gratuity include in the staff cost	**25,614,428**	**32,623,953**
Actuarial gain/loss - OCI	(10,049,455)	(239,887,050
Total	**15,564,973**	**(207,263,097**

DEFERRED TAX ASSETS/ LIABILITIES **NOTE 25**

	2016 Rs.	2015 Rs.
Differed tax liability	(81,739,218)	124,732,911
Differed tax Assets	42,961,889	(42,256,944
Opening SLFRS Deferred Tax Assets/ Liability	**38,777,329**	**82,475,966**

TRADE AND OTHER PAYABLES **NOTE 26**

	2016 Rs.	2015 Rs.
Accrued charges & provision	207,391,067	175,206,998
Creditors control	523,256,337	557,900,134
Special order advance	982,510	982,510
Security deposits	549,319	544,973
Salaries control	2,075,709	1,792,980
Bank bills payable - SPC	144,114,880	295,604,482
Bank bills payable - DHS	1,705,359,601	2,116,385,387
Interest on cash security deposits	34,938	49,518
Tender deposits	345,000	368,000
Loans & other recoveries (staff)	7,649,946	7,932,232
Gratuity payable	1,340,585	1,754,715
P.A.Y.E	114,943	103,139
Seva Vanitha	6,980	6,105
Welfare fund	680,163	1,484,808
Cash Deposit in lieu of Bank Guaranty	23,180,625	11,767,611
Agency commission	27,867,936	7,880,886
Value added tax	12,669,782	177,287,197
Employee Trust Fund	-	74,816,104
Total	**2,657,620,323**	**3,431,867,779**

CURRENT FINANCIAL LIABILITIES **NOTE 27**

		2016 Rs.	2015 Rs.
Bank of Ceylon	A/C -1425	26,149,718	-
Bank of Ceylon	A/C -70556680	9,635,703	1,914,693
Commercial bank	A/C -150701	3,917,444	54,774,750
Total		**39,702,865**	**56,689,443**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

NOTE -28

CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2016

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2016.

GENERAL RESERVE

General Reserve	**2016**	**2015**
Balance as at 31st December	**Rs.** 66,061,447.00	**Rs.** 66,061,447.00

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

NOTE -29

LIABILITIES AND PROVISIONS

The following legal cases are pending as of 31st December 2016, and the Corporation has been advised by the legal council that it is only possible, but not probable that the action will succeed. Accordingly, no provision has been made in these financial statements.

29.1. Contingent liabilities

29.1.1 The Corporation is a defendant in five Cases where legal actions instituted by stakeholders of entities involved. These cases are being contested by the corporation and no provision has been made in the financial statements.

29.1.2 Rainn kumar - HC ARB 111/98

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

29.1.3 W.A.S Wickramarachchi – CA/WRIT/105/2013

A petition was filed by former D.G.M (Procurement & Imports) to quash the decision for the demotion of the petitioner and the case has been fixed for arguments.

29.1.4 Arbitration – Pure Pharma Ltd vs SPC

Base on the quality failure reports procurement committee has cancelled the balance quantity of 310,000 packs of Paracetamol ordered from M/S Pure Pharma (pvt) Ltd. Pure Pharma has been referred the above matter for arbitration for claiming Rs 94.8 million (USD 948,758.75). Award was given on 19th January 2017 dismissing the case by awarding cost to the respond.

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

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

29.2 The corporation is a plaintiff in three Cases claiming Rs 7,862,551.47 with legal interest for the damages.

29.2.1 Osusala – Negombo - Case No.B2666/10

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

29.2.2 SAS Pharmaceuticals - Case No. 7078 M

This Case has been filed against S A S Enterprises, one of Distributors who has defaulted in settling claim of Rs 769,825.00 due to the Corporation. A District Court and High Court judgment was given in favour of "SPC" but SAS Enterprises has referred the case to the Supreme Court against the decision of District Court and High Court.

29.2.3 Lloyed Pharmaceuticals – Case No. 6799 M

SPC filed a case in district Court Kalutara against the distributer Lloyed Pharmaceuticals to recover the outstanding dues of Rs. 3,229,116.70.

29.3 Financial Commitments

Document credit established for purchases of pharmaceuticals as at 31.12.2016 amounts to Rs.9.103.5 m

NOTE -30

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

Trade receivables

Customer credit risk is managed by each business unit.

	2016	2015
SPC	Rs. 552,045,880	Rs. 602,087,573
DHS	Rs. 5,761,670,934	Rs. 4,184,762,870

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

Liquidity risk

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

Year ended 31 December 2016:	**(Rs)**	**Maturity**
Interest-bearing loans and borrowings	39,702,865	OD – Payable on demand
Trade and other payables		2,657,255,988 Usually 03 months

Year ended 31 December 2015:	**(Rs)**	**Maturity**
Interest-bearing loans and borrowings	56,689,443	OD – Payable on demand
Trade and other payables	3,431,867,779	Usually 03 months

	2016	**2015**
	Rs	**Rs**
Interest-bearing loans and borrowings	39,702,865	56,689,443
Trade and other payables	2,657,255,988	3,431,867,779
Less: cash and short-term deposits	(244,947,173)	(790,525,341)
Net debt	**2,452,011,680**	**2,698,031,881**
Equity		
Capital and net debt	8,577,212,256	7,772,391,648

NOTE -31

RELATED PARTY TRANSACTIONS

30.1 Transactions with State and State Controlled Entities

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

Nature of the Transaction	2016	2015
Transactions:	**RS**	**RS**
Sales	32,253,785,511	24,494,830,688
Outstanding Balances:		
Receivable from Medical Supplies Division	5,761,670,934	4,184,762,870
Receivable from Forces	132,903,168	189,797,045
Receivable from Government hospitals	64,645,277	69,809,704
Receivable from Other Government Institutions	39,820,635	38,353,680

30.2 Key Management Compensation \

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

	2016	2015
	RS	**RS**
Short term employment benefits	5,594,012	4,586,725

NOTE -32

EVENTS AFTER THE BALANCE SHEET DATE

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

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය எனது இல. My No. } HSM/A/SPC/1/16/96 මබේ අංකය உமது இல. Your No. } දිනය திகதி Date } 30 September 2017

The Chairman,
State Pharmaceuticals Corporation of Sri Lanka.

Report of the Auditor General on the Financial Statements of the State Pharmaceuticals Corporation of Sri Lanka for the year ended 31 December 2016 in terms of the Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the State Pharmaceuticals Corporation of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29 of the State Industrial Corporations Act, No. 49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Corporation on 16 September 2017.

1.2 Management's Responsibility for the Financial Statements

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. . - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-section (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

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

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

Even though Sri Lanka Accounting Standard 19 has encouraged the creation of an investment plan for the liability for the retirement gratuity in order to minimize the risks of future obligations action in accordance therewith had not been taken.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) The debit notes issued during the year under review for the recovery of the cost of the drugs purchased for the Medical Supplies Division and for sale by the Corporation which had been confirmed as quality failed and the various charges thereon from the suppliers concerned had been brought to account on the cash basis and as such a sum of Rs.198,382,873 recoverable as at 31 December 2016 from the suppliers had been omitted in the accounts.

(b) Even though the expenditure on sample checks carried out prior to shipping of the drugs should be recovered from the suppliers in accordance with the agreements, a sum of Rs.826,599 spent in that connection from January to June of the year under review had been brought to account as expenditure of the Corporation, without being recovered from the suppliers.

2.2.3 Unreconciled Control Accounts

According to the financial statements, 91.2 per cent of the total debtors or Rs.5,771,132,176 remained receivable from the Medical Supplies Division whereas according to the accounting records of the Medical Supplies Division, that balance amounted to Rs.5,611,457,947. The Corporation had failed to identify the reasons for the difference of Rs.159,674,229 by preparing the Statements of Reconciliation of Balances and rectify the difference.

2.2.4 Unexplained Differences

According to the information obtained from the Computer Division of the Corporation and according to the Physical Stock Verification Reports a difference of Rs.153,719 existed in the value of validity expired drugs.

2.2.5 Lack of Evidence for Audit

The confirmation of balances relating to the balances amounting to Rs.1,860,427 relating to 11 creditors out of the trade creditors balance of Rs.523,256,337 as at 31 December 2016 had not been furnished to Audit in order to confirm the balances.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) A sum of Rs.211,810,803 out of the balance amounting to Rs.5,771,132,176 receivable from the Medical Supplies Division had been debts old between 7 years to 18 years. The age analysis of debts amounting to Rs.5,559,321,373 had not been furnished to Audit.

(b) According to the policy of the Corporation, the debts of the trade debtors should be recovered within 30 days to 45 days from the date of sale. Nevertheless, out of the debtors balance of Rs.552,045,880 as at 31 December 2016, the Corporation had failed to recover a sum of Rs.13,343,931 from the private, the Government and semi-Government institutions over periods exceeding 5 years and for the recovery of a sum of Rs.9,044,299 from the Parliament of Sri Lanka over a period exceeding one year. The Chairman of the Corporation had commented that legal steps had been taken for the recovery of the debtors balances out of that amounting to Rs.10,440,049.

(c) The insurance indemnity receivable as at 31 December 2016 amounted to Rs.3,947,890 and the Corporation had failed to recover a sum of Rs.1,855,372 over periods ranging from 2 years to 13 years. Even though the irrecoverability of a sum of Rs.842,504 had been identified, action had not been taken to examine the reasons for that and recover from the parties responsible.

(d) The balance of the Container Deposits Account as at 31 December 2016 amounted to Rs.10,333,759 and the Corporation had failed over periods ranging from 2 years to 8 years for the recovery of a sum of Rs.5,810,983 out of that balance.

(e) The advances amounting to Rs.105,672 and Rs.150,000 paid in the years 2013 and 2014 for carrying out repairs to an electricity generator and the installation of a computer system respectively and the advances amounting to Rs.3,601,322 issued to the suppliers from the year 2007 to the year 2012 had not been settled even by 28 February 2017, the date of audit.

(f) The balance of the Bills Account payable to the Bank as at 31 December 2016 amounted to Rs.1,849,474,481. Out of that a sum of Rs.30,779,344 represented the value of 100 per cent of value of letters of credit and retention money not paid to suppliers and older than 3 years.

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

The instances of non-compliance with the laws, rules, regulations and management decisions had been as follows.

Reference to Laws, Rules and Regulations	Non-compliances
(a) Circular No. PED/57 of 11 February 2011 of the Department of Public Enterprises	Contrary to the provisions in the circular, grants and sponsorships each exceeding Rs.100,000 totalling Rs.7,334,250 had been paid in 25 instances in the year under review to private institutions.
(b) Public Finance Circular No. 3/2015 of 14 July 2015	The ad hoc sub imprests totalling Rs.264,285 issued in 17 instances in the year under review had been settled after delays ranging from 13 days to 195 days.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Corporation for the year under review amounted to a net profit of Rs.1,241,744,631 as compared with the corresponding net profit for the preceding year amounting to Rs.619,598,174 , thus indicating an improvement of Rs.622,146,457 in the net profit of the year under review as compared with the preceding year. Even though the direct expenditure for the year under review as compared with the preceding year had increased by a sum of Rs.6,487,187,300, the increase of sales income by a sum of Rs.7,791,707,690 had been the main reason for the above improvement.

An analysis of the financial results for the year under review and 4 preceding years indicated continuous net profits from the year 2012 to the year under review, but it had fluctuated annually. Nevertheless, in the re-adjustment of the employees' remuneration, the Government taxes and the depreciation on non-current assets to the financial results indicated that the contribution of Rs.1,692,199,699 in the year 2012 had improved with fluctuations ranging from 6 per cent to 31 per cent to Rs.3,283,259,319 in the year 2016.

3.2 Analytical Financial Review

The Gross Profit Ratio for the year under review, as compared with the preceding year had decreased by 0.6 per cent whilst the Creditors Turnover Ratio had increased by 15 times and the period of payment of debts had decreased by 3 days. It was observed that attention should be paid in this connection and make the operating activities of the Corporation efficient.

3.3 Legal Actions instituted against the Corporation or by the Corporation

Four cases had been filed in the Courts by external institutions and officers on the breach of fundamental rights, demotion from the posts and blacklisting in relation to the Bid Award Process. The compensation relating to one of those cases amounted to US $ 948,759. The Corporation had filed 3 cases in the Courts against 03 external parties claiming compensation amounting to Rs.7,862,551.

3.4 Unusual increase in Expenditure

The Bank Overdraft interest expenses of the preceding year and the year under review amounted to Rs.734,134 and Rs.5,434,349 respectively and that expenditure of the year under review, as compared with the preceding year, had increased by 640 per cent. Even though the supplies made to the Medical Supplies Division had increased, the delays in the receipt of money in that connection had been the reason for obtaining higher Bank Overdraft Facilities.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Even though action had been taken for the achievement of the major objectives such as the manufacture of drugs, the purchase of locally manufactured drugs, import, export, marketing, distribution, processing, storage and packaging in accordance with the Notification published in the Gazette Extraordinary No. 14976/8 of the Government of Sri Lanka dated 22 September 1971, action had not been taken for the achievement of the major objectives such as the establishment of the industries manufacturing fine chemicals and providing assistance thereto, and the commencement of research work in Sri Lanka and foreign countries with regard to marketing of drugs.

(b) In view of the commencement of work on the establishment of a cold room in the premises of the Main Stores at Ratmalana, the construction of a building for the Jeewani Manufacturing Division and the construction of the Osusala at Colombo 7 which had not been included in the Action Plan for the year under review, the Corporation had not been able to achieve the following activities included in the Action Plan. As such, it was observed that the Corporation had not taken action in accordance with the Action Plan.

(i) Formulation of a methodology for the direct importation of drugs without the intervention of the intermediaries.

(ii) Introduction of three new distributors annually

(iii) Implementation of the final installation and systems training stages of the Enterprises Resources Planning System implemented for the co-ordination of all Operating Divisions of the Corporation.

(iv) Development of the Manufacturing Plan and introduction of new products.

(v) Amendment of the Scheme of Recruitment.

4.2 Management Activities

The following observations are made.

(a) Even though the Corporation had obtained a building at Badulla Bus Stand Trading Complex on lease basis through a lease agreement entered into on 19 September 2000 by the Corporation with the Badulla Municipal Council and the Urban Development Authority and opened a State Osusala and the building that fell vacant due to the removal of the Osusala from that building, on 17 November 2011 had been leased out to an individual for a period of 5 years from 15 January 2013 at a monthly lease rental of Rs.55,000. According to the agreement entered into in that connection, the lessor had the right to cancel the lease agreement if the lessee fails to pay the lease rental for a period of 3 months. Even though the lessee had defaulted the payment of lease rental for a period of 9 months after 05 September 2013, the Corporation had not taken action for the cancellation of the lease agreement. Even though the lessee had paid Rs.1,890,000 by cheques and in cash from time to time on being informed by the Corporation the non-payment of lease rental, cheques valued at Rs.1,330,000 out of that had been dishonoured. The total arrears of the lease rental which the Corporation had failed to recover as at 14 March 2017 amounted to Rs.1,805,000.

(b) The matters observed in the examination of the purchase of 500,000 Units of the Omeprazole Capsules 20mg during the year under review are given below.

(i) The Departmental Procurement Committee had decided to award 20 per cent of the order to one of the two suppliers who had quoted the lowest price according to the quotations received an award the balance 80 per cent to the supplier who had quoted the third low price, who had made supplies previously. After the allegation made by the company which offered equal lowest price which did not get the award that the Corporation had awarded the bid contrary to the Procurement Guidelines, the Procurement Committee had decided again to award 10 per cent each to the two supplies who quoted the lowest price. Any acceptable reasons for the decision taken to award 20 per cent of the order to the two lowest bidders and to award 80 per cent to the supplier who had quoted the third lower quotations had not been given in the report of the Procurement Committee.

(ii) Out of 50,000 units purchased from one of the suppliers who quoted the lowest price, 47,684 could not be sold due quality failure and 41,915 units of that remained in the stores whilst 5,769 units had been issued to patients. The loss amounting to Rs.3,260,568 had not been recovered from the supplier even by 18 April 2017, the date of audit.

(iii) The supplier who was awarded 80 per cent of the total bid had supplied 125,000 units on 19 November 2015 and 75,000 units and 150,000 units on 24 November 2015 and 08 February 2017 respectively, all totalling 350,000 units of drugs. The stocks supplied had been taken over without carrying out a proper examination, a test carried out on a complaint made by a consumer revealed that 62,697 units of the stock of 75,000 units supplied had failed the quality and by the that time 12,303 units had been issued to patients. The value of the rejected stock amounted to Rs.5,063,410 and that had not been recovered from the supplier even by 01 August 2017.

4.3 Operating Activities

The following observations are made.

(a) According to the age analysis of the Stocks in Transit Account as at 31 December 2016, it was confirmed that the stocks costing Rs.5,472,779 had been stocks in transit for more than 6 months whilst the stocks costing Rs.9,917,600 had been stocks in transit for more than one year. In view of the delay in the issue of Debit Notes for the stocks taken over by the Medical Supplies Division and the failure to find out the reasons for the stocks not taken over by the Medical Supplies Division and taken remedial action had resulted in such stocks remaining as stocks in transit over long periods.

(b) Out of the drugs purchased for sale by the Corporation the total cost of quality failed and the validity expired drugs in the preceding year amounted to Rs.25,579,947 and Rs.21,257,018 respectively whilst the cost of quality failed and validity expired drugs of the year under review amounted to Rs.110,007,776 and Rs.19,980,259 respectively. The value of the drugs which had become unsuitable for sale, as compared with the preceding year, had increased by 177 per cent. Out of the drugs which had failed the quality in the years 2015 and 2016 amounting to Rs.135,587,723 , a sum of Rs.35,800,897 had not been recovered even by 31 August 2017 and the total loss incurred by the Corporation due to the expiry of validity amounted to Rs.41,237,277.

(c) Out of the drugs purchased for sale by the Corporation, drugs valued at Rs.287,216,327 had become unfit for sale by 31 December 2016. Nevertheless, according to the report on the physical verification the cost of that stock amounted to Rs.258,125,317 thus indicating a difference of Rs.29,091,010. Even though the explanation relating to Rs.4,527,422 out of that difference had been furnished to Audit, the reasons for the balance difference Rs.24,563,588 had not been furnished. In view of the unavailability of the damaged stocks physically the possibility of stocks not fit for sale being issued to the market cannot be ruled out in audit.

(d) Out of 32 Osusala Outlets in operation during the year under review, 9 Osusala Outlets had incurred losses and the total of the losses amounted to Rs.12,196,684. Six Osusala Outlets at Avissawella, Minuwangoda, Diyatalawa, Tangalla, Hambantota and Jaffna had incurred losses continually from the year 2013 to the year under review whilst 88.2 per cent of the total loss for the year under review had been incurred by those 6 Osusala Outlets.

(e) The total cost of the drugs for which the Medical Supplies Division had rejected the payments by 31 December 2016 due to quality failure, damage and shortages of drugs amounted to Rs.802,279,379. The Corporation had failed to recover a sum of Rs.759,329,236 out of that from the suppliers even by 01 August 2017. Out of that, a sum of Rs.186,488,579 remained recoverable from the blacklisted suppliers and as such the recovery of that amount is uncertain.

4.4 Procurement and Contract Process

The following observations are made.

(a) According to paragraph 6.3.6 of the Government Procurement Manual, if the bidders revises their quotations, the amended prices can be sent before the opening of the bids. That should be noted in the Note on the Bid opening and the qualified bidder should be selected by opening the bids at the time shown in the Bid Notice. Nevertheless, in the opening of the bids for the purchase of 55,000 units of the drug Valgaciclorir in the year under review, the bid had not been awarded to the bidder who had submitted the minimum price of Rs.75,317,861 recommended by the Technical Evaluation Committee, the bid had been awarded 65 days after the bid opening, to a bidder who had amended the prices from Rs.80,921,214 to Rs.69,325,634.

(b) Even though the Medical Suppliers Division had made an order for 30,000 litres of Ultra Sound Transmission Gel for the year 2016, a stock of 50,000 litres had been purchased and dispatched to the Medical Supplies Division on 16 December 2016. As the stock Handover Note for the 50,000 litre stock had incorrectly marked the quantity of litres, the stock had been retained without being taken over a period exceeding 04 months and as such it had not been possible to issue that to the Hospitals. The item which should be supplied to the Medical Supplies Division with a valid life period of 36 months had only a valid life period of 28 months by 17 April 2017.

(c) According to the information obtained from the Computer Division of the Corporation the value of the validity expired drugs during the year under review out of the drugs purchased for sale by the Corporation amounted to Rs.20,133,978. Out of that, the validity of drugs valued at Rs.19,981,558 had expired due to the purchase of drugs with less than two years of validity period as required by clause 2.2 of the agreement included in the bid documents.

(d) The matters observed during the course of examination of the administration activities of the contract for the installation of the electric lift of the Osusala Colombo 07 are given below.

(i) The Bid Documents had not been vetted and approved in terms of the Guideline 5.3.1 of the Government Procurement Guidelines by the Technical Evaluation Committee and the Procurement Committee respectively.

(ii) Even though a maximum period of 21 days of bidding time should be allowed in terms of the Guideline 6.2.2 of the Government Procurement Guidelines, to the bidders in an invitation of bids under the National Competitive Bidding for them to submit the bids, only 14 days had been allowed in this matter for the submission of bids.

(iii) Even though the Guideline 6.3.6 of the Government Procurement Guidelines Stipulates that the procedures of the bid opening should be recorded in the prescribed format and should be signed by all members of the Bid Opening Committee, the Corporation had not so maintained the records of bid opening.

(iv) Even though the terms and conditions of the contract agreement required that the work of the contract should be completed by 22 August 2015, the Corporation had failed to get the work completed by 14 July 2017, the date of audit.

4.5 Staff Administration

The following observations are made.

(a) The number of vacancies in the cadre of the Corporation as at 31 December 2016 had been 160 and officers for 6 posts had been recruited exceeding the approved staff. In addition, 15 officers had been appointed on the acting basis and the covering of duties basis for 01 post of Executive Level and 14 posts of Non-Executive Level.

(b) Two Officers had been recruited on the contract basis for post of Manager (Procurement) included in the approved staff over a period of 2 years and the Manager (Enterprise Resources Planning) not existing in the approved staff over a period of 4 years.

5. Accountability and Good Governance

5.1 Internal Audit

An internal audit of the recruitment, promotion and transfers included in the Internal Audit Plan had not been carried out.

5.2 Procurement Plan

A Procurement Plan and the Procurement Time Schedules in connection with the medical supplies purchased for sale by the Corporation and the other assets purchased had not been prepared.

5.3 Budgetary Control

According to the revised budget prepared for the year under review, variances ranging from 35 per cent to 746 per cent existed between the estimated and the actual expenditure of 26 items of expenditure out of 70 overall items of expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

Areas of Systems and Controls	Observations
(a) Recovery of debts	Failure to ensure efficiency in the collection of money on Debit Notes.
(b) Control of Osusala Outlets	Failure to take adequate action to examine the reasons for losses with the objective of minimizing the losses.

H.M.Gamini Wijesinghe
Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

Comments of the Chairman in respect of the Report of the Auditor General in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971 on the Financial Statements of the State Pharmaceuticals Corporation for the Year which Ended on 31 December 2016

2.2 Comments on the Financial Statements

2.2.1 Sri Lanka Accounting Standard 19

(a) It is not compulsory (but optional) to create an employees' retirement benefits fund as per Sri Lanka Accounting Standard LKAS 18 /LKAS 38 The retirement benefits fund system cannot be seen in profusion and an alternative investment plan is being studied in ordertominimize risks.

2.2.2 Accounting Deficiencies

(a) The value to the tune of Rs. 198,382,873 rupees recoverable from suppliers in respect of pharmaceuticals which have failed in quality and those expired are not entered in accounts as per LKAS 38 because of its uncertainty and as per LKAS 38 for recognition of revenue. However, action has been taken to enter in accounts as receivable compensation those amounts of compensation which the supplier has promised in writing to pay from the year 2016 onwards.

(b) The management of the Corporation has decided to conduct the sample testing after obtaining money from suppliers with effect from 2nd June 2016. What is stated are the values pertaining to sample tests conducted before then and out of the Rs. 826,599 given, Rs. 173,859 has already been recovered. Action is being taken to recover the balance.

2.2.3 Unreconciled Control Accounts

Rs. 5,559,321,373 should be the value after adjusting the Rs. 211,810,803 that is stated under 2.3 to the Rs. 5,771,132,176 concerned.

As such, the difference between the balance of Rs. 5,611,457,947 according to the accounts reports of the Medical Supplies Division and the balance of Rs. 5,559,321,373 accounted basing on the debit notes is Rs. 52,136,574.

The State Pharmaceuticals Corporation has requested the Medical Supplies Division for a detailed list pertaining to the balance provided by that Division. The main reason for such difference is that the Medical Supplies Division does not provide details of payments on debit notes.

We have not been able to prepare the time analysis nor compare the outstanding balances between the two institutions for sending to the Audit Division because the Medical Supplies Division has failed to provide these details despite repeated reminders given from time to time. Since this is a problematic situation for our Corporation and one given severe focus in the Audit Report, both the Minister and the Secretary to the Ministry of Health, Nutrition and Indigenous Medicine have been informed of the matter. Even during the discussion held on 4th July 2017 with the Secretary, this was discussed and the Medical Supplies Division was informed to give us the details concerned. Therefore it cannot be accepted that we had not taken action to rectify this.

2.2.4 **Differences** Unaccounted For

(a) This difference had occurred due to a fault in the computer manifest pertaining to the value of the expired drugs in the year 2016. The reasons for the occurrence of the difference of Rs. 153,718,66 have been identified and remedies have been put in place to ensure that such situation will not recur.

2.2.5 Lack of Evidence for Audit

The Trade Creditor Balance of Rs. 523,256,337 as at 31st December 2016 has been paid and cleared by now.

2.3 Accounts Receivable and Payable

(a) The main reason for the inability to present debtor analysis is that the Medical Supplies Division has not provided us with payment details for the money we have received. This has been described in 2.2.4.

(b) What remains as outstanding balance out of the debtor balance of Rs. 552,045,880 as at 31st March 2018 is Rs. 23,510,993. It includes Rs. 12,422,485 receivable from government institutions (including Rs. 9,044,299 receivable for pharmaceuticals provided to the Parliament Complex). In addition, the outstanding balances which have exceeded 5 years have decreased from Rs. 13,343,931 to Rs. 11,997,427 as at that date. It includes balances of Rs. 1,397,261 receivable from the government sector, Rs. 10,600,165 and Rs. 10,440,049 referred for legal action.

(c) However, with the approval of the Board of Directors, insurance claims amounting to Rs. 871,301, which the Corporation had not been able to recover due to applicability to other insurance companies during the 2003-2008 period or absence of insurance reports, have been written off, out of the total insurance claims of Rs. 1,855,372 pertaining to years 2003 to 2014.

Action is being taken to recover the remaining insurance claims worth Rs. 711,444.

(d) Further, action is being taken to recover the value of Rs. 5,810,983 recovereable for the period 2008-2014. Subject to proper approval, action is taken to write off the values that are identified as unrecoverable.

In order to avoid this situation at present, action is taken to withhold from the amount payable to the supplier if container deposits of shipping companies are not paid within 40 days.

(e) **Non-Clearance of Advances**

1. Installing the Computer system – Rs. 150,000/-

This amount has been paid to the University of Colombo for installing the E-Tender System. According to the letter by the Manager (Information and Systems) dated 21.07.2017, the amount can be paid and transaction can be cleared only after the installation of the ERP System. (Letter concerned has been annexed herewith.)

2. **Repair of Generator – Rs. 105,672**

Letters of Demand has been sent to Soar Technology to recover this money paid for the repair of the 250 kva generator.

3. **Advances Issued to Suppliers – Rs. 3,601,322**

Rs. 526,208 of the above value has been recovered and action is being taken to recover the remainder.

(f) Suppliers in respect of whom payments were suspended by the Corporation for various reasons and the items for which originals of the documents had not been surrendered to the bank by the suppliers have thus remained as bills payable in the account. All the values stated have been paid and settled by now.

2.4 Non-Compliance with Laws, Rules, Regulations and Management Decisions

(a) Public Enterprise Department Circular No. PED/57 dated 11th February, 2011

In promoting the pharmaceuticals trade, it is essential to provide sponsorships to events such as clinical sessions of medical practitioners' associations to which target Doctors belong to. The various instances cited are promotional contribution given to projects that have to be conducted compulsorily for the commercial promotion by the Corporation.

(b) The employees listed in the schedule had retained all the money they had obtained without spending it only on 10 of the 17 occasions. Action has been taken to calculate the interests for the period during which these employees kept the money without authority and deduct such interest from their salaries as in the previous year.

4.1 Performance

(a) I agree with the observation made about the performance of the Corporation.

The Objectives stated in the incorporation Gazette notification are those listed 46 years ago. Although not all those objectives have been achieved, we have worked to achieve the main objectives, as you have also stated.

(b) It is necessary to perform the activities essential for operational purposes that surface from time to time although they have not been included in the Action Plan. The matters you have stated are activities required to carry out for operational efficiency.

It is difficult to achieve all objectives included in an action plan 100% and action is taken to include properly those activities in the future plans with necessary changes.

4.2 Management Activities

(a) All efforts have been made to recover all the lease rents due from the lesee in respect of the Osusala Building in Badulla while the lease rent agreement was still operative. However, the matter has been referred to the Attorney General's Department to cancel the agreement in view of the inability to recover the whole of the outstanding lease rent, evict the lessee from possession and recover the outstanding amounts lawfully.

(b) (I) XL India, which was put forth when making recommendations for purchasing Omeprazole Capsule 20mg, had been a previous supplier of ours and they quoted a price that was lower than the previous one. Taking account of the fact that the capsule had a sale of more than 20,000 packs per month, it had been recommended to obtain 80% of the tender. It had been proved that it was technically sound at that time. At the same time, the supplier had supplied the pharmaceutical without a complaint even at the time of recommending it. We received this in February 2017 and 06 batches of it were removed from use in May 2017.

Both suppliers who quoted the lowest prices are new suppliers for this item. Hence the recommendation in minimum quantities.

(II) The stocks from Peltech India, who had presented these lowest prices, had been obtained after subjecting them to test by Bee Pharm, a recognized laboratory in India, before shipment.

(III) It should be stated here that the supplier did not accept the disqualifications made by our Corporation's Laboratory and has been requesting further details. It should also be mentioned that the supplier is still arguing, supplying details about the authenticity of the pharmaceutical although we issued debit notes.

An agreement was reached to obtain new stocks for the money receivable from XL India and accordingly stocks have been acquired. Action has also been taken to blacklist Peltech India for the default of payment due from it.

4.3 Operational Activities

(a) Out of these stocks in transit, the stock of Rs. 429,501 pertaining to indent No. DHS/SU/352M/14 and the stock of Rs. 298,485 pertaining to indent No. DHS/RS/64/1066KC/14 were transferred to the Contested Stocks Account as the stocks have been rejected by the Medical Supplies Division while the Post-Distribution Division is following it up.

All the remaining values mentioned have been cleared during the year 2017.

(b) The values of the pharmaceuticals purchased for sale by the Corporation and have expired or have failed in quality are as follows:

	2016	**2015**
Value of loss in damaged stocks	127,898.73	1,997,920.19
Expired Items	17,403,450.99	16,767,780.63
Items expired or damaged at Osusala outlet	2,448,909.10	2,491,318.00
Items which failed in quality	110,007,776.18	25,579,946.97
Total cost during the year	129,988,035.00	46,836,965.79

Out of these values, it is only the values of those items which have failed in quality that can be recovered from suppliers. Therefore:

	2016	**2015**
	(Rs.)	(Rs.)
Value of items which failed in quality	110,007,776.18	25,579,946.97
Recoveries from suppliers	98,067,203.00	14,179,130.00
Value to be recovered	11,940,573.18	11,400,816.97
Recovery rate	89%	55%

Our opinion is that mention of Rs. 88,473,174 as amount which we have failed to recover should be changed as Rs. 23,341,390 because the total of the amounts that should be recovered for the two years is Rs.23,341,390.

(c) The information pertaining to the Rs. 4,237,684 which leads to this difference has been sent to the Government Audit Division. After adjusting that information, the difference s Rs. 20,634,765. An internal inquiry has been carried out in this regard and the officers identified as responsible had been asked to give explanations. As the explanations were not of acceptable nature, the matter has been referred to the Human Resources Division for sending charge sheets to the officers concerned.

(d) Establishment of Osusala outlets in various areas is at times done upon policy decisions of the government or service motives although they do not have commercial viability. However, action has been taken to maintain the overall Osusala outlet operations at a profit continuously.

(e) The value of Rs. 802,279,379 receivable from suppliers for pharmaceuticals for which the Medical Supplies Division had refused payment as at 31st December 2016 has been analysed below and it has been possible to reduce that value to Rs. 352,564,017. This value is still being analysed.

1.	Recoveries from suppliers	27,585,445
2.	Replacement of rejected stocks	47,235,655
3.	Excess deduction by the Medical Supplies Division	100,864,715
4.	Value of blacklisted suppliers	201,280,080
5.	Value of stock destroyed by water	13,314,885
6.	Value unrecovereable as MSD informed after the specified period	59,444,582
		449,715,362

4.4 Procurement Process and Contracting Process

(a) The lady officer who had been functioning as the Secretary of the Procurement Committee concerned has reported that nothing in contravention of procurement guidelines was done during the Procurement process concerned. That report has been handed over to the Audit Division.

(b) Deputy General Manageress (Marketing) has informed that the issue has arisen due to uncertainty of specifications and nevertheless, the whole of the stock purchased and supplied has been used up during the specified lifetime.

(c) Action has been taken to submit a detailed report to the Audit Division, including the reasons for expiry of the respective pharmaceuticals and giving information about recoveries.

(d) **Lift at Rajya Osusala Outlet in Colombo 07**

I agree with the audit observation and arrangements have been put in place to avoid in future procurement activities any of the shortcomings pointed out. It has not been possible to complete this task and receive it as the inspection reports provided by the supplier have not been recognized by the consultant engineer.

4.5 Staff Administration

(a) Some of the vacancies out of the number of vacancies stated as at 31st December 2016 have been filled by now. Applications have been called by now for filling the vacancies that have remained impossible to fill so far for various reasons.

As the note stating that the approved cadre has been exceeded was not agreeable, explanation pertaining to same has been forwarded to the Audit Division.

A few of the 15 acting posts cited have been filled on different occasions and applications have been called for filling all vacant positions except for two vacancies which cannot be filled for technical reasons.

(b) The service of the officer engaged in the post of Manager (Procurement) has been terminated with effect from 14th January 2018. That post was divided into two separate posts as Manager – Procurement (Pharmaceuticals) and Manager Procurement (Surgical) upon the requirements of the Corporation and the approval of the Department of Management Services has been obtained for the two posts. Two lady officers have been promoted and appointed to the two posts with effect from 15th February 2018.
The Manager – Entrepreneureal Resources Management (ERP) has been recruited on contract basis on the approval of the Board of Directors for the purpose of establishing the entrepreneurship resources management process and the period of contract of that employee terminates on 6th August 2018.

5 Accountability and Good Governance

5.2 Procurement Plan

Planning of the pharmaceuticals necessary for sale by the Corporation is always done in the preceding year. The plan is monitored weekly, monthly and annual basis and removal of unnecessary stocks, ordering stocks, ordering new pharmaceuticals etc are carried out.

5.3 Budgetary Control

According to the revised Financial Statements the variation is not 35% - 746% but should change as 35% - 114%. In addition, variations have occurred due to conditions during the year differing from trade and economic hypotheses made when preparing estimates and due to management decisions

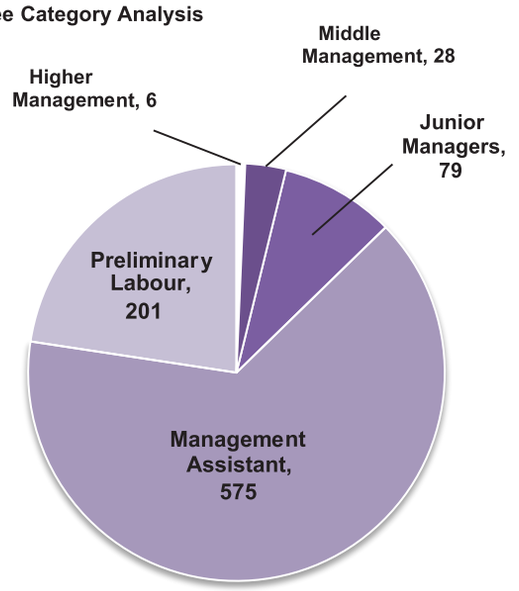
The causes for the changes pointed out by the audit have been submitted to the audit on 21st July 2017. Measures necessary for minimizing variance in future have been taken.

Sarath Liyanage
Chairman
State Pharmaceuticals Corporation of Sri Lanka

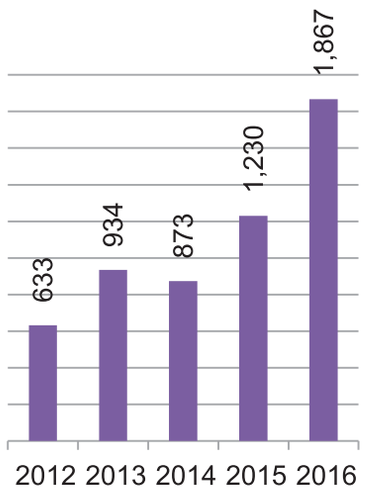
State Pharmaceuticals Corporation of Sri Lanka

Human Resourcesnalysis

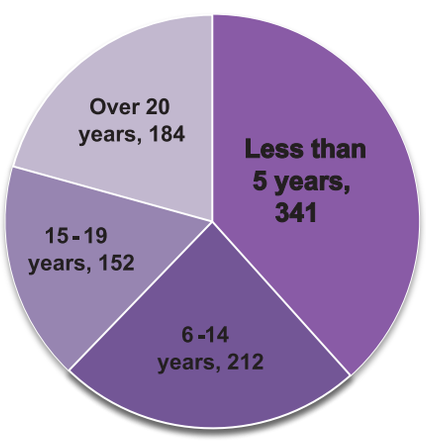
Employee Category Analysis



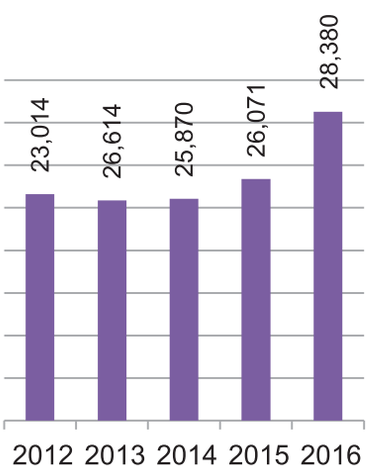
P.B.T per Employee Rs."000"



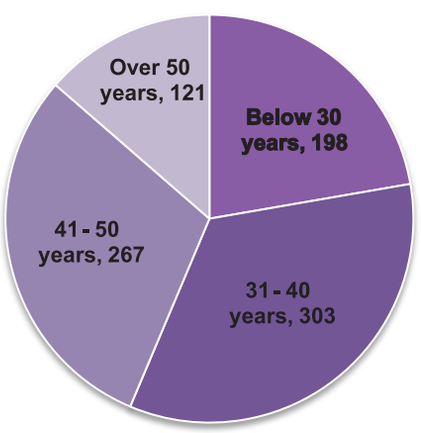
Employee Retention Period



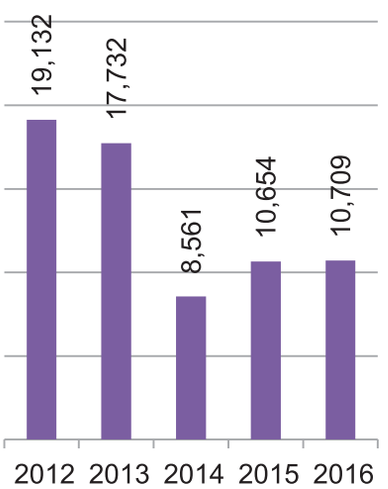
Sales per Employee Rs."000"



Employee Age Analysis



Assets per Employee Rs."000"



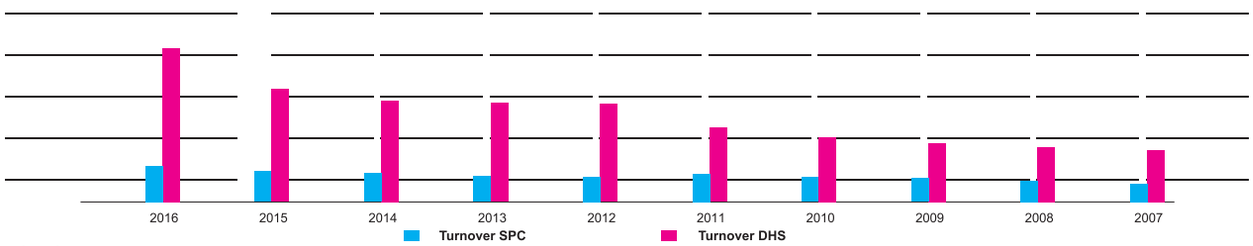
STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

TEN YEAR SUMMARY - INCOME STATEMENT

Turnover

RS.'000'

Description	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.	2009 RS.	2008 RS.	2007 RS.
Turnover - SPC	6,127,478	5,286,876	4,865,151	4,320,300	4,283,232	4,806,170	4,197,759	4,015,962	3,547,367	3,092,189
Turnover - DHS	26,127,912	19,176,807	17,269,008	16,815,666	16,608,492	12,569,290	10,968,571	9,990,429	9,306,330	8,815,971
Total Turnover	**32,255,390**	**24,463,683**	**22,134,159**	**21,135,966**	**20,891,724**	**17,375,460**	**15,166,330**	**14,006,391**	**12,853,697**	**11,908,160**
Gross Trading Profit - SPC	1,656,938	1,410,722	1,247,074	1,136,403	991,541	1,043,453	995,371	894,232	822,024	699,794
Gross Surplus - DHS	1,850,650	1,386,731	1,333,198	1,185,004	1,193,214	780,735	688,145	622,071	576,308	578,091
Gross Surplus	**3,507,588**	**2,797,453**	**2,580,272**	**2,321,407**	**2,184,755**	**1,824,188**	**1,683,516**	**1,516,303**	**1,398,332**	**1,277,885**



Overheads

Other Income	43,085	51,259	25,738	17,537	15,105	23,231	20,414	18,107	22,638	14,177
Administrative Expenses	(1,101,435)	(1,057,970)	(969,744)	(786,904)	(670,635)	(614,019)	(605,475)	(573,322)	(535,428)	(483,452)
Other Operating Expenses	(580,843)	(563,357)	(749,825)	(791,794)	(745,230)	(492,631)	(285,777)	(203,520)	(218,987)	(111,390)
Operating Profit	**1,868,392**	**1,227,385**	**886,441**	**760,246**	**783,995**	**740,769**	**812,678**	**757,568**	**666,555**	**697,220**
Finance Cost	(1,071)	(1,599)	(124)	(227)	(17)	(3,661)	(17,734)	(8,841)	(7,982)	(7,480)
Overdraft Interest	(5,434)	(734)	(149,659)	(1,384)	(290,877)	(419,235)	(315,070)	(350,841)	(212,285)	(273,273)
Total Overheads	**(1,688,783)**	**(1,623,660)**	**(1,869,352)**	**(1,580,309)**	**(1,706,759)**	**(1,529,546)**	**(1,224,056)**	**(1,136,524)**	**(974,682)**	**(875,595)**
Finance Income	5,721	5,086	4,896	4,357	3,959	4,102	3,900	3,302	2,856	2,127
Profit before Tax	**1,867,608**	**1,230,137**	**741,554**	**762,992**	**497,060**	**321,975**	**483,774**	**401,188**	**449,144**	**418,594**
Taxation	625,863	610,539	192,145	320,008	205,282	228,473	243,907	144,883	209,487	232,013
Net Profit for the period	**1,241,744**	**619,598**	**549,409**	**442,984**	**291,778**	**93,502**	**239,867**	**256,305**	**239,657**	**186,581**
Defined benefits plan	10,049	239,887	(212,044)	(31,574)	(14,281)	11,325				
Total comprehensive Income	**1,251,794**	**859,485**	**337,365**	**411,410**	**277,497**	**104,827**	**239,867**	**256,305**	**239,657**	**186,581**



RATIOS

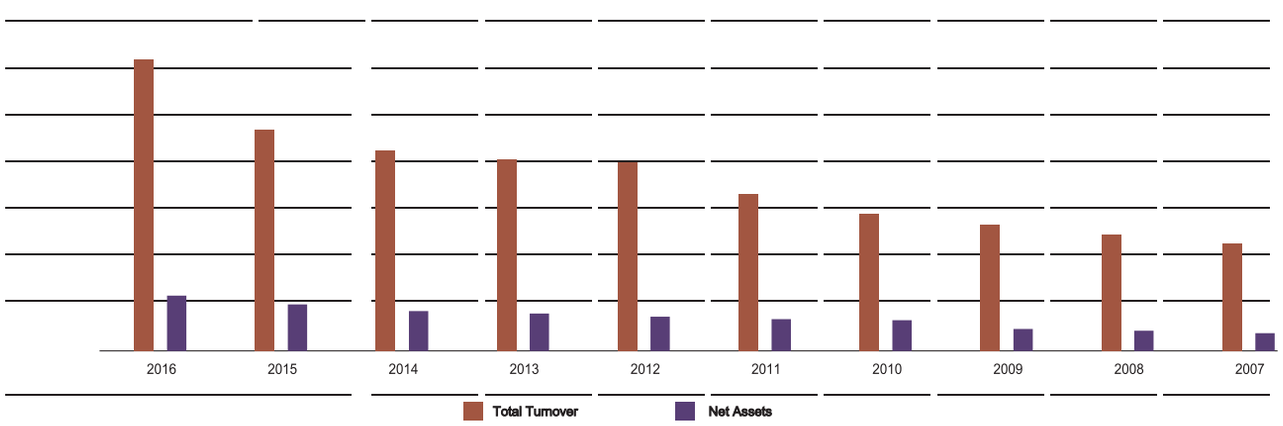
Gross Profit Ratio - SPC (%)	27.04	26.68	25.63	26.3	23.15	21.71	23.71	22.27	23.17	22.63
Gross Profit Ratio - DHS (%)	7.08	7.23	7.72	7.05	7.18	6.21	6.27	6.23	6.19	6.56
Gross Surplus to Sales (%)	10.87	11.44	11.66	10.98	10.46	10.50	11.10	10.83	10.88	10.73
Annual Sales Growth (%) -SPC	15.90	8.67	12.61	0.9	-10.9	14.49	4.53	13.21	14.72	5.78
Annual Sales Growth (%) -DHS	36.25	11.05	2.70	1.2	32.1	14.59	9.79	7.35	5.56	56.95
Total Sales Growth (%)	31.85	10.52	4.72	1.17	20.24	14.57	8.28	8.97	7.94	39.44

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

TEN YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

RS.'000'

Description	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.	2009 RS.	2008 RS.	2007 RS.
Contributed Capital & Reserves	**125,117**	**125,117**	**125,117**	**125,117**	**125,117**	**3,502,607**	**3,412,780**	**2,418,452**	**2,217,690**	**1,960,458**
Current Assets										
Inventories - SPC	2,009,502	2,364,091	1,385,477	1,703,222	1,231,857	987,733	979,315	777,682	1,004,208	750,174
Stocks in Transit - DHS	540,693	788,342	528,710	809,462	734,963	1,985,991	2,755,465	1,105,247	1,780,891	710,240
Trade and other receivables	4,521,175	3,051,445	2,370,323	8,881,602	11,113,022	5,123,702	3,453,354	2,139,755	2,036,168	1,991,061
Deposits & Prepayments	37,614	33,046	37,964	32,948	24,073	24,479	22,369	11,564	12,367	6,928
Cash in Hand & at Bank	244,947	790,525	801,717	1,200,667	216,359	600,807	671,104	263,769	250,660	480,787
Total Current Assets	**7,353,931**	**7,027,449**	**5,124,191**	**12,627,901**	**13,320,274**	**8,722,712**	**7,881,607**	**4,298,017**	**5,084,294**	**3,939,190**
Current Liabilities										
Trade and other Payables	2,657,620	3,347,410	2,235,194	3,649,362	3,032,684	1,784,156	1,551,401	739,514	544,979	645,448
Income tax payables	519,770	397,758	180,617	290,045	191,440	219,332	232,469	200,169	225,239	252,090
Deferred Income	1,103	1,005	748	889	1,292	318	1,559	-	-	-
Current Financial Liabilities	39,703	56,689	78,739	6,254,353	7,896,709	4,716,655	4,131,544	1,458,538	2,596,234	1,588,509
Total Current Liabilities	**3,218,196**	**3,802,862**	**2,495,298**	**10,194,649**	**11,122,125**	**6,720,461**	**5,916,973**	**2,398,221**	**3,366,452**	**2,486,047**
Non Current Assets	2,166,630	2,156,615	2,138,973	1,858,832	1,698,279	1,605,438	1,561,496	639,231	595,014	593,907
Non Current Liabilities	192,213	233,394	372,220	158,803	124,558	105,082	113,350	120,575	95,166	86,592
Net Assets	**6,110,152**	**5,147,807**	**4,395,646**	**4,133,281**	**3,771,870**	**3,502,607**	**3,412,780**	**2,418,452**	**2,217,690**	**1,960,458**



RATIOS

Assets Turnover (times)	1:3.39	1:2.66	1:3.05	1:1.46	1:1.39	1:1.68	1:1.61	1:2.84	1:2.26	1:2.63
Current Ratio (times)	1:2.29	1:1.85	1:2.05	1:1.24	1:1.2	1:1.3	1:1.33	1:1.79	1:1.51	1:1.58
Liquidity Ratio (times)	1:1.49	1:1.01	1:1.28	1:0.99	1:1.02	1:0.85	1:0.7	1:1.	1:0.68	1:0.99
Interest Cover (times)	344.6	1676.9	5.95	552.3	2.7	1.8	2.5	2.1	3.1	2.5
Stock Turnover Ratio (times) SPC	2.04	2.07	2.34	2.17	2.97	3.83	3.65	3.5	3.11	3.39

SALES NETWORK

HEAD OFFICE

State Pharmaceuticals Corporation of Sri Lanka
75, Sir Baron Jayatillake Mawatha,
Colombo 1, Sri Lanka
Telephone 011-2320356– 9 Fax:011-2447118 Website www.spc.lk Email: spc@spc.lk

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109, Kandawala Estate,
Ratmalana.
Tel.011-2632288
Fax: 011-2632962

STORES
109, Kandawala Estate,
Ratmalana.
Tel.011-2634318
Fax: 011-2636715

ORS UNIT
109, Kandawala Estate,
Ratmalana.
Tel.011-2622334

KANDY STORES
10/B/1, Hewaheta Road,
Thennekumbura,
Kandy. Tel. 081-2240274

RAJYA OSU SALA OUTLETS

Osu Sala- Ampara
Temple Junction,
D S Senanayaka Mawatha,
Ampara.Tel.063-2223088

Osu Sala - Anuradhapura
Bank Street,
Anuradhapura.
Tel.025 -2222181

Osu Sala - Avissawella
G 33/34/35,
Central Bus Stand,
Avissawella. Tel.036-2222501

New Osu Sala Badulla
CWE Building,
Bandarawela Road,
Badulla. Tel.055 2229837

Osu Sala – Bandaragama
Hospital Premises,
Horana Road, Bandaragama.
Tel.038-2288671

Osu Sala – Borella
Lady Ridgway Premises,
Borella.
Tel. 011-2697660

Osu Sala - Colombo 1
75, Sir Baron Jayatillake
Mawatha, Colombo 1.
Tel.2328046

Osu Sala - Colombo 4
85, Galle Road,
Colombo 4.
Tel.2587128

Osu Sala - Colombo 7
255, Dharmapala Mawatha,
Colombo 7. Tel.011 2694716,
011 2672293

Osu Sala – Diyathalawa
Main Street ,
Diyathalawa.
Tel.055 - 3551624

Osu Sala – Embilipitiya
102, Pallegama,
Embilipitiya.
Tel. 047-2261177

Osu Sala – Fort
Fort Railway Station,
Fort.
Tel. 011 - 2336926

Osu Sala- Galle
61A Wakwella Road,
Galle.
Tel.091-2234726

Osu Sala –Gamapaha
266, Colombo Road
Gampaha
Tel.033 -2234516

Osu Sala - Hambantota
No.3 Barrack Street,
Hambantota.
Tel.047-2222163

Osu Sala – Ja'pura
Sri Jayawardhanapura
General, Hospital
Sri Jayawardhanapura.
Tel.011-2779414

Osu Sala – Jaffna
149A, K.K.S Road,
Jaffna.
Tel. 021 - 2219262

Osu Sala - Kandy
14A Lamagara Mawatha,
Kandy.
Tel.081-2225175

Osu Sala – (Kandy Railway)
Kandy Railway Station,
Kandy.
Tel.081-2225176

Osu Sala – Karapitiya
175,Hiribura Road,
Karapitiya.
Tel.091 2226947

Osu Sala – Kurunegala
28. Weerathunga Bldg.
Bauddhaloka Mawatha.
Kurunegala. Tel.037-2230840

Osu Sala – Maharagama
71/9 Alwis Building
Old Road, Maharagama.
Tel.011-2745640

Osu Sala - Matara
23B Charikaramaya
Anagarika Dharmapala
Mawatha, Matara.
Tel.041-2231871

Osu Sala - Minuwangoda
24. Old Town hall Bldg,
Colombo Road,
Minuwangoda.
Tel.011 -2295120

Osu Sala – Nagoda
313, Mathugama Road,
Nagoda,Kalutara.
Tel.034-2222818

Osu Sala –Negombo
134, Colombo Road,
Negombo.
Tel.031 - 2228599

Osu Sala - Nugegoda
145A/1,
S de S Jayasinghe Mawatha,
Nugegoda.Tel.011 -2856641

Osu Sala - Panadura
159, M.P.C.S Bldg,
Galle Road,
Panadura. Tel.038 2234767

Osu Sala – Polonnaruwa
Hospital Junction,
Kaduruwela Road,
Polonnaruwa.
Tel. 027 -2225465

Osu Sala – Ragama
No.61A, Mahabage Road,
Ragama
Tel. 011-2955219

Osu Sala – Ratmalana
Mega Sathosa,
Golumadama Junction,
Galle Road, Rathmalana.
Tel. 011-3043789

Osu Sala - Ratnapura
32 Nanda Ellawala Mawatha,
Ratnapura.
Tel.045 -2223014

Osu Sala – Tangalla
No.8, Indipokunugoda Road,
Tangalla.
Tel. 047-2241221

MARKETING & SALES DEPARTMENT

No.75, Sir Baron Jayatillake Mawatha, Colombo 1. Tel. - 011-2430778, 011 -2328507, 011 - 2320356 - 9