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இலங்கை அரசு மருந்தகக் கூட்டுத்தாபனம்  
State Pharmaceuticals Corporation of Sri Lanka

# 2022

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ஆண்டு அறிக்கை  
**ANNUAL REPORT**

# **ANNUAL REPORT**

## **2022**



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**

*Service 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	2022 Rs: ' 000 '	2021 Rs: ' 000 '	Variation (%)	2020 Rs: ' 000 '
Revenue - SPC	9,945,849	9,446,822	5.3	8,798,047
Supplies to DHS	40,973,117	70,853,255	(42.2)	54,323,565
<b>Total Revenue</b>	<b>50,918,966</b>	<b>80,300,077</b>	<b>(36.6)</b>	<b>63,121,612</b>
Gross Trading Profit SPC	2,069,584	2,224,536	(7.0)	2,249,676
Gross Surplus DHS	2,789,095	4,584,027	(39.2)	3,415,073
<b>Gross Surplus</b>	<b>4,858,679</b>	<b>6,808,564</b>	<b>(28.6)</b>	<b>5,664,749</b>
Other Income	107,110	88,531	21.0	287,363
Administrative Expenses	(2,059,292)	(1,967,159)	(4.7)	(1,753,834)
Other Operating Expenses	(2,045,592)	(1,158,052)	(76.6)	(962,078)
Finance Cost	(13,974)	(10,556)	(32.4)	(10,588)
Overdraft Interest	(140)	(569,624)	100.0	(686,878)
Finance Income	7,643	6,943	10.1	6,890
<b>Profit Before Tax</b>	<b>854,433</b>	<b>3,198,647</b>	<b>(73.3)</b>	<b>2,545,624</b>
Defined Benefit Plan	86,102	57,438	49.9	(191,755)
Re valuation gain (Mv)	71,351	-	100.0	-
Taxation	(307,895)	(782,231)	60.6	(576,401)
<b>Total Comprehensive Income</b>	<b>802,177</b>	<b>2,473,854</b>	<b>(67.6)</b>	<b>1,777,468</b>
Retained Earnings	14,388,557	14,007,731	2.7	12,208,679
Contributed Capital & Reserve	125,117	125,117	-	125,117
Revaluation Surplus	71,351	-	100	-
Non Current Assets	2,465,268	2,351,604	4.8	2,329,488
Current Assets	63,811,199	56,650,953	12.6	39,087,956
Non Current Liabilities	8,004,715	9,904,471	(19.2)	11,908,162
Current Liabilities	43,686,727	34,965,237	(24.9)	17,175,486
Net Current Assets	20,124,472	21,685,716	(7.2)	21,912,470
<b>Ratios</b>				
Gross Profit Ratio (%) SPC	20.8	23.5		25.6
Gross Profit Ratio (%) DHS	6.8	6.5		6.3
Gross Surplus to Sales (%)	9.5	8.5		9.0
Return on Capital Employed (%)	3.8	15.7		13.3
Interest Cover ( times)	6,104.1	6.62		4.7
Equity to total Assets ( times)	1:5	1:4.2		1:3.3
Turnover to Capital Employed (time)	1:2.2	1:3.3		1:2.6
Current Ratio ( time )	1:1.4	1:1.6		1:2.7
Liquidity Ratio ( time )	1:1.4	1:1.6		1:2.1
Stock Turnover Ratio -SPC ( time )	2.8	2.75		2.3
<b>OTHER INFORMATION</b>				
Number of Employees	919	948		956
Earning per Employee ( Rs.)	930	3,374		2,663
Sales per Employee ( Rs. )	55,407	84,705		66,027

## Board of Directors & Corporate Information

### Board of Directors

#### Mr. Sarath Liyanage - Chairman

Attorney-at-Law and Commissioner for Oaths with over 38 years of experience in practice. Appeared in all courts up to the Supreme Court. Appeared throughout the Special Presidential Commission regarding the explosion in Kayts where Generals Kobbekaduwa and Wimalaratne were killed. Appeared throughout in the International Commission consisting of two Chief Justices and a Knight which held sittings in Commonwealth 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 continues to serve the needy people in Sri Lanka.

He served as the Chairman of the State Pharmaceuticals Corporation of Sri Lanka from January 2015 to January 2019.

#### Dr. M.Y.K. Wilfred – Managing Director

Dr. M.Y.K. Wilfred is a Consultant in Medical Administration. He joined the Government Medical Service of Sri Lanka in 1984. He holds C.G. (UK), MD, MSC and MBBS. He is a Senior Medical Professional with extensive experience in hospital administration for over 34 years of service starting from peripheral Hospitals to leading General Hospitals including Colombo South Teaching Hospital in Sri Lanka. He has also served as the Director (Actg.) of Tertiary Care and Director (Actg.) of Medical Services in the Ministry of Health. Dr. Wilfred has enormous experience in administration and served as the Director of National Eye Hospital, National Dental Hospital and National Cancer Hospital in Sri Lanka. He has also served as the Managing Director and a Member of the Board of Directors of State Pharmaceuticals Corporation in 2019.

#### Mr E. A. Rathnaseela

Mr E. A. Rathnaseela is a Sri Lanka Administrative Service (SLAS) Special Grade Officer who has been in the General Treasury for well over 20 years serving in a variety of Departments. Mr Rathnaseela who holds a Bachelor of Science Degree from the University of Ruhuna has obtained his Master's Degree in Policy Economics from Williams College, MA, USA. During his extended tenure at the General Treasury, Mr Rathnaseela has served in a number of Boards as a Director including NDB Bank, NSBM Green University, Land Reforms Commission and Ceylon Petroleum Storage Terminals Ltd.

#### Prof Dushantha Madegedara

Prof Dushantha Madegedara obtained MBBS Degree from the University of Peradeniya and MD from the Post Graduate Institute of Medicine, University of Colombo. He is an examiner for MBBS.MD and DTCD, and has given many lectures locally and internationally. He is awarded the fellowship of the American College of Chest Physicians, Royal College of Physicians Edinburg, Asia Pacific Society of Respiriology and Ceylon College of Physicians.

He has authored many research papers and over 240 publications in both Local and International reputed Journals, while co-authoring many National Guidelines. He is a reviewer of several National and International Journals and a Member of the Editorial Board of many International and National Journals including Respiriology, and was an associate Editor of the Prestigious European Respiriology Journal open research and currently is the Chief Editor of Respire, an official journal of Sri Lanka College of Pulmonologists.

He was the recipient of three Prestigious orations namely Bibile Morial Oration and research price oration of the Kandy Society of Medicine and CJ Urugoda oration of Sri Lanka College of Pulmonologists. He was the recipient of the merit research Award 2013 and 2015 from the National Research Council Sri Lanka. He is the Scientific Chair of the Sri Lanka College of Pulmonologists, Chairman of the Respiratory Board 2021-2015, Postgraduate Institute of Medicine, Deputy Head, Head Elect and Head of Clinical Respiratory Medicine in Asia Pacific Respiratory Society 2016-2022. Was a Council Member at the University of Peradeniya and has held many official positions in various medical societies including being The Secretary, Treasurer, Past President of the Kandy Society of Medicine and also the first Secretary of the Association of Pulmonologists and Past President, Chief Editor of Sri Lanka College of Pulmonologist. Currently, He is head of E-Health APSR, head of pleural disease assembly of APSL. Currently working as Chair Professor, the Department of Medicine, the University of Wayamba and Senior Consultant Respiratory Physician, National Hospital, Kandy.

#### Dr Chinthaka De Silva

Dr. Chinthaka de Silva is a senior consultant physician at Sri Jayawardenapura General Hospital and Consultant Physician of the Police Hospital. He is a board member of PGIM and immediate past secretary of the Postgraduate Institute of Medicine.

# STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

## CORPORATE INFORMATION

### Board of Directors

Mr. Sarath Liyanage	Chairman	(From 11.07.2022)
Dr. M.Y.K.Wilfred	Managing Director	(From 11.07.2022)
Dr. U.D.S. Samarasinghe	Actg. Chairman/Managing Director	(Till 09.07.2022)
Dr. I.P. Halpage	Managing Director	(From 01.04.2022 to 09.07.2022)
Dr. Chinthaka de Silva	Director	(From 02.09.2022)
Dr. R.M.D. Madegedara	Director	(From 02.09.2022)
Mr. E.A.Rathnaseela	Director	(From 23.03.2022)
Dr. A.K.S.B De Alwis	Director	(Till 05.07.2022)
Prof. B.D. Gamage	Director	(Till 06.09.2022)
Mr. H.G.B.S. Gunaratne	Director	(Till 31.08.2022)
Mr. Hiranya De Mel	Director	(Till 31.08.2022)
Mr. M.R.V.R. Meepura	Director	(Till 07.03.2022)

### Audit Committee

Mr. E.A.Rathnaseela	Chairman	(From 23.03.2022)
Mr. Hiranya De Mel	Member	(Till 22.06.2022)
Dr. Sunil De Alwis	Member	(Till 22.06.2022)
Dr. R.M.D. Madegedara	Member	(From 02.09.2022)

### Auditors

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

### Bankers

#### Bank of Ceylon

Corporate Branch, Bank of Ceylon Mawatha, Colombo 1.

#### People's Bank

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

#### Standard Chartered Bank

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

#### Commercial Bank of Ceylon Ltd.

City Office, 98 York Street, Colombo 1.

### Registered Office

No.75 Sir Baron Jayatillake Mawatha, Colombo 1.  
Business Office  
16th Floor, No 41, "Mehewara Piyasa" Kirula Road, Colombo 05.

### 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 College and an Accredited Commercial Mediator.



**Ms. Hiranya Sammandapperuma - Deputy General Manager  
(Finance)**

Mrs Hiranya Sammandapperuma joined the SPC as the Management Accountant on 01st July 2007. She has more than 24 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.



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

Mrs. M.R. Nimmika Thushari joined the SPC as Deputy General Manager (HR & Administration) with effect from 01.08.2018 She holds a Bachelor of Science (Human Resources) Special Degree from the University of Sri Jayawardenapura, Post Graduate Diploma in Human Resources Advancement and Master of Human Resources Management from the University of Colombo. She has more than 24 years' experience in the field of Human Resources Management and Administration.



**Mrs. Ayanthi Alwis - Deputy General Manager  
(Procurement & Imports - Pharmaceuticals)**

Mrs. A H Alwis the Deputy General Manager Procurement & Import Pharmaceuticals, holds a Bachelor of Science Management Degree (General) and Master of Business Administration from the University of Sri Jayawardenapura. She is further a Diploma holder in Public Procurement and Contract Administration from SLIDA.

She coordinates and manage procurement activities of the four units falls under her purview meeting challenging time frames.



**Mr. W.A.K.P. Warna Kumara - Deputy General Manager  
(Procurement & Imports- Surgical & Laboratory)**

Commander (Ret.) WAKP Warna Kumara joined SPC on the 02nd of August 2021 as Deputy General Manager Procurement & Imports (Surgical & Laboratory). Over the last 22 years, he has held various roles in procurement, logistics, and supply chain management for the Sri Lanka Navy. He holds a BCom degree and MBA in Logistics Management from Kotelawala Defence University and a MSc in Procurement Logistics & Supply Chain Management from University of Bedfordshire, U.K. Also he has followed Long Logistics & Management Course and Command & Staff Course. He is currently a member of the Chartered Institute of Logistics & Transport, Institute of Supplies and Material Management and humanitarian Logistics Association -UK.



## STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

### MANAGEMENT TEAM

#### Senior Management

Mr. S.U.Sudasinghe	D.G.M – Marketing	(Till 08.11.2022)
Mrs. P.K. Wijeratne	Manager - Quality Assurance Laboratory	(Till 02.11.2022)
Mr. M.A.V.I. Kumarasiri	Field Manager (Monitoring of Distribution Systems)	
Mr. D.P. Ajith Liyanage	Manager - Management Information Systems	
Mr. P.K.R. Fernando	Manager Wharf	
Miss. C.S.Withanage	Manager - CPU	
Mrs. D.N.Devasurendra	Accountant – Revenue	
	Actg. D.G.M – Finance	(Till 27.11.2022)
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board	
Mr. P.M.B.R.Somathilaka	Manager – Production	
Mr. A.P. Hapangama	Accountant - Financial Accounting	
Mr. D.G. D. J. Pushpakumara	Manager – Stores & Inventory Control	
Mrs.L.W. Damayanthi	Accountant – Salaries	
Mrs.M.A.S. Karunaratne	Accountant – Rajya Osusala	
Mr. D.K.A.P. Dassanayake	Manager – Administration	
Mr. K.D.F.N.Perera	Manager – Sales	
Mr. B.A.K. Madusanka	Manager – Human Resources	
Mrs. D.D.S. Tharangamala	Manager – Procurement	
Mrs. R. P. Withanage	Manager – Procurement	
Mrs. K.G.S. Perera	Accountant – Payment	
Mr. M.A.D.S.S. Munasinghe	Manager – Imports	
Mr. C.U.M.M. Bandara	Manager- Stores & Inventory Control	
Mr. M.K.C. Krishantha	Manager – Rajya Osusala	
Mr.W. Jayantha	Manager – Rajya Osusala	
Mr.M.R.M. Rifkhan	Manager – Rajya Osusala	(Till 15.08.2022)
	Manager – Imports	(From 16.08.2022)
Mrs.E.M.H.N.T.K. Ekanayake	Manager – Technical	
Mr. H.N.J.Indunil	Internal Auditor	
Mr. W.A.T Premawardhane	Manager – Rajya Osusala	(Till 09.01.2022)
	Manager – Imports	(From 10.01.2022 to 15.08.2022)
	Manager – Rajya Osusala	(From 16.08.2022)
Ms. I.G.W.S Wimalasena	Manager- Research & New Projects	
Mr. P.A.S. Pathirana	Accountant – Stock & Pricing	
Mrs. E.K.P.A. Priyadarshani	Manager – Promotion & Publicity	
Mr. W.K.M.S. Wanniarachchi	Manager – Post Delivery Operations	(From 03.01.2022)
Mr. S.M.N.N. Chathuranga	Manager – Sales	(From 14.02.2022 to 11.11.2022)

## CHAIRMAN'S MESSAGE



It is a great privilege for me to present the Annual Report of State Pharmaceuticals Corporation for the year 2022.

SPC recorded a turnover of Rs. 50,918 million against the turnover of Rs. 80,300 million in 2021 which includes a sale of Covid vaccine & related items. This was a very challenging year where our imports were restricted due to the forex issue prevailed in the country. Banks were operated with several controls including imposing margins.

Indian credit line facility was used for SPC open market operations to ensure product availability. This was introduced in mid of June which was a new and lengthy process on imports. However, with this mechanism, SPC was able to address the dollar liquidity issue to a certain extent.

Finally, amidst all the hardships, the SPC was able to continue as a profitable organization in the year 2022 recording an overall profit of Rs.854 million.

In the year 2022, Net Profit before Tax of Rs. 479 million from SPC's open market operation, as against Rs.705.9 million recorded during the year 2021.

While operating as a Financially Viable Entity under State Ownership, we were being able to pay Rs.350 Million to the General Treasury as Dividend despite arrears and delays in disbursements for Medical Supplies Division. Besides that Rs.1,380 million was paid to Inland Revenue Department by the way of Income tax and Surcharge tax.

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.

I sincerely pay my gratitude to the guidance & assistance received from the Hon. Minister of Health, the Secretary to the Ministry of Health, officials of the Ministry of Health, the Auditor General and his staff, the officials of the Ministry of Finance, the 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.

**Sarath Liyanage**  
Chairman

## MANAGING DIRECTOR'S REVIEW



It is with pleasure that I am presenting the Managing Director's Review of the Corporation's performance for the year 2022.

SPC is a leading importer of Healthcare items. SPC supplies Health Care items to the Medical Supplies Division ensuring the continuous supply of quality assured Pharmaceuticals and Surgical items to Government Hospitals. SPC also imports and sells in the open market through its large and strong distribution network, covering the entire island including the North and East.

### FINANCIAL PERFORMANCE

#### Overall Performance

SPC has recorded a turnover of Rs.50,918 million. Year 2022 was a challenging year forced from economical financial & political factors. Growth has not been recorded against the previous year's turnover of Rs.80,300 million which includes Covid vaccines and related items.

Profit before Tax was Rs. 854 million in the year 2022 which is a considerable drop as against the previous year's figure of Rs. 3,198 million. The decrease in Turnover and PBT was mainly due to the forex issue that prevailed in the Country. This had an adverse impact on the import of pharmaceuticals and healthcare items, which was managed from Indian Credit Line to a certain extent.

#### Supplies to Medical Supplies Division

The Corporation had to regularly negotiate with the Government Treasury to obtain funds to ensure the continuous supply of Pharmaceuticals and Healthcare items. Healthcare items supplied to the 'Medical Supplies Division' was Rs.40,973 million during the year, as against Rs.70,853 million in the year 2021. This is a decline of 42%. The decrease in supplies was mainly due to the forex issue that prevailed in the Country.

During the year under review, profit before tax on DHS operations was Rs.375 Million which is a considerable decrease over the PBT of Rs. 2,450 Million recorded in 2021.

Two foreign currency accounts and a margin account were opened in the Government Banks. Indian credit line facility was used for DHS operations to ensure product availability. This was introduced in mid of June which was a new process for imports having lengthy process of approvals with several institutions.

#### Open Market Operation

The turnover from the open market operations has been recorded as Rs.9,945 million during the year 2022. It is a growth of 5.3 % when compared with the turnover of Rs.9,446 million recorded in 2021. This increase in turnover was mainly due to the improvement in Osusala Sales.

### TAXATION

The Corporation has paid Rs.1,380 million by way of Income tax and Surcharge tax to the Government Treasury. In addition to the above taxes, treasury levy (dividend) of Rs 350 million was also paid to the Treasury.

### SALES & TRADE PROMOTIONS

SPC established two Rajya Osusala Outlets in Homagama and Nittambuwa during the year 2022. At the end of the year, there were all together 51 Rajya Osusala Outlets, 111 Franchised Osusala Outlets, 51 Distributors and 01 Regional Store covering the entire island, to ensure the availability of SPC drugs, in all corners of the country, in order to provide effective and efficient service to the general public.

### TECHNICAL & LABORATORY

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

### HUMAN RESOURCES DEVELOPMENT

During the year under review total workforce was 919, some of the Annual events were given up, staff welfare benefits which prevailed in the Corporation before 2021, were continued during the year 2022 too.

### CORPORATE SOCIAL RESPONSIBILITY

As part of our Corporate Social Responsibility SPC continues to offer a 5% discount on Pharmaceuticals purchased for Children under 05 years of age, Pregnant Mothers and Senior Citizens (Over 55 Years) and Ranaviru card holders.

### FUTURE

SPC continues to successfully fulfill its prime objective of “serving the nation with a wide range of safe, effective and quality assured health care products at reasonable prices” and at the same time amidst of challenges, operates as a profit earning entity.

### ACKNOWLEDGEMENT

I take this opportunity to thank the Chairman, the entire Management and the Staff in all categories for their dedicated service rendered to the Corporation in achieving the results that has been recorded. Also, I would like to thank Hon. Minister of Health, Officials of Ministry of Health and Ministry of Finance for their guidance and support rendered to me during the year.



.....  
**Dr. M.Y.K. Wilfred**  
Managing Director

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Corporation has pleasure in presenting their Annual Report together with the audited financial statements for the year ended 31st December 2022.

### FORMATION

State Pharmaceuticals Corporation (SPC) was established under 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. The 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 20 to 29 There were no changes to the accounting policies adopted by the Corporation during the year under review.

### GOING CONCERN

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

### RESULTS

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

### REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31 December 2022 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 Review of the Annual Report.

### PROPERTY, PLANT & EQUIPMENT

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 2022 were as follows,

Mr. Sarath Liyanage	Chairman	(From 11.07.2022)
Dr. M.Y.K.Wilfred	Managing Director	(From 11.07.2022)
Dr. Chinthaka de Silva	Director	(From 02.09.2022)
Dr. R.M.D. Madegedara	Director	(From 02.09.2022)
Mr. E.A.Rathnaseela	Director	(From 23.03.2022)

**AUDIT COMMITTEE**

Audit committee of the Corporation is constituted in accordance with the provisions of Public Enterprises Guidelines for good governance. The Audit Committee report is given in page No12

**EMPLOYMENT**

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

**STATUTORY PAYMENTS**

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government of Sri Lanka have been made up to date.

**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.1,380 million by the way of Income tax and Surcharge tax to the Government Treasury. In addition to the above taxes treasury levy of Rs 350 million was paid to Government Treasury.

**CORPORATE SOCIAL RESPONSIBILITY**

During the year the Corporation contributed Rs. 495,596/- for charitable purpose.

**RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed in Note 35 to the Financial Statements.

**POST BALANCE SHEET EVENTS**

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

**APPOINTMENT OF AUDITORS**

In terms of the provision of Finance Act 1971, the Auditor General is the Auditor of the Corporation and had carried out his annual audit of the financial activities of the Corporation for the year ended 31st December 2022.

**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 has functioned as the Chairman of the Committee. During the Financial year ended 31st December 2022, following members attended to the Meetings of the Audit Committee.

Mr. E.A. Rathnaseela	-	Chairman
Mr. Hiranya De Mel	-	Member (up to 22.06.2022)
Dr. Sunil De Alwis	-	Member (up to 22.06.2022)
Dr. Dushantha Madagedara	-	Member (From 29.12.2022)

Chief Accountant (up to 22.06.2022) and Chief Internal Auditor of the Ministry of Health (from 29.12.2022) and Audit Superintendent of National Audit Office of SPC attended 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.

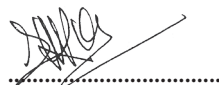
1. Review and evaluate the internal control systems and recommend modifications where necessary.
2. Review and approve Internal Audit Plan for the year 2022.
3. Review Internal Auditor's reports, and monitor management's responsiveness to the findings and recommendations of the Internal Auditor and submit the Committee recommendations to the Board of Directors for necessary actions.
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 and submit the Committee recommendations to the Board of Directors for necessary actions.
5. Review of implementation of recommendations of the Committee of Public Enterprises (COPE).

### Recommendations of the Audit Committee.

Under the guidance of the Audit Committee, an approved Internal Audit work plan has been implemented by the Internal Audit Division of the Corporation during the year under review and submitted recommendations to the Board of Directors and the Management of the Corporation to take necessary actions relating to the Financial losses, deficiencies and frauds identified through the External Audit Queries and the Internal Audit Queries. 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 2022, three Audit Committee meetings were held and Committee has submitted its recommendations on the identified deficiencies, lapses, possible frauds to the Board of Directors and Management. Accordingly, it is expected that the higher Management should have taken more swift action with accountable and transparent manner to address the issues.



**E.A Rathnaseela**  
Chairman of the Audit Committee

## CORPORATE GOVERNANCE REPORT

Corporate Governance is the total system by which organizations establish a mechanism for the effective utilization of resources, direction and control of the organization in the best interest of all categories of stakeholders. The primary responsibility for Good Governance lies with the Chairman and the Board of Directors of the Corporation.

### DIRECTORS

Members of the Board of Directors should have the highest professional and personal ethics and values coupled with their experience in related field.

- The Chairman and 5 other Directors are appointed by the Hon. Minister of Health from among persons who appear to the Minister to have wide experience in and qualification.
- A representative of the General Treasury is nominated by the Ministry of Finance.

### BOARD MEETING

The Board meetings are scheduled by providing adequate notice to enable the Directors and Management to prepare all the key and strategic information required for deliberation in the meetings. The Directors are provided with the Agenda and Board papers at least seven days before each meeting giving them adequate time to study the contents. Heads of the Divisions attend the Board meetings by invitation as and when required to present additional information and provide further clarity to the Board.

Ten Board meetings were convened during the year and the attendance of the Board members are as follows:

### MANAGEMENT COMMITTEE

The Management Committee comprises Heads of the Departments of the Corporation chaired by the Chairman. The Management Committee at its meetings carefully perused all policy matters when referred and also the implementation of decisions taken before they were referred to the Board of Directors for approval and concurrence. To enable this process and to avoid any delays, the Management Committee meets once a month and decisions were taken. The Management Committee had two meetings during the year.

Name of the Board Member	Position	Duration of the period of the appointments	Attendance
Mr. Sarath Liyanage	Chairman	From 11.07.2022 to date	3/10
Dr. M.Y.K.Wilfred	Managing Director	From 11.07.2022 to date	3/10
Dr. R.M.D. Madegedara	Non-Executive Director	From 02.09.2022 to date	3/10
Mr. E.A.Rathnaseela	Non-Executive Director	From 23.03.2022 to date	9/10
Dr. Chinthaka de Silva	Non-Executive Director	From 02.09.2022 to date	3/10
<b>Resigned</b>			
Dr. U.D.S. Samarasinghe	Actg. Chairman	From 03.12.2021 to 09.07.2022	7/10
Dr. U.D.S. Samarasinghe	Managing Director	From 15.11.2021 to 31.03.2022	5/10
Dr. I.P. Halpage	Managing Director	From 01.04.2022 to 09.07.2022	2/10
Mr. Hiranya De Mel	Non-Executive Director	From 29.01.2020 to 31.08.2022	7/10
Dr. A.K.S.B De Alwis	Non-Executive Director	From 29.01.2020 to 05.07.2022	7/10
Prof. B.D. Gamage	Non-Executive Director	From 17.12.2020 to 06.09.2022	6/10
Mr. H.G.B.S. Gunaratne	Non-Executive Director	From 29.01.2020 to 31.08.2022	5/10
Mr. M.R.V.R. Meepura	Non-Executive Director	From 02.03.2021 to 07.03.2022	1/10



## AUDIT COMMITTEE

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

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

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

The Audit Committee review of Internal Auditors Reports and Government Audit Reports and follow up of their recommendations are implemented through the Board, the Audit Committee also ensures that the Corporation has process and mechanisms in place to identify risks both financial and operational and that risk are managed and addressed through a well-defined action plan.

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

Name of the Member	Position	Attendance
Mr. E.A.Rathnaseela	Chairman	3/3
Mr. Hiranya De Mel	Member	2/3
Dr. A.K.S.B De Alwis	Member	2/3
Dr. R.M.D. Madegedara	Member	1/3

## REMUNERATION POLICY

Corporation's remuneration policy is set out on the recommendations of the Management Services Department of the General Treasury. At present SPC entered into a collective agreement for the period of 01.07.2020 to 30.06.2023.

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

Employees' salaries are paid on salary scales prepared by Corporation, based on the circular No 2 of 2016 of the Department of Management Services of the General Treasury.

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors confirm that they have reviewed the effectiveness of the systems of risk management and internal controls which operated during the period covered by these financial statements and up-to-date of this report.

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

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

As per the requirements of the department of public enterprises, arrangements have been initiated to appoint a Risk Committee to identify & evaluate risk profile of the Corporation.

## INTERNAL AUDIT

The main focus of the Internal Audit Division is to conduct an independent review on the overall prevailing system of internal control by evaluating the adequacy, integrity, and effectiveness of internal controls and makes recommendation to the Management to strengthen the internal controls. The Internal Audit regularly reported to the Chairman on the adequacy and effectiveness of internal controls and compliance with laws and regulations and established policies and procedures of the Corporation.

## ACCOUNTABILITY TO THE GOVERNMENT AS THE KEY SHAREHOLDER

The Corporation has regular dialogue with the Hon. Minister and the Secretary, Ministry of Health, who guide the Board to set clear directions and strategic objectives to be achieved. Besides, as required by the General Treasury of the Ministry of Finance, the Corporation forwarded a Business Plan for three years. Apart from that Annual Report, Annual Accounts, Annual Budgets, Quarterly Performance Reports are forwarded to the Ministry of Health and Public Enterprises Department of General Treasury.

Annual Report comprising audited financial statements and current performance is tabled in Parliament for review by the members of Parliament.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

Under the Finance Act No 38 of 1971, Directors of the Corporation have responsibility for ensuring that the Corporation keeps proper books of accounts of all the transactions and prepares financial statements that give a true and fair view of the state of affairs and of the profit /loss for the year. Accordingly, the Directors have directed the Corporation to maintain proper books of accounts and reviewed the financial reporting system at their regular meetings and through the Audit Committee.

In preparing the financial statements exhibited in this Annual Report, Directors have considered adopting appropriate Accounting Policies on a consistent basis and supported by reasonable and prudent judgments and estimates.

The Directors have taken such steps as are reasonably open to them to safeguard the assets of the Corporation and to prevent and detect frauds and other irregularities. In this respect, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal check, internal audit and financial and other controls required to carry out the operations of the Corporation in an orderly manner, to safeguard its assets and secure as far as practicable the accuracy and reliability of our records.



.....  
**By order of the Board**  
**Secretary to the Board**

## STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

## STATEMENT OF FINANCIAL POSITION


As at 31st December	NOTE	2022 Rs.	2021 (Restated) Rs.
<b>ASSETS</b>			
Property Plant and Equipment	16	2,104,965,728	2,084,196,680
Right-of-use Assets	17	52,875,747	44,133,149
Lease Assets paid in Advance	18	21,286,748	22,064,222
Capital Work in Progress		42,266,490	38,311,359
Intangible Assets -Software	19	6,748,551	2,567,274
Deferred Tax Assets	20	237,125,035	160,331,877
<b>Total Non- Current Assets</b>		<b>2,465,268,298</b>	<b>2,351,604,561</b>
<b>Current Assets</b>			
Inventories - SPC	21	3,189,711,730	2,396,405,789
Stock in Transit - DHS	22	40,000,547	936,743,053
Trade & Other Receivables	23	54,916,912,501	52,164,442,205
Prepayments	24	50,797,070	41,905,706
Cash and Cash Equivalents	25	5,613,777,091	1,111,456,668
<b>Total Current Assets</b>		<b>63,811,198,939</b>	<b>56,650,953,422</b>
<b>Total Assets</b>		<b>66,276,467,238</b>	<b>59,002,557,982</b>
<b>EQUITY AND LIABILITIES</b>			
Contributed Capital	31	59,055,258	59,055,258
Retained Earnings		14,388,557,344	14,007,731,669
Revaluation Reserves		71,350,931	-
General Reserves	32	66,061,447	66,061,447
<b>Total Equity</b>		<b>14,585,024,980</b>	<b>14,132,848,373</b>
<b>Non- Current Liabilities</b>			
Retirement Benefit Obligation	26	457,544,429	470,173,261
Lease Liabilities	17.1	38,781,989	28,587,360
Long Term Loan	27	7,508,388,884	9,405,711,108
<b>Total Non- Current Liabilities</b>		<b>8,004,715,302</b>	<b>9,904,471,729</b>
<b>Current Liabilities</b>			
Trade and Other Payables	28	25,555,706,528	16,164,216,448
Income tax Payable		190,930,434	592,358,586
Surcharge Tax payable		-	692,831,420
Deferred Income		-	1,471,313
Lease Liabilities	17.1	23,252,962	21,759,130
Current Financial Liabilities	29	15,937,903,698	15,432,056,540
Long Term Loans	27	1,978,933,334	2,060,544,444
<b>Total Current Liabilities</b>		<b>43,686,726,956</b>	<b>34,965,237,880</b>
<b>Total Equity &amp; Liabilities</b>		<b>66,276,467,238</b>	<b>59,002,557,982</b>

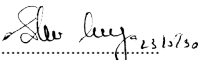
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board by,

  
Sarath Liyanage  
Chairman

  
Dr. M.Y.K. Wilfred  
Managing Director

  
K.M.D.R. Dasanayake  
General Manager

  
Hiranya Sammandapperuma  
Deputy General Manager

The accounting policies and notes on pages 20 to 60 form an integral part of the financial statements.

## STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

## STATEMENT OF CHANGES IN EQUITY

	Contributed Capital Rs.	General Reserves Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01st January 2020	59,055,258	66,061,447	-	10,431,211,366	10,556,328,071
<b>Total Comprehensive Income for the year</b>					
Net Profit for the year				1,969,223,517	1,969,223,517
(a) Correction of incorrectly understated additional storage charges receivables from the Medical Supplies Division (net)				18,029,245	18,029,245
Gain/ losses on defined benefit plan ( Note 26.3)				(191,755,485)	(191,755,485)
<b>Balance as at 31st December 2020</b>	<b>59,055,258</b>	<b>66,061,447</b>	<b>-</b>	<b>12,226,708,643</b>	<b>12,351,825,348</b>
<b>(b) Less: Surcharge tax paid out of Taxable Income 2020/2021</b>		<b>-</b>	<b>-</b>	<b>(692,831,419)</b>	<b>(692,831,419)</b>
Balance as at 01st January 2021	59,055,258	66,061,447	-	11,533,877,223	11,658,993,928
<b>Total Comprehensive Income for the year</b>					
Net Profit for the year				2,384,563,878	2,384,563,878
(a) Correction of incorrectly understated additional storage charges receivables from the Medical Supplies Division (net)				31,852,134	31,852,134
Gain/ losses on defined benefit plan ( Note 26.3)				57,438,433	57,438,433
<b>Balance as at 31st December 2021</b>	<b>59,055,258</b>	<b>66,061,447</b>	<b>-</b>	<b>14,007,731,669</b>	<b>14,132,848,374</b>
Balance as at 01st January 2022	59,055,258	66,061,447	-	14,007,731,669	14,132,848,374
<b>Total Comprehensive Income for the year</b>					
Treasury Levy Paid				(350,000,000)	(350,000,000)
Net Profit for the year				644,723,214	644,723,214
Revaluation gain on P.P.E (Motor Vehicles)			71,350,931	-	71,350,931
Gain/ losses on defined benefit plan ( Note 26.3)				86,102,461	86,102,461
<b>Balance as at 31st December 2022</b>	<b>59,055,258</b>	<b>66,061,447</b>	<b>71,350,931</b>	<b>14,388,557,344</b>	<b>14,585,024,980</b>

(a) The Corporation paid a surcharge tax of Rs.692 Million out of the taxable income of Rs. 2,771 Million of the year of Assessment 2020/2021 and accounted as recommended by the SOAT on Accounting for Surcharge Tax issued by the ICASL.

(b) Correction of incorrectly understated additional storage charges receivables from the Medical Supplies Division

	2021 Rs.	Prior to 2020 Rs.	Total Rs.
Value	41,910,702	23,722,691	65,633,393
Tax effect @ 24%	10,058,569	5,693,446	15,752,014
Net Balance	<b>31,852,134</b>	<b>18,029,245</b>	<b>49,881,379</b>

## STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31st December	Note	SPC OPERATIONS 2022 Rs.	DHS OPERATIONS 2022 Rs.	TOTAL OPERATIONS 2022 Rs.	TOTAL OPERATIONS 2021 (Restated) Rs.
<b>Income</b>	7	9,945,849,118	40,973,117,489	50,918,966,607	80,300,077,329
<b>Less</b>					
Direct Expenses - MSD	8		38,184,022,980	38,184,022,980	66,269,228,066
Cost of Sales - SPC	9	7,758,197,644		7,758,197,644	7,085,466,342
Cost of Production - ORS	10	118,067,057		118,067,057	136,819,315
<b>Gross Profit/ Surplus</b>		<b>2,069,584,417</b>	<b>2,789,094,509</b>	<b>4,858,678,926</b>	<b>6,808,563,606</b>
<b>Add:</b> Other Operating Income	11	107,109,942	-	107,109,942	88,531,203
<b>Less</b>					
Administrative Expenses	12	1,407,495,636	651,796,824	2,059,292,460	1,967,159,456
Other Operating Expenses	13	283,503,681	1,762,089,247	2,045,592,928	1,158,051,637
<b>Operating Profit</b>		<b>485,695,041</b>	<b>375,208,438</b>	<b>860,903,480</b>	<b>3,771,883,716</b>
<b>Less:</b> Finance Expenses	14	14,113,863	-	14,113,863	580,180,147
<b>Add:</b> Finance Income ( Staff Loan)		7,643,459	-	7,643,459	6,943,197
<b>Profit Before Tax</b>		<b>479,224,638</b>	<b>375,208,438</b>	<b>854,433,076</b>	<b>3,198,646,765</b>
Income Tax Expenses	15	117,619,665	92,090,196	209,709,862	782,230,754
<b>Profit After Tax</b>		<b>361,604,972</b>	<b>283,118,242</b>	<b>644,723,214</b>	<b>2,416,416,011</b>
<b>Other Comprehensive Income:</b>					
Revaluation gain on P.P.E (Motor Vehicles)		35,675,465	35,675,465	71,350,931	-
Gain/ Losses on defined benefit plan	26	37,885,083	48,217,378	86,102,461	57,438,433
<b>Total comprehensive income for the year</b>		<b>435,165,521</b>	<b>367,011,086</b>	<b>802,176,606</b>	<b>2,473,854,444</b>

## STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

## STATEMENT OF CASH FLOW

For the year ended 31st December	NOTE	2022	2021
		Rs.	Rs.
<b>Cash flow from operating activities</b>			
Net profit before taxation,		854,433,076	3,156,736,063
<b>Adjustments for:</b>			
Depreciation	16	99,046,156	81,750,446
Impairment/ adjustment for P.P.E	16	4,226,358	6,640,642
Gratuity provision for the year	26.3	95,592,723	73,805,510
Lease amortisation	18	777,474	777,474
Profit/loss on disposal of fixed assets		(1,634,771)	(1,854,296)
Amortisation charges (software)	19	1,299,862	816,860
Unrealized profit	7	(7,013,753)	(9,068,148)
Lease Interest ( Osusala)		12,819,529	8,455,972
Amortisation of (ROU) Assets		28,712,905	26,149,892
Bad debt recoveries -SPC	11	2,026,781	(15,654,623)
Provision for bad debts -DHS	13	605,449,009	493,742,965
Stock losses	13	430,137	319,034
Provision for damaged & outdated stock - SPC	13	60,402,156	128,932,861
Provision for damaged & outdated stock DHS	13	69,863,409	28,505,210
Interest expenses	14	140,117	569,624,426
<b>Operating profit before working capital changes</b>		<b>1,826,571,166</b>	<b>4,549,680,288</b>
Increase/Decrease in trade and other receivable	23	(3,359,946,085)	(18,896,724,637)
Increase/Decrease in deposit & prepayments	24	(8,891,364)	59,011,369
Increase/Decrease in inventories		(847,124,481)	234,508,319
Increase/Decrease in Goods in Transit	22	826,879,098	349,508,241
Increase/Decrease in trade & Other payables	28	9,391,490,080	33,180,124
Increase/Decrease in Deferred Income		(1,471,313)	(328,453)
<b>Cash generated from operations</b>		<b>7,827,507,101</b>	<b>(13,655,510,128)</b>
Income tax paid		(687,931,172)	(698,612,812)
Surcharge tax paid		(692,831,419)	
Treasury Levy/ Dividend paid		(350,000,000)	
Gratuity paid	26	(22,119,094)	(41,860,032)
Interest paid	14	(140,117)	(569,624,426)
<b>Cash flow before extraordinary items</b>		<b>(1,753,021,802)</b>	<b>(1,310,097,270)</b>
<b>Net cash from operating activities</b>		<b>6,074,485,299</b>	<b>(14,965,607,397)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	16	(54,142,634)	(167,278,573)
Increase/Decrease in work in progress		(3,955,131)	82,355,726
Computer Software	19	(5,481,140)	(583,471)
Disposal of fixed assets		3,086,775	4,976,896
<b>Net cash used in investing activities</b>		<b>(60,492,131)</b>	<b>(80,529,422)</b>
<b>Cash flow from financing activities</b>			
Repayment of long term loan	27	(1,978,933,334)	(409,744,448)
Payments of Lease rent		(38,586,571)	(34,147,469)
<b>Net cash used in financing activities</b>		<b>(2,017,519,905)</b>	<b>(443,891,917)</b>
Net increase in cash and cash equivalents		3,996,473,264	(15,490,028,737)
<b>Cash and cash equivalents at beginning of period</b>		<b>(14,320,599,871)</b>	<b>1,169,428,866</b>
<b>Cash and cash equivalents at end of period (Note A)</b>		<b>(10,324,126,608)</b>	<b>(14,320,599,871)</b>
<b>Note A : Cash and cash equivalents</b>			
		2022	2021
		Rs.	Rs.
Cash in hand & at bank	25	5,613,777,091	1,007,854,541
Treasury bill investment	25	-	103,602,127
Bank overdraft	29	(15,937,903,698)	(15,432,056,540)
<b>Cash and cash equivalents</b>		<b>(10,324,126,607)</b>	<b>(14,320,599,871)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

#### 01. REPORTING ENTITY

##### 1.1 Domicile & Legal Form

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. Presently operating its functions at “Mehewara Piyasa” Colombo 05.

##### 1.2. Financial period

The financial period of the Corporation represents a twelve month period from 1 January 2022 to 31 December 2022.

##### 1.3. Principal activities and nature of operations

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 Jeevaneer, Glucose & Benzyl Benzoate Cream
- d) Providing sample tests and laboratory services

#### 2. BASIS OF PREPARATION

##### 2.1. Statement of compliance

The principle accounting policies adopted in preparation of Financial Statements are given under the Note 3-6 & such policies have been consistently applied, unless otherwise stated. The financial statements of the Corporation have been prepared in accordance with Sri Lanka Accounting Standards (commonly referred as “SLFRS”/ “LKAS”) laid down by the Institute of Chartered Accountants of Sri Lanka. These financial statements comprise of the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto.

##### Surcharge Tax

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the Note No 3.8.3 on Income Taxes.

##### 2.2. Responsibility for financial statements

The Board of Directors of the Corporation acknowledges their responsibility for the financial statements. Any amendment to Financial Statements after issue lies with Board of Directors.

##### 2.3 Approval of financial statements

The financial Statements were approved by the Board of Directors of the Corporation and authorized for issue on 9th March 2023.

##### 2.4. Basis of measurement

The Financial Statements of the Corporation have been prepared on the historical cost basis and applied consistently except for the following material items stated in the Statement of Financial Position.

- Equipment, Furniture, Computers and Motor Vehicles which are measured at revalued amounts being the fair value of revaluation.
- Retirement benefit obligations measured based on actuarial valuation.

Where appropriate, the specific policies are explained in the succeeding notes.

##### 2.5 Functional and Presentation Currency

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

##### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss.

##### 2.6. Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements, in order to enhance the understanding of the financial statements of the current period and to improve comparability. The comparative information has been reclassified where ever necessary to conform with the current year’s classification in order to provide a better presentation.

## 2.7. Statement of Cash flows

The Statement of Cash Flows has been prepared by using the direct method in accordance with the Sri Lanka Accounting Standard – LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized.

## 2.8. Significant Accounting Judgments, Estimates and Assumptions.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Corporation accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods effected.

Information about assumptions and estimation uncertainties that have significant effect on the amounts recognized in the financial statements is included in following notes;

Note 25	-	Recognition of deferred tax assets/liabilities
Note 21	-	Provisions for impairment.
Note 24	-	Measurement of retirement benefit obligations; key actuarial assumptions.
Note 18	-	Leases
Note 16	-	Fare value measurement of Equipment, Furniture, Computers and Motor Vehicles

Provisions: Provisions are recognized when Corporation has present legal or constructive obligation as a result of past event considering probability & based on reliable estimation.

## 2.9. Measurement of Fair Values

A number of the Corporation's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. The current economic crisis in Sri Lanka has resulted in significant volatility in the financial markets. However the corporation did not require reclassifying any of its financial assets as a result of the significant volatility created by the current economic crisis.

The Corporation regularly reviews significant unobservable inputs and valuation adjustments when applicable. If third party information is used to Measure fair values, The Corporation assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/

LKASs, including the level in the fair value hierarchy in which such valuations should be classified.

Further, the external valuers are involved for valuation of significant assets; Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Corporation decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets.

When measuring the fair value of an asset or liability, the Corporation uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows :

- Level 1:  
Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices)
- Level 3:  
Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. Transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The Corporation does not hold any assets require fair value through P&L or fair value through OCI at present.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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.

### 3.2 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 December 2022, based on available information, the management has assessed the existing and anticipated effects of the economic crisis of the Country on the Corporation and the appropriateness of the use of the going concern basis.



After evaluating wide range of factors such as Disruptions in the Pharmaceutical supply, significant changes in demand and their effects for the working capital and resulting liquidity issues that affect the going concern in the operations and the Board is not aware of any material uncertainties that may cast significant doubt upon the corporation's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on going concern basis.

In determining the above significant management judgments, estimates and assumptions the impact of the economic crisis has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

### 3.3. New Accounting Standards issued during the year/Changes to already existing Accounting Standards

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st December 2022. The amendments to the following existing Sri Lanka Accounting Standards which were effective from 01st January 2023 did not have a material impact on the Financial Statements.

- Amendments to LKAS 1
- Insurance contracts IFRS 17
- Amendments on deferred tax LKAS 12
- Amendments to LKAS 8

### 3.4 Property Plant and Equipment

#### 3.4.1 Basis of recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Corporation and the cost of the asset can be measured reliably.

#### 3.4.2. Basis of measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalised borrowing costs.

#### Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognized in the carrying amount of the item if it is probable that the future economic

benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognized in the income statement as incurred.

#### Cost model

The Corporation applies the cost model to all property, plant and equipment except Equipment, Furniture Fittings, Computers and Motor Vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

#### Revaluation model

The Corporation revalues its motor vehicles which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. In previous financial years, motor vehicles were under cost model and from the financial year 2022, it was changed from the cost model to the revaluation model and has not led to a retrospective restatement due to the exemption available in paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors".

On revaluation of Motor Vehicles, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognised in the statement of profit or loss. A decrease in value is recognised in the statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

Equipment, Furniture and Computers are measured at fair value. Furniture, Equipment and Computers were re-valued by Mr. J.M. Senanayaka Bandara, Govt. Deputy Chief Valuer (Rtd.) as at 31.12.2015. Effects on revaluation carried out in 2022 was not incorporated as re-valuation was not finalized by 28.02.2023.

#### 3.4.3. Depreciation

Depreciation is recognized in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of an item of property, plant & equipment, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized. The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted in accordance with LKAS 8.

#### 3.4.4. De-recognition

An item of property, plant & equipment is de-recognized upon disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses arising on de-recognition of assets are determined by comparing the proceeds from the disposal with the carrying amount of property, plant & equipment and are recognized net within "Other Income" in profit or loss.

#### 3.4.5 Impairment of non-financial assets

The Corporation continues its operations through alternate working arrangements, whilst strictly adhering to and supporting government directives. Property, Plant and Equipment (PPE) is not significantly under-utilised. The Management believes that it has adequate liquidity and business plans to continue to its operation whilst mitigating the risks associated with the economic crisis situation in the Country and concluded that no impairment is required on Plant and Equipment at the reporting date.

#### 3.5 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.

#### 3.6 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.

#### 3.7 Leases

Leases are recognized as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Corporation. The Corporation has leases for the Osusala buildings, Stores facilities and some IT equipment. With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

##### (a) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

##### (b) Lease liabilities

In accordance with provisions of SLFRS 16, lease liabilities were recognised and measured at the present value of the remaining lease payments, discounted using the lessee's increment borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, Security and conditions.

The Corporation presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in comprehensive income.

##### (c) Re-measurement of lease liabilities

The Corporation is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rates take effect, the lease liability is re measured and adjusted against the ROU assets.

**(d) Lease payments not recognized as a liability**

The Corporation has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

**3.8 Taxation****3.8.1 Current taxation**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Taxation Authorities in respect of the current as well as prior years. The tax rate and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Balance Sheet date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No: 24 of 2017 and the Amendments thereto, the rates specified in the act. Provision for the current year taxation made according to the accounting profit subject to the rate specified by act.

**3.8.2 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, Provision for disputed items were considered. Deferred Tax Assets & Liabilities are measured at the Income Tax Rate.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The management has decided that no adjustment is required on deferred tax assets as response to expected reduction of tax expenses due to pandemic.

**3.8.3 Surcharge Tax**

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 th April 2022, The Corporation is liable for the surcharge tax of Rs. 692.8 million out of the taxable income of Rs. 2771.3 million pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 January 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

**3.9 Inventories**

Inventories are recognized at cost or 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. Stocks at Osusala outlets were measured, excluding the stock transfer margin which was worked out using an average margin of stock transferred from the Main stores to the Osusala outlet.

The Corporation's Pricing Committee decides the price of drugs based on formula while considering market prices.

**3.9.1 Measurement of inventories****Cost of Inventories – ORS****Raw Materials**

Cost of purchases together with any incidental expenses.

**Work In progress**

Raw material cost and variable manufacturing expenses in full.

**Finished Goods**

Raw material cost and variable manufacturing expenses in full.

**3.10 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.

**3.11 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 2022. The assumptions based on which the results of the actuarial valuation were determined, are included in Note 26 to the financial statements.

#### 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 fixed salary except travelling allowance.

##### Employees' Trust Fund

The Corporation contributes 3% on fixed 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 Revenue Recognition

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

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

#### 5.1.1 Nature of goods and service

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

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

The Corporation recognizes revenue from following sources;

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

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

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

### iii. Production of Pharmaceuticals and health care items

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

- Jeevani
- Glucose
- Benzyl Bensovate Cream

based on requirement Corporation may repack certain other items.

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

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

#### 5.1.2 Sale with a right of return

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

- The products sold are close to expiry
- Products are spoilt or discolored at the time of issue
- Issue of wrong products due to an error Such sale of products with a right to return shall be recognized by the Corporation as;
- Revenue for the transferred products in the amount of consideration to which the Corporation expects to be entitled a refund liability; and
- An asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

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

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

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

### 5.2 Other Income

Other income is recognized on an accrual basis.

### 5.3 Claims Receivable from Suppliers

Claims receivable from suppliers for 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.

There were pending supplier claims worth Rs 2761 million at the end of the year 2022. (From 01.01.2018 to 31.12.2022)

### 5.4 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.

#### 5.4.1 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.

#### 5.4.2 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 Initial Recognition and Measurement

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

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

#### 6.1.1 Financial Assets

##### 6.1.1.1 Classification and subsequent measurement

The Corporation classifies its financial assets in the following measurement categories

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

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

#### Debt instruments

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

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

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

##### 6.1.1.1.1 Amortized cost

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

##### 6.1.1.1.2 Fair value through other comprehensive income (FVOCI)

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

##### 6.1.1.1.3 Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not a part of a hedging relationship is recognized in profit or loss presented in the profit or loss statement in the period which it arises, unless it arises from debt

instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in the profit and loss statement. . Interest income from these financial assets is included in "Other Operating income" using effective interest rate method. Currently the Corporation does not hold any financial asset under this category.

#### • Business model:

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

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

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

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

#### 6.1.1.2 Impairment

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

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

Due to the economic crises situation, Probability of Default (PD), Loss Given Default (LGD) computed as at 31.12.2022 & Economic Factor Adjustment (EFA) considered in the computation of "provision for impairment on trade receivables" for the Corporation as at 31st December 2022 have led to increase the such provision significantly. Natures of dues were considered in EFA to arrive at a reasonable provision.

Impairment of trade receivables have been calculated based on the advisory services provided by the "Moore Stephan Aiyar" in adoption of SLFRS 09. Accordingly, incurred loss on provision for impairment of trade receivables are calculated, based on loss rate derived from probability of default (PD) & accordingly, expected credit loss (ECL) is calculated by adjusting economic factor Adjustment (EFA).

Debt balances for impairment have been fully provided if the such balances are long outstanding & its recoveries

are highly doubtful. EFA has not been adjusted for such provision.

Impairment calculations have been done based on significant impairment & collective impairment under 3 categories given below.

- Guaranteed debtors, Government sector debtors & private sector debtors.
- Debtors under Litigation
- Medical Supplies Division- (MSD)

The probability of default (PD) is calculated considering MSD debt balance as a ratio of the total MSD sales for a given year & use historical data (yearly balance) for this purpose. Loss rate is derived based on the outstanding balance. When obtaining the outstanding balance, term loan received (as per note 27 to the financial statements) has been considered as a receipt since we received the same in settlement of MSD outstanding.

#### 6.1.1.2.1 Measurement of the Expected Credit Loss (ECL) allowance

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

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

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

- Expected credit loss is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA). PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- LGD represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD is computed on lifetime basis, where Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- The Corporation forecasts the economic growth for 5 years basing historical Economic growth data for 11 years and the economic factor adjustment (EFA) is arrived by using a weighted probability of the impact of growth on the Corporation. The economic growth of Sri Lanka is used for EFA as the main factor impacting growth of the Corporation due to the nature of the major customers.

#### 6.1.1.3 De-recognition

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

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

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

### 6.1.2 Financial Liabilities

#### 6.1.2.1 Classification and subsequent measurement

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

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

#### 6.1.2.2 De-recognition

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

### 6.2 Measurement methods

#### Amortized cost and Effective Interest Rate

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

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



## STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

## NOTES TO THE FINANCIAL STATEMENTS

## 7 REVENUE

For the year ended 31st December	2022	2021
	Rs.	Rs.
<b>Revenue - SPC</b>		
Bulk trading	1,931,939,808	2,952,076,633
ORS sales	142,735,292	159,003,516
Osusala sales ( Note 30)	7,834,498,737	6,270,536,152
Provision for Unrealized Profit	(7,013,753)	(9,068,148)
Credit Insurance	1,471,313	2,850,703
Claims Received from Suppliers	42,217,721	71,423,261
<b>Total</b>	<b>9,945,849,118</b>	<b>9,446,822,118</b>
<b>Revenue - DHS</b>		
Import supplies	27,257,000,998	24,299,943,685
Local supplies	12,827,156,588	29,156,290,884
Import of vaccines	141,465,149	13,887,481,786
CPU supplies	65,452,439	2,765,069,155
Additional charges	130,650,127	41,910,702
Claims Received from Suppliers	525,708,055	570,472,023
Penalties on delayed Supplies	25,684,133	132,086,976
<b>Total</b>	<b>40,973,117,489</b>	<b>70,853,255,211</b>
<b>Total Revenue</b>	<b>50,918,966,607</b>	<b>80,300,077,329</b>

## 7.1 SALE WITH A RIGHT OF RETURN

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

## 8 COST OF SALES / DIRECT EXPENSES - DHS

For the year ended 31st December	2022	2021
	Rs.	Rs.
<b>Revenue</b>	<b>40,973,117,489</b>	<b>70,811,344,509</b>
<b>DIRECT COST</b>		
C & F value of DHS supplies	24,249,130,219	21,964,064,214
Custom duties & taxes	623,715,657	752,126,279
Cost of local supplies	12,333,881,836	28,171,554,257
CPU purchases to DHS	62,935,038	2,658,720,341
Import of vaccine	-	12,144,389,961
<b>Total</b>	<b>37,269,662,750</b>	<b>65,690,855,053</b>
<b>OTHER DIRECT COST</b>		
Clearing charges ( Bank charges, Stamp fee , Commission & LC chg.)	672,352,293	987,060,371
Landing charges	56,653,061	97,182,364
Import licenses fee	225,355,423	191,506,861
<b>Total</b>	<b>954,360,778</b>	<b>1,275,749,596</b>
<b>TOTAL COST</b>	<b>38,224,023,527</b>	<b>66,966,604,648</b>
<b>Less: Stock in transit</b>	<b>40,000,547</b>	<b>697,376,583</b>
<b>Direct expenses/ Cost of sales</b>	<b>38,184,022,980</b>	<b>66,269,228,066</b>
<b>Gross profit/surplus</b>	<b>2,789,094,509</b>	<b>4,542,116,443</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9 COST OF SALES -SPC

For the year ended 31st December	BULK TRADING Rs.	OSUSALA TRADING Rs.	TOTAL TRADING SPC-2022 Rs.	TOTAL TRADING SPC-2021 Rs.
Stock In trade at the beginning of the year	1,023,792,986	1,288,609,296	2,312,402,281	2,712,932,063
<b>Add :</b>				
Imported drugs	2,705,749,515		2,705,749,515	2,399,883,034
Consumables for the laboratory	179,555		179,555	3,297,618
Local purchases (SPC tenders)	1,120,740,016		1,120,740,016	1,893,636,859
C.P.U - Purchases	246,734,447		246,734,447	247,218,409
Local purchases (Osusalas) (Note 30.1)	-	4,411,664,961	4,411,664,961	2,270,752,265
Transfers (Note 30.1)	(3,018,399,198)	3,018,399,198	-	-
<b>STOCK AVAILABLE FOR SALES</b>	<b>2,078,797,320</b>	<b>8,718,673,455</b>	<b>10,797,470,775</b>	<b>9,527,720,248</b>
Less: Stock In trade at end of the year	874,150,693	2,165,122,438	3,039,273,131	2,442,253,906
<b>COST OF SALES &amp; TRANSFERS</b>	<b>1,204,646,628</b>	<b>6,553,551,016</b>	<b>7,758,197,644</b>	<b>7,085,466,342</b>

### 10 COST OF MANUFACTURING GLUCOSE, JEEWANEE AND BB CREAM

For the year ended 31st December	2022 Rs.	2021 Rs.
Opening stock of raw materials	854,087	1,148,181
<b>Add:</b> purchases of raw materials	45,063,530	55,319,722
<b>Less:</b> closing stock of raw materials	1,814,570	854,087
<b>Cost of raw materials consumed</b>	<b>44,103,047</b>	<b>55,613,816</b>
<b>Add:</b> Manufacturing cost (Note 10.1)	74,430,841	80,145,514
<b>Production cost of goods</b>	<b>118,533,888</b>	<b>135,759,330</b>
<b>ORS TRADING</b>		
For the year ended 31st December	2022 Rs.	2021 Rs.
Opening stock ( finished goods)	-	1,059,986
<b>Add:</b> Production cost of goods	118,533,888	135,759,330
<b>Less:</b> Closing stock ( finished goods)	466,831	-
<b>Cost of sale</b>	<b>118,067,057</b>	<b>136,819,315</b>
Sales	142,735,292	159,003,516
Less: Cost of sale	118,067,057	136,819,315
<b>Gross profit</b>	<b>24,668,235</b>	<b>22,184,201</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 10.1 MANUFACTURING COST

For the year ended 31st December	2022	2021
	Rs.	Rs.
Salaries & wages	33,541,526	34,793,626
Overtime.	1,947,238	3,686,724
Uniforms.	238,730	20,400
Insurance for staff	1,032,110	551,461
Provident fund (EPF & ETF).	4,018,216	4,115,649
Annual bonus	600,000	432,000
Attendance bonus	640,200	797,250
Annual incentive bonus	1,857,267	2,293,866
Staff welfare	1,122,214	1,409,532
Medical expenses	463,697	459,359
Power	2,905,316	4,184,953
Depreciation	9,349,596	10,763,486
Repairs & maintenance	3,893,673	3,988,416
Packing materials used	12,821,059	12,648,792
<b>Total</b>	<b>74,430,841</b>	<b>80,145,514</b>

### 11 OTHER OPERATING INCOME

For the year ended 31st December	2022	2021
	Rs.	Rs.
<b>SPC</b>		
Sales of tender forms.	22,590,813	68,321,136
Rent received	704,339	53,336
Treasury bill interest	13,166,696	4,787,139
Scrap sales	125,645	54,385
Interest income	35,369,962	4,438,930
Miscellaneous income	27,541,591	4,193,070
Holiday bungalow income	-	149,425
Pre qualification charges	2,251,750	-
Stock excesses	397,021	-
Sample testing income	2,366,194	2,149,560
Prescriber	6,700	12,125
Int. on returned cheques/ delays	954,460	2,517,801
Profit on disposal of fixed assets	1,634,771	1,854,296
<b>Total</b>	<b>107,109,942</b>	<b>88,531,203</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 12 ADMINISTRATIVE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TRADING
				SPC	DHS	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>PERSONNEL EMOLUMENTS</b>							
Salaries, Wages & Allowances.	486,239,102	-	276,882,597	763,121,699	352,396,033	1,115,517,732	1,094,916,891
Overtime.	33,210,461	-	6,599,847	39,810,308	4,399,898	44,210,206	47,567,783
Staff training expenses.	-	-	967,042	967,042	1,230,780	2,197,822	565,500
Uniforms.	4,160,319	-	1,171,908	5,332,227	1,491,519	6,823,746	4,864,180
Insurance for staff	5,195,662	-	4,649,427	9,845,089	5,917,453	15,762,542	19,052,026
Provident fund (EPF & ETF).	55,550,437	-	32,205,754	87,756,191	40,989,142	128,745,333	129,628,252
Annual bonus	7,530,000	-	4,270,438	11,800,438	5,435,103	17,235,541	12,223,070
Monthly attendance bonus.	9,670,800	-	4,066,163	13,736,963	5,175,116	18,912,079	22,256,350
Sports club expenses	-	-	651,801	651,801	829,565	1,481,367	807,457
Annual per inc. bonus.	29,172,436	-	17,635,650	46,808,086	22,445,373	69,253,459	69,970,743
Gratuity. ( Note 26.3)	-	-	42,060,798	42,060,798	53,531,925	95,592,723	73,805,510
Land/ Housing loan interest	3,599,697	76,886	2,158,663	5,835,246	2,747,389	8,582,635	9,058,782
SPC Anniversary payment	-	-	1,658,362	1,658,362	2,110,643	3,769,005	1,519,400
<b>Total</b>	<b>634,328,914</b>	<b>76,886</b>	<b>394,978,451</b>	<b>1,029,384,251</b>	<b>498,699,939</b>	<b>1,528,084,190</b>	<b>1,486,235,945</b>
<b>TRAVELING EXPENSES</b>							
Local travelling expenses - others.	919,895	10,270	2,698,445	3,628,609	299,827	3,928,436	7,198,038
<b>Total</b>	<b>919,895</b>	<b>10,270</b>	<b>2,698,445</b>	<b>3,628,609</b>	<b>299,827</b>	<b>3,928,436</b>	<b>7,198,038</b>
<b>SUPPLIES &amp; REQUISITES</b>							
Printing & stationery.	10,927,119	382,260	25,717,218	37,026,597	8,572,406	45,599,003	24,744,850
Board meeting expenses.	-	-	31,620	31,620	10,540	42,160	27,055
Entertainment - others.	-	-	267,579	267,579	89,193	356,772	265,955
Repairs to motor vehicles.	-	-	9,177,820	9,177,820	3,059,273	12,237,093	11,787,271
Fuel & lubricants.	-	-	13,066,277	13,066,277	4,355,426	17,421,703	14,403,748
License fees of motor vehicles.	-	-	145,841	145,841	48,614	194,454	203,359
<b>Total</b>	<b>10,927,119</b>	<b>382,260</b>	<b>48,406,354</b>	<b>59,715,733</b>	<b>16,135,451</b>	<b>75,851,185</b>	<b>51,432,238</b>
<b>REPAIRS &amp; MAINTENANCE</b>							
Buildings.	3,018,577	-	4,594,722	7,613,299	4,594,722	12,208,021	10,460,080
Furniture, fittings & equipment	4,404,019	-	1,944,108	6,348,127	1,944,108	8,292,235	6,409,572
Computer	2,026,157	-	4,152,835	6,178,992	4,152,835	10,331,827	9,642,576
<b>Total</b>	<b>9,448,752</b>	<b>-</b>	<b>10,691,665</b>	<b>20,140,417</b>	<b>10,691,665</b>	<b>30,832,082</b>	<b>26,512,228</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 12 ADMINISTRATIVE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TRADING
	SPC	DHS	2022	2021			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>TRANSPORTATION, COMMUNICATION UTILITIES &amp; OTHER SERVICES</b>							
Rent/Amortization of ROU Assets (Note 17.2)	32,754,539	-	621,775	33,376,314	-	33,376,314	30,827,812
Rent - "Mehewarapiyasa"	-	-	6,425,000	6,425,000	6,425,000	12,850,000	8,400,000
Lease rent amortization	619,474	-	160,000	779,474	-	779,474	777,474
Rates & taxes.	984,676	-	2,249,743	3,234,419	2,249,743	5,484,161	2,058,892
Water bills	1,143,720	102,832	641,607	1,888,159	641,607	2,529,766	2,176,529
Electricity.	23,892,361	-	11,381,736	35,274,097	11,381,736	46,655,834	49,116,087
Fuel for Generator	3,550,095	-	62,955	3,613,050	62,955	3,676,005	-
Postage, Telegrams & Telephones.	2,459,400	49,033	8,846,477	11,354,910	8,846,477	20,201,387	15,807,395
Trade subscriptions, Periodicals & Publications.	376,770	-	204,323	581,093	204,323	785,415	542,710
Professional charges.	-	-	1,346,841	1,346,841	1,346,841	2,693,683	10,660,320
Insurance.	-	-	1,636,587	1,636,587	1,636,587	3,273,174	3,464,687
Press notification.	-	-	4,156,944	4,156,944	9,699,536	13,856,480	18,617,805
Security services.	28,594,309	721,255	7,829,547	37,145,110	7,829,547	44,974,657	36,981,673
Depreciation	34,293,343	-	27,508,093	61,801,435	27,508,093	89,309,528	70,986,959
Amortisation- Computer Software	1,011,350	-	288,512	1,299,862	-	1,299,862	816,860
License fees for drugs.	1,344,813	-	24,769,139	26,113,952	-	26,113,952	10,985,156
Sundry expenses.	36,174	1,100	154,615	191,889	72,760	264,650	405,444
Directors fees.	-	-	295,000	295,000	295,000	590,000	660,000
Audit fees.	-	-	1,163,108	1,163,108	1,163,108	2,326,215	1,326,405
Tender board expenses.	-	-	5,903,924	5,903,924	13,775,822	19,679,746	24,038,080
Staff welfare.	21,830,131	-	10,664,128	32,494,259	13,572,527	46,066,785	78,101,442
Staff medical expenses.	5,730,951	-	3,422,004	9,152,955	4,355,277	13,508,232	13,815,339
Donations	-	-	495,596	495,596	-	495,596	1,066,944
Holiday bungalow expenses	-	-	1,303	1,303	1,659	2,962	1,872,950
Head office shifting expenses	-	-	14,901,345	14,901,345	14,901,345	29,802,689	12,274,045
<b>Total</b>	<b>158,622,106</b>	<b>874,220</b>	<b>135,130,300</b>	<b>294,626,626</b>	<b>125,969,941</b>	<b>420,596,567</b>	<b>395,781,008</b>
<b>TOTAL ADMINISTRATIVE Expenses</b>	<b>814,246,786</b>	<b>1,343,636</b>	<b>591,905,214</b>	<b>1,407,495,636</b>	<b>651,796,824</b>	<b>2,059,292,460</b>	<b>1,967,159,456</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 13 OTHER OPERATING EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2022	TRADING 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>							
Sales promotion expenses.	-	-	14,077,674	14,077,674	-	14,077,674	12,265,573
Transport charges.	-	-	10,996,784	10,996,784	-	10,996,784	9,702,181
Provision for bad debts	-	-	2,026,781	2,026,781	605,449,009	607,475,789	478,088,341
Discount on osusala sales	-	-	20,739,517	20,739,517	-	20,739,517	12,655,394
Additional discounts	-	-	69,691,568	69,691,568	-	69,691,568	90,007,660
Value Added Tax	-	-	3,917,093	3,917,093	11,751,279	15,668,372	9,485,797
Stock losses	-	-	430,137	430,137	-	430,137	319,034
Stock adj. (Excess/Shortage)	-	-	-	-	-	-	544,078
Pro. for outdated & damaged drugs	8,596,386	-	51,805,770	60,402,156	-	60,402,156	128,932,861
Pro. for outdated & damaged drugs - DHS	-	-	-	-	69,863,409	69,863,409	28,505,210
Stamp fee	-	-	452,625	452,625	-	452,625	420,275
Setting up expenses	-	-	2,037,077	2,037,077	-	2,037,077	3,545,499
Storage charges	-	-	-	-	16,378,729	16,378,729	12,098,013
Foreign exchange gain/loss	-	-	86,727,332	86,727,332	1,033,301,647	1,120,028,978	356,328,633
Sundry packing materials.	11,760,657	-	21,712	11,782,369	-	11,782,369	12,490,279
<b>TOTAL</b>	<b>20,357,043</b>	<b>-</b>	<b>262,924,069</b>	<b>283,281,112</b>	<b>1,736,744,072</b>	<b>2,020,025,184</b>	<b>1,155,388,830</b>
<b>RESEARCH &amp; DEVELOPMENT</b>							
Drugs for testing	-	-	3,330	3,330	6,185	9,515	15,761
Testing charges for samples	-	-	219,239	219,239	-	219,239	2,635,787
Drugs for sample	-	-	-	-	-	-	11,259
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>222,569</b>	<b>222,569</b>	<b>6,185</b>	<b>228,754</b>	<b>2,662,807</b>
(c) Legal Compensation	-	-	-	-	25,338,990	25,338,990	-
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>20,357,043</b>	<b>-</b>	<b>263,146,638</b>	<b>283,503,681</b>	<b>1,762,089,247</b>	<b>2,045,592,928</b>	<b>1,158,051,637</b>

## 14 FINANCE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2022	TRADING 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
O/D interest	-	-	140,117	140,117	-	140,117	569,624,426
Lease interest charge for the year ( Note 17.2)	-	-	12,819,529	12,819,529	-	12,819,529	8,455,972
Bank charges	-	-	1,154,217	1,154,217	-	1,154,217	2,099,749
<b>TOTAL FINANCE COST</b>	<b>-</b>	<b>-</b>	<b>14,113,863</b>	<b>14,113,863</b>	<b>-</b>	<b>14,113,863</b>	<b>580,180,147</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15 MAJOR COMPONENT OF TAX EXPENSES

For the year ended 31st December	2022	2021
	Rs.	Rs.
Current tax expenses (Note 15.1)	286,503,020	799,307,372
Over/Under provision in respect of previous years	-	416,123
Adj. Deferred tax Income/Expenses relating to the origination - - and reversal of temporary differences (Note 20)	(76,793,158)	-
<b>Tax expenses</b>	<b>209,709,862</b>	<b>799,723,495</b>

### 15.1 RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

For the year ended 31st December	2022	2021
	RS.	RS.
Profit Before Tax	854,433,076	3,156,736,063
Disallowable expenses	382,445,192	350,131,154
Qualifying payments	(175,109,619)	(176,419,835)
<b>Taxable Income</b>	<b>1,061,768,649</b>	<b>3,330,447,382</b>
Income Tax @ 24% (from 01.01.2022 to 30.09.2022)	206,870,371	799,307,372
Income Tax @ 30% (from 01.10.2022 to 31.12.2022)	79,632,649	-
<b>Income tax on current year profit</b>	<b>286,503,020</b>	<b>799,307,372</b>
Over/Under provision in respect of previous years	-	416,123
Adj. Deferred tax Income/Expenses relating to the origination - and reversal of temporary differences (Note 20)	(76,793,158)	-
<b>Tax expenses</b>	<b>209,709,862</b>	<b>799,723,495</b>
<b>Effective Tax Rate %</b>	<b>24.5</b>	<b>25.3</b>

The Standard rate of Income Tax is increased to 30% from 24% w.e.f 1st October 2022. The Corporation compute Income Tax payable on a pro rata basis for the year of Assessment 2022/2023.

## NOTES TO THE FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land		Buildings		Motor Vehicles		Delivery Cycles		Furniture & Fittings		Equipment		Plant & Machinery		Computers		Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>COST OF DEEMED COST</b>																			
At 1 January 2021	1,199,639,630	624,417,636	172,047,731	39,150	101,715,303	186,271,342	46,454,370	106,551,772	2,437,136,933										
Additions	-	127,007,450	-	-	11,420,277	12,882,138	-	-	15,968,708	167,278,573									
Adjustments	-	(6,640,642)	-	-	-	-	-	-	-	(6,640,642)									
Disposals	-	-	(6,100,000)	(5,050)	(199,250)	(1,335,913)	-	-	-	(7,640,213)									
<b>At 31 December 2021</b>	<b>1,199,639,630</b>	<b>744,784,444</b>	<b>165,947,731</b>	<b>34,100</b>	<b>112,936,330</b>	<b>197,817,567</b>	<b>46,454,370</b>	<b>122,520,480</b>	<b>2,590,134,651</b>										
Additions	-	-	-	-	4,549,703	26,372,060	-	-	23,220,872	54,142,634									
Adjustments	-	(9,187,915)	-	-	61,762	4,458,693	-	-	54,070	(4,613,390)									
Revaluation	-	-	-	10,102,269	-	-	-	-	-	10,102,269									
Disposals	-	-	-	(2,500,000)	-	(190,989)	-	-	-	(2,690,989)									
<b>At 31 December 2022</b>	<b>1,199,639,630</b>	<b>735,596,529</b>	<b>173,550,000</b>	<b>34,100</b>	<b>117,547,794</b>	<b>228,457,331</b>	<b>46,454,370</b>	<b>145,795,422</b>	<b>2,647,075,176</b>										
<b>DEPRECIATION &amp; IMPAIRMENT</b>																			
At 1 January 2021	-	124,556,299	57,475,413	39,092	35,597,393	124,672,917	28,590,358	57,773,665	428,705,139										
Depreciation charge for the year	-	18,046,318	7,936,885	58	10,646,557	23,298,089	5,199,202	16,623,337	81,750,446										
Disposals	-	-	(3,100,000)	(5,050)	(119,386)	(1,293,177)	-	-	(4,517,613)										
<b>At 31 December 2021</b>	<b>-</b>	<b>142,602,617</b>	<b>62,312,298</b>	<b>34,100</b>	<b>46,124,564</b>	<b>146,677,829</b>	<b>33,789,560</b>	<b>74,397,002</b>	<b>505,937,971</b>										
Depreciation charge for the year	-	18,554,224	17,379,658	-	11,566,261	25,487,590	4,956,537	21,101,886	99,046,156										
Disposals	-	-	(1,088,294)	-	-	(150,691)	-	-	(1,238,985)										
Adjustments	-	(678,723)	-	-	(521,540)	809,070	-	4,161	(387,032)										
Revaluation	-	-	(61,248,662)	-	-	-	-	-	(61,248,662)										
<b>At 31 December 2022</b>	<b>-</b>	<b>160,478,119</b>	<b>17,355,000</b>	<b>34,100</b>	<b>57,169,285</b>	<b>172,823,798</b>	<b>38,746,097</b>	<b>95,503,049</b>	<b>542,109,448</b>										
<b>NET BOOK VALUE</b>																			
At 31 December 2022	1,199,639,630	575,118,411	156,195,000	-	60,378,509	55,633,533	7,708,273	50,293,373	2,104,965,728										
At 31 December 2021	1,199,639,630	602,181,826	103,635,433	-	66,811,766	51,139,738	12,664,810	48,123,477	2,084,196,680										
At 31 December 2020	1,199,639,630	499,861,336	114,572,318	58	66,117,909	61,598,425	17,864,011	48,778,106	2,008,431,794										



## NOTES TO THE FINANCIAL STATEMENTS

### 17 Right-of-use Assets

As at 31st December	Land and Building 2022	Land and Building 2021
Carrying amount at the beginning of the year	44,133,149	41,966,690
Contracts terminated during the year	-	(5,001,564)
Additions during the year	37,455,503	33,317,914
Amortization during the year (Note 17.2)	(28,712,905)	(26,149,892)
Carrying amount at the end of the year	<b>52,875,747</b>	<b>44,133,149</b>

### 17.1 Lease Liability

#### Obligation to Make the Lease Payments

As at 31st December	2022	2021
	RS.	RS.
Gross Lease Liabilities - Minimum Lease Payments	<b>84,511,868</b>	<b>65,275,719</b>
<b>Obligations under Lease</b>		
No later than One Year	32,667,634	27,800,709
Later than one year but no later than five years	48,865,562	31,691,489
Later than five years	2,978,672	5,783,521
	<b>84,511,868</b>	<b>65,275,719</b>
Future finance charges on leases	(22,476,917)	(14,929,229)
The present value of lease liabilities	<b>62,034,951</b>	<b>50,346,490</b>
<i>The present value of lease liabilities is classified as:</i>		
Current Liabilities	23,252,962	21,759,130
Non-current Liabilities	38,781,989	28,587,360

### 17.2 Amounts recognized in profit & loss

	2022	2021
	Rs.	Rs.
Amortization of "Right-of-Use" (ROU) Assets for the Year	28,712,905	26,149,892
Expenses not included in the measurement of lease liabilities -short-term lease,variable lease payments,low-value assets etc.	4,663,409	4,677,920
Administration Expenses ( Note 12)	<b>33,376,314</b>	<b>30,827,812</b>
Interest paid/payable for lease liabilities (Note 14)	<b>12,819,529</b>	<b>8,455,972</b>

## NOTES TO THE FINANCIAL STATEMENTS

**18 Lease Assets paid in advance**

As at 31st December		2022	2021
		RS.	RS.
Ratmalana Land	99 year	9,080,000	9,240,000
Osusala Badulla ( Bus Stand )	50 year	3,221,400	3,336,450
Osusala Badulla ( CWE )	33 year	3,728,788	3,937,879
Osusala Nugegoda	30 year	5,256,560	5,549,893
<b>Total rent paid in advance</b>		<b>21,286,748</b>	<b>22,064,222</b>

Lease rentals paid in advance represents operating leases stated at cost/revaluation less accumulated amortisation. Such carrying amounts are amortised over the remaining lease period or useful life of the leasehold property whichever is shorter.

**19 Intangible Assets - Computer Software**

		2022	2021
		RS.	RS.
<b>Cost</b>			
As at the beginning of the year		2,567,274	2,567,274
Acquisition/Incurred during the year		5,481,140	583,471
As at the end of the year		8,048,414	3,150,745
<b>Amortisation</b>			
Amortisation charge for the year		1,299,862	816,860
<b>Carrying Amount</b>			
As at the end of the year		6,748,551	2,567,274

**20 DEFERRED TAX ASSETS/ LIABILITIES**

	Balance 1st January 2022	Recognised in profit & loss	Balance 31st December 2022	Balance 1st January 2021	Recognised in profit & loss	Balance 31st December 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
On Property plant & equipment	105,616,327	29,033,069	134,649,396	101,411,527	4,204,800	105,616,327
<b>Deferred tax liability</b>	<b>105,616,327</b>	<b>29,033,069</b>	<b>134,649,396</b>	<b>101,411,527</b>	<b>4,204,800</b>	<b>105,616,327</b>
On Retirement benefit obligation	(112,841,583)	(24,421,746)	(137,263,329)	(118,959,892)	6,118,309	(112,841,583)
Provision for disputed items	(153,106,622)	(81,404,481)	(234,511,103)	(115,232,203)	(37,874,419)	(153,106,622)
<b>Deferred tax Assets</b>	<b>(265,948,204)</b>	<b>(105,826,227)</b>	<b>(371,774,432)</b>	<b>(234,192,095)</b>	<b>(31,756,110)</b>	<b>(265,948,204)</b>
<b>Net Deferred Tax Assets/ Liability</b>	<b>(160,331,877)</b>	<b>(76,793,158)</b>	<b>(237,125,035)</b>	<b>(132,780,568)</b>	<b>(27,551,309)</b>	<b>(160,331,877)</b>

Deferred income tax is provided using a principal tax rate of - 30%

## NOTES TO THE FINANCIAL STATEMENTS

## 21 TRADING STOCK

2022

2021

As at 31st December	2022				2021							
	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	191,846,910	-	191,846,910	-	-	191,846,910	92,976,346	-	92,976,346	-	-	92,976,346
Bulk Stores	874,150,693	104,364	874,255,056	396,478,899	-	477,776,158	1,139,665,189	(13,991)	1,139,679,180	331,367,239	-	808,311,941
Trading Stock Osusala (NOTE 30.4)	2,165,122,438	292,657	2,165,415,096	8,596,386	65,013,383	2,091,805,327	1,302,588,718	558,069	1,302,030,649	13,421,353	57,999,630	1,230,609,666
Finished Products- ORS	466,831	-	466,831	-	-	466,831	-	-	-	-	-	-
Raw Materials -ORS	1,814,570	-	1,814,570	-	-	1,814,570	854,087	-	854,087	-	-	854,087
<b>Total</b>	<b>3,233,401,442</b>	<b>397,021</b>	<b>3,233,798,463</b>	<b>405,075,285</b>	<b>65,013,383</b>	<b>2,763,709,796</b>	<b>2,536,084,339</b>	<b>544,078</b>	<b>2,535,540,262</b>	<b>344,788,592</b>	<b>57,999,630</b>	<b>2,132,752,040</b>
<b>SUNDRY STOCKS</b>												
Printing Stationery	24,652,179	-	24,652,179	-	-	24,652,179	13,583,130	-	13,583,130	-	-	13,583,130
Packing Materials	54,632,647	-	54,632,647	-	-	54,632,647	32,179,317	-	32,179,317	-	-	32,179,317
Miscellaneous Stocks	2,482,427	-	2,482,427	-	-	2,482,427	2,410,257	-	2,410,257	-	-	2,410,257
<b>Total</b>	<b>81,767,253</b>	<b>-</b>	<b>81,767,253</b>	<b>-</b>	<b>-</b>	<b>81,767,253</b>	<b>48,172,704</b>	<b>-</b>	<b>48,172,704</b>	<b>-</b>	<b>-</b>	<b>48,172,704</b>
Disputed items	344,234,681	-	344,234,681	-	-	344,234,681	215,481,045	-	215,481,045	-	-	215,481,045
<b>Total</b>	<b>3,659,403,376</b>	<b>397,021</b>	<b>3,659,800,398</b>	<b>405,075,285</b>	<b>65,013,383</b>	<b>3,189,711,730</b>	<b>2,799,738,089</b>	<b>544,078</b>	<b>2,799,194,011</b>	<b>344,788,592</b>	<b>57,999,630</b>	<b>2,396,405,789</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 22 STOCKS IN TRANSIT - DHS

As at 31st December	2022	2021
	Rs.	Rs.
Stock in Transit	40,000,547	697,376,583
<b>Add: Disputed Items - DHS</b>		
Disputed stock as at 31.12.22	362,024,648	532,522,137
Disputed balances as at 31.12.22	14,603,745	14,603,745
<b>Total Transit Value</b>	<b>416,628,940</b>	<b>1,244,502,465</b>
<b>Less: Provision for unsalable</b>		
<b>Carrying amount at the beginning</b>	307,759,412	279,254,202
Provision for the period	74,138,326	49,422,478
Amount used/Charged against the provision	(5,269,345)	(20,917,268)
<b>Carrying amount at the end of the period</b>	376,628,393	307,759,412
<b>Goods in Transit - DHS</b>	<b>40,000,547</b>	<b>936,743,053</b>

The Corporation made 100% provision for disputed items when they were rejected by DHS due to quality failure, damage, and short self-life and remained in the stores with no movement for more than 12 months.

### 23 TRADE AND OTHER RECEIVABLES

As at 31st December	2022	2021
	Rs.	Rs.
Total Dues From DHS (Note 23.1)	51,591,790,940	52,916,504,915
Trade Debtors (Note 23.1)	1,488,412,962	1,311,824,059
Staff Loans (Note 23.1)	102,788,825	102,539,049
Other Staff Advances (Note 23.1)	234,105	168,362
Deposits and Advances (Note 23.1)	2,211,244,050	930,423,705
Other Receivables & Recoverable (Note 23.1)	3,110,367,213	49,486,746
<b>Total</b>	<b>58,504,838,095</b>	<b>55,310,946,836</b>
<b>Less: Provision for bad &amp; doubtful debts</b>	3,587,925,593	3,146,504,631
<b>Trade and Other Receivables</b>	<b>54,916,912,501</b>	<b>52,164,442,205</b>

#### 23.1 DEBTORS ANALYSIS

As at 31st December	2022	2021
	Rs.	Rs.
<b>TOTAL DUES FROM DHS</b>		
Local Purchase on DHS Tenders	920,317	920,317
DHS Turnover Tax & Custom Duty	51,927,472	51,927,472
Purchase Clearing - DHS	158,744,103	158,744,103
Department of Health Services *	51,380,199,048	52,704,913,023
<b>Total</b>	<b>51,591,790,940</b>	<b>52,916,504,915</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 23.1 DEBTORS ANALYSIS - Cont.

As at 31st December	2022	2021
	Rs.	Rs.
<b>TRADE DEBTORS</b>		
Distributors	291,029,393	306,034,520
Sales Representatives	-	1,801,066
Private Sector Organizations	84,817,845	108,352,167
Forces	795,977,477	650,306,321
Franchise Osusalas	30,502,324	38,186,325
Authorized retailer	1,068,791	1,355,947
Hospitals- Government	190,400,296	92,390,446
Hospitals- Private	16,494,597	13,701,955
Government Dept. & Corporations	48,218,335	69,938,268
Disputed Debtors - Government Sector	16,964,658	17,018,470
Disputed Debtors - Private Sector	2,499,196	2,298,524
Debtors under litigation	10,440,050	10,440,050
<b>Total</b>	<b>1,488,412,962</b>	<b>1,311,824,059</b>
<b>STAFF LOANS</b>		
Staff Loan	102,788,825	102,539,049
<b>Total</b>	<b>102,788,825</b>	<b>102,539,049</b>
<b>OTHER STAFF ADVANCES</b>		
Cycle Loans	5,585	1,092
Festival Advance	228,520	167,270
<b>Total</b>	<b>234,105</b>	<b>168,362</b>
<b>DEPOSITS AND ADVANCES</b>		
Advance Payments to Suppliers	424,423,099	928,520,613
General Advance	1,421,501	1,903,092
Marginal Deposit -DHS	1,785,399,450	-
<b>Total</b>	<b>2,211,244,050</b>	<b>930,423,705</b>
<b>OTHER RECEIVABLES &amp; RECOVERABLE</b>		
General Treasury - OD Int Reimbursement *	3,052,025,211	-
Sundry Debtors	13,813,461	7,661,127
E Channeling control A/c	25,556	25,556
Insurance Claim Receivables	689,077	427,850
Claim receivable from supplier	29,816,825	27,445,979
Agency Commission Receivable	13,997,082	13,926,234
<b>Total</b>	<b>3,110,367,213</b>	<b>49,486,746</b>
<b>TOTAL DEBTORS AND OTHER RECEIVABLES</b>	<b>58,504,838,095</b>	<b>55,310,946,836</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 23.2 DEBTORS ANALYSIS - Cont.

							(Rs. Million)
<b>Age Analysis -DHS</b>							
	Over 5 Years	4 to 5 Years	3 to 4 Years	2 to 3 Years	1 to 2 Years	Less Than 1 Year	Total
DHS - Outstanding	3,253	1,937	169	35	14,628	29,824	49,846
Deductions -Claim from Suppliers	774	32	265	307	63	93	1,534
Import, Local & Custom duty	211	-	-	-	-	-	211
	<b>4,238</b>	<b>1,969</b>	<b>434</b>	<b>342</b>	<b>14,691</b>	<b>29,917</b>	<b>51,591</b>

<b>Age Analysis -SPC</b>							
	OVER 5 YEARS	1 TO 5 YEARS	184 - 365 Days	93 - 184 Days	32 - 92 Days	0 - 31 Days	Grand Total
<b>Trade Debtors</b>	<b>29</b>	<b>30</b>	<b>63</b>	<b>458</b>	<b>500</b>	<b>408</b>	<b>1,488</b>

\*

Overdraft interest on DHS overdraft of Rs.3,052,025,211 has been recorded as a receivable from General Treasury. During the year 2012-2014, Rs. 1005 million has been reimbursed by Treasury to SPC.

In event Rs. 3052 million of overdraft interest not reimbursed by Treasury DHS operation will incur a loss of Rs. 2,676 million & Total operation will incur loss of Rs. 2,197 million.

## NOTES TO THE FINANCIAL STATEMENTS

### 24 PREPAYMENTS

As at 31st December	2022 Rs.	2021 Rs.
Pre- Payments	9,969,284	8,710,858
Employee Security Investments	441,636	441,636
Deposits - Postal Franking Machine	558,682	642,867
Pre paid Staff Expenses	13,236,966	1,461,832
Advance Payments to Port Authority	817,247	2,087,016
Miscellaneous Deposits	11,460,231	9,937,671
Container Deposits - SPC	2,293,340	2,992,840
Container Deposits - DHS	12,019,684	15,630,986
<b>Total</b>	<b>50,797,070</b>	<b>41,905,706</b>

### 25 CASH AND CASH EQUIVALENTS

As at 31st December	2022 Rs.	2021 Rs.
People's Bank A/C -90210892	208,085,618	194,123,584
Commercial Bank A/C -150701	602,065	-
Bank of Ceylon A/C -1438	717,022,793	700,446,327
Bank of Ceylon A/C -1425	-	73,426,324
Bank of Ceylon A/C -70556680	1,305,750,630	14,015,325
Bank of Ceylon A/C -84740710	13,012,796	9,487,002
Standard Chartered Bank A/C -1171968 01	12,900,562	12,009,435
Commercial bank A/C -150401	55,007	55,007
Sampath Sanhida A/C -10218	5,827,630	3,458,937
Bank of Ceylon A/C -0087595324	89,879,740	-
* People's bank A/C -07-0204137	2,583,991,755	-
National Savings Bank A/C -100640401196	40,344	-
Bank of Ceylon - Marging Account	565,192,224	
<b>Investments</b>		
Treasury Bill - Credit Insurance Scheme	74,865,927	71,107,605
Treasury Bill - Supplier Convention	35,685,473	32,494,522
Petty Cash Impress - Control	864,526	832,600
<b>Total</b>	<b>5,613,777,091</b>	<b>1,111,456,668</b>

\* Available balance as at 31.12.2022 is Rs. 24,621,399/-

### 26 EMPLOYEE RETIREMENT GRATUITY

As at 31st December	2022 Rs.	2021 Rs.
Gratuity opening balance	470,173,261	495,666,216
Interest Cost ( Note 26.3)	54,069,925	39,653,297
Past Service Cost	7,346,532	-
Current Service Cost ( Note 26.3)	34,176,266	34,152,213
Actuarial Gain /Loss ( Note 26.3)	(86,102,461)	(57,438,433)
Benefit paid/ payables during the year	(22,119,094)	(41,860,032)
<b>Total</b>	<b>457,544,429</b>	<b>470,173,261</b>

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 2022.

## NOTES TO THE FINANCIAL STATEMENTS

26.1 The principal actuarial valuation assumptions used are as follows:

As at 31st December	2022	2021
Discount %	18% p.a.	11.5% p.a.
Future salary increase %	15% p.a.	8% p.a.
Allowance increase %	18% p.a.	13% p.a.
Retiring age	60 Years	62 Years
Staff Turnover Factor	2.0%	1.0%

### 26.2 Sensitivity Analysis

A one percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity

As at 31 December	Present Value of Defined Benefit Obligation 2022	Present Value of Defined Benefit Obligation 2021
Discount Rate:		
1% Increase	421,278,807	418,380,223
1% Decrease	499,278,667	531,831,152
Salary Escalation Rate ( Including Allowances):		
1% Increase	499,236,085	531,073,139
1% Decrease	420,746,024	418,068,189

26.3 The amounts recognized in the Income Statement are as follows,

As at 31st December	2022	2021
	Rs.	Rs.
Past Service Cost	7,346,532	-
Current service cost	34,176,266	34,152,213
Interest charges for the year	54,069,925	39,653,297
<b>Gratuity include in the staff cost (Note 12)</b>	<b>95,592,723</b>	<b>73,805,510</b>
Actuarial gain/loss - OCI	(86,102,461)	(57,438,433)
<b>Total</b>	<b>9,490,262</b>	<b>16,367,077</b>

### 27 LONG TERM LOANS

As at 31st December	Bank of Ceylon Rs.	People's Bank Rs.	Total value Rs.
<b>Loan amount</b>	<b>5,876,000,000</b>	<b>6,000,000,000</b>	<b>11,876,000,000</b>
Balance as at 01.01.2022	5,549,555,552	5,916,700,000	11,466,255,552
Total Paid	979,333,334	999,600,000	1,978,933,334
Balance as at 31.12.2022	4,570,222,218	4,917,100,000	9,487,322,218
<b>Balance to be paid</b>			
Not later than one year	979,333,334	999,600,000	1,978,933,334
Later than one year	3,590,888,884	3,917,500,000	7,508,388,884

The Government Treasury has arranged the above Term loans in enabling SPC to maintain its liquidity within the already approved overdraft facility limits and undertake to settle the same with interest. The Corporation repaid the loan as the settlements received from the Treasury.



## NOTES TO THE FINANCIAL STATEMENTS

### 28 TRADE AND OTHER PAYABLES

As at 31st December	2022	2021
	Rs.	Rs.
Accrued charges & provision	224,116,822	258,664,030
Interest received in advance - Government Treasury	13,602,763	10,539,637
Creditors control	5,208,767,562	1,234,484,964
Special order advance	21,134,366	21,134,366
Customer advance	1,010,236	1,786,212
Security deposits	630,001	632,319
Salaries control	18,681,594	10,826,943
Bank bills payable - SPC	375,003,996	158,322,166
Bank bills payable - DHS	19,546,217,496	14,331,273,201
Interest on cash security deposits	102,529	93,753
Tender deposits	4,368,977	4,714,939
Loans & other recoveries (staff)	15,628,273	17,344,694
Gratuity payable	76,247	76,247
Seva Vanitha	103,280	103,280
Welfare fund	469,774	67,772
Contributed Staff welfare	7,947,745	7,485,436
Fund for Evaluation of Sinopharm Vaccine *	3,727,518	7,500,000
Fund for Covid 19 relief assistance**	8,027,301	8,027,301
Cash Deposit in lieu of Bank Guarantee	11,147,101	6,578,234
Agency commission	55,700,423	47,482,819
Value added tax	39,242,523	37,078,134
<b>Total</b>	<b>25,555,706,528</b>	<b>16,164,216,448</b>

\* Ceyoka Pvt Ltd granted 7.5 million to conduct Sinopharm post-marketing surveillance research and related activities. The Corporation is carrying out research and related activities. The balance remaining as at 31st December 2022 is given above.

\*\*The Government of Pakistan granted Rs. 8 million to utilize as relief assistance for Covid 19. This fund will be utilized for the requirements related to Covid -19 pandemic in the year 2023.

### 29 CURRENT FINANCIAL LIABILITIES

As at 31st December	2022	2021
	Rs.	Rs.
Bank of Ceylon A/C -1435	7,844,581,222	7,307,382,123
Bank of Ceylon A/C -1425	83,539,088	-
Bank of Ceylon A/C -70556680	-	-
People's bank A/C -90210929	8,009,783,388	8,104,710,269
Commercial bank A/C -150701	-	19,964,147
<b>Total</b>	<b>15,937,903,698</b>	<b>15,432,056,540</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 OSUSALA INCOME**

For the year ended 31st December 2022	Col 07		Col 01		KANDY		NIGEGODA		AVISS.		RATNAPURA		MINU.		PANDURA		GALLE		MATARA		KURUNEGALA		AMPARA		HAMBANTOTA		
	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING	Rs.	OSU SALA TRADING
Sales	1,435,865,850	775,806,920	435,149,186	354,929,841	151,632,035	76,715,588	120,996,355	53,611,807	195,922,582	151,471,936	128,818,956	287,067,038	110,849,543	96,955,323													
Cost of Sales (Note 30.1)	1,205,809,815	668,730,904	351,417,638	305,870,691	127,785,314	64,211,011	100,242,456	43,983,601	161,870,691	126,415,352	107,053,899	240,914,821	88,532,780	80,930,426													
<b>Gross Profit on Sales &amp; Transfers</b>	<b>230,056,035</b>	<b>107,076,016</b>	<b>83,731,548</b>	<b>49,059,151</b>	<b>23,846,721</b>	<b>12,504,577</b>	<b>20,753,900</b>	<b>9,628,206</b>	<b>34,051,892</b>	<b>25,056,584</b>	<b>21,765,057</b>	<b>46,152,216</b>	<b>22,316,762</b>	<b>16,024,897</b>													
<b>ADMINISTRATIVE EXPENSES ( Note 30.2)</b>																											
Personnel Expenses	85,382,847	19,864,172	16,551,158	31,820,450	17,571,170	12,410,170	14,219,470	8,669,846	15,449,731	17,324,759	18,066,705	19,584,863	9,508,307	7,673,312													
Travelling Expenses	40,049	63,061	64,567	16,072	1,419	38,542	37,600	38,544	48,510	14,800	2,450	12,700	-	2,950													
Supplies & Requisites	1,343,105	538,986	414,163	306,119	292,294	44,611	310,710	124,347	223,632	223,750	242,347	475,073	212,570	198,716													
Repairs & Maintenance	1,451,286	167,881	561,527	467,192	113,235	140,724	251,575	157,907	182,082	212,910	197,832	212,129	197,916	203,867													
Transportation, Communication, Utilities & Other	18,015,969	4,015,064	2,369,954	4,946,476	3,482,384	2,811,595	3,219,862	2,510,346	3,871,941	3,129,130	3,297,462	6,118,075	2,342,447	2,454,952													
<b>OTHER OPERATING EXPENSES (Note 30.3)</b>																											
Selling & Distribution Expenses	777,936	1,305,816	1,008,013	1,754,434	483,706	404,468	685,349	112,939	453,863	331,600	363,920	363,198	430,828	262,435													
<b>TOTAL OVERHEADS</b>	<b>107,011,192</b>	<b>25,954,979</b>	<b>20,969,382</b>	<b>39,310,743</b>	<b>21,944,209</b>	<b>15,850,111</b>	<b>18,724,567</b>	<b>11,613,929</b>	<b>20,229,759</b>	<b>21,236,949</b>	<b>22,170,715</b>	<b>26,766,037</b>	<b>12,692,067</b>	<b>10,796,233</b>													
<b>NET PROFIT/(LOSS)</b>	<b>123,044,843</b>	<b>81,121,037</b>	<b>62,762,166</b>	<b>9,748,408</b>	<b>1,902,512</b>	<b>(3,345,534)</b>	<b>2,029,333</b>	<b>(1,985,723)</b>	<b>13,822,132</b>	<b>3,819,635</b>	<b>(405,658)</b>	<b>19,386,179</b>	<b>9,624,695</b>	<b>5,228,665</b>													
<b>30.1 COST OF SALES</b>																											
Stock in Trade - at the beginning of the year	172,754,068	104,701,285	61,041,701	58,800,727	29,386,885	14,732,681	22,668,658	18,468,404	38,268,108	24,193,271	30,128,631	55,829,100	23,113,188	24,337,172													
Local purchases	1,155,343,139	570,527,977	317,177,876	172,400,606	102,346,099	25,491,481	59,987,970	19,497,534	113,337,982	75,042,538	80,439,172	120,284,828	21,168,315	54,689,192													
Transfers	173,485,333	138,883,266	97,293,962	167,237,821	41,608,866	39,977,849	47,359,011	31,041,012	83,208,320	63,926,871	50,341,439	166,294,806	66,960,916	47,949,064													
<b>STOCKS AVAILABLE FOR SALE</b>	<b>1,501,582,539</b>	<b>814,112,528</b>	<b>475,513,539</b>	<b>398,439,154</b>	<b>173,341,850</b>	<b>80,202,011</b>	<b>130,015,638</b>	<b>69,006,949</b>	<b>234,814,410</b>	<b>163,162,681</b>	<b>160,909,243</b>	<b>342,408,735</b>	<b>111,242,419</b>	<b>126,975,428</b>													
Stock in trade at year end (Note 30.4)	295,772,724	145,381,624	124,095,901	92,568,463	45,556,536	15,990,999	29,773,182	25,023,349	72,943,719	36,747,329	53,855,343	101,493,913	22,709,639	46,045,003													
<b>COST OF SALES &amp; TRANSFERS</b>	<b>1,205,809,815</b>	<b>668,730,904</b>	<b>351,417,638</b>	<b>305,870,691</b>	<b>127,785,314</b>	<b>64,211,011</b>	<b>100,242,456</b>	<b>43,983,601</b>	<b>161,870,691</b>	<b>126,415,352</b>	<b>107,053,899</b>	<b>240,914,821</b>	<b>88,532,780</b>	<b>80,930,426</b>													

**30 OSUSALA INCOME**

	OSUSALA TRADING APURA		OSUSALA TRADING MAIRAGAMA		OSUSALA TRADING JUPURA		OSUSALA TRADING KARAPITVA		OSUSALA TRADING NEGOMBO		OSUSALA TRADING BABULLA-CWE		OSUSALA TRADING BHATHILAWA		OSUSALA TRADING JAFNA		OSUSALA TRADING POLONNARIWA		SATHOSA OUTLETS RATMALANA		OSU SALA TRADING TANGALLE		OSU SALA TRADING RAGAMA		OSU SALA TRADING BANDARAGAMA		OSU SALA TRADING FORT		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
For the year ended 31st December 2022																													
Sales	120,966,105	169,041,027	294,458,889	159,776,684	127,882,992	115,098,223	51,007,319	99,191,072	110,394,340	32,022,330	162,716,236	153,537,007	64,120,099	87,480,995															
Cost of Sales (Note 30.1)	100,795,668	139,780,986	248,238,352	126,778,537	108,445,865	93,886,997	43,941,633	85,814,175	91,477,985	26,382,840	137,173,437	127,725,170	52,768,643	72,851,310															
<b>Gross Profit on Sales &amp; Transfers</b>	<b>20,170,437</b>	<b>29,260,041</b>	<b>46,220,537</b>	<b>32,998,147</b>	<b>19,437,127</b>	<b>21,211,226</b>	<b>7,065,686</b>	<b>13,376,896</b>	<b>18,916,355</b>	<b>5,639,490</b>	<b>25,542,799</b>	<b>25,811,837</b>	<b>11,351,456</b>	<b>14,629,685</b>															
<b>ADMINISTRATIVE EXPENSES (Note 30.2)</b>																													
Personnel Expenses	11,879,793	15,880,951	32,906,214	16,092,984	11,927,459	12,360,155	6,870,382	7,693,445	11,170,949	4,000,130	12,290,698	13,588,562	8,155,267	9,182,991															
Travelling Expenses	10,850	5,826	3,677	27,220	-	8,150	-	36,990	5,628	14,799	5,430	51,860	6,045	11,994															
Supplies & Requisites	236,600	107,528	395,255	130,129	293,356	97,589	28,822	445,715	591,990	90,646	30,115	228,090	76,671	63,006															
Repairs & Maintenance	100,120	480,531	107,547	182,282	282,412	243,681	38,156	105,888	250,725	7,908	250,643	135,676	221,852	181,166															
Transportation, Communication, Utilities & Other	3,159,698	3,887,254	5,295,548	4,140,383	3,057,498	2,888,490	1,003,664	1,439,935	2,877,845	421,619	2,615,516	3,115,770	1,453,673	2,833,494															
<b>OTHER OPERATING EXPENSES (Note 30.3)</b>																													
Selling & Distribution Expenses	162,916	452,775	453,520	751,922	427,653	559,527	186,793	149,424	375,176	95,655	145,175	11,118	211,267	102,989															
<b>TOTAL OVERHEADS</b>	<b>15,549,978</b>	<b>20,814,866</b>	<b>39,161,761</b>	<b>21,324,921</b>	<b>15,988,378</b>	<b>16,157,591</b>	<b>8,127,817</b>	<b>9,871,397</b>	<b>15,273,313</b>	<b>4,630,757</b>	<b>15,337,577</b>	<b>17,131,077</b>	<b>10,124,776</b>	<b>12,375,640</b>															
<b>NET PROFIT/(LOSS)</b>	<b>4,620,459</b>	<b>8,445,176</b>	<b>7,058,776</b>	<b>11,673,226</b>	<b>3,448,749</b>	<b>5,053,635</b>	<b>(1,062,131)</b>	<b>3,505,500</b>	<b>3,644,041</b>	<b>1,008,733</b>	<b>10,205,221</b>	<b>8,680,760</b>	<b>1,226,680</b>	<b>2,254,044</b>															

**30.1 COST OF SALES**

Stock in Trade - at the beginning of the year	19,260,485	34,489,061	38,521,713	25,754,238	13,307,029	22,351,785	12,680,215	29,143,283	25,073,099	3,570,470	29,411,153	25,053,207	10,071,001	11,400,358
Local purchases	37,669,910	112,270,783	193,795,531	73,284,071	78,203,834	51,296,931	20,173,364	46,172,840	36,287,830	15,175,111	25,682,267	73,920,111	30,492,666	40,245,095
Transfers	65,127,856	53,597,692	69,980,040	66,075,369	35,797,478	54,657,438	28,090,627	46,305,301	68,930,799	16,869,013	126,143,841	81,236,801	25,385,470	42,550,868
<b>STOCK AVAILABLE FOR SALE</b>	<b>122,058,250</b>	<b>200,357,537</b>	<b>302,297,284</b>	<b>165,113,677</b>	<b>127,308,340</b>	<b>128,306,154</b>	<b>60,944,206</b>	<b>121,621,424</b>	<b>130,291,728</b>	<b>35,614,594</b>	<b>181,237,261</b>	<b>180,210,120</b>	<b>65,949,136</b>	<b>94,196,321</b>
Stock In trade at year end (Note 30.4)	21,262,583	60,576,551	54,058,932	38,335,140	18,862,475	34,419,157	17,002,573	35,807,249	38,813,743	9,231,754	44,063,824	52,484,950	13,180,493	21,345,010
<b>COST OF SALES &amp; TRANSFERS</b>	<b>100,795,668</b>	<b>139,780,986</b>	<b>248,238,352</b>	<b>126,778,537</b>	<b>108,445,865</b>	<b>93,886,997</b>	<b>43,941,633</b>	<b>85,814,175</b>	<b>91,477,985</b>	<b>26,382,840</b>	<b>137,173,437</b>	<b>127,725,170</b>	<b>52,768,643</b>	<b>72,851,310</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 30 OSUSALA INCOME

For the year ended 31st December 2022	OSUSALA BOBELLA		OSUSALA EMBILIPITTA		OSUSALA KODI-RAILWAY		OSUSALA GAMPAHA		OSUSALA NAGODA		OSUSALA BERUWALA		OSUSALA PILDANDALA		OSUSALA SINTHAVUR		OSUSALA AKKARAIPATTU		OSUSALA MONARAGALA		OSUSALA PERADENYA		OSUSALA ANAMADUWA		OSUSALA KODI		OSUSALA DAMBULLA	
	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.
Sales	54,312,554	52,112,031	92,607,622	125,833,893	96,454,992	79,016,523	76,568,738	40,008,580	56,741,836	85,187,271	136,211,996	22,128,336	67,755,733	82,384,381														
Cost of Sales (Note 30.1)	45,449,463	43,427,579	77,404,213	105,744,181	80,881,647	65,839,424	64,699,832	33,224,166	48,850,026	73,244,712	116,383,531	17,789,280	57,521,912	70,923,599														
<b>Gross Profit on Sales &amp; Transfers</b>	<b>8,863,090</b>	<b>8,684,452</b>	<b>15,203,409</b>	<b>20,089,711</b>	<b>15,573,344</b>	<b>13,177,099</b>	<b>11,868,907</b>	<b>6,784,414</b>	<b>7,891,810</b>	<b>11,942,559</b>	<b>19,828,466</b>	<b>4,339,056</b>	<b>10,233,821</b>	<b>11,460,781</b>														
<b>ADMINISTRATIVE EXPENSES (Note 30.2)</b>																												
Personnel Expenses	6,511,389	8,213,012	8,488,409	11,136,922	8,200,632	8,077,270	7,452,151	6,778,373	6,163,691	8,447,866	10,121,726	3,302,688	5,300,606	9,155,185														
Travelling Expenses	-	90,825	1,100	33,110	15,350	300	5,400	-	-	7,400	3,326	3,000	51,490	26,750														
Supplies & Requisites	118,231	97,474	98,869	148,756	71,934	172,859	106,561	64,372	91,027	287,270	72,689	207,762	179,496	184,795														
Repairs & Maintenance	107,372	274,348	60,993	120,147	148,075	126,937	83,283	2,780	14,655	28,901	17,960	19,575	14,180	94,619														
Transportation, Communication, Utilities & Other	1,045,253	2,121,346	2,345,344	2,871,615	2,075,297	2,710,736	3,265,594	2,255,232	2,150,786	2,647,904	2,258,265	2,234,149	965,298	2,890,003														
<b>OTHER OPERATING EXPENSES (Note 30.3)</b>																												
Selling & Distribution Expenses	89,923	240,187	243,563	384,830	171,825	168,454	280,868	174,721	96,280	317,637	128,305	95,797	339,490	314,851														
<b>TOTAL OVERHEADS</b>	<b>7,872,168</b>	<b>11,037,192</b>	<b>11,238,279</b>	<b>14,695,379</b>	<b>10,683,113</b>	<b>11,256,555</b>	<b>11,193,858</b>	<b>9,275,478</b>	<b>8,516,439</b>	<b>11,736,978</b>	<b>12,602,272</b>	<b>5,862,971</b>	<b>6,850,560</b>	<b>12,666,201</b>														
<b>NET PROFIT/(LOSS)</b>	<b>990,922</b>	<b>(2,352,739)</b>	<b>3,965,130</b>	<b>5,394,332</b>	<b>4,890,232</b>	<b>1,920,545</b>	<b>675,049</b>	<b>(2,491,064)</b>	<b>(624,629)</b>	<b>205,581</b>	<b>7,226,194</b>	<b>(1,523,915)</b>	<b>3,383,261</b>	<b>(1,205,420)</b>														

## 30.1 COST OF SALES

Stock in Trade - at the beginning of the year	9,243,059	10,280,876	11,154,320	32,513,697	21,352,482	11,621,452	16,012,909	6,647,478	10,581,314	16,035,099	14,697,636	5,454,021	18,740,280	20,558,886
Local purchases	28,272,474	27,152,997	25,056,158	40,473,712	35,384,549	26,050,406	40,641,001	9,308,339	15,788,857	23,275,328	53,402,058	5,577,662	50,640,657	28,396,771
Transfers	22,948,970	24,254,198	60,585,168	80,594,273	54,323,489	48,170,676	31,762,221	28,760,296	34,208,855	60,842,480	70,407,131	14,768,199	19,662,416	57,576,445
<b>STOCK AVAILABLE FOR SALE</b>	<b>60,464,503</b>	<b>61,688,070</b>	<b>96,795,647</b>	<b>153,581,683</b>	<b>111,060,520</b>	<b>85,842,534</b>	<b>88,416,131</b>	<b>44,716,113</b>	<b>60,579,025</b>	<b>100,152,906</b>	<b>138,506,825</b>	<b>25,799,881</b>	<b>89,043,352</b>	<b>106,532,102</b>
Stock In trade at year end (Note 30.4)	15,015,039	18,260,491	19,391,433	47,837,502	30,178,873	20,003,110	23,716,299	11,491,947	11,728,999	26,908,195	22,123,295	8,010,601	31,521,440	35,608,503
<b>COST OF SALES &amp; TRANSFERS</b>	<b>45,449,463</b>	<b>43,427,579</b>	<b>77,404,213</b>	<b>105,744,181</b>	<b>80,881,647</b>	<b>65,839,424</b>	<b>64,699,832</b>	<b>33,224,166</b>	<b>48,850,026</b>	<b>73,244,712</b>	<b>116,383,531</b>	<b>17,789,280</b>	<b>57,521,912</b>	<b>70,923,599</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 30 OSUSALA INCOME

For the year ended 31st December 2022	OSUSALA TRADING MATALE		OSUSALA TRADING B.S.BADULLA		OSUSALA TRADING MATHUGAMA		OSUSALA TRADING NARAHPITTA		OSUSALA TRADING MADAWACHCHYA		OSUSALA TRADING PITAKOTTE		OSUSALA TRADING HORANA		OSUSALA TRADING HOMAGAMA		OSUSALA TRADING NITTAMBUWA		REGIONAL STORES KANDY		OSUSALA TOTAL TRADING ACTIVITIES		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Sales	105,832,032	32,484,794	79,004,663	24,398,639	36,116,465	99,227,636	58,875,840	51,683,554	11,832,321	144,232,030	7,834,498,737												
Cost of Sales (Note 30.1)	88,479,622	26,466,045	63,798,652	20,117,989	28,247,326	84,411,395	48,550,482	41,403,671	10,600,094	110,261,176	6,553,551,016												
<b>Gross Profit on Sales &amp; Transfers</b>	<b>17,352,410</b>	<b>6,018,749</b>	<b>15,206,011</b>	<b>4,280,650</b>	<b>7,869,139</b>	<b>14,816,241</b>	<b>10,325,358</b>	<b>10,279,883</b>	<b>1,232,227</b>	<b>33,970,854</b>	<b>1,280,947,721</b>												
<b>ADMINISTRATIVE EXPENSES (Note 30.2)</b>																							
Personnel Expenses	6,683,446	5,630,259	5,950,367	2,567,818	3,587,251	8,825,767	6,387,474	6,764,558	2,414,920	10,070,190	634,328,914												
Travelling Expenses	6,070	2,970	10,230	30,100	18,570	400	5,320	720	-	37,731	919,895												
Supplies & Requisites	109,669	84,953	165,869	105,989	56,590	212,514	202,353	139,770	156,355	25,027	10,927,119												
Repairs & Maintenance	60,634	36,693	62,969	-	291,483	42,191	160,379	57,249	73,294	443,389	9,448,752												
Transportation, Communication, Utilities & Other	2,929,526	1,891,838	2,636,912	878,586	2,572,156	3,509,019	2,130,770	2,965,172	1,081,575	5,413,684	158,622,106												
<b>OTHER OPERATING EXPENSES (Note 30.3)</b>																							
Selling & Distribution Expenses	266,759	304,363	206,081	90,301	84,749	193,331	(7,636)	139,779	34,011	2,881,502	20,064,386												
<b>TOTAL OVERHEADS</b>	<b>10,056,105</b>	<b>7,951,077</b>	<b>9,032,428</b>	<b>3,672,794</b>	<b>6,610,800</b>	<b>12,783,222</b>	<b>8,878,659</b>	<b>10,067,248</b>	<b>3,760,154</b>	<b>18,871,523</b>	<b>834,311,172</b>												
<b>NET PROFIT/(LOSS)</b>	<b>7,296,305</b>	<b>(1,932,328)</b>	<b>6,173,583</b>	<b>607,856</b>	<b>1,258,339</b>	<b>2,033,019</b>	<b>1,446,699</b>	<b>212,635</b>	<b>(2,527,927)</b>	<b>15,099,331</b>	<b>446,636,549</b>												

## 30.1 COST OF SALES

Stock in Trade - at the beginning of the year	14,242,527	8,442,967	16,847,643	4,229,619	12,894,126	13,779,609	10,851,800	-	-	23,916,525	1,288,609,296												
Local purchases	41,002,558	15,912,643	41,036,139	11,957,544	7,970,601	67,156,643	33,188,152	42,337,277	19,277,382	-	4,411,664,961												
Transfers	50,733,006	15,930,136	29,203,367	12,679,557	43,040,945	43,490,344	23,436,254	24,053,599	11,284,386	159,365,657	3,018,399,198												
<b>STOCK AVAILABLE FOR SALE</b>	<b>105,978,091</b>	<b>40,285,745</b>	<b>87,087,149</b>	<b>28,866,720</b>	<b>63,905,672</b>	<b>124,426,596</b>	<b>67,476,206</b>	<b>66,390,877</b>	<b>30,561,768</b>	<b>183,282,182</b>	<b>8,718,673,455</b>												
Stock in trade at year end (Note 30.4)	17,498,469	13,819,700	23,288,497	8,748,731	35,658,346	40,015,201	18,925,724	24,987,206	19,961,675	73,021,006	2,165,122,438												
<b>COST OF SALES &amp; TRANSFERS</b>	<b>88,479,622</b>	<b>26,466,045</b>	<b>63,798,652</b>	<b>20,117,989</b>	<b>28,247,326</b>	<b>84,411,395</b>	<b>48,550,482</b>	<b>41,403,671</b>	<b>10,600,094</b>	<b>110,261,176</b>	<b>6,553,551,016</b>												



**30.2 NOTES TO THE FINANCIAL STATEMENTS  
OSUSALA -OVERHEADS**

For the year ended 31st December 2022

	OSUSALA TRADING APURA	OSUSALA TRADING MAHARAGAMA	OSUSALA TRADING JIPRA	OSUSALA TRADING KARAPITVA	OSUSALA TRADING NEGOMBO	OSUSALA TRADING BADULLACWE	OSUSALA TRADING DIYATIMALAWA	OSUSALA TRADING JAFENA	OSUSALA TRADING POLOSNARIWA	SATHIOSA OUTLET RAIMMALANA	OSUSALA TRADING JAGALLE	OSUSALA TRADING RAGAMA	OSUSALA TRADING BANDARAGAMA	OSUSALA TRADING PORT
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ADMINISTRATIVE COST</b>														
<b>PERSONNEL EMOLUMENTS</b>														
Salaries, Wages & Allowances.	8,866,968	12,476,633	23,993,604	12,481,730	9,200,143	9,200,224	5,304,305	5,996,716	8,394,453	3,273,022	9,531,397	10,268,827	6,395,067	7,353,561
Overtime.	787,014	551,514	2,356,987	670,621	781,851	829,275	412,702	390,870	705,390	37,598	323,142	794,285	385,200	148,525
Uniforms.	83,474	110,706	226,745	101,256	71,583	94,075	50,211	63,465	81,854	22,418	87,983	87,983	48,595	66,699
Insurance for staff	18,310	69,247	382,405	238,777	42,168	144,969	-	-	216,475	14,069	122,316	185,030	73,038	52,994
Provident fund (E.P.F & E.T.F)	1,420,467	1,420,203	2,826,617	1,425,368	1,008,335	1,041,830	590,190	677,587	971,643	374,081	1,101,227	1,159,811	692,727	828,167
Annual bonus	140,000	200,000	354,000	180,000	120,000	140,000	80,000	100,000	140,000	40,000	146,000	160,000	80,000	120,000
Annual per inc. bonus.	518,304	772,449	1,391,227	742,457	489,629	546,569	307,425	371,507	511,435	174,592	605,225	620,878	338,432	458,243
Housing loan interest	264,606	-	911,729	16,376	-	164,913	-	-	-	-	184,109	61,099	5,408	21,002
Attendance bonus	181,650	280,200	462,900	236,400	213,750	198,300	125,550	93,300	149,700	64,350	189,300	250,650	136,800	133,800
<b>Total</b>	<b>11,879,793</b>	<b>15,880,951</b>	<b>32,906,214</b>	<b>16,092,984</b>	<b>11,927,459</b>	<b>12,360,155</b>	<b>6,870,382</b>	<b>7,693,445</b>	<b>11,170,949</b>	<b>4,000,130</b>	<b>12,290,698</b>	<b>13,588,562</b>	<b>8,155,267</b>	<b>9,182,991</b>
<b>TRAVELLING EXPENSES</b>														
Local travelling expenses	10,850	5,826	3,677	27,220	-	8,150	-	36,990	5,628	14,799	5,430	51,860	6,045	11,994
<b>Total</b>	<b>10,850</b>	<b>5,826</b>	<b>3,677</b>	<b>27,220</b>	<b>-</b>	<b>8,150</b>	<b>-</b>	<b>36,990</b>	<b>5,628</b>	<b>14,799</b>	<b>5,430</b>	<b>51,860</b>	<b>6,045</b>	<b>11,994</b>
<b>SUPPLIES &amp; REQUISITES</b>														
Printing & stationery.	236,600	107,528	395,255	130,129	293,356	97,589	28,822	445,715	591,990	90,646	30,115	228,090	76,671	63,006
<b>Total</b>	<b>236,600</b>	<b>107,528</b>	<b>395,255</b>	<b>130,129</b>	<b>293,356</b>	<b>97,589</b>	<b>28,822</b>	<b>445,715</b>	<b>591,990</b>	<b>90,646</b>	<b>30,115</b>	<b>228,090</b>	<b>76,671</b>	<b>63,006</b>
<b>REPAIRS &amp; MAINTENANCE</b>														
Buildings.	9,015	193,705	4,690	29,105	39,424	81,901	8,231	26,643	110,185	5,660	12,607	21,034	9,767	9,255
Furniture, fittings & equipment	91,105	211,431	35,502	59,323	175,634	69,726	29,925	11,890	73,185	998	170,682	46,537	139,992	104,557
Computer	-	75,395	67,355	93,855	67,355	92,055	-	67,355	67,355	1,250	67,355	68,105	72,093	67,355
<b>Total</b>	<b>100,120</b>	<b>480,531</b>	<b>107,547</b>	<b>182,282</b>	<b>282,412</b>	<b>243,681</b>	<b>38,156</b>	<b>105,888</b>	<b>250,725</b>	<b>7,908</b>	<b>250,643</b>	<b>135,676</b>	<b>221,852</b>	<b>181,166</b>
<b>TRANSPORTATION, COMMUNICATION, UTILITIES &amp; OTHER SERVICES</b>														
Rent.	777,399	1,663,262	1,440,000	1,419,643	1,138,697	-	456,314	-	-	-	-	459,372	-	1,170,720
Lease rent amortization	-	-	-	-	-	209,091	-	-	-	-	-	-	-	-
Rates & taxes.	8,546	-	-	13,703	1,100	11,134	-	5,500	-	-	10,273	-	-	-
Water bills	15,028	5,545	-	19,242	25,618	20,632	11,658	-	35,719	-	13,699	23,999	14,705	7,987
Electricity.	432,916	654,748	917,993	697,254	669,359	431,024	30,654	339,815	686,468	-	741,586	596,095	236,224	359,421
Fuel for Generator	42,675	96,610	-	215,140	3,899	89,477	-	-	27,900	-	47,708	3,000	189,341	22,900
Postage, Telegrams & Telephones.	66,526	39,022	44,510	67,740	50,673	59,442	21,208	59,848	55,755	15,743	58,590	49,144	39,404	38,436
Depreciation	769,236	423,132	338,870	478,062	166,170	948,624	112,418	188,185	622,579	223,431	776,868	254,315	200,993	364,588
Amortisation- Computer Software	38,898	-	-	-	-	-	-	-	-	38,898	-	-	-	-
Trade subscriptions, Periodicals & Publications.	-	26,680	39,210	2,760	12,820	-	-	30,390	-	-	6,600	-	12,460	-
Security services.	402,655	419,204	1,083,587	428,754	422,295	452,682	-	406,733	999,765	-	402,655	1,085,108	410,040	399,906
License fees for drugs.	31,105	32,915	36,248	19,712	25,152	31,780	57,935	31,456	23,329	10,728	21,613	35,952	27,784	23,413
Sundry expenses.	500	-	-	1,868	-	2,135	-	2,100	-	-	1,390	80	20	5,470
Staff welfare.	469,216	376,905	1,050,345	642,233	436,715	497,469	238,477	285,928	307,330	117,469	418,529	491,339	248,052	350,683
Staff medical expenses.	105,000	149,231	344,785	134,273	105,000	135,000	75,000	90,000	119,000	15,351	116,005	117,367	74,651	89,970
<b>Total</b>	<b>3,159,698</b>	<b>3,887,254</b>	<b>5,295,548</b>	<b>4,140,383</b>	<b>3,057,498</b>	<b>2,888,490</b>	<b>1,003,664</b>	<b>1,439,935</b>	<b>2,877,845</b>	<b>421,619</b>	<b>2,615,516</b>	<b>3,115,770</b>	<b>1,453,673</b>	<b>2,833,494</b>
<b>TOTAL ADMINISTRATIVE COST</b>	<b>15,387,062</b>	<b>20,362,090</b>	<b>38,708,241</b>	<b>20,572,999</b>	<b>15,560,725</b>	<b>15,598,064</b>	<b>7,941,024</b>	<b>9,721,973</b>	<b>14,897,137</b>	<b>4,535,102</b>	<b>15,192,403</b>	<b>17,119,958</b>	<b>9,913,509</b>	<b>12,272,651</b>

30.2 OSUSALA -OVERHEADS

	OSUSALA TRADING BORELLA		OSUSALA TRADING EMBLIPITVA		OSUSALA TRADING KDV-RAILWAY		OSUSALA TRADING GAMPAHA		OSUSALA TRADING NAGODA		OSUSALA TRADING BERTIWALA		OSUSALA TRADING PILIYANDALA		OSUSALA TRADING NINTHAVUR		OSUSALA TRADING AKKARAPATTU		OSUSALA TRADING MONARGALA		OSUSALA TRADING PERADENDYA		OSUSALA TRADING ANAMADUWA		OSUSALA TRADING KDU		OSUSALA TRADING DAMBULLA		
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		
<b>ADMINISTRATIVE COST</b>																													
<b>PERSONNEL EMOLUMENTS</b>																													
Salaries, Wages & Allowances.	5,149,296	6,559,391	6,287,454	8,600,202	6,528,167	5,951,473	5,572,761	5,265,573	4,523,325	6,693,692	7,871,177	2,480,951	4,194,825	6,989,669															
Overtime.	213,637	241,756	597,309	627,802	219,695	760,345	511,867	449,087	561,712	477,157	486,092	226,278	86,653	561,669															
Uniforms.	51,411	55,511	68,056	65,820	57,990	58,511	59,329	45,181	46,902	56,311	63,945	20,618	31,577	80,304															
Insurance for staff	38,412	29,101	96,230	13,300	13,100	-	68,505	-	50,551	-	2,900	90,000	19,319	6,863															
Provident fund (E.P.F & E.T.F)	574,304	734,533	746,589	943,295	715,560	692,451	652,221	564,124	523,816	758,390	905,918	264,854	457,944	835,833															
Annual bonus	80,000	100,000	100,000	120,000	100,000	100,000	100,000	80,000	80,000	80,000	120,000	40,000	60,000	120,000															
Annual per inc. bonus.	308,179	394,621	382,701	500,356	382,249	356,841	356,669	289,657	268,637	296,667	448,525	139,187	240,439	427,196															
Housing loan interest	-	-	80,171	95,598	24,270	-	-	-	-	-	34,769	-	120,600	-															
Attendance bonus	96,150	98,100	129,900	170,550	159,600	157,650	130,800	84,750	108,750	85,650	188,400	40,800	89,250	133,650															
<b>Total</b>	<b>6,511,389</b>	<b>8,213,012</b>	<b>8,488,409</b>	<b>11,136,922</b>	<b>8,200,632</b>	<b>8,077,270</b>	<b>7,452,151</b>	<b>6,778,373</b>	<b>6,163,691</b>	<b>8,447,866</b>	<b>10,121,726</b>	<b>3,302,688</b>	<b>5,300,606</b>	<b>9,155,185</b>															
<b>TRAVELLING EXPENSES</b>																													
Local travelling expenses	-	90,825	1,100	33,110	15,350	300	5,400	-	-	7,400	3,326	3,000	51,490	26,750															
<b>Total</b>	<b>-</b>	<b>90,825</b>	<b>1,100</b>	<b>33,110</b>	<b>15,350</b>	<b>300</b>	<b>5,400</b>	<b>-</b>	<b>-</b>	<b>7,400</b>	<b>3,326</b>	<b>3,000</b>	<b>51,490</b>	<b>26,750</b>															
<b>SUPPLIES &amp; REQUISITES</b>																													
Printing & stationery.	118,231	97,474	98,869	148,756	71,934	172,859	106,561	64,372	91,027	287,270	72,689	207,762	179,496	184,795															
<b>Total</b>	<b>118,231</b>	<b>97,474</b>	<b>98,869</b>	<b>148,756</b>	<b>71,934</b>	<b>172,859</b>	<b>106,561</b>	<b>64,372</b>	<b>91,027</b>	<b>287,270</b>	<b>72,689</b>	<b>207,762</b>	<b>179,496</b>	<b>184,795</b>															
<b>REPAIRS &amp; MAINTENANCE</b>																													
Buildings.	1,965	7,985	42,830	10,588	8,281	57,940	13,835	2,780	4,345	17,626	8,260	6,950	6,185	37,050															
Furniture, fittings & equipment	38,052	197,799	13,664	108,639	129,714	68,997	69,448	-	10,310	9,825	9,700	11,425	7,995	57,569															
Computer	67,355	68,565	4,500	920	10,080	-	-	-	-	1,450	-	1,200	-																
<b>Total</b>	<b>107,372</b>	<b>274,348</b>	<b>60,993</b>	<b>120,147</b>	<b>148,075</b>	<b>126,937</b>	<b>83,283</b>	<b>2,780</b>	<b>14,655</b>	<b>28,901</b>	<b>17,960</b>	<b>19,575</b>	<b>14,180</b>	<b>94,619</b>															
<b>TRANSPORTATION, COMMUNICATION, UTILITIES &amp; OTHER SERVICES</b>																													
Rent.	-	635,580	532,463	1,026,550	665,998	833,693	1,234,441	524,532	583,042	584,212	526,984	558,668	-	766,694															
Lease rent amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-															
Rates & taxes.	-	13,287	4,959	5,000	-	3,700	-	-	-	21,048	-	-	15,070	-															
Water bills	-	7,355	10,677	-	16,168	44,552	24,231	13,758	-	16,019	-	11,907	24,854	-															
Electricity.	-	200,411	246,325	356,374	300,097	200,751	425,063	275,067	191,900	280,631	89,994	172,772	180,000	372,882															
Fuel for Generator	-	24,220	-	63,290	13,570	64,261	148,230	142,433	123,173	69,802	43,680	121,120	-	34,980															
Postage, Telegrams & Telephones.	20,335	47,018	37,142	50,938	50,189	23,405	40,967	39,159	45,403	67,024	38,229	48,961	22,816	41,691															
Depreciation	329,098	417,688	576,087	392,995	326,372	573,189	513,027	469,302	429,593	695,371	908,990	695,069	460,690	802,794															
Amortisation- Computer Software	-	-	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898															
Trade subscriptions, Periodicals & Publications.	-	-	-	-	-	-	-	-	-	-	-	11,650	-	-															
Security services.	437,026	406,755	419,428	420,862	405,367	409,445	440,030	406,733	406,755	401,288	-	401,323	-	404,022															
License fees for drugs.	20,085	22,910	35,738	28,091	26,367	20,229	20,155	24,102	34,009	20,670	24,210	23,902	23,902	21,169															
Sundry expenses.	-	-	-	-	745	-	-	-	-	535	-	860	-	-															
Staff welfare.	171,337	271,123	368,628	398,618	159,383	363,612	290,553	261,247	237,994	398,453	476,548	123,209	196,840	262,157															
Staff medical expenses.	67,372	75,000	75,000	90,000	72,143	75,000	90,000	60,000	60,020	75,000	89,685	25,810	42,152	104,792															
<b>Total</b>	<b>1,045,253</b>	<b>2,121,346</b>	<b>2,345,344</b>	<b>2,871,615</b>	<b>2,075,297</b>	<b>2,710,736</b>	<b>3,265,594</b>	<b>2,255,232</b>	<b>2,150,786</b>	<b>2,647,904</b>	<b>2,258,265</b>	<b>2,234,149</b>	<b>965,298</b>	<b>2,890,003</b>															
<b>TOTAL ADMINISTRATIVE COST</b>	<b>7,782,244</b>	<b>10,297,005</b>	<b>10,994,715</b>	<b>14,310,549</b>	<b>10,511,287</b>	<b>11,088,101</b>	<b>10,912,990</b>	<b>9,100,757</b>	<b>8,420,159</b>	<b>11,419,342</b>	<b>12,473,966</b>	<b>5,767,174</b>	<b>6,511,070</b>	<b>12,351,351</b>															



**NOTES TO THE FINANCIAL STATEMENTS**  
**30.2 OSUSALA-OVERHEADS**

	OSUSALA TRADING MATALE		OSUSALA TRADING BSBADILLA		OSUSALA TRADING MATHUGAMA		OSUSALA TRADING NARAHENPIYA		OSUSALA TRADING MADAWACHICHIWA		OSUSALA TRADING PITAKOTTE		OSUSALA TRADING IIRORANA		OSUSALA TRADING HOMAGAMA		OSUSALA TRADING NITTAMBIWA		REGIONAL STORES KANDY		OSUSALA TOTAL TRADING ACTIVITIES		
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		
<b>ADMINISTRATIVE COST</b>																							
<b>PERSONNEL EMOLUMENTS</b>																							
Salaries, Wages & Allowances.	5,250,801	4,541,580	4,691,943	1,915,884	2,756,343	6,520,972	4,986,587	5,055,239	1,701,616	7,786,630	486,239,102												
Overtime.	344,223	181,623	276,870	141,473	283,555	779,413	340,006	520,724	249,496	498,924	33,210,461												
Uniforms.	32,856	32,726	25,227	20,018	10,709	10,200	10,200	12,050	2,000	65,400	4,160,319												
Insurance for staff	13,800	2,200	-	10,000	-	-	6,563	15,457	18,937	78,519	5,195,662												
Provident fund (E.P.F & E.T.F)	570,290	506,557	497,071	219,875	299,304	765,969	551,747	573,175	185,564	898,911	55,550,437												
Annual bonus	80,000	60,000	60,000	20,000	40,000	100,000	60,000	100,000	60,000	140,000	7,530,000												
Annual per inc. bonus.	307,626	249,323	240,210	148,987	141,841	350,077	228,451	383,063	153,057	458,107	29,172,436												
Housing loan interest	-	-	75,045	31,432	-	111,937	90,370	-	2,700	-	3,599,697												
Attendance bonus	83,850	56,250	84,000	60,150	55,500	186,000	113,550	104,850	44,250	141,000	9,670,800												
<b>Total</b>	<b>6,683,446</b>	<b>5,630,259</b>	<b>5,950,367</b>	<b>2,567,818</b>	<b>3,587,251</b>	<b>8,825,767</b>	<b>6,387,474</b>	<b>6,764,558</b>	<b>2,414,920</b>	<b>10,070,190</b>	<b>634,328,914</b>												
<b>TRAVELLING EXPENSES</b>																							
Local travelling expenses	6,070	2,970	10,230	30,100	18,570	400	5,320	720	20	37,731	919,895												
<b>Total</b>	<b>6,070</b>	<b>2,970</b>	<b>10,230</b>	<b>30,100</b>	<b>18,570</b>	<b>400</b>	<b>5,320</b>	<b>720</b>	<b>-</b>	<b>37,731</b>	<b>919,895</b>												
<b>SUPPLIES &amp; REQUISITES</b>																							
Printing & stationery.	109,669	84,953	165,869	105,989	56,590	212,514	202,353	139,770	156,355	25,027	10,927,119												
<b>Total</b>	<b>109,669</b>	<b>84,953</b>	<b>165,869</b>	<b>105,989</b>	<b>56,590</b>	<b>212,514</b>	<b>202,353</b>	<b>139,770</b>	<b>156,355</b>	<b>25,027</b>	<b>10,927,119</b>												
<b>REPAIRS &amp; MAINTENANCE</b>																							
Buildings.	18,865	13,020	22,979	-	194,258	21,198	44,466	31,529	11,689	164,658	3,018,577												
Furniture, fittings & equipment	41,069	20,173	18,140	-	97,225	20,994	114,438	25,720	61,605	258,731	4,404,019												
Computer	700	3,500	21,850	-	-	-	1,475	-	-	20,000	2,026,157												
<b>Total</b>	<b>60,634</b>	<b>36,693</b>	<b>62,969</b>	<b>-</b>	<b>291,483</b>	<b>42,191</b>	<b>160,379</b>	<b>57,249</b>	<b>73,294</b>	<b>443,389</b>	<b>9,448,752</b>												
<b>TRANSPORTATION, COMMUNICATION, UTILITIES &amp; OTHER SERVICES</b>																							
Rent.	902,655	-	512,494	446,563	662,432	1,509,009	530,118	1,199,387	435,699	2,031,290	32,754,539												
Lease rent amortization	-	115,050	-	-	-	-	-	-	-	-	619,474												
Rates & taxes.	5,900	5,500	3,000	-	-	-	3,000	-	-	3,000	984,676												
Water bills	11,589	11,188	-	-	-	17,373	5,006	20,885	12,518	60,456	1,143,720												
Electricity.	197,925	144,795	365,707	-	399,091	468,814	236,833	546,043	92,485	444,676	23,892,361												
Fuel for Generator	98,152	117,810	221,884	-	137,400	18,645	-	1,850	-	121,040	3,550,095												
Postage, Telegrams & Telephones.	37,980	42,952	29,569	17,288	39,456	27,143	33,412	22,018	21,769	63,367	2,459,400												
Depreciation	832,503	711,099	781,515	236,659	463,330	572,904	534,355	526,182	234,643	1,063,302	34,293,343												
Amortisation- Computer Software	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	1,011,350												
Trade subscriptions, Periodicals & Publications.	26,790	-	-	-	-	3,400	-	-	-	14,720	376,770												
Security services.	408,156	401,288	379,116	-	580,267	405,987	409,337	358,410	167,960	1,048,530	28,594,309												
License fees for drugs.	20,687	23,902	23,902	26,059	18,147	23,902	23,736	20,881	23,902	31,282	1,344,813												
Sundry expenses.	100	1,000	1,250	-	-	381	-	750	-	975	36,174												
Staff welfare.	288,192	263,357	234,778	83,120	218,134	348,259	258,649	207,241	53,701	402,148	21,830,131												
Staff medical expenses.	60,000	15,000	45,000	30,000	15,000	74,304	57,425	22,628	-	90,000	5,730,951												
<b>Total</b>	<b>2,929,526</b>	<b>1,891,838</b>	<b>2,636,912</b>	<b>878,586</b>	<b>2,572,156</b>	<b>3,509,019</b>	<b>2,130,770</b>	<b>2,965,172</b>	<b>1,081,575</b>	<b>5,413,684</b>	<b>158,622,106</b>												
<b>TOTAL ADMINISTRATIVE COST</b>	<b>9,789,346</b>	<b>7,646,714</b>	<b>8,826,347</b>	<b>3,582,493</b>	<b>6,526,051</b>	<b>12,589,891</b>	<b>8,886,296</b>	<b>9,927,468</b>	<b>3,726,143</b>	<b>15,990,021</b>	<b>814,246,786</b>												

**NOTES TO THE FINANCIAL STATEMENTS**  
**30.3 OTHER OPERATING EXPENSES**

For the year ended 31st December 2022	OSUSALA TRADING Col04	OSUSALA TRADING Col01	OSUSALA TRADING KANDY	OSUSALA TRADING NUGEGODA	OSUSALA TRADING AVESS	OSUSALA TRADING RATNAPURA	OSUSALA TRADING MINU	OSUSALA TRADING PANAPURA	OSUSALA TRADING GALLE	OSUSALA TRADING MATARA	OSUSALA TRADING KURUNEGALA	OSUSALA TRADING AMPARA	OSUSALA TRADING HAMBANTOTA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock adj. (Excess/ Shortage)- Note 30.4	(191,538)	(7,168)	(85,617)	(13,677)	34,884	7,920	113,769	11,783	(101,436)	(38,266)	2,689	(15,238)	(1,741)
Outdated & damages Note 30.4	765,161	710,728	491,032	1,317,718	121,253	842	58,057	2,832	144,818	94,432	185,581	231,208	7,170
Sundry packing materials.	204,332	602,256	602,597	450,393	327,570	395,706	513,524	98,324	410,481	275,434	174,927	214,858	257,006
<b>Total</b>	<b>777,936</b>	<b>1,305,816</b>	<b>1,008,013</b>	<b>1,754,434</b>	<b>483,706</b>	<b>404,468</b>	<b>685,349</b>	<b>112,939</b>	<b>453,863</b>	<b>331,600</b>	<b>363,198</b>	<b>430,828</b>	<b>262,435</b>
For the year ended 31st December 2022	OSUSALA TRADING APURA	OSUSALA TRADING MADARAGAMA	OSUSALA TRADING J. PIRA	OSUSALA TRADING KARAPITIVA	OSUSALA TRADING NEGOMBO	OSUSALA TRADING BADDULAC-CWE	OSUSALA TRADING DVATHALAWA	OSUSALA TRADING JAFNA	OSUSALA TRADING POLONNARIWA	OSUSALA TRADING RATHMALANA	OSUSALA TRADING RAGAMA	OSUSALA TRADING BANDARAGAMA	OSUSALA TRADING FORT
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock adj. (Excess/ Shortage) Note 30.4	(691)	(31,999)	8,262	(9,507)	(51,330)	57,589	-	(6,847)	3,883	15,404	(11,337)	(6,546)	(16,921)
Outdated & damages Note 30.4	13,500	17,892	55,410	20,637	5,156	171,517	59,914	905	5,279	7,622	23,063	1,350	-
Sundry packing materials.	150,107	466,882	389,848	740,793	473,827	330,422	126,879	155,366	366,014	72,630	126,104	22,455	119,910
<b>Total</b>	<b>162,916</b>	<b>452,775</b>	<b>453,520</b>	<b>751,922</b>	<b>427,653</b>	<b>559,527</b>	<b>186,793</b>	<b>149,424</b>	<b>375,176</b>	<b>95,655</b>	<b>145,175</b>	<b>211,267</b>	<b>102,989</b>
For the year ended 31st December 2022	OSUSALA TRADING BORELLA	OSUSALA TRADING EMBLIPITIVA	OSUSALA TRADING KIDY-RAILWAY	OSUSALA TRADING GAMPAHA	OSUSALA TRADING NAGODA	OSUSALA TRADING BERIWALA	OSUSALA TRADING PUVANDALA	OSUSALA TRADING NINTHAYUR	OSUSALA TRADING AKKARAPATTU	OSUSALA TRADING MONARAGALA	OSUSALA TRADING ANAMADIWA	OSUSALA TRADING KDU	OSUSALA TRADING DAMBULLA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock adj. (Excess/ Shortage) Note 30.4	(1,768)	(1,318)	636	54,270	(35,181)	(3,050)	1,824	23,704	5,412	(21,471)	5,883	128,308	(1,190)
Outdated & damages Note 30.4	23,800	59,518	73,356	70,925	75,560	3,779	13,050	139,020	38,979	88,800	45,585	55,467	152,417
Sundry packing materials.	67,892	181,987	169,571	259,635	131,446	167,730	265,994	11,997	51,890	250,307	44,330	155,715	163,623
<b>Total</b>	<b>89,923</b>	<b>240,187</b>	<b>243,563</b>	<b>384,830</b>	<b>171,825</b>	<b>168,454</b>	<b>280,868</b>	<b>174,721</b>	<b>96,280</b>	<b>317,637</b>	<b>95,797</b>	<b>339,490</b>	<b>314,851</b>
For the year ended 31st December 2022	OSUSALA TRADING MATALE	OSUSALA TRADING BS-BADULLA	OSUSALA TRADING MATHIGAMA	OSUSALA TRADING NARAHENPITA	OSUSALA TRADING MADAWACCHICHA	OSUSALA TRADING PITAKOTTE	OSUSALA TRADING HORANA	OSUSALA TRADING HOMAGAMA	OSUSALA TRADING NITTAMBIRWA	OSUSALA TRADING REGIONAL STORES KANDY	OSUSALA TRADING TOTAL TRADING ACTIVITIES	OSUSALA TRADING 292,657	OSUSALA TRADING 20,357,043
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock adj. (Excess/ Shortage) Note 30.4	(9,065)	1,001	(8,034)	2,417	303	2,023	(40,767)	24,714	(9,462)	2,399	(292,657)	292,657	
Outdated & damages Note 30.4	51,038	176,680	34,409	36,168	474	14,967	1,300	2,990	7,302	2,870,321	8,596,386	20,357,043	
Sundry packing materials.	224,785	126,682	179,706	51,716	83,972	176,341	31,830	112,075	36,171	8,782	11,760,657	20,064,386	
<b>Total</b>	<b>266,759</b>	<b>304,363</b>	<b>206,081</b>	<b>90,301</b>	<b>84,749</b>	<b>193,331</b>	<b>(7,636)</b>	<b>139,779</b>	<b>34,011</b>	<b>2,881,502</b>	<b>20,064,386</b>	<b>20,357,043</b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
**30.4 OSUSALA TRADING STOCK**

As at 31st December	2022										2021									
	Location	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock		Unrealized Profit	Stock	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock		Unrealized Profit	Stock					
					Rs.	Rs.						Rs.	Rs.			Rs.	Rs.			
Colombo 07	295,772,724	191,558	295,964,283	1,475,890	3,737,105	290,751,288	173,819,726	(149,189)	173,968,914	1,214,847	3,689,263	169,064,805								
Colombo 04	145,381,624	7,168	145,388,793	-	2,647,625	142,741,168	105,297,595	(187,927)	105,485,521	784,236	3,819,129	100,882,156								
Colombo 01	124,095,901	85,617	124,181,518	491,032	1,959,233	121,731,252	62,420,220	868,325	61,551,895	510,194	2,192,022	58,849,678								
Kandy	92,568,463	13,677	92,582,140	1,317,718	2,904,155	88,360,267	60,219,083	4,608	60,214,475	1,413,748	2,497,779	56,302,948								
Nugegoda	45,556,536	(34,884)	45,521,652	121,253	797,004	44,603,395	29,725,799	(952)	29,726,751	339,866	1,220,942	28,165,943								
Avissawella	15,990,999	(7,920)	15,983,079	842	667,040	15,315,198	14,836,244	(7,183)	14,843,427	110,746	833,048	13,899,633								
Rathnapura	29,773,182	(113,769)	29,659,413	58,057	745,142	28,856,214	22,837,954	24,786	22,813,168	144,510	1,189,906	21,478,752								
Minuwangoda	25,023,349	(11,783)	25,011,566	2,832	1,199,343	23,809,391	18,506,524	8,278	18,498,246	29,843	1,233,535	17,234,869								
Panadura	72,943,719	101,436	73,045,155	144,818	2,792,514	70,107,823	38,227,205	(58,063)	38,285,268	17,160	2,015,366	36,252,743								
Galle	36,747,329	38,266	36,785,595	94,432	1,235,170	35,455,993	24,232,638	(39,981)	24,272,619	79,348	1,362,158	22,831,113								
Matara	53,855,343	73,960	53,929,303	45,437	1,289,464	52,594,402	30,113,300	(25,875)	30,139,176	10,544	1,164,637	28,963,994								
Kurunegala	101,493,913	(2,689)	101,491,224	185,581	3,639,806	97,665,837	56,464,757	556	56,464,201	635,101	3,300,175	52,528,925								
Ampara	22,709,639	15,238	22,724,877	231,208	1,188,003	21,305,666	23,144,640	(5,601)	23,150,240	37,052	1,470,893	21,642,296								
Hambantota	46,045,003	1,741	46,046,743	7,170	1,681,796	44,357,777	24,401,673	4,754	24,396,920	59,747	1,277,794	23,059,378								
Anuradhapura	21,262,583	691	21,263,274	13,500	1,084,710	20,165,064	19,275,362	(271)	19,275,633	15,149	1,104,512	18,155,972								
Maharagama	60,576,551	31,999	60,608,549	17,892	1,648,660	58,941,998	34,465,005	(39,895)	34,504,900	15,839	1,491,651	32,997,410								
Jayawardanapura	54,058,932	(8,262)	54,050,670	55,410	1,309,643	52,685,617	38,756,540	23,781	38,732,759	211,046	1,153,729	37,367,983								
Karapitiya	38,335,140	9,507	38,344,647	20,637	1,152,816	37,171,194	25,858,716	(13,247)	25,871,963	117,725	1,298,017	24,456,220								
Negombo	18,862,475	51,330	18,913,805	5,156	431,916	18,476,733	13,314,608	(33,102)	13,347,710	40,681	576,772	12,730,257								
Badulla -CWE	34,419,157	(57,589)	34,361,569	171,517	1,052,728	33,137,324	22,481,572	30,667	22,450,905	99,119	1,047,162	21,304,623								
Diyathalawa	17,002,573	-	17,002,573	59,914	744,481	16,198,178	12,684,003	-	12,684,003	3,788	655,560	12,024,656								
Jaffna	35,807,249	6,847	35,814,096	905	1,489,923	34,323,268	29,141,130	(2,153)	29,143,283	-	1,535,604	27,607,679								
Polonnaruwa	38,813,743	(3,883)	38,809,861	5,279	2,026,696	36,777,885	25,087,762	321	25,087,441	14,342	1,668,689	23,404,410								
Ratmalana	9,231,754	(15,404)	9,216,350	7,622	408,336	8,800,393	3,679,039	21,980	3,657,059	86,589	193,967	3,376,503								
Tangalle	44,063,824	3,993	44,067,816	23,063	2,464,952	41,579,800	29,583,284	(4,948)	29,588,233	177,080	1,799,959	27,611,194								
Ragama	52,484,950	11,337	52,496,286	-	2,013,785	50,482,501	25,044,756	(8,451)	25,053,207	-	1,462,915	23,590,292								

## NOTES TO THE FINANCIAL STATEMENTS

## 30.4 OSUSALA TRADING STOCK

2022

As at 31st December	Bin Balance		Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bandaragama	13,180,493	6,546	13,187,039	1,350	517,124	12,668,565						
Fort - Station	21,345,010	16,921	21,361,932	-	629,332	20,732,600						
Borella	15,015,039	1,768	15,016,808	23,800	428,401	14,564,607						
Embilipitiya	18,260,491	1,318	18,261,810	59,518	546,129	17,656,163						
KDY-Railway	19,391,433	(636)	19,390,797	73,356	798,426	18,519,015						
Gampaha	47,837,502	(54,270)	47,783,232	70,925	2,576,115	45,136,192						
Nagoda	30,178,873	35,181	30,214,054	75,560	1,219,067	28,919,427						
Beruwala	20,003,110	3,056	20,006,166	3,779	925,135	19,077,252						
Piliyandala	23,716,299	(1,824)	23,714,475	13,050	943,891	22,757,533						
Ninthavur	11,491,947	(23,704)	11,468,243	139,020	549,483	10,779,740						
Akkaraipattu	11,728,999	(5,412)	11,723,587	38,979	502,861	11,181,748						
Monaragala	26,908,195	21,471	26,929,665	88,800	1,523,195	25,317,670						
Peradeniya	22,123,295	2,591	22,125,885	1,967	764,921	21,358,997						
Anamaduva	8,010,601	(5,883)	8,004,719	45,585	425,210	7,533,923						
Kotalawala defence Academy	31,521,440	(128,308)	31,393,132	55,467	761,836	30,575,830						
Dambulla	35,608,503	1,190	35,609,693	152,417	1,764,074	33,693,201						
Matale	17,498,469	9,065	17,507,534	51,038	650,944	16,805,552						
Badulla Bus stand	13,819,700	(1,001)	13,818,699	176,680	541,670	13,100,348						
Mathugama	23,288,497	8,034	23,296,531	34,409	814,025	22,448,097						
Narahrenpita	8,748,731	(2,417)	8,746,314	36,168	384,060	8,326,086						
Medawachchiya	35,658,346	(303)	35,658,043	474	2,032,017	33,625,552						
Pitakotte	40,015,201	(2,023)	40,013,178	14,967	1,185,104	38,813,106						
Horana	18,925,724	40,767	18,966,490	1,300	718,364	18,246,826						
Homagama	24,987,206	(24,714)	24,962,491	2,990	900,131	24,059,370						
Nittambuwa	19,961,675	9,462	19,971,137	7,302	599,820	19,364,014						
Regional Stores Kandy	73,021,006	(2,399)	73,018,606	2,870,321	-	70,148,285						
<b>Total</b>	<b>2,165,122,438</b>	<b>292,657</b>	<b>2,165,415,096</b>	<b>8,596,386</b>	<b>65,013,383</b>	<b>2,091,805,327</b>						

2021

Bin Balance	Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10,067,969	(9,053)	10,077,021	6,021	595,806	9,475,195					
11,393,070	(13,068)	11,406,138	5,780	542,888	10,857,470					
9,328,684	(8,830)	9,337,515	94,456	440,191	8,802,869					
10,578,859	26,393	10,552,466	271,591	542,311	9,738,564					
11,328,935	47,284	11,281,651	127,331	610,899	10,543,421					
32,769,043	156,835	32,612,208	98,510	2,145,813	30,367,884					
21,354,714	(71,187)	21,425,901	73,419	1,368,416	19,984,065					
11,622,736	(6,693)	11,629,428	7,976	698,045	10,923,407					
16,091,869	50,019	16,041,850	28,941	1,018,742	14,994,168					
6,806,953	19,193	6,787,760	140,282	413,224	6,234,253					
10,753,025	31,587	10,721,439	140,125	636,730	9,944,584					
16,094,712	(12,056)	16,106,768	71,669	1,014,271	15,020,828					
14,704,556	(1,475)	14,706,031	8,395	778,640	13,918,996					
5,837,532	(8,613)	5,846,145	392,124	248,958	5,205,062					
18,858,273	4,544	18,853,729	113,449	477,417	18,262,863					
24,915,829	(55,550)	24,971,378	4,412,492	1,124,726	19,434,160					
14,302,433	(4,573)	14,307,006	64,480	756,686	13,485,841					
9,057,769	5,169	9,052,600	609,633	417,499	8,025,468					
16,992,183	(4,251)	16,996,434	148,791	827,986	16,019,656					
4,324,913	741	4,324,172	94,554	226,582	4,003,036					
12,894,591	465	12,894,126	-	814,311	12,079,815					
13,791,352	9,995	13,781,357	1,748	558,363	13,221,245					
10,851,800	-	10,851,800	-	485,942	10,365,859					
24,247,782	(10,028)	24,257,810	341,285	-	23,916,525					
<b>1,302,588,718</b>	<b>558,069</b>	<b>1,302,030,649</b>	<b>13,421,353</b>	<b>57,999,630</b>	<b>1,230,609,666</b>					

## NOTES TO THE FINANCIAL STATEMENTS

### 31. CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2022

### CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2022.

### 32. GENERAL RESERVE

General Reserve	2022	2021
Balance as at 31st December	Rs. 66,061,447/-	Rs. 66,061,447/-

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

### 33. LIABILITIES AND PROVISIONS

The following legal cases are pending as of 31st December 2022, 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.

#### 33.1. Contingent liabilities

The Corporation is a defendant in seven cases where legal actions instituted by stakeholders of entities involved, claiming Rs.264 million. These cases are being contested by the corporation and no provision has been made in the financial statements.

##### 33.1.1 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.

##### 33.1.2 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.

##### 33.1.3 Consumer Affairs Authority (Galle) Vs SPC –45913

The Case has been filed in the Magistrate Courts, Galle against SPC by the Consumer Affairs Authority for a labelling issue.

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

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

##### 33.1.5 Scott-Edill Advance Research Laboratory & Education Ltd. VS SPC

Above Arbitration has been filed by the above mentioned supplier for nonpayment of USD 611,460.00 (Rs Million 222/-) due to Product withdrawal.

##### 33.1.6 Case No. DMR/2299/2022 Suraksa Pharma(Pvt) Ltd. Vs SPC

Above mentioned Plaintiff has filled a money recovery case in District Court Colombo to recover Rs.42 million, legal interest and legal charges.

##### 33.1.7 Kopran Limited India Vs SPC

Arbitration award has been delivered in favor of the claimant and the Corporation has to pay USD 52,433.12 (LKR 19 million), legal interest and legal cost. Provision has been made for the value and Legal cost in the financial statements except for legal interest.

## NOTES TO THE FINANCIAL STATEMENTS

**33.2 The corporation is the plaintiff in four Cases claiming Rs Million 25.2 with legal interest for the damages.**

### **33.2.1 Osusala – Negombo - Case No. L 30202**

Rs Million 3.9 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.

### **33.2.2 SPC Vs Nestor Pharmaceuticals Limited, India**

A case has been filed by SPC against the M/S Nestor Pharmaceuticals Limited, India for not settling the Debit Note value USD 41,896 (Rs Million 15.2 ) against quality failures reported in their supplies.

### **33.2.3 SPC Vs Unibios Laboratories Ltd, India and Others**

This case has been filed by SPC against the above-mentioned supplier for not settling the Debit Note value USD 10,604.80 (Rs Million 3.8) against quality failures reported in their supplies.

### **33.2.4 Lloyed Pharmaceuticals – Case No. 6799 M**

SPC filed a case in district court Kalutara against the distributor Lloyed Pharmaceuticals to recover the outstanding dues of Rs Million 2.3.

### **33.3 Financial Commitments**

Document credit established for purchases of pharmaceuticals as at 31.12.2022 amounts to Rs.16,136 million

## **34. 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.

	<b>2022</b>	<b>2021</b>
SPC	Rs. 1,488,412,962	Rs. 1,311,824,059
DHS	Rs. 51,380,199,048	Rs. 52,639,279,630

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

### **Liquidity risk**

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

## NOTES TO THE FINANCIAL STATEMENTS

<b>Year ended 31 December 2022:</b>	<b>(Rs)</b>	<b>Maturity</b>
Interest-bearing loans and borrowings	15,937,903,697	OD – Payable on demand
Long Term Loans	9,487,322,218	Repayable within 60 months
Trade and other payables	25,555,706,528	Usually 03 months
<b>Year ended 31 December 2021:</b>	<b>(Rs)</b>	<b>Maturity</b>
Interest-bearing loans and borrowings	15,432,056,540	OD – Payable on demand
Long Term Loans	11,466,255,552	Repayable within 72 months
Trade and other payables	16,164,216,448	Usually 03 months
	<b>2022</b>	<b>2021</b>
	<b>Rs</b>	<b>Rs</b>
Interest-bearing loans and borrowings	15,937,903,698	15,432,056,540
Long Term Loans	9,487,322,218	11,466,255,552
Trade and other payables	25,555,706,528	16,164,216,448
Less: cash and short-term deposits	(5,613,777,091)	(1,111,456,668)
Net debt	45,367,155,353	42,951,071,872
<b>Equity</b>		
Capital and net debt	59,952,180,333	57,083,920,245

### 35. RELATED PARTY TRANSACTIONS

#### 35.1 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:

<b>Nature of the Transaction</b>	<b>2022</b>	<b>2021</b>
<b>Transactions:</b>	<b>RS</b>	<b>RS</b>
Sales -	40,973,117,489	70,811,344,509
<b>Outstanding Balances :</b>		
Receivable from Medical Supplies Division	51,380,199,048	52,639,279,630
Receivable from Forces	795,977,477	650,306,321
Receivable from Government hospitals	190,400,296	92,390,446
Receivable from Other Government Institutions	48,218,335	69,938,268

#### 35.2 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.

	<b>2022</b>	<b>2021</b>
	<b>RS</b>	<b>RS</b>
Short term employment benefits	3,658,236	4,653,785

### 36. 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.



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

MSU/A/SPC/1/22/34

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

31 May 2023

Chairman  
State Pharmaceuticals Corporation

#### Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the State Pharmaceuticals Corporation for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act No. 19 of 2018.

#### 1. Financial Statements

##### 1.1 Qualified Opinion

The audit of the financial statements of the State Pharmaceuticals Corporation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Sector Accounting Standards.

##### 1.2 Basis for Qualified Opinion

- (a) According to paragraph 51 of Sri Lanka Accounting Standard 16, the fixed assets costing Rs. 178,824,842 were fully depreciated due to non-current asset residual value and useful life being reviewed annually, but continued to be utilized. Accordingly, the estimated error had not been revised in accordance with Sri Lanka Accounting Standard 8.
- (b) The value of the gratuity payable account was understated by Rs. 17,755,139 and the value of the salary control allocation account was overstated by Rs. 16,375,867 in the financial statements of the year under review.
- (c) According to the submitted financial statements, 88.2 percent of the total debtors or Rs. 51,591,790,940 should have been received from the medical supplies sector on 31 December 2022, but as the balance on that date was Rs. 47,604,572,802 according to the information submitted by the Medical Supplies Division and a difference of Rs. 3,987,218,138 was observed between the two balances.
- (d) Although the difference between the cost of the remaining stocks of the state pharmacies and the exchange value of those stocks as at 31 December 2022 should be adjusted as unearned profit, only Rs. 65,013,383 equal to 7 percent of the stock exchange value was reserved as unearned profit without identifying the cost of the remaining stock.
- (e) According to the submitted financial statements, the cost of medical supplies that were defective, expired and damaged as at 31 December 2022 from the medical supplies purchased for sale by the state pharmacies during the period from 1996 to the year 2022 was Rs. 344,234,681, but its cost was Rs. 324,002,081 according to the physical stock survey report on that date.



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

### 1.3 Other Information included in the Annual Report 2021 of the Corporation

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Although this audit report may be included in the annual report 2022 of the corporation, which is expected to be submitted to me after the date of this report, other information reflects information not included in the financial statements and my audit report on that.

My opinion on the financial statements does not cover other information and I do not express any kind of assurance or opinion thereon.

My responsibility is to read the other information above when it becomes available and when doing so, consider whether the other information are materially inconsistent with the financial statements or with my knowledge obtained during the audit or another way regarding with my audit of the financial statements.

If, based on other information obtained by me and work performed by me prior to the date of this auditor's report, I conclude that there other information are materially misstated, I am required to report that fact. I have nothing to report in this regard.

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

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the corporation's financial reporting process.

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

### 1.5 Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 2. Report on Other Legal and Regulatory Requirements

2.1 The specific provisions were included about the following requirements in the National Audit Act, No. 19 of 2018.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit observations of 1.2(a),(d), (f), (h) and (i) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained was limited to matters that are material, nothing has come to my attention.

2.2.1 Whether that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 Whether that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

<b>Reference to Laws, Rules and Regulations</b>	<b>Observation</b>
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(a) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.  Financial Regulations 756 and 757(2)	Although the fixed assets should be surveyed annually and copies of the survey reports should be submitted to the Auditor General, the survey reports for the year under review had not been submitted for audit by 16 May 2023.
(b) Public Enterprises Circular No. 95 dated 14 June 1994 and National Budget Circular No. 3/2022 dated 26 April 2022.	An expenditure of Rs. 3,723,400 was incurred for the payment of gold pounds and cash gifts for 54 employees during the year under review for the 51st anniversary of the corporation without obtaining the approval of the treasury.
(c) Paragraph 2.1 of Public Enterprises Circular No. PED 08/2019 dated 17 December 2019.	An e-procurement system was not established for the corporation's procurement activities.

- 2.2.3 The powers, duties and functions of the authority have been made in accordance with the requirement mentioned in Section 12 (g) of the National Audit Act No. 19 of 2018,
- 2.2.4 According to the requirement mentioned in section 12(h) of the National Audit Act No. 19 of 2018, resources have not been procured and used in accordance with the relevant rules in a timely manner, efficiently and effectively except from the following observations.
- (d) Guideline on Corporate Governance in Department of Public Enterprises Circular No. 01/2021 dated 16 November 2021
- (i) Paragraph 2.3 The annual action plan prepared for the year 2022 had not been prepared and approved in accordance with the referred circular.
- (ii) Paragraph 4.3 Although the Corporation should appoint a risk management committee to value the impact of financial and non-financial risks on the business operations of the institution and take appropriate action to mitigate the risks affecting the functioning of the institution, the said committee had not been appointed until 31 March 2023.
- (e) Paragraph 3(x) of National Budget Circular No. 03/2022 dated 26 April 2022. Although it has been stated that the loan facilities provided to staff officers should be temporarily suspended, apart from that, Rs. 6,500,000 was paid to 26 staff officers as disaster loans.
- (f) Public Enterprises Circular No. PED/08/22 dated 21 December 2022 Although the leave entitlements of employees in payment of allowances on remaining leaves should be calculated in accordance with the provisions of the Shop and Office employees Act No. 19 of 1954, apart from that, Rs. 49,342,486 was paid for sick leave during the year under review.
- (g) Paragraph 3.2 of Public Enterprises Circular No. PED 09/2022 dated 21 December 2022 Although bonuses should not be paid to employees of public corporations and fully government owned companies under collective agreements or similar understandings or operating salaries and allowances, apart from this, Rs. 17,822,041 was paid as bonus during the year under review as Rs. 20,000 to each employee on the approval of the Board of Directors.
- 2.2.3 The powers, duties and functions of the Corporation have not been acted upon as required by section 12 (g) of the National Audit Act No. 19 of 2018.
- 2.2.4 According to requirement mentioned in section 12 (h) of the National Audit Act No. 19 of 2018, the corporation's resources have not been procured and used in accordance with the relevant rules and regulations in a timely, efficient and effective manner apart from the following observations.
- (a) The registration certificate of the National Medicines Regulatory Authority submitted with the bid by the selected bidder in relation to the purchase of 500 units of Trastuzumab (440 mg) injections worth Rs. 26.225 million for the needs of the medical supplies division in the year under review was not a certificate issued by the Drugs Regulatory Authority for that institution and there was a certificate issued by the Secretary of the State Ministry of Production, Supply and Regulation of Pharmaceuticals to a company that informed it to temporarily stop all purchases until further notice. Also the submitted registration certificate had expired. Although the Technical

Evaluation Committee which evaluated the bids had recommended that the bid be awarded to the lowest bidder only subject to submission of a valid registration certificate issued by the National Medicines Regulatory Authority, the ministry procurement committee had decided to award the bid to the bidder who did not submit a valid registration certificate of the National Medicines Regulatory Authority regardless of the recommendation of the Technical Evaluation Committee.

- (b) 5,845,000 Units of Furosemide injection BP 20 mg/ 2 ml were purchased at a cost of Rs. 35,761,504 for the medical supplies division for the years 2016, 2017 and 2018. The following observations are made in this regard.
- (i) Due to the deficiencies observed in receiving the stock of 99,000 doses of vaccines supplied to the medical supplies division, the supplier had provided an Accelerate Stability Report based on the notification to the supplier to provide a Product Stability Report and the manufacturer company had informed that the relevant drugs are in compliance with the required standards and specifications as stated in it. But it was observed during the audit that the letter heads as notified were prepared letter heads rather than those used by the manufacturing company and the Quality Control Manager's signature and format on the vaccine analysis certificate issued from time to time by the manufacturing company in relation to the total quantity of units ordered were different from each other, but it was not given any consideration about those differences by the procurement entity.
- (ii) The supplier had imported 3,898,900 doses of vaccines through two other import companies that are not registered manufacturers of the National Medicines Regulatory Authority mentioned in the bid documents in relation to the above supply according to the records of the Sri Lanka Customs Department and it was observed that both companies are not registered companies of the Drugs Regulatory Authority.
- (iii) According to the inspection report of the National Medicines Quality Assurance Laboratory (NMQUAL) which conducted the tests related to the complaints submitted by 2 government hospitals and the medical supplies division regarding this vaccine provided by the supplier, tested vaccines were found to be non-compliant with British Pharmaceutical specifications during the Sterility Test and a distinct discrepancy was observed in the sample packs of the product contained in the vaccine samples received for testing and the documents submitted to the National Medicines Quality Assurance Laboratory (NMQUAL) for registration. Based on the results of this test, all the government hospitals and institutions were informed to remove this vaccine from use immediately and the related company was informed to remove it from private stores. Even when the information was informed, the expiry dates of the stocks related to the years 2018 and 2019 had gone.
- (iv) Although the institution that conducted a forensic audit on behalf of National Medicines Regulatory Authority confirmed to the audit in writing that the manufacturing company mentioned in the procurement documents and customs clearance documents as the manufacturer of the stocks related to these incidents did not supply any items to this supplier during the relevant period and they haven't knowledge regarding this procurement, the letters in the relevant procurement file and the certificates of analysis were submitted through the letterheads of the manufacturing company. However, those letterheads were completely different from the letterheads sent to the Cosmetic Devices and Drug Authority on 10 June 2015 with stating that the manufacturer had appointed the supplier as its Sri Lankan representative.
- (v) According to physical inspection of the packaging obtained from the Colombo National Hospital, various differences were observed in the sample packaging and medical supplies division that had been submitted to the National Medicines Regulatory Authority for the registration of this vaccine.
- (vi) Due to the above facts, the supplier company has been referred to the legal division for blacklisting, but the necessary action has not been done till now.
- (c) 79,500 Units of Ceftriaxone Sodium for injection BP 500 mg costing Rs. 1,488,240 were purchased by a supplier who did not have a valid registration certificate of the National Medicines Regulatory Authority and as per the procurement documents submitted by the supplier and as per the documents submitted to the Customs Department at the time of importation, the medicine was imported by a company that was not registered with the National Medicines Regulatory Authority without the company mentioned as the manufacturer of the vaccine. The stock of the relevant batches had been informed to be removed from use due to the differences between the USP label requirement and the characteristics found in the existing labels regarding the stock supplied by the supplier to the medical supplies division in the quality test conducted by the National Drug Safety laboratory. Although the corporation had informed the supplier to repay the cost incurred for the stocks removal from service due to non-compliance with the required specifications, the supplier, who did not accept that, had

deducted the cost of Rs. 1,860,300 incurred from the suspended payments due to the supply of substandard medicines and paid Rs. 273,598,324 to the supplier in the months of August, November and December 2022.

- (d) The order was awarded to the selected supplier at US\$ 11,904 regarding the order placed for the purchase of 48,000 packing units of Discofenac Potassium tablets (50 mg) (5x10) for sale in government pharmacies. It was taken 167 days to make technical evaluation and procurement decisions for this procurement. Also, even though the supplier's registration of the National Medicines Regulatory Authority was over by the time that the supplier was selected, the main reason for the delay in the order was that it took 258 days to extend it. Also, the bidder had not submitted the registration certificate to the corporation under the Public Contracts Act No. 03 of 1987. The monthly average sales of this drug were 5000 units in the first 5 months of the year 2021 and this drug has been in short supply in government pharmacies from June 2021. As a result, the total sales lost to the corporation from June 2021 to August 2022 was approximately Rs. 9,750,000. Although this drug was also manufactured by the State Pharmaceutical Manufacturing Corporation, attention was not paid either buying it or solving the shortage of drugs in the pharmacies by the corporation.
- (e) The bid was awarded to the lowest fifth bidders respectively for 25 percent and 75 percent of the order in relation to an order given for the purchase of 30,000 packaging units of Extoricoxilo Tablets 60 (mg) for sale in government pharmacies. However, the audit was not observed reasonable cause to award 75 percent of the procurement to the fifth bidder with a price increase of 153 percent over the second lower price. Also, it was observed the price increase of Rs. 345 between the minimum price and maximum price of this item and it is 128 percent as a percentage. As 75 percent of this procurement was awarded to the fifth lowest bidder beyond from the second lowest bidder, the corporation incurred an additional cost of Rs. 6,196,462 had also deviated from the objective of the corporation which was to supply at the lowest price. That drug was out of stock in pharmacies from 329 days.
- (f) It was stated that there was no registration certificate of the National Medicines Regulatory Authority to the bidder who was submitted the lowest price of Rs. 29.25 for the order of purchase 150,000 packaging units of Cetrize Syrup 5mg/ 531 bottle for sale in government pharmacies on 26 June 2020 and the order was awarded to the second lowest bidder, who was bided Rs. 71.30 per unit, at Rs. 69.93 per unit, but the registration certificate was submitted in the bid documents of the lowest bidder. The corporation has to incur an additional cost of Rs. 6,056,940 by renewing the registration of the National Medicines Regulatory Authority to the lowest bidder or by not awarding this procurement to the lowest bidder and as a result of that the purchase cost of this drug had increased by 138 percent over the minimum bid value and it had deviated from the objective of providing drugs at the lowest price. Due to the failure of the supplier to supply 99,000 units of medicine, the government pharmacies were out of stock.
- (g) According to a purchase requisition by the Stock and Control Manager of the corporation, regarding the indenture of 48,000 (25x10) packs of Clonazepam tablets (0.5 mg) at a cost of Rs. 20,073,806 issued to the supplier who offered the lowest price on 04 September 2020, the first stock of drugs was received at the warehouse on 08 February 2021 and the last stock received ware house on 12 January 2022. The stock of this drug had been out of stock before 04 months at the time of preparing the purchase order and due to ordering of this drug without paying attention to the re-ordering stock level, the Rathmalana warehouse was out of stock for 3-4 months continuously. As per the sales forecast of the drug, due to the annual requirement and the stock is zero, the drugs should be purchased as soon as possible in accordance with the procurement procedure, but it was taken almost 2 years to get the entire quantity of drugs to the warehouse from the date of submission of the purchase order. This drug was purchased from one supplier from the year 2018 to 2022 and due to the corporation's failure to procure the drugs on the dates mentioned in the indent, as the sale of the drugs had been zero for more than two consecutive months on 06 occasions from march 2019 to August 2022, the corporation had not received any sales income during that period.
- (h) Based on the requirement of medical supplies division, the procurement committee was decided to cancel the order with stating that the order supplying period is longer of the bidder who submitted at a lowest price of Rs. 70.70 and call for bids again to buy 250,000 vials of Cefotaxime injection USP 1g in locally. Accordingly, discuss with the bidder who submitted bid as Rs. 540 for unit (Subject to free supply of 65,000 vaccines) and it was agreed to buy a vaccine as effective price of Rs. 399.60. Due to the estimated price of a vial was Rs. 45.71 and the unit price of the first selected supplier is Rs. 70.70, there was an increase of 774 percent and 465 percent respectively in the price of the selected supplier. Although the bidder selected in the second time had also submitted the price in the first time and the price was Rs. 235, the procurement committee had placed the order without paying attention about the bidder's decision of Rs. 540 as the price when calling second time less than 02 months. Although it had failed to supply the drugs to the supplier selected in the second bidding till 13 December 2019, the lowest bidder selected in the first bidding had stated to supply 250,000 units of vaccine within 45 days, but the selected supplier, who had rejected it and bid again, failed to supply the drugs within 30 days.

- (i) According to purchase requisition submitted by the Medical Supplies Division on 01 April 2016, 130,000 units of Ipratropium Pressurized Inhalation BP 20 Mcg/ Puff drugs were purchased at Rs. 91,702,000 and the following observations are made in this regard.
- (i) Tenders were called on three occasions in relation to this procurement and in the first instance, the indenture was issued to the supplier and while letter of credit were opened, the supplier informed that the supply cannot be delayed due to informed to supply the first stock with a delay of 09 months and the second stock with a delay of 13 months according to the message from the Director of Medical Supplies Division. According to the conditions of the supply of medicines, this procurement is considered as an urgent matter and although it is informed that the procurement should be done as soon as possible by inviting limited bids, it was observed that this supply is not an urgent requirement by informing that the medicine should be obtained after a delay of 09 months.
- (ii) Although the National Medicines Regulatory Authority registration certificate of the supplier submitted at the time of the third bid related to the procurement had expired, the procurement committee on 29 September 2017 had been awarded an order at the value of Rs. 91,702,000 for 130,000 units at Rs. 705.40 per unit on the re-acquisition of the registration certificate and subject to the conditions of obtaining the registration certificate under the Public Contracts Act No. 03 of 1987, but according to the invoices submitted to the Sri Lanka Customs, 130,000 units of drugs were imported to Sri Lanka at Rs. 1,836,900 as Rs. 14.13 per unit from the company, which was not registered in the National Medicines Regulatory Authority and supplied to the Medical Supplies Division at a higher price of 4892 percent. The drugs manufactured by the supplier had been imported by a manufacturing company not mentioned in the tender documents.
- (iii) Although the purchase order was issued to the supplier on 20 October 2017, the approval of the packaging, label and government logo of the incoming drugs should be obtained from the Medical Supplies Division before supplying the drugs to the Medical Supplies Division, that information was not submitted for the approval of the Medical Supplies Division. Also, it was taken more than a month to supply the first stock (6500 units) related to the Medical Supplies Division from the date of importation.
- (iv) With contrary to section 106(1) of the National Medicines Regulatory Authority Act No. 05 of 2015, this drug imported by the supplier to the state Pharmaceuticals Corporation was imported into Sri Lanka by a manufacturer other than the manufacturer mentioned in the tender documents and the details of the manufacturer mentioned in the tender documents were printed on the medicine packaging.
- (v) The sample packaging of the drugs included in the file submitted to the National Medicines Regulatory Authority for the registration of the imported drugs by the suppliers and the information contained in the patient instruction sheet in drug's packaging given to the Medical Supplies Division and information included in the drug's label and the supplier had submitted about the local representative, conformity letters and analytical certificates of the relevant drug under the manufacturing company's letterheads during the submission of the bid documents and there were discrepancies in those letterheads also.
- (vi) Bids were called within a short period of 09 days with considering this procurement as an urgent need, but according to the agreement, the supplier was late for a period of 05 to 08 months to supply these stocks, but no arrangements were made to charge late fees for that as per section 10 of the agreement.
- (j) Although there were 06 registered suppliers to supply the Erthropoietin injection 4000 IU item, the pharmacy managers had purchased the said item by 19 times at a cost of Rs. 32,008,338 only from one supplier during the time only from January 2022 to August. However, the central purchase unit had procured the items during the same year at a lower price than the direct order through the open tendering procurement procedure. It was also observed that the pharmacy managers are direct purchasing without paying attention to the stock level of the Rathmalana main warehouse and purchasing beyond the requirement.

### 2.3 Other Matters

- (a) The payment of Rs. 724,936 in the year 2015 was indicated as work in progress in the financial statements of the year under review, but although a period of 07 years had passed, the work of this electric lift has not been completed.
- (b) Although the sale value should be recovered from the respective trade debtors within 30 to 45 days from the date of sale as per policy decisions, Rs. 28,469,916 to be received from private, public and semi-government institutions from more than 5 years and Rs. 29,107,267 from between 1 and 5 years in trade not been recovered.

in the debtor balance of Rs. 1,488,412,962 as at 31 December 2022, Legal action was taken to recover the loan balance of Rs. 10,440,050 which was more than 5 years old and out of that, only Rs. 2,368,958 had been disclosed in the financial statements.

- (c) Out of Rs. 51,591,790,940 to be received from Medical Supplies Division as at 31 December 2022, Rs. 211,591,892 had failed to recover between 10 and 24 years and Rs. 3,253,054,350 between 6 and 15 years. It was observed that Rs. 211,591,892 of previous balance between 10 years and 24 years indicated above has been requested to be write off from the books.
- (d) Out of Rs. 19,538,153,761 to be paid balance of the bank bills as at 31 December 2022, Rs. 909,187,287 consisted with 100 percent letter of credit value of unpaid to suppliers from more than 2 years and retention money but it had not been settled.
- (e) Container deposits were Rs. 12,524,524 as at 31 December 2022 and out of that, Rs. 9,039,823 had not been recovered from a period between 2 and 15 years. Among this, it was not possible to recover any amount in the year 2022 from the deposits of Rs. 5,975,323 related to the period from the year 2007 to 2015.
- (f) Out of Rs. 424,423,009 to be received advances from suppliers as at 31 December 2022, Rs. 1,050,518 was the balance to be recovered from 7 to 15 years and Rs. 4,308,274 recovered from 3 to 5 years.
- (g) Accrued expenses as at 31 December 2022 was Rs. 224,116,822 and out of that, an expenditure of Rs. 3,219,124 was the previous balance which had not been paid for a period from 02 to 04 years.
- (h) Out of Rs. 21,134,124 received advance orders as at 31 December 2022, Rs. 982,510 was an unsettled balance received from the Family Health Bureau more than 11 years ago and the remaining Rs. 20,151,856 consisted with a balance received from UNICEF more than 3 years ago but that has not been settled.
- (i) Out of Rs. 13,813,461 sundry debtors as at 31 December 2022, Rs. 5,678,711 was comprised of previous balances from 1997-2016 and except Rs. 1,330,000 which was the loan balance of legal action was taken in this previous balance, the remaining balance was to be referred to the written off committee.
- (j) The loan balance of Rs. 14,621,370, which is more than 5 years and to be charged from the parliament complex as at 31 December 2022 has not been recovered till now.
- (k) Although agent commission should be paid only to the relevant agent, requests were made to be cut off due to the non-settlement of the agent commission receivables of Rs. 13,375,322 related to the years 2006 to 2011 and Rs. 330,100 was paid to the relevant agent as agent commission in the reviewed and last year, but it was also paid to the relevant supplier.
- (l) The corporation had decided in the year 2007 to establish an enterprise resource planning system and 17 years had been spent for it till the year 2023, but the aim had not been achieved. 497 Units of 09 computer accessories worth Rs. 32,360,230 were purchased in the years 2018 and 2019 and out of that, 36 units of computer and accessories costing to Rs. 2,552,125 out of 04 fixed assets items remained idle in the warehouse till 17 March 2023.
- (m) The value of 16 indents identified as outstanding stock was Rs. 155,160,182 as the total land cost for Rs. 169,805,776 has been recovered from the respective suppliers even though the after distribution division has confirmed to the audit, but the stock had not been destroyed until the date of audit and the corporation had to incur additional cost for that.
- (n) Although the stock supplied by the suppliers to the Medical Supplies Division, but not accepted by the Medical Supplies Division for various reasons is resolved and the stock is handed over to the suppliers or the unusable supplies are destroyed, the Board of Directors had approved the destruction of stocks of 03 indentures worth Rs. 21,592,622 on 14 June 2020, but the stocks had not been destroyed till the date of audit and the corporation had to incur additional cost for that.
- (o) The cost of unsettled on the way stocks of Rs. 2,000,577 belonging to the years 2007, 2008, 2009 and 2012 and customs duty of Rs. 12,603,168 had not been recovered from the relevant parties.
- (p) Recovering of cost of supply of the defective and damaged and drugs to the Medical Supplies Division and the destroy expense of that from the suppliers and Rs. 1,529,830,488 for the debit notes of Rs. 3,405,080,834 issued as at 31 December 2022 had not been recovered till the date of audit. The collection of Rs. 306,112,745 which was to be recovered from the blacklisted suppliers as at 31 December 2022 remained in an uncertain condition.

- (q) According to the financial statements, the total cost of defective, expired and damaged drugs that were purchased for sale by the corporation until 31 December 2022 was Rs. 344,234,681 and the total cost of defective, expired and damaged drugs during the year under review was Rs. 60,402,156. The total cost of defective drugs increased from Rs. 32,290,438 to Rs. 23,683,646 in the previous year and the year under review were still not recovered until 31 March 2023. The total loss incurred by the corporation due to expiry and damage of drugs in the previous year and the year under review was Rs. 156,502,112.
- (r) According to the physical stock survey reports of pharmacies as at 31 December 2022, the stock surplus and shortage were Rs. 5,591,033 and Rs. 5,298,375 respectively and it was Rs. 4,850,246 and Rs. 5,408,315 respectively. It had been identified factors of inconsistencies caused stock shortages and surpluses such as errors in the preparation of sales invoices and stock packaging, errors in the computer system, deficiencies caused by the staff, stock packaging and dispensing of pills and capsules in small quantities with the quantity contained on the label, but necessary steps were not taken to identify the necessary action to reduce those errors and to act in accordance with the Financial Regulations.
- (s) The damaged and expired stock of the corporation's pharmacies in the year 2022 was Rs. 8,596,386, and out of that, the damaged and expired stock of the Kandy Regional warehouse was Rs. 2,870,321. That amount was 33 percent of the total damaged and expired stock and due to that the corporation had not taken appropriate actions regarding these damaged and expired stocks, the damaged and expired stock in the Kandy Regional warehouse was Rs. 2,529,036 had been increased.
- (t) 19 Items worth Rs. 265,875,152 out of the stocks purchased for the medical supplies division for the year 2022 had been failed in condition and although debit notes of Rs. 177,703,578 had been issued for 11 items from that, an amount of Rs. 146,614,558 had not been recovered from the suppliers. Out of the stock of Rs. 552,259, debit notes were issued for Rs. 485,180 on the basis of loss and damage, but Rs. 67,079 had not been collected.
- (u) Although payments should be made only within the recommended limits to the suppliers recommended by the committee that was formed to streamline payments to the suppliers, the corporation had been made total payment of Rs. 525,253,395 to 05 supply companies till 02 September 2022 with contrary to the decision of the last meeting of 65th committee held on 08 June 2022.
- (v) 18,999,630 units of Pfizer vaccines were imported under 77 invoices at a total cost of US\$ 128,247,502 in relation to an order submitted by the Medical Supplies Division in the year 2021. Due to that the import and export control license was not obtained by the corporation for 49 invoices and the import and export division kept the original invoices pending the payment of a penalty of 3 percent related to the order, the debit notes were not issued for charging the service fees borne by the corporation for those vaccines were US\$ 3,796,802 from the Medical Supplies Division. As a result, it was not possible to recognize that value as income in the year under review.



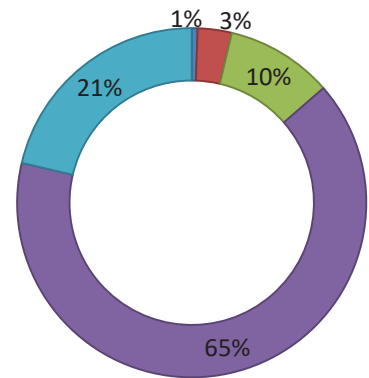
W.P.C. Wickramaratne  
Auditor General



## Human Resources Analysis

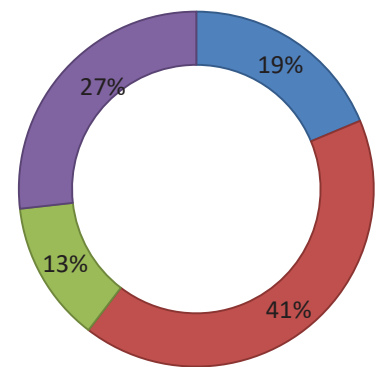
### Employee Category Analysis

- Higher Management
- Middle Management
- Junior Managers
- Management Assistant
- Preliminary Labour



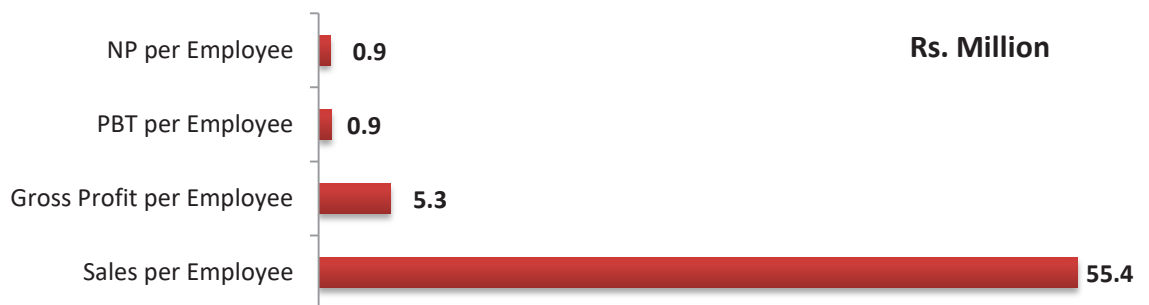
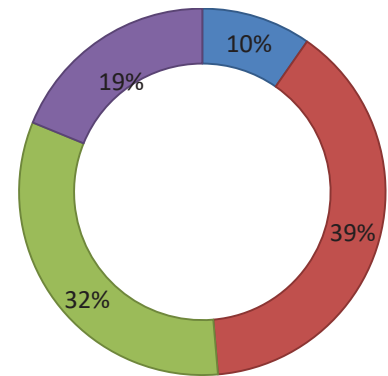
### Employee Retention Period

- Less than 5 years
- 6 -14 years
- 15 - 19 years
- Over 20 years



### Employee Age Analysis

- Below 30 years
- 31 - 40 years
- 41 - 50 years
- Over 50 years



Total number of employees 919

**STATE PHARMACEUTICALS CORPORATION OF SRI LANKA**  
**TEN YEAR SUMMARY - INCOME STATEMENT**

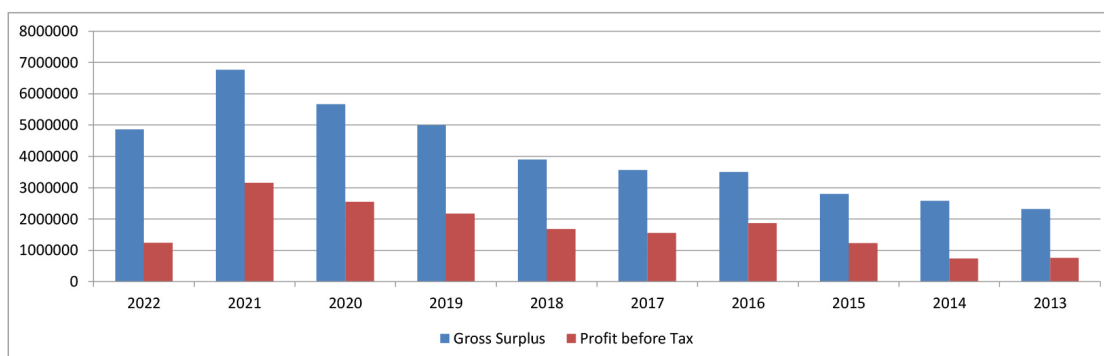
Rs. "000"

**Turnover**

Description	2022 RS.	2021 RS.	2020 RS.	2019 RS.	2018 RS.	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.
Turnover - SPC	9,945,849	9,446,822	8,798,047	8,924,850	7,458,320	6,593,401	6,127,478	5,286,876	4,865,151	4,320,300
Turnover - DHS	40,973,117	70,853,255	54,323,565	42,959,660	31,436,986	25,970,290	26,127,912	19,176,807	17,269,008	16,815,666
<b>Total Turnover</b>	<b>50,918,966</b>	<b>80,300,077</b>	<b>63,121,612</b>	<b>51,884,510</b>	<b>38,895,306</b>	<b>32,563,691</b>	<b>32,255,390</b>	<b>24,463,683</b>	<b>22,134,159</b>	<b>21,135,966</b>
Gross Trading Profit - SPC	2,069,584	2,224,536	2,249,676	2,279,155	1,772,559	1,680,368	1,656,938	1,410,722	1,247,074	1,136,403
Gross Surplus - DHS	2,789,095	4,584,027	3,415,072	2,717,507	2,125,052	1,887,026	1,850,650	1,386,731	1,333,198	1,185,004
<b>Gross Surplus</b>	<b>4,858,679</b>	<b>6,808,563</b>	<b>5,664,749</b>	<b>4,996,662</b>	<b>3,897,611</b>	<b>3,567,394</b>	<b>3,507,588</b>	<b>2,797,453</b>	<b>2,580,272</b>	<b>2,321,407</b>

**Overheads**

Other Income	107,110	88,531	287,363	91,441	73,072	53,004	43,085	51,259	25,738	17,537
Administrative Expenses	(2,059,292)	(1,967,159)	(1,753,834)	(1,619,555)	(1,532,485)	(1,288,183)	(1,101,435)	(1,057,970)	(969,744)	(786,904)
Other Operating Expenses	(2,045,593)	(1,158,052)	(962,078)	(971,096)	(691,967)	(741,459)	(580,843)	(563,357)	(749,825)	(791,794)
<b>Operating Profit</b>	<b>860,904</b>	<b>3,771,883</b>	<b>3,236,200</b>	<b>2,497,452</b>	<b>1,746,231</b>	<b>1,590,756</b>	<b>1,868,392</b>	<b>1,227,385</b>	<b>886,441</b>	<b>760,246</b>
Finance Cost	(13,974)	(10,556)	(10,588)	(10,763)	(1,512)	(1,295)	(1,071)	(1,599)	(124)	(227)
Overdraft Interest	(140)	(569,624)	(686,878)	(317,470)	(67,406)	(35,199)	(5,434)	(734)	(149,659)	(1,384)
<b>Total Overheads</b>	<b>(4,118,999)</b>	<b>(3,705,391)</b>	<b>(3,413,378)</b>	<b>(2,918,884)</b>	<b>(2,293,370)</b>	<b>(2,066,136)</b>	<b>(1,688,783)</b>	<b>(1,623,660)</b>	<b>(1,869,352)</b>	<b>(1,580,309)</b>
Finance Income	7,643	6,943	6,891	6,875	7,436	5,765	5,721	5,086	4,896	4,357
<b>Profit before Tax</b>	<b>854,433</b>	<b>3,198,646</b>	<b>2,545,624</b>	<b>2,176,094</b>	<b>1,684,749</b>	<b>1,560,027</b>	<b>1,867,608</b>	<b>1,230,137</b>	<b>741,554</b>	<b>762,992</b>
Taxation	209,710	782,230	576,401	512,225	756,823	470,595	625,863	610,539	192,145	320,008
<b>Net Profit for the period</b>	<b>644,723</b>	<b>2,416,416</b>	<b>1,969,224</b>	<b>1,663,869</b>	<b>927,926</b>	<b>1,089,432</b>	<b>1,241,744</b>	<b>619,598</b>	<b>549,409</b>	<b>442,984</b>
Defined benefits plan	86,102	57,438	191,755	(1,926)	30,453	(59,575)	10,049	239,887	(212,044)	(31,574)
Revaluation gain	71,351									
<b>Total comprehensive Income</b>	<b>802,176</b>	<b>2,473,854</b>	<b>2,160,979</b>	<b>1,661,943</b>	<b>958,380</b>	<b>1,029,856</b>	<b>1,251,794</b>	<b>859,485</b>	<b>337,365</b>	<b>411,410</b>

**RATIOS**

Gross Profit Ratio - SPC (%)	21	23.55	25.57	25.5	23.8	25.5	27.04	26.68	25.63	26.3
Gross Profit Ratio - DHS (%)	6.81	6.41	6.29	6.33	6.76	7.27	7.08	7.23	7.72	7.05
Gross Surplus to Sales (%)	9.54	8.43	8.97	9.63	10.02	10.96	10.87	11.44	11.66	10.98
Annual Sales Growth (%) -SPC	5.28	7.37	(1.42)	19.66	13.12	7.60	15.90	8.67	12.61	0.9
Annual Sales Growth (%) -DHS	(42.14)	30.35	26.45	36.65	21.05	(0.60)	36.25	11.05	2.6	1.2
Total Sales Growth (%)	(36.56)	27.15	21.66	33.40	19.44	0.96	31.85	10.52	4.72	1.17

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

Rs. "000"

Description	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
<b>Contributed Capital &amp; Reserves</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>	<b>125,117</b>
<b>Current Assets</b>										
Inventories - SPC	3,189,712	2,396,406	2,751,098	2,802,020	2,754,287	1,798,403	2,009,502	2,364,091	1,385,477	1,703,222
Stocks in Transit - DHS	40,001	936,743	1,314,756	280,723	286,587	630,130	540,693	788,342	528,710	809,462
Trade and other receivables	54,916,913	52,164,442	33,682,452	27,299,630	16,319,413	7,901,244	4,521,175	3,051,445	2,370,323	8,881,602
Deposits & Prepayments	50,797	41,906	100,917	53,931	61,219	57,979	37,614	33,046	37,964	32,948
Cash in Hand & at Bank	5,613,777	1,111,457	1,225,358	1,114,223	1,021,185	312,050	244,947	790,525	801,717	1,200,667
<b>Total Current Assets</b>	<b>63,811,199</b>	<b>56,650,954</b>	<b>39,074,581</b>	<b>31,550,527</b>	<b>20,442,691</b>	<b>10,699,807</b>	<b>7,353,931</b>	<b>7,027,449</b>	<b>5,124,191</b>	<b>12,627,901</b>
<b>Current Liabilities</b>										
Trade and other Payables	25,555,706	16,164,216	16,117,661	16,293,739	10,423,896	3,996,134	2,657,620	3,347,410	2,235,194	3,649,362
Income tax payables	190,930	1,285,189	475,496	352,117	438,060	337,976	519,770	397,758	180,617	290,045
Deferred Income	-	1,471	1,800	1,461	1,345	927	1,103	1,005	748	889
Lease Liabilities	23,253	21,759	19,870	19,187						
Current Financial Liabilities	15,937,904	15,432,057	55,929	6,310,716	2,639,033	1,361,444	39,703	56,689	78,739	6,254,353
Long Term Loans	1,978,933	2,060,544	491,355							
<b>Total Current Liabilities</b>	<b>43,686,726</b>	<b>34,965,236</b>	<b>17,162,111</b>	<b>22,977,220</b>	<b>13,502,334</b>	<b>5,696,481</b>	<b>3,218,196</b>	<b>3,802,862</b>	<b>2,495,298</b>	<b>10,194,649</b>
Non Current Assets	2,465,268	2,351,605	2,329,488	2,277,480	2,225,337	2,179,335	2,166,630	2,156,615	2,138,973	1,858,832
Non Current Liabilities	8,004,715	9,904,472	11,908,162	294,459	271,308	264,651	192,213	233,394	372,220	158,803
<b>Net Assets</b>	<b>14,585,025</b>	<b>14,132,848</b>	<b>12,333,796</b>	<b>10,556,328</b>	<b>8,894,386</b>	<b>6,918,010</b>	<b>6,110,152</b>	<b>5,147,807</b>	<b>4,395,646</b>	<b>4,133,281</b>

**RATIOS**

Fixed Assets Turnover ( times )	1:20.6	1:34.3	1:27.1	1:22.78	1:17.48	1:14.94	1:14.89	1:11.34	1:10.35	1:11.37
Current Ratio ( times )	1:1.47	1:1.62	1:2.28	1:1.37	1:1.51	1:1.88	1:2.29	1:1.85	1:2.05	1:1.24
Liquidity Ratio ( times )	1:1.4	1:1.6	1:2.1	1:1.2	1:1.3	1:1.5	1:1.5	1:1.02	1:1.3	1:0.9
Interest Cover ( times )	9.8	6.45	4.66	7.85	25.99	45.32	344.69	1676.94	5.95	552.29
Stock Turnover Ratio ( times ) SPC	2.8	2.75	2.36	2.39	2.5	2.58	2.04	2.07	2.34	2.17

## SALES NETWORK

REGISTERED OFFICE		BUSINESS OFFICE	
State Pharmaceuticals Corporation of Sri Lanka 75, Sir Baron Jayatillake Mawatha, Colombo 1, Sri Lanka Telephone: 011-2320356 – 9 Fax: 011-2447118 Website: <a href="http://www.spc.lk">www.spc.lk</a> Email: <a href="mailto:spc@spc.lk">spc@spc.lk</a>		State Pharmaceuticals Corporation of Sri Lanka 16 <sup>th</sup> floor, “Mehewarapiyasa” Kirula Road, Narahenpita. Telephone: 011-2320356 – 9 Fax: 011-2447118 Website: <a href="http://www.spc.lk">www.spc.lk</a> Email: <a href="mailto:spc@spc.lk">spc@spc.lk</a>	
SALES UNIT –Rathmalana	Tel.011-2632288 Fax: 011-2632962	ORS UNIT–Rathmalana	Tel.011-2622334
MAIN STORES–Rathmalana	Tel.011-2634318 Fax:011-2636715	KANDY STORES- Thennekumbura	Tel. 081-2240274
Osusala – Akkaripattu	Tel.067-2057625	Osu Sala – Karapitiya	Tel.091- 2226947
Osu Sala – Ampara	Tel.063-2223088	Osu Sala – K.D.U	Tel.011-2044595
Osu Sala – Anamaduwa	Tel. 032- 2263999	Osu Sala – Kurunegala	Tel.037-2230840
Osu Sala – Anuradhapura	Tel.025-2222181	Osu Sala – Madawachchiya	Tel.025-2121040
Osu Sala – Avissawella	Tel.036-2222501	Osu Sala – Maharagama	Tel.011-2745640
Osu Sala - Badulla (CWE)	Tel.055- 2229837	Osu Sala – Matale	Tel.066-2220126
Osu Sala – Badulla (Bs)	Tel.055- 2224700	Osu Sala – Matara	Tel.041-2231871
Osu Sala –Bandaragama	Tel.038-2288671	Osu Sala – Mathugama	Tel.034-2248861
Osu Sala – Beruwala	Tel.034- 2278578	Osu Sala-Minuwangoda	Tel.011-2295120
Osu Sala –Borella	Tel.011-2697660	Osu Sala - Monaragala	Tel.055-2277712
Osu Sala - Colombo 1	Tel.011-2328046	Osu Sala – Nagoda	Tel.034-2222818
Osu Sala - Colombo 4	Tel.011-2587128	Osu Sala – Narahenpita	Tel. 011-2055284
Osu Sala - Colombo 7	Tel.011-2694716, 011-2672293	Osu Sala – Negombo	Tel.031-2228599
Osu Sala – Dambulla	Tel.066- 2285133	Osu Sala – Ninthavur	Tel.067- 2058208
Osu Sala –Diyathalawa	Tel.055- 3551624	Osu Sala – Nittambuwa	T: 033-2053499
Osu Sala – Embilipitiya	Tel. 047-2261177	Osu Sala – Nugegoda	Tel.011-2856641
Osu Sala – Fort	Tel. 011-2336926	Osu Sala – Panadura	Tel.038-2234767
Osu Sala – Galle	Tel.091-2234726	Osu Sala – Peradeniya	Tel.081-2386045
Osu Sala – Gamapaha	Tel.033-2234516	Osu Sala – Piliyandala	Tel. 011- 2613640
Osu Sala – Hambantota	Tel.047-2222163	Osu Sala – Pitakotte	Tel.011-2099444
Osu Sala – Horana	Tel. 034-2205333	Osu Sala – Polonnaruwa	Tel.027-2225465
Osu Sala – Homagama	T: 011-2891222	Osu Sala – Ragama	Tel. 011-2955219
Osu Sala – Ja`pura	Tel.011-2779414	Osu Sala – Ratmalana	Tel. 011-3043789
Osu Sala – Jaffna	Tel. 021- 2219262	Osu Sala - Ratnapura	Tel.045-2223014
Osu Sala – Kandy	Tel.081-2225175	Osu Sala – Tangalla	Tel. 047-2241221
Osu Sala –(Kandy Railway)	Tel.081-2225176		

MARKETING & SALES DEPARTMENT - Tel.011-2430778, 011-2328507, 011-2320356-9