2017

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ANNUAL REPORT



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இலங்கை அரச மருந்தகக் கூட்டுத்தாபனம்

State Pharmaceuticals Corporation of Sri Lanka

ANNUAL REPORT
2017

STATE PHARMACEUTICALS CORPORATION OF SRILANKA

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YOUR HEALTH IS OUR CONCERN

OUR VISION

To become the prime partner in developing a healthier Nation

OUR MISSION

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

OUR GOALS

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

OUR SLOGAN

Your health is our concern

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

FINANCIAL HIGHLIGHTS

DESCRIPTION	2017 Rs: ' 000 '	2016 Rs: ' 000 '	Variation (%)	2015 Rs: ' 000 '
Revenue - SPC	6,593,401	6,127,478	7.6	5,286,876
Supplies to DHS	25,970,290	26,127,912	(0.6)	19,176,807
Total Revenue	**32,563,691**	**32,255,390**	1.0	**24,463,683**
Gross Trading Profit SPC	1,680,368	1,656,938	1.4	1,410,722
Gross Surplus DHS	1,887,026	1,850,649	2.0	1,386,731
Gross Surplus	**3,567,394**	**3,507,587**	1.7	**2,797,453**
Other Income	53,004	43,084	23.0	51,259
Administrative Expenses	(1,288,184)	(1,101,435)	(17.0)	(1,057,970)
Other Operating Expenses	(741,459)	(580,844)	(27.7)	(563,357)
Finance Cost	(1,295)	(1,071)	(20.9)	(1,600)
Overdraft Interest	(35,199)	(5,434)	(547.8)	(734)
Finance Income	5,765	5,721	0.8	5,086
Profit Before Tax	**1,560,026**	**1,867,608**	(16.5)	**1,230,137**
Defined Benefit Plan	(59,575)	10,049	(692.8)	239,887
Taxation	(470,595)	(625,864)	24.8	(610,539)
Total Comprehensive Income	**1,029,856**	**1,251,793**	(17.7)	**859,485**
Treasury Levy/Dividend paid	**(222,000)**	**(216,000)**	(2.8)	**(100,000)**
Retained Earnings	6,792,893	5,985,037	19.2	5,022,870
Contributed Capital & Reserve	125,117	125,117	-	125,117
Non Current Assets	2,179,335	2,166,630	0.5	2,156,615
Current Assets	10,699,807	7,353,933	45.5	7,027,468
Non Current Liabilities	264,651	192,212	(37.7)	233,394
Current Liabilities	5,696,481	3,218,196	(77.0)	3,802,703
Net Current Assets	5,003,326	4,135,737	28.2	3,224,765
Ratios				
Gross Profit Ratio (%) SPC	25.5	27.0		26.7
Gross Profit Ratio (%) DHS	7.3	7.1		7.2
Gross Surplus to Sales (%)	11.0	10.9		11.4
Return on Capital Employed (%)	22.2	29.7		22.9
Interest Cover (times)	45.32	344.69		1,677
Equity to total Assets (times)	1:1.5	1:1.5		1:1.7
Turnover to Capital Employed (time)	4.53:1	5.12:1		4.55:1
Current Ratio (time)	1:1.8	1:2.29		1:1.85
Liquidity Ratio (time)	1:1.56	1:1.66		1:1.23
Stock Turnover Ratio -SPC (time)	2.04	2.04		2.07
OTHER INFORMATION				
Number of Employees	909	889		862
Earning per Employee (Rs.)	1,716	2,101		1,427
Sales per Employee (Rs.)	35,824	36,283		28,380

Board of Directors & Corporate Information

Board of Directors

Mr. Sarath Liyanage – Chairman

Attorney – at – Law and Commissioner for Oaths with over 32 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 12 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. B.G.N Ratnasena

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

Mr.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 appointed as a director of State Pharmaceuticals Corporation in April 2015.

Mr. Ananda Kithsiri Senaviratne

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

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

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

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

Dr. Sarath Amunugama

Dr. Sarath Amunugama is acting Additional Secretary (Public Health Services) Ministry of Health, Nutrition & Indigenous Medicine.

He was appointed as a director of State Pharmaceuticals Corporation in August 2017.

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	(Till 24.08.2017)
Mr. Mukthar Marikkar	Director	
Dr.B.G.N.Ratnasena	Director	
Mr.R.Pushpa Kumara de Zoysa	Director	
Mr. Gamage Sarath Kumara	Director	(Till 25.05.2017)
Dr. Sarath Amunugama	Director	(From 24.08.2017)
Mr. A.K. Senaviratne	Director	(From 03.08.2017)

Audit Committee

Mr. A.K. Senaviratne	Chairman	(From 03.08.2017)
Mr. Gamage Sarath Kumara	Chairman	(Till 25.05.2017)
Dr. Sarath Amunugama	Director	(From 24.08.2017)
Dr. R.R.M.L.R Siyabalagoda	Director	(Till 24.08.2017)
Mr. Mukthar Mrikkar	Director	
Dr. B.G.N Rathnasena	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.



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.



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

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



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

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

Management Team Cont .



Ms. K.G.C. Shanthimala – Acting Deputy General Manager (Technical, Laboratory -& Production)

Mrs. K.G.C. Shanthimala joined the SPC as a Management Trainee on 15th May 1986 and presently holds the Acting Deputy General Manager – Technical, Laboratory & Production position from 2nd October 2017. She has obtained her BSc (Special) Degree in Chemistry from the University of Kelaniya & Masters Degree in Business Administration from the Open University of Sri Lanka. She is a registered Pharmacist.



Ms. Hiranya Sammandapperuma - Deputy General Manager (Finance)

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

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



Ms. Puspa Jennet - Deputy General Manager (Human Resources & Administration)

Mrs. M. W. P. Jennet joined the SPC in 1987 and presently holds the deputy General Manager (HR & Administration) position from 15.08.2017. Before appointing as the D.G.M (HR & Administration), she served as the Manager Administration from 2015 to 2017, as the Manager HR from 2011 – 2015 and assistant Manager in Human Resources Department from 2001 to 2011. She holds a B.com (Special) Degree from the University of Sri Jayawardanapura and she was qualified in Higher National Diploma in Accountancy (intermediate level) at Sri Lanka Technical College.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
MANAGEMENT TEAM

Senior Management

Mrs. S.M.A.D.S.H. Sammandapperuma	Management Accountant (till 17.09.2017)
Mr. U. Lokusuriya	Internal Auditor
Mrs. P.D. Gunasekara	Accountant - Payments
Mrs. K. G. C. Shanthimala	Manager – Technical (till 01.10.2017)
Mrs. P. K. Wijeratne	Manager - Quality Assurance Laboratory
Mr. W.A.S. Wickramarachchi	Manager – Research & New Project
Mr. D. P. Ajith Liyanage	Manager - Management Information Systems
Mr. M. A. V. I. Kumarasiri	Field Manager (Monitoring of Distribution Systems)
Mr. P.K.R. Fernando	Manager Wharf
Miss. C.S.Withanage	Manager Sales
Mrs. H.H.Piyadigama	Accountant – Stock & Pricing
Mrs. D.N.Devasurendra	Accountant - Revenue
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board
Mr. P.M.B.R.Somathilaka	Manager – Production
Mrs. M.W.Pushpa Jennet	Manager – Administration (till 08.02.2017) -Manager – Human Resources (From 09.02.2017 to 14.08.2017)
Mrs. A.H. Alwis	Manager – Post Delivery Operation
Miss. M.K.A.P. Gunathilake	Manager – Promotion & Publicity
Mr. D.G. D. J. Pushpakumara	Manager – Stores & Inventory Control
Mr. A.P. Hapangama	Accountant - Financial Accounting
Mr. H.D.N.R. Gunasekara	Manager – Osusala, Colombo 04.
Mrs.L.W.Damayanthi	Accountant – Salaries
Mr. D.K.A.P. Dassanayake	Manager – Human Resources(till 08.02.2017) -Manager – Administration (from-09.02.2017)
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)
Mr. U. V Piyasena	Manager – Imports
Mr.B.A.K. Madusanka	Manager – Human Resources (w.e.f 12.09.2017)

CHAIRMAN'S MESSAGE



It is a great privilege for me to present the Annual Report of State Pharmaceuticals Corporation for the year 2017.

Looking back from 2015 which was the very first year of operation under my stewardship, was a Turning point of SPC recording profit before Tax of Surpassing Billion Rupee. In 2017 after two years we have been able to maintain it .This is witnessed by Rs. 1.5 Billion of Profit before Tax with inevitable uprising expenditure and salary revisions.

First Renewal of SPC collective agreement fell in 2017. All the employees were given the highest ever 50% salary increase in keeping with assurance given by Hon. Minister, that employees need be rewarded for their excellent and commendable performances.

Looking at overall operations; Both sectors of SPC which accounts for Medical supplies Division and sell in open market through own Rajaya Osusala outlets/ Distributors have recorded reasonable growth during the year under Review.

While operating as a Financially Viable Entity under the State Ownership, we were being able to pay Rs.222 Million to the General Treasury as Dividend despite of arrears' and delays in disbursements for Medical Supplies Division.

Our main focus in 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 an affordable prices has successfully contributed in implementing Maximum retail Prices of 48 drugs coming up to more than 400 varieties, in the meantime further expanding the Rajya Osu Sala chain of outlets. SPC plays a KEY role in implementing 'new drug policy' and will continue to do so in years to come with many more control drugs in pipe line and also Promoting drugs under "Generic" Name.

Role of SPC will be more prominent and also will be challengeable in years to come with new initiatives which will come to play along with "New Drug Policy" of the country and also with Revolutionary steps to manufacture 75% of essential drugs locally.

I sincerely pay my gratitude to the guidance & assistance received from the Hon. Minister of Health Nutrition & Indigenous Medicine, the Deputy 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 .

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

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Sarath Liyanage
CHAIRMAN

MANAGING DIRECTOR'S REVIEW

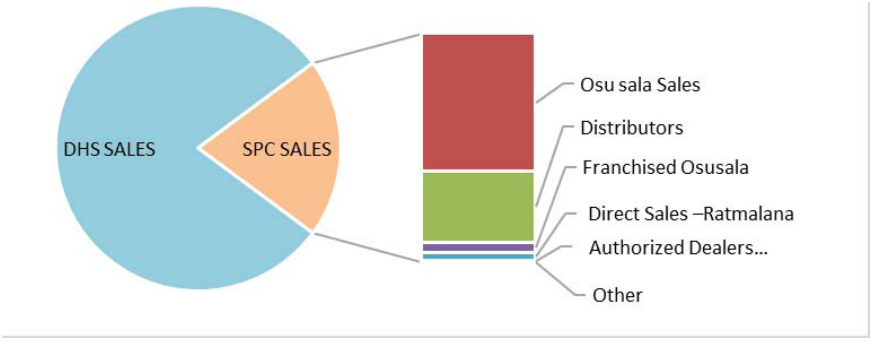


It's with pleasure that I am presenting the Managing Director's Report of the Corporation's performance for the year 2017. During the period under review, State Pharmaceuticals Corporation recorded highest ever turnover of Rs. 32,563 million which is slight increase against the previous year.

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 its large and strong distribution network, covering the entire island including the North and East.

FINANCIAL PERFORMANCE

The Turnover from the open market operations, has recorded as Rs.6,593 million during the year 2017. It is an increase of 7.6 % when compares with the turnover of Rs.6,127 million recorded in 2016. The increase in sales was mainly due to the expansion of distribution network. With the view of strengthening the Rajya Osusala network, SPC established Rajya Osuslala Outlets in Beruwala, Piliyandala and Ninthavur during the year 2017. At the end of the year, there were altogether 36 Rajya Osusala Outlets, 105 Franchised Osusala Outlets, 46 Distributors and 10 Authorized Retailers are in operation for open market sales.



SPC has recorded a Profit before Tax of Rs.1560 million during 2017. SPC renewed its collective agreement with effect from 1st July 2017 of which resulted in 50% increase in salaries. Even with the salaries and other operating expenses SPC managed to record a profit of Rs. 1560 million.

During the year under review, healthcare items of Rs. 25,970 million had been supplied to the Medical Supplies Division, against the Rs. 26,127 million in 2016.

TAXATION AND CONTRIBUTION TO THE GOVERNMENT

SPC contributed total Rs. 881 Million to the Government coffers by paying 659 million as Income Tax Rs.222. million as Treasury levy (Dividend).

SALES & TRADE PROMOTIONS

During the year 2017, SPC sponsored number of medical related events covering the entire Island, with a view to updating the awareness of medicals practitioners and general public about SPC drugs. As a tribute to the founder Chairman of SPC Professor Senaka Bibile, we are continuing with the "Senaka Bibile Commemoration Scholarship Program" to the Medical Students who have obtained best results in the Pharmacology, in each of the six Medical Faculties of the Universities in Sri Lanka. Educated elders concentrating Elder's Associations and various other Associations all over the country

to educate people on rational use of drugs and focusing availability of high quality, safe, efficacious SPC generics and 30 such programmes arranged island wide. Apart from the above, promotional campaigns were conducted in both electronic and print media.

TECHNICAL & LABORATORY

SPC continued its commitment towards maintaining and upgrading the quality standard of the Quality Assurance Laboratory. All SPC drugs are tested in four stages "Tender Samples", "Pre Shipment Samples", "Pre Distribution Samples" and "Post Delivery Samples", to ensure the quality standards of "SPC" drugs, which are being offered to the people of the country. Also SPC Laboratory do get involves testing of tender samples of 'MSD' supplies.

HUMAN RESOURCES DEVELOPMENT

At the end of the year under review total workforce stood at 1062, out of this 909 are permanent employees & balance are Casual workers & Ttrainees. Our committed and motivated workforce was the key contributory factor to the success of the Corporation. In order to provide them with a career path within the organization, and to improve their skills, 844 employees were sent for local training programs, and 46 employees were sent for foreign training programs.

Type of Training	No.of Trainings	No.of Employees
Local Trainings	21	22
Group Trainings	14	776
Foreign Trainings	12	46
Total	47	844

All staff welfare benefits that were prevailing in the Corporation prior to 2017 were continued during the year 2017.

ACKNOWLEDGEMENT

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 2017.

The Financial Statements of the Corporation was submitted to the Auditor General on 28th February 2018 in accordance with the Section 6.5.1 of Public Enterprises Guidelines, issued by the Director General of the Department of Public Enterprises in the General Treasury.

Formation

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

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 21 to 27

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 31 December 2017 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 No.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 2017 were as follows,

Mr. Sarath Liyanage	Chairman	
Dr. Mohamed Hashim Mohamed Rumie	Managing Director	
Mr. Mukthar Mrikkar	Director	
Dr. B.G.N. Rathnasena	Director	
Mr. R. Pushpa Kumara De Zoysa	Director	
Dr. Sarath Amunugama	Director	(From 24.08.2017)
Mr. A.K. Senaviratne	Director	(From 03.08.2017)

Audit Committee

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

Corporate Governance/Internal Control

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

Employment

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

Statutory Payments

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

Environmental Protection

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

Contribution to the Government

The Corporation has paid Rs.659 million by the way of Income tax and deemed dividend tax, in addition to the Rs. 222 million paid as dividend to the Government Treasury.

Corporate Social Responsibility

During the year the Corporation contributed Rs. 3,651,600/- for charitable purpose.

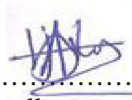
Post Balance Sheet Events

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 2017.

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 2017, followings members attended to the Meetings of the Audit Committee.

Mr. G.S Kumara	–	Chairman (up to 25/5/2017)
Mr. A.K. Senevirathne	–	Chairman (From 3/8/2017)
Dr. R.R.M.L.R Siyabalagoda	–	Member
Dr. B.G.N Rathnasena	–	Member
Mr. Mukthar Marikkar	–	Member

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

The Functions of the Audit Committee

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

1. Review and evaluate the internal control systems and recommend modifications where necessary.
2. Review and approve Internal Audit Plan for the year 2017.
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 2017, 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.



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

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017

	NOTE	2017 Rs.	2016 Rs.
ASSETS			
Property Plant and Equipment	**16**	2,062,760,822	1,980,968,377
Leasehold Land - Ratmalana		9,880,000	10,040,000
Capital Work in Progress		89,595,739	156,101,101
Intangible Assets	**17**	1,804,647	3,609,294
Other non- Current Assets	**18**	15,294,117	15,911,591
Total Non- Current Assets		**2,179,335,325**	**2,166,630,363**
Current Assets			
Inventories - SPC	**19**	1,798,402,955	2,009,502,353
Stock in Transit - DHS	**20**	630,130,363	540,693,242
Trade & Other Receivables	**21**	7,901,244,022	4,521,175,325
Prepayments	**22**	57,979,683	37,614,329
Cash in Hand and at Bank	**23**	312,050,502	244,947,473
Total Current Assets		**10,699,807,525**	**7,353,932,721**
Total Assets		**12,879,142,849**	**9,520,563,084**
EQUITY AND LIABILITIES			
Contributed Capital		59,055,258	59,055,258
Retained Earnings		6,792,893,602	5,985,037,149
General Reserves		66,061,447	66,061,447
Total Equity		**6,918,010,307**	**6,110,153,853**
Non- Current Liabilities			
Retirement Benefit Obligation	**24**	232,516,523	153,435,319
Deferred Tax Liability	**25**	32,134,929	38,777,329
Total Non- Current Liabilities		**264,651,453**	**192,212,648**
Current Liabilities			
Trade and Other Payables	**26**	3,996,134,208	2,657,620,323
Income tax Payable		337,976,089	519,769,910
Deferred Income		926,953	1,103,484
Current Financial Liabilities	**27**	1,361,443,839	39,702,865
Total Current Liabilities		**5,696,481,089**	**3,218,196,582**
Total Equity & Liabilities		**12,879,142,849**	**9,520,563,084**

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 Chairman	Dr. M.H.M Rumie Managing Director	K.M.D.R Dasanayake General Manager	Hiranya Sammandapperuma Deputy General Manager – Finance

The accounting policies and notes on pages 21 to 53 form an integral part of the financial statements.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Capital Rs.	General Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31st December 2014	**59,055,258**	**66,061,447**	**4,198,874,505**	**4,323,991,210**
Balance as at 01st January 2015	59,055,258	66,061,447	4,198,874,505	4,323,991,210
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
Correction of incorrectly understated payment of Employees Retirement Gratuity			(1,263,395)	(1,263,395)
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**	**4,949,243,062**	**5,074,359,767**
Balance as at 01st January 2016	59,055,258	66,061,447	4,949,243,062	5,074,359,767
Total Comprehensive Income for the year				
Net Profit for the year			1,241,744,631	1,241,744,631
Gain/ losses on defined benefit plan			10,049,455	10,049,455
Transaction with Government Treasury				
Treasury levy/Dividend paid			(216,000,000)	(216,000,000)
Balance as at 31st December 2016	**59,055,258**	**66,061,447**	**5,985,037,149**	**6,110,153,853**
Balance as at 01st January 2017	59,055,258	66,061,447	5,985,037,149	6,110,153,853
Total Comprehensive Income for the year				
Net Profit for the year			1,089,431,741	1,089,431,741
Gain/ losses on defined benefit plan			(59,575,287)	(59,575,287)
Transaction with Government Treasury				
Treasury levy/Dividend paid			(222,000,000)	(222,000,000)
Balance as at 31st December 2017	**59,055,258**	**66,061,447**	**6,792,893,602**	**6,918,010,307**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	SPC OPERATIONS Rs.	DHS OPERATIONS Rs.	TOTAL OPERATIONS 2017 Rs.	TOTAL OPERATIONS 2016 Rs.
Income	7	**6,593,400,956**	**25,970,290,418**	**32,563,691,374**	**32,255,390,820**
Less					
Direct Expenses - MSD	8		24,083,263,984	24,083,263,984	24,277,263,139
Cost of Sales - SPC	9	4,832,202,660		4,832,202,660	4,393,278,237
Cost of Production - ORS	10	80,829,820		80,829,820	77,262,126
Gross Profit/ Surplus		**1,680,368,476**	**1,887,026,434**	**3,567,394,910**	**3,507,587,319**
Add: Other Operating Income	11	53,004,143		53,004,143	43,084,880
Less					
Administrative Expenses	12	868,842,252	419,341,446	1,288,183,698	1,101,435,586
Other Operating Expenses	13	258,228,867	483,230,113	741,458,980	580,843,815
Operating Profit		**606,301,500**	**984,454,875**	**1,590,756,376**	**1,868,392,798**
Less: Finance Expenses	14	1,594,203	34,900,495	36,494,698	6,505,378
Add: Finance Income (Staff Loan)		5,765,380	-	5,765,380	5,721,102
Profit Before Tax		**610,472,677**	**949,554,381**	**1,560,027,058**	**1,867,608,521**
Income Tax Expenses	15	184,154,231	286,441,086	470,595,316	625,863,890
Profit After Tax		**426,318,446**	**663,113,295**	**1,089,431,741**	**1,241,744,631**
Other Comprehensive Income:					
Gain/ Losses on defined benefit plan		(26,213,126)	(33,362,161)	(59,575,287)	10,049,455
Total comprehensive income for the year		**400,105,320**	**629,751,134**	**1,029,856,454**	**1,251,794,086**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

	OSU SALA TRADING Col.07	OSU SALA TRADING Col.04	OSU SALA TRADING Col .01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RATNAPURA	OSU SALA TRADING MINU.	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSU SALA TRADING KURUNEGALA	OSU SALA TRADING AMPARA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	841,621,398	449,707,259	227,478,427	235,286,176	134,856,398	56,004,911	79,844,110	36,064,084	92,425,946	92,023,820	78,102,698	141,746,133	69,286,315
COST OF SALES & TRANSFERS	710,230,030	396,379,133	192,437,956	201,848,291	111,568,787	44,744,985	65,589,513	29,458,598	77,054,562	78,554,074	63,838,341	118,394,597	60,699,650
GROSS PROFIT ON													
SALES & TRANSFERS	**131,391,368**	**53,328,126**	**35,040,472**	**33,437,885**	**23,287,611**	**11,259,927**	**14,254,597**	**6,605,486**	**15,371,384**	**13,469,745**	**14,264,357**	**23,351,536**	**8,586,664**
ADMINISTRATIVE EXPENSES													
Personnel Expenses	54,621,217	19,187,741	11,911,824	19,917,218	13,028,501	8,678,812	13,079,110	6,854,313	10,569,976	15,148,907	12,079,621	12,202,064	6,390,473
Travelling Expenses	14,775	11,162	33,490	8,240	1,467	23,201	17,515	12,160	5,972	7,777	5,071	9,000	-
Supplies & Requisites	816,513	278,078	216,659	289,990	136,201	92,013	160,728	117,434	154,719	107,933	42,377	67,662	93,922
Repairs & Maintenance	884,783	179,594	239,252	231,502	235,433	94,073	192,903	59,932	240,210	111,458	225,173	68,790	70,976
Transportation, Communication	12,741,152	4,202,030	2,237,788	4,256,674	3,397,610	2,901,090	3,072,538	2,285,244	2,743,135	2,940,239	3,337,135	4,754,617	2,530,489
Utilities & Other Services													
OTHER OPERATING EXPENSES													
Selling & Distribution Expenses	1,575,464	325,350	366,615	769,215	565,713	718,807	988,329	191,792	263,064	1,010,657	347,995	169,746	805,602
TOTAL OVERHEADS	**70,653,903**	**24,183,955**	**15,005,628**	**25,472,839**	**17,364,925**	**12,507,996**	**17,511,122**	**9,520,876**	**13,977,076**	**19,326,971**	**16,037,372**	**17,271,879**	**9,891,462**
NET PROFIT/(LOSS)	**60,737,465**	**29,144,171**	**20,034,844**	**7,965,046**	**5,922,687**	**(1,248,069)**	**(3,256,525)**	**(2,915,390)**	**1,394,308**	**(5,857,226)**	**(1,773,015)**	**6,079,658**	**(1,304,797)**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

	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	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	28,269,012	92,745,958	96,690,114	176,953,272	102,932,434	78,203,718	79,101,374	17,680,707	62,847,866	84,011,912	11,975,056	36,855,399	92,549,553
COST OF SALES & TRANSFERS	23,459,176	76,311,451	79,719,579	145,094,426	87,486,478	63,682,160	67,297,742	14,011,243	55,344,859	70,213,394	9,625,047	31,033,670	77,640,141
GROSS PROFIT ON													
SALES & TRANSFERS	**4,809,837**	**16,434,507**	**16,970,535**	**31,858,846**	**15,445,957**	**14,521,558**	**11,803,633**	**3,669,464**	**7,503,008**	**13,798,518**	**2,350,009**	**5,821,729**	**14,909,412**
ADMINISTRATIVE EXPENSES													
Personnel Expenses	5,694,293	7,939,396	10,678,596	23,330,877	10,848,775	8,058,430	8,117,785	4,276,624	6,559,196	6,859,314	2,661,391	6,295,538	7,761,179
Travelling Expenses	12,290	6,799	692	3,015	34,840	950	21,599	2,297	21,905	1,981	5,380	9,607	31,800
Supplies & Requisites	52,004	92,402	33,133	436,012	54,890	134,230	105,579	114,829	109,242	121,848	26,838	30,393	118,968
Repairs & Maintenance	100,659	54,857	97,747	188,031	142,509	133,199	141,418	37,435	41,886	96,450	10,719	49,737	109,462
Transportation, Communication	2,046,267	3,247,459	2,739,542	4,495,253	4,211,851	3,223,273	2,443,893	395,495	4,071,975	2,701,123	225,239	1,873,234	2,594,014
Utilities & Other Services													
OTHER OPERATING EXPENSES													
Selling & Distribution Expenses	204,098	493,386	335,416	437,432	512,942	291,066	331,296	103,708	166,697	231,226	59,580	231,099	338,822
TOTAL OVERHEADS	**8,109,610**	**11,834,300**	**13,885,127**	**28,890,619**	**15,805,807**	**11,841,148**	**11,161,570**	**4,930,388**	**10,970,900**	**10,011,941**	**2,989,147**	**8,489,608**	**10,954,245**
NET PROFIT/(LOSS)	**(3,299,774)**	**4,600,207**	**3,085,408**	**2,968,227**	**(359,851)**	**2,680,410**	**642,063**	**(1,260,925)**	**(3,467,892)**	**3,786,577**	**(639,139)**	**(2,667,879)**	**3,955,167**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY-RAILWAY	OSU SALA TRADING GAMPAHA	OSU SALA TRADING NAGODA	OSU SALA TRADING BERUWALA	OSU SALA TRADING PILIYANDALA	OSU SALA TRADING NINTHAVUR	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SALES	41,504,447	44,168,982	47,238,201	41,006,335	33,490,364	44,074,466	25,754,205	14,372,466	11,930,828	4,153,285	168,235,859	3,971,193,491
COST OF SALES & TRANSFERS	33,888,236	36,609,382	40,301,251	32,724,231	26,207,803	36,308,253	21,279,675	10,516,502	8,582,964	2,696,652	124,429,034	3,325,261,863
GROSS PROFIT ON												
SALES & TRANSFERS	**7,616,212**	**7,559,600**	**6,936,950**	**8,282,103**	**7,282,562**	**7,766,214**	**4,474,529**	**3,855,964**	**3,347,864**	**1,456,633**	**43,806,826**	**645,931,628**
ADMINISTRATIVE EXPENSES												
Personnel Expenses	5,557,318	5,079,356	5,859,212	5,532,566	5,056,356	7,047,496	5,881,166	4,678,189	3,075,121	1,143,335	6,171,910	367,833,195
Travelling Expenses	9,045	6,060	4,625	5,250	3,200	30,845	8,350	9	100	300	31,458	402,227
Supplies & Requisites	93,825	44,793	46,069	87,781	31,451	68,367	1,976	63,357	29,553	13,876	82,530	4,568,174
Repairs & Maintenance	47,880	85,659	35,175	25,884	29,764	26,748	25,969	55,103	33,923	17,247	83,644	4,505,184
Transportation, Communication	1,270,121	2,873,231	1,757,100	2,134,229	2,152,975	3,341,923	2,403,171	2,016,115	1,379,269	434,875	2,333,313	107,764,681
Utilities & Other Services												-
OTHER OPERATING EXPENSES												
Selling & Distribution Expenses	51,990	210,832	137,801	249,512	(274,020)	669,167	23,483	46,808	19,692	(41,754)	1,410,332	14,338,958
TOTAL OVERHEADS	**7,030,180**	**8,299,932**	**7,839,982**	**8,035,222**	**6,999,724**	**11,184,546**	**8,344,114**	**6,859,580**	**4,537,659**	**1,567,878**	**10,113,187**	**499,412,419**
NET PROFIT/(LOSS)	**586,032**	**(740,331)**	**(903,032)**	**246,881**	**282,837**	**(3,418,332)**	**(3,869,584)**	**(3,003,616)**	**(1,189,795)**	**(111,245)**	**33,693,639**	**146,519,210**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2017

	2017 Rs.	2016 Rs.
Cash flow from operating activities		
Net profit before taxation,	**1,560,027,058**	**1,867,608,521**
Adjustments for:		
Depreciation	61,697,188	50,806,634
Gratuity provision for the year	32,216,995	25,614,428
Land lease amortisation - Ratmalana	160,000	160,000
Lease amortisation	617,474	209,111
Re- valuation loss	-	26,978,382
Amortisation charges (software)	1,804,647	1,804,647
Unrealized profit	6,694,960	1,752,868
Provision for bad debts	511,091,735	165,517,916
Stock losses	5,213,537	38,170,084
Provision for damaged & outdated stock - SPC	104,395,904	129,988,035
Provision for damaged & outdated stock DHS	2,474,920	51,840,020
Interest expenses	35,199,403	5,434,349
Operating profit before working capital changes	**2,321,593,820**	**2,365,884,996**
Increase/Decrease in trade and other receivable	(3,891,160,432)	(1,627,361,644)
Increase/Decrease in deposit & prepayments	(20,365,354)	(4,567,880)
Increase/Decrease in inventories	99,181,735	159,237,890
Increase/Decrease in Goods in Transit	(96,298,779)	195,808,865
Increase/Decrease in trade payables	1,338,513,886	(774,247,456)
Deferred Income	(176,531)	98,328
Cash generated from operations	**(248,711,655)**	**314,853,098**
Income tax paid	(659,031,538)	(518,988,204)
Gratuity paid	(12,711,078)	(13,047,311)
Interest paid	(35,199,403)	(5,434,349)
Treasury levy/ dividend paid	(222,000,000)	(216,000,000)
Cash flow before extraordinary items	**(928,942,019)**	**(753,469,864)**
Net cash from operating activities	**(1,177,653,674)**	**(438,616,766)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(143,489,633)	(77,057,828)
Increase/Decrease in work in progress	66,505,362	(7,502,756)
Computer Software	-	(5,413,941)
Net cash used in investing activities	**(76,984,271)**	**(89,974,524)**
Net increase in cash and cash equivalents	(1,254,637,945)	(528,591,290)
Cash and cash equivalents at beginning of period	**205,244,608**	**733,835,898**
Cash and cash equivalents at end of period (Note A	**(1,049,393,337)**	**205,244,608**

Note A : Cash and cash equivalents	2017 Rs.	2016 Rs.
Cash in hand & at bank	252,633,564	192,385,793
Treasury bill investment	59,416,938	52,561,680
Bank overdraft	(1,361,443,839)	(39,702,865)
Cash and cash equivalents	**(1,049,393,337)**	**205,244,608**

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 2016.

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation derecognize the replaced parts, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition 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 obtained leasehold rights to the land and Premises marked lots 1 to 9 of the land called Kandawala Estate Division 2 in Ratmalana for 99 years from the Urban Development Authority on 11th September 1981. As per the Statement of Alternative Treatment for right to use land on lease issued by the institute of Chartered Accountants of Sri Lanka, the carrying value inclusive of revalued amounts of the leased property is amortized over the remaining lease period.

Lease Hold Land	31st Dec 2017	31st Dec 2016
	Rs.	Rs.
Valuation	11,000,000	11,000,000
Accumulated amortization		
opening Balance	960,000	800,000
Amortized during the year	160,000	160,000
Balance at the end of the year	1,120,000	960,000
Carrying value	9,880,000	10,040,000

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

	31st Dec 2017	31st Dec 2016
	Rs.	Rs.
Lease hold land		
cost	2,400,000	2,400,000
Accumulated amortization	872,727	848,485
Carrying value	1,527,273	1,551,515

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	20- 40 years	Plant & Machinery	8 years
Motor Vehicles	3 to 17 years	Bicycles	6 to 7 years
Furniture & Fittings	10 years	Computers	4 years
Equipments	5 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 2017. The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

Expected Annual Average Salary Increment Rate	-	5 %
Allowance increment Rate	-	10 %
Discount Rate / Interest Rate	-	11 %
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 travelling 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. (more in to page 24)

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

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. (more in to page 25)

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 2017.

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 asset 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 2017.

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 2017

NOTE 7

INCOME	2017 Rs.	2016 Rs.
Revenue - SPC		
Bulk trading	2,477,326,454	2,555,469,255
ORS sales	115,799,633	99,299,632
Osusala sales	3,971,193,491	3,358,024,763
Provision for Unrealized Profit	(6,694,960)	(1,752,868)
Credit Insurance	1,765,594	1,793,360
Claims Received from Suppliers	34,010,744	114,643,913
Total	**6,593,400,956**	**6,127,478,055**
Revenue - DHS		
Import supplies	18,025,527,483	20,672,225,417
Local supplies	7,604,857,767	5,293,393,243
Claims Received from Suppliers	339,905,167	162,294,105
Total	**25,970,290,418**	**26,127,912,765**
Total Revenue	**32,563,691,374**	**32,255,390,820**

NOTE 08

COST OF SALES / DIRECT EXPENSES DIRECT EXPENSES - DHS	2017 Rs.	2016 Rs.
Revenue	**25,970,290,418**	**26,127,912,765**
DIRECT COST		
C & F value of DHS supplies	16,455,725,318	18,821,509,107
Custom duties & taxes	444,831,083	378,983,691
Cost of local supplies	7,313,131,719	5,146,801,305
Total	**24,213,688,120**	**24,347,294,102**
Clearing charges (Bank charges, Stamp fee , Commission & LC chg.	265,781,348	249,671,390
Landing charges	31,669,757	30,198,641
Import licenses fee	10,782,684	49,438,134
Total	**308,233,788**	**329,308,165**
Less: Stock in transit	438,657,925	399,339,127
Direct expenses/ Cost of sales	**24,083,263,984**	**24,277,263,139**
Gross profit/surplus	**1,887,026,434**	**1,850,649,626**

NOTE 09

COST OF SALES -SPC	BULK TRADING Rs.	OSUSALA TRADING Rs.	TOTAL TRADING SPC-2017 Rs.	TOTAL TRADING SPC-2016 Rs.
Stock In trade at the beginning of the year	1,171,586,317	699,220,249	1,870,806,566	2,014,137,503
Add :				
Imported drugs	1,953,899,794		1,953,899,794	2,014,357,513
Consumables for the laboratory	2,903,123		2,903,123	4,103,620
Local purchases (SPC tenders)	922,397,459		922,397,459	693,613,858
C.P.U - Purchases	269,941,302		269,941,302	236,530,051
Local purchases (Osusalas)	-	1,700,598,981	1,700,598,981	1,431,875,548
Transfers	(1,706,424,716)	1,706,424,716	-	-
STOCK AVAILABLE FOR SALES	**2,614,303,280**	**4,106,243,946**	**6,720,547,226**	**6,394,618,094**
Less: Stock In trade at end of the year	1,107,362,482	780,982,083	1,888,344,565	2,001,339,857
COST OF SALES & TRANSFERS	**1,506,940,797**	**3,325,261,863**	**4,832,202,660**	**4,393,278,237**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

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	OSU SALA TRADING AMPARA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Trade -													
at the bigining of the year	102,502,599	35,849,876	51,971,876	45,558,660	39,245,651	11,892,285	20,031,213	9,949,768	19,226,858	23,807,223	17,989,685	28,099,489	12,435,393
Local purchases	515,955,630	294,316,652	86,701,729	123,913,489	52,246,606	14,096,465	27,004,798	8,708,472	38,441,979	27,012,943	24,924,873	60,430,977	4,863,599
Transfers	210,115,210	89,085,241	93,071,927	89,167,394	62,264,248	35,317,570	37,096,698	22,303,532	39,767,809	48,365,654	37,725,712	68,211,860	53,741,020
STOCKS AVAILABLE FOR SALE	**828,573,438**	**419,251,768**	**231,745,532**	**258,639,544**	**153,756,504**	**61,306,319**	**84,132,709**	**40,961,772**	**97,436,646**	**99,185,820**	**80,640,269**	**156,742,326**	**71,040,011**
Stock in trade at year end	118,343,409	22,872,635	39,307,577	56,791,252	42,187,717	16,561,335	18,543,197	11,503,174	20,382,084	20,631,746	16,801,928	38,347,729	10,340,361
COST OF SALES & TRANSFERS	**710,230,030**	**396,379,133**	**192,437,956**	**201,848,291**	**111,568,787**	**44,744,985**	**65,589,513**	**29,458,598**	**77,054,562**	**78,554,074**	**63,838,341**	**118,394,597**	**60,699,650**
TOTAL TRADING													-
Sales	841,621,398	449,707,259	227,478,427	235,286,176	134,856,398	56,004,911	79,844,110	36,064,084	92,425,946	92,023,820	78,102,698	141,746,133	69,286,315
Less: Cost of sales	710,230,030	396,379,133	192,437,956	201,848,291	111,568,787	44,744,985	65,589,513	29,458,598	77,054,562	78,554,074	63,838,341	118,394,597	60,699,650
GROSS TRADING PROFIT	**131,391,368**	**53,328,126**	**35,040,472**	**33,437,885**	**23,287,611**	**11,259,927**	**14,254,597**	**6,605,486**	**15,371,384**	**13,469,745**	**14,264,357**	**23,351,536**	**8,586,664**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE -09A

COST OF SALES	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	OSU SALA TRADING TANGALLE	OSU SALA TRADING RAGAMA
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Stock in Trade -													
at the bigining of the year	6,300,230	16,696,994	23,200,098	34,228,305	30,439,101	12,392,552	18,253,240	4,611,988	13,983,172	13,525,525	1,525,684	15,437,378	16,252,083
Local purchases	9,448,868	28,207,413	34,856,420	75,640,808	34,409,845	26,561,287	26,395,792	2,825,674	32,374,027	17,667,610	2,296,165	7,319,174	24,351,060
Transfers	15,227,057	50,009,198	46,173,654	70,020,429	49,871,464	37,715,863	38,638,600	11,096,189	24,011,915	58,508,048	8,113,507	22,301,280	53,242,542
STOCK AVAILABLE FOR SALE	**30,976,155**	**94,913,605**	**104,230,173**	**179,889,542**	**114,720,410**	**76,669,703**	**83,287,632**	**18,533,851**	**70,369,113**	**89,701,182**	**11,935,356**	**45,057,832**	**93,845,685**
Stock In trade at year end	7,516,980	18,602,154	24,510,593	34,795,116	27,233,933	12,987,543	15,989,890	4,522,608	15,024,255	19,487,789	2,310,308	14,024,162	16,205,544
COST OF SALES & TRANSFERS	**23,459,176**	**76,311,451**	**79,719,579**	**145,094,426**	**87,486,478**	**63,682,160**	**67,297,742**	**14,011,243**	**55,344,859**	**70,213,394**	**9,625,047**	**31,033,670**	**77,640,141**
TOTAL TRADING													
Sales	28,269,012	92,745,958	96,690,114	176,953,272	102,932,434	78,203,718	79,101,374	17,680,707	62,847,866	84,011,912	11,975,056	36,855,399	92,549,553
Less: Cost of sales	23,459,176	76,311,451	79,719,579	145,094,426	87,486,478	63,682,160	67,297,742	14,011,243	55,344,859	70,213,394	9,625,047	31,033,670	77,640,141
GROSS TRADING PROFIT	**4,809,837**	**16,434,507**	**16,970,535**	**31,858,846**	**15,445,957**	**14,521,558**	**11,803,633**	**3,669,464**	**7,503,008**	**13,798,518**	**2,350,009**	**5,821,729**	**14,909,412**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE -09A

COST OF SALES	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY-RAILWAY	OSU SALA TRADING GAMPAHA	OSU SALA TRADING NAGODA	OSU SALA TRADING BERUWALA	OSU SALA TRADING PILIYANDALA	OSU SALA TRADING NINTHAVUR	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Stock in Trade -												
at the bigining of the year	5,927,093	10,415,162	8,625,435	9,163,128	3,688,379	8,725,000	4,909,481	-	-	-	22,359,645	699,220,249
Local purchases	11,151,765	14,025,468	14,767,173	10,082,580	5,486,340	13,750,781	9,128,333	7,529,885	9,105,878	4,598,425	-	1,700,598,981
Transfers	25,160,833	23,909,710	25,845,958	24,593,647	24,082,375	26,960,913	21,237,079	15,725,745	12,506,108	7,802,763	127,435,964	1,706,424,716
STOCK AVAILABLE FOR SALE	**42,239,692**	**48,350,339**	**49,238,565**	**43,839,355**	**33,257,095**	**49,436,694**	**35,274,892**	**23,255,630**	**21,611,986**	**12,401,188**	**149,795,609**	**4,106,243,946**
Stock In trade at year end	8,351,456	11,740,958	8,937,314	11,115,123	7,049,292	13,128,441	13,995,217	12,739,129	13,029,022	9,704,537	25,366,575	780,982,083
COST OF SALES & TRANSFERS	**33,888,236**	**36,609,382**	**40,301,251**	**32,724,231**	**26,207,803**	**36,308,253**	**21,279,675**	**10,516,502**	**8,582,964**	**2,696,652**	**124,429,034**	**3,325,261,863**
TOTAL TRADING												
Sales	41,504,447	44,168,982	47,238,201	41,006,335	33,490,364	44,074,466	25,754,205	14,372,466	11,930,828	4,153,285	168,235,859	3,971,193,491
Less: Cost of sales	33,888,236	36,609,382	40,301,251	32,724,231	26,207,803	36,308,253	21,279,675	10,516,502	8,582,964	2,696,652	124,429,034	3,325,261,863
GROSS TRADING PROFIT	**7,616,212**	**7,559,600**	**6,936,950**	**8,282,103**	**7,282,562**	**7,766,214**	**4,474,529**	**3,855,964**	**3,347,864**	**1,456,633**	**43,806,826**	**645,931,628**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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

	2017 Rs.	2016 Rs.
Opening stock of raw materials	1,086,686	949,536
Add: purchases of raw materials	24,089,587	28,045,120
Less: closing stock of raw materials	671,326	1,086,686
Cost of raw materials consumed	**24,504,947**	**27,907,969**
Add: Manufacturing cost (10a)	56,877,791	48,266,622
Production cost of goods	**81,382,739**	**76,174,592**

ORS TRADING	2017 Rs.	2016 Rs.
Opening stock (finished goods)	1,400,474	2,488,008
Add: Production cost of goods	81,382,739	76,174,592
Less: Closing stock (finished goods)	1,953,393	1,400,474
Cost of sale	**80,829,820**	**77,262,126**
Sales	115,799,633	99,299,632
Less: Cost of sale	80,829,820	77,262,126
Gross profit	**34,969,814**	**22,037,507**

NOTE 10a

MANUFACTURING COST	2017 Rs.	2016 Rs.
Salaries & wages	20,145,585	16,224,528
Overtime.	1,641,856	1,613,176
Uniforms.	121,439	94,688
Insurance for staff	38,426	76,225
Provident fund (EPF & ETF).	2,354,115	1,862,110
Annual bonus	432,000	446,522
Attendance bonus	768,000	861,900
Annual incentive bonus	3,213,199	2,524,283
Staff welfare	1,378,421	1,444,084
Medical expenses	479,130	472,711
Power	3,437,282	3,475,750
Depreciation	8,678,575	5,549,297
Repairs & maintenance	2,151,522	772,567
Packing materials used	12,038,242	12,848,780
Total	**56,877,791**	**48,266,622**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

OTHER OPERATING INCOME — **NOTE - 11**

	2017 Rs.	2016 Rs.
Sales of tender forms.	32,345,910	8,578,101
Rent received	623,070	916,329
Treasury bill interest	5,440,476	3,962,418
Scrap sales	68,114	17,705
Fund management income	1,687,847	20,078,731
Miscellaneous income	4,207,528	4,043,581
Holiday bungalow income	774,500	565,300
Pre qualification charges	3,381,750	1,584,235
Sample testing income	2,103,193	-
Bad debt recoveries	-	1,238,093
Int. on returned cheques/ delays	2,371,756	2,100,388
Total	**53,004,143**	**43,084,880**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

NOTE 12

(A) ADMINISTRATIVE EXPENSES	SPC TRADING			TOTAL TRADING	TOTAL TRADING	TOTAL TRADING	TOTAL TRADING
	OSUSALAS	O.R.S.	BULK	SPC	DHS	2017	2016
PERSONNEL EMOLUMENTS	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Salaries, Wages & Allowances.	254,995,757	-	162,984,442	417,980,199	207,434,745	625,414,944	485,882,215
Overtime.	24,756,797	-	9,760,589	34,517,386	6,507,059	41,024,445	36,938,949
Staff training expenses.	-	-	2,592,154	2,592,154	3,299,105	5,891,258	1,751,848
Uniforms.	2,341,049	-	915,951	3,257,000	1,165,756	4,422,756	4,193,057
Insurance for staff	2,933,731	-	2,638,153	5,571,883	3,357,649	8,929,532	8,923,100
Provident fund (EPF & ETF).	29,251,661	-	20,273,706	49,525,367	25,802,898	75,328,265	54,110,924
Annual bonus	4,484,211	-	2,930,097	7,414,308	3,729,215	11,143,523	10,770,625
Monthly attendance bonus.	9,010,950	-	4,785,880	13,796,830	6,091,120	19,887,950	19,735,823
Sports club expenses	-	-	1,016,104	1,016,104	1,293,224	2,309,328	2,368,137
Annual per inc. bonus.	37,260,691	-	23,307,216	60,567,907	29,663,729	90,231,636	72,748,835
Gratuity.	-	-	14,175,478	14,175,478	18,041,517	32,216,995	25,614,428
Land/ Housing loan interest	2,798,347	55,834	2,774,663	5,628,844	3,531,390	9,160,234	7,435,204
SPC Anniversary payment	-	-	1,616,338	1,616,338	2,057,158	3,673,496	2,917,451
Death gratuity	-	-	-	-	-	-	1,263,149
Total	**367,833,195**	**55,834**	**249,770,771**	**617,659,800**	**311,974,563**	**929,634,363**	**734,653,744**
TRAVELING EXPENSES							
Overseas travelling expenses- directors.	-	-	488,965	488,965	54,329	543,295	107,104
Overseas travelling expenses- others.	-	-	1,709,246	1,709,246	189,916	1,899,162	1,380,951
Local travelling expenses - others.	402,227	5,740	3,628,649	4,036,616	403,183	4,439,799	4,133,266
Total	**402,227**	**5,740**	**5,826,860**	**6,234,827**	**647,429**	**6,882,256**	**5,621,322**
SUPPLIES & REQUISITES							
Printing & stationery.	4,568,174	220,821	12,121,535	16,910,530	4,040,512	20,951,042	19,439,461
Board meeting expenses.	-	-	55,883	55,883	18,628	74,510	44,846
Entertainment - others.	-	-	434,854	434,854	144,951	579,805	457,562
Repairs to motor vehicles.	-	-	6,690,388	6,690,388	2,230,129	8,920,517	7,355,959
Fuel & lubricants.	-	-	9,099,792	9,099,792	3,033,264	12,133,056	13,008,954
License fees of motor vehicles.	-	-	325,129	325,129	108,376	433,505	208,122
Total	**4,568,174**	**220,821**	**28,727,581**	**33,516,576**	**9,575,860**	**43,092,436**	**40,514,903**
REPAIRS & MAINTENANCE							
Buildings.	1,422,986	-	3,698,408	5,121,394	3,698,408	8,819,802	11,972,936
Furniture, fittings & equipment	2,871,126	-	1,535,422	4,406,548	1,535,422	5,941,969	9,371,887
Computer	211,073	-	1,552,892	1,763,965	1,552,892	3,316,857	2,942,962
Total	**4,505,184**	**-**	**6,786,722**	**11,291,906**	**6,786,722**	**18,078,629**	**24,287,784**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

NOTE 12

(A) ADMINISTRATIVE EXPENSES	SPC TRADING			TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2017	TOTAL TRADING 2016
	OSUSALAS	O.R.S.	BULK				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES							
Rent.	19,775,213	-	3,154,020	22,929,233	-	22,929,233	17,764,190
Lease rent	1,037,377	-	275,050	1,312,427	-	1,312,427	879,061
Rates & taxes.	884,090	-	755,453	1,639,544	755,453	2,394,997	1,946,412
Water bills	879,353	119,761	524,110	1,523,224	524,110	2,047,334	2,025,952
Electricity.	20,413,181	-	13,397,071	33,810,252	13,397,071	47,207,323	46,841,741
Postage, Telegrams & Telephones.	1,800,150	120,772	7,971,416	9,892,338	7,971,416	17,863,753	16,354,181
Trade subscriptions, Periodicals & Public	467,382	-	225,292	692,674	225,292	917,966	772,142
Professional charges.	-	-	1,067,258	1,067,258	1,067,258	2,134,516	1,321,847
Insurance.	-	-	1,503,963	1,503,963	1,503,963	3,007,925	3,597,530
Press notification.	-	-	3,895,029	3,895,029	9,088,401	12,983,430	15,243,089
Security services.	23,513,867	618,248	6,555,709	30,687,823	6,555,709	37,243,532	36,785,437
Depreciation	14,833,611	-	19,092,501	33,926,112	19,092,501	53,018,613	45,257,337
Amortisation- Computer Software	1,714,117	-	90,530	1,804,647	-	1,804,647	1,804,647
Re-valuation loss	-	-	-	-	-	-	26,978,382
License fees for drugs.	535,000	-	7,215,238	7,750,238	-	7,750,238	6,900,343
Sundry expenses.	153,778	2,450	133,877	290,104	63,001	353,105	381,621
Directors fees.	-	-	427,500	427,500	427,500	855,000	855,000
Audit fees.	-	-	1,294,503	1,294,503	1,294,503	2,589,005	861,795
Tender board expenses.	-	-	2,428,632	2,428,632	5,666,809	8,095,441	8,031,157
Staff welfare.	16,569,431	-	13,324,455	29,893,886	16,958,397	46,852,283	46,059,456
Staff medical expenses.	5,188,130	-	3,510,711	8,698,841	4,468,177	13,167,018	12,499,107
Donations	-	-	3,651,600	3,651,600	-	3,651,600	1,358,436
Holiday bungalow expenses	-	-	1,019,316	1,019,316	1,297,311	2,316,627	1,838,970
Total	**107,764,681**	**861,231**	**91,513,232**	**200,139,144**	**90,356,871**	**290,496,014**	**296,357,833**
TOTAL ADMINISTRATIVE Ex	**485,073,460**	**1,143,626**	**382,625,165**	**868,842,252**	**419,341,446**	**1,288,183,698**	**1,101,435,586**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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	OSU SALA TRADING AMPARA
A. ADMINISTRATIVE Ex	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
PERSONNEL EMOLUMENTS													
Salaries, Wages & Allowances.	37,250,359	13,243,099	8,480,576	13,572,934	8,896,474	6,062,094	9,559,009	4,722,933	7,526,661	11,045,642	8,739,537	8,719,773	4,398,843
Overtime.	4,343,388	1,521,983	502,516	1,301,820	1,115,259	511,885	296,309	450,758	575,356	482,691	347,238	716,166	592,047
Uniforms.	316,230	185,896	85,800	122,323	81,655	38,065	86,674	56,849	57,853	95,659	69,291	77,865	44,492
Insurance for staff	277,550	131,061	83,906	374,353	144,757	69,098	170,442	116,165	39,360	104,051	129,996	-	4,239
Provident fund (E.P.F & E.T.F)	4,377,840	1,535,962	977,985	1,605,883	1,051,591	697,274	1,100,182	530,612	849,979	1,243,792	1,014,403	999,409	498,662
Annual bonus	684,677	216,911	146,575	234,391	164,031	99,480	162,000	81,000	126,480	175,500	148,500	148,500	75,191
Annual per inc. bonus.	5,748,452	1,854,184	1,247,845	1,966,093	1,294,010	972,194	1,321,194	665,587	1,025,321	1,490,503	1,208,505	1,168,137	614,099
Housing loan interest	276,021	49,696	127,272	231,669	12,224	26,372	32,149	52,809	104,366	90,320	120,651	52,264	-
Attendance bonus	1,346,700	448,950	259,350	507,750	268,500	202,350	351,150	177,600	264,600	420,750	301,500	319,950	162,900
Total	**54,621,217**	**19,187,741**	**11,911,824**	**19,917,218**	**13,028,501**	**8,678,812**	**13,079,110**	**6,854,313**	**10,569,976**	**15,148,907**	**12,079,621**	**12,202,064**	**6,390,473**
TRAVELLING EXPENSES													
Local travelling expenses	14,775	11,162	33,490	8,240	1,467	23,201	17,515	12,160	5,972	7,777	5,071	9,000	-
Total	**14,775**	**11,162**	**33,490**	**8,240**	**1,467**	**23,201**	**17,515**	**12,160**	**5,972**	**7,777**	**5,071**	**9,000**	**-**
SUPPLIES & REQUISITES													
Printing & stationery.	816,513	278,078	216,659	289,990	136,201	92,013	160,728	117,434	154,719	107,933	42,377	67,662	93,922
Total	**816,513**	**278,078**	**216,659**	**289,990**	**136,201**	**92,013**	**160,728**	**117,434**	**154,719**	**107,933**	**42,377**	**67,662**	**93,922**
REPAIRS & MAINTENANCE													
Buildings.	574,493	37,427	19,071	9,135	28,448	61,910	70,699	11,717	50,412	43,228	29,712	26,278	20,202
Furniture, fittings & equipment	281,740	134,467	215,981	180,167	118,155	19,623	122,204	48,216	189,798	66,630	195,461	42,262	45,324
Computer	28,551	7,700	4,200	42,200	88,829	12,540	-	-	-	1,600	-	250	5,450
Total	**884,783**	**179,594**	**239,252**	**231,502**	**235,433**	**94,073**	**192,903**	**59,932**	**240,210**	**111,458**	**225,173**	**68,790**	**70,976**
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES													
Rent.	-	-	-	-	-	410,500	-	466,125	840,000	540,000	780,000	1,920,000	-
Lease rent	-	-	-	337,500	294,333	-	196,453	-	-	-	-	-	-
Rates & taxes.	310,896	117,810	152,460	185,772	-	-	7,350	1,170	3,000	14,994	21,628	-	-
Water bills	144,792	67,018	22,221	52,541	22,221	22,399	90,695	13,400	16,070	35,813	27,826	45,920	29,437
Electricity.	3,507,372	1,092,322	450,000	705,129	820,865	513,658	923,895	254,938	606,871	679,923	540,289	690,826	790,885
Postage, Telegrams & Telephones.	180,582	70,891	42,664	51,235	58,575	41,348	52,258	50,247	30,840	54,986	57,531	41,478	72,357
Depreciation	1,320,354	550,510	404,198	404,909	971,734	554,217	507,638	120,430	159,505	280,473	192,576	291,104	850,589
Amortisation- Computer Software	-	53,499	74,062	74,062	53,499	-	53,499	53,499	74,062	53,499	74,062	74,062	53,499
Trade subscriptions, Periodicals & Publications.	49,780	25,560	7,560	19,140	22,270	16,200	19,020	11,430	18,990	20,580	19,120	19,220	-
Security services.	3,607,453	1,266,320	374,239	1,189,468	368,852	816,727	346,593	926,321	374,353	344,288	846,333	846,333	342,642
License fees for drugs.	12,500	17,500	17,500	12,500	12,500	17,500	12,500	12,500	12,500	17,500	12,500	12,500	12,500
Sundry expenses.	2,115	6,180	10,614	9,120	12,215	2,390	4,095	2,190	12,060	15,560	2,118	1,603	2,128
Staff welfare.	2,793,165	660,922	486,308	942,614	567,408	381,363	679,180	271,714	451,192	685,459	612,084	662,035	290,309
Staff medical expenses.	812,143	273,498	195,963	272,685	193,139	124,788	179,362	101,280	143,692	197,164	151,069	149,536	86,142
Total	**12,741,152**	**4,202,030**	**2,237,788**	**4,256,674**	**3,397,610**	**2,901,090**	**3,072,538**	**2,285,244**	**2,743,135**	**2,940,239**	**3,337,135**	**4,754,617**	**2,530,489**
TOTAL ADMINISTRATIVE COST	**69,078,440**	**23,858,606**	**14,639,013**	**24,703,624**	**16,799,211**	**11,789,189**	**16,522,794**	**9,329,084**	**13,714,011**	**18,316,314**	**15,689,377**	**17,102,133**	**9,085,860**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

NOTE 12 A

OSUSALA -OVERHEADS	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	OSU SALA TRADING TAGALLE	OSU SALA TRADING RAGAMA
A. ADMINISTRATIVE COST	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
PERSONNEL EMOLUMENTS													
Salaries, Wages & Allowances.	3,969,544	5,103,880	7,569,541	15,576,965	7,825,349	5,578,999	5,482,788	2,944,630	4,564,908	4,749,092	1,881,197	4,373,675	5,281,372
Overtime.	481,609	856,844	670,039	1,800,097	544,444	725,658	591,005	295,240	310,489	547,742	104,616	386,431	665,639
Uniforms.	39,147	59,555	76,889	154,468	73,907	56,320	53,245	26,915	38,446	41,208	14,986	40,097	60,763
Insurance for staff	16,700	137,313	23,123	372,417	32,730	43,620	6,850	-	182,250	99,999	-	-	39,942
Provident fund (E.P.F & E.T.F)	461,522	610,749	860,675	1,825,648	894,382	599,221	618,805	349,470	527,068	542,833	229,475	511,132	590,037
Annual bonus	67,500	94,500	129,357	281,785	121,500	87,584	108,000	54,000	88,857	81,841	34,746	81,000	87,152
Annual per inc. bonus.	517,420	696,928	1,052,752	2,395,974	1,009,527	749,977	840,262	448,587	703,478	612,248	339,221	632,961	731,621
Housing loan interest	-	158,378	34,920	434,073	87,736	-	194,081	52,483	-	-	-	104,191	97,803
Attendance bonus	140,850	221,250	261,300	489,450	259,200	217,050	222,750	105,300	143,700	184,350	57,150	166,050	206,850
Total	**5,694,293**	**7,939,396**	**10,678,596**	**23,330,877**	**10,848,775**	**8,058,430**	**8,117,785**	**4,276,624**	**6,559,196**	**6,859,314**	**2,661,391**	**6,295,538**	**7,761,179**
TRAVELLING EXPENSES													
Local travelling expenses	12,290	6,799	692	3,015	34,840	950	21,599	2,297	21,905	1,981	5,380	9,607	31,800
Total	**12,290**	**6,799**	**692**	**3,015**	**34,840**	**950**	**21,599**	**2,297**	**21,905**	**1,981**	**5,380**	**9,607**	**31,800**
SUPPLIES & REQUISITES													
Printing & stationery.	52,004	92,402	33,133	436,012	54,890	134,230	105,579	114,829	109,242	121,848	26,838	30,393	118,968
Total	**52,004**	**92,402**	**33,133**	**436,012**	**54,890**	**134,230**	**105,579**	**114,829**	**109,242**	**121,848**	**26,838**	**30,393**	**118,968**
REPAIRS & MAINTENANCE													
Buildings.	10,910	27,648	17,652	129	67,108	12,798	34,666	23,965	8,801	23,385	660	18,248	21,003
Furniture, fittings & equipment	89,749	27,209	80,095	187,903	75,401	120,401	104,602	13,470	30,765	73,065	10,060	29,789	88,459
Computer	-	-	-	-	-	-	2,150	-	2,320	-	-	1,700	-
Total	**100,659**	**54,857**	**97,747**	**188,031**	**142,509**	**133,199**	**141,418**	**37,435**	**41,886**	**96,450**	**10,719**	**49,737**	**109,462**
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES													
Rent.	660,000	1,145,900	825,000	1,020,000	1,680,000	1,265,000	-	-	1,800,000	-	-	-	420,000
Lease rent	-	-	-	-	-	-	209,091	-	-	-	-	-	-
Rates & taxes.	8,133	20,808	-	-	1,549	5,729	11,480	-	6,350	-	-	3,038	-
Water bills	17,993	20,028	26,248	-	31,949	31,121	17,578	3,754	-	19,794	-	15,058	3,181
Electricity.	354,930	643,135	614,163	830,753	837,294	627,119	411,006	63,587	630,843	599,951	-	335,621	393,450
Postage, Telegrams & Telephones.	52,128	69,855	38,143	53,038	72,318	55,228	57,587	30,675	38,685	53,687	15,110	33,249	31,253
Depreciation	131,538	316,858	177,076	207,058	349,681	297,619	706,325	35,821	233,492	659,723	98,244	717,776	252,759
Amortisation- Computer Software	74,062	74,062	53,499	53,499	74,062	53,499	53,499	-	74,062	74,062	-	74,062	74,062
Trade subscriptions, Periodicals & Publications.	9,540	15,150	44,220	20,940	17,790	9,510	-	-	17,330	-	-	10,302	16,190
Security services.	343,093	343,093	365,307	926,147	382,282	324,652	449,843	-	845,180	846,333	-	343,093	926,321
License fees for drugs.	17,500	17,500	17,500	12,500	17,500	17,500	17,500	7,500	12,500	17,500	7,500	12,500	17,500
Sundry expenses.	1,180	799	4,750	15,795	9,120	-	3,360	2,600	4,200	1,935	-	2,150	600
Staff welfare.	292,228	477,928	401,668	980,013	554,496	419,377	401,625	176,759	311,832	336,889	90,981	233,608	361,196
Staff medical expenses.	83,942	102,344	171,969	375,510	183,810	116,919	105,000	74,799	97,500	91,250	13,404	92,777	97,500
Total	**2,046,267**	**3,247,459**	**2,739,542**	**4,495,253**	**4,211,851**	**3,223,273**	**2,443,893**	**395,495**	**4,071,975**	**2,701,123**	**225,239**	**1,873,234**	**2,594,014**
TOTAL ADMINISTRATIVE COST	**7,905,513**	**11,340,914**	**13,549,710**	**28,453,187**	**15,292,865**	**11,550,082**	**10,830,275**	**4,826,680**	**10,804,203**	**9,780,715**	**2,929,567**	**8,258,508**	**10,615,423**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

NOTE 12 A

OSUSALA -OVERHEADS	OSU SALA TRADING BANDARAGAMA	OSU SALA TRADING FORT	OSU SALA TRADING BORELLA	OSU SALA TRADING EMBILIPITIYA	OSU SALA TRADING KDY- RAILWAY	OSU SALA TRADING GAMPAHA	OSU SALA TRADING NAGODA	OSU SALA TRADING BERUWALA	OSU SALA TRADING PILIYANDALA	OSU SALA TRADING NINTHAVUR	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
A. ADMINISTRATIVE COST	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
PERSONNEL EMOLUMENTS												
Salaries, Wages & Allowances.	3,923,522	3,735,208	4,014,411	3,986,422	3,282,178	4,801,198	4,094,682	2,963,844	1,962,622	742,733	4,369,063	254,995,757
Overtime.	316,808	142,726	428,183	288,489	603,603	517,579	508,377	444,939	265,497	179,793	323,532	24,756,797
Uniforms.	38,627	26,060	37,691	36,801	30,768	18,200	20,757	17,240	13,320	-	46,989	2,341,049
Insurance for staff	32,422	90,000	100,000	-	-	-	-	111,386	-	-	-	2,933,731
Provident fund (E.P.F & E.T.F)	422,850	382,284	448,293	442,428	384,680	500,774	437,161	327,696	212,598	85,796	502,511	29,251,661
Annual bonus	61,464	60,584	75,357	67,500	67,500	81,000	67,500	73,807	54,000	13,445	81,000	4,484,211
Annual per inc. bonus.	548,238	527,745	621,177	534,277	524,032	678,626	546,823	625,427	505,285	94,118	747,866	37,260,691
Housing loan interest	57,988	-	-	59,200	17,795	291,870	32,016	-	-	-	-	2,798,347
Attendance bonus	155,400	114,750	134,100	117,450	145,800	158,250	173,850	113,850	61,800	27,450	100,950	9,010,950
Total	**5,557,318**	**5,079,356**	**5,859,212**	**5,532,566**	**5,056,356**	**7,047,496**	**5,881,166**	**4,678,189**	**3,075,121**	**1,143,335**	**6,171,910**	**367,833,195**
TRAVELLING EXPENSES												
Local travelling expenses	9,045	6,060	4,625	5,250	3,200	30,845	8,350	9	100	300	31,458	402,227
Total	**9,045**	**6,060**	**4,625**	**5,250**	**3,200**	**30,845**	**8,350**	**9**	**100**	**300**	**31,458**	**402,227**
SUPPLIES & REQUISITES												
Printing & stationery.	93,825	44,793	46,069	87,781	31,451	68,367	1,976	63,357	29,553	13,876	82,530	4,568,174
Total	**93,825**	**44,793**	**46,069**	**87,781**	**31,451**	**68,367**	**1,976**	**63,357**	**29,553**	**13,876**	**82,530**	**4,568,174**
REPAIRS & MAINTENANCE												
Buildings.	20,269	15,899	12,899	8,393	18,990	16,904	14,050	21,009	18,767	423	25,680	1,422,986
Furniture, fittings & equipment	27,611	69,760	22,277	17,492	10,774	9,844	11,919	22,294	15,156	15,041	57,964	2,871,126
Computer	-	-	-	-	-	-	-	11,800	-	1,783	-	211,073
Total	**47,880**	**85,659**	**35,175**	**25,884**	**29,764**	**26,748**	**25,969**	**55,103**	**33,923**	**17,247**	**83,644**	**4,505,184**
TRANSPORTATION, COMMUNICATION,UTILITIES & OTHER SERVICES												
Rent.	-	881,280	-	810,000	445,608	1,150,000	720,000	566,400	575,000	120,000	734,400	19,775,213
Lease rent	-	-	-	-	-	-	-	-	-	-	-	1,037,377
Rates & taxes.	3,300	-	-	5,224	-	-	400	-	-	-	3,000	884,090
Water bills	19,507	7,423	-	29,816	-	-	3,443	11,316	4,943	5,260	20,589	879,353
Electricity.	278,040	337,541	-	275,981	214,197	367,146	284,018	186,994	269,567	68,013	212,863	20,413,181
Postage, Telegrams & Telephones.	44,955	23,621	15,947	54,014	33,991	34,153	37,988	20,313	36,160	17,305	75,752	1,800,150
Depreciation	178,410	404,279	417,379	174,938	781,065	531,270	690,417	483,277	257,483	33,686	89,200	14,833,611
Amortisation- Computer Software	74,062	74,062	74,062	68,202	-	-	-	-	-	-	-	1,714,117
Trade subscriptions, Periodicals												-
& Publications.	8,940	10,020	10,440	8,730	6,600	-	-	-	-	-	12,810	467,382
Security services.	341,941	923,802	906,166	337,289	362,938	929,084	326,142	560,567	121,023	113,315	846,333	23,513,867
License fees for drugs.	17,500	5,000	12,500	17,500	17,500	12,500	17,500	17,500	17,500	17,500	7,500	535,000
Sundry expenses.	3,730	4,490	200	-	2,481	2,900	1,455	2,330	1,015	-	6,300	153,778
Staff welfare.	228,713	135,465	236,481	286,675	214,298	239,563	246,807	107,832	72,794	47,749	230,702	16,569,431
Staff medical expenses.	71,023	66,250	83,925	65,861	74,297	75,307	75,000	59,586	23,785	12,046	93,865	5,188,130
Total	**1,270,121**	**2,873,231**	**1,757,100**	**2,134,229**	**2,152,975**	**3,341,923**	**2,403,171**	**2,016,115**	**1,379,269**	**434,875**	**2,333,313**	**107,764,681**
TOTAL ADMINISTRATIVE COST	**6,978,190**	**8,089,100**	**7,702,182**	**7,785,710**	**7,273,745**	**10,515,379**	**8,320,631**	**6,812,773**	**4,517,967**	**1,609,632**	**8,702,856**	**485,073,460**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

NOTE - 13

(b) OTHER OPERATING EXPENSES	SPC TRADING			TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2017	TOTAL TRADING 2016
	OSUSALAS	O.R.S.	BULK				
SELLING & DISTRIBUTION EXPENSES	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Sales promotion expenses.	-	-	29,769,812	29,769,812	-	29,769,812	28,751,271
Prescriber	-		1,855,838	1,855,838	-	1,855,838	2,400,350
Transport charges.	-	-	14,045,998	14,045,998	-	14,045,998	9,503,232
Provision for bad debts	-	-	18,616,794	18,616,794	492,474,940	511,091,735	165,517,916
Discount on osusala sales	-	-	4,002,470	4,002,470	-	4,002,470	3,426,048
Additional discounts	-		72,370,932	72,370,932		72,370,932	72,263,196
Value Added Tax	-		3,223,115	3,223,115	9,669,346	12,892,462	9,586,501
Dealers convention	-		1,983,097	1,983,097	-	1,983,097	2,279,263
Stock losses	-	-	826,799	826,799	4,386,737	5,213,537	38,170,084
Stock adj. (Excess/Shortage)	674,174	-	(6,914)	667,260	-	667,260	13,588
Pro. for outdated & damaged drugs	6,434,719	-	97,961,185	104,395,904	-	104,395,904	129,988,035
Pro. for outdated & damaged drugs - DHS	-	-	-	-	2,474,920	2,474,920	51,840,020
Stamp fee	-		365,440	365,440	-	365,440	296,591
Setting up expenses	-	-	2,984,905	2,984,905	-	2,984,905	1,103,287
Storage charges	-		-	-	6,794,922	6,794,922	5,534,387
Foreign exchange gain/loss	-	-	(5,087,202)	(5,087,202)	(33,414,633)	(38,501,835)	52,240,529
Sundry packing materials.	7,230,065	-	523,242	7,753,307	-	7,753,307	7,033,601
TOTAL	**14,338,958**	**-**	**243,435,512**	**257,774,470**	**482,386,232**	**740,160,702**	**579,947,897**
RESEARCH & DEVELOPMENT							
Drugs for testing	-	-	46,784	46,784	86,885	133,669	48,309
Testing charges for samples	-	-	401,138	401,138	744,971	1,146,109	706,518
Drugs for sample	-	-	6,475	6,475	12,025	18,500	141,091
TOTAL	**-**	**-**	**454,397**	**454,397**	**843,880**	**1,298,278**	**895,918**
TOTAL OTHER OPERATING EXPENSES	**14,338,958**	**-**	**243,889,909**	**258,228,867**	**483,230,113**	**741,458,980**	**580,843,815**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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

RAJYA OSUSALA OUTLET	Stock adj. (Excess/ Shortage)	Outdated & damages	Sundry packing materials.	Total
	Rs.	Rs.	Rs.	Rs.
Osusala- Colombo 07	(22,100)	776,477	821,086	1,575,464
Osusala- Colombo 04.	(17,730)	128,291	214,789	325,350
Osusala- Colombo 01	(18,945)	85,219	300,340	366,615
Osusala- Kandy	(14,594)	304,117	479,693	769,215
Osusala- Nugegoda	41,117	309,577	215,020	565,713
Osusala- Avissawella	452,229	107,553	159,025	718,807
Osusala- Ratnapura	426,475	232,663	329,191	988,329
Osusala- Minuwangoda	(1,178)	20,019	172,951	191,792
Osusala- Panadura	(12,138)	2,156	273,046	263,064
Osusala- Galle	(34,421)	659,156	385,922	1,010,657
Osusala- Matara	81,533	57,523	208,938	347,995
Osusala- Kurunegala	(221)	46,797	123,170	169,746
Osusala- Ampara	7,674	697,889	100,039	805,602
Osusala- Hambantota	8,412	151,660	44,025	204,098
Osusala - Anuradapura	(15,797)	542	508,641	493,386
Osusala- Maharagama	(9,020)	48,147	296,289	335,416
Osusala- Jayawardanapura	8,191	195,489	233,752	437,432
Osusala- Karapitiya	(3,243)	189,284	326,901	512,942
Osusala- Negombo	(64,184)	76,726	278,525	291,066
Osusala- Badulla - C W E	20,797	201,651	108,847	331,296
Osusala- Diyathalawa	-	34,685	69,024	103,708
Osusala- Jaffna	624	52,811	113,262	166,697
Osusala- Polonnaruwa	(9,134)	9,917	230,443	231,226
Osusala- Ratmalana	-	2,688	56,892	59,580
Osusala- Tangalle	(3,509)	128,492	106,116	231,099
Osusala- Ragama	(131)	41,903	297,051	338,822
Osusala- Bandaragama	(2,680)	6,722	47,948	51,990
Osusala- Fort -Railway Station	3,359	115,578	91,895	210,832
Osusala- Borella	(9,722)	26,029	121,493	137,801
Osusala- Embilipitiya	(6,019)	65,789	189,742	249,512
Osusala- Kandy -Railway Station	(390,274)	75,048	41,205	(274,020)
Osusala- Gampaha	456,562	83,584	129,021	669,167
Osusala- Nagoda	(62,611)	14,292	71,802	23,483
Osusala- Beruwala	(2,189)	12,976	36,021	46,808
Osusala- Piliyandala	(34,219)	9,139	44,772	19,692
Osusala- Ninthavur	(44,567)	-	2,813	(41,754)
Kandy - Regional Stores	(54,173)	1,464,132	373	1,410,332
Total	**674,174**	**6,434,719**	**7,230,065**	**14,338,958**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

NOTE - 14

(D) FINANCE EXPENSES	SPC TRADING			TOTAL TRADING SPC	TOTAL TRADING DHS	TOTAL TRADING 2017	TOTAL TRADING 2016
	OSUSALAS	O.R.S.	BULK				
O/D Interest	-	-	298,909	298,909	34,900,495	35,199,403	5,434,349
Bank charges			1,295,294	1,295,294	-	1,295,294	1,071,029
TOTAL FINANCE COST	**-**	**-**	**1,594,203**	**1,594,203**	**34,900,495**	**36,494,698**	**6,505,378**

MAJOR COMPONENT OF TAX EXPENSES

NOTE 15

	2017 Rs.	2016 Rs.
Current tax expenses	484,500,080	629,378,241
Over/Under provision in respect of previous years	(7,262,363)	40,184,286
Adj. Deferred tax Income/Expenses relating to the origination -	(6,642,400)	(43,698,637)
- and reversal of temporary differences		
Tax expenses	**470,595,316**	**625,863,890**

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

NOTE 15a

	2017 RS.	2016 RS.
Profit Before Tax	1,560,027,058	1,867,608,521
Disallowable expenses	230,328,167	159,807,843
Qualifying payments	(283,244,199)	(225,149,172)
Taxable Income	**1,507,111,026**	**1,802,267,192**
Income Tax @ 28%	421,991,087	504,634,814
Tax on Distributable Profit 25% (net)	62,508,993	124,743,427
Income tax on current year profit	**484,500,080**	**629,378,241**
Over/Under provision in respect of previous years	(7,262,363)	40,184,286
Adj. Deferred tax Income/Expenses relating to the origination -		
and reversal of temporary differences	(6,642,400)	(43,698,637)
Tax expenses	**470,595,316**	**625,863,890**
Effective Tax Rate %	**30.2**	**33.5**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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 2016	**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
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**
Classification change	-	-	-	-	(1,500,000)	1,500,000	-	-	-
Additions		73,151,884	-	-	20,291,335	33,471,689	4,528,850	12,045,876	143,489,633
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2017	**1,199,639,630**	**624,417,636**	**149,933,451**	**59,063**	**68,718,805**	**118,764,848**	**41,394,370**	**39,542,807**	**2,242,470,609**
DEPRECIATION & IMPAIRMENT									
At 1 January 2016	**-**	**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**
Depreciation charge for the year	-	16,556,083	7,645,366	2,342	5,537,924	18,709,023	4,657,821	8,588,629	61,697,188
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2017	**-**	**74,888,050**	**34,716,411**	**51,980**	**9,840,707**	**33,888,416**	**12,313,236**	**14,010,987**	**179,709,787**
NET BOOK VALUE									
At 31 December 2017	**1,199,639,630**	**549,529,586**	**115,217,040**	**7,083**	**58,878,098**	**84,876,432**	**29,081,134**	**25,531,820**	**2,062,760,822**
At 31 December 2016	1,199,639,630	492,933,785	122,862,406	9,424	45,624,686	68,613,766	29,210,105	22,074,574	1,980,968,377
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

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

INTANGIBLE ASSETS		NOTE 17
Computer Software	**2017**	**2016**
	RS.	**RS.**
Cost		
As at the bigining of the year	5,413,941	-
Acquisition/Incurred during the year	-	5,413,941
As at the end of the year	**5,413,941**	**5,413,941**
Amortisation		
As at the bigining of the year	1,804,647	-
Amortisation charge for the year	1,804,647	1,804,647
As at the end of the year	**3,609,294**	**1,804,647**
Carrying Amount		
As at the bigining of the year	3,609,294	-
As at the end of the year	**1,804,647**	**3,609,294**

OTHER NON CURRENT ASSETS		NOTE 18
Deferred expenses/Lease hold Lands	**2017**	**2016**
	RS.	**RS.**
Osusala Badulla (Bus Stand)	3,796,650	3,911,700
Osusala Badulla (CWE)	4,774,243	4,983,333
Osusala Nugegoda	6,723,225	7,016,558
Other non Current Assets	**15,294,117**	**15,911,591**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2017

Note 19

OSUSALA TRADING STOCK	2017						2016					
Location	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Transit	38,221,264	-	38,221,264	-	-	**38,221,264**	142,639,566	-	142,639,566	-	-	**142,639,566**
Bulk Stores	1,107,362,482	(6,914)	1,107,369,396	306,106,061	-	**801,263,335**	1,313,216,700	(74,891)	1,313,291,592	285,299,086	905,584	**1,027,086,922**
Colombo 07	118,343,409	(22,100)	118,365,509	776,477	3,786,430	**113,802,602**	102,830,960	(140,938)	102,971,899	469,300	2,809,738	**99,692,861**
Colombo 04	22,872,635	(17,730)	22,890,365	128,291	1,090,757	**21,671,317**	35,910,370	(9,289)	35,919,658	69,783	799,987	**35,049,888**
Colombo 01	39,307,577	(18,945)	39,326,522	85,219	2,490,640	**36,750,663**	51,947,653	(107,513)	52,055,166	83,290	2,974,737	**48,997,139**
Kandy	56,791,252	(14,594)	56,805,847	304,117	3,369,961	**53,131,769**	45,686,563	(10,354)	45,696,917	138,257	2,669,374	**42,889,287**
Nugegoda	42,187,717	41,117	42,146,601	309,577	1,762,899	**40,074,124**	39,337,062	28,776	39,308,286	62,635	1,810,385	**37,435,266**
Avissawella	16,561,335	452,229	16,109,106	107,553	1,064,435	**14,937,118**	12,033,656	-	12,033,656	141,371	844,021	**11,048,264**
Rathnapura	18,543,197	426,475	18,116,722	232,663	850,566	**17,033,493**	20,311,813	54,072	20,257,741	226,528	1,145,796	**18,885,417**
Minuwangoda	11,503,174	(1,178)	11,504,352	20,019	869,398	**10,614,936**	9,993,926	1,605	9,992,321	42,553	611,680	**9,338,088**
Panadura	20,382,084	(12,138)	20,394,222	2,156	1,209,863	**19,182,202**	19,210,950	(18,780)	19,229,730	2,872	1,066,930	**18,159,928**
Galle	20,631,746	(34,421)	20,666,167	659,156	1,300,319	**18,706,692**	24,078,369	103,247	23,975,122	167,899	1,598,876	**22,208,347**
Matara	16,801,928	81,533	16,720,395	57,523	1,094,568	**15,568,304**	18,094,504	82,538	18,011,966	22,281	1,237,044	**16,752,641**
Kurunegala	38,347,729	(221)	38,347,950	46,797	2,447,951	**35,853,202**	28,163,347	13,043	28,150,304	50,815	1,569,549	**26,529,941**
Ampara	10,340,361	7,674	10,332,688	697,889	734,725	**8,900,074**	12,527,561	(647)	12,528,208	92,815	911,396	**11,523,997**
Hambantota	7,516,980	8,412	7,508,568	151,660	547,486	**6,809,422**	6,308,058	(19,683)	6,327,741	27,511	288,971	**6,011,260**
Anuradhapura	18,602,154	(15,797)	18,617,950	542	1,290,563	**17,326,845**	16,687,940	(9,997)	16,697,937	943	1,016,063	**15,680,931**
Maharagama	24,510,593	(9,020)	24,519,613	48,147	1,295,498	**23,175,968**	23,266,672	33,351	23,233,321	33,222	1,375,087	**21,825,011**
Jayawardanapura	34,795,116	8,191	34,786,926	195,489	1,267,508	**33,323,928**	34,389,496	17,922	34,371,574	143,269	1,031,700	**33,196,605**
Karapitiya	27,233,933	(3,243)	27,237,176	189,284	1,704,242	**25,343,650**	30,528,147	12,524	30,515,624	76,522	1,872,392	**28,566,709**
Negombo	12,987,543	(64,184)	13,051,727	76,726	541,898	**12,433,104**	12,375,395	(30,678)	12,406,073	13,521	600,310	**11,792,242**
Badulla - CWE	15,989,890	20,797	15,969,093	201,651	995,895	**14,771,547**	18,334,835	35,623	18,299,212	45,972	1,116,517	**17,136,723**
Diyathalawa	4,522,608	-	4,522,608	34,685	336,827	**4,151,097**	4,624,792	-	4,624,792	12,804	105,457	**4,506,531**
Jaffna	15,024,255	624	15,023,631	52,811	951,069	**14,019,751**	14,024,356	3,524	14,020,833	37,661	807,082	**13,176,090**
Polonnaruwa	19,487,789	(9,134)	19,496,923	9,917	1,376,694	**18,110,311**	13,544,626	12,692	13,531,934	6,409	945,187	**12,580,338**
Ratmalana	2,310,308	-	2,310,308	2,688	145,192	**2,162,428**	1,540,279	-	1,540,279	14,595	90,062	**1,435,622**
Tangalle	14,024,162	(3,509)	14,027,671	128,492	991,936	**12,907,243**	15,453,971	9,732	15,444,240	6,861	1,013,271	**14,424,107**
Ragama	16,205,544	(131)	16,205,675	41,903	560,244	**15,603,529**	16,269,131	3,415	16,265,716	13,633	971,878	**15,280,205**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2017

OSUSALA TRADING STOCK - Cont. **NOTE 19**

Location	2017 Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)	2016 Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bandaragama	8,351,456	(2,680)	8,354,136	6,722	637,059	**7,710,355**	5,921,499	(9,298)	5,930,797	3,704	375,574	**5,551,519**
Fort - Station	11,740,958	3,359	11,737,599	115,578	548,739	**11,073,281**	10,437,686	(4,247)	10,441,933	26,771	634,154	**9,781,008**
Borella	8,937,314	(9,722)	8,947,036	26,029	442,630	**8,478,377**	8,661,876	(8,273)	8,670,148	44,714	240,104	**8,385,331**
Embilipitiya	11,115,123	(6,019)	11,121,142	65,789	777,225	**10,278,129**	9,282,072	13,554	9,268,518	105,390	680,498	**8,482,630**
KDY-Railway	7,049,292	(390,274)	7,439,566	75,048	537,330	**6,827,188**	3,688,379	-	3,688,379	-	301,426	**3,386,953**
Gampaha	13,128,441	456,562	12,671,879	83,584	740,888	**11,847,408**	-	-	-	-	-	**-**
Nagoda	13,995,217	(62,611)	14,057,829	14,292	994,717	**13,048,819**	-	-	-	-	-	**-**
Beruwala	12,739,129	(2,189)	12,741,318	12,976	888,080	**11,840,262**	-	-	-	-	-	**-**
Piliyandala	13,029,022	(34,219)	13,063,241	9,139	740,044	**12,314,058**	-	-	-	-	-	**-**
Ninthavur	9,704,537	(44,567)	9,749,104	-	731,515	**9,017,589**	-	-	-	-	-	**-**
Regional Stores Kandy	25,366,575	(54,173)	25,420,748	1,464,132	-	**23,956,616**	22,657,211	32,559	22,624,652	265,007	-	**22,359,645**
Total	**1,926,565,829**	**667,260**	**1,925,898,569**	**312,540,780**	**41,115,790**	**1,572,241,999**	**2,143,979,423**	**13,588**	**2,143,965,835**	**287,747,995**	**34,420,829**	**1,821,797,011**
ORS UNIT												
Finished Products	1,953,393	-	1,953,393	-	-	**1,953,393**	1,400,474	-	1,400,474	-	-	**1,400,474**
Raw Materials	671,326	-	671,326	-	-	**671,326**	1,086,686	-	1,086,686	-	-	**1,086,686**
Chemical & Others	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Total	**2,624,719**	**-**	**2,624,719**	**-**	**-**	**2,624,719**	**2,487,160**	**-**	**2,487,160**	**-**	**-**	**2,487,160**
SUNDRY STOCKS												
Printing Stationery	14,558,512	-	14,558,512.11	-	-	**14,558,512**	13,461,435	-	13,461,435	-	-	**13,461,435**
Packing Materials	16,700,041	-	16,700,041.36	-	-	**16,700,041**	12,630,870	-	12,630,870	-	-	**12,630,870**
Miscellaneous Stocks	5,632,807	-	5,632,806.65	-	-	**5,632,807**	1,897,584	-	1,897,584	-	-	**1,897,584**
Total	**36,891,360**	**-**	**36,891,360**	**-**	**-**	**36,891,360**	**27,989,890**	**-**	**27,989,890**	**-**	**-**	**27,989,890**
Disputed items	186,644,877		186,644,877			**186,644,877**	157,228,292		157,228,292			**157,228,292**
Total	**2,152,726,785**	**667,260**	**2,152,059,525**	**312,540,780**	**41,115,790**	**1,798,402,955**	**2,331,684,766**	**13,588**	**2,331,671,178**	**287,747,995**	**34,420,829**	**2,009,502,353**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

STOCKS IN TRANSIT - DHS

NOTE 20

	2017 Rs.	2016 Rs.
Stock in Transit	438,657,925	399,339,127
Add: Disputed Items - DHS		
Disputed stock as at 31.12.17	288,948,928	277,207,847
Disputed balances as at 31.12.17	14,603,745	14,603,745
Less: Provision for unsalable	112,080,235	150,457,477
Goods in Transit - DHS	**630,130,363**	**540,693,242**

TRADE AND OTHER RECEIVABLES

NOTE - 21

	2017 Rs.	2016 Rs.
Total Dues From DHS	9,267,922,705	5,771,132,176
Trade Debtors	967,042,539	552,045,880
Staff Loans	78,238,674	83,637,815
Other Staff Advances	1,051,412	998,000
Deposits and Advances	3,537,509	5,397,328
Other Receivables & Recoverable	58,462,181	100,300,771
Total	**10,376,255,021**	**6,513,511,971**
Less: Provision for bad & doubtful debts	2,475,010,999	1,992,336,646
Trade and Other Receivables	**7,901,244,022**	**4,521,175,325**

DEBTORS ANALYSIS

NOTE 21A

	2017 Rs.	2016 Rs.
TOTAL DUES FROM DHS		
Local Purchase on DHS Tenders	920,317	920,317
DHS Turnover Tax & Custom Duty	52,146,382	52,146,382
Purchase Clearing - DHS	158,744,104	158,744,104
Department of Health Services	9,056,111,902	5,559,321,373
Total	**9,267,922,705**	**5,771,132,176**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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

	2017 Rs.	2016 Rs.
TRADE DEBTORS		
Distributors	281,887,790	241,923,276
Sales Representatives	649,820	431,422
Private Sector Organizations	22,054,302	16,126,115
Forces	349,782,737	132,903,168
Franchise Osusalas	39,330,554	31,506,343
Authorized retailer	2,856,516	1,817,838
Hospitals- Government	205,221,465	64,645,277
Hospitals- Private	11,354,637	9,077,028
Government Dept. & Corporations	26,758,075	39,820,635
Other Debtors		270,055
Disputed Debtors - Government Sector	16,433,719	2,583,090
Disputed Debtors - Private Sector	272,872	501,582
Debtors under litigation	10,440,050	10,440,050
Total	**967,042,539**	**552,045,880**
STAFF LOANS		
Staff Loan	78,238,674	83,637,815
Total	**78,238,674**	**83,637,815**
OTHER STAFF ADVANCES		
Cycle Loans	20,642	26,730
Festival Advance	1,030,770	971,270
Total	**1,051,412**	**998,000**
DEPOSITS AND ADVANCES		
Advance Payments to Suppliers	3,075,114	3,601,322
General Advance	462,395	1,796,007
Total	**3,537,509**	**5,397,328**
OTHER RECEIVABLES & RECOVERABLE		
Sundry Debtors	7,720,310	7,924,914
E Channeling control A/c	25,556	25,556
Insurance Claim Receivables	2,507,547	3,947,890
Claim receivable from supplier	48,208,767	88,402,411
Total	**58,462,181**	**100,300,771**
TOTAL DEBTORS AND OTHER RECEIVABLES	**10,376,255,021**	**6,513,511,971**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

PREPAYMENTS **NOTE - 22**

	2017 Rs.	2016 Rs.
Pre- Payments	26,517,539	10,322,620
Employee Security Investments	441,636	441,636
Deposits - Postal Franking Machine	698,742	525,822
Pre paid Staff Expenses	4,286,940	3,135,116
Advance Payments to Port Authority	2,414,409	1,657,121
Miscellaneous Deposits	11,850,567	11,198,255
Container Deposits - SPC	1,740,890	1,347,340
Container Deposits - DHS	10,028,960	8,986,419
Total	**57,979,683**	**37,614,329**

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

		2017 Rs.	2016 Rs.
People's Bank	A/C 90210892	171,419,803	7,442,685
Commercial Bank	A/C -10263	14,249	17,249
Bank of Ceylon	A/C -1438	67,756,266	10,654,012
Bank of Ceylon	A/C -1435	-	75,903,764
Bank of Ceylon	A/C -70556680	4,792,985	
Standard Chartered Bank	A/C 1171968 01	7,967,486	6,458,957
People's bank	A/C -90210929		91,312,447
Commercial bank	A/C -50401	55,007	39,507
Investments			
Treasury Bill - Credit Insurance Scheme		46,224,126	38,608,499
Treasury Bill - Supplier Convention		13,192,812	13,953,180
Petty Cash Impress - Control		627,767	557,172
Total		**312,050,502**	**244,947,473**

DEFERRED LIABILITIES **NOTE 24**

EMPLOYEE RETIREMENT GRATUITY	2017 Rs.	2016 Rs.
Gratuity opening balance	153,435,319	150,917,657
Interest Cost	16,110,708	15,091,766
Current Service Cost	16,106,287	10,522,662
Actuarial Gain /Loss	59,575,287	(10,049,455)
Benefit paid/ payables during the year	(12,711,078)	(13,047,311)
Total	**232,516,523**	**153,435,319**

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 2017. The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer.

Discount %	**11% p.a.**
Future salary increase %	**5% p.a.**
Allowance increase %	**10% p.a.**
Retiring age	**60 Years**

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2017

The amounts recognized in the Income Statement are as follows,

NOTE 24A

	2017 Rs.	2016 Rs.
Current service cost	16,106,287	10,522,662
Interest charges for the year	16,110,708	15,091,766
Gratuity include in the staff cost	**32,216,995**	**25,614,428**
Actuarial gain/loss - OCI	59,575,287	(10,049,455)
Total	**91,792,283**	**15,564,973**

DEFERRED TAX ASSETS/ LIABILITIES

NOTE 25

	2017 Rs.	2016 Rs.
Differed tax liability	(97,239,556)	(81,739,218)
Differed tax Assets	65,104,627	42,961,889
Opening SLFRS Deferred Tax Assets/ Liability	**32,134,929**	**38,777,329**

TRADE AND OTHER PAYABLES

NOTE 26

	2017 Rs.	2016 Rs.
Accrued charges & provision	271,888,155	207,391,067
Creditors control	818,160,881	523,256,337
Special order advance	982,510	982,510
Security deposits	556,319	549,319
Salaries control	5,932,124	2,075,709
Bank bills payable - SPC	77,938,218	144,114,880
Bank bills payable - DHS	2,695,082,859	1,705,359,601
Interest on cash security deposits	25,216	34,938
Tender deposits	823,050	345,000
Loans & other recoveries (staff)	34,367,301	7,649,946
Gratuity payable	76,247	1,340,585
P.A.Y.E	850,171	114,943
Seva Vanitha	13,780	6,980
Welfare fund	803,711	680,163
Cash Deposit in lieu of Bank Guaranty	16,403,679	23,180,625
Agency commission	41,595,488	27,867,936
Value added tax	30,634,498	12,669,782
Total	**3,996,134,208**	**2,657,620,323**

CURRENT FINANCIAL LIABILITIES

NOTE 27

		2017 Rs.	2016 Rs.
Bank of Ceylon	A/C -1435	610,245,516	-
Bank of Ceylon	A/C -1425	116,510,031	26,149,718
Bank of Ceylon	A/C -70556680		9,635,703
People's bank	A/C -90210929	612,646,295	-
Commercial bank	A/C -150701	22,041,997	3,917,444
Total		**1,361,443,839**	**39,702,865**

NOTE -28

CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2017

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2017.

GENERAL RESERVE

General Reserve	2017	2016
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 2017, 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 four 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 Rainnkumar 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 LT Application No. LT4/G/28/2016 (Labour Tribunal Galle – Mr. H.C.R. Pieris)

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

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

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

29.2 The corporation is a plaintiff in five Cases claiming Rs 23,372,659.98 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.

29.2.4 Arbitration between State Pharmaceuticals Corporation of Sri Lanka Vs M/S Anhui Tiankang Medical Products Co. Ltd.

SPC has been referred the above matter for Arbitration for not settling the Debit Note value USD 8412 and USD 305,510.30 (Rs. 930,670 and Rs. 11,423,342) raised due to quality failure in items issued on Indent No. DHS/SWW/45/341R/07 and DHS/© SU/172/194K/08-09 respectively.

29.2.5 Arbitration between State Pharmaceuticals Corporation of Sri Lanka and M/s Aravind Remedies Ltd – India

SPC has been referred the above matter for arbitration for not settling the Debit note value USD 28,733.58 (Rs.3,156,096) raised due to quality failure in items issued on Indent No. DHS/WEM/73/12.

29.3 Financial Commitments

Document credit established for purchases of pharmaceuticals as at 31.12.2017 amounts to Rs.7.867.3 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.

	2017	2016
SPC	Rs. 967,042,539	Rs. 552,045,880
DHS	Rs. 9,267,922,705	Rs. 5,771,132,176

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 2017:	**(Rs)**	**Maturity**
Interest-bearing loans and borrowings	1,361,443,839	OD – Payable on demand
Trade and other payables	3,996,134,208	Usually 03 months
Year ended 31 December 2016:	**(Rs)**	**Maturity**
Interest-bearing loans and borrowings	39,702,865	OD – Payable on demand
Trade and other payables	2,657,620,323	Usually 03 months

	2017	**2016**
	Rs	**Rs**
Interest-bearing loans and borrowings	1,361,443,839	39,702,865
Trade and other payables	3,996,134,208	2,657,620,323
Less: cash and short-term deposits	(312,050,520)	(244,947,173)
Net debt	5,045,527,527	2,452,376,015
Equity		
Capital and net debt	12,434,133,150	8,562,529,868

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	**2017**	**2016**
Transactions:	**RS**	**RS**
Sales -	32,563,691,394	32,255,390,820
Outstanding Balances:		
Receivable from Medical Supplies Division	9,267,922,705	5,771,132,176
Receivable from Forces	349,782,737	132,903,168
Receivable from Government hospitals	205,221,465	64,645,277
Receivable from Other Government Institutions	26,758,075	39,820,635

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.

	2017	**2016**
	RS	**RS**
Short term employment benefits	4,738,343	5,594,012

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

HSM/A/SPC/1/17/44 — 26 July 2018

මගේ අංකය / எனது இல. / My No. | මෙහි අංකය / உமது இல. / Your No. | දිනය / திகதி / Date

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 2017 in terms of 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 2017 comprising the statement of financial position as at 31 December 2017, 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 issued to the Chairman of the Corporation on 21 June 2018.

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 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 ag@auditorgeneral.gov.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 judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (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 Basic 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 effect 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 as at 31 December 2017 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 Unexplained Differences

According to the financial statements, 90.55 per cent or Rs.9,267,922,705 of the total debtors should have been received from the Medical Supplies Division as at 31 December of the year under review. Nevertheless, according to the Appropriation Account of the Ministry of Health, Nutrition and Indigenous Medicine that balance represented Rs.9,049,836,862. Action had not been taken to prepare the reconciliation statements and to make necessary adjustments in the accounts having being identified the reasons for the difference of Rs.218,085,843.

2.2.2 Lack of Evidence for audit

Out of the trade creditors balances totalling Rs.818,160,881 relating to 210 creditors as at 31 December 2017, confirmation of balances relating to 106 creditors totalling Rs.48,844,761 were not made available for audit.

2.3 Accounts receivable and payable

The following observations are made.

(a) Of the balance of Rs.9,267,922,705 receivable from the Medical Supplies Division, a sum of Rs.211,810,803 had been old debtor balances remained for periods ranging from 8 to 19 years. An age analysis for the debtor balances totalling Rs.9,056,111,902 was not made available for audit.

(b) According to the credit policy of the Corporation, debts from trade debtors should be recovered within the period between 30 days and 45 days from the date of sale. However, the Corporation had failed to recover debts receivable from the Private, Government and Semi-government entities totalling Rs.12,327,940 remained recoverable for a period of more than 5 years and debts totalling Rs.9,044,299 receivable from the Parliament of Sri Lanka remained for more than one year, out of the debts balance of Rs.967,042,539 as at 31 December 2017.

The Chairman of the Corporation had informed the audit that legal action had been taken to recover debt balances of Rs.10,440,049.

(c) Insurance indemnities receivable as at 31 December 2017 amounted to Rs.2,507,547 and the Corporation had failed to recover a sum of Rs.1,835,198 therefrom since the period 2 to 12 years.

(d) The balance of the receivable container deposit account as at 31 December 2017 amounted to Rs.11,769,850 and the Corporation had failed to recover a sum of Rs.6,462,823 therefrom since the period 2 to 10 years.

(e) An advance of Rs.105,672 issued in the year 2013 for the repair of a generator and advances totalling Rs.2,971,688 issued to the suppliers during the period 2007 to 2012 had not been settled even by 22 March 2018, the date of audit.

(f) The balance of the bills payable account to banks as at 31 December 2017 amounted to Rs.2,773,021,077 of which a sum of Rs.4,859,879, consisting of 100 per cent value of letters of credit unpaid to the supplies and retention money which had remained older than 3 years.

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

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 770	(i) Even though, action should have been taken to use 49 items of fixed assets belonged to the 3 circuit bungalows closed down since the date of 24 June 2016 or to sell or dispose of them, unless they could be used with the recommendations of a Board of Survey in terms of the Financial Regulation, action had not been taken accordingly and kept in the ground floor of the Corporation even by 03 May 2018.
	(ii) According to the Board of Survey reports conducted as at 31 December 2016, 117 items costing Rs.1,322,750 and 171 items, the cost of which was not stated had damaged. Action had not been taken to sell or dispose of the items

		which could not be used after being identified by appointing a Board of Survey in terms of the financial regulation.
	(b) Public Administration Circular No.09/2007 (1) dated 24 August 2007.	Even though, the retired officers had been employed for the posts of Deputy General Manager (Human Resources and Administration), Deputy Manager (Maintenance and Constructions) and the supervisor, the Personal recommendation of the Secretary to the relevant Ministry had not been obtained.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Corporation for the year under review had been a net profit of Rs.1,089,431,741 as compared with the net profit of Rs.1,241,744,631 for the preceding year, thus indicating a deterioration of Rs.152,312,890 in the financial results of the year under review as compared with the preceding year. Increase of financial expenses by Rs.29,989,320 or 461 per cent in the year under review as compared to the preceding year had mainly attributed to this deterioration.

In analyzing the financial results for the year under review and the preceding 4 years, net profits were generated continuously since the year 2013 to the year under review but it had fluctuated annually and the net profit of Rs.777,218,094 in the year 2013 had increased to Rs.1,560,027,058 by the end of the year under review. However,

re-adjusting the employees remuneration, government taxes and depreciation on non-current assets to the financial results, the contribution of the Corporation amounting to Rs.2,065,476,098 in the year 2013 had improved to Rs.3,261,654,325 in the year 2017 with fluctuations. The contribution of the year under review had decreased by 0.7 per cent as compared with that of previous year.

3.2 Analytical Financial Review

A deterioration of liquidity ratios in the year under review was observed as compared with the preceding year. The debtors turnover ratio had decreased by 1.7 times whereas the debt recovery period had increased by 31 days. By paying attention to that aspect, it was observed that the debt recovery of the Corporation has to be operated efficiently.

3.3 Legal cases initiated against or by the Corporation

Four cases against the Corporation had been filed by external parties and officers on the grounds of black listing, downgrading of posts and termination of posts and the Corporation had filed 5 cases against 5 external institutions, asking for compensation totalling Rs.23,372,660 in the court of law.

3.4 Abnormal increase in the expenditure

Bank overdraft interest expenditure in the previous year and the year under review amounted to Rs.5,434,349 and Rs.35,199,403 respectively, thus increasing by 548 per cent in the year under review as compared to the previous year. Even though, supplies to the Medical Supplies Division had increased, getting bank overdraft facilities increased due to delay in receiving money had been the reason therefor.

4. Operating Review

4.1 Performance

4.1.1 Planning

The Corporate Plan and the action plan had not been prepared, enabling to achieve the main functions of the Corporation such as the establishment of industries which produce tenuous chemicals and oblige them and to commence researches locally and foreign countries in respect of marketing of pharmaceuticals, published in the

Government Gazette extra ordinary No.14976/8 of 22 September 1971, by which the Corporation was established.

4.1.2 Operations and Review

The Corporation had failed to achieve the following activities stated in the action plan prepared for the year under review.

(i) Preparation of a system for the direct import of pharmaceuticals without brokers.

(ii) Implementation of the stages Viz, final installation, system training, parallel running and operational acceptance of the system in the business resources planning system to be implemented in respect of Linking of all operations Divisions of the Corporation.

(iii) Linking of the business resources planning system with external systems.

(iv) Upgrading business continuity plan.

(v) Training of staff relating to the development of production plan for the inclusion of new products, procurement planning and commencement of production.

(vi) Improvement of construction facilities in order to Strengthening Laboratory facilities.

(vii) Improvement of the laboratory with modern and essential equipment.

(viii) Revision of the scheme of recruitment.

(ix) Strengthening the maintenance division under the improvement of common amenities.

Of these activities, activity Nos (ii) and (viii) had been included in the action plans since the year 2015.

4.2 Management Activities

A Rajya Osusala had been commenced in a leased building at the Badulla Bus stand trading complex by a lease agreement entered into with the Municipal Council, Badulla and the Urban Development Authority on 19 September 2000 by the Corporation. This Osusala had been removed from this building on 17 November 2011 and it had been leased out to another party for a period of 5 years since 15 January 2013 at a monthly rental of Rs.55,000. According to the agreement entered into therefor, if the lessee had not paid rental for a period of 3 months, the lessor had the right to terminate the lease agreement. However, the lessee had evaded the payment of rent during the period of 9 months after 05 September 2013 but the Corporation had not taken action to teminate the agreement. As a response to the notification made by the Corporation to the lessee in respect of non-payment, he had paid a sum of Rs.1,890,000 from time to time in cheques and cash but the cheques valued at Rs.1,330,000 had been dishonoured and the outstanding amount as at 21 March 2018, the date of audit, amounted to Rs.2,003,320.

4.3 Operating Activities

The following observations are made.

(a) It was established that the stock costing Rs.44,621,916 and the stock costing Rs.7,574,513 had been shown as goods in transit for the period over 6 months and over 01 year respectively in accordance with the age analysis of goods in transit account as at 31 December 2017. As a result of delays in the issue of debit notes for stocks taken over by the Medical Supplies Division and non-remedying the reasons for non-taking over goods by the Medical Supplies Division, those stocks had remained as goods in transit for a long time.

(b) Of the drugs purchased for sale by the Corporation, the total cost of quality failed and expired drugs in the previous year amounted to Rs.110,007,776 and Rs.19,980,259 and the year under review amounted to Rs.23,561,218 and Rs.80,834,686 respectively. Out of the quality failed drugs relating to the previous year and the year under review, costing Rs.133,568,994, drugs valued at Rs.26,603,418 had not been recovered from the relevant suppliers of

drugs even by 26 March 2018. The total loss incurred by the Corporation due to expiration of drugs amounted to Rs.89,973,349.

(c) Out of 37 operating Osusals, 19 had incurred losses during the year under review and the total loss amounted to Rs.41,286,421. Seven Osusals located in the cities of Avissawella, Minuwangoda, Diyathalawa, Tangalle, Hambanthota, Jaffna and Ratmalana had incurred contineous losses from the year 2013 to the year under review. Any system had not been implemented in order to minimise losses and 37.54 per cent of the total loss of the year under review had incurred from those 07 Osusals.

(d) Even though, the value of debit notes issued to the suppliers for the recovery of cost incurred in respect of supply of quality failed and damaged drugs and short supplies to the Medical Supplies Division, administrative charges and distruction expenditure of those stocks amounted to Rs.1,303,740,147, a sum of Rs.579,996,167 therefrom had not been recovered. A sum of Rs.104,803,706 included therein should have been recovered from the black listed suppliers and as such there would be an uncertainly in recovering that money.

(e) Sixty thousand units of ascorbic acid tablets BP/USP 100 mg had been purchased under 2 batches of 30,000 units each and the following observations are made in this regard.

(i) The first batch of 30,000 units had been received by the Corporation on 15 November 2014. By the time of being identified 25,450 units therefrom as quality failed stock, 18,326 units of them had been sold to patients. Even though, 3,446 units of drugs had been replaced with new stock by the supplier, action had not been taken to recover the cost of balance stock of 22,004 units amounting to Rs.11,687,205 and the fine of Rs.2,921,801 equivalent of 25 per cent thereof.

(ii) As the first 25,450 units out of 30,000 units of drugs had become quality failed, action had not been taken to cancel the 2nd 30,000 units. Despite, the value of Rs.14,609,006 relating to the quality failed 22,004 units had not been recovered, the total amount for the 2nd 30,000 units had been paid to the supplier.

(iii) Even though, 1500 units out of the second 30,000 units received on 11 September 2015 had been quality failed, action had not been taken to recover its cost of Rs.796,710 and the fine of 25 per cent amounting to Rs.199,177 from the supplier even as at 30 March 2018.

(iv) After 3 days from the date of placing the above order for 60,000 units, an another order for 60,000 units of the same drug had been placed with another supplier and purchased the above quantity on 05 January 2016. By 31 January 2016, a balance of 74,370 units were available in the stores. As stocks had been purchased in excess of the monthly average sales, 27,347 units purchased from the first supplier and 501 units purchased from the second supplier, totalling 27,848 units of drugs had expired by 31 December 2017. The total loss incurred by the Corporation due to expiration of drugs amounted to Rs.14,827,925.

4.4 Personnel Administration

The following observations are made.

(a) Number of vacancies existed as at 31 December 2017 amounted to 145. Seven executive level posts and 11 non-executive level posts included therein and belonged to the approved cadre had been appointed on acting basis or covering up duties basis from 18 officers working in another posts, without being recruited on permanent basis. As officers who could be recruited on permanent basis had not been so recruited, the officers of the Corporation who had qualified for those posts had deprived of the opportunity of being appointed to those posts.

(b) Twelve officers on permanent basis and 03 officers on contract basis had been recruited for 15 posts, exceeding the approved cadre.

(c) Two officers had been recruited on contract basis for the post of Manager (Business Resources Planning) since the period of 5 years and the Deputy Manager (Maintenance and Construction) since the period of 6 months which were not in the approved cadre.

(d) Applications were called for the recruitment of the Deputy General Manager (Human Resources and Administration) on contract basis which was a permanent post by a newspaper advertisement published on 28 April 2017 and recruited a retired officer for that post. According to the scheme of recruitment relevant to this post, officers who were in a permanent post of the Corporation with the minimum period of 5 years service in the Grade 01 Management Level relating to the Human Resources and Administration field were eligible to apply for this post. Nevertheless, that qualification had not been included in that newspaper advertisement and as such the permanent officers of the Corporation who had fulfilled that qualification could not apply for the post. Action had not been taken to recruit a permanent officer for this post even by the date of this report.

(e) Even though, a newspaper advertisement had been published on 29 January 2017 to recruit for the post of Deputy General Manager (Technology, Laboratories and Production) fallen vacant since 05 June 2017, no any applicant had been selected due to non-availability of required qualifications and being failed at the interview. Action had not been taken to call for fresh applications, though the period of 11 months had elapsed by 10 April 2018, the date of audit.

(f) According to a newspaper advertisement published to fill the vacancy for the Post of Promotion and Publicity Officer by the Corporation, 191 applications were received, out of which the first and the second interviews had been held for 32 applicants who fulfilled the qualifications. After the second interview, one member of the interview board had made a recommendation that a

knowledge in drugs and medical equipment should be required for this post and to revise the existing qualifications in the scheme of recruitment. However, newspaper advertisements had been published in 3 instances without being revised the scheme of recruitment and without inclusion of the required qualifications. It was unable to recruit a qualified officer for this post even by the date of this report.

(g) Newspaper advertisement had been published on 21 May 2017 for the post of Technology Officer (Maintenance and Constructions) and 19 applicants had applied for the post. Even though, it was informed the audit that recruitments had not been made as there were no qualified applicants within the applicants, it was revealed in audit examination that 2 applicants had fulfilled the required qualifications. The Corporation had failed to recruit an officer for this post even by the date of this report.

4.5 Establishment of a fund for the provision for employees gratuity

In terms of Sri Lanka Accounting Standard 19 even though it was encouraged to prepare an investment plan in respect of retirement gratuity commitment in order to minimise the future liabilities, action had not been taken accordingly.

5. Sustainable Development

5.1 Reaching Sustainable Development Goals

As the Corporation was unaware about the circular No.NP/SP/SDG/17 dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the year 2030 agenda on United Nations Sustainable Development, action had not been taken to identify Sustainable Development goals related thereto, targets, turning points to reach those targets and indices for the measurement of reaching those targets.

6. Accountability and Good Governance

6.1 Procurement and Contract Process

6.1.1 Procurements

The following observations are made.

(a) A Master Procurement Plan and a procurement time table had not been prepared in respect of medical supplies and other assets purchased by the Corporation for sale in terms of Government Procurement Guideline 4.2.

(b) According to the Government Procurement Guideline, the Corporation had purchased 05 photocopy machines, costing Rs.1,236,200, 02 fume hoods costing Rs.1,605,400, 505 pairs of foot-wear costing Rs.860,131, 04 name boards costing Rs.475,886, 61,000 rolls of thermal papers costing Rs.2,695,163, an Automatic Titrator costing Rs.1,477,975 and 2 refrigerators costing Rs.830,000 by following shopping method.

The following observations are made in this connection.

(i) A suitable specimen stated in the standard bid calling documents had not been used in terms of guideline 5.3.1 of the Government Procurement Guidelines and regular agreements had not been entered into in terms of guideline 8.9.1 (b).

(ii) Action had not been taken to obtain a performance bond in respect of 5 photo copy machines in terms of guideline 5.4.10 (b) of the Government Procurement Guideline. Even though, the bidder who had presented the lowest bid had not presented the annual cost of service and maintenance, disregarding that and without being comparatively evaluated the annual cost of service and maintenance, the bidder who had presented the minimum bid had been selected as the successful bidder, after comparing only the prime cost.

(iii) As formal agreements had not been entered into and, conditions regarding demurrage charges had not been included in the bid documents, demurrage charges could not be recovered from the supplier.

(iv) As the maintenance and services had not been included in the bidding documents in calling for bids for the purchase of 5 photo copiers and the automatic titrator, maintenance and services had to be carried out under any charges determined by the relevant Company.

(v) A total cost estimate, including all related expenses had not been prepared in respect of procuring the supply and installation of hoardings for the Anuradhapura Osusala in terms of guideline 4.3.1 (a) of the Government Procurement Guidelines. In addition, action had not been obtained to get a performance bond, a warranty certificate for lightening and installation of hoardings and the prior approval of the Technical Evaluation Committee and the Procurement Committee for art works presented by the supplier before being supplied the hoardings.

(c) The following observations are made in respect of the purchase of 15,000 units of tolbutamide tablets BP/USP 500 mg.

(i) Bids had been called for the supply of this 15,000 units of drugs on 26 February 2014. As the supplier who had presented the lowest bid had not presented a bid bond, it was decided to award the contract to the supplier who had presented the second lowest bid. Even though, an acceptance letter had been sent to the bidder who presented the second lowest bid, the bidder had not accepted it. Accordingly, the bid bond of Rs.400,000 of this bidder had to be encashed. As action had not been taken accordingly the bid bond had expired on 22 October 2014.

(ii) As the contract awarded to the second lowest bidder had not been accepted, the contract had been awarded on 20 August 2015 to the bidder who had submitted the lowest bid which was first rejected due to non-rendition of a bid bond contrary to the guideline 7.8.4 of the Government Procurement Guidelines. That bidder had not obtained the registration of the National Drugs Monitoring Authority as well, even up to the date of awarding the contract in terms of conditions stated in the bid documents.

(iii) According to the requirement of this drug, 9,500 units, the total cost of which amounted to Rs.11,049,640 would have been supplied by November 2014. However, more than a period of 17 months from 26 February 2014 to 20 August 2015 had been taken for the procurement process and as such the stock of drugs had been received only on 05 January 2016. Due to delay in the supply of drugs, stock of drugs during the period of 7 months from June 2015 to 05 January 2016 had exhausted. As a result of taking for a long period for the procurement process, the non-supply of drugs during the saleable period and the supply of drugs in excess of the requirement during the period of lesser sales, 560 units of drugs costing Rs.700,308 had expired. In addition, 156 units of drugs costing Rs.195,086 had been quality failed and as such the Corporation had incurred a loss of Rs.895,394. Only a sum of Rs.320,458 thereof had been recovered from the supplier during the year 2018.

(d) Action had not been taken to recover the demurrage charges of Rs.20,255,000 in terms of the agreement entered into with the supplier for the purchase of 30,000 units of formoterol fumarate and budesonide dry powder capsules (foracort – DP Caps 400) drug.

6.1.2 Deficiencies in contract administration

The following observations are made.

(a) The following observations are made in respect of the contract for the construction of a new building at Rajya Osusala, Colombo 07, the contract value of which was Rs.106,305,300.

(i) Contingency provisions for post contract activities had not been included in the total cost estimate in terms of guideline 4.3.1 (c) of the Government Procurement Guideline.

(ii) Even though, the performance bond produced by the contractor had elapsed on 24 February 2016, action had not been taken to get the validity period of performance bond extended, even by 19 April 2018, though construction works had not been completed, in terms of guideline 5.4.8 of the Government Procurement Guidelines.

(iii) A sum of Rs.6,824,841 had been paid to the contractor for additional works done by the contractor without the approval of the Procurement Committee and the total cost of those unapproved additional works, including the cost of Rs.15,652,564 to be further incurred for the completion of these works amounted to Rs.22,477,405. As a result of doing additional works without approval and non-availability of required provisions, construction works had been stopped since the date of 26 January 2016.

(iv) According to the contract agreement, the construction works should have been completed by 29 January 2015. Nevertheless, the Corporation had failed by to get the incompleted works, partly completed works and the additional works valued at Rs.21,283,641, done even by 19 April 2018 and the period of delay had been more than 3 years.

(v) An electric lift, which was not in compliance with the required specifications, the contract value of which amounted to Rs.4,010,742 had been installed in the building not completed the works. Even though a sum of Rs.5,732,000 had been paid to the contractor for 24 air conditioner machines, information about the warranty period of those machines was not made available for audit.

(b) Action had not been taken to keep a record relating to the issue of bid documents, appoint a Committee for bid opening and to record bid opening activities in a specimen form in terms of guidelines 6.1.4, 6.3.3, 6.3.6 and 5.3.11 respectively of the Government Procurement Guidelines, in the procurement of a generator for an Osusala valued at Rs.6,872,500. After being expired the bid bond on 06 September 2016 all the activities of the procurement process had been commenced.

6.2 Tabling the annual reports

The annual report for the year 2016 had not been tabled in Parliament even up to 20 June 2018 and the draft annual report prepared for the year 2017 had not been presented to audit along with the financial statements.

7. Systems and Control

Weaknesses 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 weaknesses in the following areas of control.

	Areas of Systems and Control	Observations
(a)	Operational control of the Osusals	Action had not been taken sufficiently to minimize losses having been verified the reasons therefor.
(b)	Personnel Administration	Action had not been taken to fill the vacancies properly.

W.P.C.Wickramaratne
Auditor General (Acting)

Answers to the comments made in the report submitted by 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 ended 31 December 2017

2.2 Comments on the financial statements

2.2.1 Unexplained differences

The value after adjusting Rs. 211,810,803 indicated under 2.3(a) to Rs. 9,267,922,705 is Rs. 9,056,111,902. This value is included in the difference shown as Rs. 218,085,843.

Accordingly, the difference between the balance of Rs. 9,049,836,862 as per the accounts of the Medical Supplies Division and the balance of Rs. 9,056,111,902 accounted on debit notes is only Rs. 6,275,040.

State Pharmaceuticals Corporation will obtain a detailed document from the Medical Supplies Division in respect of the balance given by them and will take action to look into the reason for the difference.

2.2.2 Lack of evidence for audit

Of the trade creditor balance of Rs. 818,160,818 from a total of 210 creditors as at 31 December 2017, only Rs. 16,370,840 remains to be settled from 9 debtors. Though obtained on the basis of paying upon receipt of cash, these invoices for which money has not been received from the relevant parties cannot be settled until the receipt of money. The remaining amount of Rs. 801,790,041 has been settled.

2.3 Accounts receivable and payable

(a) The main reason for the inability to present debtor age analysis is that the Medical Supplies Division has not provided us with payment details for the money we have received. The sum of Rs. 211,810,803 is a balance for which debit notes have not been sent to the Medical Supplies Division.

(b) The outstanding debtor balance of Rs. 12,327,940 includes Rs. 1,618,798.53 receivable from public sector institutions, Rs. 269,091.48 receivable from the private sector and Rs. 10,440,049 referred for legal action. Discussions have been held with the Hon. Speaker, Health Secretary and other relevant parties to recover Rs. 9,044,299 receivable for more than a year for drugs supplied to the Parliament and this matter was raised at the COPE as well.

(c) Rs. 1,655,097.00 remains to be recovered out of Rs. 2,507,547.00 indicated as the value of insurance claims receivable as at 31 December 2017 as per the audit report. Further, according to the audit query, out of the balance of Rs. 1,835,198 for the 2 to 12 year period, the amount to be recovered is Rs. 1,191,719.00 and Rs. 702,261.00 of that amount has been referred to recover insurance claims after destroying the relevant stocks and a stock valued at Rs. 288,490.00 is to be destroyed in order to obtain insurance claim. Hence, the action is being pursued to recover the remaining balance of Rs. 200,968.00.

(d) As pointed out in the audit query, container deposit value receivable as at 31.12.2017 has been reduced up to Rs. 7,806,806.00 and the value of container deposit of Rs. 6,462,823.00 to be recovered for a period ranging from 2 to 10 years has come down to Rs. 5,956,822.00 by now. Further, a new system was introduced in September 2015 for the recovery of container deposits and accordingly, if the value in respect of containers not sent through Sri Lanka Shipping Corporation is not settled within the specified number of dates, it is deducted from amount to be paid to the suppliers. Since container deposits that were to be recovered prior to the introduction of the new system are deemed irrecoverable, approval was secured from the Board of Directors subject to the approval of the Treasury to write off a value of Rs. 5,764,322.00 identified as unrecoverable which was discussed at the last COPE meeting as well and recommended to be written off.

(e) 1. Repairing generator – Rs. 105,672/=

Though action was initiated through the legal officer to recover the relevant advance of Rs. 105,672 from Soar Technology, the legal officer said that such legal action would be economical. Therefore approval has been sought from the audit committee to write off this amount. Future course of action will be determined as per the decision of the audit committee.

2. Advances issued to suppliers – Rs. 2,971,688/=

A part of this amount was recovered in year 2018 and action is pursued by the Export Division to recover the balance of Rs. 1,153,942.74.

(f) Here, 'bills payable to the banks' should be corrected as 'bills payable by the banks'.

Items for which the original copies of the relevant documents were not given to the bank by the supplies for whom payments were suspended by the bank have remained in the account as payable bills.

All balances that were more than three years old have been settled by now.

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

(a) The items mentioned had been handed over to the Administrative Division on 04.05.2018 and action has been taken to use the items of furniture that can be used for office needs. Steps are being taken to auction other items in terms of Financial Regulations.

(b) **(i) Deputy General Manager (Human Resources and Administration)**

A permanent officer was recruited to this post on 01.08.2018.

(ii) Deputy Manager (Maintenance and Constructions)

The officer who held this post on contract basis has left the service. This is a personalized post and is absorbed into the post of Technical Officer. Action is being pursued to recruit a new officer to this post.

(iii) Supervisor

The officer who held this post on contract basis has vacated the post.

4. Operational Review

4.1.1 Planning

It has been difficult to pay attention to these sectors with the current role and functions of the Corporation.

4.1.2 Functioning and review

(i) These objectives which could not be achieved will be considered in future action plans.

(ii) The steps mentioned could not be completed within the planned timeframe due to practical problems that arose in the planning and installing the business resources management system. An agreement has been reached with the project services supplier to complete the relevant activities by 30 April 2019 under an accelerated plan. Activities are being carried out accordingly as of now.

(iii) As the relevant step is interconnected with the business management system, it is due to be completed with the activities thereof.

(iv) In order to commence the activities of the relevant step, it is essential to properly install the business resources management system within the institution. Therefore, plans have been rescheduled to commence these activities in the Janauary 2020.

(v) Activities related to staff training, procurement planning and production commencement in respect of the development of production plan to include the new products.

Good Manufacturing Practices (GMP) approval has to be obtained from the National Medicines Regulatory Authority prior to the commencement of new products. Preliminary inspections in this regard were conducted by the officers of the NMRA and various shortcomings detected are currently being rectified under their instructions. Until such shortcomings are addressed, there are difficulties in carrying out future activities of this plan.

(vi) Upgrading construction facilities for the expansion of laboratory facilities.

(vii) Upgrading the laboratory with modern and essential equipment. During the discussions with the senior management as regards (vi) and (vii) above, it was agreed to shift the laboratory to the upper floor of the existing laboratory to carry out expansion activities and the specifications have been prepared and the Administrative Division is in the process of calling for quotations from the relevant parties for the repairing of the laboratory.

(viii) The amendment of the recruitment procedure is in the final stage.

(ix) Action is being pursued to secure required approvals for new recruitments to strengthen the maintenance division.

4.2. Non-payment of taxes – Mr. W.H.D. Indika Prasad

(Badulla bus terminal building)

In order to initiate legal proceedings against the lessee who had obtained the building at the Badulla bus terminal market complex on lease for the non-payment of the lease rent, a complaint was prepared and the draft was forwarded to the Attorney General's Department on 04.07.2018 with the relevant annexes for the inclusion of necessary details and making necessary corrections.

4.3 Operating activities

(a) All measures have been taken as regards the value of Rs. 44,621,916 referred to in the audit.

Out of value of Rs. 7,547,513 indicated as goods in transit over one year, all relevant measures have been taken regarding a value of Rs. 7,512,013 and the remaining value of Rs. 62,560 has been identified as an amount receivable from suppliers and action is being pursued to recover the said value from the relevant suppliers.

(b) The value of drugs purchased for sale by the Corporation but which failed quality by the end of the year was Rs. 44.9 million of which Rs. 39.3 million has been settled by now. Similarly Rs. 19.5 million out of Rs. 69.9 million from the expired drugs has been recovered. Some suppliers have also planned to resupply in future.

(c) A special programme has been devised for the 07 Osusala outlets mentioned here. AwissawellaOsusala outlet is successfully carrying out sales activities in its new location and the management at Miuwangoda and Hambantota Osusala outlets has been changed. An improvement in sales is shown in year 2018. Small Osusala outlets at Diyatalawa and Ratmalana have to be maintained as a social service. Jaffna Osusala was relocated at a new premises in August and the Tangalla Osusala has been converted into a regional drug store.

(d) Rs. 556,113,257 remained to be recovered as at 30.06.2018 out of Rs. 579,996,167 indicated as unable to be recovered as at 31.12.2017. The explanation thereof had been submitted by then. Of the said amount, Rs 28 million had been recovered by the Corporation during the period from 30.06.2018 to 30.09.2018 and amount failed to be recovered as at 30.09.2018 was Rs. 528,041,019.14. Of this amount Rs. 284,859,509.61 has to be recovered from blacklisted suppliers.

(e) **(i)** Other than a discoloration, any other chemical defect has not been reported about this drug. Further, only 3446 packs had been removed from use due to the failure of quality.

(ii) The entire quality failed stock of the first batch was supplied with the second batch with the colour changed as requested by us.

(iii) Though the supplier was instructed to recover this amount, he refused it and as It was wrong for him to suggest to recover it from the manufacturer, action will be taken to blacklist the said supplier.

(iv) This was an error committed by the then manager of the Stocks Control Division without properly controlling the stocks. A disciplinary inquiry in this regard is now in progress.

4. 4 Staff Administration

(a) 07 Executive level posts

(1) Deputy General Manager (Procurement and Import)

An appointment has been made on acting basis. As a case is pending regarding this post, it cannot be filled until the judgment is delivered. Hence the relevant person has been appointed on acting basis.

(2) Deputy General Manager (Technical Laboratory and Production)

An officer was recruited on permanent basis for this post on 03.07.2018.

(3) Manager (Technical)

Notices were published calling for applications to fill this post and the interviews were conducted on 04.09.2018.

(4) Officer in Charge – Osusala Anuradhapura

Having conducted interviews to recruit to the post of Officer in Charge, the relevant officers were appointed with the approval

of the board of directors. In order to select the locations to which these officers should be appointed, the matter has been referred to the Deputy Manager (Marketing).

(5) Manager – Osusala outlet

Interviews were conducted and suitable persons were selected to fill this post and one of the two officers selected was appointed with the approval of the board of directors and in order to decide the location to which the other person should be appointed, the matter has been referred to the Deputy General Manager –Marketing.

(6) Manager – (Central Purchasing)

A notice was published in newspapers on 07.10.2018 to fill this vacancy.

(7) Manager – (Stores and stocks control)

A permanent officer was recruited to this post with effect from 25.09.2018.

Supervisor

As at 31.12.2017, there were 11 officers covering the duties of supervisor and they were promoted to the post of supervisor on 01.05.2018. As some officers serving in the post of supervisor also received promotions, there are 10 vacancies in the post of supervisor.

(b) Recruitment on contract basis -03

(1) Deputy General Manager – (Human Resources and Administration)

A permanent officer was recruited to this post with effect from 01.08.2018.

(2) Manager (Procurement)

The period of contract of the officer appointed to this post on contract basis will expire on 26.10.2018. A permanent officer has been selected to the post.

(3) Manager – (ERP)

An Officer has been recruited to this post on the approval of the board of directors as per the requirements of the institution to install the computer system. The period of contract of this officer expired on 06.08.2018.

Recruitment on permanent basis – 12

Labourer (PL1) -06 posts

Since officers of the 02 designations of Labourer/ Sanitary Labourer and Office Aide fall under the category of Labourer (PL1), the number of vacancies has been calculated by taking into account vacancies in both categories and it should not be considered as over-recruitment. At present there are 13 vacancies in this category.

Shroff -05

In terms of the letter of the Management Services Department dated 12.03.2018, 03 posts of shroffs have been approved for Osusala outlets and accordingly the number of approved posts has increased to 40. The number of shroffs currently in service is 45. Hence, even though there is a surplus of 05 shroffs, all of them are engaged in essential duties at Osusala outlets. As shroffs too belong to the Management Assistants 1.1 (MA 1.1) category and as there are vacancies in the approved cadre of Management Assistants 1.1 and as surplus recruitment had not taken place exceeding the approved cadre for 1.1 (MA 1.1), we are of the opinion that this cannot be considered as a surplus recruitment.

(Total approved cadre for MA 1.1 is 438 and the number currently in service is 395)

Supervisor (Personalized)

As the relevant person had satisfied the qualifications at the time of recruiting for the post of supervisor and as he was already under MA 2.1 at the time and as he could not be placed in MA 1.1 by placing him in a lower salary scale, he

was retained under MA 2.1 as personal to him.

The post of supervisor is not a new recruitment but a promotion in the relevant grade.

Manager (Business Resources Management)

This recruitment was made with the approval of the Board of Directors on the requirement of the institution to establish computer system. The position automatically expires with the completion of the project. Further, the period of contract ended on 06.08.2018.

Deputy General Manager (Maintenance and Construction)

The person who held this post has retired by now. This was post personal to the holder and will be absorbed into the post of Technical Officer. Action is being pursued to recruit a new officer to the post of Technical Officer.

(d) A permanent officer had been recruited to this post with effect from 01.08.2018.

(e) Having called for applications for this post, a suitable officer was appointed with effect from 03.07.2018.

(f) The relevant recommendations could not be included as the publication of notice for the post of Promotion and Publicity Officer had to be carried out in terms of the recruitment procedure. Similarly, action is being taken to amend the recruitment and upon its completion, steps will be taken recruit a person in compliance with the relevant recommendations.

(g) Technical Officer (Maintenance and Constructions)

Applications which claimed to have qualifications were found to be ineligible after inspecting certificates for qualifications indicated in No. 05 & 18 of the notice due to the absence of 10 year post qualified experience.

4.5 Building a fund for provisions of employee gratuity

In terms of Sri Lanka Accounting Standard 19, it is not compulsory but optional to establish an employee retirement benefit fund. Retirement benefit fund is not very common and an alternative investment plan is being studied for minimizing risks.

5.1 Achieving sustainable development goals

Action will be taken in future to act in accordance with the relevant circular instructions.

6.1.1 Procurements

(a) In terms of the nature of purchasing drugs, it is difficult to prepare preplans as per the guidelines.

(b) **i.** You are kindly informed that arrangements have been made to use the standard bid invitation document given and enter into agreements in future procurement processes.

ii. Necessary measures have been taken to adhere to section 5:4:10 of the Procurement Guidelines in future procurements and as bids had been invited for the purchase of photocopiers without service agreements, bids were evaluated as per the unit cost of the relevant item on the basis of our specifications document and you are kindly informed that out of the bids received, the bid with the lowest price which had responded substantially was selected.

iii. Though the said condition was not imposed for this particular procurement as practical difficulties would have been experienced in the receipt of goods by imposing a condition to recover late fees for the delayed periods and to maintain the maximum competitiveness, you are kindly informed that necessary arrangements will be made to levy late fees as set out in the procurement guidelines.

iv. In inviting bids for the purchase of photocopiers, a period of guarantee with a minimum of one year for comprehensive maintenance was requested in the document that contained the relevant specifications. Accordingly, the relevant supplier company is bound by responsibility generally for a minimum of one year period for the relevant machines and you are kindly informed that with the expiration of the said period of guarantee, arrangements will be made to enter into a service agreement with the relevant supplier subject to applicable procedures. In the bid invitation document used for the purchase of Automatic Titrator, it had been specifically mentioned that the local agent should import and install the relevant machine and that the required training should be provided within the

premises. The supplier was further informed that the machine should be serviced twice a year for a period of 03 years at the end of original period of guarantee of 02 years and the spare parts required for the machine should be provided during the 02 year guarantee period. Therefore we are of the opinion that the relevant supplier is bound by responsibility for a period of 05 years for the installation and maintenance of the relevant machine.

v. We are of the opinion that it is unfair to shift the responsibility to the tenderer as the delay in completing and installing name boards was due to reasons beyond our control. (The approval for installing the name boards is granted by the Anuradhapura Municipal Council) Therefore action was not taken to recover late fees. In the terms and conditions of the above tender it has been very clearly indicated that a one-year guarantee period is required for lighting and installation of the name boards and the relevant bidder had submitted his bids having agreed to the said condition. The name boards are installed after the approval is granted by the Marketing Division for the relevant artwork and you are kindly informed that the shortcomings highlighted here will be rectified in future procurements.

(c) (i) The money of the bid security could not be recovered as the Procurement Board had awarded the procurement to the second lowest bid to a price lower than the price quoted by them.

(ii) Though the NMRA registration had been exceeded at the time, the procurement had been awarded to the lowest bidder with the hope of recovering it. It should be noted that all these had been done as the drug could not sold by purchasing it at a high price.

(iii) The total amount of quality failed drug amounting to Rs. 195,085.80 has been settled by now.

(d) As the Management Assistant who dealt with the file for which late fees should be recovered has left the corporation by now, disciplinary action could not be initiated against him. The amount has been fully settled by obtaining 800 units of unsalable drugs free of charge.

6.1.2 Deficiencies in the contract administration

(a)

I. Though the provision of additional money required for the procurement should be carried out through the bid document, this responsibility has been missed by the consultants in preparing the said documents.

II. The procurement entity had not made any interventions to follow up on the relevant security with the hope and belief that the consultant agency would ensure that the securities in respect of project administration remain active as it had been entrusted with the responsibility in that regard.

However, when the amount of Rs. 4,489,415.00 retained against the work carried out by the Construction Company and Rs. 172,131.87 payable for the items completed as of now are taken into account, the amount payable has become Rs. 4,661,546.87 and the value of performance security has become Rs. 5,315,265.00 and as such the risk to be borne by the corporation due to the expiration of performance security has been narrowed.

iii. The payment for relevant parts of the project is carried out on the recommendation of the consulting agency and in order to ensure that the project continues unimpeded, the relevant payments have been released from time to time.

However, it was further reinforced by the belief that the consulting agency would duly carry out the administration of extra work.

Nevertheless, in successive payments, upon the right to make amendments/ corrections to payments made hitherto, there is an opportunity to make all the required corrections in making the final payment.

iv. Taking into consideration the reasons for not completing the work within the stipulated timeframe, action is due to be taken on the recommendation of the consultant agency to to levy late fees.

Further, though the unfulfilled work under the project amounted to Rs. 2,855,150.00 and the amount payable for uncompleted items was Rs. 2,775,927.00, it should be emphasized that the amount of Rs. 15,652,564.00 indicated against the work that still remains to be completed is not a specific amount payable to the construction institution but only an estimate submitted by the consultant agency.

v. The supplier was informed in writing to submit the 'Whole Test Certificate' of the lift to us before 16.07.2018. Though an extension was requested, the relevant reports have not been submitted to us even by 08.08.2018. Action has been taken to send a reminder and a meeting is being arranged between the supplier and the project consultant with a view to finding a solution to the problem.

Since it has been informed by the consultant that the lift installed had not met the required specifications, the relevant supplier and the project consultant were summoned for a discussion with the intervention of the procurement committee of the Department to address the problem and the supplier was instructed to take prompt measures to solve the problem to which it had expressed consent.

We are of the opinion that there won't be an issue with regard to the guarantee period of the 24 air-conditioners installed in the relevant building as the building has still not been completed and handed over to the Corporation.

(b) We are in agreement with the relevant observation and you are kindly informed that arrangements will be made as stipulated to keep records relevant to the issuance of bid invitation documents in future procurement processes.

The aforementioned bid invitation was carried out on 24.04.2016 and we wish to inform you that bid opening committees had not been specifically appointed during the said period. Further, the information relevant to opening of bids has been documented by the procurement division. At present, the officer in charge of the bid invitation and two officers representing the procurement division function as the bid opening committee and an officer of the internal audit division participates as an observer.

(c) Mechanical engineer Mr. A.G.A.N.B. Jayasinghe attached to the Ceylon Electricity Board had been appointed to the Technical Evaluation Committee relevant to the above procurement and he participated in the bidding process amidst a busy schedule and we are of the opinion that the extension of the period of the bid evaluation process was caused by the extremely busy schedule of this officer with a thorough knowledge on the generators operated by the CEB. We wish to emphasize that the relevant generator is in operation without any problem at present.

Nevertheless, you are kindly informed that action will be taken as indicated to efficiently complete the procurement process within the period of validity of the bid security in future procurement processes.

6.2 Tabling of Annual Reports

The annual report should be prepared trilingual and we received the Tamil translation of the audit report of the year 2016 only on 21 February 2018. Arrangements have been made to print and table the annual report by August 2018.

The draft annual report of 2017 was submitted to the audit in August 2018.

7. Systems and Controls

(a) Action has been taken in respect of all loss making Osusala outlets and in some places changes have been made in management positions and in others the location has been changed. In some outlets, new strategies have been adopted to increase the sale of drugs.



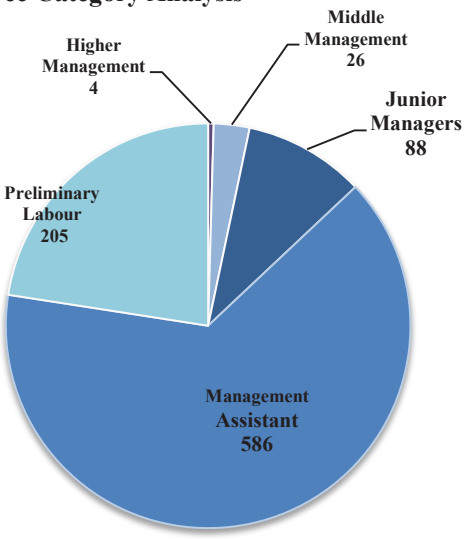
Sarath Liyanage

Chairman

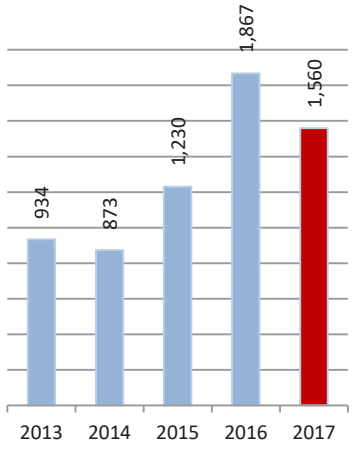
State Pharmaceuticals Corporation of Sri Lanka

State Pharmaceuticals Corporation of Sri Lanka
Human Resources Analysis

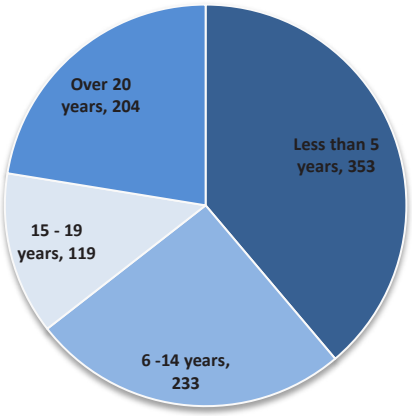
Employee Category Analysis



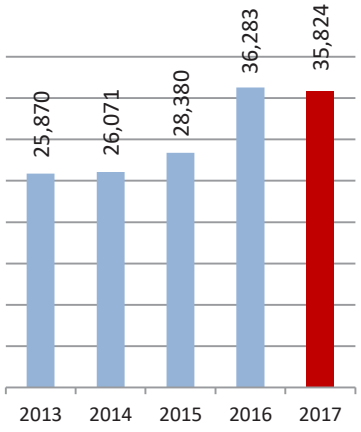
P.B.T per Employee Rs."000"



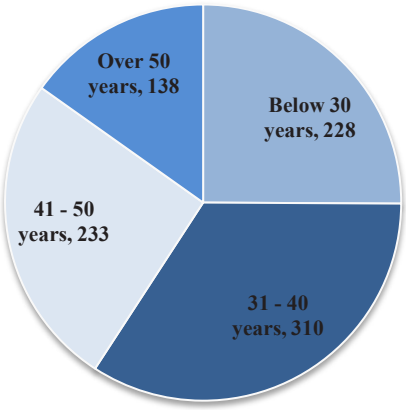
Employee Retention Period



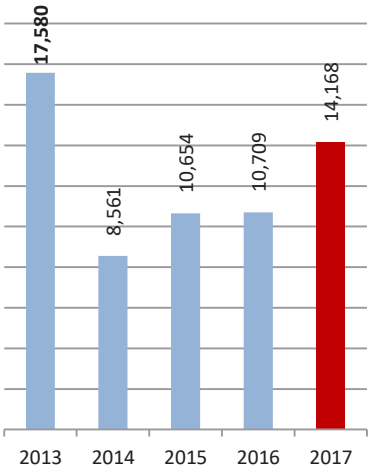
Sales per Employee Rs."000"



Employee Age Analysis



Assets per Employee Rs. "000"



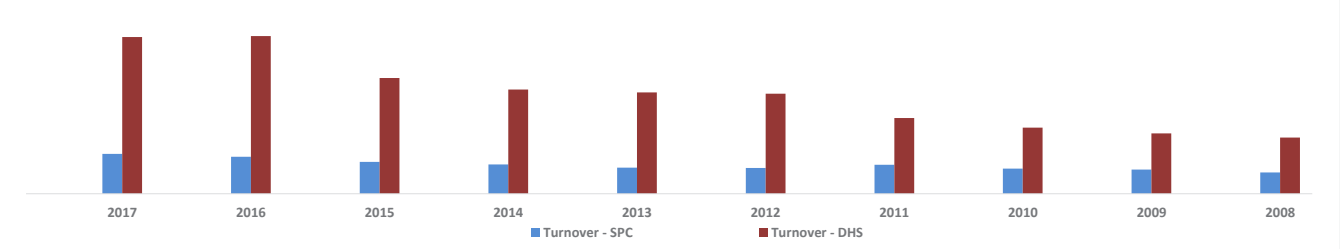
STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

TEN YEAR SUMMARY - INCOME STATEMENT

Rs '000'

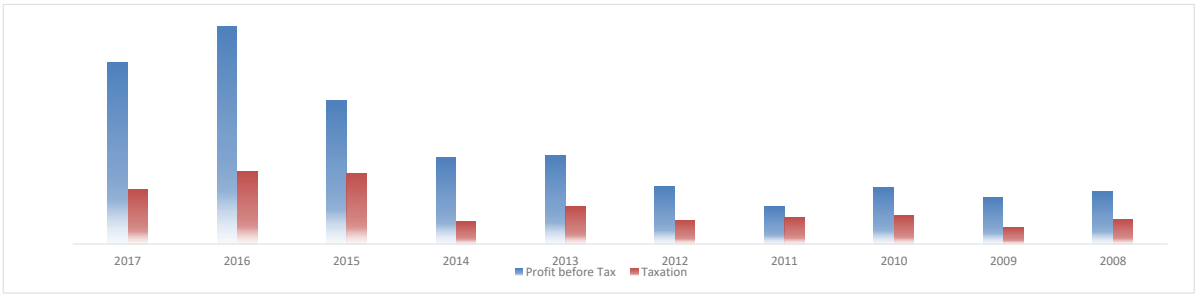
Turnover

Description	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.	2009 RS.	2008 RS.
Turnover - SPC	6,593,401	6,127,478	5,286,876	4,865,151	4,320,300	4,283,232	4,806,170	4,197,759	4,015,962	3,547,367
Turnover - DHS	25,970,290	26,127,912	19,176,807	17,269,008	16,815,666	16,608,492	12,569,290	10,968,571	9,990,429	9,306,330
Total Turnover	**32,563,691**	**32,255,390**	**24,463,683**	**22,134,159**	**21,135,966**	**20,891,724**	**17,375,460**	**15,166,330**	**14,006,391**	**12,853,697**
Gross Trading Profit - SPC	1,680,368	1,656,938	1,410,722	1,247,074	1,136,403	991,541	1,043,453	995,371	894,232	822,024
Gross Surplus - DHS	1,887,026	1,850,650	1,386,731	1,333,198	1,185,004	1,193,214	780,735	688,145	622,071	576,308
Gross Surplus	**3,567,394**	**3,507,588**	**2,797,453**	**2,580,272**	**2,321,407**	**2,184,755**	**1,824,188**	**1,683,516**	**1,516,303**	**1,398,332**



Overheads

Other Income	53,004	43,085	51,259	25,738	17,537	15,105	23,231	20,414	18,107	22,638
Administrative Expenses	(1,288,183)	(1,101,435)	(1,057,970)	(969,744)	(786,904)	(670,635)	(614,019)	(605,475)	(573,322)	(535,428)
Other Operating Expenses	(741,459)	(580,843)	(563,357)	(749,825)	(791,794)	(745,230)	(492,631)	(285,777)	(203,520)	(218,987)
Operating Profit	1,590,756	**1,868,392**	**1,227,385**	**886,441**	**760,246**	**783,995**	**740,769**	**812,678**	**757,568**	**666,555**
Finance Cost	(1,295)	(1,071)	(1,599)	(124)	(227)	(17)	(3,661)	(17,734)	(8,841)	(7,982)
Overdraft Interest	(35,199)	(5,434)	(734)	(149,659)	(1,384)	(290,877)	(419,235)	(315,070)	(350,841)	(212,285)
Total Overheads	**(2,066,136)**	**(1,688,783)**	**(1,623,660)**	**(1,869,352)**	**(1,580,309)**	**(1,706,759)**	**(1,529,546)**	**(1,224,056)**	**(1,136,524)**	**(974,682)**
Finance Income	5,765	5,721	5,086	4,896	4,357	3,959	4,102	3,900	3,302	2,856
Profit before Tax	**1,560,027**	**1,867,608**	**1,230,137**	**741,554**	**762,992**	**497,060**	**321,975**	**483,774**	**401,188**	**449,144**
Taxation	470,595	625,863	610,539	192,145	320,008	205,282	228,473	243,907	144,883	209,487
Net Profit for the period	**1,089,432**	**1,241,744**	**619,598**	**549,409**	**442,984**	**291,778**	**93,502**	**239,867**	**256,305**	**239,657**
Defined benefits plan	(59,575)	10,049	239,887	(212,044)	(31,574)	(14,281)	11,325	-	-	-
Total comprehensive Income	**1,029,856**	**1,251,794**	**859,485**	**337,365**	**411,410**	**277,497**	**104,827**	**239,867**	**256,305**	**239,657**



RATIOS

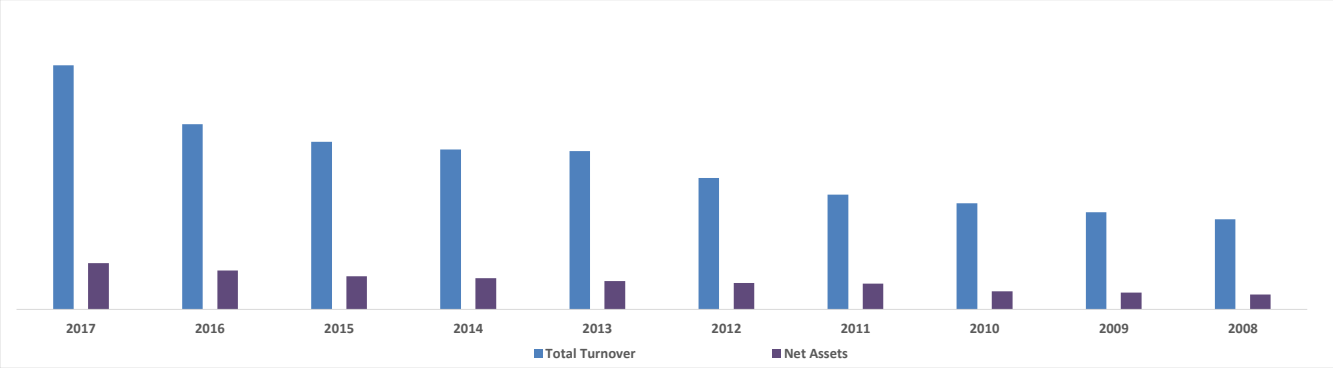
Gross Profit Ratio - SPC (%)	25.5	27.04	26.68	25.63	26.3	23.15	21.71	23.71	22.27	23.17
Gross Profit Ratio - DHS (%)	7.27	7.08	7.23	7.72	7.05	7.18	6.21	6.27	6.23	6.19
Gross Surplus to Sales (%)	10.96	10.87	11.44	11.66	10.98	10.46	10.50	11.10	10.83	10.88
Annual Sales Growth (%) -SPC	7.60	15.90	8.67	12.61	0.9	(10.88)	14.49	4.53	13.21	14.72
Annual Sales Growth (%) -DHS	(0.60)	36.25	11.05	2.6	1.2	32.1	14.59	9.79	7.35	5.56
Total Sales Growth (%)	0.96	31.85	10.52	4.72	1.17	20.24	14.57	8.28	8.97	7.94

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

TEN YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

Rs '000'

Description	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.	2009 RS.	2008 RS.
Contributed Capital & Reserves	**125,117**	**125,117**	**125,117**	**125,117**	**125,117**	**125,117**	**3,502,607**	**3,412,780**	**2,418,452**	**2,217,690**
Current Assets										
Inventories - SPC	1,798,403	2,009,502	2,364,091	1,385,477	1,703,222	1,231,857	987,733	979,315	777,682	1,004,208
Stocks in Transit - DHS	630,130	540,693	788,342	528,710	809,462	734,963	1,985,991	2,755,465	1,105,247	1,780,891
Trade and other receivables	7,901,244	4,521,175	3,051,445	2,370,323	8,881,602	11,113,022	5,123,702	3,453,354	2,139,755	2,036,168
Deposits & Prepayments	57,979	37,614	33,046	37,964	32,948	24,073	24,479	22,369	11,564	12,367
Cash in Hand & at Bank	312,050	244,947	790,525	801,717	1,200,667	216,359	600,807	671,104	263,769	250,660
Total Current Assets	**10,699,807**	**7,353,931**	**7,027,449**	**5,124,191**	**12,627,901**	**13,320,274**	**8,722,712**	**7,881,607**	**4,298,017**	**5,084,294**
Current Liabilities										
Trade and other Payables	3,996,134	2,657,620	3,347,410	2,235,194	3,649,362	3,032,684	1,784,156	1,551,401	739,514	544,979
Income tax payables	337,976	519,770	397,758	180,617	290,045	191,440	219,332	232,469	200,169	225,239
Deferred Income	927	1,103	1,005	748	889	1,292	318	1,559	-	-
Current Financial Liabilities	1,361,444	39,703	56,689	78,739	6,254,353	7,896,709	4,716,655	4,131,544	1,458,538	2,596,234
Total Current Liabilities	**5,696,481**	**3,218,196**	**3,802,862**	**2,495,298**	**10,194,649**	**11,122,125**	**6,720,461**	**5,916,973**	**2,398,221**	**3,366,452**
Non Current Assets	2,179,335	2,166,630	2,156,615	2,138,973	1,858,832	1,698,279	1,605,438	1,561,496	639,231	595,014
Non Current Liabilities	264,651	192,213	233,394	372,220	158,803	124,558	105,082	113,350	120,575	95,166
Net Assets	**6,918,010**	**6,110,152**	**5,147,807**	**4,395,646**	**4,133,281**	**3,771,870**	**3,502,607**	**3,412,780**	**2,418,452**	**2,217,690**



RATIOS

Assets Turnover (times)	1:2.53	1:3.39	1:2.66	1:3.05	1:1.46	1:1.39	1:1.68	1:1.61	1:2.84	1:2.26
Current Ratio (times)	1:1.88	1:2.29	1:1.85	1:2.05	1:1.24	1:1.2	1:1.3	1:1.33	1:1.79	1:1.51
Liquidity Ratio (times)	1:1.45	1:1.49	1:1.01	1:1.28	1:0.99	1:1.02	1:0.85	1:0.7	1:1.	1:0.68
Interest Cover (times)	45.32	344.6	1676.9	5.95	552.3	2.7	1.8	2.5	2.1	3.1
Stock Turnover Ratio (times) SPC	2.54	2.04	2.07	2.34	2.17	2.97	3.83	3.65	3.5	3.11

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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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 – Beruwala
MPCS Building, Galle Road,
Beruwala.
Tel.034 2278578

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

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

Osu Sala – Kurunegala
28. Weerathunga Bldg.
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 – Ninthavur
No. 40, Main Street,
Nintavur.
Tel.067 2058208

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 - Piliyandala
1A/21, Vidyala Mawatha,
Piliyandala.
Tel. 011 2613640

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

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